

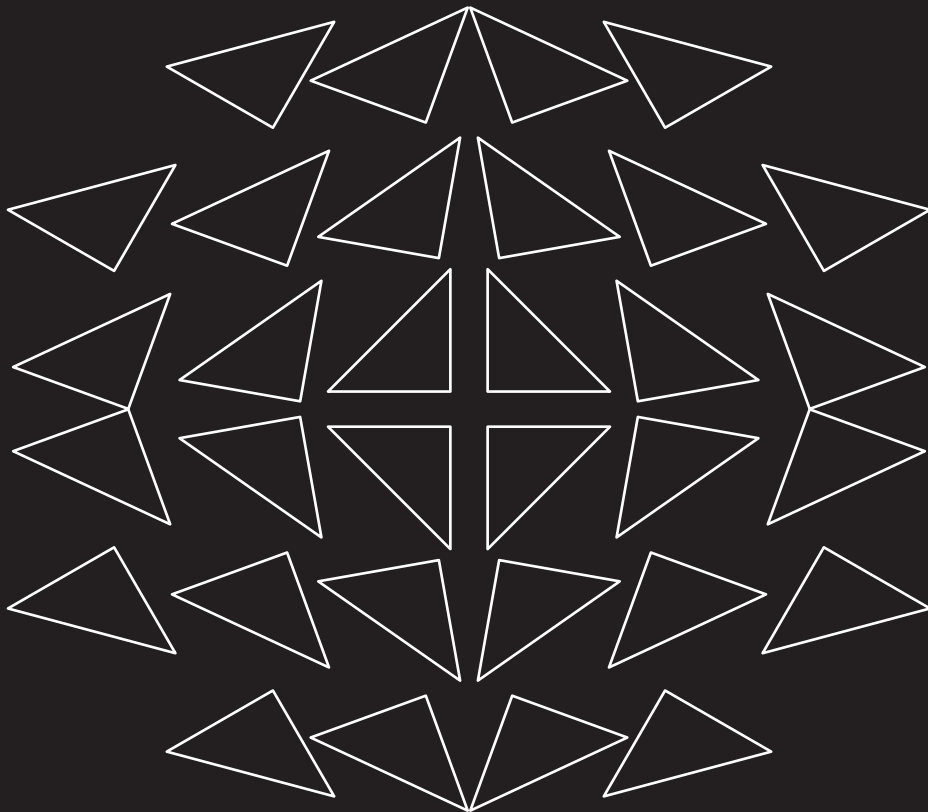


Ministry
of Justice

Ministry of Justice

Annual Report and Accounts

2012–13



Ministry of Justice Annual Report and Accounts 2012–13

(For the year ended 31 March 2013)

Accounts presented to the House of Commons pursuant to Section 6(4) of the Government Resources and Accounts Act 2000

Annual Report presented to the House of Commons by Command of Her Majesty

Annual Report and Accounts presented to the House of Lords by Command of Her Majesty

Ordered by the House of Commons to be printed 25 June 2013

© Crown copyright 2013

You may re-use this information (excluding logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence, visit <http://www.nationalarchives.gov.uk/doc/open-government-licence/> or e-mail: psi@nationalarchives.gsi.gov.uk.

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

Any enquiries regarding this publication should be sent to us at Simon.Quinn@justice.gsi.gov.uk

You can download this publication from www.gov.uk/MoJ

ISBN: 9780102982732

Printed in the UK by The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
ID 2555216 06/13

Printed on paper containing 75% recycled fibre content minimum.

Contents

| | |
|--|------------|
| Forewords | 3 |
| By the Lord Chancellor and Secretary of State for Justice | 3 |
| By the Permanent Secretary | 5 |
| By the Lead Non-Executive Board Member | 6 |
| About us | 8 |
| Our vision | 8 |
| Our work | 8 |
| Our structure | 9 |
| Management commentary – what we do and how we do it | 11 |
| Our priorities | 11 |
| Our performance | 16 |
| Our finances | 21 |
| Our staff | 25 |
| Our effort towards regulatory issues | 26 |
| Other areas of Departmental work | 29 |
| Our Accounts | 35 |
| Sustainability report | 39 |
| Remuneration report | 47 |
| Statement of Accounting Officer’s responsibilities | 56 |
| Annual governance statement | 57 |
| The Certificate and Report of the Comptroller and Auditor General to the House of Commons | 67 |
| Accounts | 69 |
| Statement of Parliamentary Supply | 69 |
| Consolidated Statement of Comprehensive Net Expenditure | 70 |
| Consolidated Statement of Financial Position | 71 |
| Consolidated Statement of Cash Flows | 72 |
| Consolidated Statement of Changes in Taxpayers’ Equity | 73 |
| Notes to the Accounts for the year ended 31 March 2013 | 77 |
| Annex A: Public expenditure core financial tables | 157 |

Forewords

By the Lord Chancellor and Secretary of State for Justice

Since I took office in September last year I have been clear that we need to ensure that when people have broken the law they face the consequences and are punished appropriately. We need to ensure that victims are placed at the heart of the criminal justice system, and that they have confidence that the system won't put the offender's needs ahead of their own.

But we also cannot ignore the reality of reoffending rates that have barely changed in a decade, despite billions of pounds being spent on the justice system each year. We have a strong case for reform of the system, in order to strike the right balance between punishment and a genuine opportunity for lasting rehabilitation. That's why we need a multi-faceted approach to criminal justice, and why I have set out five priorities for reform.

At the centre of our approach is a revolution in rehabilitation, a process of rapid reform to the way we deal with offenders that will be built around the principle of payment by results. In future, our services will be delivered by whoever is best able to do the job at the best value for money, be they voluntary, private, or public sector. This year, we have laid strong foundations for real change across the criminal justice system. We have published our ambitious proposals for transforming rehabilitation which will, among other measures, mean that every offender released from custody will receive statutory supervision and rehabilitation in the community. We have also set out our plans for the reform of the probation service, which will harness the innovation and energy of the widest possible range of providers, while building on the expertise and professionalism which is already in place.

We need big changes too in the way we deal with young offenders, with a much greater focus on education in a secure environment, seeing that young offenders are appropriately punished while at the same time learning to take responsibility for their actions and gaining the skills and qualifications they need to lead productive, law-abiding lives. This year we have set out our ambitious proposals and the coming year will see significant steps towards reform in this area.

But this does not mean a softer approach on prisons. I have no doubt that one of the reasons for the lower crime levels in recent years is the fact that more people are in prison, and we will focus on making our prison system cheaper not smaller. In the coming year we will continue to drive efficiencies in the way our prisons are run and deliver real savings while continuing to protect the public and punish offenders.

Another reality we cannot ignore is the tough financial climate we face. The Ministry of Justice has responsibility for the administration of the system of legal aid in England and Wales; my predecessor Ken Clarke made big changes to civil legal aid, but we still need to go further in this area, particularly in criminal legal aid which at around a billion pounds a year is one of the most expensive systems of legal aid in the world. This year, we have worked to implement the changes to the law brought about by the Legal Aid, Sentencing and Punishment of Offenders Act which will reduce cost of legal aid while keeping it focused on those cases that require it, and sees the Legal Services Commission transition to become the Legal Aid Agency, a new executive agency of the Ministry of Justice.

Lastly, I want a real drive for a criminal justice and court system that works effectively and puts victims first. Our courts need not only to deliver sound and fair decisions, but to deliver them in a timely manner, in order to ensure we have a system in which the public can and do have confidence. Last summer we published a White Paper setting out our plans for reform to increase the efficiency and effectiveness of the criminal justice system, and we have also this year seen the

passage through parliament of the Crime and Courts Act, which became law in April 2013. This contains measures to modernise our courts system and also to reform the system of judicial appointments, increasing both transparency and diversity. It will also allow, for the first time, broadcasting from courtrooms in some circumstances.

We have also set out our plans to consider reforming the resourcing and administration of our courts and tribunals. I have asked the Department to look at ways in which the courts could increase revenue, raise the investment required to modernise our facilities and put the services we provide on a sustainable footing. We are working closely with the judiciary on the development of these proposals.

While we can be rightly proud of our achievements, there is still much to be done. I have been impressed by the way the Department has risen to the challenge of implementing this programme of change and I have seen first hand the dedication of our public servants who work hard to realise these ambitious reforms. The financial climate in which we operate certainly provides us with a challenge, but it is also an opportunity to look at everything we do and ask ourselves how we can deliver high quality public services at the best possible value for money for the taxpayer. It's the right thing to do and I know that, working together, we can achieve this.



The Rt Hon Chris Grayling MP
Lord Chancellor and Secretary of State for Justice

By the Permanent Secretary

I am pleased to be able to introduce the Ministry of Justice Annual Report and Accounts 2012–13. Increasingly, we are being challenged both by our stakeholders and by the public to deliver better value for money and this year has seen us take bold steps in changing the way we work.

At a time when financial settlements across Whitehall are very tight, we have had to make tough decisions about where our resources are best targeted, but we have also striven to drive efficiencies and to build our capability to deliver transformed public services. We are working hard to improve our management of resources and to build our skills in key areas such as commercial management, policy implementation and project and programme management. Within the Department, we have been working to streamline our governance and structure; with such a big agenda we cannot afford for accountabilities to be unclear. Looking to the services we provide, we are proud of the developments we have made in using digital technology to increase efficiency but we know we have more to do to bring the benefits of digital working to the users and practitioners in the justice system.

Under the banner of Transforming Justice, throughout the Department staff are working to deliver a justice system that is more effective, less costly and more responsive to the public. I am grateful for their dedication and commitment.



Ursula Brennan
Permanent Secretary

By the Lead Non-Executive Board Member

The Ministry of Justice (MoJ or the Department) performed strongly in 2012–13 from both a financial and an operational perspective. It is also making solid progress in delivering against the key priorities identified by the new Justice Secretary. The Department aims to deliver an ambitious programme of change against the backdrop of challenging financial targets whilst continuing to provide a quality service to the public. The task for the coming year will be to build on the progress made to date and to drive effective and well-controlled execution against this agenda whilst continuing to achieve cost savings.

In the second full year of its operation, the enhanced MoJ Departmental Board met six times, including an extended meeting which focused on strategy. The Board discussed progress towards delivering the Department's vision and plans and in achieving the required efficiency savings. The Board also considered the Secretary of State's five priority areas which involve transformational change and, through a discussion on Departmental governance, has asked the Department to increase scrutiny on major projects. The Board regularly reviews Departmental performance, and in doing so employs an improved reporting pack for the Departmental Board which has been adopted as a model by other government departments.

The Board is supported by a range of committees covering the management of the Department: change, audit, financial management and people. In the next year the Department has recognised that it needs to think radically about both the services it provides and the way they are delivered, not only to make the ambitious savings required in future but also to make the most of the opportunity to create a justice system that even better meets the needs of the public and victims. As part of this, the Departmental Board has commissioned a fundamental review of MoJ's services and structures. I have been asked by the Secretary of State to play a part in this review which will consider what kind of justice system we need for the future and how we need to organise ourselves to deliver it. Work is also underway to put in place some short-term changes that will help us live within our means for the remainder of the current Spending Round period, and also to make more substantial changes in order to start on a stronger footing for the next.

I have recently completed the second Board Effectiveness Review and found that the Board continues to operate satisfactorily despite the significant change in its membership over the last six months involving the Secretary of State, ministers, executives and the lead non-executive. The Review concluded that the Board's focus on and engagement with performance has improved. However, the Board needs greater understanding of the work and key risks of the Arm's Length Bodies (ALBs), and there needs to be more clarity over the roles and responsibilities of committees and their interaction with one another and the Board.

Towards the end of the year, in addition to my review into the Board's effectiveness, Non-Executive Bill Griffiths led an independent review into the quality assurance and governance of the Department with two independent members of the MoJ Audit Committee, David Clarke and Peter Conway. The report addressed the issues identified in the Laidlaw Report, published in December 2012 into the cancellation of the West Coast Mainline franchise competition at the Department for Transport. Bill worked collaboratively with the Department and reported his findings to the Departmental Board and also presented them to the MoJ Senior Civil Service Conference. The Board has welcomed this report and work is now being undertaken by the Department to improve the design and operation of the governance structure in line with the recommendations.

Finally, the non-executives have undertaken a range of work in the past year in addition to their primary role of providing constructive challenge and advice to the Board:

- As well as leading the quality assurance and governance review, Bill Griffiths continues to Chair the MoJ Audit Committee and also attends the Transforming Justice stocktakes and the Financial Management Committee meetings.
- Sue Street has provided valuable challenge to the Department's approach to the reform of, and public appointments to, its ALBs. Sue has helped to ensure that reviews of bodies consider the fundamental need for a body to exist as well as their structure and governance, and that appointment campaigns are focussed on attracting high calibre and diverse candidates, particularly from women and those in the private sector. Sue also sat on the recruitment panel for Chief Inspector Probation and two board members for the Legal Services Commission.
- David MacLeod provides advice to the MoJ Human Resources (HR) team, in particular on employee engagement and sat on the recruitment panel for the Director General Transforming Justice. David also delivered a Transforming Justice seminar 'Engage for Success' on the connection between staff engagement and organisational success, focusing on what engagement is, why it matters and the four key enablers of engagement. David attends the Transforming Justice Committee and the Workforce Committee.

I would also like to thank Jim Leng for his time as Lead Non-Executive. Jim's support and assistance with the strategic operation of the Board has been of great value and has laid a good foundation on which my fellow non-executives and I can continue to build.

A handwritten signature in black ink, appearing to read 'Tim Breedon', with a long horizontal line extending to the right.

Tim Breedon
Lead Non-Executive Board Member

About us

Our vision

The Ministry of Justice (MoJ or the Department) is delivering a far reaching reform programme. We need a justice system in which the public has confidence. We are committed to making sure offenders are properly punished, to prioritising the needs of victims and to showing that we are on the side of law abiding citizens.

The economic situation means that we also need to save more than £2.5bn by 2015. To do that, we are radically changing the way we work, making sure that every penny of taxpayers' money counts.

Our vision is a justice system that is more effective, less costly and more responsive to the public.

Our priorities are to: deliver a rehabilitation revolution that properly punishes while reducing reoffending; make prisons more cost effective; make sure youth justice gives the right support to young offenders while being cost effective; continue reforming courts and the wider criminal justice system to deliver a more efficient and effective service; and ensure Legal Aid is credible and targeted on those cases that require it.

Crime causes misery and too many convicted criminals go on to reoffend. The current system is failing to tackle this properly. It is outdated and costs have spiralled. We need to build a modern, efficient system that sees more of the right people going to prison, but fewer returning to a life of crime when they leave.

The current civil and family justice systems are expensive, slow and can be stressful. We need to make sure that those people who can solve their problems themselves do so, and those who need help from a court get it quickly, whether they're going through a divorce, debt proceedings or some other kind of dispute.

We have a clear opportunity to do things better. We are re-examining the services we deliver and the way we deliver them, working with others to provide what's really needed. We are also transforming our organisation, making sure that we have the right people in the right places, doing the right things, at the right time.

Our work

MoJ has responsibility for a number of different parts of the justice system – the courts, tribunals, prisons, legal services, youth justice, probation services and attendance centres. Our work spans criminal, civil, family and administrative justice and we are also responsible for making new laws and safeguarding human rights. We work in partnership with other government departments and agencies to serve the public, improve the criminal justice system and support victims of crime.

We have four Executive Agencies which are responsible for the delivery of the majority of our services to the public: Her Majesty's (HM) Courts & Tribunals Service, National Offender Management Service (NOMS), the Legal Aid Agency (LAA) (formerly the Legal Services Commission (LSC)) and the Office of the Public Guardian (OPG), supported by a smaller corporate centre. We provide services across England and Wales, and in the case of HM Courts & Tribunals Service, non devolved tribunals in Scotland and Northern Ireland.

Our courts and tribunals service covers criminal, civil and family justice, which ensure that offenders are punished, disagreements between individuals can be determined, and family

disputes can be resolved. Our offender management services work to ensure that the public is protected and reoffending reduced by delivering the punishment and orders of the courts, and also to support rehabilitation by helping offenders change their lives. We are responsible for the provision of legal aid in England and Wales through the LAA. For the period covered by these Accounts this organisation was known as the LSC and made the transition to Executive Agency status on 1 April 2013.

Our structure

MoJ is one of the largest government departments. Each year millions of people use our services across the UK – including at around 500 courts and tribunals, and 133 prisons in England and Wales as well as 13 legal aid offices (excluding Public Defender Service offices).

The MoJ Core Department, often referred to as ‘Ministry of Justice Headquarters’ (MoJ HQ) is responsible for supporting the Secretary of State and his ministerial team in policy, funding and regulatory functions, as well as providing key services to other bodies within the Department.

Much of the delivery of MoJ services is provided by four delivery arms, all of which were Executive Agencies of MoJ during the year with the exception of the LSC which was a Non-Departmental Public Body (NDPB). The LSC made the transition to Executive Agency status on 1 April 2013.

| Executive Agencies | Responsibility |
|--|--|
| Her Majesty’s (HM) Courts & Tribunals Service | Responsible for the administration of the courts and tribunals system, including the High Court, Crown Court, magistrates’ courts and county courts, in England and Wales and common administrative support to the main central government tribunals including non devolved tribunals in Scotland and Northern Ireland. |
| Legal Aid Agency (LAA) | Oversees the administration of legal aid in England and Wales. The LSC, the NDPB previously responsible for legal aid, made the transition to Executive Agency status on 1 April 2013. |
| National Offender Management System (NOMS) | NOMS’s role is to commission and provide offender management services in the community and in custody ensuring best value for money from public resources. NOMS works to protect the public and reduce reoffending by delivering the punishment and orders of the courts and supporting rehabilitation by helping offenders to reform their lives. |
| Office of the Public Guardian (OPG) | Supports and promotes decision making for those who lack capacity or would like to plan for their future, within the framework of the Mental Capacity Act 2005. |

In addition to the four Executive Agencies, there are a further seven NDPBs which form part of the Department, one statutory office and a further 35 local Probation Trusts which are also NDPBs and form part of the NOMS group. These are set out in the table below.

The Office for Legal Complaints (OLC), despite being a Statutory Office, is captured within the MoJ Departmental Group and therefore consolidated within these Accounts. As such, references to NDPBs throughout this Annual Report and Accounts include OLC information.

MoJ HQ and its Executive Agencies are supported in delivering services by a number of associated offices such as the Office for Judicial Complaints or the Victims’ Commissioner, and

these offices have been consolidated into the relevant body. A list of associated offices is provided in Note 31 to the Accounts.

| Other entities including NDPBs | Responsibility |
|--|--|
| Criminal Cases Review Commission (CCRC) | Investigates possible miscarriages of justice in England, Wales and Northern Ireland. |
| Criminal Injuries Compensation Authority (CICA) | Administers the Criminal Injuries Compensation Scheme (CICS) throughout England, Scotland and Wales, paying compensation to eligible applicants who have been the victim of a violent crime. |
| Information Commissioner's Office (ICO) | Reports to Parliament on aspects of data protection and freedom of information. |
| Judicial Appointments Commission (JAC) | Selects judicial office holders on merit and independently of government through fair and open competition. |
| Legal Services Board (LSB) | Oversees approved regulators and licensing authorities in the legal sector such as the Solicitors' Regulatory Authority and the Bar Standards Board. |
| Office for Legal Complaints (OLC) | Handles complaints about solicitors, barristers, patent attorneys and legal executives in England and Wales. |
| The Parole Board for England and Wales | Works with criminal justice partners to protect the public by risk assessing prisoners to decide whether they can be safely released into the community. |
| Probation Trusts | Delivers probation services through a network of 35 Probation Trusts for England and Wales. |
| Youth Justice Board (YJB) | Administers the youth justice system in England and Wales. |

Management commentary – what we do and how we do it

Our priorities

MoJ is delivering the vision for Transforming Justice (TJ) set by the MoJ Departmental Board (the Board).

The MoJ Departmental Business Plan 2013–2015 outlines our seven structural reform priorities. These are set by the Secretary of State for Justice and Lord Chancellor and his ministerial team, in discussion with the Prime Minister and the Cabinet. Our objectives are to:

- promote UK growth;
- continue work to revolutionise rehabilitation;
- protect the public and punish offenders as part of a more effective and cost efficient custodial system;
- transform youth custody;
- transform our courts and tribunals and the criminal justice system;
- transform legal aid; and
- advance civil liberties and reform the law.

Reform plans for the remainder of the Spending Review period

Over the remaining years of the Spending Review 2010 (SR10), the Department plans to deliver significant reforms to the way its services are delivered as part of our TJ programme.

We will be delivering a rehabilitation revolution that helps to transform the lives of offenders and to ensure they do not return to crime when they have finished their sentence. Our response to the consultation *Transforming Rehabilitation: A Strategy for Reform* was published in May 2013 and sets out our plans in this area including new statutory rehabilitation extended to offenders sentenced to less than 12 months in custody, opening up the market to a diverse range of new rehabilitation providers, and a new national public sector probation service. We will also focus on driving down the costs of prison, delivering a system that ensures public protection while providing maximum value for money for the taxpayer. We will be implementing reforms to the sentencing framework in England and Wales, so that the courts have the right options at their disposal when dealing with offenders, including more punitive community orders.

Youth custody will also be transformed; there will be far-reaching changes in the way we deal with young offenders, with a much greater focus on education in a secure environment. We will be re-evaluating the youth justice system to ensure that the support we give to young offenders is not only appropriate, but also cost-effective.

In legal aid, we will be re-shaping the system so that it commands public confidence. We will continue to drive down the costs of legal aid, while at the same time keeping it focused on the cases that require it. We will be particularly focusing on criminal legal aid, building on the reforms already made to civil legal aid.

We will also be continuing work already being undertaken to rationalise and improve the court estate and identify further efficiencies. We will implement a drive for a courts system and a wider criminal justice system that works effectively and puts victims first. We will be delivering a package of reforms to address inefficiency, waste and delay and make the system work more effectively.

We will also be reforming the services provided to victims of crime, and promoting wider use of restorative justice approaches.

Coalition commitments

The Coalition Agreement was published in May 2010 and sets out the government's policy commitments until the next election. The Department has input into a range of areas of the agreement including crime and policing, civil liberties and justice, and we work closely with other government departments to deliver on these commitments. Below is a table showing our progress in each area during 2012–13.

| Coalition Commitments | Progress |
|--|---|
| Civil Liberties | |
| <p>1. We will extend the scope of the Freedom of Information Act (FOIA) to provide greater transparency.</p> | <p>Through provisions in the Protection of Freedoms Act 2012 we have extended the scope of the FOIA to include:</p> <ul style="list-style-type: none"> • academy schools; • the Association of Chief Police Officers, Financial Ombudsman Service, and Universities and Colleges Admissions Service; and • more than 100 companies wholly owned by more than one public authority. Currently, it applies only to those wholly owned by the Crown or a single public authority. <p>It is intended that these changes should come into effect in summer 2013.</p> <p>The Justice Select Committee published its report on post-legislative scrutiny of the FOIA in July 2012, and we published our response in November 2012. The government is carrying out further action as a result including revising the Code of Practice for public authorities on Freedom of Information, enhancing the powers of the Information Commissioner to prosecute public authorities who inappropriately destroy information subject to the FOIA and further expanding the FOIA to new bodies where this is appropriate.</p> |
| <p>2. We will protect historic freedoms through defence of trial by jury.</p> | <p>Through the Protection of Freedoms Act, which was led by the Home Office and became law in May 2012, MoJ has legislated to repeal section 43 of the Criminal Justice Act 2003, which would allow the prosecution to apply for serious fraud cases to be tried in the Crown Court without a jury.</p> |

| Coalition Commitments | Progress |
|--|---|
| <p>3. We will establish a Commission to investigate the creation of a Bill of Rights that incorporates and builds on all our obligations under the European Convention on Human Rights (ECHR), ensures that these rights continue to be enshrined in British law, and protects and extends British liberties. We will seek to promote a better understanding of the true scope of these obligations and liberties.</p> | <p>A Commission, chaired by Sir Leigh Lewis, was established in March 2011. The government is currently giving careful consideration to the Commission's final report, which was published in December 2012 and will help inform government thinking in this area. No formal response will be made.</p> |
| <p>4. We will strengthen protection from rogue bailiffs who use unsound, unsafe and unfair methods while at the same time making sure debts can be collected fairly.</p> | <p>In January 2013 we published our response to the Transforming Bailiff Action consultation paper, which sets out how we will provide more protection against aggressive bailiffs and encourage more flexibility in bailiff collections. We will deliver our proposals through the implementation of Part 3 of the Tribunals, Courts and Enforcement Act 2007, laying the underpinning regulations by summer 2013 for implementation in April 2014.</p> |
| <p>5. We will review libel laws to protect freedom of speech.</p> | <p>This commitment was taken forward through the Defamation Act, which became law in April 2013.</p> |
| <p>6. We will introduce a new mechanism to prevent the proliferation of unnecessary new criminal offences.</p> | <p>We have created a new Criminal Offences Gateway, operated by MoJ, to scrutinise any proposals and prevent the proliferation of new and unnecessary criminal offences. The Gateway was established in June 2010 and is working effectively.</p> |
| Crime and Policing | |
| <p>7. We will seek to spread information on which policing techniques and sentences are most effective at cutting crime across the Criminal Justice System (CJS).</p> | <p>MoJ published a Compendium of Re-offending Statistics and analysis in May 2011, which provided information in this area for all adult sentences. In July 2012 this analysis was extended to cover juveniles. In 2012 MoJ also published a research report on the effectiveness of specific community order requirements.</p> |
| <p>8. We will give people greater legal protection to prevent crime and apprehend criminals.</p> <p>We will ensure that people have the protection that they need when they defend themselves against intruders.</p> | <p>The Legal Aid, Sentencing and Punishment of Offenders Act, which became law in May 2012, clarifies the law on self defence, to make it clear that a person is under no duty to retreat from an offender when acting in self defence to prevent crime or to protect property. Further protection for householders who are defending themselves from intruders has been introduced by the Crime and Courts Act 2013, which came into force on 25 April 2013.</p> |

| Coalition Commitments | Progress |
|--|--|
| Justice | |
| <p>9. We will introduce a ‘rehabilitation revolution’ that will pay independent providers to reduce re-offending, paid for by the savings this new approach will generate within the CJS.</p> | <p>We published our Rehabilitation Revolution consultation in January 2013. The government’s response to consultation, <i>Transforming Rehabilitation: A Strategy for Reform</i> was published in May 2013. The reforms we will implement include:</p> <ul style="list-style-type: none"> • new statutory rehabilitation extended to offenders sentenced to less than 12 months in custody; • nationwide ‘through the prison gate’ resettlement service; • opening up the market to a diverse range of new rehabilitation providers; • new payment incentives for market providers, but only paying them in full for real reductions in reoffending; and • a new national public sector probation service. |
| <p>10. We will conduct a full review of sentencing policy to ensure that it is effective in deterring crime, protecting the public, punishing offenders and cutting re-offending. In particular, we will ensure that sentencing for drug use helps offenders come off drugs.</p> | <p>We have completed a full review of sentencing policy and taken forward a raft of changes through the Legal Aid, Sentencing And Punishment of Offenders Act 2012. The main provisions of the Act are now in force and these include a ‘two strikes’ mandatory life sentence for people convicted of a second very serious sexual or violent offence. The Act also removed the specification for a Drug Rehabilitation Requirement to have a minimum length of 6 months, allowing the judiciary more flexibility to tailor treatment requirements to individual treatment need. The government also legislated in the Crime and Courts Act 2013 to ensure that every community order has a clearly punitive element and to place restorative justice on a statutory footing for the first time.</p> |
| <p>11. We will explore alternative forms of secure, treatment-based accommodation for mentally ill and drugs offenders.</p> | <p>Four substance misuse pilots commenced in October 2011; a further twelve pilots focusing on offenders receiving mental health treatment began work in April 2012. Evaluation on these will be commissioned by Department of Health as part of the evaluation of the Liaison and Diversion Programme.</p> <p>Proposals for future work on the Alternatives Programme will be presented to ministers in December 2014.</p> |
| <p>12. We will implement the Prisoners’ Earnings Act 1996 to allow deductions from the earnings of prisoners in properly paid work to be paid into the Victims’ Fund.</p> | <p>We have implemented the Prisoners’ Earnings Act and have been deducting from prisoners’ earnings for the benefit of victims since September 2011.</p> |

| Coalition Commitments | Progress |
|--|---|
| 13. We will consider how to use proceeds from the Victim Surcharge to deliver up to 15 new rape crisis centres, and give existing rape crisis centres stable, long-term funding. | Reforms to the Victim Surcharge – some implemented in October 2012 and some due in 2013 – will provide up to £50m additional funding for victims' services. To date MoJ has commissioned 13 new rape support centres. Nine of these support centres are open and are providing services for victims. The remaining four new support centres, commissioned this year, will all be open by April 2014. |
| 14. We will carry out a fundamental review of Legal Aid to make it work more efficiently. | We have taken forward a wide ranging review of the legal aid system and enacted changes through the Legal Aid, Sentencing and Punishment of Offenders Act 2012. These reforms, largely to the scope of civil legal aid, came into force in April 2013. |
| 15. We will change the law so that historical convictions for consensual gay sex with over-16s will be treated as spent and will not show up on criminal records checks. | This commitment was taken forward through the Protection of Freedoms Act 2012. |
| 16. We will introduce effective measures to tackle anti-social behaviour and low-level crime, including forms of restorative justice such as Neighbourhood Justice Panels. | In July 2012 we published a White Paper on swift and sure justice, including our plans for Neighbourhood Justice Panels (NJPs) and other action to deal with low level crime. Since then we have been working with 15 areas to test the approach of NJPs. A formal process evaluation and case study exercise is currently being conducted by a social research company and a report will be produced in Autumn 2013. |

Transparency

Transparency is an integral part of the coalition government's vision for how public services should be delivered. By making public services more transparent the government is aiming to: improve engagement with public services, including choice; drive improved service delivery including efficiency; promote social and economic growth; and increase the accountability of public services.

Below is a summary of key actions contributing to the transparency agenda that have been carried out in 2012–13:

- Since May 2012, justice outcome information has been published alongside street-level crime data on the national www.police.uk website, with a view to allowing the public to see what happens next after a crime is reported. Re-offending, sentencing outcome and court timeliness data are also released on the Open Justice website.
- In June 2012 the MoJ Open Data Strategy 2012–15 was published. This document sets out our plans for making a wide range of key data sets publically available in both re-useable and accessible formats in order to improve the transparency of the justice system. This includes the way the Department is run, as well as information on the operation of the criminal and civil justice systems locally.
- In October 2012 MoJ and Home Office started a pilot with West Yorkshire Police to include their 'In the Dock' initiative on www.police.uk. 'In the Dock' publishes offenders photographs and other details (including name, town, offence and sentence) on www.police.uk.

- The Crime and Courts Act, which became law in April 2013, contains provisions to allow broadcasting from courts for the first time. Broadcasting will initially be allowed from the Court of Appeal and will aim to increase public understanding of and confidence in the justice system.
- The Department also publishes Quarterly Data Summaries (QDS) that provide a snapshot of how resources are being deployed and the results that are being achieved. These contain a range of data which are designed to help the public to judge whether our policies and reforms are having the effect they want. Further detail on these can be found at: www.justice.gov.uk/information-access-rights/transparency-data/quarterly-data-summaries.

Our performance

The Department uses a range of indicators and other key data to measure performance, which are published on the GOV.UK website. Our input and impact indicators are designed to help the public to judge whether our policies and reforms are having the effect they want and whether they are cost effective. While the input indicators measure the resources that are put into the justice system, impact indicators provide a measure of the effectiveness of policies and reforms.

More detailed explanation of the purpose of each indicator and the method by which it is calculated can be found on the GOV.UK website.

Contextual information on spending figures

In January 2013 the Cabinet Office published standard data definitions for common areas of spend. The definitions for the spending figures can be found at: www.cabinetoffice.gov.uk/resource-library/common-areas-spend-data-definitions.

For the financial year 2012–13 the QDS has been revised and improved in line with Action 9 of the Civil Service Reform Plan to provide a common set of data that will enable comparisons of operational performance across government so that departments and individuals can be held to account.

The QDS (shown in the spending table following) breaks down the total spend of the Department in three ways: by budget, by internal operation and by transaction.

Contextual information on results figures

The measurement annexes for input and impact indicators are available on the GOV.UK website. Structural Reform Plan figures are based on the MoJ Business Plan 2012–15.

2012–13 spending

| Total Spend | | £000 |
|--|---|-------------------|
| A – Spend by budget type * | | |
| A1 | DEL, sub-total | £8,374,240 |
| A2 | AME, sub-total | £23,660 |
| A1+A2 | Total Spend | £8,397,900 |
| B – Spend by type of internal operation * | | |
| B1 | Cost of running the estate, sub-total | £101,840 |
| B2 | Cost of running IT, sub-total | £480,020 |
| B3 | Cost of corporate services, sub-total | £154,650 |
| B4 | Policy and policy implementation, sub-total | £161,190 |
| B5 | Other costs | £6,677,040 |
| B1–5 | Total Spend per QDS | £7,574,740 |
| C – Spend by type of transaction * | | |
| C1 | Procurement costs, sub-total | £5,030,180 |
| C2 | People costs, sub-total | £2,497,260 |
| C3 | Grants, sub-total | £47,300 |
| C4 | Other costs | £0.00 |
| C1–4 | Total Spend per QDS | £7,574,740 |

* These figures use the same definition as the QDS. They cannot be reconciled to the numbers in the Accounts because the definitions for the QDS are set by Cabinet Office, which have been calculated on a different basis to those in the Accounts and there are parts of the Departmental Group which are omitted from the QDS compared to the accounting boundary used in these Accounts.

Performance indicators

This section contains information and data collected by the Department to help measure the impact of our policies and reforms. The MoJ Business Plan includes our input and impact indicators and other data sets. Progress is published regularly on the GOV.UK website.

Making this information publically available is a key component of the government's Transparency Agenda, and is intended to enable the public to judge the performance of the Department and assess whether the MoJ is having the effect they want.

| Input Indicators | | Current | Previous |
|-------------------|--|-----------------------------|-----------------------------|
| 1 | Cost per prison place (£, Current period = financial year 2011–12, Previous period = financial year 2010–11) | 37,648 | 39,573 |
| 2 | Cost per prisoner (£, Current period = financial year 2011–12, Previous period = financial year 2010–11) | 34,771 | 37,163 |
| 3 | Cost per pre-sentence report to courts (£, Current period = 2011–12, Previous period = not previously published) | 215 | N/A ¹ |
| 4 | Cost per community order (£, Current period = financial year 2011–12, Previous period = not previously published) | 4,135 | N/A |
| 5 | Cost per offender supervised on licence post-custody (£, Current period = financial year 2011–12, Previous period = not previously published) | 2,380 | N/A |
| 6 | Staff and Judicial cost per sitting day in the Crown Court (£, Current period = 2012–13, Previous period = 2011–12) | Staff 616 Judicial 987 | Staff 665 Judicial 992 |
| 7 | Staff and Judicial cost per sitting day in the magistrates' courts (£, Current period = 2012–13, Previous period = 2011–12) | Staff 1,071 Judicial 129 | Staff 1,094 Judicial 110 |
| 8 | Staff and Judicial cost per sitting day in the county courts (£, Current period = 2012–13, Previous period = 2011–12) | Staff 796 Judicial 818 | Staff 853 Judicial 765 |
| 9 | Staff and Judicial cost per sitting day in Tribunals (£, Current period = 2012–13, Previous period = 2011–12) | Staff 338 Judicial 722 | Staff 385 Judicial 790 |
| 10 | Average cost per case of legal aid accounting (£, Current period = 2012–13, Previous period = 2011–12) | 840 | 839 |
| Impact Indicators | | Current | Previous |
| 1 | Adult proven re-offending (% , Current period = year to Jun 2011, Previous period = year to Jun 2010) | 25.5 | 24.9 |
| 2 | Adult proven prison re-offending (% , Current period = 2011, Previous period = year to Jun 2010) | 46.9 | 47.3 |
| 3 | Juvenile proven re-offending (% , Current period = year to Jun 2011, Previous period = year to Jun 2010) | 36.0 | 34.1 |
| 4 | Number of juvenile first time entrants to the justice system: 10–17 year olds receiving a reprimand, final warning or conviction (rate per 100,000 10–17 year olds, Current period = financial year 2012–13, Previous period = financial year 2011–12) | 541 | 705 |
| 5 | Criminal Court timeliness (days, Current period = financial year 2012–13, Previous period = financial year 2011–12) | 158 | 154 |
| 6 | Civil Proceedings timeliness (small claims hearings) (weeks, Current period = financial year 2012–13, Previous period = financial year 2011–12) | 30.1 | 29.6 |
| 7 | Civil Proceedings timeliness (fast/multi track trials) (weeks, Current period = financial year 2012–13, Previous period = financial year 2011–12) | 58.3 | 57.4 |
| 8 | Care Proceedings timeliness (weeks, Current period = financial year 2012–13, Previous period = financial year 2011–12) | 46.6 | 54.4 |
| 9 | SSCS Tribunals (25/50/75 percentile duration in weeks, Current period = financial year 2012–13, Previous period = financial year 2011–12) | 8 / 13 / 33 | 9 / 19 / 33 |
| 10 | Estimated proportion of civil disputes resolved outside of court (% , Current period = financial year 2012–13, Previous period = financial year 2011–12) | 96.8 | 96.5 |
| 11 | Number of new criminal offences (Current period = financial year 2012–13, Previous period = financial year 2011–12) | 292 | 174 |

¹ Information marked N/A is not available.

| Other Data Sets | Current | Previous |
|---|-----------|-----------|
| 1 Prison population (current: 31 March 2013, previous: 31 March 2012) | 83,769 | 87,531 |
| 2 Probation caseload (current: 31 December 2012, previous: 31 December 2011) | 224,823 | 234,510 |
| 3 Total number sentenced in court (current: 2012–13, previous: 2011–12) | 1,229,827 | 1,312,739 |
| 4 Civil proceedings commencing in county courts (current: 2012–13, previous: 2011–12) | 1,428,195 | 1,510,981 |
| Structural Reform Plan Actions | 2012–13 | 2011–12 |
| Total number of actions completed during the year | 47 | 93 |
| Total number of actions overdue at the end of the year | 10 | 5 |
| Number of overdue actions that are attributable to external factors | 0 | 0 |
| Total number of actions ongoing | 80 | 27 |

Structural Reform Plan Actions

Since the Prime Minister's announcement in July 2010 all government departments are required to publish structural reform priorities as part of their business plan. These set clear objectives and measurable milestones and increase transparency in government by making each department's progress available to be viewed by anyone at any time.

During 2012–13 we completed 47 actions from our Structural Reform Plan (SRP). Of these, 32 were completed on schedule and 15 were completed after the target month. At the end of the year, 10 actions that were due to have been commenced or completed remained outstanding.

Below is a summary of key actions completed by the Department from our SRP in 2012–13. The full breakdown of individual actions, as well as our progress against each, can be found at: <http://transparency.number10.gov.uk>.

Key Structural Reform Plan actions completed in 2012–13

| Rehabilitation Revolution | Month completed |
|---|-----------------|
| 1.9.i Consult on proposed reforms to the delivery of probation services | Jun 2012 |
| 1.1.xv Test potential for further payment by results schemes through the Prisons Competition Phase 2 process | Dec 2012 |
| 1.1.i Develop a longer term implementation strategy which sets out the opportunities to roll out the principles of payment by results across the offender management system | Jan 2013 |
| 1.9.ii Consider probation consultation responses and publish government response | Jan 2013 |
| Sentencing and Penalties | Month completed |
| 2.2.i Consult on reform to sentences in the community | Jun 2012 |
| 2.2.ii Analyse responses and develop final policy proposals | Oct 2012 |
| 2.1.iii Develop a cross-CJS framework for restorative justice approaches | Nov 2012 |
| 2.1.i Develop and implement a plan for the sentencing reforms in the Legal Aid, Sentencing and Punishment of Offenders Bill | Dec 2012 |
| 2.5.ii First annual data release on the number of Neighbourhood Justice Panels and the volume of cases brought to them | Dec 2012 |

| Courts, Tribunals and Legal Aid | Month completed |
|---|------------------------|
| 3.2.i Publish a White Paper setting out proposals on further reform of the Criminal Justice System | Jul 2012 |
| 3.7.i Analyse consultation responses and develop final policy proposals (victim & witnesses) | Jul 2012 |
| 3.8.i Implement HM Courts & Tribunals Service new organisational structure | Oct 2012 |
| 3.1.i Upgrade the Prison to Court Video Link (PCVL) infrastructure to improve its reliability, and ensure that it integrates better with other video technology in courts | Dec 2012 |
| 3.11.i Analyse consultation responses and identify next steps (bailiffs) | Jan 2013 |

| Law Reform | Month completed |
|---|------------------------|
| 4.2.ii Publish Judicial Diversity Taskforce progress report | Sep 2012 |
| 4.5.iii Publish response to Post Legislative Scrutiny of the Freedom of Information Act | Nov 2012 |
| 4.10.i Implement a new criminal offence of squatting in residential buildings, working with other government departments, local authorities, enforcement agencies and local homelessness services | Nov 2012 |
| 4.3.i Support an independent commission to publish a report on the creation of a UK Bill of Rights | Dec 2012 |
| 4.5.iv Commence introduction of the '20 year rule' and reduction in the lifespan of Freedom of Information Act exemptions | Jan 2013 |

| Reform of the way our services are delivered | Month completed |
|--|------------------------|
| 5.1.i Publish an annual update of the Offender Services Competition Strategy | Jul 2012 |
| 5.1.vii Announce award of contracts for London Community Payback services | Jul 2012 |
| 5.1.viii Announce award of contracts for Prisons Competition Phase 2 | Nov 2012 |
| 5.2.iii Sign off next phase of Transforming Justice programme | Nov 2012 |
| 5.1.iv Produce competition strategy for non-custodial offender services as part of response to probation review consultation | Jan 2013 |

Our finances

Review of Outturn against Estimate for 2012–13

In 2012–13, MoJ spent £8,654m within Parliamentary Supply Estimates (Spring Supplementary Estimate). The use of these resources is reported in the Statement of Parliamentary Supply on page 69.

Parliament votes funds to departments on two occasions during the year by means of a Main Estimate at the start of the financial year, and a Supplementary Estimate in February. Further information on the main and supplementary estimate process is available at HM Treasury's website <https://www.gov.uk/government/organisations/hm-treasury>

Ministry of Justice: To promote the development of a modern, fair, cost effective and efficient system of justice for all.

Movements in Estimate provision during 2012–13: At the start of the year MoJ was voted £8,251m in Resource Departmental Expenditure Limits (RDEL), £311m in Capital Departmental Expenditure Limits (CDEL) and £59m Resource Annually Managed Expenditure Limits (RAME) in its Main Estimate. By the final Spring Supplementary Estimate, RDEL had increased to £8,630m due to the following main reasons:

- RDEL – Drawdown from HM Treasury of £90m to fund pre-tariff cases within the Criminal Injuries Compensation Authority (CICA).
- RDEL – Drawdown from HM Treasury of £159m to fund additional cost pressures within MoJ as planned and agreed (NOMS prison costs).
- RDEL – Drawdown from HM Treasury of £130m to fund Magistrates' Courts Committees (MCC) Pension provisions.

CDEL had decreased to £291m due to the following reasons:

- CDEL – Surrender of £20m to HM Treasury.

RAME had increased to £837m due to the following reasons:

- RAME – Impairments of the NOMS Estate of £264m and HM Courts & Tribunals Service Estate of £326m.
- RAME – Increased Provision for the Judicial Service Award of £200m.
- RAME – Increased Provision for the Legal Services Commission Pensions of £20m as a result of the Commission becoming the Legal Aid Agency on 1 April 2013.
- RAME – Increased Provision for Work in Progress in the Legal Services Commission of £23m.
- RAME – Increased Provisions due to the change in discount rate announced by HM Treasury of £35m.
- RAME – Reduction of £90m due to Utilisation of Provisions within CICA as a result of the drawdown of RDEL reported in the first bullet point above.

Explanation for variances between Estimate and Net Resource and Capital Outturn

Overall there was an underspend of 11% (£1,118m) on the MoJ Departmental Estimate of £9,758m, this was driven by variations in RAME primarily related to lower than expected downward revaluations of the estate. Total RDEL expenditure was within 0.4% (£37m) of the MoJ Departmental Estimate. Note 2 to the Accounts provides a breakdown of this position for each subhead in the Estimate. The reasons for major variances in excess of both £4m and 5% are set out overleaf:

| Spending in Resource Departmental Expenditure Limits (RDEL) | | Outturn | Estimate | (Overspend) / underspend | Percentage of Estimate |
|---|--|----------|----------|--------------------------|------------------------|
| | | £000 | £000 | £000 | % |
| B | Central Funds | 97,765 | 87,500 | (10,265) | 11.7% |
| E | Office of the Public Guardian | (12,830) | (2,576) | 10,254 | 398.1% |
| F | Legal Services Commission Administration (Net) | 100,596 | 108,186 | 7,590 | 7.0% |
| J | Criminal Injuries Compensation Authority (net) | 345,651 | 298,134 | (47,517) | 15.9% |
| Q | Higher Judiciary Judicial Salaries | 152,513 | 138,200 | (14,313) | 10.4% |

Central Funds (Subhead B): The overspend of £10.3m against the Estimate Budget is due to a higher than expected level of demand led payments.

Office of the Public Guardian (Subhead E): The underspend of £10.3m against the Estimate Budget arose primarily due to the implementation of Digital programme deliverables being moved into 2013–14. Slow staff recruitment and an unexpected increase in demand for services which resulted in a surplus of income also contributed to the full year underspend.

Legal Services Commission Administration (Subhead F): The underspend of £7.6m against the Estimate Budget is a result of a fall in staff costs, depreciation relating to the Integrated Development Programme and lower voluntary exit costs than anticipated.

Criminal Injuries Compensation Authority (Subhead J): The overspend of £47.5m against the Estimate Budget represents increased settlements of pre-tariff compensation cases than originally planned.

Higher Judiciary Judicial Salaries (Subhead Q): The overspend of £14.3m against the Estimate Budget is a result of a corresponding underspend on fee paid judiciary salary cost.

| Spending in Resource Annually Managed Expenditure (RAME) | | Outturn | Estimate | (Overspend) / underspend | Percentage of Estimate |
|--|---|-----------|----------|--------------------------|------------------------|
| | | £000 | £000 | £000 | % |
| R | Policy, Corporate Services and Associated Offices | 133,956 | 494,959 | 361,003 | 72.9% |
| S | National Offender Management Service HQ | 58,780 | 63,677 | 4,897 | 7.7% |
| U | Legal Aid Fund : Criminal (net) | (20,368) | 8,512 | 28,880 | 339.3% |
| V | Legal Aid Fund : Civil (net) | (3,856) | 23,654 | 27,510 | 116.3% |
| W | Criminal Injuries Compensation Authority (net) | (154,326) | (90,504) | 63,822 | 70.5% |
| X | HM Courts & Tribunals Service | (202,256) | 329,574 | 531,830 | 161.4% |
| | Central Funds | (37,777) | 0 | 37,777 | n/a |

Policy, Corporate Services and Associated Offices (Subhead R): The underspend of £361m against the Estimate Budget is a result of lower than expected downward revaluations across the Department's estate.

National Offender Management Service HQ (Subhead S): The underspend of £4.9m against the Estimate Budget of £63.7m is primarily a result of lower than budgeted net Finance charges (expected return on scheme assets and interest on scheme liabilities) for Probation pensions of £29m, offset by unbudgeted VEDS provisions of £20m.

Legal Aid Fund Criminal (Subhead U): The underspend of £28.9m against the Estimate is a result of combined effect of lower court activity, suppressed legal aid demand (due to an increase in privately funded defendants) and the impact of Legal Aid Reforms (LAR) related pricing reductions.

Legal Aid Fund Civil (Subhead V): The underspend of £27.5 m against the Estimate reflects lower starts resulting from the combined impact of changes in provider behaviour prior to LAR scope changes, and the introduction of LAR remuneration cuts from October 2011 and February 2012.

Criminal Injuries Compensation Authority (Subhead W): The underspend of £63.8m against the Estimate Budget is a result of the movement on the provision held for outstanding claims for Tariff and Pre-Tariff compensations. A change to the HM Treasury discount rate for general provisions was required in-year and as actual settlements values were higher than previously assessed an increase to existing provision was required.

HM Courts & Tribunals Service (Subhead X): The underspend of £531.8m against the Estimate Budget is a result of lower than planned impairment charges caused by delays in the reclassification of buildings and lower than expected downward Valuation Office Agency revaluations.

Central Funds. The underspend of £37.8m against the Estimate is as a result of higher than expected utilisation of central funds provisions which is linked to increase in demand led payments in Central Funds (Subhead A).

| Spending in Capital Departmental Expenditure Limits (CDEL) | | Outturn | Estimate | (Overspend) / underspend | Percentage of Estimate |
|--|---|---------|----------|--------------------------|------------------------|
| | | £000 | £000 | £000 | % |
| A | Policy, Corporate Services and Associated Offices | 184,028 | 163,717 | (20,311) | 12.4 |
| D | HM Courts & Tribunals Service | 50,087 | 71,000 | 20,913 | 29.5 |

Policy, Corporate Services and Associated Offices (Subhead A): The overspend of £20.3m against the Estimate Budget is a result of capital receipts which was expected to be received in 2012–13 and will now be collected in 2013–14.

HM Courts & Tribunals Service (Subhead D): The underspend of £20.9m against the Estimate Budget is a result of a review of some major court projects which were not initiated as originally planned in 2012–13.

Reconciliation of resource expenditure between Estimate, Accounts and Budgets

| | Estimate | Actual |
|---|------------------|------------------|
| | £000 | £000 |
| Gross Administration costs | 676,116 | 612,470 |
| Less: | | |
| Administration DEL Income | (20,981) | (43,691) |
| Net Administration costs (Accounts) | 655,135 | 568,779 |
| Gross Programme costs | 9,996,860 | 9,142,929 |
| Less: | | |
| Programme DEL Income | (1,184,685) | (1,329,505) |
| Net Programme costs (Accounts) | 8,812,175 | 7,813,424 |
| Total Net Operating Costs (Accounts) | 9,467,310 | 8,382,203 |
| Adjustments to include: | | |
| Capital Grant | - | (6,112) |
| Non- Budget Consolidated Fund Extra Receipts (CFER) in the Consolidated Statement of Comprehensive Net Expenditure (CSoCNE) | - | 5,655 |
| Other adjustments * | - | (9,946) |
| Total Resource Budget | 9,467,310 | 8,371,800 |
| <i>of which:</i> | | |
| Resource DEL | 8,630,084 | 8,593,317 |
| Resource AME | 837,226 | (221,517) |
| Total Resource (Estimate) | 9,467,310 | 8,371,800 |

* Other adjustments includes Private Finance Initiative (PFI) adjustments of £(9,072)k and adjustment for other capital expenditure in the CSoCNE of £(874)k

The budgetary information shown in Annex A: Public Expenditure Core Financial Tables provides more detailed information on the budget outturn.

Our staff

Recruitment

MoJ's recruitment processes are based on the principle of selection on merit through fair and open competition, as described in the Civil Service Commission Recruitment Principles. These processes are tested annually by the Civil Service Commission which rated the Department as medium/high risk in 2011–12. However, a follow up audit undertaken by the Commissioners this year recognised the progress being made and confirmed that the risk rating should reduce for 2012–13.

Strict controls on all external recruitment came into effect on 24 May 2010 across the Department (in line with wider government controls) and remain in place. These controls apply to all external recruitment of permanent, fixed term contract, and agency staff. The only exceptions to these controls are for some frontline and business critical roles.

The Secretary of State has agreed delegations to HM Courts & Tribunals Service, the National Offender Management Service, HM Inspectorate of Prisons, HM Inspectorate of Probation, and the Prisons and Probation Ombudsman to recruit externally where it is necessary to maintain frontline delivery.

Any request for external recruitment for business critical roles during 2012–13 had to be authorised by the Director General, Finance and Corporate Services on behalf of the Secretary of State on a case by case basis.

The Department is committed to managing restructuring without recourse to compulsory redundancies wherever possible. Therefore, across MoJ, there are also controls in place to ensure that employees who are surplus as a result of restructuring are offered opportunities for redeployment into permanent posts as a priority.

Employment and employee involvement

The Department continues to attach considerable importance to ensuring the fullest involvement of employees in delivering its aims and objectives. Staff involvement is actively encouraged as part of the day-to-day process of line management and we regularly consult and inform our constituent Trade Unions at all levels of the organisation. A variety of media are used to keep staff up-to-date with the challenges that the Department faces, the Board's vision for Transforming Justice (TJ), and the progress we are making.

The Department participated in the Civil Service People Survey in October 2012. Our overall Engagement Index, a measure that reflects the extent to which employees contribute through their effort and enthusiasm to the success and performance of their organisation, dropped one point from its 2011 level. The 2012 Index was 52. This is six points below the Civil Service benchmark (58), but placed MoJ jointly in the lead, with the Ministry of Defence, of the five largest departments. A closer examination of the organisations that make up MoJ showed changes in their Index which reflected where they are on their transformation journeys and where staff are on the change curve in their feelings about those journeys, with improvements in Headquarters, HM Courts & Tribunals Service, the Legal Services Commission, the Criminal Injuries Compensation Authority and the Office of the Public Guardian.

Employment of disabled persons

The Department is committed to ensuring equality of opportunity for all disabled staff, as set out in our Disability policy. We promote a culture that enables disabled staff to participate fully in working life, and guidance on supporting disabled staff is provided through the Departmental Ability Manual. In practical support of this the Reasonable Adjustment Support Service was established in October 2011 as a central point of contact for enquiries relating to reasonable adjustments for

disabled staff. This provides guidance and advice to staff and managers to support the ability of disabled staff to operate most effectively in the workplace. The Department is an authorised user of the Two Ticks Scheme and participates in the Guaranteed Interview Scheme (GIS) for candidates with a disability. Disabled staff have access to targeted career development support and advice. The Department has had a rolling ‘positive images of disability’ campaign running during this period to showcase roles and responsibilities disabled staff hold in the Department and to promote understanding of disability.

Equality and diversity

The Department values the diversity of its workforce and promotes a culture where all staff are treated with fairness and respect. We are working to improve diversity of staff representation at all levels in MoJ including by meeting and maintaining Civil Service Diversity Strategy targets for representation of women, Black, Asian and Minority Ethnic (BAME) and disabled staff in the Senior Civil Service (SCS), and by addressing the disproportionate representation of BAME and disabled staff in lower grades. We are working to identify and address blockages and barriers to progression across minority groups including through positive action training such as the Coaching Squared programme. We are taking action to improve the quality of declared workforce diversity data to ensure we have the best information possible on the diversity profile of our staff, and can be confident when reporting progress against our Civil Service Diversity Strategy targets and publishing equality information.

Sickness absence data

The average number of working days lost due to sickness for staff across the whole of MoJ in 2012–13 was 9.9 days. The comparable figure in 2011–12 was 9.3 days. This was revised from the figure published in the 2012 Annual Report because of technical errors in the information used to provide the earlier data.

Reducing sickness absence aligns with our Smarter Government commitments and remains a workforce strategy priority within the Department.

Our effort towards regulatory issues

Reporting on better regulation

MoJ continues to work to support the better regulation agenda and the government’s objective to reduce regulation.

One-in, One-out

The government’s bi-annual Statement of New Regulation (SNR) provides an overview of regulations intended to be implemented by government departments and reports on the application of the One-in, One-out rule (OIOO) (One-in, Two-out (OITO) from January 2013) to new domestic regulation.

MoJ did not introduce any regulatory measures during the period July to December 2012 and therefore did not include any measures in the government’s fourth Statement of New Regulation (SNR4) published by the Department for Business Innovation and Skills (BIS) in July 2012, which can be found at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/36595/12-p96b-one-in-one-out-fourth-statement-new-regulation.pdf.

MoJ is planning to introduce five measures in the period January to June 2013, which have been included in the government’s fifth Statement of New Regulation, published by BIS in December 2012, which can be found at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/36833/12-p96c-fifth-statement-of-new-regulation.pdf.

The Ministry's OITO balance is zero for both the SNR4 and SNR5 periods, and the overall aggregate overview (covering SNR1 to SNR5) also remains at zero.²

Red Tape Challenge

The Red Tape Challenge (RTC) was launched by the Prime Minister in April 2011 and is a cross-departmental initiative aimed at getting rid of excessive regulation, particularly where this places disproportionate burdens on business. The Department has reviewed over 150 statutory instruments, considering comments from the public and industry, and will be taking proposals for consideration by Cabinet Office ministers in the coming months, where the Department will agree to scrap or simplify the legislation identified as unnecessarily complicated or disproportionate.

Regulatory Policy Committee

The Regulatory Policy Committee (RPC) is an independent body appointed by the government to perform the role of external scrutiny of all Impact Assessments (IAs) for new regulatory proposals. Departments must secure a 'fit for purpose' opinion rating from the RPC for their IAs before they can submit policy proposals to the Reducing Regulation sub-Committee (RRC).

In July 2012 a new RPC fast track process for all deregulatory measures and those measures with cost to business and civil society organisation of under £1m per annum was introduced. The RPC confirms the suitability for this low costs fast track/deregulatory route.

As part of their role supporting the government's better regulation agenda, the RPC publish regular reports. They published their fifth report, *Assessing Regulation – An independent report on the evidence and analysis supporting regulatory proposals, January – August 2012*, in November 2012 on their website: <http://regulatorypolicycommittee.independent.gov.uk>.

The report shows that the RPC scrutinised 10 IAs submitted by MoJ during the period covered. The RPC confirmed 90% of these IAs as fit for purpose, compared to 69% in 2011. Only one IA was given a red rating, which has since been resubmitted and allowed to proceed under the new fast track process.

The RPC comment in their report that this increase in fit for purpose ratings reflects improvements in the qualitative discussion of impacts in IAs where monetising the impacts has not been possible, an area identified by RPC for improvement in their previous report.

Micro-business moratorium

MoJ does not have any measures which are subject to the three year moratorium to exempt business and start ups from new domestic regulations.

Alternatives to regulation

MoJ is a liberalising department that fully supports the government's deregulatory ambition. Whilst we do not have a large regulatory footprint, much of the reform we have been taking forward as part of the Transforming Justice programme focuses on making the justice system more effective and less costly, and more responsive to users. A number of recent reforms are supportive of the growth agenda, for example, our extensive prison competition programme and other associated competitions for prisoner escort and electronic monitoring services, testing Payment by Results schemes and liberalising legal services markets.

MoJ will continue to work with our partners particularly those in the legal services markets, to identify further areas that show potential for deregulation or can provide alternatives to regulation.

² MoJ does however have one measure included in SNR5 where the benefits or costs have not been verified by the Regulatory Policy Committee at the time of publication of SNR5 but will be updated in the next SNR.

Focus on enforcement

BIS has launched a series of sector based reviews to help identify where regulatory enforcement can be improved, reduced or done differently. These can be found at: <http://discuss.bis.gov.uk/focusonenforcement>.

The purpose of each focus on enforcement review is to present an assessment of industry experience of how regulations in a particular sector are being enforced, the impacts on industry of that enforcement and to identify areas for improvement.

MoJ and the regulators it sponsors have taken part in the information gathering stage of this initiative but these sectors covered have not yet been subjected to a review. We will continue to work with the Better Regulation Executive at BIS in taking this initiative forward.

European Union regulations

MoJ has responsibility for the negotiation and implementation of a number of European Union (EU) measures in the areas of civil, family and criminal law, data protection and human rights. While the majority create little or no regulatory burden, MoJ ensures that the UK's negotiating position is always alive to possible regulatory burdens and, where they exist, we try to remove or reduce them.

On 25 January 2012 the European Commission issued two proposals relating to data protection to overhaul the existing data protection regimes. The proposal for a new General Data Protection Regulation covers data processed by businesses, the public sector and non-profit organisations. The government's approach to this proposal has been informed by evidence obtained during a public call for evidence, a summary of which was published in June 2012 and also an impact assessment which was published in November 2012. The government concluded in its impact assessment that the European Commission's claim that the Regulation would deliver €2.3bn worth of business benefits across the EU per year was not substantiated and in the opinion of the government, the Regulation would have a net regulatory cost of up to £320m per year in the UK alone. The government has significant concerns with this proposal which include the overly prescriptive drafting and the significant burden likely to be placed on both the State and businesses by the proposed provisions. During negotiations the government will seek to limit the burden as far as possible whilst ensuring individuals' data protection rights are protected.

On 12 December 2012 the recast of the Brussels I Regulation was adopted. This provides a system of rules that ensure court decisions from one Member State can easily be recognised and enforced in another Member State with the minimum obstacles placed in the way of business. The recast updated the original Regulation and is a successful outcome for the UK, particularly as it will abolish the special procedure, known as *exequatur*, by which foreign judgments are in effect converted into national ones for enforcement. This will result in reducing the time, complexity and costs imposed on businesses involved in these cross border situations.

Other areas of Departmental work

Health and safety

MoJ is committed to meeting its statutory occupational health and safety obligations, recognising that it plays an important and integral role in the delivery of our corporate objectives. The governance for occupational health and safety and its operating model has been reviewed and is now aligned to the MoJ business model.

Each part of MoJ, including HQ, individual Agencies and other ALBs, is legally responsible and accountable for discharging its own health and safety obligations, through their respective Accounting Officers. Corporate oversight is provided by a new MoJ Corporate Health and Safety committee, chaired by the Board Health and Safety Champion, supported by senior managers at Director level representing each of the main business areas. The corporate Health and Safety committee allows the sharing of good practice and escalation of Departmental risks.

Ministerial correspondence

MoJ views correspondence from Members of Parliament (MPs) and Members of the House of Lords, often on behalf of a member of the public, as a high priority. Parliamentarians and members of the public rightly expect a timely, courteous and accurate reply and we are committed to raising our performance in this area.

MoJ aims to respond to 90% of correspondence from Parliamentarians within 15 working days of it being received. (The target is 20 days in the case of the National Offender Management Service (NOMS) when the Chief Executive is replying on behalf of ministers and 10 days for The National Archives when the Chief Executive replies on behalf of ministers.)

During 2012 ministers (and Chief Executives on their behalf) replied to 7,503 pieces of correspondence (compared to 11,129 in 2011). Performance is set out in the table below. The Department has recently made improvements to how we process correspondence, which includes investigating how the correspondence tracking system could be enhanced. We are confident they will improve the timeliness of our responses.

Ministerial correspondence from MPs and peers

1 January 2012 to 31 December 2012³

| Department / Agency | Number of letters received | % of replies (where reply required) within targets |
|--|----------------------------|--|
| Ministry of Justice Headquarters | 4,887 | 70% |
| Her Majesty's Courts & Tribunals Service | 1,245 | 65% |
| National Archives (Where CEO replied) | 8 | 75% |
| National Archives (Where ministers replied) | 12 | 83% |
| Official Solicitor & Public Trustee | 27 | 89% |
| Office of the Public Guardian | 163 | 94% |
| National Offender Management Service (Where CEO replied) | 265 | 92% |
| National Offender Management Service (Where ministers replied) | 896 | 68% |

³ Figures are given for the calendar year rather than financial year, to be consistent with previous Annual Reports and the method in which this data is presented to parliament.

Complaints to the Parliamentary and Health Service Ombudsman

The Parliamentary and Health Service Ombudsman (PHSO) addresses complaints made by members of the public, brought to her attention by MPs, where there has been alleged maladministration by government departments and other bodies within their jurisdiction.

Complaints provide an opportunity for the Department not only to put right any mistakes we might have made, but also to improve the overall standard of the service we provide. They are therefore treated very seriously.

In the PHSO's report on complaint handling by government in 2011–12 – 'Responsive and Accountable' – published in December 2012, MoJ was listed as the third most complained about department, unchanged from 2010–11.

| In the PHSO Report 2011–12 – 'Responsive and Accountable' MoJ was listed as the third most complained about department. Complaints: | 2011–12 | 2010–11 |
|---|---------|---------|
| Received complaints | 1,041 | 924 |
| Accepted for formal investigation | 29 | 35 |

The report showed 29 cases were accepted for formal investigation, more than for any other department. As context, HM Revenue & Customs (HMRC) had 14 cases investigated from a total of 1,114 complaints received.

15 of these complaints were against HM Courts & Tribunals Service, 4 were for the Legal Services Commission, 1 was for the National Offender Management Service, 1 for the Office of the Public Guardian, and 3 for MoJ HQ.

The PHSO provides each government department with an annual analysis of the complaints it has received. This can be found at: www.ombudsman.org.uk/improving-public-service/annual-government-performance-information.

MoJ takes all complaints seriously and aims to use the information received to improve our services to the public. As part of this, we review the recommendations received from the PHSO on individual cases, as well as those in their report. MoJ has joined the cross-government complaints forum that is looking to improve complaint handling processes and share ideas on how to improve performance by analysing complaints information.

The PHSO has published a forward-looking strategy for 2013–18, setting out their vision for helping public bodies to learn from complaints and improve services. This includes increasing the number of complaints that are investigated, and making it easier for members of the public to complain.

Personal data related incidents

The following gives a summary report of significant personal data related incidents in 2012–13 categorised according to Cabinet Office 'Interim Report on Data Handling Procedures' requirements. Incidents, the disclosure of which would in itself create an unacceptable risk of harm, may be excluded in accordance with exemptions contained in the 'Freedom of Information Act 2000' or may be subject to limitations of other UK information legislation.

| Date of incident (month) | Nature of incident | Nature of data involved | Number of people potentially affected | Notification steps |
|--------------------------|---|--|--|--|
| April 2011 | A portable back-up hard drive and mobile phone were stolen from a judge's chambers in Manchester Crown Court | Names and telephone numbers of judiciary, HM Courts & Tribunals Service officials, court security staff, judge's friends, family members, and names of witness in 50 court cases | Hard drive contained historical case information. Number of individuals identified not known | Not reported to the Information Commissioner's Office (ICO) at the time as it was decided it did not reach their threshold. Subsequently they became aware of incident due to local media coverage on 8 May 2012 and contacted the judge and MoJ on 31 July 2012. ICO closed their investigations in February 2013 without taking any further action |
| January 2012 | A network server used to support printing was suspected to have been stolen by a subcontractor during the decommissioning of Salford Magistrates Court. The subsequent investigation indicated that it was extremely unlikely that any of the information contained on the equipment was accessed | Thought to include court documents and emails | Not known but over 400,000 files were technically retrievable | Reported to the police and ICO in June 2012 when the server was seen for sale and recovered. The ICO investigation is ongoing |
| July 2012 | Loss of offender data on public transport, the data was handed in to a local newspaper | Personal information relating to offenders and third parties, documents included prison and probation reports | 66 | The loss was reported to the police and the documents were recovered. ICO informed their investigation is ongoing |
| January 2013 | Incorrect copy of court hearing lists emailed from Cambridge Magistrates Court in error and published on a public website | Names and details of individuals including victims and offenders | 81 | Information was quickly removed from the website. Investigation has shown while offenders details were published victims were not. ICO was notified and their investigation is ongoing |

Incidents deemed by the Data Controller not to fall within the criteria for report to the ICO but recorded centrally within MoJ are set out in the table below.

Summary of other protected personal data related incidents in 2012–13

| Category | Nature of incident | Total |
|----------|--|--------------|
| I | Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises | 192 |
| II | Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises | 771 |
| III | Insecure disposal of inadequately protected electronic equipment, devices or paper documents | 14 |
| IV | Unauthorised disclosure | 1,411 |
| V | Other | 6 |
| | | 2,394 |

Compared to 2011–12 levels there have been 395 fewer personal data losses across the Department, its delivery arms and sponsored offices. This is a significant achievement, representing a 14% reduction from 2011–12 levels and is largely attributable to risk management work undertaken by HM Courts & Tribunals Service to address third party loss of driver licences provided by court users.

Incidents of misdirected and lost correspondence sent by MoJ delivery arms and sponsored bodies to users of their services continue to account for the majority of the Department's information security incidents, with a total of 1,300 incidents across the Department. Those delivery arms, other offices and business areas primarily affected are implementing reasonably practicable controls to manage these risks. The numbers of such losses accounts for a tiny percentage of the volumes of overall correspondence handled by these businesses.

The Department is applying the government's *Security Policy Framework* to control risks across the organisation. This comprises the requirement to identify and manage threats to the security (confidentiality, integrity and availability) of its information assets and control these by applying proportionate measures. Effective implementation of security is monitored at a local level by a network of trained security and information assurance practitioners. All staff are required to undertake a compulsory information assurance training course upon joining the Department and yearly thereafter. Management systems are checked for effectiveness on a risk based approach to need to ensure continuous improvement of our systems. A key challenge for the year ahead will be delivering security and information assurance in the current economic climate. The Department is ensuring that there is a joined up approach between information risk, security, Information and Communication Technology (ICT) and knowledge and information management.

Engagement and consultation

The Department has made the strategic development of its communications a key priority and aims to be proactive and open, working to engage more effectively with stakeholders, staff, the public and the media in the development and delivery of its services.

The Department engages extensively with a wide range of external stakeholders as a means of informing its policy development. A range of methods are used, ranging from formal stakeholder meetings to electronic discussion groups and consultation papers.

Social and community responsibility

We are committed to making the Department truly representative of the communities it serves. The Department supports staff who volunteer for community and public duties, such as being magistrates or school governors, and actively encourages members of the public to contribute to the delivery of public services by providing paid time off work to undertake duties such as volunteering in courts and prisons.

Directorships and other significant interests

A register is maintained by MoJ that includes details of company directorships and other significant interests held by Board members which may conflict with their management responsibilities. This register is available for public inspection upon request.

Review of Tax Arrangements of Public Sector Appointees

As part of the *Review of Tax Arrangements of Public Sector Appointees* published by the Chief Secretary to the Treasury on 23 May 2012, departments and their ALBs published information in relation to the number of off-payroll engagements – at a cost of over £58,200 per annum – that were in place on 31 January 2012.

As at 31 March 2013 the Department has produced two tables providing data on off-payroll engagements covering both the main Department and its ALBs:

Off-payroll engagements at a cost of over £58,200 per annum that were in place on 31 January 2012

| | Core Department (including HM Courts & Tribunals Service and NOMS) | LSC | YJB | Total |
|---|---|-----------|----------|------------|
| Total number in place on 31 January 2012[^] | 196 | 74 | 5 | 275 |
| Of which: | | | | |
| Number that have come onto the organisation's payroll | 0 | 0 | 0 | 0 |
| Number that have since been re-negotiated, to include contractual clauses allowing the Department to seek assurances as to their tax obligations | 101 | 46 | 0 | 147 |
| Number that have not been successfully re-negotiated, and therefore continue without contractual clauses allowing the Department to seek assurances as to their tax obligations * | 0 | 0 | 2 | 2 |
| Number that have come to an end | 89 | 27 | 3 | 119 |
| Number that were below the threshold and so should not have been published in the first place | 5 | 1 | 0 | 6 |
| Number relating to The National Archives which is a body that was within the scope of the publication, but is outside the reporting remit of these Annual Report and Accounts | 1 | 0 | 0 | 1 |

[^] The detailed information behind these figures was published on 23 May 2012 for the initial part of the review of the tax arrangements of public sector appointees. Further information about this review, along with the information published, can be found at: www.hm-treasury.gov.uk/tax_pay_appointees_review.htm

* MoJ cannot add the clause into the two new YJB contracts because the contracts are completed under a standard G-Cloud framework set up by the Cabinet Office. However, MoJ has nevertheless requested the assurances regarding these individuals. As a result, these individuals are included within the numbers in the following table.

Off-payroll engagements between 23 August 2012 and 31 March 2013, for more than £220 per day and more than 6 months

| | Core Department (including HMCTS and NOMS) | LSC | YJB | Total |
|---|--|-----|-----|-------|
| Total number of new engagements between 23 August 2012 and 31 March 2013 | 68 | 15 | 8 | 91 |
| Of which: | | | | |
| Number of new engagements which include contractual clauses giving the Department the right to request assurance in relation to income tax and National Insurance obligations ^ | 68 | 15 | 8 | 91 |
| Of which: | | | | |
| Number for whom assurance has been requested and received and deemed satisfactory | 2 | 0 | 0 | 2 |
| Number for whom assurance has been requested and received but is still under review, or whom further assurance is being sought | 0 | 1 | 0 | 1 |
| Number for whom assurance has been requested and where a response has been received presenting the view they are out of scope | 48 | 12 | 8 | 68 |
| Number for whom assurance has been requested but not yet received ** | 7 | 0 | 0 | 7 |
| Number for whom assurance has still to be requested * | 1 | 0 | 0 | 1 |
| Number that have been terminated as a result of assurance not being received | 0 | 0 | 0 | 0 |
| Number that have left since request | 10 | 2 | 0 | 12 |

^ For YJB, the contracts do not include the clause because they are standard G-Cloud framework contracts set up by the Cabinet Office. However, MoJ has nevertheless sought the assurances regarding these individuals so it was deemed appropriate to include them in this table as if the clause had been added.

* The contracting process is ongoing within MoJ. This individual was engaged in March 2013 and assurance will be sought prior to the six month anniversary of the contract.

** The contracting process is ongoing within MoJ. These seven individuals were engaged after 1 January 2013 and assurance has been sought. The deadline for responding to the request is after the publication date of the Annual Report and Accounts.

Our Accounts

Departmental accounting boundary

The bodies included within the Departmental Boundary are outlined in Note 31 to the Accounts.

Financial position and resources

The Statement of Parliamentary Supply (SoPS) compares MoJ's Estimates and Outturn for Resource and Capital Departmental Expenditure Limit (RDEL and CDEL) and Resource and Capital Annually Managed Expenditure (RAME and CAME). Any significant variation between the Estimates and Outturn is explained in the Management commentary on pages 21 to 24.

MoJ has capital expenditure which is subject to Parliamentary but not budgetary control and is therefore outside the reported CDEL outturn. The majority of these costs relate to Service Concession Arrangements which are recorded on the Statement of Financial Position under International Financial Reporting Interpretations Committee (IFRIC) 12 but are considered 'Off-Balance Sheet' for National Accounts purposes. These arrangements are outlined in Note 24 to the Accounts.

Note 28 to the Accounts outlines any losses and special payments that have been made in accordance with '*Managing Public Money*'.

MoJ undertakes a professional revaluation of its land and building non-current assets at least once every five years. In between professional valuations, carrying values are adjusted by the application of indices or through desktop valuations. Further details of the revaluation programme are outlined in Note 1 to the Accounts.

Principal risks and uncertainties

The Executive Management Committee of the Board (EMCB) identifies the top strategic risks facing MoJ and ensures that known individuals are responsible for monitoring the risks. Risks are recorded on a risk register and the register is reviewed regularly to ensure that all risks are monitored and appropriate mitigation strategies are implemented.

Other MoJ boards and committees manage those risks that fall within their specific areas of responsibility and, as appropriate, will escalate risks for inclusion in the strategic risk register.

Estates management strategy

The Department aims to manage its estate in the most efficient manner to minimise running costs and environmental impacts. MoJ's Estates Transformation Project has been established to rationalise the number of administrative buildings in use by Headquarters, Executive Agencies, NDPBs and associated bodies in London and in the regions.

HM Courts & Tribunals Service is progressing a programme of court integrations which involves locating different court jurisdictions within a single building where possible and generating funds for new buildings and refurbishments that deliver significant reductions in running costs. NOMS is committed to providing enough prison places for those who the courts judge should receive a custodial sentence, through replacing inefficient and costly prisons with more modern, cost effective accommodation, and expanding existing prisons.

Land and buildings are recorded at fair value on the basis of profession valuations undertaken by the Valuation Office Agency (VOA) using the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual.

Cost allocation and charging requirements

MoJ has complied with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance.

Spend on consultancy and temporary staff

| | 2012–13 | | | | 2011–12 | | | |
|-----------------|---------------|--------------------|---------------|----------------|---------------|--------------------|---------------|----------------|
| | Core | Executive Agencies | NDPBs | Total | Core | Executive Agencies | NDPBs | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Consultancy | 12,474 | 336 | 322 | 13,132 | 5,407 | 6,676 | 665 | 12,748 |
| Temporary staff | 30,263 | 54,175 | 29,469 | 113,907 | 33,266 | 45,732 | 33,840 | 112,838 |
| Total | 42,737 | 54,511 | 29,791 | 127,039 | 38,673 | 52,408 | 34,505 | 125,586 |

Spend on publicity and advertising

Spend on publicity and advertising by the Department in 2012–13 was £1,661,036 (2011–12: £1,861,363).

Sponsorship spend over £5,000

There was no spend on sponsorship over £5,000 by the Department in 2012–13 (2011–12: £nil).

Charitable donations

The Department made charitable donations totalling £65,000 in 2012–13 (2011–12: £177,050). These donations were made to a number of charitable organisations to support activities related to the Department's operations.

Political donations and expenditure

There were no political donations or expenditure by the Department in 2012–13 (2011–12: £nil).

Payment to suppliers

During the financial year 2012–13 the Department's policy has been to pay suppliers in accordance with the Prime Ministerial commitment of May 2010 that government departments should pay suppliers within five days of receipt of a valid invoice at the correct billing address. The Department monitors Core and Agency payments against the 5 day target and NDPBs against a 30 day target.

For 2012–13 92% of invoices were paid within these terms against the cross-government target of 80% (2011–12: 87%). Interest paid under the Late Payment of Commercial Debts (Interest) Act 1988 was £23,562 (2011–12: £70,182).

Research and development

The Department undertakes research to enhance policy development and programme evaluations. Expenditure is charged to the Consolidated Statement of Comprehensive Net Expenditure (CSocNE) as incurred and is reported in Notes 8 and 9 to the Accounts.

Financial instruments – Risk management

As the cash requirements of the Department are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore exposed to little credit, liquidity or market risk as outlined in Note 26 to the Accounts. The Department has not engaged in any hedging.

Pension liabilities

As detailed in Note 7.1 to the Accounts, the majority of staff are members of the Principal Civil Service Pension Scheme (PCSPS) which is an unfunded multi-employer defined benefit scheme which prepares its own accounts but where individual employers are unable to identify their share of the underlying assets and liabilities of the scheme.

As detailed in Note 7.2 to the Accounts, members of the judiciary belong to the Judicial Pension Scheme (JPS), an unfunded multi-employer defined benefit scheme that produces its own accounts.

Note 32 to the Accounts outlines the details of the LSC pension schemes, the By-analogy pension schemes held by Criminal Cases Review Commission (CCRC) and HM Courts & Tribunals Service and the Probation Trusts pension schemes. The pension liabilities associated with these schemes are accounted for under International Accounting Standard (IAS) 19 'Employee Benefits' and disclosed in accordance with IAS 26 'Accounting and Reporting by Retirement Benefit Plans'.

Contingent assets and liabilities

Contingent assets and liabilities required to be disclosed under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', and additional liabilities included for Parliamentary Reporting and Accountability purposes, are disclosed in Note 27 to the Accounts.

Audit

These Accounts, as defined in the Certificate of the Comptroller and Auditor General to the House of Commons, have been audited by the Comptroller and Auditor General (C&AG) under the Government Resources and Accounts Act 2000. The notional cost of the audit for the Core Department in 2012–13 was £342,750 plus an additional £97,250 for the Consolidated Accounts (2011–12: £342,750 and £97,250).

The total cost of audits across the Departmental group was £2,982,272, of which £1,594,572 was cash and £1,387,700 is a notional cost (2011–12: £3,452,990 comprising £1,882,500 cash and £1,570,490 notional cost). This includes the cost of the HM Courts & Tribunals Service Trust Statement audit which is not consolidated as part of these Accounts.

In 2011–12 the audit of the 35 Probation Trusts, for which a cash charge is made, was undertaken by auditors appointed by the Audit Commission and the Wales Audit Office. From 2012–13 the audits of 34 trusts was performed on a statutory basis by the National Audit Office (NAO) and for one trust it was carried out by the Wales Audit Office. The NAO performs other statutory audit activity, including value for money and assurance work, at no cost to MoJ.

To the best of the Accounting Officer's and MoJ's knowledge, there is no relevant audit information of which MoJ'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 MoJ's auditors are aware of that information.

Events after the reporting period

In accordance with IAS 10 'Events After the Reporting Period', accounting adjustments and disclosures are considered up to the point that the Accounts are authorised for issue. The Accounts were authorised for issue on the same date the Comptroller and Auditor General certified the Accounts. Further details are provided in Note 33 to the Accounts.

Future developments, performance and position

The Spending Round for 2013 determines departmental budgets for 2015–16. The government has targeted savings of £11.5bn by 2015–16. Capital investments will increase by £3bn from 2015–16 onwards. Further information is available on the HM Treasury website at: www.gov.uk/government/organisations/hm-treasury.

MoJ has agreed to an 8–10% reduction as part of the Spending Round for 2015–16. This reduction will be met through efficiency and policy savings generated under MoJ's Transforming Justice initiatives.

On 21 June 2011, the first reading of the Legal Aid, Sentencing and Punishment of Offenders (LASPO) Bill was introduced to Parliament in the House of Commons. One objective of this Bill was to formalise LSC's conversion to an Executive Agency. As at 31 March 2012 the LASPO Bill entered the final stages of the Bill approving process whereby both the House of Commons and the House of Lords considered final amendments prior to finalisation of the Bill. This was granted on 1 May 2012.

Effective from 1 April 2013, the LSC is known as the Legal Aid Agency (LAA) under MoJ and will be considered as an Executive Agency in the Annual Report and Accounts 2013–14.

Ursula Brennan
Accounting Officer

21 June 2013

Sustainability report

Introduction

This is the second Sustainability Report for MoJ prepared in accordance with 2011–2012 guidelines laid down by HM Treasury in ‘*Public Sector Annual Reports: Sustainability Reporting*’ published at: www.hm-treasury.gov.uk/frem_sustainability.htm.

This report matches the scope and details laid out in the Greening Government Commitments (GGC). GGC forms the primary Sustainable Development (SD) driver across government and carries a series of improvement targets against areas such as carbon from energy, waste, water and biodiversity.

MoJ sustainability focus is on achieving these government targets, reducing environmental impacts and reducing costs. Further details on GGC can be found at: <http://sd.defra.gov.uk/gov/green-government/commitments>.

Scope

The organisational scope covers:

- Ministry of Justice Headquarter buildings in London (MoJ HQ);

and the following Executive Agencies:

- Her Majesty’s (HM) Courts & Tribunals Service;
- National Offender Management Service (NOMS) (which includes HM Prison Service (HMPS) and the Probation Trusts); and
- Office of the Public Guardian (OPG);

and the following Executive Non-Departmental Public Bodies (NDPBs):

- Criminal Injuries Compensation Authority (CICA);
- Information Commissioner’s Office (ICO); and
- Legal Services Commission (LSC) – from 1 April 2013 this body is an Executive Agency, the Legal Aid Agency (LAA).

Scope exclusions and estimations

A number of building level exclusions have been made due to reporting limitations associated with extrapolating reliable data and costs from service charges supplied by landlords. As a result a minority of occupations in the Probation estate and OPG are excluded. HM Courts & Tribunals Service part occupations are estimated based on data taken from the purchase ledger and the HM Courts & Tribunals Service utility monitoring system.

Private Prisons, where contractual arrangements have been agreed (4 out of 12), are included in this report. Three prisons operate as immigration removal centres and these are excluded here and reported by the Home Office who maintain responsibility for these sites. Finally, utilities consumed in prison industries are removed from consumption reporting to provide greater operational consistency between prisons. MoJ does not consider that the use of estimations and the exclusion of certain part occupations have a material impact on the sustainability reporting data for the Department as a whole.

Governance, responsibilities and internal assurance

Overall governance and assurance is managed by the MoJ Sustainable Development Team (SDT). Energy efficiency projects are managed through a variety of means including the MoJ Carbon Reduction Programme which prioritises projects against potential cost, carbon savings and suitability in terms of environmental impact and operation.

There are some limitations to the accuracy of our financial and non-financial sustainability data and we continue to improve the quality of our internal controls, for example through internal audit, further engagement with both internal and external stakeholders and also via enhanced monitoring devices such as automated meter readers. Historical energy data has been revised following confirmation from the Cabinet Office relating to renewable electricity.

Business Plan commitments

The MoJ Business Plan 2012–15 commitments that relate to sustainability are set out in the related Business Plan annex and are as follows:

- Assess and manage environmental, social and economic impacts and opportunities in its policy development and decision making. MoJ demonstrates a commitment to embedding SD principles into day to day working practices across all reporting bodies. To effectively enable this, MoJ holds monthly SD Board meetings, chaired by a Board level SD Champion, to steer and agree programmes of work and improve working practices across the different disciplines of each reporting body.
- Implement the Department's plan to deliver on the GGC, supplying quarterly information and contributing to an annual report on progress. GGC was launched on 1 April 2011 and requires government departments to take action to significantly reduce environmental impacts by 2014–2015 (compared to a 2009–2010 baseline). GGC objectives are a key priority of the MoJ Estates Directorate which are managed, reviewed and monitored by the MoJ SDT.
- Sustainable procurement: Procure from small businesses with the aspiration that 25% of contracts should be awarded to Small and Medium Enterprises (SME). In line with MoJ Procurement policy to embrace best ethical, environmental, and health and safety practice in meeting business needs, procurement is conducted using a sustainable approach.

Sustainability forms a part of purchasing category strategies. This includes reference to relevant Government Buying Standards and all areas of sustainability which are included in sourcing strategies to identify how requirements are delivered through the procurement.

In response to a broad package of reforms designed to significantly open-up the public sector marketplace to SMEs, MoJ has developed a series of targeted actions aimed to make it easier for SMEs to bid for government contracts. The full MoJ Action Plan including desired outcomes, success factors and contracting opportunities is available at: www.gov.uk/government/organisations/ministry-of-justice/about/procurement.

Social and environmental awareness

The MoJ SDT has drafted a statement for social and community partnership, which also encourages external partnerships to promote learning and skills training in all SD work streams. The MoJ SDT has also implemented initiatives for its lead and central partners to enter into a Memorandum of Understanding, which promotes restorative justice, reducing reoffending and supports further progress towards the government's SD strategy.

Carbon Reduction Commitment (CRC)

CRC is a mandated energy reporting system for medium to large scale energy consumers. Participants must prepare detailed annual consumption reports and purchase sufficient allowances to cover their respective carbon impact. MoJ SDT manages CRC on behalf of all its reporting bodies although accruals and budgets are managed at the Department level. The associated carbon allowances for 2012–13 are estimated to be £5.5m.

The recently published 2011–12 performance league table published by the Department of Energy & Climate Change (DECC) showed a significant improvement in performance. MoJ are now placed 218th, against the previous ranking of 605th. This improvement was achieved through Carbon Trust accreditation and a reduction in carbon emissions from energy between 2010–11 and 2011–12.

Climate Change Adaptation

The MoJ SDT has implemented a system which prioritises buildings susceptible to the effects of climate change such as temperature increases and a rise in sea levels. The system and associated Statement for Climate Change Adaptation provides the following purpose for both the built and non-built estate:

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

Biodiversity action planning

MoJ aims to support the UK Biodiversity Strategy by managing its estate in a way that allows both flora and fauna to naturally flourish, whilst reducing the loss and decline of priority species and leaving a legacy for our future generations.

MoJ establishes Biodiversity Action Plans and engages all of its designated sites, including Sites of Special Scientific Interest, Special Protection Areas and sites covered by the Ramsar convention.

Rural proofing

As part of the MoJ estate rationale, new estate management contracts have highlighted where pastoral, countryside and local transport impacts are of prime importance to rural proofing. Transport plans have been an important aspect of our environmental strategy through local planning requirements on new build properties. Establishing public transport routes and negotiating transport timetables is one aspect of how both carbon footprint and social and community plans can be effective in rural proofing across the MoJ estate.

The siting of new buildings is challenging to our estate, whether it's regarding local planning policy statements or nature and heritage requirements; all of which may impact on both local leisure and tourism industries. Every aspect including nature, archaeological, tourism, leisure and rural diversification are assessed in the early stages of planning and design for all new builds across the MoJ estate as part of our rural proofing policy.

Carbon Management Plan (CMP)

A CMP is a systematic approach to reducing Greenhouse Gas Emissions; integrating technical, financial, corporate governance and communications within an overarching strategy. HM Prison Service and the Probation estate have centrally managed CMPs developed in partnership with the Carbon Trust. The MoJ SDT aim to consolidate all CMPs including those from the Headquarters, Courts, Prisons and Probation estate, into a single, cohesive approach with costed projects to provide an overarching framework to tackle climate change.

Our vision is to:

- Be a low carbon business in which carbon management and sustainability are embedded within decision making; and
- Engage stakeholders and demonstrate best practice in meeting sustainability targets.

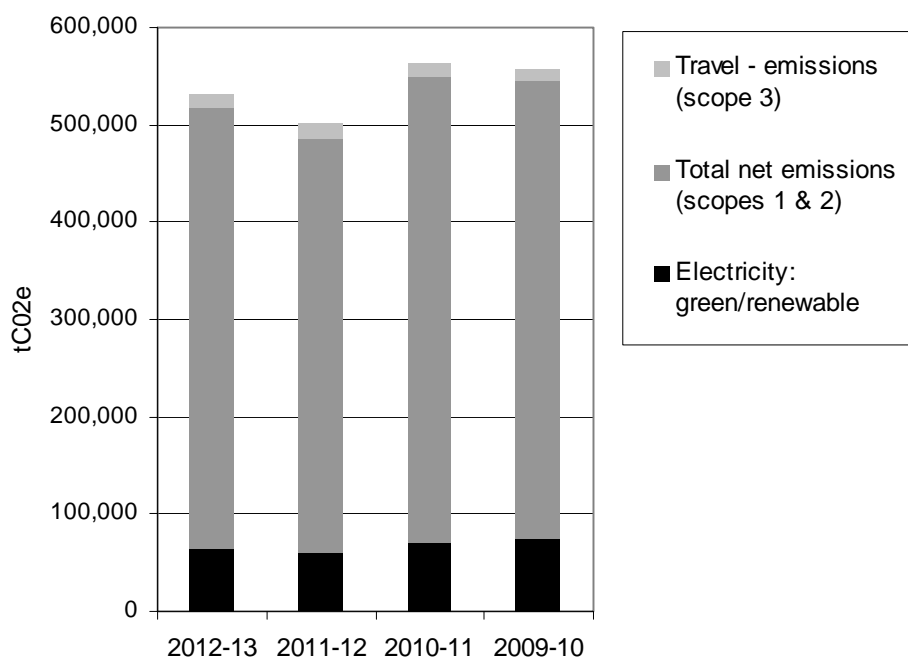
Sustainable construction

All major refurbishments and new builds are required to be Building Research Establishment Environmental Assessment Method (BREEAM) assessed to a standard of 'very good' for refurbishments and excellent for new builds. In addition the Department is committed to reducing construction waste to landfill and ensures that all major refurbishment and new build projects have clauses requiring details on waste streams. During 2012–13 a total of 29 new build and refurbishments were registered or completed. All achieved the required BREEAM status.

Performance

| Greenhouse gas (GHG) emissions | | 2012–13 | 2011–12 | 2010–11 | 2009–10 |
|---|---|------------------|------------------|------------------|------------------|
| Non-financial indicators (tCO ₂ e) | Total gross emissions for (scopes 1 & 2) | 516,473 | 486,145 | 550,441 | 544,778 |
| | Electricity: green/renewable | 64,764 | 59,945 | 71,476 | 74,961 |
| | Total net emissions (scopes 1 & 2) | 451,709 | 426,200 | 478,965 | 469,917 |
| | Travel – emissions (scope 3) | 14,215 | 15,023 | 13,839 | 12,730 |
| | Total gross GHG emissions (all scopes) | 530,688 | 501,168 | 564,280 | 557,508 |
| | Electricity: Grid, CHP & non-renewable | 381,967 | 387,064 | 403,596 | 423,501 |
| | Electricity: Renewable | 121,427 | 126,683 | 132,424 | 132,409 |
| | Gas | 1,149,525 | 952,648 | 1,099,261 | 1,096,535 |
| | Other energy sources | 102,029 | 104,273 | 131,995 | 128,230 |
| | Total energy | 1,754,948 | 1,570,668 | 1,767,276 | 1,780,675 |
| Financial indicators | Expenditure on energy (including CRC) (£m) | 117.04 | 108.30 | 85.87 | 92.17 |
| | Expenditure on official business travel (including GCOF) (£m) | 37.91 | 37.88 | 33.25 | 33.53 |

Greenhouse Gas emissions

**Performance commentary**

MoJ was expected to reduce greenhouse gas (GHG) emissions by 25% between 2009–10 and 2012–13. The above figures highlight a lower achievement than last year. 2012–13 performance demonstrates a 4.8% reduction in GHG emissions against the baseline compared to 10.1% reduction achieved last year.

The reduction in performance is largely due to the climatic conditions encountered during 2012–13 which led to a significant increase in the consumption of heating fuels. Electricity consumption is consistently lower against the same periods and is testament to numerous energy saving initiatives including voltage optimisation and the installation of energy efficient lighting systems.

In addition, it should be noted that the reporting quality of refrigerant losses (a scope 1 emission) has also improved this year and this area was not covered during the baseline year (these account for 0.6% of total emissions). The NOMS/HMPS fleet has also changed in composition, that is, less cars but more commercial vehicles and there has been an increase in carbon emissions of 10% from last year.

Management information relating to the environmental impact and costs of travel has also improved following the introduction of a pan-government travel management system.

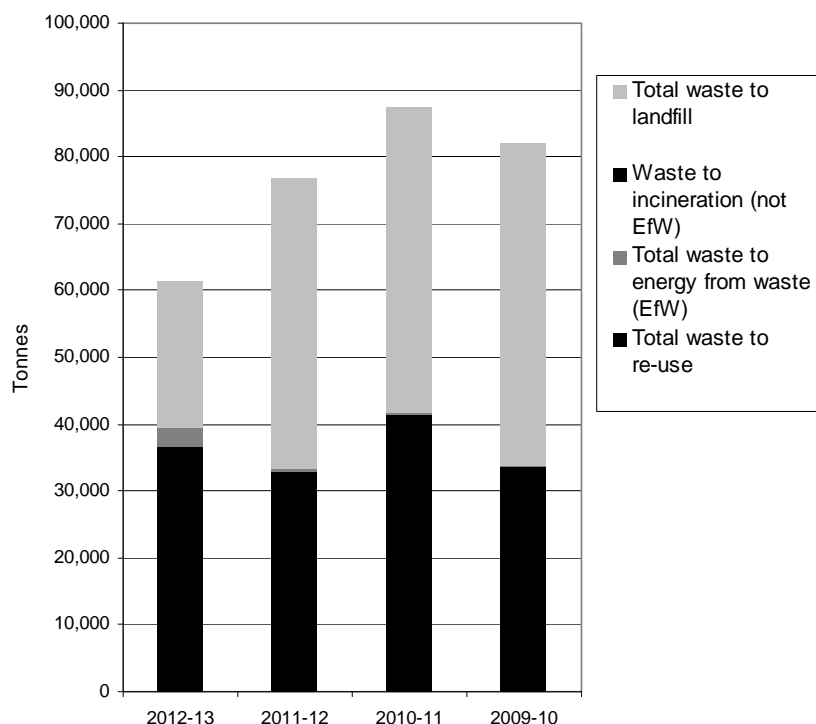
Controllable impacts commentary

Delivering cost and carbon savings remains a MoJ priority. SD and energy reduction targets are managed at site, regional and corporate level. Numerous projects such as estate rationalisation, voltage and boiler optimisations, lighting upgrades and awareness campaigns continue to deliver utility savings.

Waste

| Waste | | | 2012–13 | 2011–12 | 2010–11 | 2009–10 |
|---|---|--|---------------|---------------|---------------|---------------|
| All waste types by disposal by disposal type (tonnes) | | | | | | |
| Non-financial indicators | By waste Stream (tonnes) | Total hazardous & clinical waste | 197 | 143 | 378 | 47 |
| | | Total general waste | 61,387 | 76,718 | 87,404 | 82,094 |
| | | Total waste | 61,584 | 76,861 | 87,782 | 82,141 |
| | All waste types by disposal type (tonnes) | Total waste to reuse, recycling, anaerobic digestion, composting | 36,623 | 32,719 | 41,367 | 33,522 |
| | | Total waste to energy from waste (EfW) | 2,792 | 636 | 315 | 429 |
| | | Waste to incineration (not EfW) | 60 | 0 | 0 | 0 |
| | | Total waste to landfill | 21,913 | 43,364 | 45,722 | 48,143 |
| Financial indicators | All types | Total costs (£000) | 7,517 | 6,894 | 6,208 | 5,468 |

Waste by landfill and re-use



Performance commentary

MoJ waste management is driven toward achieving the objectives set out by GGC to reduce waste generated by 25% by 2014–15 from a 2009–10 baseline. A new waste reporting structure covering HM Courts & Tribunals Service began in April 2012 and this included aligning GGC targets to facilities contractors - this reporting system highlighted errors with previous years (including baseline) data which were overstated.

Figures from the prison estate are uplifted based on prisoner population to account for reporting gaps – 82% of prisons reported. Progression towards the GGC targets continues and the introduction of improved recycling facilities across the estate has delivered a significant increase in

the amount of waste materials diverted from landfill disposal to other options, such as recycling and composting (59% of waste materials) and 'energy from waste' incineration (4.5%).

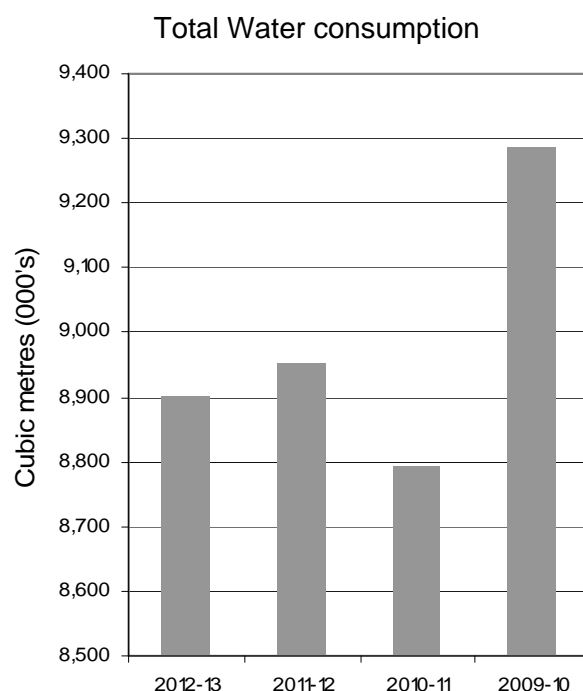
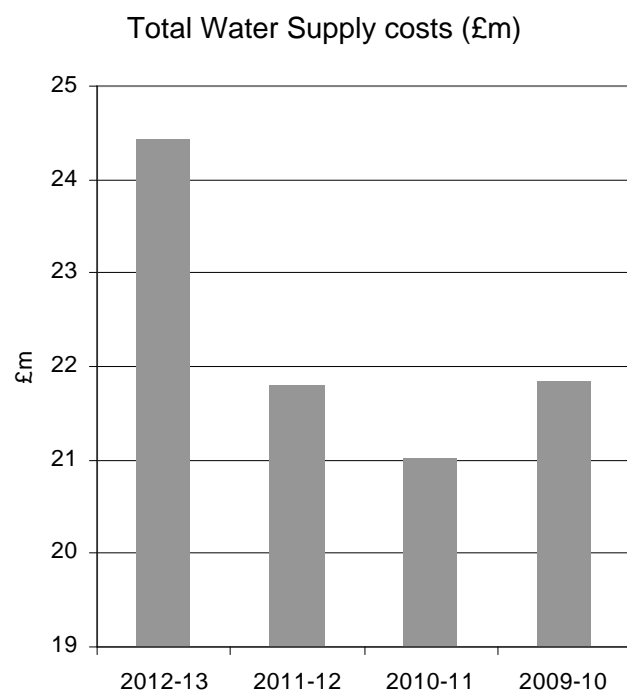
Of the total waste generated, 64% was diverted away from landfill disposal. It is anticipated that further improvements will be made as the benefits relating to the above functions are realised in full.

Controllable impacts commentary

The roll-out of a recycling strategy across the HM Courts & Tribunals Service estate has increased the level of materials diverted away from landfill disposal to other, more preferable options, such as recycling, composting and energy from waste incineration and waste minimisation opportunities have been introduced across the custodial estate where possible. Additionally, staff are encouraged to reduce and manage the waste produced through industry accredited training programmes and behavioural change initiatives, such as '*Environment Days*' which are delivered locally and in-house publications, such as '*Sustainability Matters*'.

Water

| Water | | 2012–13 | 2011–12 | 2010–11 | 2009–10 |
|--------------------------|---|----------------|----------------|----------------|----------------|
| Non-financial indicators | Total Water consumption (cubic metres 000s) | 8,902 | 8,953 | 8,794 | 9,288 |
| Financial indicators | Total Water Supply costs (£m) | 24.42 | 21.80 | 21.02 | 21.83 |



Performance commentary

The GGC water target is to reduce water consumption between 2009–10 and 2014–15. The above figures indicate this is being achieved. There are limitations to the quality of water data within HM Courts & Tribunals Service and this impacts the accuracy of this data, which is estimated based on averages taken from sites from which consumption and costs data sets are known and then uplifted against the purchase ledger. Reporting systems have recently improved and so comparative figures were calculated using different systems.

Controllable impacts commentary

Delivering cost and water savings remains a MoJ priority. The MoJ water strategy centres around monitoring and targeting, awareness campaigns, installation of control devices and automated meter readers, rainwater harvesting and re-cycle initiatives.

Paper

| Paper | 2012–13 | 2011–12 |
|---------------------|----------------|----------------|
| Cost excl. VAT (£m) | 3.8 | 4.4 |

Performance commentary

Paper consumption reporting systems have improved from the prior year. The paper supply contract is held within a Government Office Supplies contract (GOSC) which began in October 2011. GGC does not carry a paper consumption target although the expectation is that MoJ will reduce its consumption over time.

Performance per Full Time Equivalent (FTE)

| Normalised figures (against FTE) | | | | | Performance summary comparing 2012–13 to 2009–10 |
|---|----------------|----------------|----------------|----------------|---|
| | 2012–13 | 2011–12 | 2010–11 | 2009–10 | |
| FTE | 86,927 | 92,067 | 96,736 | 95,265 | |
| Greenhouse gas (GHG) emissions (tCO ₂ e) | 528,296 | 501,168 | 564,280 | 556,048 | -5.0% |
| Normalised GHG | 6.08 | 5.44 | 5.83 | 5.84 | |
| Waste arising (tonnes) | 61,584 | 76,861 | 87,782 | 82,141 | -25.0% |
| Normalised waste | 0.71 | 0.83 | 0.91 | 0.86 | |
| Water (10 cubic metres – m ³) | 890,166 | 895,297 | 879,363 | 928,812 | -4.2% |
| Normalised water | 10.24 | 9.72 | 9.09 | 9.75 | |

Normalised figures against FTEs do not accurately portray sustainability performance within MoJ due to the nature and diversity of our estates function. Prisoners maintain the largest impact in respect of utilities and waste.

Similarly, in respect of HM Courts & Tribunals Service the largest impact on water consumption stems from visiting members of the public. Using the FTE comparator highlights an improvement in GHG until 2011–12, however, the climatic conditions experienced in 2012–13 combined with further reductions in staff numbers caused a significant reduction in performance.

Waste reporting continues to improve although it must be stated that the number of prisons reporting in full is 82%. Water consumption shows an overall reduction but because this reduction is lower than that seen in staffing numbers the figures highlighted show an increase.

Remuneration report

Remuneration policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament (MPs) and their allowances; on Peers' allowances; and on the pay, pensions and allowances of ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975 (as amended).

In reaching its recommendations, the Review Body has regard to the following considerations:

- The need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- Regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- The funds available to departments as set out in the government's departmental expenditure limits; and
- The government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the Review Body can be found at: www.ome.uk.com.

Board members and senior civil servants remuneration

The salaries of MoJ Departmental Board (the Board) members (excluding the non-executive board members) are determined in line with the Cabinet Office Senior Civil Service (SCS) Reward policy.

Performance based non-consolidated performance-related payments for senior civil servants are determined by the Remuneration Committee, details of the Remuneration Committee are provided in the Governance Statement. Whilst the Board members sit on the Remuneration Committee these individuals do not participate in any decisions relating to their own remuneration.

Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended, and to which a notice period of three months would usually apply. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Further information about the work of the Civil Service Commission can be found at: www.civilservicecommission.org.uk.

Remuneration (including salary) and pension entitlements

(This section has been subject to audit)

The following sections provide details of the remuneration and pension interests of the ministers and most senior management of the Department.

Remuneration (salary and payments in kind)

| Remuneration | 2012–13 | | 2011–12 | |
|---|---|--|-------------------------------|--|
| | Salary (including allowances) | Benefits in kind (rounded to the nearest £100) | Salary (including allowances) | Benefits in kind (rounded to the nearest £100) |
| Ministers | £ | £ | £ | £ |
| The Rt Hon Chris Grayling MP, Lord Chancellor and Secretary of State for Justice (from 5 September 2012) | 39,576 (68,827 full year equivalent (FYE)) | - | n/a | n/a |
| The Rt Hon Kenneth Clarke QC MP, Lord Chancellor and Secretary of State for Justice (to 4 September 2012) | 29,251 (68,827 FYE) | - | 68,827 | - |
| The Rt Hon Lord McNally *, Minister of State and Deputy Leader of the House of Lords | 115,257 | - | 115,257 | - |
| Jeremy Wright MP, Parliamentary Under Secretary of State (from 5 September 2012) | 13,560 (23,697 FYE) | - | n/a | n/a |
| Helen Grant MP, Parliamentary Under Secretary of State (from 5 September 2012) | 13,560 (23,697 FYE) | - | n/a | n/a |
| Crispin Blunt MP, Parliamentary Under Secretary of State (to 4 September 2012) | 10,137 (23,697 FYE) | - | 23,697 | - |
| Jonathan Djanogly MP, Parliamentary Under Secretary of State (to 4 September 2012) | 10,137 (23,697 FYE) | - | 23,697 | - |

Notes to the table:

* Lord McNally receives the Lords Office Holder Allowance (LOHA), which is set at £36,366 per annum. It is available to paid Lords Ministers whose main home is outside of London and is included within the figure disclosed above.

Information disclosed above relates to the period in which the individuals were in post as ministers.

The Minister of State for Policing and Criminal Justice is responsible for criminal justice strategy, reporting on this jointly to the Secretary of State for Justice and the Secretary of State for Home Department. This position was held by the Rt Hon Nick Herbert MP until 4 September 2012 and the Rt Hon Damian Green MP from 5 September 2012. Their remuneration was borne by the Home Office and is disclosed in the Home Office accounts.

| Remuneration | 2012–13 | | | 2011–12 | | |
|---|---|---------------------------------|--|---|---------------------------------|--|
| | Salary excluding bonuses (including allowances) | 2011–12 bonuses paid in 2012–13 | Benefits in kind (rounded to the nearest £100) | Salary excluding bonuses (including allowances) | 2010–11 bonuses paid in 2011–12 | Benefits in kind (rounded to the nearest £100) |
| Senior Managers | £000 | £000 | | £000 | £000 | |
| Dame Ursula Brennan DCB, [▲] Permanent Secretary (from 2 July 2012) | 130–135 (175–180 FYE) | - | - | n/a | n/a | n/a |
| Sir Suma Chakrabarti KCB [▲] , Permanent Secretary (to 2 July 2012) | 45–50 (180–185 FYE) | 15–20 | - | 180–185 | - | 400 |
| Helen Edwards CB [▲] , Director General, Justice Policy Group | 165–170 | - | - | 160–165 | - | 100 |
| Peter Handcock CBE, Chief Executive, Her Majesty's Courts & Tribunals Service | 140–145 | - | - | 140–145 | 10–15 | 500 |
| Ann Beasley CBE, Director General, Finance and Corporate Services | 140–145 | - | - | 140–145 | - | - |
| Antonia Romeo, Director General, Transforming Justice | 125–130 | - | - | 50–55 (125–130 FYE) | - | - |
| Michael Spurr, Chief Executive, National Offender Management Service | 140–145 | - | - | 140–145 | - | - |
| Matthew Coats [¥] , Chief Executive, Legal Services Commission | 140–145 | - | - | 10–15 (140–145 FYE) | - | - |

[▲] Dame Ursula Brennan DCB was appointed as Permanent Secretary on 2 July 2012. Sir Suma Chakrabarti KCB formally resigned from MoJ on 2 July 2012, but his last working day at MoJ was 8 June 2012. Helen Edwards CB acted as Permanent Secretary in the interim period.

[¥] Matthew Coats was seconded from MoJ to LSC following his appointment as Chief Executive on 27 February 2012. His contract expired on 31 March 2013, at which point he returned to MoJ on an open contract.

| Remuneration | 2012–13 | | | 2011–12 | | |
|--|---|---------------------------------|--|---|---------------------------------|--|
| | Fees excluding bonuses (including allowances) | 2011–12 bonuses paid in 2012–13 | Benefits in kind (rounded to the nearest £100) | Fees excluding bonuses (including allowances) | 2010–11 bonuses paid in 2011–12 | Benefits in kind (rounded to the nearest £100) |
| Non-Executive Directors | £000 | £000 | £ | £000 | £000 | £ |
| Tim Breedon CBE [*] , Lead Non-Executive Director (from 21 December 2012) | - | - | - | n/a | n/a | n/a |
| Jim Leng [*] , Lead Non-Executive Director (to 2 August 2012) | - | - | - | - | - | - |
| Dame Sue Street DCB [†] , Non-Executive Director | 10–15 | - | - | 10–15 | - | - |
| David MacLeod, Non-Executive Director | 10–15 | - | - | 15–20 | - | - |
| Bill Griffiths, Audit Committee Chair and Non-Executive Director | 15–20 | - | - | 5–10 (15–20 FYE) | - | - |

Notes to the table:

Information disclosed above relates to the period in which the individuals were in post as senior managers or non-executive directors.

Since 20 April 2011 all appointed non-executive directors were entitled to an annual honorarium of £15k. Prior to 20 April 2011, non-executive directors were paid on a daily basis. Bill Griffiths was entitled to an additional £5k for his duties as Chair of the Audit Committee and both Tim Breedon and Jim Leng were entitled to an additional £5k for their duties as Lead Non-Executive Director. None of the non-executive directors have pension entitlements with MoJ.

* Tim Breedon CBE waived his fee for 2012–13 and Jim Leng waived his fee for both 2012–13 and 2011–12.

† Dame Sue Street DCB's fee for the period to 31 December 2012 was paid directly to three charities via the Give As You Earn scheme.

Salary

'Salary' includes gross salary, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Department and thus recorded in these Accounts. In respect of ministers in the House of Commons, Departments bear only the cost of the additional ministerial remuneration, the salary for their services as an MP (£65,738 from 1 April 2010) and various allowances to which they are entitled are borne centrally. However, the arrangement for ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures above.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs (HMRC) as a taxable emolument. 2011–12 benefits in kind balances recognised by senior managers relate to travel with the use of taxis, despatch agency vehicles and cars from the Departmental pool. Benefits in kind are an estimate, as the final value is to be agreed between the Secretary of State and HMRC.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2012–13 relate to performance in 2011–12 and the comparative bonuses reported for 2011–12 relate to the performance in 2010–11.

Pay multiples (as at 31 March 2013)

| | 2012–13 | 2011–12 |
|---|---------|---------|
| Band of highest paid director's total remuneration (£000) | 175–180 | 180–185 |
| Median total remuneration (£) | 24,635 | 24,333 |
| Ratio | 7.2 | 7.5 |

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

The banded remuneration of the highest-paid director in MoJ in the financial year 2012–13 was £175–180k (2011–12: £180–185k). This was 7.2 times (2011–12: 7.5) the median remuneration of the workforce, which was £24,635 (2011–12: £24,333).

In 2012–13, 11 (2011–12: 16) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £190–270k (2011–12: £185–210k). These figures exclude any

severance pay in respect of compulsory redundancies and voluntary early departures disclosed at Note 7.5.

Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions. Benefits in kind have been excluded as the final value is to be agreed between the Secretary of State and HMRC.

Compensation for loss of office

No senior managers received compensatory payments in 2012–13 (2011–12: nil).

Pension entitlements

Ministerial pensions

| Pension Benefits | | | | | |
|--|---|------------------------------------|-----------------------|-----------------------|-----------------------------------|
| | Accrued pension at age 65 as at 31 March 2013 | Real increase in pension at age 65 | CETV at 31 March 2013 | CETV at 31 March 2012 | Real increase/ (decrease) in CETV |
| Ministers | £000 | £000 | £000 | £000 | £000 |
| The Rt Hon Chris Grayling MP [▲] , Lord Chancellor and Secretary of State for Justice (from 5 September 2012) | 0–5 | 0–2.5 | 41 | 28 | 7 |
| The Rt Hon Kenneth Clarke QC MP [▲] , Lord Chancellor and Secretary of State for Justice (to 4 September 2012) | 25–30 | 0–2.5 | 463 | 468 | 3 |
| The Rt Hon Lord McNally, Minister of State and Deputy Leader of the House of Lords | 5–10 | 0–2.5 | 98 | 66 | 21 |
| Jeremy Wright MP, Parliamentary Under Secretary of State (from 5 September 2012) | 0–5 | 0–2.5 | 16 | 13 | 1 |
| Helen Grant MP, Parliamentary Under Secretary of State (from 5 September 2012) | 0–5 | 0–2.5 | 3 | - | 2 |
| Crispin Blunt MP, Parliamentary Under Secretary of State (to 4 September 2012) | 0–5 | 0–2.5 | 22 | 18 | 2 |
| Jonathan Djanogly MP, Parliamentary Under Secretary of State (to 4 September 2012) | 0–5 | 0–2.5 | 19 | 16 | 2 |

Notes to the table:

Information disclosed above relates to the full year, whereas dates included above relate to the period in which the individuals were in post as ministers.

[▲] The Lord Chancellor is no longer eligible to contribute or build up benefits within the Parliamentary Contributory Pension Fund (PCPF) and no longer holds an entitlement to any benefits within the PCPF. For 2012–13 and 2011–12, both the Rt Hon Chris Grayling MP and the Rt Hon Kenneth Clarke QC MP waived their rights to receive the Lord Chancellor's pension, and chose to instead receive benefits commensurate with what they would have received had they been permitted to remain a member of the PCPF. These benefits were paid from the Consolidated Fund.

Ministerial pension benefits

Pension benefits for ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute (the regulations are set out in Statutory Instrument SI 1993 No 3253, as amended).

Those ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). The arrangements for ministers provide benefits on an 'average salary' basis, taking account of all service as a minister. The accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those that chose to backdate the change) but ministers, in common with all other members of the PCPF, can opt for a 1/50th accrual rate and a lower rate of member contribution. An additional 1/60th accrual rate option (backdated to 1 April 2008) was introduced from 1 January 2010.

Benefits for ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office from age 65. Pensions are re-valued annually in line with Pensions Increase legislation. From 1 April 2013 members pay contributions between 7.9% and 16.7% depending on their level of seniority and chosen accrual rate. The contribution rates are planned to increase in April 2014, subject to consultation.

The accrued pension quoted is the pension the minister is entitled to receive when they reach 65, or immediately on ceasing to be an active member of the scheme if they are already 65.

In line with reforms to other public service pension schemes, it is intended to reform the Ministerial Pension Scheme in 2015.

Cash Equivalent Transfer Value (CETV) of ministerial pensions

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total ministerial service, not just their current appointment as a minister.

CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV on ministerial pensions

This is the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the minister. It is worked out using common market valuation factors for the start and end of the period.

Civil service pensions

| Pension Benefits | | | | | |
|---|---|--|-----------------------|-----------------------|------------------------------------|
| Senior Managers | Accrued pension and related lump sum at pension age as at 31 March 2013 | Real increase in pension and related lump sum at pension age | CETV at 31 March 2013 | CETV at 31 March 2012 | Real increase / (decrease) in CETV |
| | £000 | £000 | £000 | £000 | £000 |
| Dame Ursula Brennan DCB *, Permanent Secretary (from 2 July 2012) | 85–90 plus 265–270 Lump Sum | n/a | 1,962 | 1,962 | n/a |
| Sir Suma Chakrabarti KCB, Permanent Secretary (to 2 July 2012) | 60–65 plus 185–190 Lump Sum | (2.5)–0 plus (2.5)–0 Lump Sum | 1,206 | 1,162 | (17) |
| Helen Edwards CB [▲] , Director General, Justice Policy Group | 25–30 plus 0–5 Lump Sum | 2.5–5 plus 0–2.5 Lump Sum | 492 | 409 | 52 |
| Peter Handcock CBE *, Chief Executive, Her Majesty's Courts & Tribunals Service | 90–95 plus nil Lump Sum | n/a | 1,825 | 1,825 | n/a |
| Ann Beasley CBE, Director General, Finance and Corporate Services | 55–60 plus 170–175 Lump Sum | 0–2.5 plus 0–2.5 Lump Sum | 1,113 | 1,047 | 5 |
| Antonia Romeo, Director General, Transforming Justice | 15–20 plus 50–55 Lump Sum | 2.5–5 plus 12.5–15 Lump Sum | 214 | 152 [¥] | 49 |
| Michael Spurr, Chief Executive, National Offender Management Service | 55–60 plus 170–175 Lump Sum | 0–2.5 plus 5–7.5 Lump Sum | 1,012 | 929 | 28 |
| Matthew Coats, Chief Executive, Legal Services Commission | 40–45 plus 0–2.5 Lump Sum | 2.5–5 plus 0–2.5 Lump Sum | 555 | 480 | 40 |

Notes to the table:

Information disclosed above relates to the full year, whereas dates included above relate to the period in which the individuals were in post as senior managers.

[▲] Helen Edwards CB is a member of the Supplementary Scheme.

* Dame Ursula Brennan DCB and Peter Handcock CBE have both currently opted out of the Civil Service pension scheme as at 1 April 2012. CETV figures for 2012-13 included in the table above are in line with values previously published in the 2011–12 Ministry of Defence Annual Report and Accounts for Dame Ursula Brennan DCB and the 2011–12 MoJ Annual Report and Accounts for Peter Handcock CBE.

[¥] Antonia Romeo's CETV at 31 March 2012 was re-calculated following an amendment to the underlying assumptions used in 2011–12.

Civil service pension benefits

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

Employee contributions are salary-related and range between 1.5% and 3.9% of pensionable earnings for classic and 3.5% and 5.9% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2013. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum, classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his/her pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

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

Cash Equivalent Transfer Values (CETV) of civil service pensions

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual

or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV on civil service pensions

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Ursula Brennan
Accounting Officer

21 June 2013

Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), Her Majesty's (HM) Treasury has directed Ministry of Justice to prepare, for each financial year, consolidated resource Accounts detailing the resources acquired, held or disposed of, and the use of resources, during the year by the Department (inclusive of its Executive Agencies) and its sponsored Non-Departmental and other Arm's Length Public Bodies designated by order made under the GRAA by Statutory Instrument 2011 No 3004 (together known as the 'Departmental Group', consisting of the Department and sponsored bodies listed at Note 31 to the Accounts). The Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and the Departmental Group and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows of the Departmental Group for the financial year.

In preparing the Accounts, the Accounting Officer of the Department is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Ensure that the Department has in place appropriate and reliable systems and procedures to carry out the consolidation process;
- Make judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by Non-Departmental and other Arm's Length Public Bodies;
- 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; and
- Prepare the Accounts on a going concern basis.

HM Treasury has appointed the Permanent Head of the Department as Accounting Officer of Ministry of Justice.

The Accounting Officer of the Department has also appointed the Chief Executives or equivalents of its sponsored Non-Departmental and other Arms Length Public Bodies as Accounting Officers of those bodies. The Accounting Officer of the Department is responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that the Department makes to its sponsored bodies are applied for the purposes intended and that such expenditure and the other income and expenditure of the sponsored bodies are properly accounted for, for the purposes of consolidation within the resource Accounts. Under their terms of appointment, the Accounting Officers of the sponsored bodies are accountable for the use, including the regularity and propriety, of the grants received and the other income and expenditure of the sponsored bodies.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the Department or Non-Departmental and other Arms Length Public Body for which the Accounting Officer is responsible, are set out in '*Managing Public Money*' published by HM Treasury.

Annual governance statement

1. Introduction

- 1.1 As Accounting Officer, I am responsible for putting in place effective governance arrangements so that the right decisions are made at the right time, at the right level, and by the right people. I am satisfied that I have the necessary systems and processes in place which enable me to maintain an effective system of internal control throughout the Department that supports the achievement of policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally accountable.
- 1.2 Over the past year the scale and pace of our reform agenda has been the major challenge facing the Department. All areas of the Department are implementing major change programmes and there are considerable capacity and capability demands which require active management. As this has been coupled with the need to deliver significant efficiency savings, the executive team and Departmental Board (the Board) have focused on effective prioritisation and ensuring efforts are concentrated where they can make most difference. In this context, it is reassuring that the high level of staff engagement has been maintained within the Department. Similarly, operational performance has held up extremely well given the demanding climate. However, the potential for pressures outside of our control has remained high and while we have managed issues such as a high volume of civil legal aid claims before the scope changes took effect, there have been some indications of stress within the system which we are keeping under review.
- 1.3 In order to ensure continued effective management of these pressures, I am implementing a range of measures designed to strengthen the Department's governance structure and assurance processes, alongside taking steps to improve project and programme management capability and clarify accountability for projects. Central to this will be building on the learning and experience of the Transforming Justice Committee by moving responsibility for the Department's major projects to the Executive Management Committee of the Board (EMCB). This will increase the engagement and accountability of the senior management team in these projects.
- 1.4 This statement sets out in more detail how we have continued to develop our governance structure following a review of the effectiveness of the Board, its supporting committees, and our risk assessment processes to ensure that we maintain our focus on the areas that are most likely to prevent us from achieving our objectives. I am confident that we have, and continue to develop, governance, risk management and assurance arrangements that will enable us to rise to those challenges, as described below.

2. Governance Framework

- 2.1 The Board forms the collective strategic and operational leadership of the Department, bringing together the ministerial and civil service leaders with senior non-executives from outside government. Its remit is advising and challenging on performance and delivery, including the appropriate oversight of sponsored bodies.
- 2.2 The Board has overall responsibility for the allocation of resources. It also ensures that the priorities and efficiency agenda for MoJ are delivered and manages the associated risks in the strategic risk register. In its discussions, the Board considers the needs of MoJ users and stakeholders.
- 2.3 The Board regularly reviewed Departmental performance utilising a comprehensive reporting pack. In addition to discussions on finance, performance and risk, the Board discussed progress towards achieving the Department's vision and efficiency savings.

The Board considered the areas on which the Department needs to focus on to deliver transformational change, a rehabilitation revolution, reducing unit costs in prison, reform of youth justice, Criminal Justice System (CJS) and court reform, and reform of legal aid.

- 2.4 Additionally, the Board also considered the Services and Structures Review (SSR); the increasing financial challenge facing the Department in preparation for the Spending Round; the Department's in year financial position; the transition of the Legal Services Commission (LSC) to Executive Agency status; the delivery of the Departmental Accounts; the work to develop a 'new for old' strategy for prisons; and the development of a change strategy for HM Courts & Tribunals Service. The Board also considered infrastructure changes, commercial competitions, the Board Effectiveness Review, the conclusions from the quarterly stocktakes of the Transforming Justice Portfolio and the allocation of resources for 2013–14.
- 2.5 The Board Operating Framework sets a clear governance framework for the Board. There are effective arrangements for reporting and managing any conflicts of interest but this has not been necessary during the year. No conflicts of interest have been noted during 2012–13.
- 2.6 During 2012–13 the Board was supported by the Audit Committee and by other key committees which have overseen much of the Department's ongoing responsibilities and the implementation of the change agenda.
- 2.7 The highlights of the activities of these key committees are provided below:
- The Audit Committee – provides independent advice on risk, control and governance issues and on the internal and external audit work programmes. In the latter part of the year membership was strengthened by the appointment of two new independent members.
 - Executive Management Committee of the Board (EMCB) – oversees the day-to-day management of the Department and meets weekly. In addition to monthly meetings looking at finance, performance and risk, EMCB discussed the allocation of resources for 2013–14 and the delivery of both the 2011–12 and the 2012–13 Accounts. The Committee also discussed policy issues including the delivery of the five strategic priorities, relationships with other government departments, the future of the Shared Services Programme (SSP) as part of the cross-government shared service, and the Future IT Sourcing (FITS) Programme.
 - Workforce Committee – ensures the Department has the right capabilities to deliver its objectives. The Committee had discussions on issues such as the voluntary early departure scheme, the management of restructuring within the Department, and the impact on affected staff.
 - Financial Management Committee (FMC) – ensures robust management of the Department's finances, oversees improvements in financial efficiency and management, and reviews key business cases.
 - Transforming Justice Committee (TJC) – oversees the Transforming Justice Portfolio which delivers MoJ's reform savings in SR10.
- 2.8 Details of the membership and attendance records of the Board and Audit Committee are shown in the table on page 65.
- 2.9 Whilst the governance arrangements were fit for purpose in 2012–13, given the increasing complexity of delivery and the significant and developing change agenda, I asked Bill Griffiths, the Chair of the Audit Committee, to undertake a review of quality assurance and governance in the Department, the "Griffiths Review". Through this review I wanted to satisfy myself that the shortcomings identified from the Laidlaw review of the West Coast rail franchise were unlikely to occur in MoJ. Following the Griffiths Review MoJ is taking

steps to ensure there is a streamlined governance structure, greater clarity with respect to the function, authority and responsibilities of committees, simpler governance for major projects, improved escalation arrangements, improved quality of Senior Responsible Officers (SROs) and a stronger role for senior management and the Board in overseeing such projects.

- 2.10 The Lead Non-Executive Board member has recently undertaken the second formal review on the overall effectiveness of the Board. The Review concluded that the Board continues to operate satisfactorily despite the significant change in its membership over the last six months. The Board's focus on and engagement with performance has improved, although better quality information on performance, finance and risk would facilitate more challenging discussions and strengthen decision making. There are areas which the Board needs greater understanding, including the work and key risks of the Arm's Length Bodies (ALBs), and the roles and responsibilities of committees supporting the Board. These issues are being addressed through the response to the Griffiths Review.
- 2.11 The Board is satisfied that it has sound governance in place and that MoJ is compliant with the Code of Good Practice except with respect to developing a Nominations and Governance Committee. However, the expected functions of such a Committee are fulfilled by the Workforce Committee, Remuneration Committee and the Departmental Board. The Workforce Committee ensures there are satisfactory systems for identifying and developing leadership and high potential; scrutinising the performance management systems; and succession planning for the senior leadership of the Department. The level of any non-consolidated payments (in line with Cabinet Office policy) for each pay band within the Senior Civil Service is determined by the Remuneration Committee chaired by a non-executive member. The Pay Committee, which makes decisions about the level of payments to Directors General, comprises the Permanent Secretary, the non-executive member and the Group Human Resources (HR) Director. The Board scrutinised and signed off the Department's governance arrangements for 2012–13.

3. Risk Management

- 3.1 Operational risks are identified and reported through a comprehensive framework of risk registers covering Business Groups, Executive Agencies, ALBs, HQ directorates, programmes and projects, health and safety, business continuity and information assurance. These registers are actively managed by committees supporting the Board and senior management boards.
- 3.2 These risks include many standing risks to the ongoing operational business of the Department, including prisoner escapes, delays in the 'resulting' processes in the courts and the implementation of improvements to back office systems. The management of these risks takes place outside the Board and the risks are reflected in the subsidiary statements. I disclose below the more significant risks within the Department.
- 3.3 The Department Strategic Risk Register draws on and is underpinned by the operational risk registers and provides a high level overview of the risk profile of MoJ. The Register was refreshed in January 2013 following a workshop attended by EMCB and non executives. Lord McNally is the Departmental Board Risk Champion and the Register was reviewed monthly by EMCB and at every Board meeting. The highest rated risks in the Strategic Register relate to people, resources and the volume of change. The Register also contains risks relating to failure of internal control systems, resilience to external shocks, complexity of our operating model, and dependence on legacy systems for ICT and estates. The Register will now be reviewed quarterly and its effectiveness will be assessed during 2013–14.
- 3.4 Despite this risk management regime, a number of significant issues did arise during the period covered by this Statement that warrant disclosure. These are detailed below

together with an update on two issues that were disclosed in the 2011–12 Statement. As described above, I am taking forward a range of measures to strengthen the Department's governance structures and assurance processes. As part of this, we will explore the opportunities to improve risk management approaches to protect the Department from such issues arising in the future.

HM Courts & Tribunals Service – Interpreters

- 3.5 Following the award of contract to Applied Language Services (ALS), subsequently transferred to Capita, the provision of Interpreter services to MoJ, including to courts and tribunals, has been consistently below the required standard.
- 3.6 The issues, including lost and disrupted hearings, were caused by the lack of an adequate number and quality of interpreters available through this contract, which had not been identified and escalated through MoJ's risk management frameworks. The issues were raised with the National Audit Office (NAO) and Public Accounts Committee (PAC) by MPs and members of the public. The NAO investigated and published a report highlighting a number of issues with the contract and its performance. This attracted adverse media coverage and the HM Courts & Tribunals Service Chief Executive and MoJ Director General Finance and Corporate Services appeared before the PAC and the Justice Committee. A revised contract package was implemented on 1 May 2013 to put in place remedial plans to recover performance and address residual issues.

Finance and Corporate Services – MoJ Shared Services Programme

- 3.7 The programme to replace the multiple MoJ 'back office' systems and supporting commercial contracts for HR, Finance and Procurement with a single new Oracle platform has been paused. This is due in part to the forecast lifetime cost of the programme expected to exceed the original estimate of £100m. A combination of complex contractual arrangements and programme governance led to the programme going into exception early in 2012. Following a comprehensive review, a revised business case was submitted to Cabinet Office in April 2013 and is currently waiting approval.
- 3.8 Should this new approach proceed, MoJ will look to minimise programme risk and maximise value for money from the reshaped solution. This will include efforts to reuse the outputs generated to date by the programme; however it is likely that some of the development spend on the original programme will prove redundant. An assessment of the ability to reuse the outputs is planned as part of the reshaped programme. Where it is determined that expenditure that has been incurred will not be reused, a constructive loss will arise. It is likely that any constructive loss associated with reshaping the programme will be recorded in the 2013–14 Accounts.

HM Courts & Tribunals Service Trust Statement

- 3.9 The 2010–11 HM Courts & Tribunals Service Trust Statement received a disclaimed audit opinion on the basis that insufficient audit evidence was available to support the accounts. Significant progress has been made, resulting in an unqualified regularity opinion on the Trust Statement for 2011–12. However, the "true and fair" opinion was disclaimed. Detailed action plans are underway to address the recommendations. However, there are ongoing constraints as a result of the functional limitations in the legacy management systems and issues on the recording of fixed penalty notices, which are outside of MoJ's control. These issues make it difficult to account for these funds in accordance with accounting and reporting requirements, and as a result it may not be able to achieve a clean opinion for the 2012–13 Trust Statement.

National Offender Management Service – Electronic Monitoring of Offenders

- 3.10 As a result of information which came to light as part of the re-tendering process for electronic monitoring contracts, potential issues have been identified in relation to billing

under the current contracts. Action is being taken to address this. Our suppliers are co-operating fully and have given clear assurances that if any adjustment is required to charges to date, this will be put right promptly and repayments made.

National Offender Management Service – Category A Escapes

- 3.11 This risk was highlighted in the 2011–12 Governance Statement following the escape of two Category A prisoners in January and May 2012. Whilst the risk remains high, significant action has been taken in response to the escapes.
- 3.12 The January 2012 escape involved external assistance to attack a contractor's escort vehicle following a failure by the holding prison to apply the correct procedures for managing a potential Category A prisoner. Following this, a new system of communicating these categorisation decisions and ensuring adherence to them was implemented.
- 3.13 The escape from Cambridge Crown Court in May 2012 revealed weaknesses in the management of some aspects of Category A security at Court, which were addressed in June 2012 by the introduction of improved procedures. In the longer term, a protocol for the management of prisoners at court between NOMS and HM Courts & Tribunals Service is in the final stages of development.

Regularity of payments to Legal Aid providers

- 3.14 Between 2008–9 and 2011–12, the Legal Services Commission's (LSC's) financial statements were qualified by the NAO in respect of eligibility for grant of legal aid and accuracy of payments of legal aid to legal aid providers. In 2012–13, LSC continued its Stewardship Programme which was established to improve its systems, processes and controls in granting legal aid and in paying providers.
- 3.15 As a result of the Stewardship Programme, improvements have been made by the LSC since 2009–10, with significant improvements made during the 2012–13 year, which have resulted in the Comptroller & Auditor General's conclusion to remove the regularity qualification from the annual audit opinion on the 2012–13 financial statements.

4 Assurance Arrangements

Business Continuity Planning

- 4.1 Each part of MoJ has its own business continuity plan with central co-ordination if required. A 'CJS Strategic Command' regime is now in place to co-ordinate across the CJS in major emergencies. Improvements continue to be made and plans need to be regularly refreshed, but coverage is sufficient and effective.
- 4.2 During 2012–13, plans were developed to manage the potential disruption during the London 2012 Olympics. Contingency arrangements were deployed effectively during industrial action and severe weather disruptions and plans were reviewed in relation to the threat of disruption from the proposed tanker driver strikes. Going forward we will make use of the courts estate in emergencies, to provide fall-back space for key London/HQ staff, as our HQ estate reduces.

Information Assurance

- 4.3 During 2012–13 no significant control weaknesses were identified in relation to information risk management.
- 4.4 The Department has maintained a high level of awareness of good information handling practice, and I am confident all staff met the mandatory information risk awareness training requirement; either by completing online tutorial or through team briefings using centrally developed briefing material.

- 4.5 A robust Information Assurance governance regime has been maintained. The MoJ Senior Information Risk Owner (SIRO), HQ business group and executive agency SIROs met quarterly as a SIRO Board. This enables more active senior monitoring of the Department's key and cross cutting information risks. Furthermore, ALB SIROs met regularly to discuss their individual information risks. We have produced new guidance for Information Asset Owners (IAOs) and in conjunction with The National Archives we are delivering an IAO training programme.
- 4.6 During 2012–13 there was a marked increase in the number of ICT network security incidents including malicious software (virus and hacking) attacks. These were detected and blocked by MoJ security controls.
- 4.7 A summary of personal data related incidents and data losses is included at page 30 of the Annual Report.

Managing the Risk of Financial Loss Reviews

- 4.8 The MoJ Financial Management Committee (FMC), chaired by the Director General Finance and Corporate Services, approved the overall strategy for assessing MoJ's exposure to the risk of financial loss in its end to end financial processes.
- 4.9 During 2012–13, the Department completed assessments of two key end to end financial processes (fees income and grants). In both cases measures are in place to manage the risk of financial loss and that where necessary controls are being strengthened to improve their overall effectiveness.

Counter Fraud Activity

- 4.10 The Departmental Anti-Fraud and Corruption Policy was updated in March 2012 and the "whistle blowing" policy for confidential reporting of staff concerns was refreshed in May 2011. Both documents are available to staff on the Department's Intranet.
- 4.11 The Department appointed a Counter Fraud Error and Debt Champion to lead measures within MoJ, its agencies, and other public bodies to tackle fraud and error. The MoJ Counter Fraud Error and Debt Champion is part of a network of Champions, based in all major government departments and feeds into the work of the Government's Counter Fraud Error and Debt Taskforce.
- 4.12 A number of activities were undertaken during 2012–13 to increase fraud awareness:
- A Fraud Awareness Survey was conducted in August 2012. The survey confirmed that staff knew that MoJ had a zero tolerance to fraud, bribery and corruption and internal controls exist and work effectively. However, it also showed that some were unaware of their personal responsibilities in relation to fraud, bribery and corruption.
 - A range of Fraud Awareness activities and events took place across MoJ during MoJ Fraud Awareness week held in December 2012. These were supplemented by articles on departmental and agency intranets, all of which promoted completion of anti fraud and corruption on-line training by the end of March 2013.
 - A further Fraud Awareness Survey was conducted in May 2013 which provided clear evidence that awareness had increased since the August 2012 benchmark.

Oversight of Assurance Arrangements

- 4.13 The Board exercised oversight of the performance of the Department by:
- Using the integrated performance and planning framework to check progress against delivery of MoJ's key priorities as set out in the Public Services Transparency Framework and Corporate Strategy. This included monitoring performance against key

efficiency metrics, corporate risks and seeking assurance over performance of the Department's sponsored bodies. The Board has been asked to make decisions when underperforming, in particular where there were potential implications for front line delivery or achieving results within the Spending Review Settlement.

- The Board received up to date reports on the in year financial position and regular updates on the progress of MoJ's major projects within the Transforming Justice Portfolio. The Board set thresholds for measuring performance and discussed any issues that fell outside these thresholds (for example, overspend, significant risks to delivery etc).
- Agreeing delegations to business groups and throughout the governance structure to ensure the right decisions are being taken by the right people in the right place, whilst ensuring the Board is provided with the appropriate level of assurance.

4.14 The Board takes assurance from a range of external sources including:

- NAO reports (including Value for Money) and the audit report for the Annual Report and Accounts 2011–12;
- HM Inspectorate of Prisons publications and (Annual) report;
- HM Inspectorate of Probation publications and (Annual) report; and
- MoJ Audit Committee Chair's Annual Report.

4.15 One of the key sources of independent assurance within the Department comes from the activities of its Internal Audit Division which meets the relevant Internal Audit Standards. The internal audit programme is closely linked to the key risks of the Department, its Agencies and ALBs. Arrangements are in place to ensure that the Accounting Officer is made aware of any significant issues which indicate that key risks are not being effectively managed.

4.16 The Head of Internal Audit's overall opinion for 2012–13 is 'reasonable assurance'. This represents a substantial improvement on the opinion provided last year, 'limited assurance', which was based on the assessments of the adequacy of risk, control and governance arrangements in two of the Agencies (HM Courts & Tribunals Service and Office of the Public Guardian) and in LSC. Improvements have been made in these areas over the last year. The majority of internal audit reports issued in the last year have been rated Green or Amber/Green as a result of an improvement in controls. There were some weaknesses or concerns identified in 2012–13, notably in relation to the Shared Services Programme, staff vetting, and 'resulting' systems and the change management portfolio in HM Courts & Tribunals Service.

4.17 In 2013–14 I have agreed that Internal Audit will focus more resources to review and advise on the control and governance risks arising from the significant change agenda faced by the Department.

4.18 Other sources of internal assurance from which the Board also draws include:

- Head of Security's Annual Security Report;
- Security Policy Framework & Information Risk: Annual Report to the Cabinet Office; and
- Head of MoJ Corporate Health and Safety Annual Report.

4.19 Assurance about the extent to which our Agencies, NDPBs and Associated Offices comply with their respective Framework Document and Financial Memoranda is provided by sponsorship units, which are also responsible for monitoring their performance. Quarterly I meet with the Chief Executives of our Executive NDPBs to discuss any emerging or common issues.

Spending by Grant Recipients

- 4.20 As Accounting Officer, I need to be assured that resources made available to locally governed organisations are used for the purpose intended, and that the expenditure represents value for money.
- 4.21 The Youth Justice Board for England and Wales (YJB) is one of the Department's largest ALBs and received £358 million from MoJ in 2012–13. Of this, £101 million was allocated by the YJB to Youth Offending Teams (YOTs). The YJB has the power to make grants to local authorities or other bodies to develop good practice and commission research in relation to youth justice with approval from the Secretary of State.
- 4.22 Her Majesty's Inspectorate of Probation undertakes risk-based inspections of YOT "with poor performance and low capability and capacity to improve themselves." In addition, the YJB undertakes additional monitoring of YOTs. The last MoJ audit of the adequacy, effectiveness and reliability of controls operating over the use of the YOT grant returned an 'amber/green' rating, meaning that no significant improvements are required. However, from 2013–14, YOTs will be asked to produce additional documentation to show how they intend to use the grant provided to develop good practice and/or research into good practice.
- 4.23 Of the £52 million the Core Department awarded in grants in 2012–13, £38 million went to Victims Support (VS). The Grant Agreement signed in November 2011 between the Department and VS contained funding commitments which were based on rigorous assessments of the assumptions underpinning VS's business plan and costings. The Agreement also contained requirements for VS to change its operational procedures to target resources more efficiently and improve its prioritisation of assistance to victims. VS has provided the Department with management information in support of its use of the Grant in-year. The VS Chief Executive provided the Department with a letter of assurance for the financial year ending 31 March 2013 which confirmed that VS have complied with the terms and conditions of the Grant in Aid Agreement and that MoJ funding was used only for the purposes specified in the Agreement.
- 4.24 The NAO has suggested further improvements to financial oversight of VS which the Department continues to action, for example reviewing copies of key financial and outcome reports. This has strengthened accountability for the services provided by VS which are funded by the Department. It also enables both parties to demonstrate the value for money received by the Department for its Grant in Aid.
- 4.25 There are a number of other smaller grants administered by the Department and assurance mechanisms are in place for these.
- 4.26 The Department is working with the Cabinet Office on the development of its Grants Efficiency Project, which aims to introduce a single cross-public sector portal for all future grant applications. This will improve the efficiency of the whole grant making process and reduce the opportunity for fraud.

5 Overall Conclusions

- 5.1 I am satisfied that the Department has effective governance, risk management and assurance arrangements in place as described in this statement. I am taking action to ensure that these arrangements remain fit for purpose as the Department continues to deliver its significant change agenda.
- 5.2 I am confident that I have the necessary systems and processes in place which enable me to maintain an effective system of internal control throughout the Department that supports the achievement of policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally accountable.

| Departmental Board and Audit Committee Member Attendance 1 April 2012 to 31 March 2013 | | |
|--|--|------------------------|
| | Meetings attended per board member out of those eligible to attend | |
| | Departmental Board | Audit Committee |
| Ministers | | |
| The Rt Hon Chris Grayling MP, Lord Chancellor and Secretary of State for Justice (from 5 Sep 2012) | 3 of 3 | - |
| The Rt Hon Kenneth Clarke QC MP, Lord Chancellor and Secretary of State for Justice (to 4 Sep 2012) | 2 of 2 | - |
| The Rt Hon Lord McNally, Minister of State and Deputy Leader of the House of Lords | 5 of 5 | - |
| The Rt Hon Damian Green MP, Minister of State for Policing and Criminal Justice (from 5 Sep 2012) | 2 of 3 | - |
| The Rt Hon Nick Herbert, Minister of State for Policing and Criminal Justice (to 4 Sep 2012) | 2 of 2 | - |
| Jeremy Wright MP, Parliamentary Under Secretary of State (from 5 Sep 2012) | 3 of 3 | - |
| Helen Grant MP, Parliamentary Under Secretary of State (from 5 Sep 2012) | 2 of 3 | - |
| Crispin Blunt MP, Parliamentary Under Secretary of State (to 4 Sep 2012) | 2 of 2 | - |
| Jonathan Djanogly MP, Parliamentary Under Secretary of State (to 4 Sep 2012) | 2 of 2 | - |
| Executive Management | Departmental Board | Audit Committee |
| Dame Ursula Brennan DCB, Permanent Secretary (from 2 Jul 2012) | 4 of 4 | 3 of 3 |
| Sir Suma Chakrabarti KCB, Permanent Secretary (to 2 Jul 2012) | 0 of 1 | 1 of 1 |
| Helen Edwards CB, Director General, Justice Policy Group | 3 of 5 | 2 of 2 |
| Peter Handcock CBE, Chief Executive, Her Majesty's Courts & Tribunals Service | 5 of 5 | - |
| Ann Beasley CBE, Director General, Finance and Corporate Services | 5 of 5 | 5 of 5 |
| Antonia Romeo, Director General, Transforming Justice | 5 of 5 | - |
| Matthew Coats, Chief Executive, Legal Services Commission | 5 of 5 | - |
| Michael Spurr, Chief Executive, National Offender Management Service | 5 of 5 | - |

**Departmental Board and Audit Committee Member Attendance
1 April 2012 to 31 March 2013**

| Non-Executive Director or Independent Member | Meetings attended per board member out of those eligible to attend | |
|---|--|-----------------|
| | Departmental Board | Audit Committee |
| Tim Breedon CBE, Lead Non-Executive Director (from 21 Dec 2012) | 1 of 1 | - |
| Jim Leng, Lead Non-Executive Director (to 2 Aug 2012) | 1 of 2 | - |
| Dame Sue Street DCB, Non-Executive Director | 5 of 5 | - |
| Bill Griffiths, Audit Committee Chair and Non-Executive Director | 5 of 5 | 5 of 5 |
| David MacLeod, Non-Executive Director | 5 of 5 | - |
| Peter Conway, Independent member of Audit Committee | - | 2 of 2 |
| David Clarke, Independent member of Audit Committee | - | 2 of 2 |
| Jane Tozer, Independent member of Audit Committee | - | 1 of 1 |
| Michael Hawker, Ex-officio member of Audit Committee | - | 5 of 5 |
| Barry Elliott, Ex-officio member of Audit Committee | - | 4 of 4 |
| Francis Dobbyn, Ex-officio member of Audit Committee | - | 4 of 5 |

**Ursula Brennan
Accounting Officer**

21 June 2013

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 the Ministry of Justice and of its Departmental Group for the year ended 31 March 2013 under the Government Resources and Accounts Act 2000. The Department consists of the Core Department and its agencies. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2012. The financial statements comprise: the Department's and Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2013 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's and the Departmental Group's affairs as at 31 March 2013 and of the Department's net operating cost and Departmental Group's net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

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

Report

I have no observations to make on these financial statements.

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

21 June 2013

Accounts

Statement of Parliamentary Supply

Summary of Resource and Capital Outturn 2012–13

| | | Estimate | | | Outturn | | | 2012–13 Voted Outturn | 2011–12 Outturn | |
|------|---------------------------------------|---------------|-------------------|----------------|------------------|-------------------|----------------|--|--------------------|------------------|
| | | | | | | | | compared with Estimate: saving/ (excess) | Total | |
| Note | | Voted £000 | Non-Voted £000 | Total £000 | Voted £000 | Non-Voted £000 | Total £000 | £000 | £000 | |
| | Departmental Expenditure Limit | | | | | | | | | |
| | - Resource | 2.1 | 8,491,884 | 138,200 | 8,630,084 | 8,440,804 | 152,513 | 8,593,317 | 51,080 | 8,894,981 |
| | - Capital | 2.2 | 290,500 | - | 290,500 | 282,084 | - | 282,084 | 8,416 | 344,095 |
| | Annually Managed Expenditure | | | | | | | | | |
| | - Resource | 2.1 | 837,226 | - | 837,226 | (221,517) | - | (221,517) | 1,058,743 | (184,712) |
| | - Capital | 2.2 | 50 | - | 50 | - | - | - | 50 | - |
| | Total Budget | | 9,619,660 | 138,200 | 9,757,860 | 8,501,371 | 152,513 | 8,653,884 | 1,118,289 | 9,054,364 |
| | Total Resource | | 9,329,110 | 138,200 | 9,467,310 | 8,219,287 | 152,513 | 8,371,800 | 1,109,823 | 8,710,269 |
| | Total Capital | | 290,550 | - | 290,550 | 282,084 | - | 282,084 | 8,466 | 344,095 |
| | Total | | 9,619,660 | 138,200 | 9,757,860 | 8,501,371 | 152,513 | 8,653,884 | 1,118,289 | 9,054,364 |

Net Cash Requirement 2012–13

| | | Estimate | Outturn | 2012–13 Outturn compared with Estimate: saving/ (excess) | 2011–12 Outturn | |
|------|----------------------|----------|-----------|--|--------------------|-----------|
| Note | | £000 | £000 | £000 | £000 | |
| | Net cash requirement | 4 | 8,246,191 | 8,208,242 | 37,949 | 8,620,762 |

Administration Costs 2012–13

| | | Estimate | 2012–13 Outturn | 2011–12 Outturn | |
|------|----------------------|----------|--------------------|--------------------|---------|
| Note | | £000 | £000 | £000 | |
| | Administration costs | 3.2 | 655,135 | 581,466 | 641,835 |

Explanations of variances between Estimate and outturn are given in Note 2 and in the Management commentary on pages 21 to 24.

The Notes on pages 77 to 156 form part of these Accounts.

Consolidated Statement of Comprehensive Net Expenditure

for the year ended 31 March 2013

| | Note | 2012–13 | | | 2011–12 | | |
|---|------|------------------|----------------------------|--------------------|------------------|----------------------------|--------------------|
| | | Core Department | Core Department & Agencies | Departmental Group | Core Department | Core Department & Agencies | Departmental Group |
| | | £000 | £000 | £000 | £000 | £000 | £000 |
| Administration costs | | | | | | | |
| Staff costs | 7.1 | 154,957 | 248,519 | 337,003 | 153,429 | 232,186 | 314,824 |
| Judicial costs | 7.2 | 1,821 | 1,971 | 1,971 | 943 | 981 | 981 |
| Other administration costs | 8 | 49,092 | 200,715 | 273,496 | 116,218 | 211,837 | 277,268 |
| Operating income | 10.1 | (24,351) | (29,932) | (43,691) | (16,569) | (20,808) | (33,547) |
| Programme costs | | | | | | | |
| Staff costs | 7.1 | 66,969 | 2,198,450 | 2,899,251 | 92,268 | 2,344,819 | 3,055,344 |
| Judicial costs | 7.2 | 3,443 | 460,776 | 460,776 | 4,794 | 467,297 | 467,297 |
| Other programme costs | 9 | 366,372 | 3,857,229 | 5,782,902 | 299,838 | 3,787,518 | 5,902,570 |
| Operating income | 10.1 | (171,018) | (1,154,190) | (1,329,505) | (131,221) | (1,153,774) | (1,301,130) |
| Grant in Aid to Non-Departmental Public Bodies | 9 | 2,776,718 | 2,776,718 | - | 2,979,973 | 2,979,973 | - |
| Net Operating Costs for the year ended 31 March 2013 | | 3,224,003 | 8,560,256 | 8,382,203 | 3,499,673 | 8,850,029 | 8,683,607 |
| Total expenditure | | 3,419,372 | 9,744,378 | 9,755,399 | 3,647,463 | 10,024,611 | 10,018,284 |
| Total income | | (195,369) | (1,184,122) | (1,373,196) | (147,790) | (1,174,582) | (1,334,677) |
| Net Operating Costs for the year ended 31 March 2013 | | 3,224,003 | 8,560,256 | 8,382,203 | 3,499,673 | 8,850,029 | 8,683,607 |
| Other Comprehensive Net Expenditure | | | | | | | |
| Net (gain)/loss on revaluation of: | | | | | | | |
| Property, plant and equipment | | (8,154) | (299,403) | (301,280) | (65) | (80,876) | (83,373) |
| Intangible assets | | (6,693) | (15,478) | (18,137) | (616) | (980) | (997) |
| Assets held for sale | | - | (88) | (88) | - | 2,385 | 2,385 |
| Recognised actuarial (gain)/loss on: | | | | | | | |
| Legal Services Commission (LSC) pension scheme No. 3 | | - | - | 20 | - | - | 30 |
| LSC pension scheme No. 4 | | - | - | 2,986 | - | - | 57,064 |
| By-analogy pension schemes | | - | (233) | 150 | - | (19) | (129) |
| Probation Trust pension schemes | | - | - | 114,976 | - | - | 389,541 |
| Total Comprehensive Expenditure for the year ended 31 March 2013 | | 3,209,156 | 8,245,054 | 8,180,830 | 3,498,992 | 8,770,539 | 9,048,128 |

All activities are from continuing operations.

The Notes on pages 77 to 156 form part of these Accounts.

Consolidated Statement of Financial Position

as at 31 March 2013

| Note | 31 March 2013 | | | 31 March 2012 | | | |
|--|-----------------|----------------------------|--------------------|--------------------|----------------------------|--------------------|--------------------|
| | Core Department | Core Department & Agencies | Departmental Group | Core Department | Core Department & Agencies | Departmental Group | |
| | £000 | £000 | £000 | £000 | £000 | £000 | |
| Non-current assets | | | | | | | |
| Property, plant and equipment | 11 | 217,842 | 9,086,953 | 9,171,525 | 265,235 | 9,046,023 | 9,136,929 |
| Intangible assets | 12 | 101,416 | 216,926 | 270,948 | 85,867 | 222,980 | 264,283 |
| Investments | 13 | - | 402 | 402 | - | 342 | 342 |
| Investment property | 14 | - | - | - | - | 950 | 950 |
| LSC pension asset | 32.1 | - | - | - | - | - | 5,843 |
| Trade and other receivables | 17 | - | 2,171 | 2,410 | - | 2,845 | 2,914 |
| Total non-current assets | | 319,258 | 9,306,452 | 9,445,285 | 351,102 | 9,273,140 | 9,411,261 |
| Current assets | | | | | | | |
| Assets held for sale | 15 | - | 51,498 | 51,498 | - | 15,491 | 15,491 |
| Inventories | 16 | - | 40,889 | 40,889 | - | 41,091 | 41,091 |
| Trade and other receivables | 17 | 156,797 | 311,476 | 407,451 | 274,042 | 398,528 | 493,879 |
| Cash and cash equivalents | 18 | 73,118 | 76,199 | 277,106 | 74,875 | 92,884 | 343,739 |
| Total current assets | | 229,915 | 480,062 | 776,944 | 348,917 | 547,994 | 894,200 |
| Total assets | | 549,173 | 9,786,514 | 10,222,229 | 700,019 | 9,821,134 | 10,305,461 |
| Current liabilities | | | | | | | |
| Trade and other payables | 19 | (296,669) | (814,527) | (1,187,890) | (611,741) | (995,720) | (1,491,205) |
| Bank overdraft | 18 | - | (78,953) | (78,953) | - | (18,551) | (18,551) |
| Provisions | 20 | (102,366) | (169,726) | (983,426) | (85,764) | (143,125) | (1,115,737) |
| Total current liabilities | | (399,035) | (1,063,206) | (2,250,269) | (697,505) | (1,157,396) | (2,625,493) |
| Non-current assets plus/less net current assets/liabilities | | 150,138 | 8,723,308 | 7,971,960 | 2,514 | 8,663,738 | 7,679,968 |
| Non-current liabilities | | | | | | | |
| Trade and other payables | 19 | (201,536) | (997,780) | (1,104,904) | (208,521) | (940,780) | (1,006,710) |
| Provisions | 20 | (181,970) | (367,764) | (563,478) | (113,696) | (453,672) | (674,103) |
| By-analogy pension liabilities | 32.3 | - | (3,887) | (9,385) | - | (4,012) | (9,032) |
| Probation Trust pension liability | 32.2 | - | - | (1,337,885) | - | - | (1,196,678) |
| Total non-current liabilities | | (383,506) | (1,369,431) | (3,015,652) | (322,217) | (1,398,464) | (2,886,523) |
| Assets less liabilities | | (233,368) | 7,353,877 | 4,956,308 | (319,703) | 7,265,274 | 4,793,445 |
| Taxpayers' equity | | | | | | | |
| General fund | | (255,762) | 5,892,033 | 3,482,555 | (338,427) | 6,002,285 | 3,521,537 |
| Revaluation reserve | | 22,394 | 1,461,844 | 1,473,753 | 18,724 | 1,262,989 | 1,271,908 |
| Total taxpayers' equity | | (233,368) | 7,353,877 | 4,956,308 | (319,703) | 7,265,274 | 4,793,445 |

Ursula Brennan
Accounting Officer

21 June 2013

The Notes on pages 77 to 156 form part of these Accounts.

Consolidated Statement of Cash Flows

for the year ended 31 March 2013

| | Note | 2012–13 | | 2011–12 | |
|--|--------|----------------------------|--------------------|----------------------------|--------------------|
| | | Core Department & Agencies | Departmental Group | Core Department & Agencies | Departmental Group |
| | | £000 | £000 | £000 | £000 |
| Cash flows from operating activities | | | | | |
| Net operating cost | CSocNE | (8,560,256) | (8,382,203) | (8,850,029) | (8,683,607) |
| Adjustments for non-cash transactions | | 784,890 | 3,090,683 | 668,975 | 3,115,120 |
| Finance (income)/costs | | 11,474 | 9,297 | 12,218 | 9,159 |
| Movements in pensions | | (208) | 37,433 | (213) | 5,261 |
| Interest received | | - | (41) | - | 194 |
| Interest paid | | - | (147) | - | (191) |
| (Increase)/decrease in trade and other receivables | 17 | 87,726 | 86,932 | (119,576) | (83,765) |
| <i>Less: Movements in receivables not passing through the Consolidated Statement of Comprehensive Net Expenditure (CSocNE)</i> | | (66,951) | (67,612) | 92,662 | 63,544 |
| (Increase)/decrease in inventories | 16 | 202 | 202 | (748) | (748) |
| Increase/(decrease) in trade and other payables | 19 | (124,193) | (205,121) | 178,330 | 202,305 |
| <i>Less: Movements in payables relating to items not passing through the CSocNE</i> | | 28,963 | 32,252 | (61,868) | (35,442) |
| Utilisation of provisions | 20 | (237,434) | (2,666,595) | (152,170) | (2,800,348) |
| <i>Less: Utilisation of provisions settled with cash from the Consolidated Fund</i> | | 11,056 | 11,056 | 6,682 | 6,682 |
| Other | | 262 | 262 | - | - |
| Net cash outflow from operating activities | | (8,064,469) | (8,053,602) | (8,225,737) | (8,201,836) |
| Cash flows from investing activities | | | | | |
| Purchase of property, plant and equipment | | (254,473) | (257,290) | (460,285) | (462,511) |
| Purchase of intangible assets | | (33,835) | (51,065) | (39,424) | (49,213) |
| Proceeds on disposal of property, plant and equipment | | 1,497 | 1,530 | 33,963 | 34,043 |
| Proceeds on disposal of intangible assets | | 18 | 18 | - | - |
| Proceeds on disposal of assets held for sale | | 47,465 | 47,465 | 28,128 | 28,128 |
| Interest received | | - | 139 | - | 90 |
| Net cash outflow from investing activities | | (239,328) | (259,203) | (437,618) | (449,463) |
| Cash flows from financing activities | | | | | |
| From the Consolidated Fund (Supply) | | 8,126,310 | 8,126,310 | 8,660,000 | 8,660,000 |
| Grants from bodies external to the Department | | - | - | - | 39,210 |
| From the Consolidated Fund (Non-Supply) | | 141,267 | 141,267 | 142,039 | 142,039 |
| Advances from the Contingencies Fund | | 70,000 | 70,000 | - | - |
| Repayments to the Contingencies Fund | | (70,000) | (70,000) | - | - |
| Capital element of finance leases and on-balance sheet Private Finance Initiative (PFI) contracts | | (21,936) | (62,876) | (71,658) | (76,093) |
| Repayment of Met Police and local authority loans | | (2,916) | (2,916) | (3,121) | (3,121) |
| Movement in third party balances | | 3 | 3 | (16,331) | (16,331) |
| Interest paid | | (11,474) | (11,474) | (12,218) | (12,218) |
| Net cash inflow from financing activities | | 8,231,254 | 8,190,314 | 8,698,711 | 8,733,486 |
| Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund | | | | | |
| | | (72,543) | (122,491) | 35,356 | 82,187 |
| Receipts due to the Consolidated Fund outside the scope of the Department's activities | | - | - | 3,098 | 3,098 |
| Payments of amounts due to the Consolidated Fund | | (4,544) | (4,544) | (37,970) | (37,970) |
| Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund | | (77,087) | (127,035) | 484 | 47,315 |
| Cash and cash equivalents at the beginning of the period | 18 | 74,333 | 325,188 | 73,849 | 277,873 |
| Cash and cash equivalents at the end of the period | 18 | (2,754) | 198,153 | 74,333 | 325,188 |

The Notes on pages 77 to 156 form part of these Accounts.

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2013

| Note | Core Department | | | Core Department & Agencies | | | Departmental Group | | |
|---|------------------|---------------------|------------------|----------------------------|---------------------|------------------|--------------------|---------------------|------------------|
| | General fund | Revaluation reserve | Total reserves | General fund | Revaluation reserve | Total reserves | General fund | Revaluation reserve | Total reserves |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 31 March 2012 | (338,427) | 18,724 | (319,703) | 6,002,285 | 1,262,989 | 7,265,274 | 3,521,537 | 1,271,908 | 4,793,445 |
| Net Parliamentary Funding – drawn down | 8,126,310 | - | 8,126,310 | 8,126,310 | - | 8,126,310 | 8,126,310 | - | 8,126,310 |
| Net Parliamentary Funding – deemed | 119,877 | - | 119,877 | 119,877 | - | 119,877 | 119,877 | - | 119,877 |
| Agency funding from MoJ Core Department | (4,866,320) | - | (4,866,320) | - | - | - | - | - | - |
| Unspent Supply drawn down repayable to the Consolidated Fund | (37,944) | - | (37,944) | (37,944) | - | (37,944) | (37,944) | - | (37,944) |
| Consolidated Fund Standing Services | | | | | | | | | |
| - Judicial salaries | - | - | - | 141,190 | - | 141,190 | 141,190 | - | 141,190 |
| - Lord Chancellor's salary | 77 | - | 77 | 77 | - | 77 | 77 | - | 77 |
| - Utilisation of Judicial Service Award | 11,056 | - | 11,056 | 11,056 | - | 11,056 | 11,056 | - | 11,056 |
| - Information Commissioner's salary costs | - | - | - | - | - | - | 190 | - | 190 |
| Consolidated Fund Extra Receipts (CFERs) payable to the Consolidated Fund | (5,655) | - | (5,655) | (5,655) | - | (5,655) | (5,655) | - | (5,655) |
| Net Operating Cost for the year CSocNE | (3,224,003) | - | (3,224,003) | (8,560,256) | - | (8,560,256) | (8,382,203) | - | (8,382,203) |
| Net gain/(loss) on revaluation of | | | | | | | | | |
| - Property, plant and equipment | - | 8,154 | 8,154 | - | 299,403 | 299,403 | - | 301,280 | 301,280 |
| - Intangible assets | - | 6,693 | 6,693 | - | 15,478 | 15,478 | - | 18,137 | 18,137 |
| - Assets held for sale | - | - | - | - | 88 | 88 | - | 88 | 88 |
| Net actuarial gain/(loss) on pension schemes | | | | | | | | | |
| - LSC pension scheme No. 3 32.1 | - | - | - | - | - | - | (20) | - | (20) |
| - LSC pension scheme No. 4 32.1 | - | - | - | - | - | - | (2,986) | - | (2,986) |
| - By-analogy pension schemes 32.3 | - | - | - | 233 | - | 233 | (150) | - | (150) |

| | Note | Core Department | | | Core Department & Agencies | | | Departmental Group | | |
|--|------|------------------|---------------------|------------------|----------------------------|---------------------|------------------|--------------------|---------------------|------------------|
| | | General fund | Revaluation reserve | Total reserves | General fund | Revaluation reserve | Total reserves | General fund | Revaluation reserve | Total reserves |
| | | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| - Probation Trust pension schemes | 32.2 | - | - | - | - | - | - | (114,976) | - | (114,976) |
| Non-cash adjustment | | | | | | | | | | |
| - Auditors' remuneration | 8, 9 | 532 | - | 532 | 1,224 | - | 1,224 | 1,224 | - | 1,224 |
| - Corporate overhead charges | 8, 9 | (302,459) | - | (302,459) | (11,830) | - | (11,830) | - | - | - |
| Movements in reserves | | | | | | | | | | |
| - Transfers from revaluation reserve | | 11,177 | (11,177) | - | 102,191 | (102,191) | - | 103,737 | (103,737) | - |
| Adjustment in respect of prior periods | | - | - | - | - | (13,923) | (13,923) | - | (13,923) | (13,923) |
| Intra-departmental adjustment * | | 250,017 | - | 250,017 | (318) | - | (318) | - | - | - |
| Other | | - | - | - | 3,593 | - | 3,593 | 1,291 | - | 1,291 |
| Balance at 31 March 2013 | | (255,762) | 22,394 | (233,368) | 5,892,033 | 1,461,844 | 7,353,877 | 3,482,555 | 1,473,753 | 4,956,308 |

* Represents non-cash settlements of intra-departmental balances between entities in the Departmental Group. Settlements are accounted for through the general fund, with a corresponding increase/decrease in accounts payable/accounts receivable of the affected entities.

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2012

| Note | Core Department | | | Core Department & Agencies | | | Departmental Group | | |
|--|--------------------|---------------------|------------------|----------------------------|---------------------|------------------|--------------------|---------------------|------------------|
| | General fund | Revaluation reserve | Total reserves | General fund | Revaluation reserve | Total reserves | General fund | Revaluation reserve | Total reserves |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 31 March 2011 | (349,642) | 19,472 | (330,170) | 6,039,560 | 1,235,388 | 7,274,948 | 3,794,001 | 1,242,044 | 5,036,045 |
| Net Parliamentary Funding – drawn down | 8,660,000 | - | 8,660,000 | 8,660,000 | - | 8,660,000 | 8,660,000 | - | 8,660,000 |
| Net Parliamentary Funding – deemed | 80,638 | - | 80,638 | 80,638 | - | 80,638 | 80,638 | - | 80,638 |
| Agency funding from MoJ Core Department | (4,935,700) | - | (4,935,700) | - | - | - | - | - | - |
| Grant from bodies external to the Department | - | - | - | - | - | - | 39,210 | - | 39,210 |
| Unspent Supply drawn down repayable to the Consolidated Fund | (119,876) | - | (119,876) | (119,876) | - | (119,876) | (119,876) | - | (119,876) |
| Consolidated Fund Standing Services | | | | | | | | | |
| - Judicial salaries | - | - | - | 141,962 | - | 141,962 | 141,962 | - | 141,962 |
| - Lord Chancellor's salary | 77 | - | 77 | 77 | - | 77 | 77 | - | 77 |
| - Utilisation of Judicial Service Award | 6,682 | - | 6,682 | 6,682 | - | 6,682 | 6,682 | - | 6,682 |
| - Information Commissioner's salary costs | - | - | - | - | - | - | 189 | - | 189 |
| CFERs payable to the Consolidated Fund | (3,369) | - | (3,369) | (3,369) | - | (3,369) | (3,369) | - | (3,369) |
| Net Operating Cost for the year | CSoCNE (3,499,673) | - | (3,499,673) | (8,850,029) | - | (8,850,029) | (8,683,607) | - | (8,683,607) |
| Net gain/(loss) on revaluation of | | | | | | | | | |
| - Property, plant and equipment | - | 65 | 65 | - | 80,876 | 80,876 | - | 83,373 | 83,373 |
| - Intangible assets | - | 616 | 616 | - | 980 | 980 | - | 997 | 997 |
| - Assets held for sale | - | - | - | - | (2,385) | (2,385) | - | (2,385) | (2,385) |

| | Note | Core Department | | | Core Department & Agencies | | | Departmental Group | | |
|---|------|------------------|---------------------|------------------|----------------------------|---------------------|------------------|--------------------|---------------------|------------------|
| | | General fund | Revaluation reserve | Total reserves | General fund | Revaluation reserve | Total reserves | General fund | Revaluation reserve | Total reserves |
| | | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Net actuarial gain/(loss) on pension schemes | | | | | | | | | | |
| - LSC pension scheme No. 3 | 32.1 | - | - | - | - | - | - | (30) | - | (30) |
| - LSC pension scheme No. 4 | 32.1 | - | - | - | - | - | - | (57,064) | - | (57,064) |
| - By-analogy pension schemes | 32.3 | - | - | - | 19 | - | 19 | 129 | - | 129 |
| - Probation Trust pension schemes | 32.2 | - | - | - | - | - | - | (389,541) | - | (389,541) |
| Non-cash adjustment | | | | | | | | | | |
| - Auditors' remuneration | 8, 9 | 664 | - | 664 | 1,470 | - | 1,470 | 1,470 | - | 1,470 |
| - Notional charges | | - | - | - | 1,933 | - | 1,933 | 1,933 | - | 1,933 |
| - Corporate overhead charges | | (189,169) | - | (189,169) | (4,192) | - | (4,192) | - | - | - |
| - Other | | - | - | - | - | - | - | 627 | - | 627 |
| Movements in reserves | | | | | | | | | | |
| - Transfers from revaluation reserve | | 1,431 | (1,431) | - | 51,872 | (51,872) | - | 52,568 | (52,568) | - |
| Intra-departmental adjustment | | 10,309 | - | 10,309 | - | - | - | - | - | - |
| Other | | (799) | 2 | (797) | (4,462) | 2 | (4,460) | (4,462) | 447 | (4,015) |
| Balance at 31 March 2012 | | (338,427) | 18,724 | (319,703) | 6,002,285 | 1,262,989 | 7,265,274 | 3,521,537 | 1,271,908 | 4,793,445 |

The Notes on pages 77 to 156 form part of these Accounts.

Notes to the Accounts for the year ended 31 March 2013

1a) Statement of accounting policies

1.1 Basis of preparation

These Accounts have been prepared in accordance with the 'Government Financial Reporting Manual 2012–13' (FReM) issued by Her Majesty's (HM) Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

In addition to the primary statements prepared under IFRS, the FReM also requires MoJ to prepare the Statement of Parliamentary Supply (SoPS), and supporting notes, reporting outturn against the estimate in terms of Resource and Capital, Net cash and Administration costs.

The functional and presentational currency of MoJ is the British pound sterling (£).

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be the most appropriate to the particular circumstances of MoJ for the purpose of giving a true and fair view has been selected. The particular policies adopted by MoJ are described below. They have been applied consistently in dealing with items that are considered material to the Accounts.

1.2 Going concern

As at 31 March 2013, the Core Department reported net liabilities of £233.4m (2011–12: £319.7m). In common with other government departments, the future financing of MoJ's liabilities is expected to be met by future grants of Supply and the application of future income, both to be approved annually by Parliament. Therefore, it is considered appropriate to adopt the going concern basis for the preparation of these Accounts.

1.3 Accounting convention

These Accounts have been prepared on an accruals basis under the historical cost convention, as modified to account for the revaluation of non-current assets, inventories and assets held for sale, where material.

1.4 Changes in accounting policy and disclosures

a) Changes in accounting policies

Accounting for co-funding from Other Government Departments

The Department has made a change in respect of the accounting for co-funding from Other Government Departments (OGDs).

Previously, co-funding from OGDs was recorded as financing from OGDs within Non-Departmental Public Bodies' (NDPBs) accounts. As a result of the change, co-funding from OGDs is now recorded as income in the sponsor Department's Consolidated Statement of Comprehensive Net Expenditure (CSocNE), off-set by an equivalent increase in Grant in Aid payments made to NDPBs. As such, NDPBs will now record all funding as Grant in Aid received from MoJ Core.

This change has no impact on net assets and net operating costs. Comparative balances for 2011–12 have not been restated due to immateriality.

Accounting for Machinery of Government changes

From 1 April 2012, the FR&M amended the interpretation of merger accounting for public sector reporting. The amendment alters the accounting treatment for group reconstruction under common control, commonly referred to as a Machinery of Government (MoG) change.

Previously, the Department accounted for all MoG changes using merger accounting.

With the change in interpretation, full merger accounting has only applied to transfers of function between departmental groups within central government, with the exception of transfers between a Westminster Department and the Welsh Assembly Government or other devolved administration, whose income and expenditure is controlled directly by Parliamentary Supply processes. All other public sector business combinations have been accounted for using absorption accounting.

During 2012–13, there were no transfers of functions between MoJ and other government departmental groups, nor transfers of functions within the Departmental Group.

b) New and amended standards adopted

Amendments to IFRS 7 'Financial Instruments: Disclosures' (effective from 1 April 2012), require additional disclosures for the transfer of financial assets outside of the legal entity.

MoJ has applied the requirements of IFRS 7 in full to these Accounts, however there were no transfers of financial assets outside of the Departmental Group in 2012–13.

There are no other IFRSs or International Financial Reporting Interpretations Committee (IFRIC) interpretations effective for government departments for the first time for the financial year beginning on or after 1 April 2012.

c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2012 and not early adopted

The following new standards, interpretations and amendments, which are not yet effective, may have an effect on the Departmental Group's future accounts.

IAS 1 'Presentation of Financial Statements – Other Comprehensive Income' (effective for accounting periods beginning on or after 1 July 2012), retains the option to present other comprehensive expenditure on a separate statement from net operating cost items, and to reclassify certain other comprehensive expenditure items to net operating cost. The FR&M's adaptation of IAS 1 amendment for public sector application is effective from 1 April 2013.

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

IFRS 9 'Financial Instruments' (effective for accounting periods beginning on or after 1 January 2015) addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into two measurement categories; those measured at fair value and those measured at amortised cost. The determination is made at initial recognition and depends on the contractual cash flow characteristics of the instrument and the method in which an entity manages its financial instruments.

IFRS 13 'Fair Value Measurement' (effective for accounting periods beginning on or after 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and UK Generally Accepted Accounting Practice (GAAP), do not extend the use of fair value accounting

but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or UK GAAP.

The above standards to be adopted are not expected to have a material impact on the Departmental Group.

1.5 Basis of consolidation

These Accounts consolidate the Core Department, Executive Agencies and NDPBs which fall within the Departmental Boundary as defined in the FReM and make up the Departmental Group. A list of entities included within the Departmental Boundary is given at Note 31.

All significant intra-departmental balances and transactions between entities within the Departmental Boundary are eliminated.

All consolidated entities have accounting reference dates that align with the Core Department's.

1.6 Prior period adjustment

There were no prior period adjustments in 2012–13. Comparative figures within some notes have been reclassified between sub-headings and disclosure notes restated to ensure consistency with current year reporting.

1.7 Property, plant and equipment

Recognition

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

Capitalisation threshold – individual assets

The Core Department's capitalisation threshold for individual assets is £10,000 (including irrecoverable VAT). The thresholds across the Departmental Group range from £500 to £10,000 (including irrecoverable VAT).

Capitalisation threshold – grouped assets

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

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

The Core Department's capitalisation threshold for grouped assets is £1m (including irrecoverable VAT). The thresholds across the Departmental Group range from £500 to £1m (including irrecoverable VAT). Where an item costs less than the prescribed limit, but forms an integral part of a package whose total value is greater than the capitalisation level, then the item is treated as a tangible fixed asset.

Assets under construction

Assets under construction are valued at historical cost within property, plant and equipment and intangible assets and are not depreciated or amortised. 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 or amortisation is then charged on the asset in accordance with the stated accounting policy.

Expenditure is capitalised where it is directly attributable to bringing an asset into working condition, such as external consultant costs, relevant employee costs and an appropriate portion of relevant overheads.

Valuation method

Subsequent to initial recognition, land and buildings (including dwellings) are recorded at fair value, as interpreted by the FReM, on the basis of professional valuations, which are conducted for each property at least once every five years.

Professional valuations are primarily undertaken by the Valuation Office Agency (VOA) using the *Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual*, known as the 'Red Book'.

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

Criminal courts, prisons and some parts of the probation estate are mostly classified as specialised buildings which cannot be sold on the open market. Specialised properties are valued at Depreciated Replacement Cost (DRC) to a modern equivalent basis in accordance with the *Red Book*, taking into account the functional obsolescence of the property. Leasehold improvements are fair valued using the Building Cost Information Service Tender Price Index, compiled by RICS.

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

Revaluation

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

When an asset's carrying value decreases as a result of a permanent diminution in the value of the asset due to a clear consumption of economic benefit or service potential, the decrease is charged directly to net operating costs in the CSocNE, with any remaining revaluation reserves balance released to the general fund.

A revaluation decrease (other than as a result of a permanent diminution) is charged against the revaluation reserve to the extent such decrease does not exceed the amount held in the revaluation reserve in respect of that same asset. Any residual decrease should then be recognised within net operating costs in the CSocNE.

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

Depreciation

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

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

Estimated useful asset lives are within the following ranges:

| | |
|--|--|
| Freehold land | Not depreciated |
| Leasehold land | Shorter of remaining life or remaining lease period |
| Freehold buildings (including dwellings) | Shorter of remaining life or 60 years |
| Leasehold buildings (including dwellings) | Shortest of remaining life, remaining lease period or 60 years |
| Grouped assets | Various depending on individual asset types |
| Information technology | Shorter of remaining lease period or 3 to 15 years |
| Vehicles | Shorter of remaining lease period or 3 to 15 years |
| Furniture and fittings | Shorter of remaining lease period or 5 to 20 years |
| Assets under construction | Not depreciated |
| Assets held for sale | Not depreciated |
| Investment properties | Not depreciated |

Disposal of non-current assets

Gains and losses on disposal of non-current assets are determined by comparing the proceeds with the carrying amount and are recognised within Administration or Programme costs, as appropriate, in the CSoCNE.

When revalued assets are sold, the amounts included in the revaluation reserve are transferred to the general fund.

Donated assets

Donated assets are capitalised at fair value on receipt, and this value is credited to the CSoCNE. Non-current donated assets are revalued, depreciated and subject to impairment in the same manner as other non-current assets.

1.8 Intangible assets

Intangible assets comprise of internally developed software for internal use (including such assets under construction) and purchased software licences.

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

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

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

Purchased software licences are recognised when it is probable that future service potential will flow to MoJ and the cost of the license can be measured reliably. Such licences are initially measured at cost.

Subsequent to initial recognition, intangible assets are included in the Accounts at fair value. As no active market exists for MoJ's intangible assets, fair value is assessed as replacement cost less any accumulated amortisation and impairment losses (that is, depreciated replacement cost). Intangible assets are revalued at each reporting date using the Producer Price Index (PPI) produced by the Office for National Statistics (ONS).

Intangible assets under construction are not amortised until the assets are ready for use, at which point they are amortised using the straight-line method over their expected useful lives. The useful lives of internally developed software range from 3 to 10 years. Purchased software licences are amortised over the licence period.

Capitalisation thresholds – software projects

The Core Department's capitalisation threshold for software projects is £1m (including irrecoverable VAT). The thresholds across the Departmental Group range from £500 to £1m (including irrecoverable VAT).

1.9 Impairment

An impairment reflects a diminution in value of an asset as a result of a clear consumption of economic benefits or service potential. At 31 March each year, MoJ assesses all assets for indications of impairment. If any such indication exists, the assets in question are tested for impairment by comparing the carrying value of those assets with their recoverable amounts. Where the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable amount.

The recoverable amount of an asset is the higher of its 'fair value less costs to sell' and 'value in use'. Within the public sector, the FReM defines the 'value in use' of a non-cash-generating asset as the present value of the asset's remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential.

Any impairment loss is recognised in the CSocNE. If the impaired asset had previously been revalued, any balance in the revaluation reserve (up to the level of the impairment loss) is transferred to the general fund.

At 31 March each year, MoJ also assesses whether there is any indication that an impairment loss recognised in a previous period either no longer exists or has decreased. If any such indication

exists, the recoverable amounts of the assets in question are reassessed. The reversal of an impairment loss is then recognised, in the CSoCNE, if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment test was carried out. The amount of any reversal is restricted to increasing the carrying value of the relevant assets to the carrying value that would have been recognised had the original impairment not occurred (that is, after taking account of normal depreciation that would have been charged had no impairment occurred).

1.10 Investment property

Investment property comprises freehold land and buildings not principally occupied by the Departmental Group. 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 carries out valuations in accordance with the *RICS Appraisal and Valuation Manual*, known as the 'Red Book'. Changes in fair values are recorded in the CSoCNE.

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

1.11 Leases

A distinction is made between finance leases and operating leases.

Finance leases

Leases of property, plant and equipment where MoJ has substantially all the risks and rewards of ownership are classified as finance leases. At the commencement of the lease term, finance lease assets and liabilities are capitalised at the lower of the fair value of the leased property and the present value of the minimum lease payments.

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

Operating leases

Leases other than finance leases are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the CSoCNE on a straight-line basis over the period of the lease. Any upfront payments not yet released to the CSoCNE are recognised as a lease prepayment in the CSoFP. Operating lease incentives (such as rent-free periods or contributions by the lessor to the lessee's relocation costs) are treated as an integral part of the net consideration agreed for the use of the leased asset and are spread appropriately over the lease term.

Arrangements containing a lease

In determining whether MoJ is party to a lease, contracts that do not take the legal form of a lease but which may contain an embedded lease, for example outsourcing arrangements and take-or-pay contracts, are assessed to determine whether the contract contains a lease. The contract is accounted for as a lease if the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

1.12 Service Concession Arrangements

Service Concession Arrangements (SCAs), including Private Finance Initiative (PFI) arrangements, are arrangements whereby private sector operators are contractually obliged to provide services to the public in relation to certain infrastructure assets. MoJ defines such arrangements as SCAs if they meet the following conditions (as stipulated in IFRIC 12 'Service Concession Arrangements', as adapted for the public sector context by the FReM):

- MoJ controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price; and
- MoJ controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the term of the arrangement.

Where these conditions are satisfied, the future payment stream is assessed to separately identify the infrastructure interest and service components.

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

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

For budgeting purposes, SCAs are evaluated according to the balance of risks and reward of ownership as defined by the European System of Accounts 95. This means that some SCAs recognised in the Accounts are treated differently for budgetary purposes against HM Treasury budgeting controls.

1.13 Investments

MoJ through NOMS hold a number of investments (comprising shares in limited companies and special shares) as a result of its farming activities.

MoJ has designated its quoted and unquoted investments as fair value through profit and loss. Fair value is equal to the market value at the reporting date, and the movement in the value of the assets is recognised immediately in the CSoCNE, as income or as an expense.

1.14 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' or their fair value less the costs of selling the asset. Any subsequent impairment or reversal of impairment is recognised in the CSoCNE. Assets classified as held for sale are not depreciated.

1.15 Inventories

MoJ through NOMS holds inventories comprising raw materials, work-in-progress, finished goods and consumable stores. Inventories are valued at the lower of current replacement cost and net realisable value. Current replacement cost is not considered to be materially different to historical cost.

1.16 Employee benefits

Employee leave accrual

An accrual is made for untaken employee annual leave and flexi-leave. Performance bonuses are not accrued as the annual appraisal process which determines performance pay is not finalised at the time these Accounts are prepared and are not expected to have a material impact.

Defined benefit pension schemes

Principal Civil Service Pension Scheme (PCSPS)

The provisions of the PCSPS cover most past and present employees. While this is a defined benefit scheme, in accordance with FReM 12.2.5, MoJ accounts for this scheme as a defined contribution scheme. The PCSPS is unfunded and non-contributory except in respect of dependants' benefits. MoJ recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment of charges calculated on an accruing basis. Liability for payment of future benefits is a charge on the scheme.

Local Government Pension Scheme (LGPS)

Past and present employees of the local probation boards and trusts belong to the LGPS. Under the LGPS Regulations, the pension fund is subject to an independent triennial actuarial valuation to determine each employer's contribution rate.

The liability recognised in the CSoFP in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using discount rates advised by the scheme actuary. In between formal actuarial valuations, in accordance with FReM 12.2.5, the obligation is approximated by adjusting the most recent full valuation using the latest available membership data.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the Consolidated Statement of Changes in Taxpayers' Equity (CSoCiTE) in full in the period in which they arise.

The CSoCNE charge is allocated between an operating and finance charge. The operating charge reflects the service cost which is spread systematically over the working lives of the employees. The finance charge reflects the unwinding of the discount applied to the liabilities of the scheme offset by the expected return on the assets of the plan, based on conditions prevailing at the start of the period.

Legal Services Commission (LSC) pension scheme

LSC operates two pension schemes, the No. 4 Scheme and the No. 3 Scheme, providing benefits based on final pensionable salary. The assets of the schemes are held separately from those of LSC, being invested in funds managed by Legal and General Investment Management Limited. Contributions to the schemes are charged to the CSoCNE so as to spread the cost of the pensions over employees' working lives with LSC.

From 1 April 2013, the Legal Services Commission Pension Scheme No. 3 will be merged into the Pension Scheme No. 4 under the power of the Legal Aid Sentencing and Punishment of Offenders Act. With the introduction of the Legal Aid Agency from 1 April 2013, the LSC pension scheme will still continue to operate under a Crown Guarantee supported by MoJ for existing employees who do not opt to transfer their past service benefits to the PCSPS. Further information on the LSC pension scheme is set out in Note 32.

Judicial Pension Scheme

MoJ is responsible for the administration of the Judicial Pension Scheme (JPS) that provides for the pension entitlements of salaried judicial office holders of five participating departments across government.

While the JPS is not consolidated within these Accounts, a percentage of the accruing superannuating liability charge paid by the participating departments is budgeted in these Accounts, as reimbursement of the costs MoJ incurs in administering the scheme. The JPS is partly funded from the Consolidated Fund and the Vote.

Although the JPS is a defined benefit scheme, in accordance with FReM 12.2.5, MoJ accounts for the scheme as a defined contribution scheme and recognises employer contributions payable as an expense in the year they are incurred.

A UK Supreme Court hearing on 6 February 2013 ruled that a retired fee paid recorder is entitled to a pension on terms equivalent to those of a salaried circuit judge. Consistent with the accounting for salaried judicial office holders, and in accordance with FReM 12.2.5, MoJ accounts for employer contributions payable to the JPS as they are incurred but does not recognise a liability in respect of back payments or the pension liability arising pursuant to the claim. Accordingly, provision for the fee paid pension entitlement is recognised in the JPS accounts.

However, provision has been made in these Accounts for both the liability to fee paid judiciary in respect of the Judicial Service Award and a separate element of the pension liability relating to fee paid judges, as neither of these is a liability covered by the JPS and its governing Acts. Further information about these provisions is set out in Note 1(b) and Note 20.

Other defined benefit pension schemes

MoJ has a number of separate schemes, which are ‘by-analogy’ or similar to the PCSPS. Provision has been made for the future cost of benefits under these schemes.

Defined contribution pension schemes

Under defined contribution schemes MoJ’s legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. Consequently, the risk that benefits will be less than expected and the investment risk that assets invested will be insufficient to meet expected benefits, is borne by the employee.

MoJ recognises contributions payable as an expense in the year in which it is incurred.

Early departure costs

MoJ is required to pay the additional cost of benefits beyond the normal PCSPS and LGPS 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 has been announced and is binding on MoJ. The estimated risk-adjusted cash flows are discounted using HM Treasury’s real discount rate of 2.35% (2011–12: 2.80%).

1.17 Operating income

Operating income is generated directly from the operating activities of the Departmental Group and includes both budgetary and non-budgetary income. Non-budgetary income is outside the income ambit of the Departmental Group and is surrenderable to the Consolidated Fund as Consolidated Fund Extra Receipts (CFERs), refer to Note 5.1.

Operating income is stated net of VAT and comprises mainly fees and charges for services which are set on a full cost recovery basis, refer to Note 10.2.

Details regarding the treatment of operating income by individual bodies within the Departmental Group can be found in the accounts of each consolidated body.

1.18 Consolidated Fund Extra Receipts

CFER income refers to non-budgetary income of the Departmental Group or income which falls outside the income ambit of the Departmental Group.

CFER monies are non-retainable and are remitted to the Consolidated Fund. CFER balances are calculated on an accruals basis, unless otherwise stated.

CFER income for the Departmental Group is comprised of recoveries through civil actions and the criminal courts, monetary penalties and interest income that is to be surrendered to HM Treasury.

1.19 Administration and Programme expenditure

The CSocNE is analysed between Administration and Programme income and expenditure. The classification of expenditure and income as Administration or Programme follows the definition set out in HM Treasury's Spending Review. This definition aligns with HM Treasury's Consolidated Budgeting Guidance.

Administration expenditure reflects the cost of support activities such as business and corporate support services, back-office administration and administration of grants.

Programme expenditure reflects costs directly related to frontline service delivery.

1.20 Grants payable and paid

Financing to MoJ's Executive NDPBs through Grant in Aid (GIA) payments is reported on a cash basis in the period in which payments are made. Co-funding grants from other government departments are paid to NDPBs via MoJ Core, and are included as part of the Grant in Aid funding for the year.

All Grant in Aid and grants made by MoJ Core to its Agencies and Executive NDPBs are fully eliminated within the Departmental Group. The Legal Services Board (LSB), Office for Legal Complaints (OLC) and NOMS Probation Trusts are the only Executive NDPBs that do not receive Grant in Aid financing from MoJ Core, instead LSB and OLC receive levy funding from approved regulators and NOMS Probation Trusts receive supply funding through NOMS Core.

MoJ also makes a small number of grants to a variety of public sector, private sector and voluntary bodies including £107.3m in 2012–13 (£117.8m: 2011–12) to Youth Offending Team partnerships. These grants are recognised at the point at which an authorised request is received from the recipient body, in accordance with the terms of the relevant financial memoranda.

1.21 Foreign exchange

Transactions that are denominated in a foreign currency are translated into British pound sterling, which is the functional and presentational currency of MoJ, at the exchange rate specified in the contract. Transactions which are not covered by a related forward contract are translated at the exchange rate ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for the period is used. Monetary assets and liabilities denominated in a foreign currency at the CSocFP date are translated at the rates at that date, with any translation differences recognised in the CSocNE. MoJ does not hedge its foreign currency exposure due to immateriality.

1.22 Costs borne by the Consolidated Fund

The salary and social security costs of senior judges, being independent of MoJ, are included in these Accounts as a cost but are funded from the Consolidated Fund. Senior judges also receive service award payments under an agreement with MoJ, and these are partly funded from the Consolidated Fund. Other costs funded from the Consolidated Fund include salary and pension entitlements of the Information Commissioner.

1.23 Notional costs

Notional costs comprise of external auditors' remuneration, which represents the NAO's cost for the audit of MoJ and Agencies' Accounts, and notional costs for corporate overheads which are recharged to business areas. Such notional costs are credited directly to the general fund.

1.24 Provisions

Provisions represent liabilities of uncertain timing or amount.

Provisions are recognised when MoJ has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and for which a reliable estimate can be made for the amount of the obligation.

Provisions reflect the best estimate of the expenditure required to settle the obligation. Where the effect of discounting is material, provisions are measured at their present value using the following current real discount rates set by HM Treasury:

| | |
|--------------------------------------|--------|
| Short-Term (due within 5 years) | -1.80% |
| Medium-Term (due between 6–10 years) | -1.00% |
| Long-Term (due after 10 years) | 2.20% |

1.25 Contingent liabilities

A contingent liability is:

- A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Department, or
- A present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

A contingent liability is disclosed unless the possibility of payment is considered remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Department. A contingent asset is disclosed where an inflow of economic benefits is probable.

In addition to contingent liabilities disclosed in accordance with IAS 37, MoJ 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 '*Managing Public Money*'.

Where the time value of money is material, contingent liabilities required to be disclosed under IAS 37 are stated at discounted amounts. Contingent liabilities that are not required to be reported under IAS 37 but which require notification to Parliament are stated at the maximum amount granted by the indemnity, guarantee or letter of comfort where the liability is quantifiable.

1.26 Value Added Tax (VAT)

Most of the activities of MoJ are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase costs of non-current assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

1.27 Corporation tax

Most of the activities of MoJ are outside the scope of corporation tax. However, all of MoJ's NDPBs are liable for corporation tax on activities that fall within the scope of corporation tax, the current corporation tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date.

1.28 Third party assets

MoJ holds, as custodian or trustee, certain assets belonging to third parties. These assets are not recognised in the CSoFP and are disclosed within Note 30 since neither MoJ nor the government has a direct beneficial interest in them.

Other third party monies held at the Government Banking Service (GBS) or Office of HM Paymaster General at 31 March are recognised as both Cash and cash equivalents (refer to Note 18) and Trade and other payables (refer to Note 19), and therefore have no net impact on the CSoFP.

1.29 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 MoJ's normal purchase, sale or usage requirement, are recognised when, and to the extent to which, performance occurs. All other financial assets and liabilities are recognised when MoJ 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 MoJ 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. MoJ de-recognises a transferred financial asset if it transfers substantially all the risks and rewards of ownership.

Classification and measurement – financial assets

In addition to cash and cash equivalents, MoJ has two categories of financial assets:

Loans and receivables

Loans and receivables comprise trade receivables, other receivables and accrued income that have fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method net of any impairments. Interest is recognised by applying the effective interest rate. The effective interest rate is a method of calculating the amortised cost of a financial asset and of allocating the interest revenue over the relevant period using the estimated future cash flows.

Financial Assets at fair value through profit and loss (FVPL)

Fair value is equal to the market value at the reporting date, and the movement in the value of the assets is recognised immediately in the CSocNE, as income or as an expense.

MoJ has shares in limited companies/special shares designated as financial assets at 'fair value through profit and loss'. MoJ, through NOMS, holds a number of investments as a result of its trading activities. The fair values of quoted investments are based on bid prices in an active market at the reporting date. The fair value of unlisted securities is established using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and earnings multiples.

Impairment of financial assets

At the end of each reporting period, MoJ assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. If there is objective evidence that an impairment loss on such an asset has been incurred, MoJ recognises this in the CSocNE as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Classification and measurement – financial liabilities

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

1.30 Cash and cash equivalents

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

1.31 Segmental 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 Executive Management Committee of the Board (EMCB).

The segmental analysis at Note 6 presents the financial information based on the structure reported to the EMCB. The segments reflect the operational structure within the Department and allow the Board to have a clear view of the costs of front-line operations.

1b) 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

The Departmental Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related 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 non-current assets

Land and buildings (including dwellings) comprise mainly prisons and court facilities. Land and buildings are shown at fair value, based on professional valuations. The VOA or, for non-specialised properties, firms of chartered surveyors, carry out the valuations in accordance with the *RICS Appraisal and Valuation Manual*, known as the 'Red Book'. Specialised buildings are valued at DRC to a modern equivalent basis. All other buildings are measured at fair value determined from market-based evidence. The value of land and buildings fluctuates with changes in construction costs and the current market conditions.

Pension liabilities

The present value of the net pension liabilities detailed in Note 32 depends on a number of actuarially derived assumptions about inflation, salary and pension trends, discount factors, mortality rates and the long-term rate of return on the assets (equities, bonds and property) underlying the pension fund. The estimated liability is subject to fluctuation and uncertainty due to changes in these assumptions over time and differences between assumptions and actual events.

Provisions for liabilities and charges

The recognition and measurement of provisions for liabilities and charges reported in Note 20, significantly rely on the application of professional judgment and experience across the Departmental Group. Where the likelihood of a liability crystallising is deemed probable and can be measured with reasonable certainty, a provision is recognised.

Provision balances which contain regular, homogeneous transactions are often derived from complex financial models. The estimates and assumptions applied in these models are continually evaluated based on historical experience, professional judgement and other factors expected to influence future events.

In respect of fee paid judicial office holders, both the Judicial Service Award and the provision relating to a separate element of the pension liability for fee paid judges are subject to a degree of uncertainty as they are calculated using assumptions yet to be formally ratified by an ongoing Employment Tribunal. In addition, as the provisions are derived from the JPS fee paid pension liability, a level of uncertainty also stems from the pension liability actuarial assumptions adopted. Further information on these provisions is set out in Note 20.

LSC Community Legal Service (CLS) and LSC Criminal Defence Service (CDS) provisions for outstanding costs on funded legal cases and Civil Representation work in progress are derived using complex valuation models and historical profiles. Valuation models apply a number of variables, all of which involve a degree of estimation and assumptions. Similarly, the Civil Representation work in progress provision applies historical profiles when estimating future case costs. Further information on estimations and assumptions applied to these provisions can be found in LSC's accounts.

Critical judgements in applying MoJ's accounting policies

Lease accounting

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

Service Concession Arrangements

The Departmental Group is party to a number of SCAs, including Private Finance Initiatives (PFI). The classification of such arrangements as SCAs requires the Departmental Group to determine,

based on an evaluation of the terms and conditions of the arrangements, whether it controls the infrastructure.

Where the Departmental Group is judged to control or regulate the infrastructure, the contract assets are reflected in the CSoFP.

Accounting for receivables impairment provision

LSC provides for impairment of receivables based on historical cash collection experience and management assessment of likely recoveries, for each category of debt. Consideration is given to macroeconomic factors, such as the downturn in the economy, and inherent risks, such as potential changes to recoveries arising from revisions to legal aid schemes, in assessing the levels of impairment provision. For further detail regarding the LSC impairment provision refer to Note 26.4.

Valuation of prisons and court buildings earmarked for closure

As part of an ongoing estate rationalisation review, ministers have earmarked a number of prisons and under-utilised court buildings for closure over the next few years. Following this decision, management considers these buildings to be excluded from the operational estate in the future and as such their valuation method had been altered from DRC to fair value less costs to sell determined from market-based evidence. As this change in valuation method indicates a permanent diminution in value, any impairment has been taken directly to the CSoCNE, with the balance of any revaluation reserve taken to the general fund.

2. Net outturn

2.1 Analysis of net resource outturn by section

| | 2012-13 | | | | | | 2012-13 | | 2011-12 | | |
|--|----------------|-----------------|----------------|------------------|--------------------|------------------|-------------------|-------------------|---|--|-------------------|
| | Administration | | | Programme | | | Outturn | | Estimate | | Outturn |
| | Gross £000 | Income £000 | Net £000 | Gross £000 | Income £000 | Net £000 | Net Total £000 | Net Total £000 | Net Total compared to Estimate £000 | Estimate adjusted for virements £000 | Net Total £000 |
| Spending in Departmental Expenditure Limits (DEL) | | | | | | | | | | | |
| Voted expenditure | | | | | | | | | | | |
| A Policy, Corporate Services and Associated Offices | 319,655 | (18,735) | 300,920 | 759,956 | (180,797) | 579,159 | 880,079 | 898,512 | 18,433 | 17,438 | 1,036,308 |
| B Central Funds | - | - | - | 97,765 | - | 97,765 | 97,765 | 87,500 | (10,265) | - | 100,598 |
| C National Offender Management Service | 112,441 | (4,683) | 107,758 | 3,805,253 | (379,911) | 3,425,342 | 3,533,100 | 3,554,480 | 21,380 | 24,008 | 3,493,446 |
| D HM Courts & Tribunals Service | 32,682 | (859) | 31,823 | 1,766,265 | (594,592) | 1,171,673 | 1,203,496 | 1,209,796 | 6,300 | 1,134 | 1,091,883 |
| E Office of the Public Guardian | - | - | - | 25,040 | (37,870) | (12,830) | (12,830) | (2,576) | 10,254 | - | (5,737) |
| F Legal Services Commission: Administration (net) | 100,839 | (947) | 99,892 | 3,290 | (2,586) | 704 | 100,596 | 108,186 | 7,590 | 8,294 | 103,032 |
| G Legal Aid Fund: Criminal (net) | - | - | - | 1,037,035 | (41,641) | 995,394 | 995,394 | 1,021,659 | 26,265 | - | 1,115,359 |
| H Legal Aid Fund: Civil (net) | - | - | - | 1,153,125 | (207,578) | 945,547 | 945,547 | 959,806 | 14,259 | - | 965,594 |
| I Youth Justice Board (net) | 16,855 | - | 16,855 | 309,911 | - | 309,911 | 326,766 | 329,764 | 2,998 | 145 | 377,819 |
| J Criminal Injuries Compensation Authority (net) | 16,646 | - | 16,646 | 328,947 | 58 | 329,005 | 345,651 | 298,134 | (47,517) | - | 450,036 |
| K Parole Board (net) | 1,076 | - | 1,076 | 9,690 | - | 9,690 | 10,766 | 11,593 | 827 | 61 | 10,388 |
| L Criminal Cases Review Commission (net) | 1,071 | - | 1,071 | 3,813 | (8) | 3,805 | 4,876 | 5,347 | 471 | - | 5,283 |
| M Judicial Appointments Commission (net) | 747 | (4) | 743 | 4,178 | - | 4,178 | 4,921 | 5,220 | 299 | - | 5,013 |
| N Information Commissioner's Office (net) | 20,406 | (15,724) | 4,682 | - | - | - | 4,682 | 4,463 | (219) | - | 4,037 |
| O Office for Legal Complaints (net) | - | - | - | 16,657 | (16,662) | (5) | (5) | - | 5 | - | (117) |
| P Legal Services Board (net) | - | - | - | 4,264 | (4,264) | - | - | - | - | - | - |
| Total Voted expenditure in DEL | 622,418 | (40,952) | 581,466 | 9,325,189 | (1,465,851) | 7,859,338 | 8,440,804 | 8,491,884 | 51,080 | 51,080 | 8,752,942 |
| Non-Voted expenditure | | | | | | | | | | | |
| Q Higher Judiciary Judicial Salaries | 267 | - | 267 | 152,246 | - | 152,246 | 152,513 | 138,200 | (14,313) | (14,313) | 142,039 |
| Total Non-voted expenditure in DEL | 267 | - | 267 | 152,246 | - | 152,246 | 152,513 | 138,200 | (14,313) | (14,313) | 142,039 |
| Total DEL Spending | 622,685 | (40,952) | 581,733 | 9,477,435 | (1,465,851) | 8,011,584 | 8,593,317 | 8,630,084 | 36,767 | 36,767 | 8,894,981 |

| | 2012-13 | | | | | | 2012-13 | | 2011-12 | | |
|--|----------------|--------|------|------------------|--------|------------------|------------------|----------------|-----------------------|-----------------------|------------------|
| | Administration | | | Programme | | | Outturn | | Estimate | | Outturn |
| | | | | | | | | | Net Total compared to | | |
| | Gross | Income | Net | Gross | Income | Net | Net Total | Net Total | Estimate | Estimate adjusted for | Net Total |
| £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | virements | £000 | |
| Spending in Annually Managed Expenditure Limits (AME) | | | | | | | | | | | |
| Voted expenditure | | | | | | | | | | | |
| R | - | - | - | 133,956 | - | 133,956 | 133,956 | 494,959 | 361,003 | 360,674 | 58,044 |
| S | - | - | - | 58,780 | - | 58,780 | 58,780 | 63,677 | 4,897 | 4,897 | (12,755) |
| T | - | - | - | 3,721 | - | 3,721 | 3,721 | 6,928 | 3,207 | 3,207 | (22,080) |
| U | - | - | - | (20,368) | - | (20,368) | (20,368) | 8,512 | 28,880 | 28,880 | (14,294) |
| V | - | - | - | (3,856) | - | (3,856) | (3,856) | 23,654 | 27,510 | 27,510 | 58,329 |
| W | - | - | - | (154,326) | - | (154,326) | (154,326) | (90,504) | 63,822 | 63,822 | (248,440) |
| X | - | - | - | (202,256) | - | (202,256) | (202,256) | 329,574 | 531,830 | 531,830 | 22 |
| Y | - | - | - | (107) | - | (107) | (107) | 4 | 111 | 111 | 36 |
| Z | - | - | - | 568 | - | 568 | 568 | 422 | (146) | - | 271 |
| Central Funds | - | - | - | (37,777) | - | (37,777) | (37,777) | - | 37,777 | 37,777 | - |
| Office of the Public Guardian | - | - | - | 156 | - | 156 | 156 | - | (156) | - | (3,968) |
| Youth Justice Board (net) | - | - | - | 22 | - | 22 | 22 | - | (22) | - | 39 |
| Judicial Appointments Commission (net) | - | - | - | (29) | - | (29) | (29) | - | 29 | 29 | (24) |
| Information Commissioner's Office (net) | - | - | - | (6) | - | (6) | (6) | - | 6 | 6 | (9) |
| Office for Legal Complaints (net) | - | - | - | 5 | - | 5 | 5 | - | (5) | - | 117 |
| Legal Services Board (net) | - | - | - | - | - | - | - | - | - | - | - |
| Total AME Spending | - | - | - | (221,517) | - | (221,517) | (221,517) | 837,226 | 1,058,743 | 1,058,743 | (184,712) |

2.2 Analysis of net capital outturn by section

| | 2012–13 | | | 2012–13 | | | 2011–12 |
|--|----------------|-----------------|----------------|-----------------------|--------------|--------------|-----------------------|
| | Outturn | | | Estimate | | | Outturn |
| | | | | Net Total compared to | | | |
| | | | | Net Total compared to | | | Estimate adjusted for |
| | Gross | Income | Net Total | Net Total | Estimate | virements | Net Total |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Spending in Departmental Expenditure Limits (DEL) | | | | | | | |
| Voted expenditure | | | | | | | |
| A Policy, Corporate Services and Associated Offices | 187,850 | (3,822) | 184,028 | 163,717 | (20,311) | - | 248,513 |
| B Central Funds | - | - | - | - | - | - | - |
| C National Offender Management Service | 40,176 | (13,340) | 26,836 | 29,500 | 2,664 | 2,173 | 49,573 |
| D HM Courts & Tribunals Service | 87,548 | (37,461) | 50,087 | 71,000 | 20,913 | - | 26,865 |
| E Office of the Public Guardian | 1,067 | - | 1,067 | 510 | (557) | - | 861 |
| F Legal Services Commission: Administration (net) | 16,372 | (192) | 16,180 | 18,650 | 2,470 | 2,470 | 15,636 |
| G Legal Aid Fund: Criminal (net) | - | - | - | - | - | - | - |
| H Legal Aid Fund: Civil (net) | - | - | - | - | - | - | - |
| I Youth Justice Board (net) | 1,654 | - | 1,654 | 4,000 | 2,346 | 2,346 | 4 |
| J Criminal Injuries Compensation Authority (net) | 608 | - | 608 | 600 | (8) | - | 633 |
| K Parole Board (net) | 406 | - | 406 | - | (406) | - | 197 |
| L Criminal Cases Review Commission (net) | 51 | (7) | 44 | 43 | (1) | - | 91 |
| M Judicial Appointments Commission (net) | - | - | - | 1,000 | 1,000 | 1,000 | - |
| N Information Commissioner's Office (net) | 1,001 | (30) | 971 | 850 | (121) | - | 1,428 |
| O Office for Legal Complaints (net) | 203 | - | 203 | 600 | 397 | 397 | 294 |
| P Legal Services Board (net) | - | - | - | 30 | 30 | 30 | - |
| Total Voted expenditure in DEL | 336,936 | (54,852) | 282,084 | 290,500 | 8,416 | 8,416 | 344,095 |
| Non-voted expenditure | | | | | | | |
| Q Higher Judiciary Judicial Salaries | - | - | - | - | - | - | - |
| Total Non-voted expenditure in DEL | - | - | - | - | - | - | - |
| Total DEL Spending | 336,936 | (54,852) | 282,084 | 290,500 | 8,416 | 8,416 | 344,095 |
| Spending in Annually Managed Expenditure Limits (AME) | | | | | | | |
| Voted expenditure | | | | | | | |
| R Policy, Corporate Services and Associated Offices | - | - | - | - | - | - | - |
| S National Offender Management HQ | - | - | - | - | - | - | - |
| T Legal Services Commission: Administration (net) | - | - | - | - | - | - | - |
| U Legal Aid Fund: Criminal (net) | - | - | - | - | - | - | - |
| V Legal Aid Fund: Civil (net) | - | - | - | - | - | - | - |
| W Criminal Injuries Compensation Authority (net) | - | - | - | - | - | - | - |
| X HM Courts & Tribunals Service | - | - | - | - | - | - | - |
| Y Parole Board (net) | - | - | - | - | - | - | - |
| Z Criminal Cases Review Commission (net) | - | - | - | 50 | 50 | 50 | - |
| Central Funds | - | - | - | - | - | - | - |
| Office of the Public Guardian | - | - | - | - | - | - | - |
| Youth Justice Board (net) | - | - | - | - | - | - | - |
| Judicial Appointments Commission (net) | - | - | - | - | - | - | - |
| Information Commissioner's Office (net) | - | - | - | - | - | - | - |
| Office for Legal Complaints (net) | - | - | - | - | - | - | - |
| Legal Services Board (net) | - | - | - | - | - | - | - |
| Total AME Spending | - | - | - | 50 | 50 | 50 | - |

Significant variances between Estimate and Outturn are explained in the Management commentary on pages 21 to 24.

3. Reconciliation of outturn to net operating cost and against Administration Budget

3.1 Reconciliation of net resource outturn to net operating cost

| | | <u>2012–13</u> | <u>2011–12</u> |
|---|----|-------------------------|-------------------------|
| | | <u>Outturn</u> | <u>Outturn</u> |
| Note | | <u>£000</u> | <u>£000</u> |
| Total resource outturn in Statement of Parliamentary Supply | | | |
| Voted DEL | 2 | 8,440,804 | 8,752,942 |
| Non-voted DEL | 2 | 152,513 | 142,039 |
| Budget – DEL | | 8,593,317 | 8,894,981 |
| Budget – AME | 2 | (221,517) | (184,712) |
| | | <u>8,371,800</u> | <u>8,710,269</u> |
| Add: | | | |
| Capital grants (net of EU contributions) | | 6,112 | 281 |
| Other | | | |
| Funding from other central government department | | - | 39,210 |
| Utilisation of capital provisions | | - | 616 |
| Adjustment for other capital expenditure in CSocNE | | 874 | 10,441 |
| | | <u>6,986</u> | <u>50,548</u> |
| Less: | | | |
| Income payable to the Consolidated Fund | 10 | (5,655) | (3,372) |
| Other | | | |
| Private Finance Initiative (PFI) adjustments | | 9,072 | (27,202) |
| Prior period adjustments | | - | (46,636) |
| | | <u>3,417</u> | <u>(77,210)</u> |
| | | <u>8,382,203</u> | <u>8,683,607</u> |
| Net Operating Costs in Consolidated Statement of Comprehensive Net Expenditure | | <u>8,382,203</u> | <u>8,683,607</u> |

Note 2 provides a breakdown of the underspend against Supply Estimate by subhead. Explanations for significant variances are given in the Management commentary on pages 21 to 24.

3.2 Outturn against final Administration Budget and Administration net operating cost

| | | <u>2012–13</u> | <u>2011–12</u> |
|---|----------|-----------------------|-----------------------|
| | | <u>£000</u> | <u>£000</u> |
| Note | | <u>£000</u> | <u>£000</u> |
| Estimate – Administration costs limit | | 655,135 | 712,710 |
| Outturn – Gross Administration costs | | 622,418 | 675,091 |
| Outturn – Gross Income relating to Administration costs | | (40,952) | (33,256) |
| Outturn – Net Administration costs | 2 | <u>581,466</u> | <u>641,835</u> |
| Reconciliation to operating costs: | | | |
| Less: Provisions utilised (transfer from Programme) | | (315) | (2,378) |
| Add: Non-voted expenditure funded from Consolidated Fund | | 267 | 77 |
| Less: CFER income | 10 | (5,655) | (3,369) |
| Less: Intra-Departmental eliminations not accounted for in resource outturn | | (6,984) | (5,942) |
| Less: HM Courts & Tribunals Service and NOMS Programme Voluntary Early Departure (VED) scheme costs | | - | (83,250) |
| Add: Revaluation on assets accounted for in Resource Annually Managed Expenditure (RAME) | | - | 12,553 |
| | | <u>568,779</u> | <u>559,526</u> |
| Administration net operating costs | | <u>568,779</u> | <u>559,526</u> |

4. Reconciliation of Net Resource Outturn to Net Cash Requirement

| | Note | 2012–13 | | |
|--|------|--|------------------|------------------------|
| | | Net total outturn compared with Estimate: | | |
| | | Estimate | Outturn | saving/(excess) |
| | | £000 | £000 | £000 |
| Resource Outturn | 2.1 | 9,467,310 | 8,371,800 | 1,095,510 |
| Capital Outturn | 2.2 | 290,550 | 282,084 | 8,466 |
| Accruals to cash adjustments: | | | | |
| Adjustments to remove non-cash items: | | | | |
| Depreciation | | (1,108,316) | (391,141) | (717,175) |
| New provisions and adjustments to previous provisions | | (550,207) | (214,688) | (335,519) |
| Other non-cash items | | - | (128,341) | 128,341 |
| Adjustments for NDPBs: | | | | |
| Remove voted resource and capital | | (2,719,011) | (2,585,074) | (133,937) |
| Add cash Grant in Aid | | 2,752,068 | 2,776,718 | (24,650) |
| Adjustments to reflect movements in working balances: | | | | |
| Increase / (decrease) in inventories | | - | (202) | 202 |
| Increase / (decrease) in trade and other receivables | | - | (101,753) | 101,753 |
| (Increase) / decrease in trade and other payables | | - | 106,511 | (106,511) |
| Use of provisions | | 251,997 | 241,588 | 10,409 |
| | | 8,384,391 | 8,357,502 | 26,889 |
| Removal of non-voted budget items: | | | | |
| Consolidated Fund Standing Services | | (138,200) | (152,323) | 14,123 |
| Other adjustments to outturn: | | | | |
| Capital proceeds adjustment on capital outturn | | - | (10,021) | 10,021 |
| PFI and other adjustments not included in CSocNE | | - | 13,084 | (13,084) |
| Net cash requirement | | 8,246,191 | 8,208,242 | 37,949 |

5. Income payable to the Consolidated Fund

5.1 Analysis of income payable to the Consolidated Fund

In addition to income retained by the Department, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics).

| | Outturn 2012–13 | | Outturn 2011–12 | |
|--|------------------------|---------------------|------------------------|---------------------|
| | Income | Receipts | Income | Receipts |
| | £000 | £000 | £000 | £000 |
| Operating income outside the ambit of the Estimate | 5,655 | <i>5,472</i> | 3,372 | <i>3,100</i> |
| Total income payable to the Consolidated Fund | 5,655 | <i>5,472</i> | 3,372 | <i>3,100</i> |

Consolidated Fund income includes £3.0m collected by the Office of the Information Commissioner in respect of financial Civil Monetary penalties and Data protection notification fees which are payable to the Consolidated Fund. Further information on the position in relation to these financial penalties is available in the accounts of the Office of the Information Commissioner.

The Department also collects fines and penalties imposed by the judiciary and police; however, these are excluded from the income reported here and are reported separately in the HM Courts & Tribunals Service Trust Statement.

6. Statement of Operating Costs by Operating Segment

The following segmental analysis shows the information based on the structure reported to the Executive Management Committee of the Board (EMCB).

The Department is divided into the Core Department, which includes the HQ administrative operations; three agencies; thirty five Probation Trusts; eight NDPBs and one statutory office.

For reporting and operational management these are grouped into the Department's four business groups plus the Department's largest NDPB. These groups are: Corporate Performance Group (CPG), Justice Policy Group (JPG), NOMS, HM Courts & Tribunals Service and LSC.

The Core Department is subdivided between the central CPG and the central JPG.

The central CPG brings together, into a single group, the key cross-cutting corporate functions which provide the support to help MoJ deliver its objectives.

The CPG segment consists of the central CPG plus CICA and the Parole Board.

The central JPG focuses on policy for criminal, civil and family justice, criminal justice strategy, offender management strategy and regulation, research and analysis and closer working with other parts of the criminal justice system.

The JPG segment consists of the central JPG plus OPG, YJB, LSB, OLC, ICO, JAC and CCRC.

The financial information of these five segments is reported to the EMCB.

The operating segments' net cost of operations are measured on the same basis as the corresponding amounts reported in the Accounts.

The EMCB does not receive a CSoFP analysed by operating segment and therefore such an analysis is not presented here. Instead, they receive a summary CSoFP that excludes the NDPBs and Probation Trusts. This analysis equates to the amounts shown in the Core Department & Agencies column in the CSoFP reported on page 71.

There are no reconciling items between individual operating segments' net expenditure and their share of the Departmental Group's net expenditure as reported in the CSoCNE. The total net expenditure of all operating segments equals the total net expenditure of the Departmental Group.

| | | | | | | | | 2012–13 |
|------------------------|----------------|-------------------------------------|------------------|------------------|----------------|------------------|-------------|------------------|
| | CPG | HM Courts & Tribunals Service | NOMS | LSC | JPG | Gross Total | Elimination | Net Total |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Gross expenditure | 606,034 | 1,920,134 | 4,438,685 | 2,280,702 | 649,106 | 9,894,661 | (139,262) | 9,755,399 |
| Income | (172,376) | (595,451) | (394,412) | (252,752) | (97,467) | (1,512,458) | 139,262 | (1,373,196) |
| Net expenditure | 433,658 | 1,324,683 | 4,044,273 | 2,027,950 | 551,639 | 8,382,203 | - | 8,382,203 |
| | | | | | | | | 2011–12 |
| | CPG | HM Courts & Tribunals Service | NOMS | LSC | JPG | Gross Total | Elimination | Net Total |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Gross expenditure | 636,735 | 2,023,304 | 4,369,712 | 2,400,811 | 739,007 | 10,169,569 | (151,285) | 10,018,284 |
| Income | (134,111) | (594,623) | (434,989) | (240,341) | (81,898) | (1,485,962) | 151,285 | (1,334,677) |
| Net expenditure | 502,624 | 1,428,681 | 3,934,723 | 2,160,470 | 657,109 | 8,683,607 | - | 8,683,607 |

| | 2012–13 | | | | | |
|---|------------------|-------------------------------------|------------------|------------------|-----------------|--------------------|
| | CPG | HM Courts & Tribunals Service | NOMS | LSC | JPG | Gross Total |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Income | | | | | | |
| Revenues from external customers | (166,721) | (595,451) | (236,272) | (255,199) | (97,586) | (1,351,229) |
| Revenues from transactions with other operating segments of MoJ | - | - | (127,756) | (139) | 95 | (127,800) |
| LSC return on Pension schemes No. 3 and No. 4 | - | - | - | 2,586 | - | 2,586 |
| Interest revenue | - | - | - | - | 24 | 24 |
| Material items of income | | | | | | |
| EU Grant | - | - | (30,384) | - | - | (30,384) |
| CFERs | (5,655) | - | - | - | - | (5,655) |
| Total income | (172,376) | (595,451) | (394,412) | (252,752) | (97,467) | (1,512,458) |
| Individual items of income and expenditure | | | | | | |
| Depreciation | 32,006 | 102,010 | 258,084 | 2,660 | 4,023 | 398,783 |
| Amortisation | 16,969 | 15,368 | 20,884 | 6,095 | 2,982 | 62,298 |
| Material items of expenditure | | | | | | |
| Accommodation, maintenance and utilities | 30,929 | 236,953 | 344,060 | 3,703 | 3,811 | 619,456 |
| Offender related costs | - | - | 314,489 | - | - | 314,489 |
| Service concession charges | 82,026 | 36,266 | 628,561 | - | 2,514 | 749,367 |
| IT services and telecommunications (non-Service Concession Arrangements) | 96,776 | 21,232 | 125,523 | - | 5,187 | 248,718 |
| Payments of Grant in Aid to NDPBs which eliminate with receipts of Grant in Aid by NDPBs | 340,366 | - | - | 2,099,957 | 336,395 | 2,776,718 |
| Criminal cases – Solicitors' charges, counsel fees and disbursements | - | - | - | 978,330 | - | 978,330 |
| Civil legal help and representation – Solicitors' charges, counsel fees and disbursements | - | - | - | 1,101,635 | - | 1,101,635 |
| Provisions provided for in year | 270,410 | 24,139 | 31,274 | 421 | 8,283 | 334,527 |
| Corporation tax | - | - | 733 | 1,521 | 27 | 2,281 |
| Rentals under operating leases | 26,167 | 80,656 | 3,103 | 4,196 | 1,917 | 116,039 |
| Finance charges on Leases and Service Concession Arrangements | 17,811 | 9,646 | 25,502 | 88 | 1,042 | 54,089 |

2011–12

| | HM Courts & Tribunals Service | | | | | Gross Total £000 |
|---|-------------------------------|------------------|------------------|------------------|-----------------|---------------------|
| | CPG | | NOMS | LSC | JPG | |
| | £000 | £000 | £000 | £000 | £000 | |
| Income | | | | | | |
| Revenues from external customers | (130,742) | (594,623) | (249,649) | (220,551) | (81,603) | (1,277,168) |
| Revenues from transactions with other operating segments of MoJ | - | - | (139,873) | (90) | (294) | (140,257) |
| LSC return on Pension schemes No. 3 and No. 4 | - | - | - | (19,700) | - | (19,700) |
| Interest revenue | - | - | (3) | - | (1) | (4) |
| Material items of income | | | | | | |
| EU Grant | - | - | (45,464) | - | - | (45,464) |
| CFERs | (3,369) | - | - | - | - | (3,369) |
| Total income | (134,111) | (594,623) | (434,989) | (240,341) | (81,898) | (1,485,962) |
| Individual items of income and expenditure | | | | | | |
| LSC Interest revenue on Fund deposit accounts | - | - | - | (6,497) | - | (6,497) |
| Depreciation | 26,632 | 104,301 | 232,264 | 4,254 | 5,229 | 372,680 |
| Amortisation | 15,477 | 15,319 | 23,475 | 4,344 | 5,629 | 64,244 |
| Material items of expenditure | | | | | | |
| Accommodation, maintenance and utilities | 36,904 | 249,614 | 358,154 | 4,991 | 5,160 | 654,823 |
| Offender related costs | - | - | 343,809 | - | - | 343,809 |
| Service concession charges | 87,571 | 31,845 | 579,615 | - | 137 | 699,168 |
| IT services and telecommunications (non-Service Concession Arrangements) | 74,492 | 15,693 | 152,417 | 640 | 3,979 | 247,221 |
| Payments of Grant in Aid to NDPBs which eliminate with receipts of Grant in Aid by NDPBs | (444,695) | - | - | (2,134,193) | (401,085) | (2,979,973) |
| Criminal cases – Solicitors' charges, counsel fees and disbursements | - | - | - | 1,095,416 | - | 1,095,416 |
| Civil legal help and representation – Solicitors' charges, counsel fees and disbursements | - | - | - | 1,148,556 | - | 1,148,556 |
| Provisions provided for in year | 244,310 | 31,345 | (2,632) | (369) | 21,166 | 293,820 |
| Corporation tax | - | - | 240 | 4,931 | 56 | 5,227 |
| Rentals under operating leases | 29,880 | 79,734 | 3,616 | 5,442 | 1,741 | 120,413 |
| Finance charges on Leases and Service Concession Arrangements | 16,877 | 10,263 | 19,773 | 105 | 1,582 | 48,600 |

7. Staff and judiciary numbers and related costs

7.1 Staff costs

Departmental Group

| | | | | | 2012–13 | 2011–12 |
|--|----------------------------------|----------------|------------|---------------------|------------------|------------------|
| | Permanently employed staff | Other | Ministers | Special advisors | Total | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Wages and salaries | 2,403,756 | 126,215 | 245 | 141 | 2,530,357 | 2,666,359 |
| Social security costs | 178,819 | 1,017 | 28 | 15 | 179,879 | 190,271 |
| Other pension costs | 495,055 | 372 | 22 | 21 | 495,470 | 481,371 |
| Sub Total | 3,077,630 | 127,604 | 295 | 177 | 3,205,706 | 3,338,001 |
| Early departure costs | 25,852 | - | - | - | 25,852 | 55,114 |
| Early departure provisions | 22,398 | - | - | - | 22,398 | 492 |
| Add inward secondments | 663 | - | - | - | 663 | 737 |
| Less recoveries in respect of outward secondments | (18,365) | - | - | - | (18,365) | (24,176) |
| Total Net Costs | 3,108,178 | 127,604 | 295 | 177 | 3,236,254 | 3,370,168 |
| Of which: | | | | | | |
| Core Department | 186,480 | 34,974 | 295 | 177 | 221,926 | 245,697 |
| Agencies | 2,165,138 | 59,905 | - | - | 2,225,043 | 2,331,308 |
| NDPBs | 756,560 | 32,725 | - | - | 789,285 | 793,163 |
| | 3,108,178 | 127,604 | 295 | 177 | 3,236,254 | 3,370,168 |
| Core Department | | | | | | |
| Charged to Administration costs | 138,139 | 16,346 | 295 | 177 | 154,957 | 153,429 |
| Charged to Programme costs | 48,341 | 18,628 | - | - | 66,969 | 92,268 |
| | 186,480 | 34,974 | 295 | 177 | 221,926 | 245,697 |
| Core Department & Agencies | | | | | | |
| Charged to Administration costs | 227,003 | 21,044 | 295 | 177 | 248,519 | 232,186 |
| Charged to Programme costs | 2,124,615 | 73,835 | - | - | 2,198,450 | 2,344,819 |
| | 2,351,618 | 94,879 | 295 | 177 | 2,446,969 | 2,577,005 |
| Departmental Group | | | | | | |
| Charged to Administration costs | 304,291 | 32,240 | 295 | 177 | 337,003 | 314,824 |
| Charged to Programme costs | 2,803,887 | 95,364 | - | - | 2,899,251 | 3,055,344 |
| | 3,108,178 | 127,604 | 295 | 177 | 3,236,254 | 3,370,168 |

During the year £15.2m of staff costs (2011–12: £8.0m) have been capitalised.

Under the Ministerial and Other Salaries Act (1975), the salary and social security costs of the Lord Chancellor, included under Ministers above, are paid from the Consolidated Fund. In 2012–13 the Lord Chancellor's salary was £68,827 (2011–12: £68,827) and the associated social security costs were £7,695 (2011–12: £8,523). Other staff costs paid directly from the Consolidated Fund includes salary and pension entitlements of Information Commissioners of £190,507 (2011–12: £189,584).

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but MoJ is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2007. Details can be found in the resource Accounts of the Cabinet Office: Civil Superannuation at: www.civilservice.gov.uk/pensions.

For 2012–13, employers' contributions of £329,020k were payable to the PCSPS (2011–12: £344,946k) at one of four rates which ranged from 16.7% to 24.3% (2011–12: 16.7% to 24.3%) of pensionable pay, based on salary bands (25.8% for Prison Officer grades with reserved rights). The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

In addition, employer pension contributions equivalent to 0.8% of pensionable pay were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of employees in the PCSPS scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions to partnership pension accounts were £174k (2011–12: £147k) and were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related which ranged from 3% to 12.5% (2011–12: 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay.

Contributions due to the partnership pension providers at the reporting period date were £2k (2011–12: £nil).

For 2012–13 employers' pension contributions and contribution rates for LSC pension schemes, Probation Trust pension schemes and By-analogy pension schemes, refer to Note 32.

222 persons (2011–12: 180 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £809k (2011–12: £993k).

Additional information regarding pension costs can be found in Note 32.

7.2 Judicial costs

Departmental Group

| | | | | 2012–13 | 2011–12 |
|---------------------------------------|--------------------------|-------------------------|--------------------|----------------|----------------|
| | Senior judicial salaries | Other judicial salaries | Fee paid judiciary | Total | Total |
| | £000 | £000 | £000 | £000 | £000 |
| Wages and salaries | 127,693 | 103,512 | 117,965 | 349,170 | 354,160 |
| Social security costs | 15,609 | 12,185 | 12,665 | 40,459 | 40,803 |
| Other pension costs | 40,366 | 32,752 | - | 73,118 | 73,315 |
| Total Net Costs | 183,668 | 148,449 | 130,630 | 462,747 | 468,278 |
| Of which: | | | | | |
| Core Department | 2,520 | - | 2,744 | 5,264 | 5,737 |
| Agencies | 181,148 | 148,449 | 127,886 | 457,483 | 462,541 |
| NDPBs | - | - | - | - | - |
| | 183,668 | 148,449 | 130,630 | 462,747 | 468,278 |
| Core Department | | | | | |
| Charged to Administration costs | 908 | - | 913 | 1,821 | 943 |
| Charged to Programme costs | 1,612 | - | 1,831 | 3,443 | 4,794 |
| | 2,520 | - | 2,744 | 5,264 | 5,737 |
| Core Department & Agencies | | | | | |
| Charged to Administration costs | 908 | 150 | 913 | 1,971 | 981 |
| Charged to Programme costs | 182,760 | 148,299 | 129,717 | 460,776 | 467,297 |
| | 183,668 | 148,449 | 130,630 | 462,747 | 468,278 |
| Departmental Group | | | | | |
| Charged to Administration costs | 908 | 150 | 913 | 1,971 | 981 |
| Charged to Programme costs | 182,760 | 148,299 | 129,717 | 460,776 | 467,297 |
| | 183,668 | 148,449 | 130,630 | 462,747 | 468,278 |

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

Judicial pensions are paid out of the Consolidated Fund where the judicial office holder's salary was paid from that fund, or the JPS where the salary has been paid from the Department's supply estimate. Contributions to the JPS have been made at a rate of 32.15% (2011–12: 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.

As described in Note 27, it is expected that the outcome of an upcoming Employment Tribunal will result in MoJ having to incur employer pension contributions for fee paid judiciary in future years. However, as the case is yet to be heard no employer contributions have been incurred in the current year.

7.3 Average number of staff employed

Departmental Group

| | | | | | 2012–13 | 2011–12 |
|--|-----------------|----------------|------------|------------------|-----------------|-----------------|
| | Permanent staff | Other | Ministers | Special advisors | Total | Total |
| MoJ Headquarters and Associated Offices | | | | | | |
| Corporate Performance Group | 2,979.8 | 299.2 | 0.3 | 0.5 | 3,279.8 | 3,564.9 |
| Justice Policy Group | 863.0 | 25.7 | 2.7 | 0.5 | 891.9 | 987.7 |
| Agencies | | | | | | |
| HM Courts & Tribunals Service | 17,587.0 | 682.0 | 0.7 | 0.5 | 18,270.2 | 19,655.3 |
| Office of the Public Guardian | 462.0 | 153.0 | - | - | 615.0 | 599.0 |
| National Offender Management Service | 42,728.0 | 432.0 | 0.8 | 0.5 | 43,161.3 | 45,353.3 |
| Non-Departmental Public Bodies | | | | | | |
| Non-Departmental Public Bodies | 19,524.1 | 934.2 | - | - | 20,458.3 | 21,770.0 |
| Capital Projects | | | | | | |
| Staff engaged on capital projects | 131.0 | 120.0 | - | - | 251.0 | 137.0 |
| Total | 84,274.9 | 2,646.1 | 4.5 | 2.0 | 86,927.5 | 92,067.2 |
| Of which: | | | | | | |
| Core Department | 3,937.8 | 383.9 | 4.5 | 2.0 | 4,328.2 | 4,610.2 |
| Agencies | 60,777.0 | 1,267.0 | - | - | 62,044.0 | 65,655.0 |
| NDPBs | 19,560.1 | 995.2 | - | - | 20,555.3 | 21,802.0 |
| | 84,274.9 | 2,646.1 | 4.5 | 2.0 | 86,927.5 | 92,067.2 |

Ministers and Special advisors are employed and paid by the Core Department. However, the Full Time Equivalent (FTE) analysis for ministers and special advisors reflects the proportion of time spent across the different functions within the Departmental Group.

7.4 Average number of judiciary in post

Departmental Group

| | | | | 2012–13 | 2011–12 |
|-------------------------------|--------------------------|-------------------------|--------------------|----------------|----------------|
| | Senior judicial salaries | Other judicial salaries | Fee paid judiciary | Total | Total |
| Agencies | | | | | |
| HM Courts & Tribunals Service | 925.0 | 952.0 | 1,443.0 | 3,320.0 | 3,373.0 |
| Total | 925.0 | 952.0 | 1,443.0 | 3,320.0 | 3,373.0 |
| Of which: | | | | | |
| Core Department | - | - | - | - | - |
| Agencies | 925.0 | 952.0 | 1,443.0 | 3,320.0 | 3,373.0 |
| NDPBs | - | - | - | - | - |
| | 925.0 | 952.0 | 1,443.0 | 3,320.0 | 3,373.0 |

Members of the judiciary are independent of MoJ. Their payroll costs are met either from the Consolidated Fund, in the case of senior judiciary, or directly by MoJ for other judiciary. All costs are included within these Accounts to ensure that the full cost of operations is reported.

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

Departmental Group

| | 2012–13 | | | 2011–12 | | |
|---|-------------------------|------------------|---------------------|-------------------------|------------------|---------------------|
| | Compulsory redundancies | Other departures | Total exit packages | Compulsory redundancies | Other departures | Total exit packages |
| Exit package cost band | Number | Number | Total number | Number | Number | Total number |
| < £10,000 | 9 | 289 | 298 | 16 | 303 | 319 |
| £10,000 – £25,000 | 10 | 724 | 734 | 13 | 928 | 941 |
| £25,001 – £50,000 | 8 | 694 | 702 | 8 | 986 | 994 |
| £50,001 – £100,000 | 12 | 565 | 577 | 7 | 628 | 635 |
| £100,001 – £150,000 | - | 113 | 113 | - | 183 | 183 |
| £150,001 – £200,000 | - | 28 | 28 | - | 59 | 59 |
| £200,001 – £250,000 | - | 10 | 10 | - | 18 | 18 |
| £250,001 – £300,000 | - | 3 | 3 | - | 3 | 3 |
| £300,001 – £350,000 | - | 1 | 1 | - | - | - |
| £350,001 – £400,000 | - | - | - | - | - | - |
| £400,001 – £450,000 | - | - | - | - | - | - |
| £450,001 – £500,000 | - | - | - | - | - | - |
| Total number of exit packages by type | 39 | 2,427 | 2,466 | 44 | 3,108 | 3,152 |
| Total cost of exit packages by type (£000) | 1,384 | 95,576 | 96,960 | 1,136 | 132,701 | 133,837 |
| Number of exit packages | | | | | | |
| Of which: | | | | | | |
| Core Department | 1 | 79 | 80 | 7 | 536 | 543 |
| Agencies | 4 | 1,844 | 1,848 | - | 2,098 | 2,098 |
| NDPBs | 34 | 504 | 538 | 37 | 474 | 511 |
| | 39 | 2,427 | 2,466 | 44 | 3,108 | 3,152 |
| Cost of exit packages (£000) | | | | | | |
| Of which: | | | | | | |
| Core Department | 82 | 4,819 | 4,901 | 296 | 27,748 | 28,044 |
| Agencies | 139 | 80,008 | 80,147 | - | 93,900 | 93,900 |
| NDPBs | 1,163 | 10,749 | 11,912 | 840 | 11,053 | 11,893 |
| | 1,384 | 95,576 | 96,960 | 1,136 | 132,701 | 133,837 |

Excluding Probation Trusts, redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Where the Department has agreed early retirements, the additional costs are met by the Department and not by the Principal Civil Service Pension Scheme.

For Probation Trusts, redundancy and other departure costs have been paid in accordance with the Trust's redundancy policy. The Trusts pay the statutory minimum redundancy allocation based on age and length of service as set out in the Employment Rights Act 1996 and, where applicable, subject to the Pension Plan and Redundancy rules, meets the additional costs of early retirement.

Ill health retirement costs are met by the pension scheme and are not included in the table above. Exit costs are accounted for in full in the year the exit package is confirmed.

8. Other Administration costs

| | 2012–13 | | | 2011–12 | | |
|--|-----------------|----------------------------|--------------------|-----------------|----------------------------|--------------------|
| | Core Department | Core Department & Agencies | Departmental Group | Core Department | Core Department & Agencies | Departmental Group |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| <i>Lease/service concession charges</i> | | | | | | |
| PFI service charges | 10,323 | 10,323 | 12,836 | 13,725 | 15,174 | 17,503 |
| Other service concession charges (non-PFI) | - | 5 | 5 | - | 11,474 | 11,474 |
| Finance charges on leases and Service Concession Arrangements | 11,926 | 11,931 | 13,057 | 12,135 | 12,192 | 12,297 |
| Rentals under operating leases | 24,956 | 25,071 | 31,287 | 28,447 | 28,540 | 36,017 |
| <i>Other administration costs</i> | | | | | | |
| Judicial costs | 161 | 1,127 | 1,127 | 147 | 165 | 165 |
| Accommodation, maintenance and utilities | 24,518 | 29,182 | 35,600 | 33,544 | 37,124 | 46,128 |
| Communications, office supplies and services | 1,998 | 3,449 | 19,117 | 9,268 | 10,463 | 18,994 |
| IT services and telecommunications (non-Service Concession Arrangements) | 45,634 | 64,207 | 68,230 | 16,245 | 23,908 | 27,436 |
| Travel, subsistence and hospitality | 5,450 | 10,278 | 11,534 | 3,462 | 8,598 | 9,551 |
| Training and other staff related costs | 3,558 | 12,333 | 14,814 | 2,819 | 7,751 | 10,098 |
| Professional services | 5,291 | 7,067 | 13,308 | 1,666 | 3,234 | 8,821 |
| Research and development expenditure | 1,687 | 1,687 | 1,719 | 1,466 | 1,466 | 1,540 |
| Bank fees and charges | 45 | 45 | 45 | 23 | 23 | 23 |
| Furniture and fittings | - | - | 5 | - | - | 8 |
| Other contracted out services | 4,495 | 8,635 | 8,751 | 5,699 | 6,068 | 11,043 |
| Auditors' remuneration and expenses * | - | 2,691 | 5,155 | - | 22 | 1,901 |
| Losses and special payments | - | - | 102 | - | - | 44 |
| Other legal aid service costs | - | - | - | - | - | 994 |
| Service level agreements with HM Courts & Tribunals Service | - | - | - | - | - | 1,804 |
| Other administration expenditure | 4,145 | 7,882 | 8,666 | 6,467 | 18,637 | 19,133 |
| Non-cash items | | | | | | |
| <i>(Increase)/decrease in the valuation of</i> | | | | | | |
| Property, plant and equipment | (1,251) | (1,251) | (1,251) | 12,548 | 12,548 | 12,548 |
| Intangible assets | - | - | - | 5 | 5 | 5 |
| <i>Net (profit)/loss on disposal of</i> | | | | | | |
| Property, plant and equipment | 3,145 | 2,994 | 3,185 | 1,942 | 1,924 | 2,018 |
| Intangible assets | - | - | 38 | - | - | 20 |
| <i>Other non-cash</i> | | | | | | |
| Depreciation | 11,418 | 13,249 | 17,986 | 11,820 | 11,922 | 18,202 |
| Amortisation | 71 | 292 | 7,013 | 26 | 949 | 5,652 |
| Auditors' remuneration and expenses | 470 | 770 | 770 | 467 | 767 | 767 |
| Notional corporate overhead charges | (110,519) | (11,830) | - | (48,934) | (4,191) | - |
| Increase/(decrease) in receivables impairment | 85 | (908) | (951) | 138 | (18) | (10) |
| Straight lining of operating lease payments | 1,486 | 1,486 | 1,486 | 1,905 | 1,905 | 1,905 |
| Other non-cash | - | - | (138) | 1,188 | 1,187 | 1,187 |
| Total other Administration costs | 49,092 | 200,715 | 273,496 | 116,218 | 211,837 | 277,268 |

* Auditors' remuneration and expenses includes internal and external audit fees. Refer to page 37 for a breakdown of external audit fees.

The following bodies have not been allocated an Administration budget as their full spend is deemed to be Programme expenditure: OPG, LSC Criminal Defence Service, LSC Community Legal Service, OLC and LSB.

9. Other Programme costs

| | 2012–13 | | | 2011–12 | | |
|---|-----------------|----------------------------|--------------------|-----------------|----------------------------|--------------------|
| | Core Department | Core Department & Agencies | Departmental Group | Core Department | Core Department & Agencies | Departmental Group |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| <i>Grants</i> | | | | | | |
| Current | 69,386 | 69,451 | 176,784 | 68,065 | 68,080 | 185,875 |
| Capital | - | 5,809 | 6,112 | - | 281 | 281 |
| <i>Lease/service concession charges</i> | | | | | | |
| PFI service charges | 71,704 | 711,496 | 711,496 | 73,983 | 673,969 | 673,969 |
| PFI service charges paid on behalf of YJB | 38,883 | 38,883 | - | - | - | - |
| Other service concession charges (non-PFI) | - | 25,030 | 25,030 | - | - | - |
| Finance charges on leases and Service Concession Arrangements | 5,889 | 41,032 | 41,032 | 4,742 | 34,721 | 36,303 |
| Rentals under operating leases | 43 | 82,736 | 84,752 | 118 | 82,233 | 84,398 |
| <i>Interest</i> | | | | | | |
| Local authority loan interest | - | 1,828 | 1,828 | - | 1,955 | 1,955 |
| Interest receivable | - | - | - | - | - | (6,497) |
| Interest on pension scheme liabilities | - | - | - | - | - | 270 |
| <i>Criminal Justice costs</i> | | | | | | |
| Offender related costs | - | 1,121,771 | 314,489 | - | 1,180,647 | 343,809 |
| Young Offender Institutions (HM Prison Service and PFI prisons) including escorts | - | - | 11,768 | - | - | 10,514 |
| Secure children's homes | - | - | 33,545 | - | - | 36,648 |
| Secure training centres | - | - | 14,439 | - | - | 58,463 |
| Intensive supervision and surveillance programme | - | - | 1,930 | - | - | 1,398 |
| Judicial costs | 13,256 | 49,510 | 49,551 | 10,498 | 54,250 | 54,250 |
| Juror costs | - | 39,948 | 39,948 | - | 40,854 | 40,854 |
| Compensation payments | - | - | 6,144 | 400 | 400 | 10,811 |
| Costs of civil representation and legal help | - | - | 2,325 | - | - | 23,362 |
| Costs of the Public Defender, Duty Solicitor and direct services for criminal cases | - | - | 5,845 | - | - | 6,275 |
| <i>Other Programme costs</i> | | | | | | |
| Accommodation, maintenance and utilities | 5,303 | 507,648 | 583,856 | 2,478 | 533,657 | 608,695 |
| Auditors' remuneration and expenses | - | - | 137 | - | - | 176 |
| Taxation | - | - | 2,281 | - | - | 5,227 |
| Communications, office supplies and services | 810 | 39,289 | 58,019 | 2,574 | 47,771 | 64,916 |
| IT services and telecommunications (non-Service Concession Arrangements) | 49,580 | 144,276 | 180,488 | 57,166 | 184,875 | 219,785 |
| Other contracted out services | 6,635 | 37,202 | 37,727 | 585 | 35,655 | 35,894 |
| Cost from Central Funds | 59,988 | 59,988 | 59,988 | 71,231 | 71,231 | 71,231 |
| Professional services | 13,082 | 28,283 | 39,807 | 5,396 | 25,972 | 37,680 |
| Travel and subsistence | 2,982 | 20,501 | 35,195 | 3,605 | 15,688 | 31,458 |
| Training and other staff related costs | 1,178 | 26,931 | 40,844 | 2,828 | 48,529 | 63,974 |
| Other grants and similar | - | - | 19,024 | - | - | 4,973 |
| Bank fees and charges | 35 | 3,771 | 3,910 | 20 | 3,713 | 3,803 |
| Research and development expenditure | 459 | 459 | 904 | 581 | 581 | 1,267 |
| Other programme costs | 15,440 | 43,639 | 96,676 | 1,220 | 40,378 | 80,029 |
| Non-cash items | | | | | | |
| <i>(Increase)/decrease in the valuation of</i> | | | | | | |
| Property, plant and equipment | 404 | (29,326) | (29,396) | - | - | (15) |
| Intangible assets | (481) | (697) | (894) | 549 | 541 | 541 |
| Assets held for sale | - | (283) | (283) | - | (2,791) | (2,791) |
| Investments | - | (60) | (60) | - | (23) | (23) |
| Investment properties | - | - | - | - | 15 | 15 |
| <i>Impairment</i> | | | | | | |
| Property, plant and equipment | - | 86,462 | 86,462 | - | 52,892 | 53,043 |
| Intangible assets | 15,071 | 15,071 | 15,523 | - | 5,152 | 5,410 |
| Assets held for sale | - | 2,084 | 2,084 | - | 7,891 | 7,891 |
| <i>Net (profit)/loss on disposal of</i> | | | | | | |
| Property, plant and equipment | - | 4,204 | 4,231 | 1,346 | 6,568 | 6,613 |
| Intangible assets | 677 | 693 | 692 | 5,585 | 5,861 | 5,984 |
| Assets held for sale | - | (1,862) | (1,862) | - | - | - |

| | 2012–13 | | | 2011–12 | | |
|---|------------------|----------------------------|--------------------|------------------|----------------------------|--------------------|
| | Core Department | Core Department & Agencies | Departmental Group | Core Department | Core Department & Agencies | Departmental Group |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| <i>Provisions</i> | | | | | | |
| Civil legal help and representation – Solicitors' charges, counsel fees and disbursements | - | - | 1,101,635 | - | - | 1,148,556 |
| Criminal cases – Solicitors' charges, counsel fees and disbursements | - | - | 978,330 | - | - | 1,095,416 |
| Provisions provided for in year net of releases | 146,739 | 202,106 | 334,527 | 85,473 | 108,628 | 293,820 |
| Borrowing costs of provisions – discount unwinding | 5,627 | 12,036 | 45,560 | 5,182 | 10,942 | 19,313 |
| <i>Other non-cash</i> | | | | | | |
| Depreciation | 19,373 | 376,001 | 380,797 | 13,603 | 348,205 | 354,478 |
| Amortisation | 16,222 | 52,467 | 55,285 | 18,787 | 56,098 | 58,592 |
| Notional charges | - | - | 36,695 | - | 1,933 | 1,969 |
| Auditors' remuneration and expenses | 62 | 454 | 454 | 197 | 703 | 703 |
| Notional corporate overhead charges | (191,940) | - | - | (140,235) | - | - |
| Increase/(decrease) in receivables impairment | (35) | 795 | 57,427 | (9) | 385 | 21,931 |
| Interest on pension deficit transfer | - | 10,094 | 10,094 | - | 19,264 | 19,264 |
| Interest on pension scheme liabilities | - | 193 | 432 | - | 216 | 216 |
| Other pension costs | - | 13,304 | 5,282 | - | - | - |
| Straight lining of operating lease payments | - | 13,325 | 13,325 | - | 15,766 | 15,766 |
| Amortisation of operating lease prepayments | - | 5 | 5 | - | 5 | 5 |
| Other non-cash | - | 682 | 683 | 3,870 | 3,827 | 3,827 |
| Subtotal other Programme costs | 366,372 | 3,857,229 | 5,782,902 | 299,838 | 3,787,518 | 5,902,570 |
| Grant in Aid to NDPBs | 2,776,718 | 2,776,718 | - | 2,979,973 | 2,979,973 | - |
| Total other Programme costs | 3,143,090 | 6,633,947 | 5,782,902 | 3,279,811 | 6,767,491 | 5,902,570 |

10. Income

10.1 Operating income

| | 2012–13 | | | 2011–12 | | |
|--|-----------------|----------------------------|--------------------|-----------------|----------------------------|--------------------|
| | Core Department | Core Department & Agencies | Departmental Group | Core Department | Core Department & Agencies | Departmental Group |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Income within the Department's ambits | | | | | | |
| Court Funds Office | 9,855 | 9,855 | 9,855 | 4,138 | 4,138 | 4,138 |
| Official Solicitor and Public Trustee | 2,330 | 2,330 | 2,330 | 2,421 | 2,421 | 2,421 |
| Other Core Department income * | 177,529 | 177,529 | 177,529 | 137,862 | 137,862 | 137,862 |
| HM Courts & Tribunals Service | - | 595,451 | 585,551 | - | 594,623 | 585,604 |
| Office of the Public Guardian | - | 37,870 | 37,870 | - | 30,192 | 30,192 |
| National Offender Management Service | - | 331,618 | 234,666 | - | 359,075 | 248,411 |
| EU Income | - | 23,814 | 30,384 | - | 42,899 | 45,464 |
| Criminal Injuries Compensation Authority | - | - | (58) | - | - | (54) |
| Criminal Cases Review Commission | - | - | 8 | - | - | 4 |
| Office for Legal Complaints | - | - | 16,662 | - | - | 17,306 |
| Legal Services Board | - | - | 4,264 | - | - | 4,578 |
| Information Commissioner's Office | - | - | 15,724 | - | - | 15,038 |
| Judicial Appointments Commission | - | - | 4 | - | - | - |
| Legal Services Commission | - | - | 3,533 | - | - | 20,479 |
| Legal Services Commission Funds: | | | | | | |
| Community Legal Service | - | - | 207,578 | - | - | 216,200 |
| Criminal Defence Service | - | - | 41,641 | - | - | 3,662 |
| Total Income within the Department's ambits | 189,714 | 1,178,467 | 1,367,541 | 144,421 | 1,171,210 | 1,331,305 |
| Payable to Consolidated Fund | | | | | | |
| Consolidated Fund Extra Receipts | 5,655 | 5,655 | 5,655 | 3,369 | 3,372 | 3,372 |
| Total payable to Consolidated Fund | 5,655 | 5,655 | 5,655 | 3,369 | 3,372 | 3,372 |
| Total operating income | 195,369 | 1,184,122 | 1,373,196 | 147,790 | 1,174,582 | 1,334,677 |
| Of which: | | | | | | |
| Administration income | 24,351 | 29,932 | 43,691 | 16,569 | 20,808 | 33,547 |
| Programme income | 171,018 | 1,154,190 | 1,329,505 | 131,221 | 1,153,774 | 1,301,130 |
| Total operating income | 195,369 | 1,184,122 | 1,373,196 | 147,790 | 1,174,582 | 1,334,677 |

* Other Core Department income includes co-funding for NDPBs of £7.9m (2011–12: £18.1m) from the Home Office and £25.1m (2011–12: £21.1m) from the Scottish Executive.

10.2 Fees and charges

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

| | 2012–13 | | | | |
|---------------------------------------|----------------|----------------|-----------------------|------------------------|------------------------|
| | Gross income | Full cost | Surplus/ (deficit) | Fee recovery actual | Fee recovery target |
| | £000 | £000 | £000 | % | % |
| Office of the Accountant General | 9,855 | 9,916 | (61) | 99% | 100% |
| Official Solicitor and Public Trustee | | | | | |
| Litigation | 1,782 | 8,695 | (6,913) | 20% | 11% |
| Trust and Estates | 548 | 1,509 | (961) | 36% | 39% |
| HM Courts & Tribunals Service | | | | | |
| Family | 153,122 | 263,056 | (109,934) | 58% | 100% |
| Civil | 336,312 | 337,807 | (1,495) | 100% | 100% |
| Asylum & Immigration | 10,692 | 94,135 | (83,443) | 11% | 25% |
| Other Tribunals | 931 | 12,601 | (11,670) | 7% | - |
| Office of the Public Guardian | 44,217 | 29,104 | 15,113 | 152% | 100% |
| Information Commissioner's Office | 16,142 | 16,142 | - | 100% | 100% |
| Legal Services Board | 4,264 | 4,264 | - | 100% | 0% |
| Office for Legal Complaints | 16,543 | 16,543 | - | 100% | 100% |
| | 594,408 | 793,772 | (199,364) | | |

| | 2011–12 | | | | |
|---------------------------------------|----------------|----------------|-----------------------|------------------------|------------------------|
| | Gross income | Full cost | Surplus/ (deficit) | Fee recovery actual | Fee recovery target |
| | £000 | £000 | £000 | % | % |
| Office of the Accountant General | 4,138 | 14,398 | (10,260) | 29% | 100% |
| Official Solicitor and Public Trustee | | | | | |
| Litigation | 1,521 | 8,243 | (6,722) | 18% | 11% |
| Trust and Estates | 900 | 2,007 | (1,107) | 45% | 39% |
| HM Courts & Tribunals Service | | | | | |
| Family | 138,344 | 253,192 | (114,848) | 55% | 100% |
| Civil | 364,554 | 341,252 | 23,302 | 107% | 100% |
| Asylum & Immigration | 1,486 | 102,769 | (101,283) | 1% | 25% |
| Other Tribunals | 1,089 | 15,317 | (14,228) | 7% | - |
| Office of the Public Guardian | 36,944 | 28,876 | 8,068 | 128% | 100% |
| Information Commissioner's Office | 16,192 | 20,298 | (4,106) | 80% | 100% |
| Legal Services Board | 4,502 | 4,578 | (76) | 98% | 100% |
| Office for Legal Complaints | 17,294 | 17,294 | - | 100% | 100% |
| | 586,964 | 808,224 | (221,260) | | |

Office of the Accountant General

The Office of the Accountant General (OAG), previously the Courts Funds Office, invests money on behalf of its clients in the Court Funds Investment Account (CFIA) which pays interest at the Bank of England Base Rate. Clients do not pay fees for investment services but OAG's administrative costs are paid out of the surplus interest earned on their funds. OAG therefore runs at nil net cost to the MoJ Vote and in terms of the principles of cost recovery is 100% self-funding. If the surplus interest earned on the CFIA is not sufficient to cover OAG's costs then it has a legal entitlement to call on the Consolidated Fund through its parent department MoJ.

Official Solicitor and Public Trustee

Official Solicitor's litigation services continue to be largely publicly funded due to the nature of the cases dealt with. However, where appropriate to do so, the Official Solicitor charges clients at full cost for services provided.

The Official Solicitor and the Public Trustee (OSPT) charge for their work in administering their Trusts and Deputy Services (TDS) cases. The TDS caseload continues to diminish as cases

are only now accepted on the basis of 'last resort'. As at 31 March 2013 the caseload was 258 (2011–12: 427). The lower caseload means that there is a smaller base over which to absorb fixed costs. The fee income associated with Public Trustee cases is capped by a Fees Order and there are some cases for which the OSPT is not empowered to charge fees.

HM Courts & Tribunals Service

HM Courts & Tribunals Service covers the following business areas: civil and family courts, tribunal, criminal courts and other. Only civil and family courts and tribunal business have a system of charging fees. The policy and financial objective for civil and family business is to recover the full costs of the processes involved less the cost of funding fee remissions. Separate cost recovery targets have been agreed for the tribunal business. The system of fee remissions exists to ensure that individuals are not denied access to the courts if they genuinely cannot afford the fee.

HM Courts & Tribunals Service reports on both the civil and family courts and tribunals business segments. Civil business contains two business streams: family, higher courts and magistrates' courts; whilst tribunal business contains two business streams: immigration and asylum and other fee charging tribunals (including lands, residential property, gambling and gender recognition). Each stream within other tribunals has a separate fee recovery target ranging from 33% to 100%.

The most current fees orders are:

- The Civil Proceedings Fees (Amendment) Order 2011 No 586 [L2] which amends The Civil Proceedings Fees (Amendment) Order 2009 No 1498 [L15];
- The Family Proceedings Fees (Amendment) Order 2011 No 587 [L3], which amends The Family Proceedings Fees (Amendment) Order 2010 No 1916 [L10];
- The Non-Contentious Probate Fees (Amendment) Order 2011 No 588 [L4] which amends The Non-Contentious Probate Fees (Amendment) Order 2009 No 1497 [L14];
- The Magistrates' Courts Fees (Amendment No 2) Order 2010 [1917] which amends The Magistrates' Courts Fees (Amendment) Order 2010 No 731 [L4];
- The Court of Protection Fees (Amendment) Order 2009 [513] which amends the Court of Protection Fees Order 2007 [1745];
- The First-tier Tribunal (Immigration and Asylum Chamber) Fees Order 2011 No 2841;
- The Upper Tribunal (Lands Chamber) Fees (Amendment) Order 2010 No 2601, which amends the Upper Tribunal (Lands Chamber) Fees Order 2009 No 1114;
- The First-tier Tribunal (Gambling) Fees (Amendment) Order 2010 No 633, which amends the First-tier Tribunal (Gambling) Fees (Amendment) Order 2010 No 42;
- The Gender Recognition (Application Fees) (Amendment) Order 2012 No 920, which amends the Gender Recognition (Application Fees) Order 2006 No 758 and 2011 No 628; and
- The Residential Property Tribunal (Fees) (England) Regulations 2011 No 1007 which replaces The Residential Property Tribunal (Fees) (England) Regulations 2006 No 830.

At the most recent review of government spending, the Spending Review 2010 (SR10), MoJ confirmed that it remains committed to delivering a simpler and more sustainable fees regime that delivers full cost recovery by March 2015 for Civil, Family and Administrative Justice, which is based on a solid understanding of the evidence and which fits around the planned major reforms of the justice system.

Office of the Public Guardian

Ministers and HM Treasury agreed a financial objective for the Office of the Public Guardian (OPG) of 100% full cost recovery, excluding fee exemptions and remissions. A public subsidy was provided as planned in line with HM Treasury policy to ensure clients are not denied access to services through inability to pay the requisite fees by way of fee exemptions and remissions.

Information Commissioner's Office

The data protection notification fee is set by the Secretary of State for Justice and, in making any fee regulations under section 26 of the Data Protection Act 1998, as amended by paragraph 17 of Schedule 2 to the Freedom of Information Act 2000, he shall have regard to the desirability of securing that the fees payable to the Information Commissioner are sufficient to offset the expenses incurred by the Information Commissioner, the Information Tribunal and the Secretary of State, in respect of the Commissioner or the Tribunal, and any prior deficits incurred, as attributable to the function under the Data Protection Act 1998.

Legal Services Board

Legal Services Board (LSB) income relates to levies received from approved regulators. Any funds are used to cover LSB's annual expenditure.

Office for Legal Complaints

Office for Legal Complaints (OLC) income relates to levies received from approved regulators. OLC fee recovery targets are 100% in all cases.

11. Property, plant and equipment

Departmental Group 2012–13

| | Land | Buildings * | Dwellings | Information technology | Plant and equipment | Furniture, fixtures and fittings | Payments on account and assets under construction | Total |
|--|------------------|------------------|----------------|------------------------|---------------------|----------------------------------|---|-------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or valuation | | | | | | | | |
| At 1 April 2012 | 1,130,388 | 7,676,021 | 61,842 | 326,778 | 359,345 | 101,842 | 267,276 | 9,923,492 |
| Additions | 586 | 4,505 | (1) | 9,001 | 23,461 | 1,335 | 224,664 | 263,551 |
| Disposals | (283) | (1,336) | (14) | (13,408) | (29,197) | (2,984) | (3,350) | (50,572) |
| Reclassifications | (49,420) | 173,567 | (908) | 21,879 | 6,802 | 2,279 | (237,722) | (83,523) |
| Revaluations | 62,939 | (40,111) | 2,228 | 46,092 | 14,527 | 1,928 | - | 87,603 |
| Transfers | 2,639 | 763 | 1 | 36,931 | - | - | (36,932) | 3,402 |
| Impairments | (1,013) | (52,890) | 38 | - | (1,271) | (308) | (19,743) | (75,187) |
| At 31 March 2013 | 1,145,836 | 7,760,519 | 63,186 | 427,273 | 373,667 | 104,092 | 194,193 | 10,068,766 |
| Depreciation | | | | | | | | |
| At 1 April 2012 | (1) | (304,678) | (922) | (200,147) | (219,816) | (60,999) | - | (786,563) |
| Charged in year | (388) | (283,970) | (1,516) | (69,700) | (30,086) | (13,123) | - | (398,783) |
| Disposals | 1 | 93 | - | 11,551 | 28,254 | 2,791 | - | 42,690 |
| Reclassifications | 2 | 187 | 57 | (330) | 1,779 | (1,779) | - | (84) |
| Revaluations | 386 | 283,923 | 668 | (30,157) | (9,251) | (1,245) | - | 244,324 |
| Transfers | - | - | - | - | 9 | (9) | - | - |
| Impairments | - | - | - | - | 962 | 213 | - | 1,175 |
| At 31 March 2013 | - | (304,445) | (1,713) | (288,783) | (228,149) | (74,151) | - | (897,241) |
| Carrying amount at 31 March 2013 | 1,145,836 | 7,456,074 | 61,473 | 138,490 | 145,518 | 29,941 | 194,193 | 9,171,525 |
| Carrying amount at 1 April 2012 | 1,130,387 | 7,371,343 | 60,920 | 126,631 | 139,529 | 40,843 | 267,276 | 9,136,929 |
| Asset financing | | | | | | | | |
| Owned | 1,078,535 | 6,265,709 | 56,144 | 100,705 | 116,505 | 29,941 | 194,193 | 7,841,732 |
| Finance leased | 42,710 | 389,690 | 5,329 | 8,706 | 29,013 | - | - | 475,448 |
| On balance sheet (CSoFP) PFI and other Service Concession Arrangements | 24,591 | 800,675 | - | 29,079 | - | - | - | 854,345 |
| Carrying amount at 31 March 2013 | 1,145,836 | 7,456,074 | 61,473 | 138,490 | 145,518 | 29,941 | 194,193 | 9,171,525 |
| Of the total | | | | | | | | |
| Core Department | 5,350 | 113,126 | - | 68,934 | 213 | 8,115 | 22,104 | 217,842 |
| Agencies | 1,131,321 | 7,285,620 | 61,473 | 62,900 | 140,262 | 18,634 | 168,901 | 8,869,111 |
| NDPBs | 9,165 | 57,328 | - | 6,656 | 5,043 | 3,192 | 3,188 | 84,572 |
| Carrying amount at 31 March 2013 | 1,145,836 | 7,456,074 | 61,473 | 138,490 | 145,518 | 29,941 | 194,193 | 9,171,525 |

* £197.4m of leasehold improvements is included within Buildings, representing capital improvements to properties occupied under operating leases.

Departmental Group 2011–12

| | Land | Buildings * | Dwellings | Information technology | Plant and equipment | Furniture, fixtures and fittings | Payments on Account and assets under construction | Total |
|--|------------------|------------------|---------------|------------------------|---------------------|----------------------------------|---|------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or valuation | | | | | | | | |
| At 1 April 2011 | 1,176,618 | 7,293,174 | 61,982 | 383,681 | 315,768 | 102,813 | 587,706 | 9,921,742 |
| Adjustments | - | - | - | - | - | - | (272) | (272) |
| Additions | - | 83,569 | 31 | 42,933 | 51,026 | 1,154 | 286,740 | 465,453 |
| Disposals | (17,667) | (24,109) | (2) | (92,233) | (16,868) | (3,112) | (374) | (154,365) |
| Reclassifications | (10,945) | 559,153 | (1,742) | 1,355 | 6,136 | 171 | (579,294) | (25,166) |
| Revaluations | (1,825) | (226,037) | 2,124 | (6,568) | 902 | 1,208 | - | (230,196) |
| Transfers | - | - | - | (2,317) | 3,691 | 1 | (1,177) | 198 |
| Impairments | (15,793) | (9,729) | (551) | (73) | (1,310) | (393) | (26,053) | (53,902) |
| At 31 March 2012 | 1,130,388 | 7,676,021 | 61,842 | 326,778 | 359,345 | 101,842 | 267,276 | 9,923,492 |
| Depreciation | | | | | | | | |
| At 1 April 2011 | - | (340,874) | (26) | (236,956) | (201,589) | (49,906) | - | (829,351) |
| Charged in year | (346) | (272,904) | (1,407) | (50,781) | (33,589) | (13,653) | - | (372,680) |
| Disposals | (1) | 6,707 | - | 87,359 | 15,093 | 2,982 | - | 112,140 |
| Reclassifications | 1 | 346 | 56 | 815 | 15 | (15) | - | 1,218 |
| Revaluations | 345 | 302,047 | 455 | (592) | (464) | (691) | - | 301,100 |
| Impairments | - | - | - | 8 | 718 | 284 | - | 1,010 |
| At 31 March 2012 | (1) | (304,678) | (922) | (200,147) | (219,816) | (60,999) | - | (786,563) |
| Carrying amount at 31 March 2012 | 1,130,387 | 7,371,343 | 60,920 | 126,631 | 139,529 | 40,843 | 267,276 | 9,136,929 |
| Carrying amount at 1 April 2011 | 1,176,618 | 6,952,300 | 61,956 | 146,725 | 114,179 | 52,907 | 587,706 | 9,092,391 |
| Asset financing | | | | | | | | |
| Owned | 1,068,004 | 6,198,085 | 55,965 | 83,045 | 109,384 | 40,843 | 265,898 | 7,821,224 |
| Finance leased | 37,807 | 375,680 | 4,955 | 41,415 | 30,145 | - | - | 490,002 |
| On balance sheet (CSoFP) PFI and other Service Concession Arrangements | 24,576 | 797,578 | - | 2,171 | - | - | 1,378 | 825,703 |
| Carrying amount at 31 March 2012 | 1,130,387 | 7,371,343 | 60,920 | 126,631 | 139,529 | 40,843 | 267,276 | 9,136,929 |
| Of the total | | | | | | | | |
| Core Department | 5,000 | 119,123 | - | 72,027 | 41 | 9,834 | 59,210 | 265,235 |
| Agencies | 1,116,306 | 7,192,518 | 60,920 | 47,232 | 133,446 | 26,423 | 203,943 | 8,780,788 |
| NDPBs | 9,081 | 59,702 | - | 7,372 | 6,042 | 4,586 | 4,123 | 90,906 |
| Carrying amount at 31 March 2012 | 1,130,387 | 7,371,343 | 60,920 | 126,631 | 139,529 | 40,843 | 267,276 | 9,136,929 |

* £204.3m of leasehold improvements is included within Buildings, representing capital improvements to properties occupied under operating leases.

Land, buildings and dwellings are shown at fair value based on professional valuations performed at 31 March each year by the Valuation Office Agency (VOA), who is independent of MoJ, in accordance with the Royal Institution of Chartered Surveyors (RICS) *Appraisal and Valuation Manual*. Each year 20% of the land, buildings and dwellings are physically visited and valued. The remaining 80% are valued on a desktop basis. The majority of operational buildings are valued at Depreciated Replacement Cost (DRC) to a modern equivalent basis. All other buildings are measured at fair value determined from market-based evidence.

All assets other than land and buildings (excluding dwellings) and assets under construction are revalued at each reporting date using the Producer Price Index (PPI) prepared by the Office for National Statistics (ONS).

IT infrastructure assets are provided to all parts of the Department except NOMS under the Development, Innovation and Support Contracts (DISC) contract which is a Service Concession Arrangement on the CSoFP.

Included in the carrying values above are 18 non-operational sites with a combined value of £25.1m (2011–12: 2 with a combined value of £18.5m). These sites are now vacant, but do not yet meet the criteria for classification as assets held for sale.

In 2005, property transfers to HM Courts & Tribunal Services under the PTS 'The Transfer of Property (Abolition of Magistrates' Courts Committees) Scheme 2005' were declared invalid by the high court. However, the right to use these properties for magistrates' courts purposes is secured by the PTS and subsequent negotiations with the owners of these properties resulted in a valid transfer of title.

HM Courts & Tribunals Service is seeking a negotiated valid transfer from the owners of 2 (2011–12: 2) remaining properties valued at £2.4m (2011–12: £1.3m). A third property is also recorded at a value of £0.5m but transfer is no longer being sought for this property as there is a joint agreement to dispose of it. Of these properties, 2 (2011–12: 2) are recorded in the CSoFP at a value of £2.7m (2011–12: £1.8m) as a result of HM Courts & Tribunals Service bearing the risks and rewards of ownership.

The total court closure impairment reversal for 2012–13 was £11.6m (2011–12: impairment charge £19.3m).

As part of an ongoing review into the optimal utilisation of the courts estate, a review of the viability of the development plans at a number of sites is being undertaken. This review has resulted in an impairment of property, plant and equipment of £19.0m (2011–12: £nil) being recognised in the CSoCNE to reflect the reduction in the value of assets under construction.

12. Intangible assets

Departmental Group 2012–13

| | Software licences | Information technology | Internally generated software | Assets under construction | Total |
|---|----------------------|---------------------------|-------------------------------------|------------------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Cost or valuation | | | | | |
| At 1 April 2012 | 48,357 | 164,276 | 151,667 | 65,474 | 429,774 |
| Additions | 2,575 | 102 | 2,394 | 60,517 | 65,588 |
| Disposals | (40) | (121) | (877) | (74) | (1,112) |
| Reclassifications | (470) | 135 | 10,135 | (9,515) | 285 |
| Revaluations | 4,117 | 5,098 | 20,662 | - | 29,877 |
| Transfers | 161 | 14,539 | - | (14,700) | - |
| Impairments | - | - | - | (15,523) | (15,523) |
| At 31 March 2013 | 54,700 | 184,029 | 183,981 | 86,179 | 508,889 |
| Amortisation | | | | | |
| At 1 April 2012 | (22,514) | (74,297) | (68,680) | - | (165,491) |
| Charged in year | (7,226) | (26,599) | (28,473) | - | (62,298) |
| Disposals | 25 | 83 | 256 | - | 364 |
| Reclassifications | 330 | - | - | - | 330 |
| Revaluations | (1,110) | (1,909) | (7,827) | - | (10,846) |
| At 31 March 2013 | (30,495) | (102,722) | (104,724) | - | (237,941) |
| Carrying amount at 31 March 2013 | 24,205 | 81,307 | 79,257 | 86,179 | 270,948 |
| Carrying amount at 1 April 2012 | 25,843 | 89,979 | 82,987 | 65,474 | 264,283 |
| Asset financing | | | | | |
| Owned | 24,013 | 80,862 | 79,257 | 84,141 | 268,273 |
| Finance leased | - | - | - | - | - |
| Contracts | 192 | 445 | - | 2,038 | 2,675 |
| Carrying amount at 31 March 2013 | 24,205 | 81,307 | 79,257 | 86,179 | 270,948 |
| Of the total | | | | | |
| Core Department | 21,267 | - | 22,433 | 57,716 | 101,416 |
| Agencies | 2,169 | 58,731 | 54,421 | 189 | 115,510 |
| NDPBs | 769 | 22,576 | 2,403 | 28,274 | 54,022 |
| Carrying amount at 31 March 2013 | 24,205 | 81,307 | 79,257 | 86,179 | 270,948 |

Departmental Group 2011–12

| | Software licences £000 | Information technology £000 | Internally generated software £000 | Assets under construction £000 | Total £000 |
|---|------------------------------|-----------------------------------|---|--------------------------------------|------------------|
| Cost or valuation | | | | | |
| At 1 April 2011 | 19,202 | 163,880 | 195,691 | 42,415 | 421,188 |
| Adjustment | - | - | - | (120) | (120) |
| Additions | 1,589 | 260 | 3,652 | 52,213 | 57,714 |
| Disposals | (51) | 8 | (53,552) | (53) | (53,648) |
| Reclassifications | 27,517 | (5,029) | 3,850 | (19,185) | 7,153 |
| Revaluations | 92 | 544 | 151 | - | 787 |
| Transfers | 8 | 4,613 | 1,875 | (4,644) | 1,852 |
| Impairments | - | - | - | (5,152) | (5,152) |
| At 31 March 2012 | 48,357 | 164,276 | 151,667 | 65,474 | 429,774 |
| Amortisation | | | | | |
| At 1 April 2011 | (9,309) | (51,964) | (84,959) | - | (146,232) |
| Charged in year | (9,196) | (24,827) | (30,221) | - | (64,244) |
| Disposals | 31 | (80) | 47,722 | - | 47,673 |
| Reclassifications | (3,990) | 2,813 | 363 | - | (814) |
| Revaluations | (50) | (239) | (36) | - | (325) |
| Transfers | - | - | (1,549) | - | (1,549) |
| At 31 March 2012 | (22,514) | (74,297) | (68,680) | - | (165,491) |
| Carrying amount at 31 March 2012 | 25,843 | 89,979 | 82,987 | 65,474 | 264,283 |
| Carrying amount at 1 April 2011 | 9,893 | 111,916 | 110,732 | 42,415 | 274,956 |
| Asset financing | | | | | |
| Owned | 25,488 | 88,550 | 82,987 | 65,413 | 262,438 |
| Finance leased | - | 174 | - | - | 174 |
| Contracts | 355 | 1,255 | - | 61 | 1,671 |
| Carrying amount at 31 March 2012 | 25,843 | 89,979 | 82,987 | 65,474 | 264,283 |
| Of the total | | | | | |
| Core Department | 20,797 | - | 30,131 | 34,939 | 85,867 |
| Agencies | 3,700 | 74,056 | 51,322 | 8,035 | 137,113 |
| NDPBs | 1,346 | 15,923 | 1,534 | 22,500 | 41,303 |
| Carrying amount at 31 March 2012 | 25,843 | 89,979 | 82,987 | 65,474 | 264,283 |

13. Investments

| | Other investments quoted £000 | Other investments unquoted £000 | Total £000 |
|---------------------------------|-------------------------------------|---------------------------------------|---------------|
| Cost or valuation | | | |
| At 1 April 2011 | 299 | 105 | 404 |
| Disposals | - | (85) | (85) |
| Revaluations | 43 | (20) | 23 |
| Balance at 31 March 2012 | 342 | - | 342 |
| Disposals | - | - | - |
| Revaluations | 60 | - | 60 |
| Balance at 31 March 2013 | 402 | - | 402 |
| Of the total | | | |
| Core Department | - | - | - |
| Agencies | 402 | - | 402 |
| NDPBs | - | - | - |
| Balance at 31 March 2013 | 402 | - | 402 |

Investments include milk production quotas acquired by NOMS as a result of trading activities at no cost and are held at fair value. Fair value is equal to the market value at the reporting date, and the movement in the value of the assets is recognised immediately in the CSocNE, as income or as an expense.

14. Investment property

| | 2012–13 | | | 2011–12 | | |
|----------------------------|-----------------|----------------------------|--------------------|-----------------|----------------------------|--------------------|
| | Core Department | Core Department & Agencies | Departmental Group | Core Department | Core Department & Agencies | Departmental Group |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 1 April | - | 950 | 950 | - | 1,000 | 1,000 |
| Reclassifications | - | (950) | (950) | - | - | - |
| Revaluations | - | - | - | - | (50) | (50) |
| Balance at 31 March | - | - | - | - | 950 | 950 |

A non-operational Crown Court valued at £950k was leased to a local police force. On cessation of the lease the vacant property was transferred back to property, plant and equipment and disclosed under land and buildings, as it no longer attracted investment income.

Investment property rental revenue of £nil (2011–12: £0.02m) was recognised in the CSocNE.

15. Assets held for sale

| | 2012–13 | | | 2011–12 | | |
|----------------------------|-----------------|----------------------------|--------------------|-----------------|----------------------------|--------------------|
| | Core Department | Core Department & Agencies | Departmental Group | Core Department | Core Department & Agencies | Departmental Group |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 1 April | - | 15,491 | 15,491 | - | 33,899 | 33,899 |
| Reclassifications | - | 83,942 | 83,942 | - | 17,609 | 17,609 |
| Disposals | - | (46,222) | (46,222) | - | (28,532) | (28,532) |
| Revaluations | - | 371 | 371 | - | 406 | 406 |
| Impairments | - | (2,084) | (2,084) | - | (7,891) | (7,891) |
| Balance at 31 March | - | 51,498 | 51,498 | - | 15,491 | 15,491 |

HM Courts & Tribunals Service and NOMS have committed to a plan to sell surplus properties. An active programme to locate buyers and complete the sale of each property has commenced and estate agents are actively marketing the properties. The properties are available for sale in their present condition and the sales are highly probable to occur within one year from the date of classification to assets held for sale.

16. Inventories

| | 31 March 2013 | | | 31 March 2012 | | |
|--------------------------|-----------------|----------------------------|--------------------|-----------------|----------------------------|--------------------|
| | Core Department | Core Department & Agencies | Departmental Group | Core Department | Core Department & Agencies | Departmental Group |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Raw materials | - | 2,460 | 2,460 | - | 1,858 | 1,858 |
| Work in progress | - | 1,654 | 1,654 | - | 1,842 | 1,842 |
| Finished goods | - | 4,481 | 4,481 | - | 4,119 | 4,119 |
| Consumables | - | 32,294 | 32,294 | - | 33,272 | 33,272 |
| Total inventories | - | 40,889 | 40,889 | - | 41,091 | 41,091 |

17. Trade and other receivables

17.1 Analysis by type

Amounts due within one year

| | 31 March 2013 | | | 31 March 2012 | | |
|--|--------------------|----------------------------------|-----------------------|--------------------|----------------------------------|-----------------------|
| | Core Department | Core Department & Agencies | Departmental Group | Core Department | Core Department & Agencies | Departmental Group |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Trade receivables | 1,685 | 21,110 | 22,789 | 2,815 | 18,406 | 19,852 |
| Other receivables | 14,370 | 51,942 | 59,392 | 117,287 | 162,972 | 169,407 |
| Contributions due from funded clients | - | - | 2,771 | - | - | 2,486 |
| Statutory charge | - | - | 66,656 | - | - | 65,716 |
| Amounts due from service providers | - | - | 27,889 | - | - | 34,089 |
| VAT receivables | 17,869 | 97,191 | 100,247 | 18,093 | 100,113 | 100,541 |
| Deposits and advances | 860 | 860 | 925 | 813 | 813 | 869 |
| Government receivables | - | 31,216 | 36,883 | - | 17,048 | 21,583 |
| Prepayments and accrued income | 33,356 | 82,690 | 89,315 | 16,407 | 74,047 | 78,200 |
| Grant prepayments | - | - | 129 | - | - | 864 |
| Intra-departmental receivables | 88,202 | 26,012 | - | 118,356 | 24,857 | - |
| Receivables related to Consolidated Fund Extra Receipts | 455 | 455 | 455 | 271 | 272 | 272 |
| Total receivables | 156,797 | 311,476 | 407,451 | 274,042 | 398,528 | 493,879 |

Amounts due after more than one year

| | 31 March 2013 | | | 31 March 2012 | | |
|--------------------------------|--------------------|----------------------------------|-----------------------|--------------------|----------------------------------|-----------------------|
| | Core Department | Core Department & Agencies | Departmental Group | Core Department | Core Department & Agencies | Departmental Group |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Staff receivables | - | 1,952 | 1,970 | - | 2,586 | 2,650 |
| Other receivables | - | 79 | 298 | - | 111 | 114 |
| Prepayments and accrued income | - | 140 | 142 | - | 148 | 150 |
| Total receivables | - | 2,171 | 2,410 | - | 2,845 | 2,914 |

17.2 Intra-government balances

Amounts due within one year

| | 31 March 2013 | | | 31 March 2012 | | |
|---|-----------------|----------------------------|--------------------|-----------------|----------------------------|--------------------|
| | Core Department | Core Department & Agencies | Departmental Group | Core Department | Core Department & Agencies | Departmental Group |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Balances with other central government bodies | 136,542 | 182,838 | 161,689 | 257,572 | 266,247 | 239,213 |
| Balances with local authorities | 110 | 3,537 | 8,366 | 120 | 3,499 | 8,844 |
| Balances with NHS bodies | 19 | 10,745 | 11,221 | 11 | 18,579 | 19,699 |
| Balances with public corporations and trading funds | 21 | 2,889 | 2,943 | 28 | 271 | 305 |
| Subtotal: intra-government balances | 136,692 | 200,009 | 184,219 | 257,731 | 288,596 | 268,061 |
| Balances with bodies external to government | 20,105 | 111,467 | 223,232 | 16,311 | 109,932 | 225,818 |
| Total receivables | 156,797 | 311,476 | 407,451 | 274,042 | 398,528 | 493,879 |

Amounts due after more than one year

| | 31 March 2013 | | | 31 March 2012 | | |
|---|-----------------|----------------------------|--------------------|-----------------|----------------------------|--------------------|
| | Core Department | Core Department & Agencies | Departmental Group | Core Department | Core Department & Agencies | Departmental Group |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Balances with other central government bodies | - | - | - | - | - | - |
| Balances with local authorities | - | 140 | 140 | - | 145 | 145 |
| Balances with NHS bodies | - | - | - | - | - | - |
| Balances with public corporations and trading funds | - | - | - | - | - | - |
| Subtotal: intra-government balances | - | 140 | 140 | - | 145 | 145 |
| Balances with bodies external to government | - | 2,031 | 2,270 | - | 2,700 | 2,769 |
| Total receivables | - | 2,171 | 2,410 | - | 2,845 | 2,914 |

18. Cash and cash equivalents

| | 31 March 2013 | | | 31 March 2012 | | |
|---|-----------------|----------------------------|--------------------|-----------------|----------------------------|--------------------|
| | Core Department | Core Department & Agencies | Departmental Group | Core Department | Core Department & Agencies | Departmental Group |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 1 April | 74,875 | 74,333 | 325,188 | 85,935 | 73,849 | 277,873 |
| Net change in cash and cash equivalents | (1,757) | (77,087) | (127,035) | (11,060) | 484 | 47,315 |
| Balance at 31 March | 73,118 | (2,754) | 198,153 | 74,875 | 74,333 | 325,188 |
| Of which: | | | | | | |
| Government Banking Service (GBS) | 73,063 | 74,826 | 118,650 | 74,806 | 91,194 | 206,832 |
| Commercial banks and cash in hand | 55 | 1,373 | 158,456 | 69 | 1,690 | 136,907 |
| | 73,118 | 76,199 | 277,106 | 74,875 | 92,884 | 343,739 |
| Overdraft (GBS) | - | (78,953) | (78,953) | - | (18,551) | (18,551) |
| | 73,118 | (2,754) | 198,153 | 74,875 | 74,333 | 325,188 |

Cash balances include £231k (2011–12: £228k) relating to third party monies, refer to Note 19.1.

19. Trade and other payables

19.1 Analysis by type

Amounts due within one year

| | 31 March 2013 | | | 31 March 2012 | | |
|--|-----------------|----------------------------|--------------------|-----------------|----------------------------|--------------------|
| | Core Department | Core Department & Agencies | Departmental Group | Core Department | Core Department & Agencies | Departmental Group |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Trade payables | 3,339 | 16,365 | 31,478 | 6,966 | 41,998 | 66,149 |
| Taxation and social security | 56,680 | 74,305 | 112,748 | 88,818 | 109,145 | 154,824 |
| Capital payables | - | 30,379 | 35,970 | - | - | 6 |
| Other payables | 36,947 | 88,624 | 105,983 | 33,843 | 59,621 | 60,722 |
| Accruals and deferred income | 89,820 | 421,110 | 628,082 | 104,735 | 486,098 | 799,604 |
| Amounts due to solicitors, counsel and advice agencies | - | - | 149,871 | - | - | 172,761 |
| Contribution refunds due to funded clients | - | - | 1,625 | - | - | 2,100 |
| Holiday accrual | - | 11,798 | 11,897 | - | 12,826 | 12,904 |
| Voluntary early departure | - | 12,979 | 12,979 | - | 17,361 | 17,361 |
| Staff benefits accrual | - | - | 27 | - | - | 27 |
| Creditor for pension transfer deficit: amounts payable to LGPS | - | 2,404 | 2,404 | - | 29,590 | 29,590 |
| Finance lease creditors | 3,562 | 4,215 | 4,606 | 2,927 | 3,253 | 3,666 |
| Imputed finance lease element of on-balance sheet PFI contracts | 11,354 | 47,609 | 49,915 | 9,639 | 47,506 | 50,368 |
| Amounts issued from the Consolidated Fund for supply but not spent at year end | 37,944 | 37,944 | 37,944 | 119,876 | 119,876 | 119,876 |
| Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund: | | | | | | |
| - received | 1,675 | 1,675 | 1,675 | 486 | 747 | 747 |
| - receivable | 455 | 455 | 455 | 271 | 272 | 272 |
| Intra-departmental payables | 54,662 | 64,434 | - | 243,952 | 67,199 | - |
| Third party monies | 231 | 231 | 231 | 228 | 228 | 228 |
| Total payables | 296,669 | 814,527 | 1,187,890 | 611,741 | 995,720 | 1,491,205 |

Amounts due after more than one year

| | 31 March 2013 | | | 31 March 2012 | | |
|---|-----------------|----------------------------|--------------------|-----------------|----------------------------|--------------------|
| | Core Department | Core Department & Agencies | Departmental Group | Core Department | Core Department & Agencies | Departmental Group |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Local Authority loan balances | - | 36,076 | 36,076 | - | 38,992 | 38,992 |
| Lease incentive creditors | - | 16,548 | 16,548 | - | 11,102 | 11,102 |
| Straight lining creditors | - | 59,372 | 59,372 | - | 51,886 | 51,886 |
| Accruals and deferred income | - | - | 377 | - | - | 292 |
| Creditor for pension transfer deficit: amounts payable to LGPS | - | 200,778 | 200,778 | - | 138,277 | 138,277 |
| Finance lease creditors | 136,976 | 156,560 | 157,268 | 140,539 | 158,696 | 159,766 |
| Imputed finance lease element of on-balance sheet PFI contracts | 23,436 | 487,322 | 505,364 | 28,345 | 502,190 | 522,539 |
| Other payables | 41,124 | 41,124 | 129,121 | 39,637 | 39,637 | 83,856 |
| Total payables | 201,536 | 997,780 | 1,104,904 | 208,521 | 940,780 | 1,006,710 |

19.2 Intra-government balances

Amounts due within one year

| | 31 March 2013 | | | 31 March 2012 | | |
|---|-----------------|----------------------------|--------------------|-----------------|----------------------------|--------------------|
| | Core Department | Core Department & Agencies | Departmental Group | Core Department | Core Department & Agencies | Departmental Group |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Balances with other central government bodies | 197,054 | 260,633 | 238,033 | 492,433 | 362,189 | 317,732 |
| Balances with local authorities | 1,712 | 29,191 | 37,352 | 4,587 | 45,087 | 46,692 |
| Balances with NHS bodies | 7 | 1,993 | 2,559 | - | 2,579 | 7,979 |
| Balances with public corporations and trading funds | 52 | 437 | 622 | 146 | 452 | 520 |
| Subtotal: intra-government balances | 198,825 | 292,254 | 278,566 | 497,166 | 410,307 | 372,923 |
| Balances with bodies external to government | 97,844 | 522,273 | 909,324 | 114,575 | 585,413 | 1,118,282 |
| Total payables | 296,669 | 814,527 | 1,187,890 | 611,741 | 995,720 | 1,491,205 |

Amounts due after more than one year

| | 31 March 2013 | | | 31 March 2012 | | |
|---|-----------------|----------------------------|--------------------|-----------------|----------------------------|--------------------|
| | Core Department | Core Department & Agencies | Departmental Group | Core Department | Core Department & Agencies | Departmental Group |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Balances with other central government bodies | - | - | 200 | - | - | 75 |
| Balances with local authorities | - | 236,854 | 236,854 | - | 177,270 | 177,270 |
| Balances with NHS bodies | - | - | - | - | - | - |
| Balances with public corporations and trading funds | - | - | - | - | - | - |
| Subtotal: intra-government balances | - | 236,854 | 237,054 | - | 177,270 | 177,345 |
| Balances with bodies external to government | 201,536 | 760,926 | 867,850 | 208,521 | 763,510 | 829,365 |
| Total payables | 201,536 | 997,780 | 1,104,904 | 208,521 | 940,780 | 1,006,710 |

20. Provisions for liabilities and charges

| | 2012–13 | | | 2011–12 | | |
|---|-----------------|----------------------------|--------------------|-----------------|----------------------------|--------------------|
| | Core Department | Core Department & Agencies | Departmental Group | Core Department | Core Department & Agencies | Departmental Group |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 1 April | 199,460 | 596,797 | 1,789,840 | 183,877 | 633,570 | 2,037,514 |
| Provided in the year | 166,996 | 274,261 | 2,567,409 | 86,662 | 146,640 | 2,614,339 |
| Provisions not required written back | (20,227) | (49,727) | (130,867) | (1,221) | (38,238) | (76,553) |
| Provisions utilised in the year | (67,520) | (237,434) | (2,666,595) | (75,040) | (152,787) | (2,801,443) |
| Borrowing costs (unwinding of discount) | 5,627 | 12,036 | 45,560 | 5,182 | 10,942 | 19,313 |
| Interest on pension deficit | - | 10,094 | 10,094 | - | 19,264 | 19,264 |
| Amount reclassified to trade and other payables | - | (68,537) | (68,537) | - | (22,594) | (22,594) |
| Balance at 31 March | 284,336 | 537,490 | 1,546,904 | 199,460 | 596,797 | 1,789,840 |

Analysis of expected timing of discounted flows

| | 2012–13 | | | 2011–12 | | |
|---|-----------------|----------------------------|--------------------|-----------------|----------------------------|--------------------|
| | Core Department | Core Department & Agencies | Departmental Group | Core Department | Core Department & Agencies | Departmental Group |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Not later than one year | 102,366 | 169,726 | 983,426 | 85,764 | 143,125 | 1,115,737 |
| Later than one year but not later than five years | 86,884 | 170,713 | 344,416 | 69,125 | 252,472 | 450,101 |
| Later than five years | 95,086 | 197,051 | 219,062 | 44,571 | 201,200 | 224,002 |
| Balance at 31 March | 284,336 | 537,490 | 1,546,904 | 199,460 | 596,797 | 1,789,840 |

Analysis of expected timing of discounted flows

| | 2012-13 | | | | | | | | | | |
|---|--------------------------|------------------------|-----------------------|--------------------------|---------------|------------------------|--------------------|-------------------------|--|---------------|------------------|
| | Pension transfer deficit | Judicial Service Award | Early departure costs | Costs from Central Funds | Legal claims | CICA Pre-tariff Scheme | CICA Tariff Scheme | Leasehold dilapidations | LSC outstanding balances on funded cases | Other | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Not later than one year | - | 63,032 | 36,679 | 17,102 | 24,971 | 40,444 | 144,576 | 7,948 | 624,463 | 24,211 | 983,426 |
| Later than one year but not later than five years | - | 79,984 | 45,430 | - | 31,927 | 2,000 | 169,664 | 10,800 | - | 4,611 | 344,416 |
| Later than five years | - | 91,609 | 72,011 | - | 13,292 | - | 20,353 | 11,435 | - | 10,362 | 219,062 |
| Balance at 31 March 2013 | - | 234,625 | 154,120 | 17,102 | 70,190 | 42,444 | 334,593 | 30,183 | 624,463 | 39,184 | 1,546,904 |
| | 2011-12 | | | | | | | | | | |
| | Pension transfer deficit | Judicial Service Award | Early departure costs | Costs from Central Funds | Legal claims | CICA Pre-tariff Scheme | CICA Tariff Scheme | Leasehold dilapidations | LSC outstanding balances on funded cases | Other | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Not later than one year | 13,316 | 21,200 | 16,839 | 54,878 | 21,027 | 120,000 | 194,860 | 11,756 | 650,402 | 11,459 | 1,115,737 |
| Later than one year but not later than five years | 101,908 | 61,800 | 50,042 | - | 27,692 | 27,817 | 167,104 | 10,883 | - | 2,855 | 450,101 |
| Later than five years | 67,240 | 40,775 | 70,337 | - | 5,104 | - | 21,656 | 12,437 | - | 6,453 | 224,002 |
| Balance at 31 March 2012 | 182,464 | 123,775 | 137,218 | 54,878 | 53,823 | 147,817 | 383,620 | 35,076 | 650,402 | 20,767 | 1,789,840 |

Pension transfer deficit

The Courts Act 2003 legislated for the transfer of magistrates' courts functions and responsibilities to HM Courts & Tribunals Service. As a result, approximately 8,000 employees on the local magistrates' court committees' contracts of employment transferred to HM Courts & Tribunals Service. 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.

The PCSPS therefore needed to know the accrued pension entitlement for the 6,000 transferred staff. An agreement was reached with the Cabinet Office for HM Courts & Tribunals Service to pay an actuarially calculated amount to reflect the liability for the PCSPS arising from the individuals' periods of local government service transferred; plus/less an amount to LGPS 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) estimated the pension liability as at 1 April 2005 of those employees who have opted to transfer the service to the PCSPS. This calculation was based upon a number of fixed actuarial assumptions agreed by the GAD, the Cabinet Office and HM Courts & Tribunals Service.

As at 31 March 2013, final transfer values have been agreed for all the LGPS funds. For those funds where positive transfer values were agreed, one-off payments have been made to the PCSPS for the value of the positive transfer amount. For those funds where negative transfer values were agreed, a series of 10 annual payments, equal to the value of the agreed negative transfer amounts, will be made to the applicable LGPS funds.

Following the crystallisation of the remaining 6 LGPSs during 2012–13 a full and final payment to settle the PCSPS liability to the Cabinet Office was made on 27 March 2013.

Judicial Service Award

The Judicial Service Award was created to equalise the tax position of judicial pensions affected by the provisions of the Finance Act 2004. In the case of salaried members of the judiciary, the liability has been estimated by GAD, taking into account the number of reckonable years served by the existing judiciary and an estimate of the projected final salaries of existing members. The result was discounted to present value using the rate set by HM Treasury of short term -1.8% and medium term -1% (2011–12: 2.2% for short and medium term). The liability is based on an actuarial assessment as at 31 March 2013.

Following a ruling by the UK Supreme Court on 6 February 2013 that a retired fee paid recorder is entitled to a pension on terms equivalent to those of a salaried circuit judge, a provision has been recognised for the Judicial Service Award that will become payable in future years to fee paid judicial office holders claiming pension entitlements.

As the UK Supreme Court has remitted the case to the Employment Tribunal, there is a degree of uncertainty surrounding the quantum of the pension to which eligible judges are entitled. As such, the Judicial Service Award provision has been calculated based on the most likely Employment Tribunal outcome as informed by current legal opinion.

Owing to the absence of individual member data for fee paid judicial office holders, the provision has been determined by calculating the ratio of the salaried Judicial Service Award to the salaried pension liability in respect of active members and applying this ratio to the fee paid judges' pension liability recognised in the JPS accounts.

Early departure costs

MoJ meets the additional costs of benefits beyond normal PCSPS benefits for employees who retire early. This involves paying amounts determined by the pension administrator annually to PCSPS over the period between early departure and normal retirement date. MoJ provides for this in full when the early retirement programme becomes binding on MoJ by establishing a provision for the estimated payments discounted at the HM Treasury real rate of 2.35% (2011–12: 2.8%).

Included in these costs are those that relate to the Voluntary Early Departure (VED) scheme. The terms of the scheme offered were in accordance with the Civil Service Compensation scheme introduced by the government in December 2010.

Costs from Central Funds

Under the terms of the Prosecution of Offences Act 1985, acquitted defendants who have privately funded their legal representation, and private prosecutors, may obtain from the Crown Court in limited circumstances an order to obtain their costs out of Central Funds. MoJ estimates the value of unbilled costs to arrive at the amount disclosed in the Accounts as a provision. The amount is an estimate of the expenditure required to settle any obligation at the reporting period end date. Individual amounts are also provided for exceptionally high value cases. In estimating the provision, MoJ has adopted prudent measurement techniques based on the latest data available.

Legal claims

Provision has been made for all known claims where legal advice indicates that it is more likely than not that the claim will be successful and the amount of the claim can be reliably estimated. The figures represent the best estimate of the amount payable. Legal claims which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities in Note 27.

Provision has been made for outstanding compensation claims in relation to miscarriages of justice. The amount provided for is an estimate of compensation due for all eligible cases that are due to be assessed by the Independent Assessor (Dame Janet Smith DBE).

CICA Pre-tariff scheme

The pre-tariff scheme provision reflects CICA's liabilities in respect of all outstanding cases incurred prior to 1996 which remain to be settled in future years. In accordance with CICA's accounting policies, the provision is reviewed annually and reflects the likely settlement values at the year-end based on the circumstances of each application at that time. CICA does not hold any assets in respect of these liabilities; compensation will be paid from Grant in Aid in the year of settlement.

The pre-tariff scheme provision has not been discounted. The total provision is composed of a small number of cases which reflect the best estimate, at reporting period end, required to settle these cases. Due to uncertainties surrounding both the final liability and settlement date it was not deemed appropriate to discount the provision or provide an analysis with regard to timing of cash flows.

CICA Tariff scheme

The tariff scheme provision, reflecting CICA's liabilities under the 1996, 2001, 2008 and 2012 schemes, is made up of two components. Primarily, CICA recognises liabilities that are based upon an evaluation of total applications that are currently known (discounted value £258.5m (2011–12: £261.8m)). The additional element relates to those events, occurring on or before reporting period end, that CICA deems probable and, based upon historical evidence, provides for an estimation of the future liability (discounted value £76.0m (2011–12: £121.8m)).

Due to the fixed nature of the tariff scheme the liability has been discounted at the modified HM Treasury rate of -1.8% for cashflows due within 5 years, -1% for cashflows due between 5 and

10 years and 2.2% for cashflows due after 10 years, in order to recognise the time value of money. This discount will be unwound over the remaining life of the provision.

CICA does not hold any assets in respect of these liabilities; compensation will be paid from Grant in Aid in the year of settlement.

In accordance with IAS 37 the following areas of uncertainty are noted in relation to the Tariff provision:

- The valuation is based upon a financial analysis of the historical settlement averages and the assessed tariff banding attributed to cases in progress.

The following are key assumptions that affect the valuation and are variables that reflect CICA's recent operational experience in processing Tariff applications:

- The apportionment of cases received, but as yet unallocated to Tariff bands. 73% of all such cases are current year and will be assessed in due course. Recent intake is assumed to follow normal historical trends.
- The likelihood of known cases received in the current year that will resolve at £nil value based on historical averages. This estimation is only carried out for the lower tariff bands, as this is where £nil value cases are likely to be expected.
- For those cases that are not yet reported the value and timing of applications likely to be received is based on previous historical trends. This has been reduced from prior year estimates in accordance with the introduction of the 2012 Tariff Scheme which will apply to all future emergent cases, regardless of date the incident occurred. If assumed demand were to increase by 10% the tariff provision would increase by £4.2m, and a 10% reduction in assumed demand would decrease the tariff provision by £3.8m.

Leasehold dilapidations

Dilapidation costs are an estimate of the expenditure required to return vacated leased buildings to their original condition. The movement in year is as a result of updated information relating to property vacations.

LSC outstanding balances on funded cases

LSC estimates the value of unbilled live cases each year to arrive at the amounts disclosed within the Accounts as a provision. The amount is an estimate of the expenditure required to settle any obligation at the end of the reporting date. In estimating the provision, LSC has adopted prudent measurement techniques based on the latest data available which are discussed further in Note 26.4 of these Accounts.

Other provisions

Other provisions are provisions that are not captured in the previous categories however are recognised when MoJ has:

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. Where the effect is material, the estimated cash flows are discounted. The increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

Following the UK Supreme Court ruling on 6 February 2013 that a retired fee paid recorder is entitled to a pension on terms equivalent to those of a salaried circuit judge, a provision has also been made for a separate element of the pension liability related to fee paid judges.

While the pension payments will be made through the JPS, the JPS does not have the authority to make certain payments derived from the pension liability. Therefore, the responsibility to make these payments falls to MoJ. Owing to the absence of individual member data available, the provision has been calculated by GAD using an average retirement rate.

21. Impairments

Impairments recognised during the reporting period were as follows:

| Note | 31 March 2013 | | | 31 March 2012 | | | |
|--|-----------------|----------------------------|--------------------|-----------------|----------------------------|--------------------|---------------|
| | Core Department | Core Department & Agencies | Departmental Group | Core Department | Core Department & Agencies | Departmental Group | |
| | £000 | £000 | £000 | £000 | £000 | £000 | |
| Impairment charged directly to the CSocNE | | | | | | | |
| Property, plant and equipment | 9 | - | 86,462 | 86,462 | - | 52,892 | 53,043 |
| Intangible assets | 9 | 15,071 | 15,071 | 15,523 | - | 5,152 | 5,410 |
| Assets held for sale | 9 | - | 2,084 | 2,084 | - | 7,891 | 7,891 |
| Total impairments charged to the CSocNE | | 15,071 | 103,617 | 104,069 | - | 65,935 | 66,344 |

Impairments represent permanent diminutions in the value of non-current assets, as distinct from devaluations which are temporary downward fluctuations in value.

22. Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

| | 31 March 2013 | | | 31 March 2012 | | |
|--|-----------------|----------------------------|--------------------|-----------------|----------------------------|--------------------|
| | Core Department | Core Department & Agencies | Departmental Group | Core Department | Core Department & Agencies | Departmental Group |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Contracted capital commitments not otherwise included in these financial statements | | | | | | |
| Property, plant and equipment | 15,501 | 96,007 | 96,274 | 8,593 | 105,869 | 105,869 |
| Intangible assets | 6,644 | 6,644 | 7,912 | 11,637 | 11,637 | 15,605 |
| Total capital commitments | 22,145 | 102,651 | 104,186 | 20,230 | 117,506 | 121,474 |

Capital commitments primarily relate to capital expenditure and major maintenance works.

23. Commitments under leases

23.1 Operating leases

MoJ leases various land and buildings, primarily comprised of court facilities, under non-cancellable operating lease agreements. The lease terms are between 3 and 125 years. The operating leases do not have purchase options, although some have escalation clauses and terms of renewal. Renewals are negotiated with the lessor in accordance with the provisions of the individual lease agreements.

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

Total future minimum leases payments under operating leases are given in the table below for each of the following periods:

| | 31 March 2013 | | | 31 March 2012 | | |
|---|-------------------------|------------------------------------|----------------------------|-------------------------|------------------------------------|----------------------------|
| | Core Department £000 | Core Department & Agencies £000 | Departmental Group £000 | Core Department £000 | Core Department & Agencies £000 | Departmental Group £000 |
| Land and buildings | | | | | | |
| Not later than one year | 24,420 | 126,158 | 277,551 | 25,584 | 135,579 | 320,887 |
| Later than one year but not later than five years | 90,678 | 441,151 | 468,158 | 93,428 | 500,704 | 624,996 |
| Later than five years | 266,888 | 1,463,738 | 1,468,019 | 290,387 | 1,570,026 | 1,575,000 |
| Total land and buildings | 381,986 | 2,031,047 | 2,213,728 | 409,399 | 2,206,309 | 2,520,883 |
| Other | | | | | | |
| Not later than one year | 26 | 1,753 | 2,316 | 73 | 2,138 | 3,187 |
| Later than one year but not later than five years | 43 | 1,949 | 2,527 | 77 | 2,775 | 4,590 |
| Later than five years | - | 2 | 2 | - | 5 | 5 |
| Total other | 69 | 3,704 | 4,845 | 150 | 4,918 | 7,782 |
| Total obligations under operating leases | 382,055 | 2,034,751 | 2,218,573 | 409,549 | 2,211,227 | 2,528,665 |

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

The lease expenditure charged to the CSoCNE during the year is disclosed in Notes 8 and 9.

23.2 Finance leases

Total future minimum leases payments under finance leases are given in the table below for each of the following periods:

| | 31 March 2013 | | | 31 March 2012 | | |
|---|-----------------|----------------------------|--------------------|-----------------|----------------------------|--------------------|
| | Core Department | Core Department & Agencies | Departmental Group | Core Department | Core Department & Agencies | Departmental Group |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Land and buildings | | | | | | |
| Not later than one year | 15,219 | 16,296 | 16,296 | 14,848 | 15,904 | 15,904 |
| Later than one year but not later than five years | 64,778 | 69,074 | 69,074 | 63,198 | 67,591 | 67,591 |
| Later than five years | 165,367 | 326,793 | 326,793 | 182,168 | 344,576 | 344,576 |
| | 245,364 | 412,163 | 412,163 | 260,214 | 428,071 | 428,071 |
| Less: interest element | (104,826) | (253,508) | (253,508) | (116,748) | (266,477) | (266,477) |
| Present value of obligations | 140,538 | 158,655 | 158,655 | 143,466 | 161,594 | 161,594 |
| Other | | | | | | |
| Not later than one year | - | 766 | 1,224 | - | 219 | 718 |
| Later than one year but not later than five years | - | 2,019 | 3,110 | - | 233 | 1,740 |
| Later than five years | - | - | - | - | - | - |
| | - | 2,785 | 4,334 | - | 452 | 2,458 |
| Less: interest element | - | (665) | (1,115) | - | (97) | (620) |
| Present value of obligations | - | 2,120 | 3,219 | - | 355 | 1,838 |
| Total present value of obligations | 140,538 | 160,775 | 161,874 | 143,466 | 161,949 | 163,432 |

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

| | 31 March 2013 | | | 31 March 2012 | | |
|---|-----------------|----------------------------|--------------------|-----------------|----------------------------|--------------------|
| | Core Department | Core Department & Agencies | Departmental Group | Core Department | Core Department & Agencies | Departmental Group |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Land and buildings | | | | | | |
| Not later than one year | 3,562 | 3,743 | 3,743 | 2,927 | 3,093 | 3,093 |
| Later than one year but not later than five years | 21,975 | 22,787 | 22,787 | 18,731 | 19,586 | 19,586 |
| Later than five years | 115,001 | 132,125 | 132,125 | 121,808 | 138,915 | 138,915 |
| Present value of obligations | 140,538 | 158,655 | 158,655 | 143,466 | 161,594 | 161,594 |
| Other | | | | | | |
| Not later than one year | - | 472 | 863 | - | 160 | 573 |
| Later than one year but not later than five years | - | 1,648 | 2,356 | - | 195 | 1,265 |
| Later than five years | - | - | - | - | - | - |
| Present value of obligations | - | 2,120 | 3,219 | - | 355 | 1,838 |
| Total present value of obligations | 140,538 | 160,775 | 161,874 | 143,466 | 161,949 | 163,432 |

The finance lease liability primarily relates to the refurbishment of MoJ Headquarter offices at 102 Petty France, London. The liability does not contain contingent rent.

24. Commitments under PFI and Service Concession Arrangements

24.1 Details of arrangements not recognised on the Consolidated Statement of Financial Position

| Project name | Entity | Contract start date | Duration (years) | Estimated capital value (£m) | Description |
|-----------------|-------------------------------|---------------------|------------------|------------------------------|--|
| ARAMIS | Core Department | January 1998 | 16 | 39.5 | The ARAMIS agreement with Liberata provides Finance and Payroll services to HM Courts & Tribunals Service, Wales Office, the Legal Aid Agency and some of MoJ's ALBs. The contract commenced in January 1998 – at that time including corporate IT services – and subsequent extensions currently provide for termination by end of June 2014 with an option to extend for a further 6 months. Whilst the ARAMIS contract has been extended in its entirety, thus remaining PFI in nature, the capital investment underlying the initial contract term was paid for by 2006–7. |
| Probate Records | HM Courts & Tribunals Service | July 1999 | 25 | 10.9 | Provision of storage and retrieval services. |

24.2 Commitments under arrangements not recognised on the Consolidated Statement of Financial Position

Future minimum payments under those Service Concession Arrangements not recognised on the CSofP cannot be estimated as future charges are based on the level of services delivered.

24.3 Details of arrangements recognised on the Consolidated Statement of Financial Position

| Project name | Entity | Contract start date | Duration (years) | Description |
|--|-------------------------------|---------------------|------------------|---|
| Development, Innovation and Support Contracts (DISC) | Core Department | October 2006 | 10 | Provision of infrastructure and application services to MoJ Headquarters and Executive Agencies other than NOMS. The DISC contract has been extended by 3 years to October 2016 at an estimated capital value of £78m. |
| Network Optimisation Programme | Core Department | April 2012 | 5 | Provision of infrastructure and application services to MoJ headquarters and executive agencies other than NOMS. This project runs in parallel to DISC but has its own payment schedule and a different timeframe. |
| Hereford & Worcester Magistrates' Courts | HM Courts & Tribunals Service | March 2000 | 25 | Provision of serviced accommodation for magistrates' courts at Bromsgrove, Kidderminster, Worcester and Redditch. The contract term can be extended for another 10 years. |
| Humberside Magistrates' Courts | HM Courts & Tribunals Service | March 2000 | 25 | Provision of serviced magistrates' courthouses in Hull, Beverley and Bridlington. On expiry, HM Courts & Tribunals Service has the option of taking the assets back for a nominal amount of £3.0m. |
| Manchester Magistrates' Court | HM Courts & Tribunals Service | March 2001 | 25 | Provision of an 18-courtroom courthouse. |
| Derbyshire Magistrates' Courts | HM Courts & Tribunals Service | August 2001 | 27 | 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 5 years. |
| East Anglia | HM Courts & Tribunals Service | October 2002 | 25 | Provision of Crown Court centres in Ipswich and Cambridge. Ipswich consists of five criminal courtrooms; Cambridge consists of three criminal courtrooms. At the end of the contract term the buildings in Ipswich and Cambridge will revert to HM Courts & Tribunals Service at no cost. |
| Exeter | HM Courts & Tribunals Service | November 2002 | 30 | Provision of a courthouse comprising four criminal courts, one civil court and four District Judge hearing rooms. At the end of the contract term the building will revert to HM Courts & Tribunals Service at no cost. |

| Project name | Entity | Contract start date | Duration (years) | Description |
|---|-------------------------------|---------------------|------------------|--|
| Sheffield | HM Courts & Tribunals Service | November 2002 | 25 | Provision of a Family Hearing Centre in Sheffield. At the end of the contract term HM Courts & Tribunals Service has the option of acquiring the under lease at the lower of its open market value or £2.0m. |
| Avon & Somerset Magistrates' Court | HM Courts & Tribunals Service | August 2004 | 27 | Provision of serviced accommodation for magistrates' courts and offices in Bristol, Weston-Super-Mare and Flax Bourton. |
| HM Prisons (HMP) Altcourse | NOMS | December 1995 | 25 | Design, build, finance and operate an 800 place category B prison at HMP Altcourse, Liverpool. |
| HMP Parc | NOMS | December 1995 | 25 | Design, build, finance and operate an 840 place category B prison near Bridgend, South Wales. |
| HMP Lowdham Grange | NOMS | November 1996 | 25 | Design, build, finance and operate a 760 place category B prison at HMP Lowdham Grange, Nottingham. |
| HMP/ Young Offenders Institution (YOI) Ashfield | NOMS | June 1998 | 25 | Design, build, finance and operate a 400 place young offenders and juveniles category B prison at Pucklechurch, near Bristol. |
| HMP Forest Bank | NOMS | July 1998 | 25 | Design, build, finance and operate an 800 place category B prison HMP Forest Bank, on site of former Agecroft power station. |
| HMP Rye Hill | NOMS | July 1999 | 25 | Design, build, finance and operate a 600 place category B prison HMP Rye Hill at Onley, near Rugby. |
| HMP Dovegate | NOMS | September 1999 | 25 | Design, build, finance and operate a 1,060 place category B prison and therapeutic community facility at HMP Dovegate in Marchington. |
| HMP Bronzefield | NOMS | December 2002 | 25 | Design, build, finance and operate a 500 place category B prison at Ashford in Middlesex. |
| HMP Peterborough | NOMS | February 2003 | 25 | Design, build, finance and operate an 840 place category B prison at Peterborough in Cambridgeshire. |
| Electronic Monitoring System | NOMS | April 2005 | 9 | Supply of an electronic tagging system. |
| Prison Escort Service | NOMS | August 2011 | 7 | Supply and running of the prison vans and escorts. |
| HMP Thameside | NOMS | March 2012 | 25 | Design, build, finance and operate a 900 place category B prison at Woolwich in London. |
| IT and Telephony System | NOMS | July 2013 | 3 | Supply of an IT and telephony system. |
| IS Managed Services Agreement | ICO | July 2007 | 6 | Information services are outsourced through a Managed Services Agreement between the Information Commissioner and Capita IT Services Limited, The current contract is for a period of 6 years ending in July 2013. |
| Medway Secure Training Centre | YJB | April 1998 | 15 | A 76 place capacity secure training centre, located in Chatham, Kent. |
| Rainsbrook Secure Training Centre | YJB | June 1999 | 15 | A 76 place capacity secure training centre, located near the town of Rugby. |
| Hassockfield Secure Training Centre | YJB | October 1999 | 15 | A 58 place capacity secure training centre, in County Durham. |
| Oakhill Secure Training Centre | YJB | May 2003 | 25 | An 80 place capacity secure training centre (STC), located in Milton Keynes, Oakhill. |

24.4 Commitments under Service Concession Arrangements recognised on the Consolidated Statement of Financial Position

Future minimum payments under those Service Concession Arrangements recognised on the CSoFP are as follows:

| | 31 March 2013 | | | 31 March 2012 | | |
|--|-----------------|----------------------------|--------------------|-----------------|----------------------------|--------------------|
| | Core Department | Core Department & Agencies | Departmental Group | Core Department | Core Department & Agencies | Departmental Group |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Total obligations under on-balance sheet (CSoFP) PFI or other Service Concession Arrangements for the following periods comprise: | | | | | | |
| Not later than one year | 13,658 | 81,374 | 84,853 | 12,151 | 76,936 | 81,182 |
| Later than one year but not later than five years | 25,700 | 271,868 | 281,021 | 31,325 | 263,173 | 272,383 |
| Later than five years | 938 | 469,775 | 487,603 | 1,175 | 418,312 | 439,562 |
| | 40,296 | 823,017 | 853,477 | 44,651 | 758,421 | 793,127 |
| Less: interest element | (5,506) | (288,086) | (298,198) | (6,667) | (208,725) | (220,220) |
| Present value of obligations | 34,790 | 534,931 | 555,279 | 37,984 | 549,696 | 572,907 |

The present value of liabilities under Service Concession Arrangements recognised on the CSoFP are repayable as follows:

| | 31 March 2013 | | | 31 March 2012 | | |
|---|-----------------|----------------------------|--------------------|-----------------|----------------------------|--------------------|
| | Core Department | Core Department & Agencies | Departmental Group | Core Department | Core Department & Agencies | Departmental Group |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Present value of obligations under on-balance sheet (CSoFP) PFI or other Service Concession Arrangements for the following periods comprise: | | | | | | |
| Not later than one year | 11,354 | 47,609 | 49,915 | 9,639 | 47,506 | 50,367 |
| Later than one year but not later than five years | 21,400 | 165,137 | 168,062 | 25,794 | 172,873 | 178,106 |
| Later than five years | 2,036 | 322,185 | 337,302 | 2,551 | 329,317 | 344,434 |
| Present value of obligations | 34,790 | 534,931 | 555,279 | 37,984 | 549,696 | 572,907 |

24.5 Charge to the Consolidated Statement of Comprehensive Net Expenditure and future commitments

The total amount charged to the CSoCNE in respect of PFI or other Service Concession Arrangements not recognised on the CSoFP, and the service element of PFI or other Service Concession Arrangements which are recognised on the CSoFP was £750m (2011–12: £721m).

The future payments of this type to which the Departmental Group is committed are as follows:

| | 31 March 2013 | | | 31 March 2012 | | |
|---|-----------------|----------------------------|--------------------|-----------------|----------------------------|--------------------|
| | Core Department | Core Department & Agencies | Departmental Group | Core Department | Core Department & Agencies | Departmental Group |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Not later than one year | 86,856 | 680,965 | 724,502 | 117,661 | 537,673 | 604,143 |
| Later than one year but not later than five years | 186,619 | 2,192,755 | 2,278,616 | 200,750 | 1,894,446 | 2,009,020 |
| Later than five years | - | 3,089,252 | 3,315,287 | - | 3,025,891 | 3,266,288 |
| Total | 273,475 | 5,962,972 | 6,318,405 | 318,411 | 5,458,010 | 5,879,451 |

25. Other financial commitments

MoJ has entered into non-cancellable contracts (which are not leases or PFI contracts), for the provision of services including: the management of prisons which are owned by MoJ and other contracted out services. The payments to which MoJ is committed are as follows:

| | 31 March 2013 | | | 31 March 2012 | | |
|---|-----------------|----------------------------|--------------------|-----------------|----------------------------|--------------------|
| | Core Department | Core Department & Agencies | Departmental Group | Core Department | Core Department & Agencies | Departmental Group |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Not later than one year | 10,391 | 161,796 | 162,732 | 7,514 | 161,848 | 274,619 |
| Later than one year but not later than five years | 30,137 | 366,051 | 366,114 | 10,544 | 357,581 | 357,666 |
| Later than five years | 898 | 626,948 | 626,948 | 1,727 | 912,632 | 912,632 |
| Total other financial commitments | 41,426 | 1,154,795 | 1,155,794 | 19,785 | 1,432,061 | 1,544,917 |

The 2011–12 comparative for Core Department & Agencies and Departmental Group has been restated downwards by £220m as a result of a restatement to remove costs which are paid directly by NOMS and have therefore not been included within the 2012–13 figures.

26. Financial instruments

26.1 Categories of financial instruments

| Note | 31 March 2013 | | | 31 March 2012 | | | |
|--|-----------------|----------------------------|--------------------|------------------|----------------------------|--------------------|------------------|
| | Core Department | Core Department & Agencies | Departmental Group | Core Department | Core Department & Agencies | Departmental Group | |
| | £000 | £000 | £000 | £000 | £000 | £000 | |
| Financial assets | | | | | | | |
| Cash and cash equivalents | 18 | 73,118 | (2,754) | 198,153 | 74,875 | 74,333 | 325,188 |
| Loans and receivables | | | | | | | |
| Trade receivables (net) | 17.1 | 1,685 | 21,110 | 22,789 | 2,815 | 18,406 | 19,852 |
| Other receivables (net) | 17.1 | 14,370 | 52,021 | 59,690 | 117,287 | 163,083 | 169,521 |
| Accrued income (excluding prepayments) | 17.1 | 15,505 | 37,778 | 39,872 | 9,149 | 43,874 | 42,304 |
| Fair value through profit and loss | | | | | | | |
| Quoted investments | 13 | - | 402 | 402 | - | 342 | 342 |
| Unquoted investments | 13 | - | - | - | - | - | - |
| Total financial assets | | 104,678 | 108,557 | 320,906 | 204,126 | 300,038 | 557,207 |
| Financial liabilities at amortised cost | | | | | | | |
| Finance leases | 19.1 | 140,538 | 160,775 | 161,874 | 143,466 | 161,949 | 163,432 |
| Imputed finance leases | 19.1 | 34,790 | 534,931 | 555,279 | 37,984 | 549,696 | 572,907 |
| Trade payables | 19.1 | 3,339 | 16,365 | 31,478 | 6,966 | 41,998 | 66,149 |
| Other payables | 19.1 | 78,071 | 129,748 | 235,104 | 73,480 | 99,258 | 144,578 |
| Accruals (excluding deferred income) | 19.1 | 86,076 | 395,394 | 594,093 | 102,618 | 477,836 | 781,127 |
| Total financial liabilities | | 342,814 | 1,237,213 | 1,577,828 | 364,514 | 1,330,737 | 1,728,193 |

26.2 Net income and expenses from financial assets

| Note | 31 March 2013 | | | 31 March 2012 | | | |
|--|-----------------|----------------------------|--------------------|-----------------|----------------------------|--------------------|---------------|
| | Core Department | Core Department & Agencies | Departmental Group | Core Department | Core Department & Agencies | Departmental Group | |
| | £000 | £000 | £000 | £000 | £000 | £000 | |
| Loans and receivables | | | | | | | |
| Impairment of financial assets | 8,9 | 50 | (113) | 56,476 | 129 | 367 | 21,921 |
| Interest income | 8,9,10 | - | - | 8,853 | - | - | (6,394) |
| Fair value through profit and loss | | | | | | | |
| Fair value adjustment recognised in income/expenditure | 8,9 | - | (60) | (60) | - | (23) | (23) |
| Net (gain)/loss on financial assets | | 50 | (173) | 65,269 | 129 | 344 | 15,504 |

26.3 Net income and expenses from financial liabilities

| Note | 31 March 2013 | | | 31 March 2012 | | | |
|---|-----------------|----------------------------|--------------------|-----------------|----------------------------|--------------------|---------------|
| | Core Department | Core Department & Agencies | Departmental Group | Core Department | Core Department & Agencies | Departmental Group | |
| | £000 | £000 | £000 | £000 | £000 | £000 | |
| Financial liabilities at amortised cost | | | | | | | |
| Finance and interest charges | 8,9 | 17,815 | 54,791 | 55,917 | 16,877 | 48,868 | 50,555 |
| Net (gain)/loss on financial liabilities | | 17,815 | 54,791 | 55,917 | 16,877 | 48,868 | 50,555 |

26.4 Financial Risk Management

MoJ is exposed, through its normal operations, to a number of financial risks, the most significant of which is credit risk.

The following further describes MoJ's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these Accounts.

Market Risk

(a) Credit Risk

Credit risk is the risk that counterparties to financial instruments will cause a financial loss to MoJ by failing to discharge their obligations.

Funded legal aid receivables (LSC)

LSC has an inherent risk within trade receivables and other current assets, as Legal Aid Fund (the Fund) which includes LSC Community Legal Service (CLS) and LSC Criminal Defence Service (CDS), is not predisposed to straightforward cash collections. LSC recognises this risk and mitigates it in the case of statutory charge receivables, where repayment of the receivables may be deferred, by securing land charges and using active credit management policies to recover unsecured receivables. In some cases the receivables collection activities are outsourced to commercial debt collectors. The size of the risk is reflected in the receivables impairment provision which totals £187.2m (2011–12: £161.3m), comprising CLS £154.0m (2011–12: £158.5m) and CDS £33.2m (2011–12: £2.8m).

The majority of the Fund's trade and other receivables are the result of a statutory charge, that is, £66.7m (2011–12: £65.7m) out of a total receivables balance after impairment of £101.6m (2011–

12: £103.8m). A high proportion of these are secured on property and settlement is deferred until the property is sold. These, along with other receivables, carry an impairment provision based on expected settlement receipts.

LSC provides for impairment of receivables based on historical cash collection experience and management assessment of likely recoveries, for each category of receivables. Consideration is given to macroeconomic factors, such as the downturn in the economy, and inherent risks, such as potential changes to recoveries arising from revisions to Legal Aid schemes, in assessing the levels of impairment provision.

The LSC's impairment model uses historical recovery profiles by receivables category to estimate the provision required against receivable balances. The impairment model is underpinned by specific assumptions including: the maximum life of a receivable is 10 years with the exception of statutory charges where this has been uplifted to 16 years, income is received against receivables at the end of the year, and the discount rate is 2.2%. The impact of the following reasonable possible alternatives to these assumptions has been considered:

- Maximum life of receivables +/- 1 year;
- Income received against a receivables balance evenly throughout the year, rather than at the end of the year;
- Discount rate: this rate is set by HM Treasury and is not subject to management judgement and so has not been calculated; and
- Predicted income receipts used to calculate the impairment provision cashflows +/- 10%.

Assumptions tested:

| Increase/(decrease) in net financial asset | | |
|---|-------------------------|-----------|
| | Assumption | £m |
| Maximum life of receivables | +1 year | 0.3 |
| Maximum life of receivables | -1 year | (0.4) |
| Income received | Evenly through the year | 0.9 |
| Predicted income receipts | +10% | 8.5 |
| Predicted income receipts | -10% | (8.5) |

Using these reasonably possible alternative assumptions, the fair value of the financial assets at 31 March 2013 could be higher by £9.7m (2011–12: £10.6m) or lower by £8.9m (2011–12: £9.8m).

Despite possible alternative assumptions being available, the current assumptions will remain unchanged. They will be reviewed periodically and changed if management believe alternative assumptions are a better reflection of the underlying trends.

Other financial assets

MoJ is exposed to minimal credit risk in respect of other financial assets. The maximum exposure to credit risk is equal to the carrying amount of outstanding receivable balances. MoJ manages its credit risk by undertaking background and credit checks prior to establishing a debtor relationship.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its financial liability obligations.

MoJ's financial liabilities primarily reflect trade and other payables (Note 19) and finance lease liabilities (Note 23), including those arising from Service Concession Arrangements (Note 24). It is highly unlikely that MoJ will encounter difficulty in meeting its obligations associated with these liabilities as it is financed by resources and capital voted annually by Parliament.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate, because of changes in market interest rates. MoJ has only limited exposure to interest rate risk as described below:

- The majority of financial instruments either bear fixed interest rates (such as cash held with the Government Banking Service, secured debts for repayment of legal aid funding and finance lease liabilities) or are interest free.

(d) Capital management

MoJ's policy is to maintain a strong capital base to sustain its future development in line with Structural Reform Plan priorities. Management closely monitors the financial performance and position of MoJ to ensure a strong capital position is maintained.

27. Contingent assets and liabilities

27.1 Contingent assets

MoJ has no contingent assets as defined within IAS 37 at 31 March 2013.

27.2 Contingent liabilities disclosed under IAS 37

MoJ has contingent liabilities as defined within IAS 37. Unless otherwise stated, the amount of each contingent liability cannot be determined with sufficient reliability or to quantify it would jeopardise the outcome of the legal case.

Employment Tribunals: MoJ is currently defending numerous Employment Tribunal claims at various stages.

Fee paid judicial office holders' claims: Pension entitlements are provided to salaried judges under the Judicial Pension Scheme (JPS). In September 2005, a retired fee paid recorder brought a claim in the Employment Tribunal seeking retrospective parity of treatment with salaried judges by claiming pension entitlements under the Part Time Workers Regulations.

The UK Supreme Court ruled on 6 February 2013 that a retired fee paid recorder was entitled to a pension on terms equivalent to those applicable to a salaried circuit judge. The case has been remitted to the Employment Tribunal to determine the quantum of the pension to which the recorder is entitled.

Based on the UK Supreme Court ruling and the potential outcome of the Employment Tribunal, an estimate of the liability to the group of fee paid judges to which the claimant belongs has been prepared. The liability has two main elements: a pension liability, with a separate element of the pension liability relating to fee paid judges, and a Judicial Service Award which compensates retirees for the tax paid on pension lump sums paid on retirement. Although the JPS is a defined benefit scheme, MoJ accounts for this scheme as a defined contribution scheme in accordance with FReM 12.2.5. The effect of this adaptation is that, although MoJ must account only for employer contributions payable to the JPS going forward, no contractual or other obligations arise for MoJ in respect of back payments or the pension liability arising pursuant to the claim. Accordingly, provision for the fee paid pension entitlement is recognised in the JPS accounts.

Neither the Judicial Service Award, nor the separate element of the pension liability relating to fee paid judges, are benefits covered by the JPS and its governing Acts, namely the Judicial Pensions Act 1981 and the Judicial Pensions and Retirement Act 1993. As such, they are accounted for by MoJ in these Accounts. Further information on these provisions is set out in Note 20.

Additional cases are stayed behind the lead case which was the subject of the UK Supreme Court ruling. In addition to a pension entitlement, the claims covered by the stayed cases extend to non-pension entitlements such as holiday and sick pay, payments in respect of training and writing up fees, increases in daily fees and cancellation fees where bookings are not honoured. The UK Supreme Court ruling on 6 February 2013 did not deal with these claims and therefore liability for these claims has not been established. Any liability for non-pension entitlements would fall to the Core Department or HM Courts & Tribunals Service depending on the nature of the entitlements.

Overseas voting rights: There is a 15 year time limit within which British citizens resident overseas may register to vote in parliamentary elections. A case currently before the ECtHR is seeking a declaration by the European Court of Human Rights (ECtHR) that the 15 year rule breaches Article 3 of Protocol 1 to the European Convention on Human Rights (ECHR) (amongst other articles).

Public Participation Directive: The European Commission has referred the UK to the European Court of Justice (ECJ) for non-compliance in transposing the Public Participation Directive correctly into domestic legislation.

Other European Court of Human Rights claims: MoJ is currently engaged in 11 other cases at the ECtHR, some of which may involve possible financial liability and others which are unquantifiable. These cases represent several topics including claims for breach of article 6 of ECHR.

Headquarters legal claims: There are 7 outstanding legal claims against MoJ Headquarters, some of which involve possible financial liabilities. Cases where it is probable that MoJ will incur future costs have been included within provisions.

These legal claims include a Judicial Review challenging refusal to pay compensation for miscarriages of justice.

Other legal claims: NOMS has claims for injury to staff, prisoners and the public amounting to £51.0m (2011–12: £33.5m) where it is deemed possible, but not likely, that a liability will arise.

Land Charge Searches Fees: MoJ may have to share in payments to local authorities for local land charge searches deemed unlawful from 1 January 2005 and for future income foregone. There is a large group application for a declaration that local authorities acted unlawfully in collecting fees for personal land charge searches. This is an unexpected consequence of the Environmental Information Regulations 2004. MoJ together with DEFRA and CLG may involve possible financial liability.

Data Protection Act: There are two claims against MoJ for alleged failure to comply with the Data Protection Act. These cases are ongoing.

Payment by Results: MoJ has entered into a number of Payment by Results (PbR) schemes which may result in additional payments to contractors depending on the results achieved. Where the potential rewards are uncertain a provision has not been recognised.

Voluntary Early Departure Schemes (VEDS): NOMS's VEDS closed to applications on 5 April 2013, shortly after the year end. A formal plan was in place including locations, potential numbers and costs, before the scheme was announced to staff on 8 March, with likely departure dates in September or October 2013. At the year end, management considers that some of the conditions of being 'demonstrably committed' to the scheme under IAS 19 were met, although no formal offers had been made. Applications are being assessed, and the number and cost of offers have yet to be decided. At this stage the cost cannot be measured with sufficient reliability to be recognised as a provision.

Criminal Injuries Compensation: On occasion compensation cases at appeal stage, under the jurisdiction of the Tribunals Service – Criminal Injuries Compensation, may go to judicial review.

These could have an impact on CICA's future liabilities. These cases are not included within provisions due to the fact that a possible obligation exists which will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of CICA. There were 91 active cases as at 31 March 2013.

27.3 Contingent liabilities not required to be disclosed under IAS 37 but included for Parliamentary reporting and accountability purposes

Quantifiable

BAA indemnity: An indemnity of up to £50m (2011–12: £50m), in respect of any one accident, has been given to the British Airports Authority (BAA). This is in respect of damage or injury caused to third parties arising out of the negligence of NOMS in their use of vehicles travelling airside for the repatriation of prisoners. The likelihood of a liability arising from these contingencies is considered to be remote.

28. Losses and special payments

The following losses and special payments are included in the CSoCNE:

28.1 Losses statement

| Values | 31 March 2013 | | | 31 March 2012 | | |
|------------------------------|-----------------|----------------------------|--------------------|-----------------|----------------------------|--------------------|
| | Core Department | Core Department & Agencies | Departmental Group | Core Department | Core Department & Agencies | Departmental Group |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Cash losses | 88 | 1,193 | 1,508 | 75 | 1,201 | 1,207 |
| Claims abandoned | - | 42 | 50 | - | 328 | 353 |
| Administrative write-offs | 156 | 8,025 | 39,291 | 113 | 13,515 | 41,488 |
| Fruitless payments | 1 | 35 | 78 | 28 | 110 | 111 |
| Store losses | - | 1,306 | 1,306 | - | 845 | 845 |
| Constructive losses | 507 | 507 | 507 | - | - | 166 |
| Total value of losses | 752 | 11,108 | 42,740 | 216 | 15,999 | 44,170 |

| Numbers | 31 March 2013 | | | 31 March 2012 | | |
|-------------------------------|-----------------|----------------------------|--------------------|-----------------|----------------------------|--------------------|
| | Core Department | Core Department & Agencies | Departmental Group | Core Department | Core Department & Agencies | Departmental Group |
| | Cash losses | 38 | 2,791 | 2,844 | 57 | 3,150 |
| Claims abandoned | - | 202 | 240 | - | 86 | 123 |
| Administrative write-offs | 67 | 64,572 | 80,290 | 5 | 66,293 | 81,291 |
| Fruitless payments | 9 | 156 | 159 | 4 | 507 | 516 |
| Store losses | - | 5,760 | 5,760 | - | 4,008 | 4,010 |
| Constructive losses | 1 | 1 | 1 | - | - | 83 |
| Total number of losses | 115 | 73,482 | 89,294 | 66 | 74,044 | 89,199 |

In 2012–13 there was one (2011–12: five) balance written off over £250,000. A constructive loss of £506,644 was incurred by MoJ Headquarters as a result of terminating the contract of a supplier.

28.2 Special payments

| Values | 31 March 2013 | | | 31 March 2012 | | |
|--|-----------------|----------------------------|--------------------|-----------------|----------------------------|--------------------|
| | Core Department | Core Department & Agencies | Departmental Group | Core Department | Core Department & Agencies | Departmental Group |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Compensation payments | 194 | 19,920 | 22,233 | 3,329 | 27,680 | 27,969 |
| Ex gratia | 154 | 1,183 | 1,242 | 230 | 1,153 | 1,443 |
| Extra-contractual payments | - | 351 | 366 | - | 349 | 361 |
| Special severance payments | - | 73 | 73 | 54 | 54 | 54 |
| Total value of special payments | 348 | 21,527 | 23,914 | 3,613 | 29,236 | 29,827 |

| Numbers | 31 March 2013 | | | 31 March 2012 | | |
|---|-----------------------|----------------------------|--------------------|-----------------|----------------------------|--------------------|
| | Core Department | Core Department & Agencies | Departmental Group | Core Department | Core Department & Agencies | Departmental Group |
| | Compensation payments | 41 | 5,245 | 5,444 | 72 | 5,571 |
| Ex gratia | 22 | 1,550 | 1,598 | 23 | 1,471 | 1,539 |
| Extra-contractual payments | - | 796 | 797 | - | 675 | 676 |
| Special severance payments | - | 1 | 1 | 5 | 5 | 5 |
| Total number of special payments | 63 | 7,592 | 7,840 | 100 | 7,722 | 8,023 |

In 2012–13 there was one (2011–12: three) special payment over £250,000 in respect of a compensation claim of £740,000 to a member of NOMS staff.

29. Related party transactions

Associated Departments and other central government bodies

MoJ is the parent of the HM Courts & Tribunals Service, OPG, and NOMS agencies and the sponsor of NDPBs as listed in Note 31. All of these bodies are regarded as related parties with which MoJ has had various material transactions during the year.

In addition, MoJ has had a number of significant transactions with the following other government departments and other central government bodies:

- Central Office of Information (COI);
- City of London;
- Children and Family Court Advisory and Support Service (CAFCASS);
- Department for Communities and Local Government (DCLG);
- Department for Education (DfE);
- Department for Work and Pensions (DWP);
- HM Revenue & Customs (HMRC);
- Home Office;
- Principal Civil Service Pension Scheme (PCSPS);
- The Insolvency Service;
- The Crown Prosecution Service (CPS);
- The Treasury Solicitor's Department (TSol); and
- Wales Office.

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

Registry Trust Limited is a private company limited by guarantee with no share capital. It maintains the Register of County Court judgments on behalf of the Lord Chancellor and the Secretary of State for Justice. Revenue received from Registry Trust Limited in the year amounted to £0.5m (2011–12: £0.6m) with a total debtor balance due to HM Courts & Tribunals Service as at 31 March 2013 of £0.1m (2011–12: £0.2m).

Key management personnel

There are close family members of key management personnel employed by organisations that are contracted to supply services to MoJ. The terms and conditions of these arrangements are no more favourable than MoJ would have adopted if there were no relationship to key management personnel.

Helen Grant MP, Parliamentary Under Secretary of State, and her husband are equity partners and designated members of Grants Solicitors LLP, providers of professional services to the LSC. Total payments to Grant Solicitors LLP in 2012–13 were £384,018 of which £219,751 were made on or after 4 September 2012.

Tim Breedon, Lead Non-Executive Director, is a director of Barclays Bank, a facilities provider to MoJ.

Mike Hawker, Non-Executive Director and Chair of the Audit Committee, is also a trustee of the board of The Shaw Trust, which has transactions with NOMS from time to time. NOMS received income from The Shaw Trust of £914 in 2012–13 (no transactions in 2011–12).

The son of Ann Beasley, Director General, Finance and Corporate Services, is due to start working for PwC in September 2013. PwC are providers of professional services to MoJ and are the external auditors of NOMS on behalf of the NAO.

During the year, members of the London Probation Trust (LPT) management board, members of key management staff or their related parties have undertaken material transactions with the Trust. Heather Munro is Vice Chair of LPT and Director of the Probation Association, which incurred transactions totalling £79k with LPT. Mark Johnson is a Board Member of LPT and CEO of User Voice, which incurred transactions totalling £115k with LPT. In addition, Paul Davies, LPT Board Secretary is seconded from Essex County Council, which incurred transactions totalling £205k with LPT.

Employees of Nottinghamshire Probation Trust (NPT) including the Chief Executive are also the trustees for a charity called Pathways (East Midlands). The income of this charity from NPT was £33k for the nine months to 31 March 2013 (£45k for the 12 months to 30 June 2012).

Two members of the Essex Probation Trust management board and one executive director reported a related party interest in relation to Essex Offender Services, a community interest company in which they are directors. This company provides training facilities to the Trust valued at £43k. Essex Probation Trust seconded a member of staff to the company and provides other limited administrative support, the value of which is recharged and amounted to £52k in 2012–13.

During 2012–13, the LSC Commissioners, other related parties or their close family members entered into a number of material transactions with the Fund. These transactions are also detailed below.

Unless otherwise stated, the disclosures relate to transactions in respect of funded work to the supplier who the individual works for and do not reflect the individual's earnings. The figures include payments on account and disbursements, which may be payable to third parties and are stated inclusive of VAT, as this is a cost to LSC. All transactions are for the period 1 April 2012 to

31 March 2013 unless otherwise stated. The transactions do not include payments received indirectly (for example, counsel fees claimed by the solicitors which they then pay to counsel). The transactions do not reflect annual earnings as they may include fees for work carried out in previous years, but not billed until this financial year; they may also exclude fees for work carried out in 2012–13 but not yet billed. The transactions for all schemes represent payments made.

Commissioners are required under the Code of Best Practice for LSC Members to declare any personal, financial and business interests which may conflict with their duties for LSC. Members may not participate in LSC discussions or decisions on policy or financial matters where a conflict of interest arises.

| Commissioners and related parties | Transactions |
|--|---|
| Dr David Wolfe QC | 1. Dr David Wolfe QC, a Commissioner, is a barrister who receives payments in respect of legal aid casework. £74,208 |
| | 2. Amanda Illing is married to Dr David Wolfe QC, a Commissioner. Amanda was the Practice Director at Hardwicke Chambers until November 2012 and then the Chief Executive. Barristers at Hardwicke Chambers contribute a percentage of their earnings to its central costs which include Amanda Illing's salary. Payments were made to barristers at Hardwicke Chambers for work carried out under instruction by LSC's legal team. The total amount owed to barristers at Hardwicke Chambers at 31 March 2013 is nil. £745,214 |
| | 3. Amanda Illing has been a board member of The Public Law Project since May 2011. Legal aid payments are made to The Public Law Project. £24,515 |
| Tom Jones OBE | 1. Celine Cousin is a lawyer at Geldards LLP, to whom legal aid payments are made. Celine married Owain Jones, who is Tom Jones's son, on 8 December 2012. They had been engaged since July 2011. Payments were made to Geldards LLP for work carried out under instruction by the LSC's legal team. There were no amounts owed to Geldards LLP at 31 March 2013. £61,070 |
| | 2. Rhodri Jones is a lawyer with Hugh James Solicitors, to whom legal aid payments are made. Rhodri married Swian Jones, who is Tom Jones's daughter, in September 2012. They had been engaged since June 2011. Rhodri left Hugh James Solicitors on 20th November 2012. Payments were made to Hugh James Solicitors for work carried out under instruction by LSC's legal team. There were no amounts owed to Hugh James Solicitors at 31 March 2013. £607,559 |

Balances outstanding as at 31 March 2013 have not been disclosed, as these could only be estimated.

During the year, no Board member, key manager or other related parties have undertaken any material transactions with MoJ.

Other

Other interests and related parties of ministers which do not concern MoJ are disclosed at: www.cabinetoffice.gov.uk/conduct-ethics/ministerial.aspx.

30. Third party assets

MoJ holds, as custodian or trustee, certain assets belonging to third parties. These assets are not recognised in the CSoFP and neither MoJ nor the government has a direct beneficial interest in them.

MoJ holds third party assets, over and above those monies disclosed in Notes 18 and 19.

| | 31 March 2013 | | | 31 March 2012 | | |
|-----------------|-----------------|----------------------------|--------------------|-----------------|----------------------------|--------------------|
| | Core Department | Core Department & Agencies | Departmental Group | Core Department | Core Department & Agencies | Departmental Group |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Cash | 8,419 | 29,298 | 111,323 | 9,604 | 9,604 | 85,167 |
| Investments | 54,497 | 54,497 | 60,714 | 37,713 | 37,713 | 45,900 |
| Non-cash assets | 13,613 | 13,613 | 13,613 | 14,414 | 14,414 | 14,414 |
| | 76,529 | 97,408 | 185,650 | 61,731 | 61,731 | 145,481 |

30.1 Official Solicitor and Public Trustee (OSPT)

The Official Solicitor (OS) administers estates and trusts as Administrator/Trustee of Last Resort. The Public Trustee (PT) acts as Executor or Trustee where they have been appointed under a will or a new settlement. The figures in the table above represent the most up-to-date information available about assets managed by the OS and PT on behalf of clients. The accounts for 2012–13 have not yet been presented for audit.

The non-cash assets are made up of four elements:

1. Properties are Trust Assets held by OSPT as legal owner and are held for the following separate purposes: (a) for the occupation of a life tenant or other beneficiary of the trust; (b) rented commercially to generate trust income.
2. Payables: accrued liabilities of the trusts and include fees payable to OSPT, tax and other payables.
3. Receivables: accrued rental income, a mortgage issued by trust to beneficiary, cash held by solicitors and agents, and investments externally managed by agents.
4. Chattels and other assets are Trust Accounting and Banking System control accounts for capital transactions (not normally income) transactions – physical assets of the trust that are held by OSPT.

30.2 Other third party assets

HM Courts & Tribunals Service holds a number of different cash balances on behalf of third parties. These consist of bail monies which are received and held while a criminal case progresses. At 31 March 2013 these amounted to £10.8m respectively (2011–12: £11.2m).

At 31 March 2013, NOMS held third parties' monies of £10.0m (2011–12: £11.4m). This related to monies held on behalf of prisoners.

A number of assets are held by Probation Trusts on behalf of third parties. These assets are not therefore included in these Accounts. Avon & Somerset, Cheshire, Cumbria, Essex, Greater Manchester, Humberside, Kent, Lincolnshire, Norfolk & Suffolk, Northumbria, Wales, Warwickshire, and West Mercia Probation Trusts have monetary assets such as bank balances and monies on deposits, listed securities, amenity funds, trust funds and charitable donation funds.

LSC receives awarded damages awaiting the final settlement of a case and contribution monies from clients legal costs awaiting the final judgement and calculation of the total costs of a case. The outcome of the case will determine whether the third party asset transfers to LSC or is

returned to the third party. The assets held at the end of the reporting date comprise pooled investment funds and cash and building society deposits of £20.9m (2011–12: £21.1m).

In 2012–13 CICA held £67.1m (2011–12: £62.4m) of third party compensation awards to minors. The purpose of this action is to ensure that the victim will be the sole beneficiary of the award (including accrued interest) when they reach their majority (18 years of age). Where appropriate interim payments are made on an ‘as needs’ basis against an agreed framework.

30.3 Office of the Accountant General

The Office of the Accountant General (OAG), previously the Courts Funds Office, manages money held in court on behalf of clients who may be involved in a civil legal action, patients who are under the Court of Protection because they are not able to manage their property and affairs, and children under the age of 18. These are non-MoJ assets and are not included in these Accounts or the table above. Client assets held at year-end comprised cash, an Equity Index Tracker Fund and securities.

Market values as at 28 February 2013 are:

- Cash invested on behalf of the Accountant General through the Commissioners for the Reduction of National Debt’s Court Funds Investment Account, of £2,748m (29 February 2012: £3,109m). This includes foreign exchange and sterling balances held by the Accountant General on behalf of clients of £178m (29 February 2012: £179m);
- Securities, a combination of units and stock holdings held by the Accountant General on behalf of clients with a market valuation of approximately £168m (29 February 2012: £178m). This includes the Equity Index Tracker Fund (formerly the Common Investment Fund), which is administered on behalf of the Accountant General by an appointed Fund Manager. The beneficiaries have unit shares in the fund, which consists of a balanced portfolio managed by the Fund Manager in accordance with the investment strategy with a value of £106m (29 February 2012: £109m).

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

31. The Departmental Boundary

Entities within the Departmental Boundary

The Core Department

Department Headquarters, including the following associated offices and advisory Non-Departmental Public Bodies:

- Administrative Justice and Tribunals Council;
- Advisory Council on National Records and Archives;
- Advisory Panel on Public Sector Information;
- Assessor for Compensation of Miscarriages of Justice;
- Civil Justice Council;
- Civil Procedure Rule Committee;
- Criminal Procedure Rule Committee;
- Family Justice Council;
- Family Procedure Rule Committee;

- Independent Monitoring Boards of Prisons, Immigration Removal Centres and Immigration Holding Facilities;
- Insolvency Rules Committee;
- Judicial Appointments and Conduct Ombudsman;
- Judicial College;
- Judicial Communications Office;
- Judicial Office;
- Law Commission;
- Magistrates' Courts Rules Committee;
- Office for Judicial Complaints;
- Office of HM Inspectorate of Prisons;
- Office of HM Inspectorate of Probation;
- Office of the Accountant General (formerly Court Funds Office);
- Office of the Judge Advocate General;
- Official Solicitor and Public Trustee;
- Prison Service Pay Review Body;
- Prisons and Probation Ombudsman;
- Restraint Advisory Board;
- Sentencing Council for England and Wales;
- Victims Advisory Panel; and
- Victims' Commissioner.

Supply financed Agencies

- Her Majesty's Courts & Tribunals Service;
- National Offender Management Service; and
- Office of the Public Guardian.

Other entities captured in the Departmental Group including Executive Non-Departmental Public Bodies

- Criminal Cases Review Commission;
- Criminal Injuries Compensation Authority;
- Information Commissioner's Office;
- Judicial Appointments Commission;
- Legal Services Board;
- Legal Services Commission;
- National Offender Management Service 35 Probation Trusts;
- Office for Legal Complaints;
- Parole Board for England and Wales; and
- Youth Justice Board for England and Wales.

Other associated offices within the Departmental Boundary

- Advisory Committees on Justices of the Peace in England and Wales and Crown Court Rule Committee included in Her Majesty's Courts & Tribunals Service; and
- Independent Advisory Panel on Deaths in Custody included in National Offender Management Service.

Copies of Annual Report and Accounts for the individual entities can be found at:
www.tsoshop.co.uk/bookstore.asp.

32. Pension costs

32.1 LSC pension schemes

LSC operates two pension schemes, the No. 4 Scheme and the No. 3 Scheme, providing benefits based on final pensionable salary. The assets of the schemes are held separately from those of LSC, being invested in funds managed by Legal & General Investment Management Limited. Contributions to the schemes are charged to the CSocNE so as to spread the cost of the pensions over employees' working lives with LSC. The contributions are set by the Trustees having taken advice from the schemes' actuary (Hymans Robertson LLP). The most recent finalised formal valuations were as at 31 March 2010.

The assumptions have been updated to ensure the valuations are in line with the requirements of IAS 19 for the current year disclosure.

The Legal Services Commission Staff Pension and Assurance Scheme (No. 4)

A full actuarial valuation of the No. 4 Scheme was carried out at 31 March 2010 by qualified independent actuaries Hymans Robertson LLP.

The actuary has prepared the IAS 19 valuation of the No. 3 and No. 4 Scheme to provide for the abolishment of LSC and the creation of a new body, the Legal Aid Agency on 1 April 2013 following the granting of Royal Assent of the Legal Aid, Sentencing and Punishment of Offenders Bill in May 2012.

In 2012–13, the Lord Chancellor made Transfer Scheme requirements to aid the transition to Legal Aid Agency. The Legal Aid, Sentencing and Punishment of Offenders Act 2012 included the requirement to merge the No. 3 Scheme with the No. 4 Scheme. Under IAS 19, there was no pension asset or liability (2012: £nil) to transfer over to the No. 4 scheme at this date.

From 1 April 2013, MoJ was the new sponsoring employer of the No. 4 Scheme on behalf of the Secretary of State. The active members of the LSC No. 4 Scheme will have the option to transfer their past service accrued entitlements under the scheme to the Principal Civil Service Pension Scheme (PCSPS) or become preserved members of the LSC No. 4 Scheme. The LSC paid all the necessary contributions required up to the LSC being abolished in April 2013. There is no requirement for the LAA to pay contributions into the LSC scheme after this date.

The pension asset of the No. 4 Scheme has reduced by £5,843k in the current year to show a £nil balance (2011–12: £5,843k). From 1 April 2013, the LSC No. 4 Scheme will be supported by a Crown Guarantee by the Secretary of State for Justice.

LSC paid £904k (2011–12: £376k) in 2012–13 to cover the cost of a total of 5 (2011–12: 3) members who received termination benefits under the terms of the early retirement and early severance scheme. LSC made no advanced payment into the No. 4 Scheme in 2012–13 (2011–12: £7,000k).

The Legal Services Commission Staff Pension and Assurance Scheme (No. 3)

A full actuarial valuation of the No. 3 Scheme was carried out at 31 March 2010 by qualified independent actuaries Hymans Robertson LLP.

This scheme is closed to new entrants and there are no active members. LSC did not contribute to the scheme in the period ended 31 March 2013 (2011–12: £nil).

The key assumptions used by the actuary were (in nominal terms):

| | 2013 | | 2012 | |
|---|----------------------|----------------------|----------------------|----------------------|
| | No. 4 Scheme % pa | No. 3 Scheme % pa | No. 4 Scheme % pa | No. 3 Scheme % pa |
| Discount rate | 4.40 | 4.40 | 4.60 | 4.60 |
| Rate of increase in salaries | n/a* | n/a | 4.30** | n/a |
| Deferred pension increase before retirement | 2.50 | 2.50 | 2.50 | 2.50 |
| Rate of increase in pensions in payment | 2.50 | 2.50 | 2.50 | 2.50 |
| Inflation assumption | 2.50 | 2.50 | 2.50 | 2.50 |

* All active members in the pension scheme became deferred on 1 April 2013, so the rate of increase in salaries is no longer applicable.

** It was assumed that all active members would be deferred in 2012–13.

Future life expectancies:

The future life expectancies below are based on the 2013 post-retirement mortality assumptions used for both schemes, namely standard actuarial tables S1PMA and S1PFA with an allowance for future improvements in line with the long cohort assumption. This assumption assumes a scaling factor of 85% for males and 75% for females; a ten year time lag; a one year age rating; and a 1.5% underpin for males and a 1% underpin for females.

| | 2013 | | 2012 | |
|--|---------------|-----------------|---------------|-----------------|
| | Male years | Female years | Male years | Female years |
| Future life expectancy for a pensioner aged 60 at 31 March | 28.7 | 30.2 | 28.6 | 30.1 |
| Future life expectancy at age 60 for a non-pensioner aged 45 at 31 March | 31.9 | 32.2 | 31.7 | 32.1 |

The expected rate of return of the assets of the pension schemes at 31 March were as follows:

| | No. 4 Scheme | | No. 3 Scheme | |
|------------------|---|---|---|---|
| | Expected long-term rate of return at 31 March 2013 % | Expected long-term rate of return at 31 March 2012 % | Expected long-term rate of return at 31 March 2013 % | Expected long-term rate of return at 31 March 2012 % |
| Equities | 6.10 | 6.30 | n/a | n/a |
| Gifts and cash | 3.10 | 3.30 | n/a | 3.30 |
| Insured pensions | 4.40 | 4.60 | n/a | 4.60 |

The expected return on assets of the No. 4 Scheme has been based on the long term expectation for each asset class at the beginning of the period (that is, as at 31 March 2013 for the year to 31 March 2014). The return on equities has been taken as 3% per annum above the yield on government bonds at the year end. This is consistent with the approach followed at the previous year end.

The major categories of scheme assets as a percentage of total scheme assets:

| | 2012–13 | | 2011–12 | |
|----------------------------|--------------|--------------|--------------|--------------|
| | No. 4 Scheme | No. 3 Scheme | No. 4 Scheme | No. 3 Scheme |
| | % pa | % pa | % pa | % pa |
| Equities | 46 | n/a | 47 | - |
| Gifts and cash | 51 | n/a | 50 | 85 |
| Insured pensions | 3 | n/a | 3 | 15 |
| Total scheme assets | 100 | - | 100 | 100 |

The fair value of scheme assets by category:

| | 2012–13 | | 2011–12 | |
|----------------------------|----------------|--------------|----------------|--------------|
| | No. 4 Scheme | No. 3 Scheme | No. 4 Scheme | No. 3 Scheme |
| | £000 | £000 | £000 | £000 |
| Equities | 158,722 | n/a | 141,721 | - |
| Gifts and cash | 173,890 | n/a | 150,767 | 3,523 |
| Insured pensions | 9,826 | n/a | 9,046 | 549 |
| Total scheme assets | 342,438 | - | 301,534 | 4,072 |

Pension scheme costs recognised in the CSocNE:

| | 2012–13 | | 2011–12 | |
|--|--------------|--------------|-----------------|--------------|
| | No. 4 Scheme | No. 3 Scheme | No. 4 Scheme | No. 3 Scheme |
| | £000 | £000 | £000 | £000 |
| Current service cost – Administration | 5,297 | - | 5,191 | - |
| Termination benefits | 904 | - | 376 | - |
| Current service cost – CLS and CDS | 194 | - | 263 | - |
| | 6,395 | - | 5,830 | - |
| Past service credit | - | - | - | - |
| Gains on curtailment of pension scheme | - | - | (16,276) | - |
| Total | 6,395 | - | (10,446) | - |

No curtailments or settlements have been recognised during the year.

| | 2012–13 | | 2011–12 | |
|--|--------------|--------------|--------------|--------------|
| | No. 4 Scheme | No. 3 Scheme | No. 4 Scheme | No. 3 Scheme |
| | £000 | £000 | £000 | £000 |
| Analysis of amounts charged to other finance income | | | | |
| Expected return on scheme assets | 14,219 | 134 | 16,133 | 162 |
| Interest on scheme liabilities | (11,653) | (114) | (12,738) | (133) |
| Net return | 2,566 | 20 | 3,395 | 29 |

Analysis of amount recognised in Other Comprehensive Net Expenditure:

| | 2012–13 | | 2011–12 | |
|---|----------------|--------------|-----------------|--------------|
| | No. 4 Scheme | No. 3 Scheme | No. 4 Scheme | No. 3 Scheme |
| | £000 | £000 | £000 | £000 |
| Actual return less expected return on scheme assets | 29,645 | 228 | 9,525 | 298 |
| Experience gains and losses arising on scheme liabilities | (9,800) | (42) | (23,340) | (111) |
| Changes in assumptions underlying the present value of the scheme liabilities | 853 | 14 | (95) | (51) |
| Actuarial (loss)/gain before irrecoverable surplus | 20,698 | 200 | (13,910) | 136 |
| (Decrease)/increase in irrecoverable surplus * | (23,684) | (220) | (43,154) | (166) |
| Total recognised in Other Comprehensive Net Expenditure | (2,986) | (20) | (57,064) | (30) |

* The surplus on the scheme is only recoverable to the extent that LSC can benefit from either refunds formally agreed or from future contribution reductions.

Analysis of cumulative actuarial (loss)/gain:

| | 2012–13 | | 2011–12 | |
|---|-----------------|--------------|-----------------|--------------|
| | No. 4 Scheme | No. 3 Scheme | No. 4 Scheme | No. 3 Scheme |
| | £000 | £000 | £000 | £000 |
| Actuarial (loss)/gain recognised in Other Comprehensive Net Expenditure | 20,698 | 200 | (13,910) | 136 |
| Actuarial (loss)/gain at the beginning of the year | (36,473) | (19) | (22,563) | (155) |
| Cumulative actuarial (loss)/gain | (15,775) | 181 | (36,473) | (19) |

Reconciliation of defined benefit obligation:

| | 2012–13 | | 2011–12 | |
|---|------------------|----------------|------------------|----------------|
| | No. 4 Scheme | No. 3 Scheme | No. 4 Scheme | No. 3 Scheme |
| | £000 | £000 | £000 | £000 |
| The movement in the liabilities during the year arose as follows: | | | | |
| Liabilities at beginning of year | (252,536) | (2,592) | (230,950) | (2,548) |
| Current service cost – Administration | (5,297) | - | (5,191) | - |
| Current service cost – CLS and CDS | (194) | - | (263) | - |
| Interest cost | (11,653) | (114) | (12,738) | (133) |
| Benefits accrued in respect of contributions by plan participants | (2,168) | - | (2,108) | - |
| Actuarial gains/(losses) | (8,947) | (28) | (23,435) | (162) |
| Termination benefits | (904) | - | (376) | - |
| Curtailed gains/(losses) | - | - | 16,276 | - |
| Past service costs | - | - | - | - |
| Benefits paid | 6,098 | 240 | 6,249 | 251 |
| Liabilities at end of year | (275,601) | (2,494) | (252,536) | (2,592) |

Reconciliation of fair value of plan assets:

| | 2012–13 | | 2011–12 | |
|--|----------------|--------------|----------------|--------------|
| | No. 4 Scheme | No. 3 Scheme | No. 4 Scheme | No. 3 Scheme |
| | £000 | £000 | £000 | £000 |
| The movement in the assets during the year arose as follows: | | | | |
| Assets at beginning of year | 301,533 | 3,950 | 272,280 | 3,741 |
| Expected return on assets | 14,219 | 134 | 16,133 | 162 |
| Contributions by plan participants | 2,168 | - | 2,108 | - |
| Contributions by LSC | 971 | - | 7,736 | - |
| Actuarial gains/(losses) | 29,645 | 228 | 9,525 | 298 |
| Benefits paid | (6,098) | (240) | (6,249) | (251) |
| Assets at end of year | 342,438 | 4,072 | 301,533 | 3,950 |
| Irrecoverable surplus | (66,837) | (1,578) | (43,154) | (1,358) |
| Net pension asset/(liability) | - | - | 5,843 | - |

The No. 4 Scheme history of experience gains and losses over the period 1 April 2008 to 31 March 2013 were as follows:

| | No. 4 Scheme | | | | |
|---|--------------|--------------|---------------|----------------|----------------|
| | 2012–13 | 2011–12 | 2010–11 | 2009–10 | 2008–09 |
| | £000 | £000 | £000 | £000 | £000 |
| Fair value of plan assets | 342,438 | 301,533 | 272,280 | 247,964 | 180,259 |
| Present value of defined benefit obligation | (275,601) | (252,536) | (230,950) | (257,182) | (185,592) |
| (Increase)/decrease in irrecoverable surplus | (66,837) | (43,154) | - | - | - |
| Surplus/(deficit) | - | 5,843 | 41,330 | (9,218) | (5,333) |
| Experience adjustments on scheme assets amount | 29,645 | 9,525 | 4,445 | 44,089 | (44,073) |
| Percentage of scheme assets | 8.7% | 3.2% | 1.6% | 17.8% | (24.4)% |
| Experience adjustments on scheme liabilities amount | (9,800) | (23,340) | 15,259 | 5,074 | 4,619 |
| Percentage of present value of scheme liabilities | 3.6% | 9.2% | 6.6% | 2.0% | 2.5% |
| Total actuarial (losses)/gains on obligation amount | (8,947) | (23,435) | 24,772 | (54,052) | 40,527 |
| Percentage of present value of scheme liabilities | 3.2% | 9.3% | 10.7% | 21.0% | 21.8% |

One individual retired early on ill-health grounds (2011–12: 1); the total additional accrued pension liabilities in the year amounted to £2k (2011–12: £1k).

The No. 3 Scheme history of experience gains and losses over the period 1 April 2008 to 31 March 2013 were as follows:

| | No. 3 Scheme | | | | |
|---|--------------|----------|--------------|------------|------------|
| | 2012–13 | 2011–12 | 2010–11 | 2009–10 | 2008–09 |
| | £000 | £000 | £000 | £000 | £000 |
| Fair value of plan assets | 4,072 | 3,950 | 3,741 | 3,860 | 3,512 |
| Present value of defined benefit obligation | (2,494) | (2,592) | (2,548) | (3,223) | (3,065) |
| (Increase)/decrease in irrecoverable surplus | (1,578) | (1,358) | - | - | - |
| Surplus/(deficit) | - | - | 1,193 | 637 | 447 |
| Experience adjustments on scheme assets amount | 228 | 298 | (59) | 458 | (246) |
| Percentage of scheme assets | 5.6% | 7.5% | 1.6% | 11.9% | 7.0% |
| Experience adjustments on scheme liabilities amount | (42) | (111) | 131 | 73 | 113 |
| Percentage of present value of scheme liabilities | 1.7% | 4.3% | 5.1% | 2.3% | 3.7% |
| Total actuarial (losses)/gains on obligation amount | (28) | (162) | 471 | (260) | 596 |
| Percentage of present value of scheme liabilities | 1.1% | 6.3% | 18.5% | 8.1% | 19.4% |

Liability and insured pension sensitivity at 31 March to changes in key assumptions

The table below shows the sensitivity of the liability and insured pensions for both schemes as at 31 March 2013 to changes in key assumptions. These figures have been calculated in a consistent manner to the rest of the figures in these Accounts. The changes are considered in isolation.

| | (Increase)/decrease to value of liabilities | | (Increase)/decrease to value of insured pensions | |
|--|---|--------------|--|--------------|
| | No. 4 Scheme | No. 3 Scheme | No. 4 Scheme | No. 3 Scheme |
| | £000 | £000 | £000 | £000 |
| Change in assumptions | | | | |
| Discount rate increased by 0.25% pa | 15,814 | 55 | 201 | 10 |
| Salary linkage retained after 2012–13 rather than switching to CPI | - | - | - | - |
| Pension increases and deferred pension increases increased by 0.25% pa | 14,790 | 43 | no change | no change |
| 1 year increase in member life expectancy | 8,192 | 75 | 295 | 16 |

32.2 Probation Trust pension schemes

As part of the terms and conditions of employment of its officers and other employees, the 35 Probation Trusts offer retirement benefits. Although these will not actually be payable until employees retire, the Trusts have a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The provisions of the Local Government Pension Schemes (LGPS), which are statutory and fully funded, cover present and past employees. The 35 Probation Trusts participate in the LGPS administered by various bodies.

The LGPS provide benefits on a final salary basis at a normal retirement age of 65. Benefits accrue at the rate of one-sixtieth of pensionable salary for each year of service. In addition, a lump sum equivalent to three-eighths of final pay of every year of total membership is payable on retirement. The schemes permit employees to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension.

Members pay contributions ranging from 5.5% to 7.5% of pensionable earnings. Employers pay the balance of the cost of providing benefits, after taking into account investment returns.

This is a defined benefit scheme meaning that retirement benefits are determined independently of the investments of the scheme and employers are obliged to make additional contributions where assets are insufficient to meet retirement benefits.

A full actuarial valuation was carried out at 31 March 2010 by various actuaries. For 2012–13, employers' contributions of £92.0m were paid to the LGPS (2011–12: £97.6m) in a range from 10.1% to 26.5%. The schemes' actuaries review employer contributions every three years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect the past experience of the schemes.

Partnership accounts are excluded under IAS 19.

The current year's employers' contributions and an approximate value for the next two years are within the ranges as follows:

- Employers' contributions for 2012–13 were 10.1% to 26.5% of salaries, plus a fixed amount of £9.3m;
- Employers' contributions for 2013–14 will be 10.1% to 29.5% of salaries, plus a fixed amount of £9.5m; and
- Employers' contributions for 2014–15 will be 11.0% to 29.5% of salaries, plus a fixed amount of £2.9m.

The major assumptions used by the actuaries were in the ranges of:

| | <u>2012–13</u> | <u>2011–12</u> |
|--|----------------|----------------|
| | % | % |
| Inflation assumption | 2.4 to 3.4 | 2.5 to 3.3 |
| Rate of increase in salaries | 3.9 to 5.1 | 4.0 to 5.1 |
| Rate of increase for pensions in payment and deferred pensions | 2.4 to 4.5 | 2.4 to 5.9 |
| Discount rate | 4.2 to 4.9 | 4.6 to 5.5 |

The assets in the scheme and the expected rate of return were:

| | Expected long-term rate of return at 2012–13 | Value as a percentage of total scheme assets | Value at 31 March 2013 | Expected long-term rate of return at 2011–12 | Value as a percentage of total scheme assets | Value at 31 March 2012 |
|--------------------------------------|--|--|---------------------------|--|--|---------------------------|
| | % | % | £000 | % | % | £000 |
| Equities | 4.5 to 7.8 | 67 | 1,759,719 | 6.1 to 8.1 | 68 | 1,576,176 |
| Government bonds | 2.8 to 5.7 | 10 | 275,399 | 3.1 to 7.6 | 11 | 249,168 |
| Other bonds | 3.8 to 5.7 | 9 | 229,288 | 3.1 to 5.3 | 9 | 197,856 |
| Property | 0.5 to 7.3 | 7 | 175,575 | 3.0 to 7.6 | 7 | 164,909 |
| Other | 0.5 to 8.7 | 7 | 195,221 | 3.0 to 7.0 | 5 | 118,539 |
| Total | | | <u>2,635,202</u> | | | <u>2,306,648</u> |
| Present value of schemes liabilities | | | (3,973,087) | | | (3,503,326) |
| Surplus/(deficit) of the schemes | | | (1,337,885) | | | (1,196,678) |
| Net pension asset/(liability) | | | <u>(1,337,885)</u> | | | <u>(1,196,678)</u> |

Pension costs recognised in the CSocNE:

| | <u>2012–13</u> | <u>2011–12</u> |
|-------------------------------|----------------------|----------------------|
| | £000 | £000 |
| Current service cost | 93,223 | 82,642 |
| Past service cost | 1,642 | 2,635 |
| Effect of curtailment | 2,498 | 3,750 |
| Effect of settlement | (8,022) | 1,356 |
| Total operating charge | <u>89,341</u> | <u>90,383</u> |

Analysis of amount credited to other finance income or debited to other finance charges in the CSoCNE:

| | <u>2012–13</u> | <u>2011–12</u> |
|--|----------------------|----------------------|
| | <u>£000</u> | <u>£000</u> |
| Expected return on pension scheme assets | (136,923) | (153,446) |
| Interest on pension scheme liabilities | 165,864 | 167,063 |
| Net return | <u>28,941</u> | <u>13,617</u> |

Analysis of amounts recognised in Other Comprehensive Net Expenditure:

| | <u>2012–13</u> | <u>2011–12</u> |
|--|-------------------------|-------------------------|
| | <u>£000</u> | <u>£000</u> |
| Pension actuarial gain/(loss) | (114,976) | (389,541) |
| Irrecoverable surplus | - | - |
| Total recognised in Other Comprehensive Net Expenditure | <u>(114,976)</u> | <u>(389,541)</u> |

Changes to the present value of liabilities during the year:

| | <u>2012–13</u> | <u>2011–12</u> |
|---|-------------------------|-------------------------|
| | <u>£000</u> | <u>£000</u> |
| Opening present value of liabilities | 3,503,326 | 3,036,908 |
| Current service cost | 93,223 | 82,642 |
| Interest cost | 165,864 | 167,063 |
| Contributions by members | 29,874 | 31,064 |
| Actuarial (gains)/losses on liabilities | 300,599 | 280,738 |
| Liabilities extinguished on settlement * | (14,804) | - |
| Benefits paid | (107,243) | (101,426) |
| Past service cost | 1,642 | 2,635 |
| Unfunded benefits paid | (1,892) | (1,517) |
| Curtailments | 2,498 | 3,863 |
| Settlements | - | 1,356 |
| Closing present value of liabilities | <u>3,973,087</u> | <u>3,503,326</u> |

Changes to the fair value of assets during the year:

| | <u>2012–13</u> | <u>2011–12</u> |
|--------------------------------------|-------------------------|-------------------------|
| | <u>£000</u> | <u>£000</u> |
| Opening fair value of assets | 2,306,648 | 2,237,089 |
| Expected return on assets | 136,923 | 153,446 |
| Actuarial gains/(losses) on assets | 185,623 | (109,615) |
| Receipt/(payment) of bulk transfer * | (6,782) | - |
| Contributions by the employer | 92,051 | 97,564 |
| Contributions by members | 29,874 | 31,064 |
| Benefits paid | (107,243) | (101,862) |
| Unfunded benefits paid | (1,892) | (1,038) |
| Closing fair value of assets | <u>2,635,202</u> | <u>2,306,648</u> |

* Effect of extinguishing pension assets/liabilities: On 31 October 2012, community payback services were contracted out from London Probation Trust to a private sector provider, with the transfer of some staff under Transfer of Undertakings (Protection of Employment) Regulations arrangements. The transfer of the local government pension scheme assets and liabilities for those staff affected, resulted in a net non-cash gain of £8.0m on the extinguishing of the pension assets and liabilities.

History of asset values, present values of liabilities, surplus/deficit and experience gains and losses:

| | 2012–13 | 2011–12 | 2010–11 | 2009–10 | 2008–09 |
|---|--------------------|--------------------|------------------|--------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Fair value of assets | 2,635,202 | 2,306,648 | 2,237,089 | 2,100,845 | 1,499,483 |
| Present value of liabilities | (3,973,087) | (3,503,326) | (3,036,908) | (3,522,397) | (2,208,045) |
| Surplus/(deficit) | (1,337,885) | (1,196,678) | (799,819) | (1,421,552) | (708,562) |
| Experience gains/(losses) on scheme assets | 179,713 | (99,121) | 3,072 | 418,220 | (439,482) |
| Experience gains/(losses) on scheme liabilities | 1,065 | (17,572) | 178,282 | 88,547 | (34,460) |
| Percentage of present value of scheme assets | 7.0% | 4.3% | 0.1% | 20.0% | 29.0% |
| Percentage of present value of scheme liabilities | 0.0% | 0.5% | 5.9% | 3.0% | 2.0% |

32.3 By-analogy pension schemes

'By-analogy pension schemes' are similar to the PCSPS. However, these schemes are funded by provisions from the Department's Vote and pension payments are administered by the Department and made via the payroll system.

32.3.1 HM Courts & Tribunals Service pension schemes

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

An actuarial valuation was carried out at 31 March 2013 by the Government Actuaries Department (GAD) in respect of qualifying members for each of the schemes listed above.

The value of the scheme liabilities for the current and four previous years are as follows:

| | 31 March 2013 | 31 March 2012 | 31 March 2011 | 31 March 2010 | 31 March 2009 |
|--|------------------|------------------|------------------|------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Liability in respect of | | | | | |
| Active members | 1,457 | 1,389 | - | - | 152 |
| Deferred pensioners | - | - | - | - | - |
| Current pensioners | 2,430 | 2,623 | 1,597 | 1,801 | 1,429 |
| Total present value of scheme liabilities | 3,887 | 4,012 | 1,597 | 1,801 | 1,581 |

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

| | 2012–13 | 2011–12 |
|--|---------|---------|
| | % | % |
| Price inflation | 1.70 | 2.00 |
| Rate of increase in salaries | 3.95 | 4.25 |
| Rate of increase in pensions (deferred in payment) | 1.70 | 2.00 |
| Discount rate | 4.10 | 4.85 |

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

The following amounts have been recognised in the CSoCNE:

| | 2012–13 | 2011–12 |
|----------------------|------------|------------|
| | £000 | £000 |
| Current service cost | 123 | 135 |
| Interest cost | 193 | 216 |
| Past service cost | - | - |
| Total charges | 316 | 351 |

Actuarial gains and losses recognised in Other Comprehensive Net Expenditure for the year and the previous four years are set out below, shown as an amount and as a percentage of the present value of the scheme liabilities at the CSoFP date:

| | 2012–13 | 2011–12 | 2010–11 | 2009–10 | 2008–09 |
|---|--------------|-------------|-------------|------------|------------|
| Experience (gains)/losses on pension liabilities | | | | | |
| £000 | (280) | (82) | 11 | 54 | 386 |
| %* | 7.2% | 2.0% | 0.7% | 3.0% | 24.0% |
| Changes in demographic and financial assumptions | | | | | |
| £000 | 47 | 63 | (48) | 252 | (104) |
| %* | 1.2% | 1.6% | 3.0% | 14.0% | 6.6% |
| Net actuarial (gains)/losses (£000) | (233) | (19) | (37) | 306 | 282 |

* Expressed as a percentage of the present value of the scheme liabilities at the CSoFP date.

The movement in scheme liabilities is analysed as follows:

| | 2012–13 | 2011–12 |
|--|--------------|--------------|
| | £000 | £000 |
| Present value of scheme liabilities at the start of the year | 4,012 | 1,597 |
| Increase in provision for current service cost | 123 | 135 |
| Interest on by-analogy scheme | 193 | 216 |
| Actuarial loss/(gain) on scheme liabilities | (233) | (19) |
| Benefits paid | (208) | (213) |
| Past service cost | - | - |
| Transfer from other department | - | 2,296 |
| Present value of scheme liabilities at end of year | 3,887 | 4,012 |

The cumulative amount of HM Courts & Tribunals Service's actuarial gains and losses recognised in Other Comprehensive Net Expenditure since the introduction of resource accounting is a loss of £641k (2011–12: loss of £874k).

Contributions expected to be paid to the plan during 2013–14, including employee's contributions, are estimated to be 27.1% (2012–13: 25%) of pensionable salary.

32.3.2 CCRC pension scheme

Commissioners may choose pension arrangements broadly by-analogy with the PCSPS and are entitled to receive such benefits from their date of appointment.

Commissioners' pension arrangements are unfunded, and CCRC is responsible for paying retirement benefits as they fall due. Contributions are paid by commissioners at the rate of 1.5% and 3.5% of pensionable earnings respectively depending on whether the individual's scheme is by-analogy to the classic or premium/classic plus/nuvos PCSPS schemes.

The value of the scheme liabilities for the current and four previous years are as follows:

| | 31 March 2013 | 31 March 2012 | 31 March 2011 | 31 March 2010 | 31 March 2009 |
|--|------------------|------------------|------------------|------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Liability in respect of | | | | | |
| Active members | 1,241 | 2,030 | 1,965 | 2,297 | 1,476 |
| Deferred pensioners | 530 | 132 | 110 | 117 | - |
| Current pensioners | 3,727 | 2,858 | 2,723 | 3,070 | 2,494 |
| Total present value of scheme liabilities | 5,498 | 5,020 | 4,798 | 5,484 | 3,970 |

The scheme liabilities have been valued by the Government Actuary's Department using the projected unit method. The main actuarial assumptions are as follows:

| | <u>2012–13</u> | <u>2011–12</u> |
|------------------------------|----------------|----------------|
| | % | % |
| Discount rate | 4.10 | 4.85 |
| Rate of increase in salaries | 3.95 | 4.25 |
| Price inflation | 1.70 | 2.00 |
| Rate of increase in pensions | 1.70 | 2.00 |

The following amounts have been recognised in the CSoCNE for the year:

| | <u>2012–13</u> | <u>2011–12</u> |
|--|----------------|----------------|
| | £000 | £000 |
| Current service cost | 183 | 213 |
| Commissioners' contributions retained | (33) | (23) |
| Total charge to operating expenses | 150 | 190 |
| Interest on pension scheme liabilities | 239 | 270 |
| Total charge to finance and other costs | 239 | 270 |

Actuarial gains and losses recognised in Other Comprehensive Net Expenditure for the year and the previous four years are set out below, shown as an amount and as a percentage of the present value of the scheme liabilities at the CSoFP date:

| | <u>2012–13</u> | <u>2011–12</u> | <u>2010–11</u> | <u>2009–10</u> | <u>2008–09</u> |
|---|----------------|----------------|----------------|----------------|----------------|
| Experience (gains)/losses on pension liabilities | | | | | |
| £000 | 159 | (67) | (92) | (186) | 122 |
| % | 2.9% | 1.3% | 1.9% | 3.4% | 3.1% |
| Changes in demographic and financial assumptions | | | | | |
| £000 | 224 | (43) | (326) | 1,399 | (422) |
| % | 4.1% | 0.9% | 6.8% | 25.5% | 10.6% |
| Net actuarial (gains)/losses (£000) | 383 | (110) | (418) | 1,213 | (300) |

The movement in scheme liabilities is analysed as follows:

| | <u>2012–13</u> | <u>2011–12</u> |
|---|----------------|----------------|
| | £000 | £000 |
| Present value of scheme liabilities at start of year | 5,020 | 4,798 |
| Current service cost | 183 | 213 |
| Interest cost | 239 | 270 |
| Actuarial (gains)/losses | 383 | (110) |
| Benefits paid | (327) | (151) |
| Present value of scheme liabilities at end of year | 5,498 | 5,020 |

33. Events after the reporting period

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

Transition of the Legal Services Commission (LSC) to the Legal Aid Agency (LAA)

The Legal Aid, Sentencing and Punishment of Offenders Act 2012, which received Royal Assent on 1 May 2012, became effective 1 April 2013. Under this Act, the Legal Services Commission (LSC) was abolished and a new body, the Legal Aid Agency (LAA), an Executive Agency of MoJ, was created.

LSC No. 3 and No. 4 Pension Schemes

Under the powers of the Legal Aid, Sentencing and Punishment of Offenders Act 2012, the Lord Chancellor introduced a Transfer Scheme which included changes to the Trust Deed and Rules of the No. 4 Pension Scheme. This provided the LSC Pension Scheme with the support of a Crown Guarantee sponsored by the Secretary of State. The Act also enabled the No. 3 Pension Scheme to merge with the No. 4 Pension Scheme.

From 1 April 2013 the LSC No. 4 Scheme closed to future contributions and all LSC employees were automatically enrolled into the Premium scheme of the Principal Civil Service Pension Scheme (PCSPS). The members of the No. 4 Pension Scheme who remained in the Premium Scheme will have the option of transferring their accrued entitlement to the PCSPS under a bulk transfer agreement or become preserved members of the LSC Pension Scheme at vesting date. The final election made by the employees is not expected to be known until August 2013.

From 1 April 2013, MoJ will be the new sponsoring employer of the No. 4 Pension Scheme on behalf of the Secretary of State. MoJ will recognise the net asset/liability of the Scheme in the Departmental Accounts from 2013–14 onwards. Should the Scheme's funding levels decline below 85% or between 85–90% on two or more consecutive actuarial valuations, MoJ will be required to adhere to a recovery payment plan to fund any shortfall deficits in compliance with the Scheme rules. There are no other balances in the Accounts impacted by this subsequent event.

Probation Trusts

The results of the '*Transforming Rehabilitation*' consultation paper were published on 9 May 2013, by the Secretary of State for Justice, which announced the future requirements for the provision of probation services. Although the detail of the new structure has not been confirmed, the recommendations will change the way in which probation services are commissioned and delivered.

A new National Probation Service will be created to protect the public from the most dangerous offenders and manage the provision of probation services. England and Wales will be divided into 21 contract areas which align closely with local authorities and Police and Crime Commissioner areas. MoJ and NOMS will be responsible for commissioning rehabilitation services. Probation service local delivery units will support the gathering of intelligence on needs and priorities at a local level, including from key partners (for example, local authority needs assessments) to feed into the MoJ and NOMS commissioning process. It is expected that the detail will be finalised over the coming months. None of the Trusts' assets, liabilities or functions had been transferred at the date these Accounts were authorised for issue.

Annex A: Public expenditure core financial tables

Table 1 Total Departmental Spending (£000)

Section headings are based on 2012–13 Supplementary Estimate headings.

| | 2008–09 Outturn | 2009–10 Outturn | 2010–11 Outturn | 2011–12 Outturn | 2012–13 Outturn | 2013–14 Plans | 2014–15 Plans |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|------------------|
| Resource DEL | | | | | | | |
| Policy, Corporate Services and Associated Offices | 559,772 | 528,224 | 489,563 | 1,036,308 | 880,079 | 780,441 | 1,030,780 |
| Central Funds | 73,422 | 88,439 | 78,026 | 100,598 | 97,765 | 50,000 | 39,000 |
| National Offender Management Service | 4,193,407 | 4,173,617 | 4,056,421 | 3,493,446 | 3,533,100 | 3,380,191 | 3,016,550 |
| HM Courts & Tribunals Service | 1,068,979 | 1,071,599 | 1,092,170 | 1,091,883 | 1,203,496 | 1,087,450 | 948,320 |
| Office of the Public Guardian | 115 | 3,579 | 1,079 | (5,737) | (12,830) | (4,061) | (6,400) |
| Legal Services Commission/Legal Aid Agency - Administration | 125,574 | 119,485 | 119,471 | 103,032 | 100,596 | 97,200 | 89,850 |
| Legal Aid Fund: Criminal/Legal Aid Agency – Fund: Criminal | 1,171,801 | 1,100,785 | 1,175,637 | 1,115,359 | 995,394 | 941,000 | 941,000 |
| Legal Aid Fund: Civil/Legal Aid Agency – Fund: Civil | 902,820 | 960,548 | 1,025,389 | 965,594 | 945,547 | 887,000 | 778,000 |
| Youth Justice Board | 485,953 | 471,009 | 454,457 | 377,819 | 326,766 | 223,381 | 230,000 |
| Criminal Injuries Compensation Authority | 287,300 | 272,234 | 301,576 | 450,036 | 345,651 | 172,700 | 149,700 |
| Parole Board | 8,562 | 8,882 | 14,178 | 10,388 | 10,766 | 10,850 | 10,000 |
| Criminal Cases Review Commission | 6,792 | 6,973 | 6,185 | 5,283 | 4,876 | 5,419 | 5,000 |
| Judicial Appointments Commission | 8,143 | 7,534 | 6,201 | 5,013 | 4,921 | 5,011 | 5,000 |
| Information Commissioner's Office | 5,715 | 5,509 | 4,765 | 4,037 | 4,682 | 4,213 | 3,900 |
| Office for Legal Complaints | - | (37) | (80) | (117) | (5) | - | - |
| Legal Services Board | 834 | (785) | - | - | - | - | - |
| Higher Judicial Salaries | 139,854 | 144,255 | 143,281 | 142,039 | 152,513 | 138,200 | 144,854 |
| Total Resource DEL | 9,039,043 | 8,961,850 | 8,968,319 | 8,894,981 | 8,593,317 | 7,778,995 | 7,385,554 |
| <i>Of which:</i> | | | | | | | |
| Staff Costs | 3,970,793 | 4,033,588 | 3,963,856 | 3,728,616 | 3,552,063 | 3,303,396 | * |
| Purchase of Goods & Services | 5,623,319 | 5,727,465 | 5,681,749 | 6,009,981 | 5,844,799 | 5,000,900 | * |
| Income from Sales of Goods and Services | (1,349,136) | (1,278,598) | (1,158,638) | (1,481,423) | (1,506,803) | (1,236,355) | * |
| Current grants to local government | - | - | - | - | - | - | * |
| Current Grants to Persons and Non Profit Bodies | 293,042 | 29,934 | 93,075 | 68,080 | 176,784 | 148,152 | * |
| Net Public Service Pensions | 89,910 | 6,517 | - | - | - | - | * |
| Rentals | 64 | 52 | 51 | - | - | - | * |
| Depreciation | 405,802 | 432,961 | 354,158 | 442,061 | 526,474 | 562,902 | 592,174 |
| Take up of Provisions | - | 11 | - | - | - | - | * |
| Release of Provisions | - | - | - | - | - | - | * |
| Change in Pension scheme Liabilities | - | 2,530 | - | - | - | - | * |
| Unwinding of discount on Pension Schemes | - | 353 | - | - | - | - | * |
| Other Resource | 5,249 | 7,037 | 34,068 | 127,666 | - | - | * |
| Resource AME | | | | | | | |
| Policy, Corporate Services and Associated Offices | (453) | 74,964 | 56,916 | 58,044 | 133,956 | 47,623 | 45,600 |
| Central Funds | 12,380 | - | - | - | (37,777) | - | - |
| National Offender Management HQ | 525,680 | 547,465 | 120,108 | (12,755) | 58,780 | 59,900 | 60,000 |
| Legal Services Commission Administration | (1,202) | (3,551) | (21,548) | (22,080) | 3,721 | - | - |
| Legal Aid: Criminal | 2,995 | - | (45,836) | (14,294) | (20,368) | - | - |
| Legal Aid: Civil | (195,332) | - | (40,019) | 58,329 | (3,856) | - | - |
| Criminal Injuries Compensation Authority (net) | (370,630) | (173,664) | 60,558 | (248,440) | (154,326) | (26,500) | (25,000) |
| Office of the Public Guardian | 110 | 2,111 | - | (3,968) | 156 | - | - |
| HM Courts & Tribunals Service | 344,436 | 27,735 | 190,089 | 22 | (202,256) | (9,518) | (9,000) |
| Youth Justice Board (net) | - | - | - | 39 | 22 | - | - |
| Parole Board (net) | - | - | (21) | 36 | (107) | - | - |
| Criminal Cases Review Commission | 219 | (140) | (16) | 271 | 568 | 403 | - |
| Judicial Appointments Commission (net) | - | 115 | (27) | (24) | (29) | - | - |

| | 2008–09 Outturn | 2009–10 Outturn | 2010–11 Outturn | 2011–12 Outturn | 2012–13 Outturn | 2013–14 Plans | 2014–15 Plans |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|------------------|
| Information Commissioner's Office (net) | - | - | 93 | (9) | (6) | (8) | - |
| Office for Legal Complaints (net) | - | - | 80 | 117 | 5 | - | - |
| Legal Aid Agency - Administration | - | - | - | - | - | (500) | (500) |
| Legal Aid Agency Fund Criminal | - | - | - | - | - | - | - |
| Legal Aid Agency Fund Civil | - | - | - | - | - | - | - |
| Total Resource AME | 318,203 | 475,035 | 320,377 | (184,712) | (221,517) | 71,400 | 71,100 |
| <i>Of which:</i> | | | | | | | |
| Net public service pensions ² | - | 78 | 92 | - | - | - | * |
| Depreciation ¹ | 685,475 | 751,750 | 46,570 | 61,207 | (27,693) | - | - |
| Take up of provisions | 2,208,232 | 2,179,677 | 2,858,466 | 2,579,593 | 2,692,164 | 2,296,031 | * |
| Release of provisions | (2,574,536) | (2,457,333) | (2,584,659) | (2,825,512) | (2,885,988) | (2,224,631) | * |
| Change in pension scheme Liabilities | 88,623 | 7,416 | - | - | - | - | * |
| Unwinding of the discount rate on pension scheme liabilities | - | - | - | - | - | - | * |
| Release of provisions covering payments of pension benefits | (89,910) | (6,595) | (92) | - | - | - | * |
| Other resource | 319 | 42 | - | - | - | - | * |
| Total Resource Budget | 9,357,246 | 9,436,885 | 9,288,696 | 8,710,269 | 8,371,800 | 7,850,395 | 7,456,654 |
| <i>Of which:</i> | | | | | | | |
| Depreciation ¹ | 1,091,277 | 1,184,711 | 400,728 | 503,268 | 498,781 | 562,902 | 592,174 |
| Capital DEL | | | | | | | |
| Policy, Corporate Services and Associated Offices | 221,693 | 25,658 | 300,893 | 248,513 | 184,028 | 204,314 | 201,650 |
| National Offender Management Service | 535,035 | 615,519 | 55,249 | 49,573 | 26,836 | 38,000 | 37,000 |
| HM Courts & Tribunals Service | 129,230 | 176,629 | 146,134 | 26,865 | 50,087 | - | 29,000 |
| Office of the Public Guardian | 571 | 809 | 411 | 861 | 1,067 | 6,051 | 1,000 |
| Legal Services Commission Administration | 8,570 | 12,915 | 15,706 | 15,636 | 16,180 | - | - |
| Legal Aid Fund: Criminal | (14) | - | (62) | - | - | - | - |
| Legal Aid Fund: Civil | (2) | - | (2) | - | - | - | - |
| Youth Justice Board | 178 | 12,825 | 748 | 4 | 1,654 | 3,000 | 8,000 |
| Criminal Injuries Compensation Authority | 2,862 | 1,713 | 1,642 | 633 | 608 | 900 | 1,000 |
| Parole Board | 37 | 117 | 1,140 | 197 | 406 | - | - |
| Criminal Cases Review Commission | 53 | 241 | 205 | 91 | 44 | 235 | 200 |
| Judicial Appointments Commission | - | - | - | - | - | 1,000 | 500 |
| Information Commissioner's Office | 1,092 | 1,208 | 2,982 | 1,428 | 971 | 850 | 700 |
| Office for Legal Complaints | - | 389 | 5,190 | 294 | 203 | 2,100 | 2,000 |
| Legal Services Board | 72 | - | 51 | - | - | 50 | 50 |
| Legal Aid Agency - Administration | - | - | - | - | - | 20,000 | 20,000 |
| Total Capital DEL | 899,377 | 848,023 | 530,287 | 344,095 | 282,084 | 276,500 | 301,100 |
| <i>Of which:</i> | | | | | | | |
| Capital Support for Local Government (net) | 2,885 | - | 1,388 | 281 | - | - | - |
| Capital grants to persons & non-profit bodies (net) | - | - | - | - | 6,986 | - | - |
| Purchase of assets | 920,029 | 874,674 | 591,460 | 419,659 | 327,050 | 361,500 | 386,100 |
| Income from sales of assets | (23,537) | (36,211) | (62,561) | (75,845) | (51,952) | (85,000) | (85,000) |
| Other capital | - | 9,560 | - | - | - | - | - |
| Capital AME | - | - | - | - | - | - | - |
| Total Capital AME | - | - | - | - | - | - | - |
| Total Capital Budget | 899,377 | 848,023 | 530,287 | 344,095 | 282,084 | 276,500 | 301,100 |
| Total Departmental Spending³ | 9,165,346 | 9,100,197 | 9,418,255 | 8,551,096 | 8,155,103 | 7,563,993 | 7,165,580 |
| <i>Of which:</i> | | | | | | | |
| Total DEL | 9,532,618 | 9,376,912 | 9,144,448 | 8,797,015 | 8,348,927 | 7,492,593 | 7,094,480 |
| Total AME | (367,272) | (276,715) | 273,807 | (245,919) | (193,824) | 71,400 | 71,100 |

¹ Includes amortisation and impairments.

² Pension schemes report under IAS19 accounting requirements. These figures therefore include cash payments made and contributions received, as well as certain non-cash items.

³ Total Departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

* The future year breakdown between Paybill and Other expenditure under RDEL has not been finalised for 2014–15.

Notes to table

Policy, Corporate Services and Associated Offices Outturn increased in 2011–12 and 2012–13 due to the centralisation of functions across MoJ. This increase was offset by decreases in other areas of MoJ, primarily in NOMS. The increase in Policy, Corporate Services and Associated Offices plans in 2014–15 is due to the depreciation budget for 2014–15 being held centrally.

As a result of the Legal Aid Sentencing and Punishment of Offenders Bill, the Legal Services Commission ceased to exist from 1 April 2013 and became the Legal Aid Agency, an Executive Agency of MoJ.

Following passage of Legal Aid reforms in the Legal Aid Sentencing and Punishment of Offenders Bill, MoJ forecast reductions in Central Funds and Legal Aid Fund: Civil Expenditure.

The 2013–14 and 2014–15 reduction in plans for the Youth Justice Board is due to the budget in relation to a number of external contracts that were previously included within the Youth Justice Board Outturn now being held centrally.

Historical Outturn for the Criminal Injuries Compensation Authority includes payments from the existing tariff scheme as well as the scheme's historic (that is, the pre-tariff scheme) liabilities from when awards were open-ended. The outturn figure in 2011–12 and 2012–13 includes £235m and £90m of funding respectively from the Reserve to discharge pre-tariff liabilities in-year.

The reduction in the allocation for the Criminal Injuries Compensation Authority in 2013–14 and 2014–15 reflects that funding for pre-tariff liabilities has not been included for future years as it will only be drawn down as and when liabilities crystallise and changes to the criminal injuries compensation scheme. Following parliamentary approval, a revised scheme – The Criminal Injuries Compensation Scheme 2012 – came into force for new applications lodged on or after 27 November 2012.

The future year breakdown between Paybill and Other expenditure under RDEL has not been finalised for 2014–15.

The Outturn figures for Capital DEL in 2008–09 include the capital spend for 102 Petty France.

Table 2 Provisional Outturn v Opening and Final Budget (£000)

Section headings are based on 2012–13 Supplementary Estimate headings.

| | 2012–13 Opening Budget | 2012–13 Final Budget | 2012–13 Outturn |
|---|---------------------------|-------------------------|--------------------|
| Resource DEL | | | |
| Policy, Corporate Services and Associated Offices | 1,017,141 | 898,512 | 880,079 |
| Central Funds | 87,500 | 87,500 | 97,765 |
| National Offender Management Service | 3,315,682 | 3,554,480 | 3,533,100 |
| HM Courts & Tribunals Service | 1,031,877 | 1,209,796 | 1,203,496 |
| Office of the Public Guardian | (644) | (2,576) | (12,830) |
| Legal Services Commission Administration | 105,900 | 108,186 | 100,596 |
| Legal Aid Fund: Criminal | 1,025,600 | 1,021,659 | 995,394 |
| Legal Aid Fund: Civil | 940,865 | 959,806 | 945,547 |
| Youth Justice Board | 361,819 | 329,764 | 326,766 |
| Criminal Injuries Compensation Authority | 202,034 | 298,134 | 345,651 |
| Parole Board | 10,767 | 11,593 | 10,766 |
| Criminal Cases Review Commission | 4,783 | 5,347 | 4,876 |
| Judicial Appointments Commission | 5,220 | 5,220 | 4,921 |
| Information Commissioner's Office | 4,463 | 4,463 | 4,682 |
| Office for Legal Complaints | - | - | (5) |
| Legal Services Board | - | - | - |
| Higher Judicial Salaries | 138,200 | 138,200 | 152,513 |
| Total Resource DEL | 8,251,207 | 8,630,084 | 8,593,317 |
| Resource AME | | | |
| Policy, Corporate Services and Associated Offices | 9,625 | 494,959 | 133,956 |
| Central Funds | - | - | (37,777) |
| National Offender Management HQ | 60,000 | 63,677 | 58,780 |
| Legal Services Commission Administration | 7,614 | 6,928 | 3,721 |
| Legal Aid: Criminal | 4,571 | 8,512 | (20,368) |
| Legal Aid: Civil | 4,571 | 23,654 | (3,856) |
| Criminal Injuries Compensation Authority | (22,600) | (90,504) | (154,326) |
| HM Courts & Tribunals Service | (5,000) | 329,574 | (202,256) |
| Parole Board | - | 4 | (107) |
| Criminal Cases Review Commission | 319 | 422 | 568 |
| Office of Public Guardian | - | - | 156 |
| Youth Justice Board | - | - | 22 |
| Judicial Appointments Commission | - | - | (29) |
| Information Commissioner's Office | - | - | (6) |
| Office for Legal Complaints | - | - | 5 |
| Legal Services Board | - | - | - |
| Total Resource AME | 59,100 | 837,226 | (221,517) |
| Total Resource Budget | 8,310,307 | 9,467,310 | 8,371,800 |
| Capital DEL | | | |
| Policy, Corporate Services and Associated Offices | 139,967 | 163,717 | 184,028 |
| National Offender Management Service | 30,000 | 29,500 | 26,836 |
| HM Courts & Tribunals Service | 105,000 | 71,000 | 50,087 |
| Office of the Public Guardian | 6,910 | 510 | 1,067 |
| Legal Services Commission Administration | 17,100 | 18,650 | 16,180 |
| Youth Justice Board | 9,000 | 4,000 | 1,654 |
| Criminal Injuries Compensation Authority | - | 600 | 608 |
| Parole Board | - | - | 406 |
| Criminal Cases Review Commission | 43 | 43 | 44 |
| Judicial Appointments Commission | 1,000 | 1,000 | - |
| Information Commissioner's Office | 850 | 850 | 971 |
| Office for Legal Complaints | 600 | 600 | 203 |
| Legal Services Board | 30 | 30 | - |
| Total Capital DEL | 310,500 | 290,500 | 282,084 |
| Capital AME | | | |
| Criminal Cases Review Commission | - | 50 | - |
| Total Capital AME | - | 50 | - |
| Total Capital Budget | 310,500 | 290,550 | 282,084 |
| Total Departmental Spending ¹ | 8,082,677 | 8,629,730 | 8,155,103 |
| <i>Of which:</i> | | | |
| Total DEL | 8,023,577 | 8,382,454 | 8,348,927 |
| Total AME | 59,100 | 247,276 | (193,824) |

¹ Total Departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

Notes to table

The Resource budget for 2012–13 increased from the original budget due to the following:

- Drawdown of additional funding for pre-tariff cases within the Criminal Injuries Compensation Authority;
- Drawdown of additional funding to fund additional cost pressures within MoJ (NOMS prisons costs);
- Drawdown of additional funding to fund Magistrates' Courts Committees Pension Provisions; and
- Various other transfers into/out of MoJ to Other Government Departments (OGDs).

Table 3 Capital Employed (£000)

| Assets and liabilities on the Consolidated Statement of Financial Position at end of year: | 2008–09 Outturn | *Restated 2009–10 Outturn | *Restated 2010–11 Outturn | 2011–12 Outturn | 2012–13 Outturn | 2013–14 Plans | 2014–15 Plans |
|--|--------------------|---------------------------------|---------------------------------|--------------------|--------------------|------------------|------------------|
| Assets | | | | | | | |
| Fixed assets | | | | | | | |
| Intangible | 120,058 | 278,064 | 274,956 | 264,283 | 270,948 | 268,239 | 265,556 |
| Tangible | 9,728,177 | 8,892,917 | 9,092,391 | 9,136,929 | 9,171,525 | 9,162,991 | 9,193,849 |
| <i>of which:</i> | | | | | | | |
| Land and buildings | 8,561,866 | 7,980,605 | 8,186,886 | 8,562,650 | 8,663,383 | 8,722,826 | 8,804,510 |
| Plant and machinery | 116,937 | 124,590 | 114,179 | 139,529 | 145,518 | 126,440 | 110,961 |
| Information Technology | 88,660 | 141,107 | 146,725 | 126,631 | 138,490 | 97,252 | 70,159 |
| Other tangible fixed assets | 960,714 | 646,615 | 644,601 | 308,119 | 224,134 | 216,473 | 208,219 |
| Investments | 776,587 | 2,013 | 1,404 | 1,292 | 402 | 402 | 402 |
| Other non-current assets | 15,620 | 43,409 | 43,986 | 8,757 | 2,410 | 2,386 | 2,362 |
| Current assets | 783,321 | 836,145 | 827,767 | 894,200 | 776,944 | 769,175 | 761,483 |
| Liabilities | | | | | | | |
| Payables (<1 year) | (1,405,972) | (1,608,957) | (1,452,829) | (1,509,756) | (1,266,843) | (1,279,511) | (1,292,307) |
| Payables (>1 year) | (1,638,148) | (824,081) | (907,902) | (1,006,710) | (1,104,904) | (1,115,953) | (1,127,113) |
| Other | (718,602) | (1,438,056) | (806,214) | (1,205,710) | (1,347,270) | (1,360,743) | (1,374,350) |
| Provisions | (747,710) | (2,057,111) | (2,037,514) | (1,789,840) | (1,546,904) | (1,531,435) | (1,516,121) |
| Capital employed within main Department | 6,913,331 | 4,124,343 | 5,036,045 | 4,793,445 | 4,956,308 | 4,915,551 | 4,913,761 |
| NDPB net assets | (1,601,409) | - | - | - | - | - | - |
| Total capital employed in Departmental Group | 5,311,922 | 4,124,343 | 5,036,045 | 4,793,445 | 4,956,308 | 4,915,551 | 4,913,761 |
| Legal aid funds net liabilities | (749,645) | - | - | - | - | - | - |
| Criminal Injuries Compensation Authority net liabilities | (920,905) | - | - | - | - | - | - |
| Other NDPB net assets | 69,141 | - | - | - | - | - | - |

Notes to table

The figures for 2008–09 have not been restated. Consequently, under investments, the numbers include information for the National Loans Fund within the Scotland and Wales Offices. From 1 April 2011 the Scotland and Wales Offices were no longer within the Departmental Boundary.

* 2009–10 and 2010–11 numbers have been restated for the effects of the Clear Line of Sight (CLoS) initiative.

NDPB assets as part of the CLoS changes are now included under the respective CSoFP headings from 2009–10 onwards.

The figures for 2013–14 are projected plans based on the Department's latest plans based on the CSR10 settlement. The figures for 2014–15 are the best available estimates based on current plans. Values for both years headed 'Plans' are also provisional and subject to revision.

Table 4 Administration costs (£000)

Section headings are based on 2013–14 Main Estimate headings.

| | 2008–09 Outturn | 2009–10 Outturn | 2010–11 Outturn | 2011–12 Outturn | 2012–13 Outturn | 2013–14 Plans | 2014–15 Plans |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|------------------|
| Policy, Corporate Services and Associated Offices | 254,206 | 238,187 | 242,762 | 413,295 | 300,920 | 324,832 | 300,293 |
| National Offender Management Service | 133,268 | 132,508 | 132,327 | 65,152 | 107,758 | 122,434 | 113,180 |
| HM Courts & Tribunals Service | 52,968 | 47,820 | 44,833 | 26,293 | 31,823 | 27,120 | 25,070 |
| Office of the Public Guardian | - | - | - | - | - | - | - |
| Legal Services Commission Administration | - | - | - | 95,296 | 99,892 | - | - |
| Youth Justice Board | - | - | - | 17,537 | 16,855 | 13,900 | 12,850 |
| Criminal Injuries Compensation Authority | - | - | - | 17,449 | 16,646 | 14,885 | 13,760 |
| Parole Board | - | - | - | 1,072 | 1,076 | 1,137 | 1,050 |
| Criminal Cases Review Commission | - | - | - | 903 | 1,071 | 1,167 | 1,080 |
| Judicial Appointments Commission | - | - | - | 801 | 743 | 571 | 530 |
| Information Commissioner's Office | - | - | - | 4,037 | 4,682 | 4,213 | 3,900 |
| Higher Judicial Salaries | - | - | - | 77 | 267 | - | - |
| Legal Aid Agency - Administration | - | - | - | - | - | 97,200 | 89,850 |
| Total Administration Budget | 440,442 | 418,515 | 419,922 | 641,912 | 581,733 | 607,459 | 561,563 |
| <i>Of which:</i> | | | | | | | |
| Paybill | 242,354 | 233,830 | 241,789 | 399,055 | 338,974 | 347,617 | * |
| Other | 203,762 | 187,505 | 174,007 | 233,838 | 262,044 | 264,903 | * |
| Income | (20,138) | (19,655) | (14,510) | (33,256) | (42,680) | (41,963) | * |
| Rentals | 64 | 52 | 51 | - | - | - | * |
| Depreciation | 13,936 | 15,558 | 16,335 | 23,854 | 23,395 | 36,902 | 38,274 |
| Change in pension scheme liabilities | - | 120 | - | - | - | - | * |
| Unwinding of discount rate on pension scheme liabilities | - | 111 | - | - | - | - | * |
| Other resource | 464 | 994 | 2,250 | 18,421 | - | - | - |

Notes to table

As part of the Spending Review, HM Treasury redefined the definition of Administration expenditure; the effect of this has been to significantly increase the Administration expenditure for each business area and increase the overall baseline of the Department from c£420m in 2010–11 to c£642m in 2011–12. This was offset by a reduction in Programme expenditure.

This is equivalent to a real reduction of 33% over the four years to MoJ's 2010–11 baseline, which reflects the agreement between HM Treasury and MoJ on the reclassification as part of extending Administration budgets to Arm's Length Bodies which were previously not included.

Previous years 2000–09 to 2010–11 have not been restated to reflect this change.

The split of expenditure between Paybill, Other expenditure and Income has not been finalised for 2014–15.

Table 5 Ministry of Justice: Staff numbers Full-time equivalents – FTEs

| | 2010–11 Actual | 2011–12 Actual | 2012–13 Actual |
|-------------------|-------------------|-------------------|-------------------|
| Permanent | 94,246 | 89,935 | 84,275 |
| Casual | 672 | 387 | 461 |
| Consultants | - | 17 | 12 |
| Contingent labour | 1,812 | 1,721 | 2,173 |
| Total | 96,730 | 92,060 | 86,921 |

The figures relate to Full-time equivalents (FTEs) as at 31 March each year.

Casual staff are those on fixed term contracts of less than 12 months in accordance with the Office for National Statistics (ONS) definition.

Contingent labour represents workers used to cover business-as-usual or service delivery activities within an organisation, also often referred to as Temporary or Agency Staff.

Consultants relates to the provision to Management of objective advice relating to strategy, structure, management or operations of an organisation, in pursuit of its purposes and objectives. Such advice will be provided outside the 'business-as-usual' environment when in-house skills are not available and will be time-limited. Consultancy may include the identification of options with recommendations, or assistance with (but not the delivery of) the implementation of solutions.

Table 6 Ministry of Justice: Total spending by country and region (£m)

| | 2008–09 Outturn | 2009–10 Outturn | 2010–11 Outturn | 2011–12 Outturn |
|--|--------------------|--------------------|--------------------|--------------------|
| North East | 556 | 450 | 451 | 484 |
| North West | 1,492 | 1,377 | 1,345 | 1,304 |
| Yorkshire and Humberside | 895 | 946 | 905 | 856 |
| East Midlands | 659 | 637 | 615 | 593 |
| West Midlands | 898 | 919 | 885 | 885 |
| Eastern | 649 | 637 | 624 | 608 |
| London | 2,161 | 2,179 | 2,026 | 1,863 |
| South East | 1,063 | 1,052 | 1,024 | 922 |
| South West | 620 | 611 | 606 | 610 |
| Total England | 8,993 | 8,808 | 8,481 | 8,125 |
| Scotland | 68 | 64 | 52 | 70 |
| Wales | 483 | 493 | 480 | 493 |
| Northern Ireland | 1 | 1 | 1 | 1 |
| Total UK identifiable expenditure | 9,545 | 9,366 | 9,014 | 8,689 |
| Outside UK | - | - | - | - |
| Total identifiable expenditure | 9,545 | 9,366 | 9,014 | 8,689 |
| Non-identifiable expenditure | - | - | - | - |
| Total expenditure on services | 9,545 | 9,366 | 9,014 | 8,689 |

Table 7 Ministry of Justice: Total spending per head by country and region (£s per head)

| | 2008–09 Outturn | 2009–10 Outturn | 2010–11 Outturn | 2011–12 Outturn |
|--|--------------------|--------------------|--------------------|--------------------|
| North East | 215 | 174 | 174 | 187 |
| North West | 214 | 197 | 191 | 185 |
| Yorkshire and Humberside | 172 | 181 | 172 | 162 |
| East Midlands | 149 | 143 | 137 | 131 |
| West Midlands | 163 | 166 | 159 | 158 |
| Eastern | 113 | 110 | 107 | 104 |
| London | 272 | 271 | 250 | 227 |
| South East | 126 | 123 | 119 | 107 |
| South West | 119 | 117 | 115 | 115 |
| Total England | 173 | 168 | 161 | 153 |
| Scotland | 13 | 12 | 10 | 13 |
| Wales | 160 | 163 | 157 | 161 |
| Northern Ireland | - | - | - | - |
| Total UK identifiable expenditure | 154 | 150 | 143 | 137 |

Table 8 Total identifiable expenditure on services by function, country and region, for 2011–12 (£m)

| | General public services | | Public order and safety | | | Social protection | | | Total Ministry of Justice |
|---------------------------------------|--|-------------------------------|-------------------------|----------------|-------------------------------|-------------------|--------------------|-------------------------|---------------------------|
| | Executive and legislative organs, financial and fiscal affairs, external affairs | Total general public services | Law courts | Prisons | Total public order and safety | Old age | of which: pensions | Total social protection | |
| North East | 0.1 | 0.1 | 298.9 | 186.1 | 485.0 | 0.3 | 0.3 | 0.3 | 485.4 |
| North West | 0.6 | 0.6 | 742.1 | 559.2 | 1,301.3 | 2.0 | 2.0 | 2.0 | 1,303.9 |
| Yorkshire and The Humberside | 0.4 | 0.4 | 462.8 | 391.3 | 854.1 | 1.2 | 1.2 | 1.2 | 855.7 |
| East Midlands | 0.3 | 0.3 | 312.9 | 278.9 | 591.8 | 0.6 | 0.6 | 0.6 | 592.7 |
| West Midlands | 0.3 | 0.3 | 493.8 | 389.3 | 883.1 | 1.1 | 1.1 | 1.1 | 884.5 |
| Eastern | 0.4 | 0.4 | 341.2 | 265.4 | 606.6 | 1.4 | 1.4 | 1.4 | 608.4 |
| London | 0.7 | 0.7 | 1,150.7 | 707.1 | 1,857.8 | 4.2 | 4.2 | 4.2 | 1,862.7 |
| South East | 0.8 | 0.8 | 509.3 | 408.3 | 917.6 | 3.4 | 3.4 | 3.4 | 921.8 |
| South West | 0.4 | 0.4 | 377.1 | 230.9 | 608.0 | 1.4 | 1.4 | 1.4 | 609.8 |
| England | 4.0 | 4.0 | 4,688.8 | 3,416.5 | 8,105.3 | 15.6 | 15.6 | 15.6 | 8,124.9 |
| Scotland | 0.0 | 0.0 | 67.4 | 0.0 | 67.4 | 2.8 | 2.8 | 2.8 | 70.2 |
| Wales | 0.3 | 0.3 | 277.5 | 214.3 | 491.8 | 0.7 | 0.7 | 0.7 | 492.8 |
| Northern Ireland | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.7 | 0.7 | 0.7 | 0.8 |
| UK Identifiable expenditure | 4.4 | 4.4 | 5,033.7 | 3,630.8 | 8,664.5 | 19.8 | 19.8 | 19.8 | 8,688.7 |
| Outside UK | - | - | - | - | - | - | - | - | - |
| Total identifiable expenditure | 4.4 | 4.4 | 5,033.7 | 3,630.8 | 8,664.5 | 19.8 | 19.8 | 19.8 | 8,688.7 |
| Not identifiable | - | - | - | - | - | - | - | - | - |
| Totals | 4.4 | 4.4 | 5,033.7 | 3,630.8 | 8,664.5 | 19.8 | 19.8 | 19.8 | 8,688.7 |

Notes to tables

Tables 6, 7 and 8 show the Department's spending by country and region, and by function. The data presented in these tables are consistent with the country and regional analyses (CRA) published by HM Treasury in October 2012 as part of the National Statistics release. The figures were taken from the HM Treasury public spending database in summer 2012 and the regional distributions were completed by the following autumn. Therefore the tables may not show the latest position and are not consistent with other tables in the Annual Report and Accounts. Please note that prior periods have not been restated and totals may not sum due to rounding.

The analyses are set within the overall framework of Total Expenditure on Services (TES). TES broadly represents the current and capital expenditure of the public sector, with some differences from the national accounts measure Total Managed Expenditure. The tables show the central government and public corporation elements of TES. They include current and capital spending by the Department and its NDPBs, and public corporations' capital expenditure, but do not include capital finance to public corporations. They do not include payments to local authorities or local authorities own expenditure.

TES is a cash equivalent measure of public spending. The tables do not include depreciation, cost of capital charges, or movements in provisions that are in departmental budgets. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Appendix E of the Public Expenditure Statistical Analyses (PESA) 2012.

The data are based on a subset of spending – identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions. Expenditure that is incurred for the benefit of the UK as a whole is excluded.

Across government, most expenditure is not planned or allocated on a regional basis. Social security payments, for example, are paid to eligible individuals irrespective of where they live. Expenditure on other programmes is allocated by looking at how all the projects across the Department's area of responsibility, usually England, compare. So the analyses show the regional outcome of spending decisions that on the whole have not been made primarily on a regional basis.

The functional analyses of spending in Table 8 are based on the United Nations Classification of the Functions of Government (COFOG), the international standard. The presentations of spending by function are consistent with those used in Chapter A of the CRA October 2012 release. These are not the same as the strategic priorities shown elsewhere in the Annual Report and Accounts.



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

Online

www.tsoshop.co.uk

Mail, telephone, fax and email

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

Email: customer.services@tso.co.uk

Textphone: 0870 240 3701

The Houses of Parliament Shop

12 Bridge Street, Parliament Square,
London SW1A 2JX

Telephone orders/general enquiries: 020 7219 3890

Fax orders: 020 7219 3866

Email: shop@parliament.uk

Internet: <http://www.shop.parliament.uk>

TSO@Blackwell and other accredited agents

