



HER MAJESTY'S
COURTS SERVICE
hmcs

HER MAJESTY'S COURTS SERVICE
ANNUAL REPORT AND ACCOUNTS
2008/09

Her Majesty's Courts Service Annual Report and Accounts 2008/09

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

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section 7 of the Government Resources and Accounts Act 2000.

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Introduction

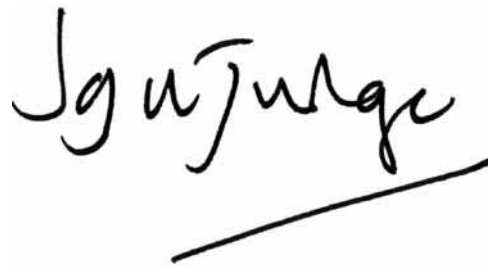
We are pleased to introduce Her Majesty's Courts Service (HMCS) Annual Report for 2008/09.

This report covers the first full year of our important partnership in relation to the governance, financing and operation of HMCS. In April 2008 we charged the HMCS Board to lead and set the broad direction of HMCS.

We are greatly encouraged to see the many areas of development that HMCS has achieved in the period covered by this report. We appreciate the challenges staff have faced and the quality and commitment of all who work in the court system.



The Rt Hon Jack Straw
Lord Chancellor and
Secretary of State for Justice



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

Foreword



We are delighted to introduce the HMCS annual report for 2008/09 and to report on the first year under the new partnership arrangements between the Lord Chancellor and the Lord Chief Justice.

The courts are a vital public service at the heart of the justice system, enabling justice to be done and be seen to be done in cities and towns across England and Wales. Most people have their first contact with the justice system through our courts – resolving family disputes, enforcing their consumer and employment rights, claiming compensation, giving evidence as victims and witnesses of crime or as criminals being brought to justice.

Over the past year HMCS staff have been working hard to improve the public's experience of all aspects of the justice system and to ensure that all our customers continue to be well served and supported. Some of the developments we report on here are new, while others are the most recent phase of long-running programmes of work to build and maintain our infrastructure, and to serve the public through an increasingly effective court service. We continue to work hard to maintain our performance at a time of financial constraint which has required us to make efficiencies, and to target resources where they are needed most at the front line of our business.

We have seen innovation and high levels of customer service in the many courts we have visited over the past 12 months. Here we report on how HMCS and the judiciary have worked together to support victims of crime, reduce the time it has taken to bring offenders before a court and protect children and vulnerable people.

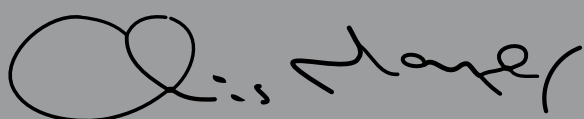
This report also outlines developments to ensure that the courts are responsive to the needs of the communities they serve. We provide an account

of the growth in community justice and new specialist drugs and mental health courts, and on the continued success of the network of specialist domestic violence courts.

While court buildings are, of course, central to our services, we also report on our work to enable the public to access the justice system without coming to court. This has involved promoting greater use of mediation and electronic services such as our Money Claim Online facility.

The steps we take to ensure value for money is a key theme running through the report. We seek to ensure that every penny of public money spent on the courts improves frontline services and delivers value to court users and the wider public.

It is only through the hard work and dedication of HMCS staff, working alongside the judiciary and our colleagues in other areas of the justice system, that we have achieved so much. We have every confidence that they will continue to develop innovative approaches to delivering justice in the year ahead.



Chris Mayer CBE,
Chief Executive of HMCS



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

"I was extremely proud to be appointed as Chief Executive of HMCS on 26 June 2008. This pride was heightened when my first task as Chief Executive was to attend the annual HMCS Awards ceremony and recognise those staff and teams who had gone the extra mile in the past year to deliver court services to their communities around the country."

"The HMCS Board has worked hard in the past year to embed the new partnership and to give strategic direction to HMCS. I am grateful to all the Board members as well as to the Lord Chancellor and Lord Chief Justice for the support they have provided me in the past year in establishing the new arrangements."



I. About Her Majesty's Courts Service

Her Majesty's Courts Service (HMCS) is an agency within the Ministry of Justice (MoJ). We are responsible for managing the magistrates' courts, the Probate Service, the Crown Court, the county courts and the District Registries throughout England and Wales, as well as the Royal Courts of Justice in London, where the majority of High Court and Court of Appeal cases are heard.

Decisions made in the courts directly affect people's lives. In 2008/09, 2 million criminal cases were heard in magistrates' courts, 150,000 criminal cases were heard in the Crown Court and 2 million civil claims were issued in the county courts.

Working closely with the judiciary, we support the operation of the courts under a framework agreement made in April 2008 between the Lord Chancellor and the Lord Chief Justice. This provides for the effective governance, financing and operation of HMCS to ensure the independent administration of justice. The agreement also makes it clear that HMCS staff owe a joint duty to the Lord Chancellor and the Lord Chief Justice for the efficient and effective operation of the courts.

Our aim

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

Our objectives are to:

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

Our structure

HMCS covers 25 areas that are organised into six English regions and Wales, together with the Royal Courts of Justice whose role includes the administration of the Court of Appeal, High Court and Probate Service plus the Office of the Judge Advocate General and the Office of the Chief Magistrate. HMCS is responsible for 682 properties of which 554 are courthouses with 2,881 courtrooms.

Courts Boards

There are 23 Courts Boards across England and Wales, one for each of the local management areas administered by HMCS Area Directors. One Board serves the three administrative areas in London. Boards are advisory and membership is made up of members drawn from different communities and from a variety of backgrounds within the Courts Boards area. Each Courts Board have a minimum of seven members namely a judge, two magistrates from within the Courts Boards area, two people with knowledge or experience of the courts in the local area and two people who are representative of the people living in the Courts Boards area.

Area

North West Region

1. Cumbria and Lancashire
2. North and West Yorkshire
3. Cheshire and Merseyside

North East Region

4. Cleveland, Durham and Northumbria
5. North and West Yorkshire
6. Humber and South Yorkshire

HMCS Wales

7. North Wales
8. Mid and West Wales
9. South East Wales

Midlands Region

10. Birmingham, Coventry, Solihull and Warwickshire
11. Derbyshire and Nottinghamshire
12. Lincolnshire, Leicestershire & Rutland and Northamptonshire
13. Black Country, Staffordshire and West Mercia

South West Region

14. Avon and Somerset
15. Devon and Cornwall
16. Dorset, Gloucestershire and Wiltshire
17. Hampshire and The Isle of Wight

South East Region

18. Bedfordshire, Essex and Hertfordshire
19. Cambridgeshire, Norfolk and Suffolk
20. Kent
21. Surrey and Sussex
22. Thames Valley

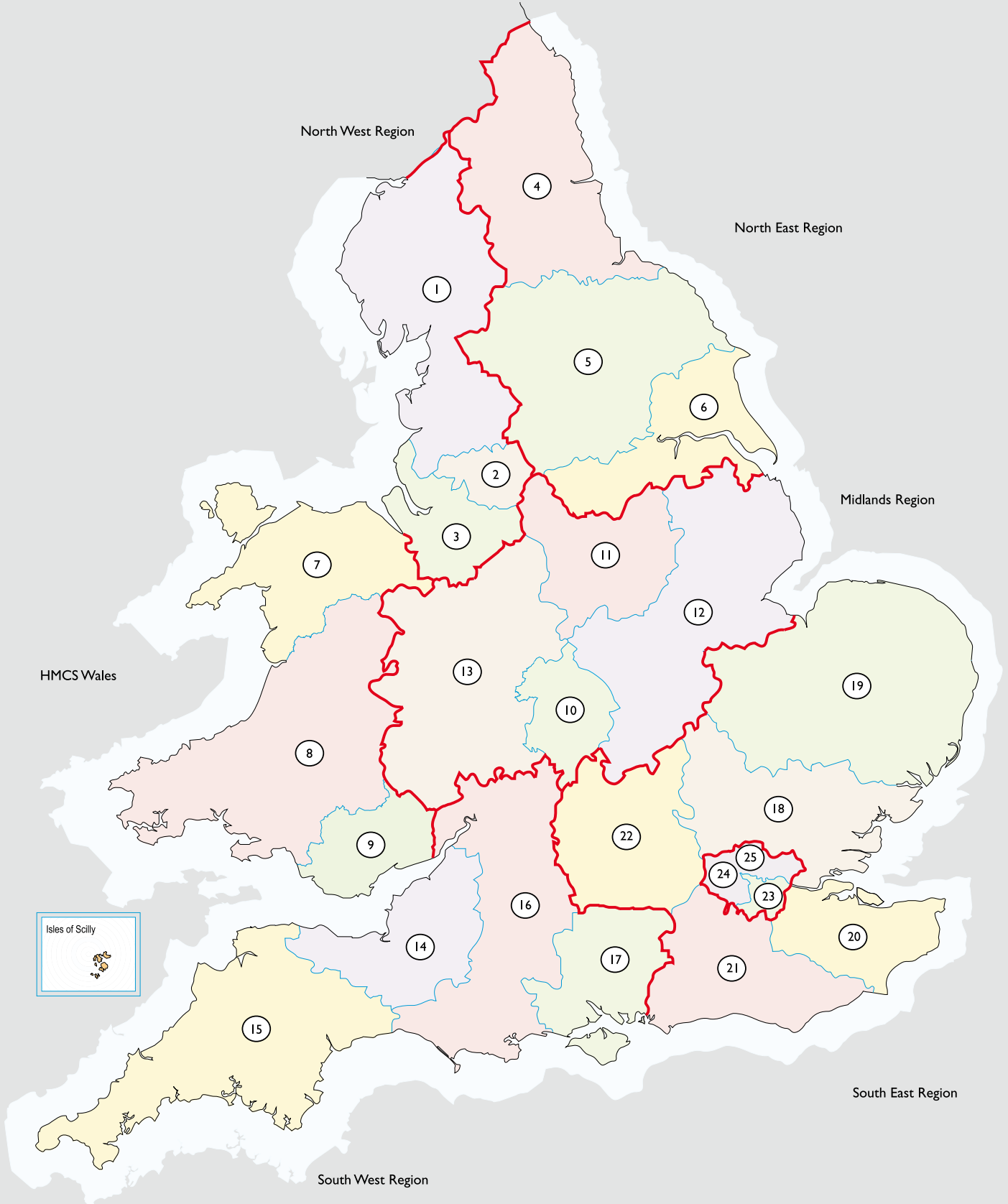
London Region

23. Central and South (Crime)
24. North and West (Crime)
25. Civil and Family

Symbol

-  HMCS Regional Boundaries
-  HMCS Area Boundaries

Her Majesty's Courts Service by Region and Area



Her Majesty's Courts Service Board

The Lord Chancellor and the Lord Chief Justice have placed the leadership and broad direction of HMCS in the hands of the HMCS Board. The Board meets regularly under the non-executive chairmanship of Sir Duncan Nichol, CBE. Membership of the Board comprises two further non-executive members, three judicial members headed by the Senior Presiding Judge for England and Wales who collectively represent the Lord Chief Justice and the judiciary, an MoJ official representing the Lord Chancellor; and four executive members of the senior HMCS team headed by the Chief Executive.

The Board has considered a wide range of issues in its first full year of operation, in particular taking a full part in the process for settling HMCS resources for 2009/10. It has also discussed in some detail the development of business and estates strategies for HMCS. The Board continues to review progress and performance against the HMCS business plan, reporting on key performance issues at quarterly intervals to the Lord Chancellor and Lord Chief Justice.

Membership of the HMCS Board at 31st March 2009:

Non-Executive Chair

Sir Duncan Nichol, CBE

Representatives of the Lord Chief Justice

The Right Honourable Lord Justice Leveson, Senior Presiding Judge for England and Wales

The Right Honourable Lord Justice Stanley Burnton
District Judge Michael Walker, CBE

Executive members

Chris Mayer, CBE - Chief Executive, HMCS

Anita Bharucha - Director of Court Improvement

Steve Finch - Interim Director of Finance

Kevin Pogson, CBE - Regional Director for London

Ministry of Justice member

Karen Wheeler, CBE

Non-Executive members

Guy Beringer, QC

Kenneth Ludlam

Ministry of Justice

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

Moj was created in May 2007, and brings responsibility for the administration of the justice system into one government department. Its work is wide ranging, providing services directly to around 9 million people every year across the United Kingdom through courts, tribunals, prison and probation services, community justice initiatives and through our many delivery partners.

HMCS sits within the Moj's Access to Justice business group which brings together the key agencies, non-departmental public bodies and other major delivery organisations that provide access to justice services, including:

- the Tribunals Service;
- the Office of the Public Guardian;
- the Legal Services Commission; and
- the Judicial Appointments Commission.

HMCS is committed to working with these organisations and others within the Moj to improve services in order to deliver the aim and objectives agreed by the Lord Chancellor and the Lord Chief Justice.

HMCS specifically contributes to the following Moj Departmental Strategic Objectives (DSO):

- DSO 2 - delivering fair and simple routes to civil and family justice; and
- DSO 4 - ensuring a more effective, transparent and responsive criminal justice system for victims and the public.

Public Service Agreements

HMCS also plays an important role in contributing to the cross-government Public Service Agreements (PSAs)¹. In particular, HMCS is closely engaged in the delivery of the following PSAs:

Spending Review 2004

- PSA 4 – By 2009/10, to increase the proportion of care cases being completed in the courts within 40 weeks by 10 percentage points.

Spending Review 2007

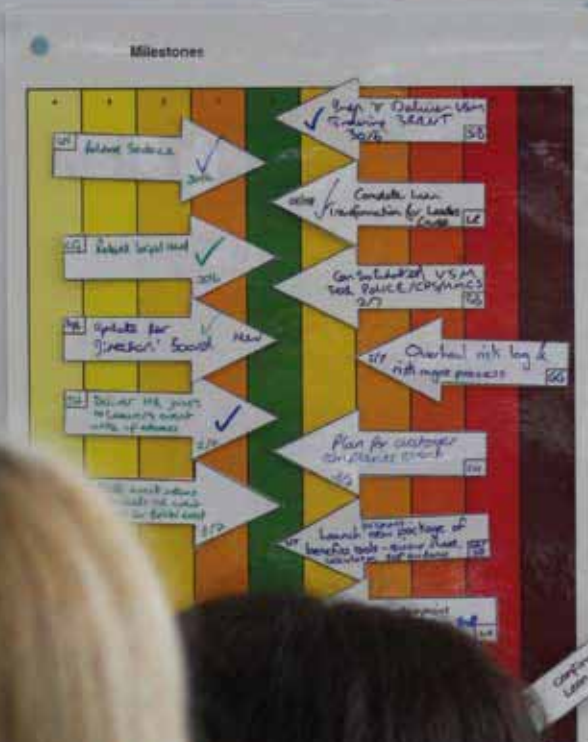
- PSA 13 – Improve children and young people's safety. One of the Key Supporting Indicators detailed in Annex A focuses on the timeliness of public law Children Act cases.
- PSA 23 – Make communities safer. HMCS supports work to reduce re-offending through problem solving courts and community engagement.
- PSA 24 – Deliver a more effective, transparent and responsive Criminal Justice System for victims and the public. HMCS's work on embedding Criminal Justice – Simple, Speedy, Summary in the magistrates' courts and youth courts and its work to improve services to victims and witnesses contribute to this PSA
- PSA 26 – Reduce the risk to the UK and its interests overseas from international terrorism. The Moj contribution is primarily through its responsibility for the effective administration of the courts, probation and prisons, and HMCS is responsible for the courts element of this contribution.

¹ HMCS performance reports and progress against PSAs can be found in part 2 – Our Achievements in 2008/09.

PERFORMANCE

Milestones

T	W	Th	F
In	In	In	In
M/L	M/L	M/L	M/L
M/L	M/L	M/L	M/L
M/L	M/L	M/L	M/L
V	E	H	T
In	In	In	In
In	In	In	In
In	In	In	In



DATE: 1/16
TODAY'S TEA



2. Our achievements in 2008/09

We regularly monitor and review progress in delivering our aims and objectives. We use a balanced scorecard that aligns business activities to strategy and monitors performance of strategic goals over time. We use this processes to measure and assess the effectiveness of our strategies.

Section I. Improving the way we work – our programmes and developments

1.1 Criminal Justice – Simple Speedy Summary (CJSSS)

HMCS has continued to lead criminal justice agencies in embedding CJSSS, which has helped in meeting the challenges of Public Service Agreement 24. This year the successes from having implemented CJSSS across all 357 magistrates' courts were extended into all youth courts. We have worked closely with the national Youth Justice Board (YJB) and with individual youth offending teams locally to achieve this.

Working with other Criminal Justice Agencies we developed a leaflet which helps prepare a young offender for an effective court appearance. The first national leaflet of its kind, it has been translated into several other languages and a podcast of the content has also been produced for those who have difficulty with reading. It was launched last November by David Hanson, then Youth Justice

Minister, at the Annual Youth Justice Convention, in Harrogate.

By capturing the attention of young defendants the leaflet aims to get key messages across relating to appearing in court. Being better prepared for their hearings ought to reduce adjournments and delays in concluding cases. Minimising the time between the commission of the offence and the ruling of the court better enables young defendants to see the direct link between the offence and the sentence. The aim is to help young defendants to take responsibility for their actions and reduce the risk of re-offending.

We are always open to learning the lessons of justice agencies across the world and this year the CJSSS team hosted a visit by the Ontario Attorney General's office. We shared our CJSSS implementation toolkit with the delegation from Canada who were also able to experience CJSSS in action. They were particularly impressed with our level of cross-agency engagement and expressed a desire to achieve similar levels of co-operation with their own improvements programme.

HMCS continued to support our colleagues across the criminal justice system in their work towards the national delivery of a streamlined prosecution file for magistrates' court cases, thereby reducing prosecution team bureaucracy. We supported the Office for Criminal Justice Reform in developing the virtual court concept where video relays are used in police stations so parties can participate wherever they are. This innovative way of working in magistrates' courts aims to reduce the time victims, witnesses and defendants have to wait for a court hearing – from days to hours.

1.2 Problem-Solving Courts

Domestic Violence

Working closely with other departments and agencies across government, we have increased the number of Specialist Domestic Violence Court systems (SDVCs)² to 122 with plans for further expansion. In the period April 2008 to March 2009 we established 40 SDVCs. This puts us on course to meet the Government's commitment to establish 128 accredited SDVCs by 2011.

Drug Courts

We published an evaluation of the first two Dedicated Drug Courts³ in April 2008. The evaluation found that this specialist court model resulted in offenders being less likely to miss a court hearing, less likely to be re-convicted and more likely to complete their community order. The Justice Secretary subsequently announced the extension of the pilot to four new sites to test the viability of the model further. At the beginning of 2009 Dedicated Drug Courts were set up at Barnsley, Bristol, Cardiff and Salford Magistrates' Courts, joining West London and Leeds.



Probation Service Officials and a local Magistrate at the launch of the Barnsley Dedicated Drug Court

Mental Health

This year we developed a new Mental Health Court model, building on our experience of specialist courts and working closely with our Criminal Justice and Health colleagues. In January 2009 pilots commenced at Brighton and Stratford Magistrates' Courts. The model aims to develop a more effective response to dealing with offenders with mental health issues. It is designed to reduce re-offending rates and the 'revolving doors' syndrome, and to provide timely access to health services. We have been closely engaged with Lord Bradley in the preparation of his report on mental health in the Criminal Justice System, which was published on 30 April 2009. Through initiatives such as the Mental Health Court pilots, we are taking steps to ensure that HMCS is well placed to respond to the report's recommendations.

1.3 Community Justice

We have continued to play an integral role in developing the 13 community justice courts, including the North Liverpool Community Justice Centre and the Salford Community Justice Initiative. The problem-solving approach adopted by community justice courts aims to address the root cause of offending behaviour.

This year we began developing the core principles of this approach to determine how it might be rolled out to all magistrates' courts across England and Wales. The potential for this work is significant. In the community justice courts HMCS facilitates the use of the judicial power to review offenders' progress on community orders, under Section 178 of the Criminal Justice Act 2003. These powers could potentially benefit the problem-solving approach. However, legislation currently only permits the use of this power in the 13 community justice courts.

The benefits of using Section 178 can be transformative. For example, a 28 year-old male with a long history of offending was called back before magistrates under Section 178 to review his Community Order. The court identified social and health problems including severe alcohol dependency and homelessness. He was assessed,

in court, by a specialist alcohol worker and referred to Alcohol Dependency services. During subsequent Section 178 reviews to monitor his progress, the defendant appeared to have turned his life around and had re-established his relationship with his parents. His accommodation needs had been met and he was alcohol-free.

In another case a 19 year-old male given a Community Order had three reviews scheduled during the period of his order. The first review was positive. He had been attending the learning support he had been referred to and was even enjoying the unpaid work imposed by his order. However, by the second review he was in breach of the order. His explanation to the court for not attending probation appointments was that he was being bullied by other offenders in his group, something he had failed to report to his probation officer. The court was able to order another review in two weeks time to allow discussions to take place with his probation officer. By the final review he had successfully completed his hours of unpaid work and was voluntarily accessing education and employment services. We are exploring how these ways of working might be a feature of a broader problem-solving approach.

HMCS is playing a central role in the development and use of Community Impact Statements. These aim to give the community a voice by providing the court with details of community concerns, similar in approach to Victim Impact Statements. We have consulted with other criminal justice agencies and produced guidance on the use of community impact statements. The police, as the authors of such statements, consult with the community to record their concerns on local crime and anti-social behaviour. The statements form part of

the prosecution case and are designed to inform decisions made at the sentencing stage. Their use is at the discretion of the judiciary and can include helping to provide the context in which the offence was committed and the prevalence of the offence. These factors, in accordance with guidance from the Sentencing Guidelines Council, could impact on the sentence imposed.

1.4 Protecting Children and Vulnerable Adults

On 1 April 2008, we supported the introduction of the Public Law Outline (PLO) contained in a Practice Direction issued by the President of the Family Division with the concurrence of the Lord Chancellor. The PLO provides new streamlined and simplified case management procedures for progressing public law cases through the courts and is intended to promote better co-operation between all parties involved in care and supervision cases. We expect the PLO to contribute to a reduction in unnecessary delay while making the process less distressing for children and their families.

In launching the PLO the Justice Minister, Bridget Prentice MP said: "Removing children from their parents should be the last resort after all other options have been explored, such as care from grandparents or other family members. But where a child is suffering abuse or neglect, court intervention may be the right option. Improving the process in courts and removing delays will go a considerable way to better meet the needs of children."

² Specialist Domestic Violence Court systems (SDVCs) provide a specialised way of dealing with domestic violence cases in magistrates' courts. They represent a partnership approach by the police, prosecutors, court staff, probation service and specialist support services for victims. These agencies work together to identify, track and risk assess domestic violence cases, support victims of domestic violence and share information better, so that more offences are brought to justice.

³ With the aim of reducing drug misuse and associated offending behaviour, the Dedicated Drug Court (DDC) model establishes a new framework in magistrates' courts to deal with adult drug misusing offenders committing acquisitive crime such as shoplifting to fund their addiction. The model requires the same District Judge or panel of magistrates who sentence an offender to a community order with a drug rehabilitation requirement to review the offender's progress on the order. The model also promotes closer working and information-sharing between the police, court staff, probation service and drug treatment providers. The DDC evaluation can be seen at <http://www.justice.gov.uk/publications/research010408.htm>

On 8 December 2008 the remaining provisions in Part I of the Children and Adoption Act 2006 came into force, providing the courts with more flexibility when dealing with difficult contact cases. These more flexible powers help facilitate contact with children through a range of contact activity directions and provide additional ways to enforce contact orders made under the Children Act 1989.

Sir Mark Potter, President of the Family Division said: “The Children and Adoption Act will give courts the power to do what is right for children. It offers the flexibility to support separating parents by helping to facilitate contact at the start of proceedings and by giving them enforcement options when things go wrong.”

The Forced Marriage (Civil Protection) Act 2007 came into force on 25 November 2008. The High Court and 15 county courts have been specified to hear Forced Marriage Protection Order applications. These offer protection to victims who are being forced into marriage or have already been forced into marriage.

1.5 Small Claims Cases and Mediation Services

In September 2008 we set out new guidance and minimum standards for our Civil Courts in providing front office services to the public. This framework has given local managers greater flexibility in, for example, the ability to vary opening times for public counters.

Piloting of “automatic orders” started at five courts on 1 October 2008 enabling staff to deal with some routine paperwork so that District Judges’ time can be freed for other work. Other areas of work will be piloted during 2009 with the aim of further relieving the burden of paperwork on the District Judges. This project is part of the MoJ’s wider work to ensure that cases are dealt with at the appropriate level of court and judiciary, making best use of judicial experience and time.

For example, on 25 November 2008, we implemented the Allocation and Transfer of Proceedings Order and Practice Direction 2008 issued by the President of the Family Division. The Order and Practice Direction makes provision for where cases should start and for the transfer of cases between family courts. It seeks to ensure that all appropriate cases are dealt with in the Family Proceedings Court (FPC), rebalancing the work between the FPCs and county courts.

The Small Claims Mediation Service (SCMS) has been gradually rolled out in England and Wales since April 2007 and now covers all HMCS areas. The service is free and offers an alternative to a formal court hearing for parties who have issued a claim in the small claims track (up to £5,000). Parties can now arrange for a mediation appointment quicker than a court hearing and, because most mediations take place by telephone (up to 90%), they can resolve their disputes without incurring the expense and time of attending court. This is especially helpful for the elderly, disabled or those with caring responsibilities.

To embed the SCMS into the civil court process, mediators held a number of awareness-raising seminars in county courts for the judiciary and court staff. A Civil Court Mediation Service Manual has also been made available to court staff and judiciary. This outlines how the mediation process works and the role played by the judiciary and court staff to get the best out of the SCMS.

In 2008/09, the HMCS Small Claims Mediation Service (SCMS) conducted more than 9,000 mediations with a settlement rate of 72%. Over 3,800 users of the service responded to an online web questionnaire to assess customer satisfaction levels; 98% said that they were satisfied or very satisfied with the service and 94% said they would use the service again.

In October 2008, the SCMS beat 37 other applications from 15 European countries to win the 2008 European Crystal Scales of Justice Award, given by the European Commission and Council of Europe for innovative court practice. The SCMS also won the Centre for the Effective Dispute Resolution’s Sector award, and was runner up in the Innovation category of The Guardian public service awards.

During 2008/09, 21 workshops across the country provided court staff with the skills and knowledge to inform court users about effective family mediation. We widely publicised the family mediation helpline, which provides callers with information about family mediation and local family mediation providers. Our courts have continued to inform the public about family mediation through leaflets, posters and across the counter information.

HMCS continues to accommodate in-court conciliation sessions in relation to family proceedings. These are delivered by the Children and Family Court Advisory Support Services (Cafcass) and CAFCASS CYMRU, but normally take place in court buildings.

1.6 Lean Programme

This year we successfully piloted Lean methodology as a new way of evaluating and improving the way we work. Lean works at court level by giving staff teams the opportunity and time to review in detail the way they work and to identify and make the changes needed to improve their processes. The goal is to deliver an improved service to our customers. The benefits have been considerable and often immediate.

Following the success of our pilot work we established the HMCS Lean Programme to introduce Lean ways of working across all areas of our work. In January 2009, the Lean Programme began to be deployed nationally in all our courts and offices.

Keith Budgen, Regional Director for South East Region, and officer with overall responsibility for the programme within HMCS, said of this critical work: "Lean is about giving customers what they want, continuously improving the service provided, getting it right first time, reducing errors, simplifying processes and eliminating waste. It also puts control back in the hands of the people that do the work – after all they know more about what works well and what doesn't."

The Lean Programme works with individual courts capturing the knowledge, expertise and innovation of our staff and developing the lessons they have

learnt in order to share best practice through new standardised processes. When completed, all courts will operate to the same standards using the best process currently known to ensure we deliver the best service possible to our court users. This year five new standard processes have been developed, tested and issued nationally.

Supported by the Lean Programme, Plymouth Magistrates' Court investigated better ways to record case results in magistrates' courts. The court has improved best practice and accuracy and now only needs to sample check non-recordable offences. The Case Resulting process looked at by Plymouth Magistrates' Court was also reviewed and tested by other courts including Liverpool Magistrates' Court. This led to the issue of a new national Standard Operating Procedure, helping to raise productivity levels.

Introducing Lean does more than address today's pressing issues. We are providing staff with tools they can keep using to improve their work processes and we are empowering them to make future changes that will deliver continuous improvement to the way HMCS operates.

1.7 Change Programme

This year, following Sir Anthony May's Access to Justice Review, the Administrative Court based within the Royal Courts of Justice established a fully functioning presence in Birmingham, Cardiff, Leeds and Manchester. This has significantly improved access to the services of this court.

We developed an Electronic Working pilot (EWP) for submitting claims with the Commercial Court & Admiralty Court; this went live on 1 April 2009. Pilot users will be able to file claims and associated court documents electronically.

The Driver Validation Service was rolled out to magistrates' courts in 2008. The service enables courts to access driver records and check driver licence details via web-based link with the DVLA to help with court proceedings.



A secure cell vehicle used by Magistrates' Courts Civilian Enforcement Officers.

1.8 Compliance and Enforcement of Court Orders

In 2008/09 we developed a strategic blueprint for compliance and enforcement services. This describes what we aim to achieve by 2012 and how we will get there. The blueprint supports the Government's strategic objective that rigorous enforcement should revolutionise compliance with sentences and the orders of the court.

In the last five years significant steps have been made to improve our enforcement services and the blueprint will build on this. However, outstanding issues have arisen during this period and the blueprint will help to equip us for the future.

This year we produced seven regional action plans setting out how the findings of the blueprint will be fully implemented across England and Wales. Magistrates' Courts Civilian Enforcement Officers now have a new fleet of secure cell vehicles. We increased our intelligence links with the Department for Work and Pensions to target defaulters in a more efficient and effective way and, as part of our Modernising Money-Handling Programme, we established new and automated payment methods.

During the year we improved the case management tracker system that is used by our Regional Confiscation Units who recover the proceeds of crime from convicted offenders. We have also strengthened our links with Financial Investigators, undertaking joint training.

We issued both the Crown Court and magistrates' courts with new guidance for dealing with offenders who must be brought back to court after Probation Officers seek a breach warrant following their failure to comply with their Community Sentence.

This year we introduced a range of improvements to civil enforcement including new county court leaflets, which simply and clearly explain to claimants how their award, or Advisory, Conciliation and Arbitration Service (ACAS) settlement, can be enforced. Our customer service general enquiries line now provides information on how and where to secure enforcement of Employment Tribunal awards and ACAS settlements.

When awards are filed with the court for enforcement we now automatically register them with the Register of Judgments, Orders and Fines. Changes to our processes mean there is no longer a fee for filing awards or settlements for enforcement.

This year, through our blueprint we set ourselves the strategic objective of delivering a cheaper, faster and more proportionate enforcement system that will achieve a significantly higher degree of compliance with court orders and a corresponding reduction in the need to take costly and ineffective enforcement action against defaulters. We have now begun this transformation. In the years to come we will introduce further measures including improvements in the quality of offender information, intensive case management, offender profiling, systematic use of existing sanctions, and increased use of risk assessments, text messaging, tele-chasing and additional tracing tools.



Video links enable vulnerable witnesses to give evidence without having to appear in the courtroom.

Section 2. Working together to serve the public

2.1 Serving our Customers

HMCS is committed to delivering an excellent service to our customers. Our success in this has been demonstrated through a steady increase in user satisfaction rates over the past three years. In February 2007 we initiated Improving the Customer Experience (ICE), a five-year programme designed to co-ordinate and monitor 24 customer-focused projects.

By the end of 2008 we had completed the majority of ICE activities. Key achievements include a 'Statement of Customer Service Excellence' published in May 2008 setting out the high standards of customer service that we expect all our staff to deliver to court users.

We have installed WiFi facilities in all but the smallest of Crown Courts – allowing jurors and witnesses the opportunity to make good use of their time while waiting at court. We updated our customer leaflets on the Probate Service. This year we launched Customer Service Apprenticeships, to equip staff with the knowledge and skills to deliver service excellence; and our implementation of a User Survey Action Plan ensures that issues highlighted by our customers are addressed in a structured way.

For some years we have committed to achieving the Charter Mark standard and its successor, the Customer Service Excellence (CSE) standard, launched in Spring 2008. The Crime and Enforcement Directorate, the Business Information Division and the Chief Executive's Office successfully achieved Charter Mark at the end of 2008. Three areas across the country also achieved Charter Mark success this year: the Humber and South Yorkshire Area, Cheshire and Merseyside Area and the Greater Manchester Area. In December 2008 the National Taxing Team achieved the new Customer Service Excellence standard and Bedfordshire, Essex and Hertfordshire achieved the standard in March 2009.

Our national programme has benefited all parts of HMCS, not just those receiving awards. Although we

closed the formal programme of work in December 2008 to focus our resources on supporting frontline tasks, we will continue to use the guidance and frameworks to achieve greater consistency in the way we deliver customer service and share good practice.

HMCS is fully committed to fairness and equality in all its work. In January 2009 we established the Equality Team to lead on equality and diversity issues, ensuring our services are accessible to all court users and that actions are taken to address any weaknesses which prevent us working in accordance with existing or emerging new equalities legislation. We will publish our "standard" for Equality and Diversity in HMCS in summer 2009 and in the coming year we will develop measures to test how well we are performing in these areas. Senior managers will monitor progress through the HMCS Equality and Diversity Delivery Group, reporting to the HMCS Directors Board.

2.2 Community Engagement

Across England and Wales all magistrates' courts engage with their communities, keeping them informed about the work of their local court. The judiciary attend community meetings and reach out to all sectors of their community in order to learn and understand more about issues affecting their local communities.

We have Community Engagement Project Managers in all our areas to facilitate and support the local judiciary in this important work. Project Managers work closely with the community engagement programmes of other criminal justice agencies to improve the local courts' links with Neighbourhood Policing, Community Payback and Local Criminal Justice Boards.

In Lancashire, magistrates who attend Community Association and Police and Community Together meetings report back giving all local magistrates a better understanding about the impact local crime is having on their community. In Norfolk, magistrates regularly participate in question and answer sessions through a programme that focuses on the communities in central and south Yarmouth where there are high levels of deprivation.

2.3 Courts Boards

Courts Boards play an important role in challenging and supporting local managers and, during the year, met regularly with their Area Director. In October 2008 the HMCS Chief Executive held a conference with the Courts Board Chairs. Courts Board help us to identify potential difficulties, refresh our thinking and advise on the provision of effective and efficient services.

2.4 Supporting Victims and Witnesses

The Government set a target to have separate facilities for victims and witnesses by the end of 2008. We have met this target for all the Crown Courts and 90% of magistrates' courts. All Crown Court centres and 96% of magistrates' courts now have some kind of separate waiting facility to offer victims and witnesses.

Being a witness in a criminal court can be a daunting experience, although feedback is positive from witnesses on their court experience and how they are supported. The Office for Criminal Justice Reform conducts quarterly Witnesses and Victims Experience Surveys (WAVES). The 2007/08 surveys provide the latest figures available and showed that 88% of witnesses found court staff to be helpful, while 89% said they were courteous. 92% of survey respondents who watched our 'Going to Court' DVD found it very or fairly useful. 82% of witnesses reported waiting in a separate waiting room from that used by witnesses for the other side.

'The Code of Practice for Victims of Crime'⁴ has been implemented in the courts for two years and many examples of good practice have been established. In Lincolnshire, the magistrates' courts and Crown Prosecution Service (CPS) have adopted a system whereby the court's Legal Adviser is advised by the CPS of a vulnerable and/or intimidated victim by the use of a specially devised form, sometimes as early as the first hearing. The courts can then prioritise the notification of court results to the Witness Care Unit.

At Kingston Crown Court, Case Progression Officers now attend all Plea and Case Management Hearings. They are responsible for alerting the judge each morning of any special needs of witnesses or victims and they remain in court to remind the court of a vulnerable victims needs. At Uxbridge Magistrates' Court Case Progression Officers now inform the Witness Care Unit by secure email when a special measure application is listed, and its outcome.

Drawing on this and other examples of good practice, in February 2009 we published guidance for the criminal courts on the Code of Practice requirements providing practical advice to all staff responsible for supporting victims attending court.

On 5 February 2009 we held our fourth annual Area Witness Champion conference in Birmingham. The theme was 'Maintaining Momentum' and delegates from around the country braved the heavy snow to attend. The Government's Victims' Champion, Sara Payne, gave the keynote speech speaking of her experiences as a victim and outlining her priorities for victims in the criminal justice system.

Prior to the conference we sought feedback on what victims and witnesses actually think about us and here is what a few of them had to say:

"I found the [pre-trial familiarisation] visit very helpful. Afterwards, I felt able to focus on going to give evidence without worrying where I had to go, wait, what a courtroom looked like etc. Thank you for your support to my family, it eased a very stressful time for us." – Witness, Northampton Combined Court Centre.

"I would like to take this opportunity to thank the staff at the court and the volunteers in the Witness Service who have been very helpful and accommodating." – Witness, Luton Magistrates' Court.

⁴ Published by the Office for Criminal Justice Reform in April 2006.

The conference also marked the launch of the third edition of the HMCS staff 'Every Witness Matters Handbook', which Sara happily endorsed, saying: "What a great tool: simple and precise – it's of great value that we have these types of resources, so that all members of the court who are dealing with every victim and witness of crime have a point of reference which then ensures both a professional and empathetic starting point."

2.5 Work with the Judiciary

On 25 March 2009 we implemented new guidance for developing regional and local procedures in working with the judiciary to develop further the requirements of paragraph 7.5 of the HMCS Framework Document. We have pursued principles of collaborative working between members of the judiciary and HMCS staff in many areas for a number of years. The guidance is a resource which builds upon these ways of working and applies them equally at all levels of HMCS. On the same day we also introduced a new framework to support all judges and justices who have leadership, administrative and representative responsibilities. The success of both initiatives will be reviewed during 2009/10.



Victims' Champion, Sara Payne at the 4th annual Area Witness Champion conference in Birmingham

During this year we have continued working closely with the judiciary. In four Crown Court centres there are two initiatives we will evaluate in the coming year. 'Individual Case Management' is a new initiative that aims to shorten the period before which the case can be tried by providing a prosecution case summary before the preliminary hearing at which specific directions (instead of the standard generic ones) are made.

⁵ http://www.hmcourts-service.gov.uk/infoabout/jury_service/juror_charter.htm

⁶ www.direct.gov.uk/jurorvideo

⁷ http://www.hmcourts-service.gov.uk/infoabout/jury_service/index.htm

The second initiative is a scheme that provides magistrates' courts with a process for assessing the likelihood of a guilty plea from defendants who are to be committed to the Crown Court. Cases where a guilty plea is likely can then be fast tracked and an indictment and Pre-Sentence Report is obtained for the first Crown Court hearing.

2.6 Jurors and Jury Service

Jury service is one of the most important civic duties that a person can be asked to do. HMCS operates the Jury Central Summoning Bureau and in 2008/2009 181,148 people served as jurors in England and Wales. In October 2008 we launched our Juror Charter setting out minimum standards that jurors can expect from our staff during and following their jury service. It is available at court and on the HMCS internet site⁵. To ensure that we make the best use of jurors' time we have introduced new juror utilisation targets, which are set out in our Business Plan for 2009/10.

This year we delivered a number of initiatives as part of our 'Improving the Juror Experience' strategy. For the first time this sets out the HMCS vision for the services we provide to jurors. It identifies their needs and what steps we are taking to improve the services provided by the Crown Courts. We made our information film, 'Your Role as a Juror' available on the Directgov website⁶ for jurors to view in advance of their jury service. Jurors who visit the site can opt into an automated service that will email them a reminder of when they are due to start their jury service. The number of visits to our updated jury service page⁷ has increased from 3,962 in August 2008 to 16,887 in January 2009.

In February 2008 we commissioned the Ipsos MORI social research institute to survey jurors and the results showed that 86% were satisfied with services from the Jury Central Summoning Bureau, 88% were satisfied with the overall service that they received at court, and 94% were satisfied with the politeness and helpfulness of court staff.

The image shows a person's profile as they look at a computer monitor. The monitor displays a web browser window titled "Magistrates' - Windows Internet Explorer". The browser's address bar shows "http:". The page content includes the HMCS logo and the text "Performance Database". Below this, there is a breadcrumb trail: "Home > Reports > Magistrates'".

The main section of the page is titled "Show report for this location and month:". It contains several dropdown menus for filtering data:

- Location type: National
- Location: England and Wales
- Month: (empty)
- Timeframe: Month
- Type: All
- Outcome: - N/A -

Below the filters, a message states: "Data for the selected location and timeframe is COMPLETE." There is a "Report Options" section with a plus sign icon. The main report area is titled "Magistrates'" and features a line graph. The graph has a vertical axis ranging from 0 to 250 and a horizontal axis with labels for months. A legend indicates a red line represents "Total". The data points on the line graph are approximately: 170, 170, 130, 160, 200.

At the bottom of the browser window, the status bar shows "Done" and the Windows Start button logo.

Section 3. Our Performance⁸

HMCS has 11 Key Performance Indicators (KPIs) underpinned by Supporting Indicators (SIs) to monitor our performance. These indicators demonstrate our contribution towards the Ministry of Justice's four Departmental Strategic Objectives (DSOs) and also to cross-government Public Service Agreements (PSAs).

3.1 Customer Service

Key Performance Indicator	2006/07 Performance	2007/08 Performance	2008/09 Target	2008/09 Performance
National KPI: the <u>Very Satisfied</u> element of the HMCS court user survey be improved from the Year 2 survey baseline of 41%	39%	41%	More than 41%	42%

We aim to deliver high and consistent levels of customer service and we measure levels of user satisfaction through an annual exit survey conducted on a rolling basis by Ipsos MORI on behalf of HMCS⁹. Overall satisfaction in the courts is measured through responses to the question:

'Thinking about the types of issues we have just been discussing, and disregarding the outcome of your visit, or the result of your case, how satisfied or dissatisfied are you generally with your experience today?'

The feedback is obtained via random exit surveys undertaken as part of a structured programme across the Crown, county and magistrates' courts. Around 50% of those approached agree to take part in the survey with over 11,000 interviews conducted each year. This sizeable sample ensures that the data covering the 'overall satisfaction' question is accurate to +/- 1 percentage point at the 95% confidence level. The survey measures the satisfaction levels of all court users, both public and professional, and covers a broad business, geographical and customer demographic. Targeting the very satisfied element of survey responses develops the KPI into a measure of excellence, rather than of acceptability. When combined, the proportion of 'Very Satisfied' and 'Satisfied' court users was 83%.

HMCS promotes a culture where customers are encouraged to tell us when things go wrong so we have an opportunity to put them right. Our customers expect the best and so do we. This year our target was to respond to 85% of written complaints within given timescales. In the case of the Area Directors' Offices it was 10 working days and for complaints directed to the courthouse it was five working days. Each complaint is fully investigated and a response sent to the complainant. This year we received 23,294 complaints and our overall complaints handling performance was just short of our target at 84.5%.

⁸ Statistical information contained in 'Our Performance' has been published in accordance with the Code of Practice for Official Statistics. The 2008/09 court caseload data was published in July 2009 by the Ministry of Justice in "Provisional Court Statistics". Data on performance against key targets was published as an annex to that report. Data on magistrates' courts timeliness and hearings was published by the Ministry of Justice in the National Statistics reports "Time Intervals for Criminal Proceedings in Magistrates' Courts."

⁹ The results of the survey are published annually, accompanied by a technical note and the questions asked, at <http://www.justice.gov.uk/publications/hmcsusersurvey.htm>

The Criminal Courts

3.2 Crown Court

Key Performance Indicator	2006/07 Performance	2007/08 Performance	2008/09 Target	2008/09 Performance
Percentage of cases in the Crown Court commenced within the target period	75%	78%	78%	80%

In general there are four types of cases heard in the Crown Court. Some of the more serious offences that can only be tried on indictment in the Crown Court are immediately sent for trial from the magistrates' court to the Crown Court. Offences that could be heard either in the Crown Court or magistrates' court will first have a mode of trial hearing in the magistrates' court and if they are to be heard in the Crown Court are committed for trial. The Crown Court also hears appeals from magistrates' courts against conviction or sentence, and where the offence warrants it an offender who is found guilty in the magistrates' court can be committed for sentence to the Crown Court where the judge has greater sentencing powers.

Because of the different nature of each of these types of cases we set different timeliness periods for when the Crown Court should have undertaken its first main hearing¹⁰. This reflects the different amounts of time needed to complete the preparatory work leading up to that hearing. However, in a proportion of cases the needs of justice are such that even more time will be needed to prepare a case and to provide for this our target is that 78% of cases meet the timeliness period set.

In the past year we improved our timeliness in the Crown Court by 2 percentage points with 80% of all cases having their first main hearing within the target period. Timeliness in each case type has improved. Committals for trial were up 3.7 points to 74.0%, sent for trial cases were up 1.8 points to 78.5%, appeals were up 0.2 points to 87.3% and committals for sentence were up 0.9 points to 91.9%.

Performance against this timeliness Key Performance Indicator is used as a diagnostic measure to support the Government's Efficiency and Effectiveness measures required to achieve Public Service Agreement 24.

The percentage of effective trials improved from 46.2% to 47.1%, and the cracked trial rate improved from 41.9% to 40.8%¹¹. Although there was a slight deterioration in the ineffective trial rate, from 11.9% in 2007/08 to 12.1%, this was primarily because a number of cases were not proceeded with during adverse weather in February; for the remaining 11 months of the year performance improved on 2007/08.

¹⁰ Defendants sent for trial – the date of sending to the date the defendant pleads guilty or their trial begins: within 26 weeks; Defendants committed for trial – the date of committal to the date the defendant pleads guilty or their trial begins: within 16 weeks; Appellants – the date the appeal is lodged to the date of the appeal: within 14 weeks; Defendants committed for sentence – the date of committal to the date of sentencing: within 10 weeks.

¹¹ The vast majority of cracked trials in the Crown Court and magistrates' courts are still effective outcomes because the defendant offers an acceptable guilty plea on the day of trial.

3.3 Magistrates' courts

Key Performance Indicator	2006/07 Performance	2007/08 Performance	2008/09 Target	2008/09 Performance
To reduce the average time from charge to disposal for adult charged cases to 6 weeks or less	8.8 weeks (baseline)	8.0 weeks	Less than 6 weeks	6.9 weeks

We have achieved this performance through embedding the reforms of CJSSS¹², a cross-agency approach to the efficient disposal of cases in the magistrates' court. The timeliness target was supported by two further indicators: that most guilty plea cases are dealt with at their first hearing; and the proportion of contested cases which have no more than two hearings.

In 2008/09, 69% of guilty plea cases were dealt with at their first hearing equal to last years and maintaining the improvement of 4 percentage points on our 2006/07 baseline. We also improved on the proportion of contested cases that were dealt with in no more than two hearings, up 9 percentage points to 38%. Since the introduction of CJSSS performance in this area has improved by 12%.

43.4% of listed trials in the magistrates' courts were effective, that is they proceeded as trials, a 0.2 percentage point improvement on 2007/08; 38% of listed trials cracked, that is they either pleaded guilty or the case was dropped on the day, a 0.5 percentage point reduction on 2007/08; 18.6% of listed trials were ineffective, that is they did not go ahead on the day and required re-listing, this was 0.1 percentage points worse than 2007-08. This was mainly due to poor performance during the winter, particularly during the adverse weather conditions in February.

Key Performance Indicator	2007/08 Performance	2008/09 Target	2008/09 Performance
To produce and sent to police 95% of magistrates' courts registers within 3 working days, and 100% within 6 working days	88%	95% in 3 working days	76%
	95%	100% in 6 working days	89%

Police are notified of the outcome of criminal cases heard in the magistrates' courts through a court register. The police then use this information to update the Police National Computer. Our target was to produce and send 95% of court registers within three working days, and 100% within six working days. Our performance for 2008/09 fell short of target and was less than the previous year. We carefully monitored our performance throughout the year and most courts experienced a dip in performance while they implemented new business processes associated with migrating to a new IT system, Libra. Each court's performance has quickly recovered and the new systems will enable an improved performance.

Legal Aid is granted to an applicant who has passed the Interests of Justice test¹³ and does not have the financial means to fund their own representation in a magistrates' court. We introduced a supporting indicator to ensure that properly completed Rights to Representation applications are processed and the decision despatched in a timely manner. The target is in three stages: We despatched 91.7% by close of play on the second working day against our target of 90%; 95.1% by the close of the third working day against our target of 95%; and 97.7% by the close of the sixth working day against our target of 100%.

¹² Criminal Justice: Simple Speedy Summary

¹³ The Interests of Justice test determines whether an applicant is entitled to a Representation Order based on the merits of the case. Criteria may include: It is likely that I will lose my liberty; It is likely that I will lose my livelihood; It is likely that I will suffer serious damage to my reputation; I may not be able to understand the court proceedings or present my own case.

3.4 Enforcement

Key Performance Indicator	2006/07 Performance	2007/08 Performance	2008/09 Target	2008/09 Performance
85% payment rate ¹⁴ for financial penalties	92%	95%	85%	85%

In 2008/09 the payment rate for financial penalties measured the proportion of fines that were paid or cancelled as a proportion of those imposed. Even though 2008/09 has been a difficult and challenging year for the collection and enforcement of fines where the payment rate fell, we achieved our payment rate target of 85%.

To improve performance we published and began implementing a new criminal blueprint for our compliance and enforcement services. This document sets out our strategy to shift our focus to supporting early compliance with orders of the court and, increasingly seeing payments made on the day that the fine is imposed.

We also put in place improved systems for managing our contracted bailiff companies. They are now more accountable and provide us with a continuous assessment to demonstrate their compliance with all contractual obligations, including the employment of appropriately trained people. Where we entered into new authorised enforcement agent contracts this year we introduced stretching collection and enforcement targets. By increasing our intelligence links with the Department for Work and Pensions we now target defaulters in a more efficient and effective way.

We recognise there is still more work to do to improve performance and in 2009/10 HMCS Enforcement will undertake a comprehensive programme of targeted interventions and operational blitzes across England and Wales to drive up timely payment and to recover unpaid fines.

As part of our work to identify a better measure and understanding of our performance in collecting fines we also monitor a payment rate calculation that does not include the value of administratively cancelled fines. In 2008/09, performance against this rate stood at 71%.

As part of its Public Service Agreement 24 the Government has set a target for the enforcement of confiscation orders. These court orders are made when those convicted of a crime are ordered to surrender the gains from that crime and/or pay compensation to their victim(s).

HMCS enforcement played an important role in increasing the amount of money recovered. The national multi-agency target for 2008/09 was to collect £132 million, including £12 million compensation from confiscation enforcement. A total of £95.8 million was collected, including £10.9 million compensation. HMCS contributed £37.9 million which represented 40% of the total collected in 2008/09.

¹⁴The payment rate is calculated by dividing the amount of fines collected in a year by the amount of fines imposed. The monies collected may relate to fines and other financial penalties imposed in that or earlier years.

This year we increased our multi-agency working by co-locating two of our Regional Confiscation Units with multi-agency Regional Asset Recovery Teams. We also launched cross-agency Service Level Agreements with the Crown Prosecution Service, Revenue and Customs Prosecution Office and the Department for Work and Pensions.

Building on this HMCS Enforcement will, in the coming year, support the judiciary in the development of a training package for Crown Court judiciary and staff. To ensure efficient and consistent practices across the Regional Confiscation Units we will launch a performance framework. We will develop and pilot Service Level Agreements with local authorities to improve further our performance in collecting confiscation and compensation orders.

Key Performance Indicator	2006/07 Performance	2007/08 Performance	2008/09 Target	2008/09 Performance
Percentage of all Community Penalties be resolved within 25 days of the relevant failure to comply	50%	58%	60%	62%

Resolving 60% of all breached community penalties within 25 working days of the offenders failure to comply is a cross-agency commitment we have adopted as an HMCS KPI. In 2008/09, we exceeded the target with end-of-year performance at 62%.

To deliver this four percentage point improvement on the previous year we worked closely with the National Offender Management Service, jointly supporting the work of a number of Local Criminal Justice Boards. We disseminated good practice guidance to the magistrates' courts on achieving the target and provided the Crown Court with an Effective Practice Guide on dealing with community penalty breaches.

We have also improved our IT and management information systems and strengthened our links with private contractors responsible for monitoring offenders wearing electronic tags.

3.5 Victims and Witnesses

The length of time spent waiting at court is a key issue for witnesses. In April 2008 new, more challenging targets were set for witness waiting times in the Crown Court and magistrates' courts. Performance was measured during surveys in June and November 2008.

In the magistrates' courts the average waiting time for all witnesses should be no more than 1 hour 30 minutes. We improved on the target in both survey results by an average of 9 minutes in June and 6 minutes in November.

In the magistrates' courts at least 60% of witnesses should be called (or released if not required) within one hour or less of the scheduled start time. Our June 2008 survey recorded 54% called within the hour and in November 2008 it was 52.1%. Within two hours of the scheduled start time our target is that 80% of witnesses are called to court or 'released'. Our performance in both surveys showed we met this target with 81.5% called within two hours during June and 80% in November.

In the Crown Court, where more complex cases are heard, average waiting time for witnesses should be no more than 2 hours 30 minutes and at least 60% of witnesses, including victims, should be called within 2 hours. The average waiting times were 2 hours 10 minutes and 2 hours 8 minutes in June and November respectively. In June 59.3% of witnesses were called within 2 hours and in November it was 59.4%.



Manchester Civil Justice Centre, winner of over 20 Design Awards.

3.6 Civil Courts

Key Performance Indicator	2008/09 Target	2008/09 Performance
Increase the proportion of defended small claims that are completed otherwise than by a hearing	65% by 31/3/09	72%

We increased the proportion of defended small claims that are completed otherwise than by a court hearing to 72% against our target of 65%. In conducting 9,000 mediations with a settlement rate of 72%, the HMCS Small Claims Mediation Service (SCMS) played a significant role in delivering this target. The SCMS provides a quicker solution for parties than if they had gone to hearing before a county court judge.

The proportion of defended fast and multi-track cases that are completed other than by a hearing was 87% compared to 86.5% in 2007/08. The National Mediation Helpline continues to provide fixed price, time-limited mediations to people involved in civil disputes, and is advertised to those involved in higher value claims in county courts.

Key Performance Indicator	2008/09 Target	2008/09 Performance
Increase the proportion of defended small claims that are completed (from issue to final hearing) within 30 weeks	At least 70% by 31/3/09	65%

This target has not been met based on in-month data for March 2009. The average waiting time for a small claims hearing in the last quarter of 2008-2009 was 30.6 weeks. This is just over the 30-week target and compared to the same period last year, which was an average of 29.9 weeks, demonstrates only a slight increase in waiting times.

The proportion of fast track claims being completed (from allocation to hearing) within 30 weeks was 79%, above the benchmark standard of 78%. The proportion of multi-track claims being completed within 50 weeks (from allocation to hearing) has increased by one percentage point to 77%, and now sits just below the benchmark standard of 78%.

Key Performance Indicator	2008/09 Target	2008/09 Performance
Increase the amount of civil work initiated online - Percentage of eligible possession claims through PCOL ¹⁵ and percentage of specified money claims online through MCOL ¹⁶ or the CPC ¹⁷	PCOL – 55% MCOL – 70%	PCOL – 73% MCOL – 67%

While the money claims target has not been met, there has been an increase in the proportion of both money and possession claims issued electronically. This has been brought about by functional enhancements to PCOL and a central marketing strategy, which has been supported by, and is now devolved to, regional and court staff.

¹⁵ Possession Claim Online.

¹⁶ Money Claim Online.

¹⁷ Claims Production Centre.

3.7 Family

Key Performance Indicator	2006/07 Performance	2007/08 Performance	2008/09 Target	2008/09 Performance
To increase the proportion of care and supervision orders completed within 40 weeks by 10 percentage points in the county courts and family proceedings courts (FPCs) by 2009/2010	42% County 53% FPCs	38% County 50% FPCs	48% County 56% FPCs	34% County 48% FPCs

This target is not being met in either county courts or the FPCs. The Public Law Outline, introduced in April 2008, was designed to improve the care proceedings process in the courts and reduce delays. However it takes time to complete care cases and it is too early to judge the full impact of these measures on performance. Improvements are expected to accrue from spring 2009. This target is extremely challenging to meet and is made more difficult by the relatively high levels of care and supervision applications received by the courts in the last quarter of 2008/09.

Key Performance Indicator	2008/09 Target	2008/09 Performance
To increase the proportion of residence and contact orders made by consent in the County Courts (excluding cases involving allegations of harm)	A) Areas with levels of consent orders at or above 37% to maintain or improve performance B) Areas with levels of consent orders below 37% to improve performance to at least 37%	Area average 43%, 4 Areas below target

Performance against this target is vulnerable to external factors, including the availability of CAF/CASS officers who conduct conciliation appointments for private law family disputes, the ability of parties to pay for mediation services, and the availability of legal aid to help with the costs of mediation.

Workload

Crown Court

During 2008/09 the Crown Court received 147,254 cases (7.1% more than in 2007/08), disposed of 144,883 cases (6.4% more) and the number of outstanding cases rose by 3.4%, from 42,402 to 43,849.

Of this total, the Crown Court received 92,413 trial cases (11.2% more than in 2007/08), and disposed of 89,711 of these (8.1% more). The number of outstanding trial cases grew by 7%, from 33,773 to 36,149.

Magistrates' courts

During 2008/09 magistrates' courts dealt with 1,986,956 cases, a 7.8% reduction on 2007/08. Workload in magistrates' court has fallen for a variety of reasons. Recorded crime has fallen, and Parliament has provided a range of alternatives to prosecution such as penalty notices for disorder (PND), and conditional cautioning).

Civil

During 2008/09 2,050,307 claims were issued in county courts (4% more than in 2007/08), with 19,788 trials (5% more than in 2007/08) and 45,409 small claim hearings (14% more than in 2007/08).

1,421,530 of claims issued related to specified amounts (4% more than in 2007/08), 166,565 unspecified amounts (15% more than in 2007/08), 125,837 mortgage possession (12% lower than in 2007/08), 146,388 rent possession (2% lower than in 2007/08), and 73,924 insolvency (14% more than in 2007/08). The year on year decrease in mortgage possession claims is due to a large fall following the introduction of the Mortgage Pre-Action Protocol on 19 November 2008.

Family

In 2008/09 there were 130,529 petitions for divorce, annulment of marriage or judicial separation. This is a decrease of 2% compared to 2007/08. There were also 89,772 orders made for a financial settlement in divorce, 11% lower than in 2007/08.

There were 25,815 applications for domestic violence injunctions, 8% higher than in 2007/08.

Section 4. Building for the future

4.1 Our People

Our national Staff Engagement Survey results published in November 2008 revealed many areas for us to celebrate and of which we can be proud.

Many staff stated that their work is interesting, that they get the information needed to do the job well, and that HMCS is clear about what we expect from them.

Our staff told us we do well in teamwork and efficiency. Across HMCS staff report a strong sense of personal commitment to improving the services we deliver to the public. This includes a willingness to help colleagues even if this means doing something outside their usual area of work.

In order to improve performance we have throughout the year we delivered training to equip our staff with the technical skills and knowledge they need. Our Learning and Development team worked with local business skills trainers to increase the availability of all training for Crown Court staff, including areas such as pre-trial, post-trial, Xhibit and Juror.

Our Central Delivery Team have delivered courses on 'In Court' Computing. This involves delivery of a national programme of courses, including the Libra application, in centrally located training suites throughout HMCS. Staff can access training through an online booking system that allows them to book learning events and create training records.

Performance management training has been delivered to managers and results are regularly monitored at senior levels of the organisation. We increased senior roles for women and people within ethnic minority groups within the organisation. By March 2009 there were 3% more women in senior management posts while there were 4% more women at Band A, the staff group from which we draw our future senior leaders.



To date 850 of our leaders have undertaken our National Leadership Development Programme.

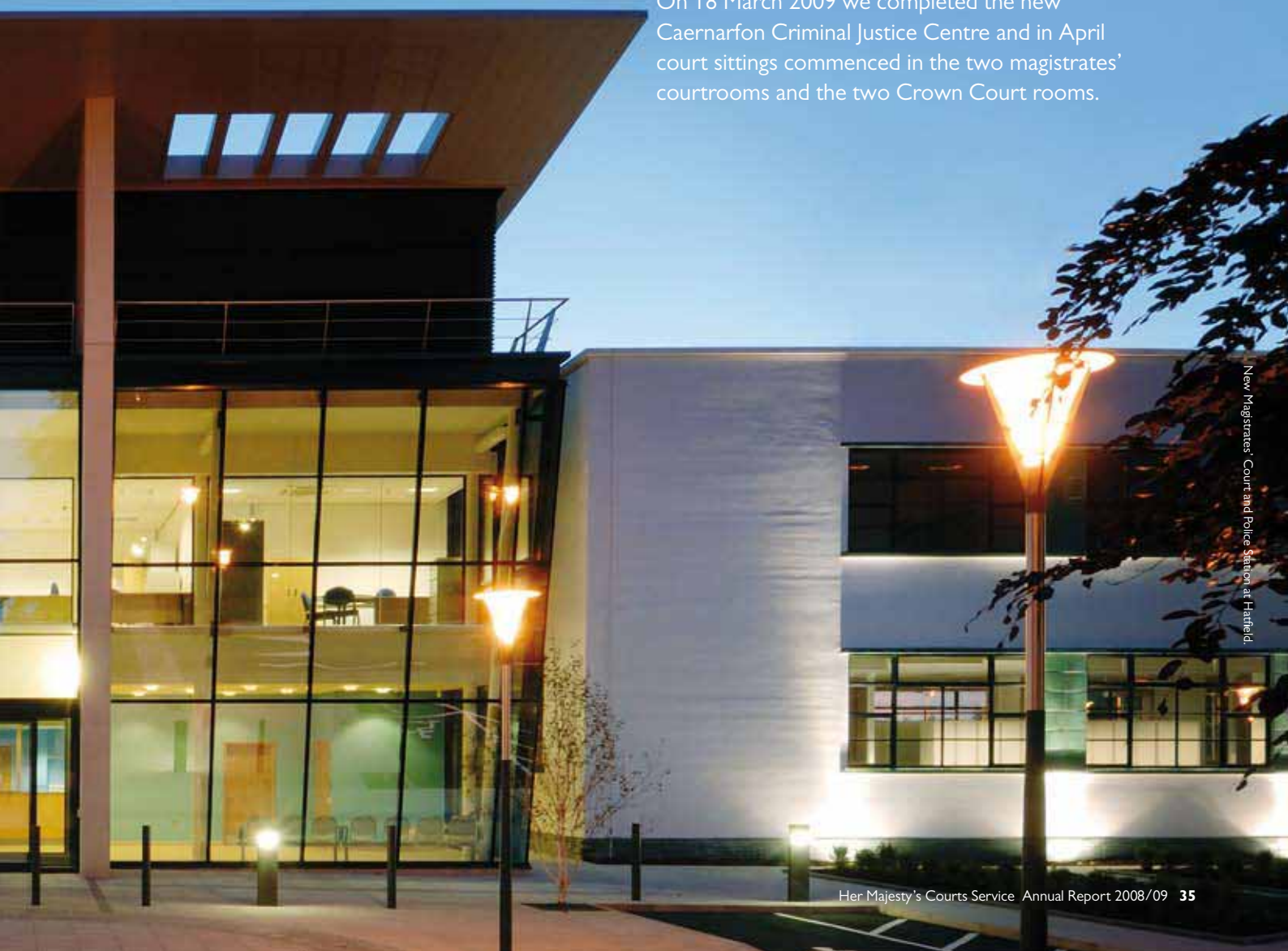
Following recommendations to support our 'Doorstep Teams' – Civilian Enforcement Officers (CEOs) and Bailiffs – we introduced a number of initiatives and guidance during 2008/09 to help protect our enforcement staff. We have introduced a nationally consistent and robust risk assessment process for CEOs and introduced Secure Cell Vehicles, Lone Worker Alarms and Body Armour. Our Learning and Development Central Design Team have developed and are rolling out a nationally consistent training programme for CEOs and Bailiffs. This is increasing the protection of HMCS enforcement staff and reaffirming our commitment and duty of care to those teams.

4.2 HMCS Estates

In October 2008, the new Cambridge Magistrates' Court opened for business. The new Magistrates' Court in Loughborough, was officially opened by Lord Justice Leveson in November 2008. The building provides the very latest facilities for court users. Vulnerable witnesses benefit from secure waiting areas and video links, allowing them to give evidence without having to appear in the courtroom.

HMCS also opened a new court at Hatfield with the new Hatfield Police Station; sittings commenced here in October 2008. The court deals exclusively with overnight remand cases, making efficient use of joint capacity. Mike Littlewood, the Area Director for Bedfordshire, Essex and Hertfordshire said "CJS colleagues have worked together to create a single remand court which will mean the speedy and efficient delivery of justice for the whole of the county."

On 18 March 2009 we completed the new Caernarfon Criminal Justice Centre and in April court sittings commenced in the two magistrates' courtrooms and the two Crown Court rooms.



New Magistrates' Court and Police Station at Hatfield.

The new Chelmsford County Court opened on 4 July 2008 and has three courtrooms and five hearing rooms all of which have a vulnerable witness suite serviced by video link to make it easier for witnesses who do not want to appear in the courtroom. Lawyers can prepare for court in a private, quiet environment and there are 13 consultation rooms for pre-court meetings.

Over the year we completed 10 integration projects. We now have different courts sharing buildings in Aylesbury, Bath, Durham, Gateshead, Kidderminster, Luton, St Albans, Tamworth, Wigan and Worksop. HMCS took over the ownership of eight further magistrates' court properties from local authorities under the Courts Unification Post Implementation Delivery (CUPID) property transfer scheme. Five of the 208 qualifying magistrates' court properties remain outstanding.

HMCS has reduced the number of buildings on our maintenance 'critical list' from 30 to 17 and spent £6 million to improve facilities and access so more of our magistrates' courts comply with the Disability Discrimination Act. In addition, £8.5 million of improvements were made to the Liverpool Youth Courts introducing separate waiting areas for prosecution and defence witnesses, an additional youth court room and more private consultation rooms.

We continued our work towards achieving targets for Sustainable Operations on the Government Estate (SOG E). Our delivery plan includes actions that cover waste, water, energy and travel as well as sustainable management of the HMCS estate. Our focus for 2008/09 has been on energy use, how we monitor consumption and where we can make savings.

There is a ministerial target that all new court building schemes achieve an "excellent" rating under the Building Research Establishment Environmental Assessment Method (BREEAM). Approximately 80% of HMCS new-build sites achieve the required standard.

In 2008/09, we carried out energy surveys of all of our sites over 1000m². Display Energy Certificate's (DEC) showing the efficiency of the site and opportunities for improvement have been prominently displayed in 373 buildings. All sites surveyed have also received an advisory report recommending how to improve ratings. We have also established new contracts enabling us to carry out more detailed site surveys to identify further action that can be taken to improve energy performance.

In July 2008, the Carbon Trust accredited the Royal Courts of Justice (RCJ) complex and St Dunstan's House under their Energy Efficiency Accreditation Scheme. The assessor was particularly impressed by the time devoted to energy matters and our highly developed monitoring systems. The RCJ has been the first court to achieve this Carbon Trust award.

We have produced a list detailing sites that have access to video and telephone conference facilities co-ordinated by our Sustainable Development Working Group. Other policies aimed at benefiting the environment include our Bicycle Loan scheme and the HR policy which promotes remote and flexible working to reduce business travel.

4.3 Information Systems and Technology

Over the past eight years we have invested heavily in our IT infrastructure to ensure we have safe, efficient and appropriate ways to store and transfer information within HMCS, and between other agencies involved in the justice systems. This year we completed some key activities to build the foundations we need to deliver better services at less cost.

The cross Criminal Justice System (CJS) Exchange Links Deployment programme was substantively completed on 31 March 2009, in all but three Criminal Justice Areas: Gloucestershire, Greater Manchester and West Midlands. The Exchange Links Deployment programme enables automatic transfer of information between a number of agencies across the secure CJS network. HMCS uses these links automatically to advise the police of results from magistrates' court hearings and acknowledgements to Fixed Penalty Notices lodged with courts for enforcement action. The police provide criminal court proceedings case information and Fixed Penalty Notices for courts to enforce. There is still more to do and we continue to work closely with the Office for Criminal Justice Reform and other government departments to ensure the delivery of cross-criminal justice IT and related business change.

In December 2008 we successfully completed the roll-out of the IT system, Libra, to all our magistrates' courts. For the first time, those courts can work on a single case management system using standard business processes. The establishment of Libra has tremendous significance for HMCS. It provides us with a springboard for further modernisation initiatives at a national level: for example, modernising money-handling, postal charging and Bichard 7¹⁸. There are 12,000 court users on the Libra system, plus 4,500 third party users with access to Libra.

Through our Service Upgrade Project (SUPS) we aim to improve the current legacy applications, CaseMan and FamilyMan, introducing modern, standardised features that will be easier for staff

to use. In due course SUPS will provide a national platform to support more strategic HMCS operational concepts. A new team has been established to deliver technical skills training to staff in magistrates' courts.

Since February 2009 all civil courts and probate registries have had direct access to the internet and intranet.

Over the summer of 2008 we carried out a fundamental review of the information we regularly collect and make available. It is critical that managers throughout HMCS have access to the right information and evidence in order to make decisions that will enable continuous improvement in our performance and the most effective allocation of limited resources. This review is a foundation for work we will take forward in the coming year, although we have already seen benefits in this reporting period. Significantly we were able to introduce a new financial allocation model for the Crown Court giving us a more accurate alignment between workload and the allocation of resources.

We understand the value and the sensitivity of the information we hold. This year we implemented an Information Assurance Programme to review our existing practices and to ensure we complied with new government requirements on the management of risks to the confidentiality, integrity and availability of information. All our staff have since undertaken training. This was delivered through the Justice Academy website, which was newly available technology to us. All staff were required to participate and the training was aimed at providing first level information security awareness. This activity will be carried out each year. We also developed training packs for managers so that they could update their online training to provide more in-depth discussion with staff on key issues. Senior staff were given face-to-face training fitting their responsibilities as Information Asset Owners. An improvement programme has been established to ensure regular review of our information management practices and to implement continual improvement across the courts.

¹⁸ Bichard 7 is a project to increase public safety by improving both the quality and the timeliness of the data held on the Police National Computer through the automation of court results.

Honours and Awards in 2008/09

The third HMCS National Awards was held in London on 26 June 2008

Nominees were judged on how they had:

- shown exceptional ability to engage, consult and involve local communities and stakeholders, with demonstrable results; and
- built thriving and effective relationships with local communities and stakeholders in order to understand their priorities and needs.

Team awards went to:

The Bodmin County Court Team for responding to the changing needs of the local community.

The Usher Team Birmingham Civil Justice Centre for providing an exceptional service to court users.

The Wales Diversity Awareness, Workshop Team. The team designed and delivered a package that covers all legislative obligations, equality impact assessments and how to deal with inappropriate behaviour in the workplace.

The Manchester Civil Justice Centre, Project Team. The team succeeded in delivering the biggest, most innovative court building since the Royal Courts of Justice in 1882 – and has ensured that it truly reflects the needs of all its users.

The CJSSS Team, HMCS Headquarters. The team implemented the Criminal Justice: Simple, Speedy, Summary programme and rolled it out to magistrates' courts nationwide.



The Birmingham Civil Justice Centre Usher Team

Individual awards went to:

Marie Day, Customer Service, Change and Communication Officer, Thames Valley Area for the Lord Chancellor's Award and Diversity

Neil Marquis, Principal Legal Adviser, Beverley Magistrates' Court for Community Engagement

David Hughes, Fines Manager, Teesside Magistrates' Court for Community Engagement

Mark Layton, Senior Usher, Blackpool Magistrates' Court for Customer Service

Fiona Weller, Head of Business Information Division, HMCS HQ for Innovation

Balginder Viridi, Team Leader, Post-Court Section, Stratford Magistrates' Court for Leadership

Jane Knott, Programme Manager, Manchester Civil Justice Centre for Skills and Development

HMCS are very pleased to be able to reflect on the achievements of our staff who were awarded Honours:

New Year 2009 Honours List

Commander of the Order of the British Empire

Linda Lennon, Area Director for London Civil and Family Courts

Member of the Order of the British Empire

Susan Lambert, Court Clerk, the Crown Court at Southwark

Birthday 2008 Honours List

Officer of the Order of the British Empire

Elaine Laken, Justices Clerk for Bath, North Avon and Mendip

Members of the Order of the British Empire

Bridget Fitzgibbon, Deputy Court Manager, Birkenhead County Court

Judith Moore, lately county court Manager, Sheffield Combined Court Centre

3. Annual Accounts for 2008/09

Chief Executive's Report

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

Sir Duncan Nichol CBE (from 1 April 2008)	Chairman
Chris Mayer CBE (from 1 April 2008)	Regional Director (from 1 April 2008 to 25 June 2008) and Chief Executive (from 26 June 2008)
Anita Bharucha (from 2 June 2008)	Director, Court Improvement
Owen Mapley (from 5 May 2009)	Director of Finance
Kevin Pogson CBE (from 26 June 2008)	Regional Director
Guy Beringer QC (from 1 April 2008)	Non Executive Director
Kenneth Ludlam	Non Executive Director
Karen Wheeler CBE (from 25 February 2009)	Access to Justice Director of Change Program, Ministry of Justice Representative
Lord Justice Leveson	Judicial Member
Lord Justice Stanley Burnton (from 1 April 2008)	Judicial Member
District Judge Michael Walker CBE (from 1 April 2008)	Judicial Member

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

Neil Ward (to 25 June 2008)	Interim Chief Executive (from 1 April 2008 to 25 June 2008)
Patricia Lloyd (to 1 June 2008)	Acting Director Crime and Strategy
Phillip Lloyd (to 31 October 2008)	Director of Resources
Steve Finch (from 1 November 2008 to 4 May 2009)	Interim Director of Resources
Peter Handcock CBE (from 1 April 2008 to 24 February 2009)	Access to Justice Director-General, Ministry of Justice representative

The Board met nine times during the year.

Details of the remuneration of members of the HMCS Board who served during 2008/09 can be found in the remuneration report.

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

HMCS Audit Committee

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

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

Kenneth Ludlam	Non Executive Board Member and Chairman
Guy Beringer QC (from 1 May 2008)	Non Executive Board Member
District Judge Michael Walker CBE (from 1 May 2008)	Non Executive Board Member
Neil Andrews	Non Executive Member
John McGorrigan OBE, JP	Non Executive Member
Laurie Pavelin CBE	Non Executive Member

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

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

Auditors

The auditor's remuneration for the audit of the financial statements of HMCS for 2008/09 was £440,000 (2007/08: £400,000). An additional amount of £55,000 (2007/08: £Nil) was paid in relation to work in preparation of the transition to IFRS-based financial statements in 2009/10.

Pensions

Details of how pension costs and liabilities are treated in the accounts can be found in note 1.11 to the accounts, and further information relating to pensions is included in note 4.1 to the accounts and in the remuneration report.

Payments

HMCS complies with BS7890: Method for Achieving Good Payment Performance in Commercial Transactions. HMCS policy is to pay bills in accordance with contractual conditions or, where no such conditions exist, within 30 days of the receipt of the goods and services or the presentation of a valid invoice, whichever is the later. During the year, 98% (2007/08: 94%) of invoices were paid within payment terms based on the date of receipt by the service provider.

Capital structure

HMCS's net assets are represented entirely by taxpayers' equity, consisting of the general fund and the revaluation reserve as detailed in note 11 to the accounts.

Principal risks and uncertainties of the business

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

Resources and stakeholders

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

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

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

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

Operating and financial review

HMCS Accounts show comparative year balances that exclude the Civil & Family function and Law Commission (which transferred out of HMCS on 1 April 2008) and that includes the Judicial Policy and Appointments Division (which transferred in to HMCS on 1 April 2008). These transfers have been made in accordance with accounting policies as explained in note 1.18 and detailed in note 20 of the accounts.

HMCS had a net cost of operations of £1,483.7m (2007/08 £1,295.2m), of which staff costs were £859.4m (2007/08 £838.5m).

Costs

Total expenditure, including non-cash costs, totalled £2,096.0m (2007/08 £1,888.1m), of which expenditure for civil business was £606.6m (2007/08: £607.7m).

Total costs (excluding non-cash costs) were broadly in line with the previous year at £1,240.8m (2007/08: £1,244.7m). The increases in total expenditure related primarily to non-cash costs.

Non-cash costs totalled £855.2m (2007/08: £643.4m) and primarily consisted of:

- (i) An impairment charge in relation to fixed assets of £173.8m (2007/08: £150.0m), due mainly to the decline in market values of land and buildings;
- (ii) The movement in the provision balances for the year of £166.9m (2007/08: £42.9m). This mainly consisted of an increase in the pension transfer deficit provision of £150.0m (2007/08: £51.2m) which was due mainly to adverse economic conditions during 2008/09 having a negative impact on the values of underlying pension assets in the various Local Government Pension Schemes (LGPS);

- (iii) Interdepartmental recharges of £150.6m (2007/08: £96.9m). The increase of the recharge for 2008/09 from the previous year was mainly due to a revision of the recharge methodology relating to IT services. Previously, the costs relating to a number of IT service contracts were charged to specific agencies within the Ministry of Justice outside the recharge mechanism. During 2008/09, these costs were allocated via the allocation model resulting in a more accurate distribution of shared costs;
- (iv) Senior judicial salaries and social security costs of £139.9m (2007/08: £129.7m), further details of which can be found in note 4.2 to the accounts;
- (v) In-year depreciation of tangible fixed assets of £118.1m (2007/08: £115.7m) of which £97.0m (2007/08: £93.7m) related to land and buildings; and
- (vi) The notional cost of capital of £85.2m (2007/08: £91.6m) which reflects the cost of capital utilised by HMCS to undertake its business and deliver services.

Income

Total operating income of HMCS was £612.2m (2007/08: £592.9m). This mainly consisted of fee income relating to services provided to users of the civil courts of £476.6m (2007/08: £444.6m) and an element of fines receipts retained by HMCS upon collection of £92.4m (2007/08: £105.7m).

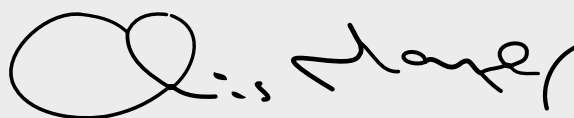
All fee charging services must have a financial objective agreed with HM Treasury; details of the actual and target fee recoveries are shown at note 2.1 to the accounts.

Capital

HMCS capital investments totalled £158.9m (2007/08: £120.2m). Included in this figure is an amount of £27.6m (2007/08: £nil) that relates to an exercise to align the balance sheet with a detailed listing of assets. Further details of this are included at note 6 to the accounts. Major capital investments during the year included: Isleworth (£14.3m), Queen's Building (£9.8m), Westminster Magistrates Court (£5.4m) and Birmingham Magistrates Court (£3.6m).

Other capital expenditure included £50.1m spent on court enhancements, £18.9m on integration opportunities and Disability Discrimination Act requirements and £19.9m on IT change programmes (including LIBRA).

There were £21.6m of properties transferred on to the Balance Sheet for the first time subsequent to the Transfer of Property (Abolition of Magistrates' Courts Committees) Scheme 2005.



Chris Mayer CBE

Chief Executive and Accounting Officer

16 July 2009

Statement of Accounting Officer's Responsibilities

Under section 7(2) of the Government Resources and Accounts Act 2000, HM Treasury has directed Her Majesty's Courts Service (HMCS) to prepare for each financial year a statement of accounts (the annual accounts) in the form and on the basis set out in the Accounts Direction issued by HM Treasury on 18 December 2008. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the agency and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

The Accounting Officer for the Ministry of Justice has designated the HMCS Chief Executive as HMCS' Accounting Officer.

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

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the accounts;
- prepare the accounts on a going concern basis; and
- ensure that, so far as the Accounting Officer is aware, there is no relevant audit information of which the entity's auditors are unaware. The Accounting Officer has taken all the steps that she ought to have taken to make herself aware of any relevant audit information and to establish that HMCS' auditors are aware of that information.

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

Statement on Internal Control

Scope of responsibility

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

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

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

The MoJ Permanent Secretary is supported in his responsibilities by the Access to Justice (AtoJ) Director General who leads within the MoJ on interagency and cross-governmental working. He is a member of the Department's Corporate Management Board. He was also the MoJ member of the HMCS Board until February 2009 when the AtoJ Delivery Director succeeded him.

New arrangements in relation to governance, financing and the operation of HMCS came into force through a new Framework Document for the Agency from 1 April 2008. I am working with the AtoJ Director General to ensure that HMCS'

independent Agency status is respected and safeguarded. The HMCS Audit Committee has commissioned a review to report during 2009/10 to ensure that HMCS governance and that of AtoJ and the wider MoJ are complementary.

As HMCS Chief Executive I have, during this reporting period, instigated a number of changes to HMCS' Management and Committee structure and these arrangements where relevant, are referred to in the body of this statement. I am confident these changes will enhance and develop HMCS internal control framework and further ensure that resources are focussed and deployed appropriately. These developments will continue into 2009/10.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental and agency policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, in accordance with Treasury guidance.

Capacity to handle risk

I acknowledge my overall responsibility for the effective management of risk throughout HMCS. I can confirm that leadership is given to the risk management process and that staff are trained or equipped to manage risk in a way appropriate to their authority and duties. Clarity in roles and responsibilities is essential to ensure that the management of risk is both effective and efficient. Further, it ensures that training and guidance can be targeted effectively. I, as Chief Executive, led on the management of risk within HMCS and have been supported during 2008/09 by a management structure that included but was not limited to:

- the HMCS Board which met on nine occasions throughout the year;
- the HMCS Directors' Board, formerly the Executive Committee, which met monthly;
- the HMCS Audit Committee, which met quarterly, has six non-executive members appointed by the Chief Executive; three (one of which acts as chair) were non-executive directors serving on the HMCS Board and three are chairs of Regional Risk and Audit Committees;
- the HMCS Corporate Services Committee which met monthly chaired by the HMCS Director of Resources and also included a balanced mix of executive management and one non-executive member. This committee was dissolved after August 2008 and functions transferred to the Directors' Board;
- seven Regional Risk and Audit Committees which met quarterly;
- the appointment of an Information Assurance Executive Lead (IAEL) to perform the role of Senior Information Risk Owner within HMCS. The HMCS Information Security Forum is chaired by the IAEL and includes senior operational and corporate staff to review and assess the management of information risk within HMCS;
- the creation of a new Performance and Operations Directorate with responsibility for operational delivery and performance across HMCS; and
- the HMCS Change Governance Group which was responsible for the co-ordination of major change programmes. This committee met periodically during the year and has very recently been replaced by the HMCS Change Board.

The risk and control framework

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

- a governance hierarchy, most notably the HMCS Audit Committee, the HMCS Corporate Services Committee, which met until August 2008 until being dissolved and functions transferred to the Directors' Board, HMCS Corporate Governance and Regional Risk and Audit Committees;
- a network of governance officers within the Agency's directorates and regions to co-ordinate the identification and reporting of internal and external risk and control issues;
- a risk management policy and framework which has been refined to reflect good practice from the wider-Moj. The framework document sets out formal processes for identifying, evaluating, managing and reporting risk. Risks that threaten the achievement of the Agency's objectives are identified and analysed in terms of impact and likelihood and are reported regularly at Corporate, Directorate, Region and Area levels. This strategy was formally issued to all staff and managers under the remit of the Chief Executive and HMCS Board during December 2008;
- a risk management assessment framework which seeks to assess the progression of risk management as a discipline, directed and controlled by HMCS Corporate Governance;
- a defined reporting process that ensures HMCS risks are communicated effectively to the MoJ; and
- the allocation of specific roles including Information Asset Owners, and a dedicated Information Risk Manager within HMCS to enable the effective assessment and management of information risk.

As an executive Agency, HMCS has in place an organisation-wide system of internal control to facilitate the management of risk in accordance with HM Treasury requirements. The HMCS system of internal control includes established governance structures to support the risk management framework; and a range of internal control processes to provide management with financial and operational assurance, including:

- the provision and review of regular management information;
- financial and administrative procedures including delegations of authority and segregation of duties;
- formal approval by the Board of business plans and their regular review against performance by the Directors' Board, formerly the Executive Committee;
- regular reviews by management of financial and operational reports indicating performance against forecasts;
- Health, Safety and Security risk and assurance processes;
- a Business Continuity Planning Board to oversee the management of business continuity plans that are in place across the organisation. During this reporting period connectivity with short term recovery sites (Northampton, Wolverhampton, Coventry) have been established and proved for the Business Continuity Plan for the County Court Bulk Centre (HMCS' bulk processing centre), although a full test of Business Continuity plans has not been carried out. A suitable site within the HMCS estate has now been identified for CCBC operations to continue in the event of an incident, which would render the CCBC site inoperable for a long period of time. Work will be ongoing through this year to properly equip and develop the site and this will include full IT connectivity testing;
- an environment whereby both management and key staff view the management of risk as an opportunity to manage proactively the risks to the Agency's objectives;

- a fraud risk management policy; and
- training for all staff on information security awareness and dedicated training for senior managers on information risk management.

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

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

Assurance over the robustness of internal controls for these services was obtained from, but not limited to, the following mechanisms:

- statements of assurance from MoJ shared service providers
- internal audit reports

During the course of the year, the central MoJ procurement team was disbanded and responsibility transferred within the MoJ. An Assurance Statement is unavailable but I have been able to seek assurances through other mechanisms, including the work of the MoJ Procurement Sub Committee.

During 2008/09 risks to HMCS Information that is in the custody of, or supported by our shared service providers was reviewed against best practice. Where opportunities for improvement were identified, the necessary actions have been agreed and are under implementation for completion during 2009/10.

The Statement on Internal Control for 2007/08 reported four significant control issues. Two of those issues remain as disclosures for the current report and updates have been provided in the final section to this statement. In relation to the other two issues:

- Libra – the technical issues impacting performance targets, particularly resulting have now been largely resolved and performance is satisfactory; and
- Leeds Magistrates' Court – the identified practices that gave rise to this disclosure have been eradicated and a comprehensive action plan to remedy all failures was implemented and remains in operation.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of Internal Audit (IAD) and the executive managers within the Agency who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the HMCS Board, the HMCS Audit Committee and Corporate Services Committee to August 2008 and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The HMCS Board and Directors' Board, formerly the Executive Committee, are regularly updated on the HMCS risk profile and effectiveness of the systems of internal control through the receipt of minutes from the HMCS Audit Committee, the Corporate Services Committee, to August 2008 and also through a review of the HMCS performance reports. Risk management also remains a department wide priority and I obtained further assurance on the management of cross-departmental risks through regular meetings and discussions with the Director General of Access to Justice, a member of the MoJ Corporate Management Board.

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

Governance arrangements for the recently created Performance and Operations Directorate were not fully developed during the reporting period and accordingly formal reporting of assurance arrangements were not in place. I obtained assurance over the risks and elements of internal control for this business area, through regular 1:1 meetings with the Director and through his attendance at HMCS Directors' Board meetings. I am confident that formal and transparent reporting arrangements will be established and developed early in the new financial year.

The MoJ's Internal Audit Division (IAD) provides a comprehensive programme of internal audit across HMCS activities, operating to Government Internal Audit Standards. IAD submits regular reports, including the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Agency's governance, control and risk management arrangements together with recommendations for improvement. The opinion arising from IAD's work undertaken for 2008/2009 is that overall, HMCS has a rating of amber/red (medium/low) which indicates that governance, risk management and control arrangements were found not to be fully developed, not to be operated effectively or consistently applied and/or were found to contain a number of weaknesses.

The main issues that contributed to this overall opinion include the need for more effective and consistent control over the completion of bank reconciliations, particularly within Magistrates' courts. The HMCS Finance Director is developing an improvement plan to address this issue. In addition, concerns have been identified following a review of criminal enforcement procedures, in particular the need to improve controls around the monitoring of outstanding warrants. I have instigated a programme of work to provide significant improvement to the way this important area is managed.

With these actions, and others that have already been put in place to address the other issues in the audit report, which I and HMCS Senior Management have acknowledged, IAD have indicated that they expect HMCS' assurance opinion will be raised to a Green/Amber rating (high/medium) during the course of 2009/10.

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

- an Assurance Working Group that has been created to ensure that assurance processes cover all activities and become more effective and robust in the provision of evidence to support the regional and directorate level statements on internal control. The group are planning to roll out new assurance procedures across the operational arm of HMCS during 2009/10 which will enhance and consolidate the existing assurance regime;
- MoJ shared service statements of assurance;
- National Audit Office (NAO) Reports - HMCS welcomes the NAO report into the Administration of the Crown Court. We are pleased the report recognises the practical steps we have already taken to improve the use of the Court's resources to administer justice effectively and support victims and witnesses, who are at the heart of the criminal justice system. We will consider the recommendations made many of which we are already implementing or have plans to do so. A full copy of the report may be obtained from the NAO Website;
- The Annual HM Treasury Report on Fraud;
- an annual information risk assessment from the IAEL, reviewed by the Information Security Forum and National Audit Committee setting out identified risks and mitigations implemented;
- During 2008/09 a dedicated information assurance programme also reviewed key processes for management of information within HMCS;

- Corporate Governance updates to the Regional Risk and Audit Committees and the HMCS Audit Committee;
- HM Inspectorate of Courts Administration publications and annual report; and
- Assurance and quality reviews of programmes by the Change Governance Group, very recently reconstituted as the HMCS Change Board.

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

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

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

Significant control issues

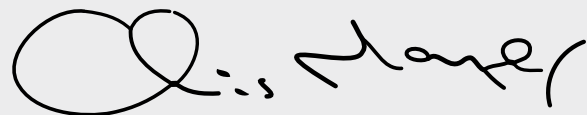
The following significant control issues have been highlighted

- Information Security - Consistent with the requirements of the Security Policy Framework, I include in this statement the details of significant data losses. All data losses within HMCS are reviewed to identify and apply best practice across the organisation. All incidents are subject to thorough investigation and taken extremely seriously. The mishandling of data by staff can be grounds for disciplinary action. During the year an incident was identified where a limited number of case files in one court were identified as missing from between the period 1974 to 1982. Whilst this occurred prior to the formation of HMCS, this is a historical error that has been thoroughly investigated and reviewed. Another incident during the year involved the loss of 1500 staff details contained on removable media following an individual staff member's failure to adhere to HMCS policy. All affected members of staff were advised of the loss, the policy requirements reiterated to all staff and local controls reviewed. All other incidents were also subject to dedicated management and review by Directors. No incidents occurred during the year that required reporting to the Information Commissioner.
- Ongoing investigation - An investigation into the loss of HMCS funds in the region of £30K is currently underway. Further information cannot be disclosed at this time, as to do so may prejudice the outcome of the investigation.
- Information Commissioner Investigation - In 2007/08 HMCS reported that a number of complaints against MoJ (as the Data Controller) had been made regarding subject access request (SAR) failures within HMCS by the Information Commissioner's Office (ICO). During 2008/09 the process for receiving and responding to such

reviews underwent significant review. A Senior Responsible Officer for SARs was appointed and a specialised network of regional contacts to facilitate the effective handling of these requests implemented. This remains an area of ongoing testing and review to continue to improve the responsiveness and efficiency of both the MoJ and HMCS in responding to these requests.

- Estates Procurement – An issue relating to a property leasing transaction in 2003/2004 was reported in last year's SIC. HMCS was at that time and remains aware of issues relating to property transactions between 2002-2004 concerning two properties (including that mentioned in last year's SIC). An internal review has taken place and as a result I am seeking further assurance about the review from an independent panel.

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



Chris Mayer CBE

Chief Executive and Accounting Officer

16 July 2009

Remuneration Report

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

Board members' remuneration report

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

Name	Board member's role	2008/09 Salary (excluding pension contributions) £000	Full year salary equivalent (excluding pension contributions) £000	2008/09 Benefits in kind	2007/08 Salary (excluding pension contributions) £000	2007/08 Benefits in kind
Sir Duncan Nichol CBE	Chairman (from 1 April 2008)	95–100	95–100	Nil	Nil	Nil
Neil Ward	Interim Chief Executive (to 25 June 2008)	25–30	125–130	Nil	120–125	Nil
Chris Mayer CBE	Regional Director (from 1 April 2008 to 25 June 2008) and Chief Executive (from 26 June 2008)	115–120	115–120	Nil	Nil	Nil
Patricia Lloyd	Acting Director Crime and Strategy (to 1 June 2008)	10–15	80–85	Nil	10–15	Nil
Anita Bharucha	Director, Court Improvement (from 2 June 2008)	85–90	105–110	Nil	Nil	Nil
Philip Lloyd	Director of Resources (to 31 October 2008)	75–80 ¹	130–135	Nil	130–135	Nil
Steve Finch	Interim Director of Resources (from 1 November 2008)	30–35	75–80	Nil	Nil	Nil
Kevin Pogson CBE	Regional Director (from 26 June 2008)	90–95	115–120	Nil	Nil	Nil
Guy Beringer QC	Non Executive Director (from 1 April 2008)	10–15	10–15	Nil	Nil	Nil
Kenneth Ludlam	Non Executive Director	10–15	10–15	Nil	5–10	Nil
Peter Handcock CBE	Access to Justice Director-General, Ministry of Justice representative (from 1 April 2008 to 24 February 2009)	Nil ²	Nil ²	Nil ²	Nil	Nil
Karen Wheeler CBE	Access to Justice Director of Change Program, Ministry of Justice Representative (from 25 February 2009)	Nil ³	Nil ³	Nil ³	Nil	Nil

Table continues overleaf

Lord Justice Leveson	Judicial Member	Nil	Nil	Nil	Nil	Nil
Lord Justice Stanley Burnton	Judicial Member (from 1 April 2008)	Nil	Nil	Nil	Nil	Nil
District Judge Michael Walker CBE	Judicial Member (from 1 April 2008)	Nil	Nil	Nil	Nil	Nil

Notes:

¹ In addition to the salary payments shown above, Philip Lloyd received a lump sum compensation payment on departure within the range £270,000 to £275,000.

² Peter Handcock CBE sat on the HMCS Board as the formal representative of the Ministry of Justice. Remuneration details are disclosed separately within the Ministry of Justice resource accounts.

³ Karen Wheeler CBE sits on the HMCS Board as the formal representative of the Ministry of Justice. Remuneration details are disclosed separately within the Ministry of Justice resource accounts.

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

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

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. There were no amounts payable to third parties in respect of Board members in 2008/09.

Lord Justice Leveson, Lord Justice Stanley Burnton and District Judge Michael Walker CBE are remunerated as judges and receive no additional payments as directors of HMCS.

After the financial year, Owen Mapley was appointed as HMCS Director of Finance and replaced Steve Finch. This appointment was effective from 5 May 2009.

Board members' service contracts

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

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

Name	Contract start date	Unexpired term	Notice period
Sir Duncan Nichol CBE ²	01 - 04 - 08	2 years	1 month
Neil Ward	17 - 02 - 03	N/A ³	N/A ³
Chris Mayer CBE	05 - 12 - 74	To retirement	3 months
Patricia Lloyd	04 - 09 - 05	N/A ³	N/A ³
Anita Bharucha	26 - 08 - 93	To retirement	3 months
Philip Lloyd	04 - 01 - 05	N/A ³	N/A ³
Steve Finch	01 - 04 - 05	To retirement	3 months
Kevin Pogson CBE	27 - 02 - 67	To retirement	3 months
Guy Beringer QC ²	01 - 04 - 08	2 years	1 month
Kenneth Ludlam ²	01 - 04 - 07	1 year	1 month
Peter Handcock CBE	04 - 01 - 71	To retirement	3 months
Karen Wheeler CBE	01 - 07 - 03	To retirement	3 months
Lord Justice Leveson ¹	N/A	N/A	N/A
Lord Justice Stanley Burnton ¹	N/A	N/A	N/A
District Judge Michael Walker CBE ¹	N/A	N/A	N/A

Notes:

¹ Judicial members do not operate under contracts.

² Non Executive Directors are employed on fixed-term contracts of three years

³ Resigned from the board during the year.

There was no provision in the accounts for compensation of HMCS senior managers as at 31 March 2009. Early termination, other than by misconduct, would result in the individual receiving compensation in accordance with the terms of the Civil Service Compensation Scheme under section 1 of the Superannuation Act 1972.

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

Name	Real increase in pension at age 65 and related lump sum in 2008/09	Accrued pension at age 65 and related lump sum at 31 March 2009	CETV at 31 March 2009	CETV at 31 March 2008 ²	Real increase in CETV
	£000	£000	£000	£000	£000
Sir Duncan Nichol CBE ¹	N/A	N/A	N/A	N/A	N/A
Neil Ward	0 - 2.5 plus 0 - 2.5 lump sum	50 - 55 plus 145 - 150 lump sum	1,036	1,027	8
Chris Mayer CBE	2.5 - 5.0 plus 10.0 - 12.5 lump sum	40 - 45 plus 130 - 135 lump sum	878	743	67
Patricia Lloyd (from 1 Feb 2008)	0 - 2.5 plus 0 - 2.5 lump sum	35 - 40 lump sum NIL	590	568	1
Anita Bharucha	0 - 2.5 plus 2.5 - 5.0 lump sum	5.0 - 10.0 plus lump sum 15 - 20	60	44	11
Philip Lloyd	0 - 2.5 plus 0 - 2.5 lump sum	20 - 25 plus 65 - 70 lump sum	339	326	11
Steve Finch	0 - 2.5 lump sum NIL	0 - 5.0 lump sum NIL	41	37	1
Kevin Pogson CBE	0 - 2.5 plus 0 - 2.5 lump sum	50 - 55 plus 150 - 155 lump sum	1,161	1,064	11
Guy Beringer QC ¹	N/A	N/A	N/A	N/A	N/A
Kenneth Ludlam ¹	N/A	N/A	N/A	N/A	N/A
Peter Handcock CBE	N/A	N/A	N/A	N/A	N/A
Karen Wheeler CBE	N/A	N/A	N/A	N/A	N/A
Lord Justice Leveson	N/A	N/A	N/A	N/A	N/A
Lord Justice Stanley Burnton	N/A	N/A	N/A	N/A	N/A
District Judge Michael Walker CBE	N/A	N/A	N/A	N/A	N/A

Notes:

¹ Non-executive HMCS Board members, no pension contributions are made on their behalf.

² The CETV figures at 31 March 2008 may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

Pension benefits

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

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable earnings for each

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

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

Further details about the PCSPS arrangements can be found at www.civilservice-pensions.gov.uk

Cash equivalent transfer values

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

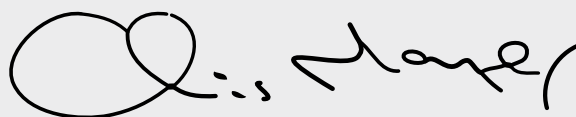
The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures and other pension details include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Principal Civil Service Pension Scheme and for which the Civil Superannuation Vote has received a transfer

payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost.

CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

Real increase in cash equivalent transfer value

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation and contributions paid by the employee. This includes the value of any benefits transferred from another pension scheme or arrangement and uses common market valuation factors for the start and end of the period.



Chris Mayer CBE

Chief Executive and Accounting Officer

16 July 2009

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

I certify that I have audited the financial statements of Her Majesty's Courts Service for the year ended 31 March 2009 under the Government Resources and Accounts Act 2000. These comprise the Income and Expenditure Account and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Agency, the Chief Executive and auditor

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, the information, which comprises the Chief Executive's Report, included in the Annual

Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

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

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the unaudited part of the remuneration report and Part I: About Her Majesty's Court Service. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

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

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

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Agency's affairs as at 31 March 2009, and of the net operating cost, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information, which comprises the Chief Executive's Report, included within the Annual Report, is consistent with the financial statements.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

Amyas CE Morse

Comptroller and Auditor General

National Audit Office

151 Buckingham Palace Road

Victoria, London

SW1W 9SS

17 July 2009

Income and Expenditure Account for the Year Ended 31 March 2009

		2008/09	2007/08 restated*
	Notes	£000	£000
Income	3	612,219	592,934
Total operating income		612,219	592,934
Operating costs:			
Staff costs	4	859,425	838,535
Other operating costs	5.1	1,002,527	812,033
Depreciation	6	118,129	115,654
Total operating costs		1,980,081	1,766,222
Net cost of operations before interest		(1,367,862)	(1,173,288)
Interest payable	5.2	115,882	121,904
Net cost of operations		(1,483,744)	(1,295,192)

*The figures for 2007/08 have been restated as a result of the machinery of government changes outlined in notes 1.18 and 20.

All activities are continuing. The Judicial Policy & Appointments Division transferred from HMCS to the Access To Justice directorate of the Ministry of Justice on 1 April 2009; details of this transfer are given in note 17.3.

Statement of Recognised Gains and Losses for the Year Ended 31 March 2009

		2008/09	2007/08
	Notes	£000	£000
Machinery of Government change**	1.18, 20	4,289	12,759
Net assets introduced resulting from the formation of HMCS	6, 11.1	21,648	32,760
Unrealised (deficit)/surplus on revaluation of tangible fixed assets	11.2	(158,875)	22,615
Total recognised gains and losses		(132,938)	68,134

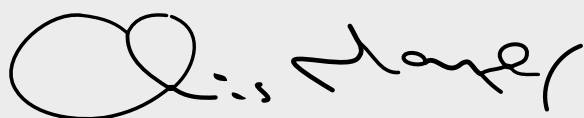
**This relates to the restatement of the figures for 2007/08 to exclude transactions relating to the Civil & Family division and the Law Commission functions and include transactions relating to the Judicial Policy and Appointments function, as detailed in notes 1.18 and 20.

The notes on pages 64 to 94 form part of these accounts.

Balance Sheet as at 31 March 2009

		2008/09	2007/08 restated*
	Notes	£000	£000
Fixed assets			
Tangible fixed assets	6	3,087,043	3,365,345
Current assets			
Debtors	7	47,012	51,220
Cash and cash equivalents	8	239,450	199,676
Total current assets		286,462	250,896
Creditors: amounts falling due within one year	9.1	244,312	291,926
Net current assets		42,150	(41,030)
Total assets less current liabilities		3,129,193	3,324,315
Creditors: amounts falling due after more than one year	9.2	225,016	241,768
Provisions for liabilities and charges	10	471,538	303,044
Total net assets		2,432,639	2,779,503
Taxpayers' equity			
General fund	11.1	2,156,598	2,317,984
Revaluation reserve	11.2	276,041	461,519
Total taxpayers' equity		2,432,639	2,779,503

*The figures for 2007/08 have been restated as a result of the machinery of government changes outlined in notes 1.18 and 20.



Chris Mayer CBE

Chief Executive and Accounting Officer

16 July 2009

The notes on pages 64 to 94 form part of these accounts.

Cash Flow Statement for the Year Ended 31 March 2009

		2008/09	2007/08 restated*
	Notes	£000	£000
Net cash outflow from operating activities			
Net cost of operations		(1,483,744)	(1,295,192)
Adjust for notional and non-cash costs	a	859,651	649,533
Adjust for movements in working capital	b	(78,500)	45,327
Adjust for Machinery of Government changes		-	(11,163)
Cash movement in provisions		(14,914)	(76,303)
		(717,507)	(687,798)
Net cash outflow from investing activities			
Purchase of fixed assets		(102,644)	(104,760)
Proceeds from disposal of fixed assets		12,192	3,424
		(90,452)	(101,336)
Net cash outflow from financing activities			
Funding from the Ministry of Justice		855,171	899,280
Transfers with other government departments		65	(26,985)
Capital element of PFI contracts		(8,925)	(8,130)
Capital element of finance leases		(27)	(24)
Repayment of Local Authority Loan		(2,204)	(3,531)
		844,080	860,610
Increase/(decrease) in third party balances		3,653	(13,987)
Increase in cash in the year		39,774	57,489

*The figures for 2007/08 have been restated as a result of the machinery of government changes outlined in notes 1.18 and 20.

The notes on pages 64 to 94 form part of these accounts.

Notes to the Cash Flow Statement

a. Summary of notional and non-cash costs

	2008/09	2007/08
	£000	£000
Consolidated Fund judicial salaries	139,854	130,326
Notional interest on capital	85,200	91,560
External auditor's remuneration	495	400
Loss on disposal of fixed assets	3,417	2,058
Impairment in asset value	173,770	149,984
Notional rent	2,134	2,516
Movement in provisions	183,408	60,378
Departmental recharge	150,598	96,921
Bad debt provision	2,646	(264)
Depreciation	118,129	115,654
Total notional and non-cash costs	859,651	649,533

b. Movements in working capital

	2008/09	2007/08
	£000	£000
Decrease in debtors	4,208	18,510
Adjusted for movement in:		
Bad debt provision	(2,646)	264
Net intra-departmental debtors	(1,806)	(15,964)
Fixed asset debtors	(5,933)	(7,760)
Total increase in debtors	(6,177)	(4,950)
(Decrease)/increase in creditors	(64,366)	44,498
Adjusted for movement in:		
Balances payable to other government departments	(65)	26,985
Net intra-departmental creditors	15,935	(38,916)
Capital value of PFI contract < 1 year	-	(883)
Capital element of PFI contract > 1 year	8,925	(13)
Obligations under finance leases < 1 year	27	(17,987)
Obligations under finance leases > 1 year	-	(363)
Repayment of local authority loan < 1 Year	-	18
Repayment of local authority loan > 1 Year	2,204	3,513
Other working capital movements	(1,100)	-
Third party balances	(3,653)	13,987
Fixed asset creditors	(30,230)	19,438
Total (decrease)/increase in creditors	(72,323)	50,277
Total movement in working capital	(78,500)	45,327

Notes to the Accounts for the Year Ended 31 March 2009

1. Statement of accounting policies

The accounts have been prepared in accordance with the 2008/09 Government Financial Reporting Manual (FRoM) issued by HM Treasury. The accounting policies contained in the FRoM follow the Generally Accepted Accounting Principles in the United Kingdom (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

This is the first year of adoption of the new financial instruments standards, as adapted for use in the public sector, by HMCS. The new standards are:

- FRS 25 Financial Instruments: Presentation;
- FRS 26 Financial Instruments: Recognition and Measurement; and
- FRS 29 Financial Instruments: Disclosure.

The HM Treasury election not to restate prior year balances has been taken, however prior year comparatives in relation to these new standards have been shown where relevant.

1.1 Accounting convention

The accounts have been prepared under the historical cost convention; modified to current cost to account for the revaluation of fixed assets, except for financial assets and liabilities that are held at amortised cost.

1.2 Administration and programme expenditure

The Income and Expenditure account is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows HM Treasury budgetary requirements.

1.3 Fixed assets – land and buildings (including dwellings)

Land and buildings (including dwellings) are included on the basis of professional valuations, which are conducted annually for each property. The Valuation Office Agency (VOA) carries out the valuations in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual, known as the “Red Book”.

Land is valued at open market value for existing use.

The majority of buildings are specialised and by their nature cannot be sold on the open market for continuation in their existing use; these specialised properties are all valued at depreciated replacement cost to a modern equivalent basis.

Buildings under construction are valued at historical cost within ‘Assets under construction’. A fixed asset ceases to be classified as an asset under construction when it is ready for use; at this point its historic cost is removed from assets under construction and transferred to land and buildings. Depreciation is then charged on the asset in accordance with the policy shown in note 1.5 below.

Buildings that are both vacated and awaiting disposal are valued at open market value and these have been included within the relevant fixed asset classification.

All other buildings are valued at either existing use or open market value.

The Transfer of Property Scheme 2005 (PTS)

A number of properties are recognised on the balance sheet where HMCS holds the risks and rewards of ownership but where legal title is awaiting clarification following the high court judgement of the Property Transfer Scheme (PTS) as referred to in note 6.

A number of properties are not recognised on the balance sheet although the PTS has secured the right to use them. This is due to the high court judgement declaring the transfer invalid as referred to in note 6. Where a legal transfer of these properties is later made then they are recognised on the balance sheet at the most recent valuation, being the preceding 31st March. Upon transfer these properties will be included within fixed assets and credited to the General Fund.

A number of the properties that are recognised as a result of the PTS have a related loan in the name of the relevant local authority, being the previous owner. In such cases HMCS has agreed to pay 80% of the loan repayments and interest and consequently this share of the loan is recognised as short term and long term creditors on the balance sheet.

1.4 Fixed assets – non land and buildings

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

Assets under construction are valued at historical cost within 'Assets under construction'. A fixed 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 relevant category within fixed assets.

1.5 Depreciation

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

Leasehold land with a remaining lease term of less than 125 years	remaining lease period
Freehold buildings (including dwellings)	shorter of remaining life or 60 years
Leasehold buildings (including dwellings)	shortest of remaining life, remaining lease period or 50 years
The remaining life of buildings is determined according to the rolling programme of professional valuations.	
Information technology	7 years
Plant and equipment	3 to 5 years
Furniture, fixtures and fittings	10 to 20 years
Finance leases	remaining lease period

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

1.6 Impairment

Fixed assets are subject to an annual impairment review. Impairments arising from a loss in economic or a loss in service potential are charged to the income and expenditure account. Any associated revaluation reserve balance is then released to the general fund.

Impairment amounts resulting from downward price movements, are initially charged against revaluation surpluses, where one exists, for each asset. Impairments amounts in excess of previous surpluses, or where no previous surplus exists, are charged to the income and expenditure account.

The value of any capital projects that are abandoned while under construction is charged to the income and expenditure account.

1.7 Third party balances

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

1.8 Income

Operating income, excluding recoverable VAT, is authorised by HM Treasury to be treated as income appropriated in aid.

Funding from the Ministry of Justice is credited directly to the General Fund.

Fee income

Fee income consists of amounts for services rendered to court users and is recorded when the service is provided. Elements that relate to work yet to be completed are held on the balance sheet as deferred income, they are subsequently recognised as income upon completion of the service. The point in time at which the income is recognised depends upon the nature and circumstances of the individual service which is provided. For most

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

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

Fines income

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

- (1) Warrant enforcement: An element of fines collected by HMCS on behalf of other government departments is retained to cover the cost of fine enforcement operations.
- (2) Fine incentives: An additional element of the fines collected on behalf of other government departments is retained in line with the fines incentive scheme. This scheme is based on fine collection rates for the period.
- (3) Asset recovery: HMCS is entitled to receive 12.5% (2007/08: 16.7%) of proceeds from assets recovered during the period on behalf of and as agreed with other participating government departments.
- (4) Courts Act income: This is received towards the implementation of initiatives related to the national rollout of the Courts Act 2003.

Impositions other than fines

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

Receipts of fixed penalties, confiscation orders, prosecutors' costs and compensation orders are remitted directly to appropriate government departments or the victims of crime and are not recognised as income for HMCS.

1.9 Provisions

A provision is recognised on the balance sheet when HMCS has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and when there is uncertainty around the timing or amount of the outflow required to settle the obligation.

Where the effect is material, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury (currently 2.2%).

1.10 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, HMCS discloses, for Parliamentary reporting and accountability purposes, certain statutory and non-statutory contingent liabilities where the likelihood of transfer of economic benefit is remote as required by the Managing Public Money guidelines.

Where the time value of money is material, contingent liabilities that are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be reported under FRS 12 are stated at the amount reported to Parliament.

1.11 Pensions

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

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

There is a separate scheme for the benefit of the Law Commission which is 'by analogy' or similar to the PCSPS. The Law Commission transferred out of HMCS on 1 April 2008 (see Note 20) and the prior year comparative figures have been restated accordingly. Before the transfer, a provision had been made in these accounts for the future cost of benefits under this scheme.

The PCSPS is an unfunded multi-employer defined benefit scheme, which prepares its own accounts, but for which HMCS is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office Civil Superannuation (www.civilservice-pensions.gov.uk).

There is also a provision for pension transfer deficit resulting from the transfer of employees from Magistrates' Courts Committees to HMCS in 2005, since this represents an additional liability calculated under a separate agreement with the PCSPS. This provision is formally valued on an annual basis by the Government Actuary's Department (GAD) and the amount recorded in the balance sheet reflects this valuation. Further details of this balance are contained at note 10.1.

1.12 Early departure costs

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

1.13 Notional costs

The salary and social security costs of senior judges, being independent of HMCS, are funded from the consolidated fund and are included in the accounts of HMCS as notional costs. Senior judges also receive long service award payments under an agreement with the Ministry of Justice. There is a provision for these payments within the Ministry's Resource Accounts.

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

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

1.14 Operating leases

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

1.15 Finance leases

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

1.16 Private Finance Initiative (PFI) transactions

PFI transactions have been accounted for in accordance with HM Treasury's Technical Note No. 1 (Revised) "How to account for PFI Transactions" as required by the FReM.

Where the balance of risks and rewards of ownership of the PFI asset are borne by the PFI operator, the PFI payment is recoded as an operating cost. Where HMCS has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract. Where a property reverts to HMCS at the end of the PFI contract, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year.

Where the balance of risks and rewards of ownership of the PFI asset is borne by HMCS, the asset is recognised as a fixed asset and the liability to pay for it is accounted for as a finance lease. Contract payments are apportioned between an imputed finance lease charge and a service charge.

1.17 Financial instruments

Recognition

Financial assets and financial liabilities which arise from contracts for the purchase and sale of non-financial items (such as goods or services), which are entered into in accordance with HMCS' normal purchase, sale or usage requirement, are recognised when, and to the extent which, performance occurs.

All other financial assets and liabilities are recognised when HMCS becomes party to the contractual provisions to receive or make cash payments.

De-recognition

A financial asset is considered for de-recognition when the contractual rights to the cash flows from the financial asset expire, or HMCS has either transferred the contractual right to receive the cash flows from the asset, or has assumed an obligation to pay those cash flows to one or more recipients, subject to certain criteria.

HMCS de-recognises a transferred financial asset if it transfers substantially all the risks and rewards of ownership.

Classification and measurement

Financial assets and liabilities are classified as loans and receivables and are measured at amortised cost.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market.

HMCS's loans and receivables comprise cash and cash equivalents, trade and other debtors, deposits and advances, accrued income, intra-departmental debtors and inter-department debtors.

Loans and receivables are initially recognised at fair value, net of transaction costs and are measured at amortised cost using the effective interest rate method.

The effective interest rate is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or expense over the relevant period using the estimated future cash flows.

Impairment of financial assets

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

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

Financial assets are recorded in the balance sheet net of any impairments.

Financial liabilities

All financial liabilities are recognised initially at fair value, plus any transaction costs incurred, and then measured at amortised cost using the effective interest rate method.

They are included in current liabilities except for the amounts payable more than twelve months after the balance sheet date, which are classified as long term liabilities.

Interest on financial liabilities carried at amortised cost is calculated using the effective interest rate method and is charged to the income statement.

Non-financial assets and liabilities

Non-financial assets and liabilities are held at historical cost. Where applicable, interest is calculated using the effective interest rate method and is charged to the income statement.

1.18 Machinery of Government changes - restatement of prior year balances

The responsibilities of the Civil & Family and Law Commission functions transferred from HMCS to the Access To Justice Directorate of the Ministry of Justice on 1 April 2008. The responsibility of the Judicial Policy & Appointments function transferred from the Access to Justice Directorate of the Ministry of Justice to HMCS on 1 April 2008.

These transfers have been accounted for using merger accounting in accordance with the FReM. The 2007/08 accounts are therefore presented as if the Civil & Family and Law Commission functions had always been part of the Access To Justice Directorate of the Ministry of Justice and the Judicial Policy & Appointments function had always been a part of HMCS.

Details of the restatement of the 2007/08 accounts are shown in note 20.

Certain costs shown within other operating costs have been reclassified within categories in note 5.1 and have no net effect on the total operating costs.

1.19 Consolidation

HMCS is an executive agency of the Ministry of Justice and is consolidated within the Ministry of Justice resource accounts.

2. Segmental analysis

2.1 Fees and charges

HMCS is required, in accordance with HM Treasury's Managing Public Money to disclose performance results for the areas of its activities where fees and charges are made. The analysis is not intended to meet the requirements of the Statement of Standard Accounting Practice 25 - Segmental Reporting, which is not applicable to HMCS under the FReM.

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

HMCS reports on the civil business segment against its four constituent business streams: family; civil (higher courts); civil (magistrates' courts); and non-contentious probate.

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

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

	Gross income	Income foregone via REMEX	Net income	Expenditure	Net surplus/ (deficit)	Gross surplus/ (deficit)	Fee recovery	
	£000	£000	£000	£000	£000	£000	Actual %	Target %
				Notes 1, 2			Note 3	
Civil business								
Family	96,823	13,945	82,878	198,757	(115,879)	(101,934)	49	100
Civil (higher courts)	371,415	9,455	361,960	361,971	(11)	9,444	103	100
Probate	16,486	5	16,481	13,797	2,684	2,689	119	100
Civil (magistrates courts)	15,340	66	15,274	32,086	(16,812)	(16,746)	48	100
Total civil business	500,064	23,471	476,593	606,611	(130,018)	(106,547)	82	100
2007/08 civil business	472,095	27,484	444,611	607,721	(163,110)	(135,626)	78	100

Notes:

1. The costs above include the judicial costs that are borne directly by the Consolidated Fund and a notional cost for insurance.
2. The total resource spend for HMCS modernisation of civil and family IT systems is included.
3. The fee recovery target is calculated using gross income against expenditure; this complies with HM Treasury's Managing Public Money guidance of setting fees 'at cost' Annex 6.2.

Moj is taking forward a strategy, agreed by Ministers, for reviewing and reforming the court fee system for civil business. Much of the work to implement this strategy will take place during the CSR07 period. Its objectives are to ensure that the court fees system:

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

Following a public consultation (CP32/07), Moj introduced a new fee structure for Public Law Children Act applications on 1 May 2008. The effect was to transfer funding and liability for the full cost of these court proceedings from HMCS to the authorities that initiate the cases.

In addition, changes in legislation saw the introduction of four new fee charges for enforcement of orders in family courts. The most current fees orders are:

- The Civil Proceedings Fees (Amendment) Order 2008 [no 2853] which amends The Civil Proceedings Fees Order 2008 No. 1053 (L.5);
- The Family Proceedings Fees (Amendment) Order 2008 [no.2856] which amends The Family Proceedings Fees Order 2008 No. 1054 (L.6);
- The Non- Contentious Probate Fees (Amendment) Order 2008 [no 2854] which amends The Non Contentious Fees Order 2004 No 3120 (L.22);
- The Magistrates' Courts Fees (Amendment) Order 2008 [no. 2855] which amends The Magistrates' Courts Fees Order 2008 No. 1052 (L.4)

2.2 Administration and programme costs

Of the total operating costs shown in the income and expenditure account, £18.7m (2007/08: £16.4m) are classified as administration costs according to HM Treasury budgetary requirements; all other costs are programme costs.

3. Operating income

	2008/09	2007/08 restated*
	£000	£000
Fee income	476,593	444,611
Fines Income	92,388	105,685
Rental income	1,502	1,816
Miscellaneous income	41,736	40,822
Total operating income	612,219	592,934

*The figures for 2007/08 have been restated as a result of the machinery of government changes outlined in notes 1.18 and 20.

3.1 Fee income

Fee income comprises amounts received from the four business streams as shown in note 2.1.

3.2 Fines income

Fines income consists of warrant enforcement income, Courts Act income, fine incentive income and asset recovery income. Warrant enforcement income contributed £64.0m (2007/08: £66.6m); fine incentive income contributed £11.9m (2007/08: £17.0m); asset recovery income contributed £10.2m (2007/08: £15.2m) and £6.3m (2007/08: £6.9m) of Courts Act income was received toward the implementation of initiatives related to the national rollout of the Courts Act 2003.

3.3 Rental income

Rental income comprises property rental, sub-letting and other rental paid by occupiers of the HMCS estate and is recorded net of Memorandum Of Terms of Occupation (MOTO) recoveries.

3.4 Miscellaneous income

Miscellaneous revenue included £1.3m (2007/08: £1.3m) from wider market initiatives; £6.6m (2007/08: £7.5m) from safety camera partnership income; bailiff fees of £15.1m (2007/08: £15.0m); Legal Services Commission service charges of £14.8m (2007/08: £13.7m); and other income of £3.9m (2007/08: £3.4m).

4. Staff and judiciary costs and numbers

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

		2008/09	2007/08 restated*
	Notes	£000	£000
Staff costs	4.1	574,949	568,025
Judicial costs	4.2	284,476	270,510
Total staff and judicial costs		859,425	838,535

4.1 HMCS staff

	2008/09	2007/08 restated*
	£000	£000
Wages and salaries	467,528	462,833
Social security costs	30,410	30,165
Employer's pension contributions	77,061	75,730
	574,999	568,728
Add: inward secondments	1,485	1,071
	576,484	569,799
Less: recoveries in respect of outward secondments	(1,535)	(1,774)
Total staff costs	574,949	568,025

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

	2008/09	2007/08 restated*
	Average FTEs	Average FTEs
Magistrates' courts	6,742	6,965
County courts	4,557	4,410
Crown Court	2,390	2,385
Civil appeals	61	67
Criminal appeals	116	111
Royal Courts of Justice	892	914
HQ including judges lodgings	552	544
Enforcement	1,162	1,186
Other offices	2,631	2,630
Total staff numbers	19,103	19,212

*The figures for 2007/08 have been restated as a result of the machinery of government changes outlined in notes 1.18 and 20.

Included within the wages and salaries figure above is £34.9m (2007/08: £37.1m) relating to agency and contract staff.

The PCSPS is an unfunded multi-employer defined benefit scheme, which prepares its own accounts, but for which HMCS is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007.

Details can be found in the resource accounts of the Cabinet Office Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2008/09, employer's contributions of £77.1m (2007/08 restated*: £75.7m), were payable to the PCSPS at one of four rates in the range of 17.1% to 25.5% of pensionable pay, based on salary bands. Employer's contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

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

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

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

4.2 Judiciary

Members of the judiciary are independent of HMCS. Their payroll costs are met either from the Consolidated Fund, in the case of senior judiciary, or directly by HMCS for other judiciary; all costs are included within the HMCS accounts.

	2008/09			2007/08 restated*		
	Senior judicial salaries	Other judicial salaries	Total	Senior judicial salaries	Other judicial salaries	Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	125,454	79,206	204,660	115,982	78,130	194,112
Social security costs	14,400	8,992	23,392	13,761	8,936	22,697
Employer's pensions contribution	40,260	16,164	56,424	38,397	15,304	53,701
Total payroll costs of the judiciary	180,114	104,362	284,476	168,140	102,370	270,510

*The figures for 2007/08 have been restated as a result of the machinery of government changes outlined in notes 1.18 and 20.

HMCS meets the salary costs of District Judges and all fees paid to Deputy Judges. Costs include salary costs for 491 judicial officers (2007/08: 514 judicial officers), including District Judges and 57,423 fee paid days (2007/08: 61,734 fee paid days), equivalent to 281 full-time District Judges (2007/08: 302 full-time District Judges). The salary costs of a further 956 members (2007/08: 938 members) of the senior judiciary were met from the consolidated fund.

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

Judicial pensions are paid out of the consolidated fund where the judicial office holder's salary was paid from that fund, or the JPS where the salary has been paid from the department's supply estimate. Superannuation has been included for judicial salaries using a rate of 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.

5. Other administrative costs

5.1 Other operating costs

	2008/09	2007/08 restated*
	£000	£000
Accommodation, maintenance and utilities	229,972	230,062
Juror costs	42,653	40,511
PFI service charges	31,607	28,442
Communications, office supplies and services	37,133	41,112
Contracted service costs	26,763	29,767
IT services	25,901	25,465
Agency staff and consultancy costs	7,547	10,732
Other grant	1,784	10,154
Other staff costs (including travel, subsistence and hospitality)	10,021	26,602
Other judicial costs (including travel and subsistence)	33,742	31,247
Other costs	9,204	2,193
	456,327	476,287
Operating Leases:		
Property rental costs	42,336	36,889
Hire of plant and machinery	1,262	1,782
Other expenditure	2,619	2,601
	46,217	41,272
Non-cash costs:		
External auditors remuneration – audit of the financial statements	440	400
External auditors remuneration – IFRS transition	55	-
Loss/(profit) on disposal of fixed assets	3,417	2,058
Impairment of fixed assets	173,770	149,984
Notional rent	2,134	2,516
Movement in provisions	166,923	42,859
Departmental recharges	150,598	96,921
Movement in bad debt provision	2,646	(264)
	499,983	294,474
Total other operating costs	1,002,527	812,033

*The figures for 2007/08 have been restated as a result of the machinery of government changes outlined in notes 1.18 and 20

5.2 Interest payable

	2008/09	2007/08
	£000	£000
Notional cost of capital	85,200	91,560
Interest on pension transfer deficit	12,000	12,000
Unwinding of discount on provisions	4,485	4,678
Local authority loan interest	3,361	3,135
PFI finance charges	10,836	10,531
Total interest payable	115,882	121,904

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

6. Tangible fixed assets

	Land and buildings excluding dwellings ^{1,2,4}	Dwellings ^{3,4}	Information technology	Plant and equipment	Furniture, fixtures and fittings	Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
As at 1 April 2008	3,128,089	23,837	98,056	14,825	15,314	142,982	3,423,103
Machinery of Government change	-	-	(4)	(46)	(28)	-	(78)
As at 1 April 2008 restated*	3,128,089	23,837	98,052	14,779	15,286	142,982	3,423,025
Assets introduced resulting from the formation of HMCS ⁶	21,648	-	-	-	-	-	21,648
Additions ⁵	16,802	267	(3,897)	11,840	6,025	127,815	158,852
Disposals	(6,005)	(1,500)	(3,064)	(737)	(37)	(1,228)	(12,571)
Revaluation	(425,872)	(3,359)	(3,625)	984	936	-	(430,936)
Reclassification	87,296	-	37	1,302	119	(88,754)	-
Transfers with the MoJ	-	-	-	1,648	-	-	1,648
As at 31 March 2009	2,821,958	19,245	87,503	29,816	22,329	180,815	3,161,666
Depreciation							
As at 1 April 2008	-	-	43,649	8,302	5,802	-	57,753
Machinery of Government change	-	-	(4)	(46)	(23)	-	(73)
As at 1 April 2008 restated*	-	-	43,645	8,256	5,779	-	57,680
Adjustments to assets introduced resulting from the formation of HMCS	-	-	-	-	-	-	-
Charged in year	97,045	344	14,040	4,534	2,166	-	118,129
Disposals	(92)	(23)	(2,417)	(343)	(20)	-	(2,895)
Revaluation	(96,953)	(321)	(1,633)	389	227	-	(98,291)
Reclassification	-	-	-	-	-	-	-
Transfers with the MoJ	-	-	-	-	-	-	-
As at 31 March 2009	-	-	53,635	12,836	8,152	-	74,623
Net book value:							
As at 31 March 2009	2,821,958	19,245	33,868	16,980	14,177	180,815	3,087,043
At 1 April 2008 restated*	3,128,089	23,837	54,407	6,523	9,507	142,982	3,365,345

*The figures for 2007/08 have been restated as a result of the machinery of government changes outlined in notes 1.18 and 20.

Notes:

1. Included under land and buildings excluding dwellings are seven properties with a net book value of £21.7m (2007/08: £189.4m) and depreciation charged in the year of £0.8M (2007/08: £9.9m) for which HMCS holds the risks and rewards of ownership but does not hold legal title; these have arisen as a result of the PTS referred to below.

2. Included under land and buildings excluding dwellings are PFI contract assets with a net book value of £209.6m (2007/08: £226.5m) and depreciation charged in year of £5.6m (2007/08: £9.1m); also finance lease assets with a net book value of £183.2m (2007/08: £174.5m) and depreciation charged in the year of £7.4m (2007/08: £6.7m).

3. Included under dwellings are finance lease assets with a net book value of £4.5m (2007/08: £5.6m) and depreciation charged in the year of £0.1m (2007/08: £0.1m).

4. Included in land & buildings and dwellings are properties valued at open market value of £29.0m (2007/08: £34.9m) – these include:

- (i) properties owned but not in use by HMCS; and
- (ii) land sites held for future court building projects.

5. An amount of £27.6m is included in additions to fixed assets of £158.9m above, in respect of fixed assets to align the balance sheet value with a detailed listing of assets following a review by management of the difference between the fixed asset values on the balance sheet and the detailed listing of fixed assets as detailed by the fixed asset register. The amount of £27.6m represents less than 1% of the net book value of tangible fixed assets.

This amount has been credited initially to the revaluation reserve and then transferred to the general fund, together with an amount of £8.7m representing the shortfall between the revaluation reserve held in respect of each fixed asset and the revaluation reserve held on the balance sheet.

6. The assets introduced resulting from the formation of HMCS, shown within land and buildings excluding dwellings, represent 11 of the remaining properties which did not transfer to HMCS in 2005 as a result of the PTS “The Transfer of Property (Abolition of Magistrates’ Courts Committees) Scheme 2005”. In these cases the property transfers were declared invalid in a high court judgement in 2005. However the right to use these properties for magistrates’ courts purposes is secured by the PTS. Subsequent negotiations with the owners of these 11 properties have resulted in a valid transfer during 2008/09.

HMCS is seeking a negotiated valid transfer from the owners of 13 remaining properties valued at £24.7m as at 31 March 2009. Of these 13 properties, two are recorded on the balance sheet as at 31 March 2009 for a value of £5.2m.

7. Debtors

7.1 Amounts falling due within one year

	2008/09	2007/08 restated*
	£000	£000
Amounts falling due within one year:		
Trade debtors	6,623	1,925
Other debtors	2,196	9,417
VAT recoverable	8,072	8,094
Prepayments and accrued income	26,651	26,483
Intra-departmental debtors	3,446	5,252
Total debtors falling due within one year	46,988	51,171

7.2 Amounts falling due after one year

Amounts falling due after one year:		
Other debtors	23	34
Prepayments	1	15
Total debtors falling due after one year	24	49
Total debtors	47,012	51,220

7.3 Analysis of debtor balances by organisation

HMCS holds debtor balances for the following types of organisations:

	2008/09		2007/08 restated*	
	Amounts falling due within one year	Amounts falling due after one year	Amounts falling due within one year	Amounts falling due after one year
	£000	£000	£000	£000
Other central government bodies	22,396	-	22,325	-
Local authorities	2,902	-	4,242	-
NHS bodies	25	-	-	-
Social security costs	297	-	220	-
Bodies external to government	21,368	24	24,384	49
Total debtors	46,988	24	51,171	49

*The figures for 2007/08 have been restated as a result of the machinery of government changes outlined in notes 1.18 and 20.

8. Cash and cash equivalents

	2008/09	2007/08
	£000	£000
Opening balance at 1 April	199,676	142,187
Net increase in cash balances	39,774	57,489
Closing balance at 31 March	239,450	199,676
The following balances at 31 March were held at:		
Office of HM Paymaster General	217,539	198,601
Commercial banks	20,769	274
Cash in hand	1,103	728
Imprests	39	73
Total cash and cash equivalents	239,450	199,676

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

Included within the Office of HM Paymaster balance above is £26.5m (2007/08: £22.9m) held as third party balances as shown in note 9.1 below.

9. Creditors

9.1 Amounts falling due within one year

	2008/09	2007/08 restated*
	£000	£000
Taxation and social security	13,246	13,527
Trade creditors	7,873	10,053
Other creditors	19,657	20,063
Accruals and deferred income	107,023	139,551
Obligations under finance leases	28	31
Creditor for capital value of PFI contracts	8,926	8,925
Cash balances payable to other government departments	24,474	24,409
Third party balances	26,525	22,872
Intra-departmental creditors	36,560	52,495
Total amounts falling due within one year	244,312	291,926

*The figures for 2007/08 have been restated as a result of the machinery of government changes outlined in notes 1.18 and 20.

9.2 Amounts falling due after more than one year

	2008/09	2007/08
	£000	£000
Creditor for capital value of PFI contracts	166,865	175,790
Other creditors	57,791	65,591
Obligations under finance leases	360	387
Total amounts falling due after more than one year	225,016	241,768

9.3 Analysis of creditor balances by organisational type

HMCS holds creditor balances for the following types of organisations:

	2008/09		2007/08 restated*	
	Amounts falling due within one year	Amounts falling due after one year	Amounts falling due within one year	Amounts falling due after one year
	£000	£000	£000	£000
Other central government bodies	82,146	-	98,537	-
Local authorities	17,711	55,784	7,364	61,158
Public corporations and trading funds	53	-	270	-
Bodies external to government	144,402	169,232	185,755	180,610
Total creditors	244,312	225,016	291,926	241,768

10. Provisions for liabilities and charges

		2008/09	2007/08 restated*
	Notes	£000	£000
Provision for pension transfer deficit	10.1	367,018	215,018
Provision for early departure costs	10.2	100,336	84,959
Provision for by-analogy pension scheme	10.3	-	-
Provision - other	10.4	4,184	3,067
Total provisions		471,538	303,044

The liability falls due within:

	2008/09	2007/08 restated*
	£000	£000
One year	17,234	16,981
Two to five years	97,530	97,546
More than five years	356,774	188,517
Total provisions	471,538	303,044

*The figures for 2007/08 have been restated as a result of the machinery of government changes outlined in notes 1.18 and 20.

10.1 Provisions for pensions transfer deficit

	2008/09	2007/08
	£000	£000
Balance at start of year	215,018	218,000
Increase in provision	150,000	51,237
Interest on pension transfer deficit	12,000	12,000
Utilised in year	(10,000)	(66,219)
Balance at end of year	367,018	215,018

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

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

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

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

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

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

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

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

As part of the agreement, HMCS agreed to fund the net deficit incurred by the PCSPS over a 10-year period subject to sufficient funding, including the interest implications arising from this approach. The provision made at inception in the 2005/06 HMCS accounts was for £268m.

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

There has been significant market volatility in the financial year to 31 March 2009 and this has impacted on the value of the provision. The £150m in-year increase in provision has been caused by adverse movements in the value of the underlying LGPS assets between 31 March 2008 and 2009. LGPS schemes generally hold a portfolio of assets spread across gilts, bonds, equities, cash and property. The actual liability to be incurred by HMCS will therefore continue to be subject to uncertainty, as a result of movements in the LGPS schemes' assets, until agreement is formally reached for all of the 41 LGPS administering bodies.

Of the 41 LGPS involved in the transfer, each scheme is at a different stage of the process and, as at 31 March 2009, none had agreed a final transfer value. There are nine administering bodies which have not provided initial data to HMCS and which management continue to discuss and encourage. Initial data has been provided to HMCS and GAD by 32 administering bodies, of which 18 have provided updated detailed information which is in the process of being finalised.

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

	2008/09	2007/08
Total number of schemes	41	41
Base data to be provided	9	12
Base data provided, initial estimate of liability to be agreed	18	29
Base data provided, initial estimate of liability agreed	14	-
Final transfer from LGPS to PCSPS	-	-

Upon receipt of the relevant information from the LGPS funds, GAD calculates the estimated total net liability due to PCSPS from HMCS. This net liability is based upon the fixed element of the employees' future pension costs adjusted for the transferred asset or liability. As at 31 March 2009, as noted in the table above, 32 of the 41 transferring LGPS have provided the required information.

The 2008/09 estimate provided by GAD is created on the assumption that the asset or liability to be transferred to PCSPS for the remaining nine will broadly reflect the average position from the 32 schemes that have already provided information. It is not possible to determine the exact profile of the remaining nine LGPS as the value can only be estimated by GAD once returns have been collated from all the transferring authorities. As a result, GAD has provided a range of the expected eventual outturn for the provision. This provision is therefore subject to inherent uncertainty until all returns are received and all transfer values agreed.

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

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

Financial year ended 31 March	2009	2008
Provision closing balance £m	367	215
GAD estimate of remaining balance £m	317 to 417	185 to 234
Information received from individual schemes	32 of 41	29 of 41

During 2008/09, payments of £10m were made (2007/08: £66.2m) and an additional provision was made for £150m. The additional provision is based on the data collected in year from the transferred schemes and market conditions as at 31 March 2009. A further provision of £12m has been made in relation to interest accrued for 2008/09.

GAD has indicated that the estimated range given in the above table for March 2009 is the best estimate given the current economic climate. Management has reviewed the estimate produced by GAD and has made the following assumptions in determining that a provision of £367m as appropriate:

- interest is payable at an assumed rate of 5.6%. As at 31 March 2009, a total of £36m of interest is included in the above provision (2007/08 £24m);
- HM Treasury will approve the fixed assumptions made at 1 April 2005;
- the remaining nine returns will show surpluses/deficits broadly in line with the 32 received to date, weighted by the relevant number of employees; and
- the retained provision is within the range estimated by GAD.

10.2 Provision for early departure costs

	2008/09	2007/08
	£000	£000
Balance at start of year	84,959	93,624
Increase (decrease) in provision	15,675	(8,600)
Unwinding of discount	4,485	4,678
Utilised in year	(4,783)	(4,743)
Balance at end of year	100,336	84,959

Provision has been made for the costs of unfunded early retirement benefits of certain magistrates' court staff previously paid for by local authorities on a cash basis. The provision represents the present value of the costs of the benefit payable to staff on crombie and local government early retirement terms.

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

The provision has been calculated by discounting the estimated risk-adjusted cash flows using the real rate set by HM Treasury of 2.2%.

10.3 Provision for by-analogy pension scheme

		2008/09	2007/08 restated*
	Notes	£000	£000
Balance at start of year as previously stated		3,324	-
Machinery of Government change	20	(3,324)	-
Balance at start of year as restated*		-	-
Increase in provision		-	-
Utilised in year		-	-
Balance at end of year		-	-

This pension provision relates to the pension scheme that HMCS operated on behalf of the Law Commission by analogy with the PCSPS. As of 1 April 2008 the operation of the scheme was transferred to MoJ and is no longer the responsibility of HMCS.

10.4 Other provisions

		2008/09	2007/08 restated*
	Notes	£000	£000
Balance at start of year as previously stated		2,935	8,088
Machinery of Government change	20	132	-
Balance at start of year as restated*		3,067	8,088
Increase in provision		1,248	222
Utilised in year		(131)	(5,243)
Balance at end of year		4,184	3,067

11 Reserves

11.1 General fund

		2008/09	2007/08 restated*
	Notes	£000	£000
Balance at start of year as previously stated		2,313,695	2,394,033
Machinery of Government change	20	4,289	-
Balance at start of year as restated*		2,317,984	2,394,033
Net resources introduced on HMCS creation		21,648	32,760
Funding from the MoJ		869,300	864,100
Net cost of operations		(1,483,744)	(1,295,192)
Transfer from revaluation reserve of realised element	11.2	17,904	14,937
Transfer from revaluation reserve	11.2	36,325	-
Notional costs	11.3	378,281	321,723
Other general fund movements		(1,100)	(7,503)
Machinery of Government adjustment		-	(6,874)
Balance at end of year		2,156,598	2,317,984

*The figures for 2007/08 have been restated as a result of the machinery of government changes outlined in notes 1.18 and 20.

Net resources introduced from the formation of HMCS consist of magistrates' court properties transferred into HMCS as a result of the property transfer scheme put in place at the creation of HMCS, referred to in note 6.

11.2 Revaluation reserve

	2008/09	2007/08
	£000	£000
Balance at start of year	461,519	453,841
Revaluation of fixed assets during the year	(158,875)	22,615
Transfer to general fund of realised element	(17,904)	(14,937)
Transfer to general fund	(36,325)	-
Other revaluation reserve movement**	27,626	-
Total revaluation reserve	276,041	461,519

**This movement is to align the balance sheet with the listing of fixed assets, as detailed in note 6.

11.3 Notional costs

		2008/09	2007/08 restated*
	Notes	£000	£000
Consolidated Fund judicial salaries and social security costs	4.2	139,854	129,743
External auditor's remuneration	5.1	495	400
Notional rent	5.1	2,134	2,516
Departmental recharge	5.1	150,598	96,921
Interest on capital	5.2	85,200	91,560
Total notional costs		378,281	321,140

*The figures for 2007/08 have been restated as a result of the machinery of government changes outlined in notes 1.18 and 20.

12. Capital commitments

Contracted capital commitments as at 31 March 2009 for which no provision has been made amounted to £ 109.2m (2007/08: £110.6m) in relation to property developments.

13. Commitments under operating leases

At 31 March 2009 HMCS was committed to making the following payments during the next year in respect of operating leases expiring:

	2008/09			2007/08		
	Land and buildings	Other	Total	Land and buildings	Other	Total
	£000	£000	£000	£000	£000	£000
Expiring within one year	1,409	342	1,751	4,471	663	5,134
Expiring after one year but not more than five years	4,529	1,113	5,642	4,500	146	4,646
Expiring thereafter	32,248	-	32,248	31,886	-	31,886
Total commitments under operating leases	38,186	1,455	39,641	40,857	809	41,666

14. PFI commitments

At 31 March 2009 HMCS was committed to making the following payments during the next year in respect of Private Finance Initiatives (PFI) contracts expiring as follows:

	16-20 years	21-25 years	Total
	£000	£000	£000
Probate Records	1,917	-	1,917
Exeter	2,926	-	2,926
East Anglia	4,790	-	4,790
Sheffield	1,014	-	1,014
Derbyshire Magistrates' Courts	5,491	-	5,491
Hereford & Worcester Magistrates' Courts	5,479	-	5,479
Manchester Magistrates' Court	5,626	-	5,626
Humberside Magistrates' Court	4,187	-	4,187
Avon & Somerset Magistrates' Court	-	7,843	7,843
Total PFI commitments for the year 2008-09	31,430	7,843	39,273
Total PFI commitments for the year 2007-08	22,549	15,317	37,866

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

A summary of each PFI contract is set out below:

Project name	Contract start date	Duration (years)	On / off Balance sheet under FRS 5 ¹	Initial capital value (£m)	Description
Probate Records	July 1999	25	Off	10.9	Provision of storage and retrieval services.
Exeter	November 2002	30	On	20.1	Provision of a courthouse comprising four criminal courts, one civil court and four District Judges hearing rooms and further related administrative space. At the end of the contract term the building will revert to HMCS at no cost.
East Anglia	October 2002	25	On	34.5	Provision of Crown Court centres in Ipswich and Cambridge. Ipswich consists of five criminal courtrooms; Cambridge consists of three criminal courtrooms. At the end of the contract term the buildings in Ipswich and Cambridge will revert to HMCS at no cost.
Sheffield	November 2002	25	On	7.7	Provision of a Family Hearing Centre in Sheffield consisting of two family courtrooms, two hearing rooms and a training room. At the end of the contract term HMCS has the option of acquiring the under lease at the lower of its open market value or £2 million.
Derbyshire Magistrates' Courts	August 2001	27	On	29.5	Provision of serviced accommodation for magistrates' courts at New Mills, Chesterfield and Derby. The length of this PFI contract can be extended (subject to agreement of mutually acceptable terms) by up to five years. No construction at New Mill has taken place to date due to planning permission issues.
Hereford & Worcester Magistrates' Courts	March 2000	25	On	30.6	Provision of serviced accommodation for magistrates' courts at Bromsgrove, Kidderminster, Worcester and Redditch. The length of this PFI contract can be extended for another 10 years by giving notice at least twelve months before the date on which the contract would otherwise expire.
Manchester Magistrates' Court	March 2001	25	On	32.9	Provision of an 18-courtroom courthouse as part of an overall complex including retail units and coroner's court.
Humberside Magistrates' Court	March 2000	25	On	21.6	Provision of serviced magistrates' courthouses in Hull, Beverley and Bridlington. On expiry, HMCS has the option of taking the assets back for a nominal amount of £3 million.
Avon & Somerset Magistrates' Court	August 2004	27	On	46.6	Provision of serviced accommodation for magistrates' courts and offices in Bristol, Weston-Super-Mare and Flax Bourton.

Note:

¹ Financial Reporting Standard 5 Application Note F defines whether the related assets and liabilities of a PFI contract should or should not be included on the balance sheet of an entity, this depends upon whether the risks and rewards of ownership rest with the entity.

15. Contingent liabilities and assets

HMCS is involved in a number of legal cases dealing largely with ex gratia and compensation claims. The estimated cost of settlement for HMCS is £3.5m (2007/08: £2.6m).

As detailed in Note 6 Fixed Assets, the result of the July 2005 High Court challenge meant that HMCS has not been able to gain control of a number of properties intended to come within the 31 March 2005 Property Transfer Scheme. HMCS faces a contingent accommodation liability for the properties that is yet to control.

If HMCS is not able to effect a transfer of ownership and control of these properties it faces potential accommodation obligations to the parties who ultimately own the property rights and will control the underlying economic benefits. Based on the value of the properties at 31st March 2007, it is estimated that HMCS could be exposed to additional costs of up to £1.6m per annum (2007/08: £6.0m) with a total maximum contingent liability since 1 April 2005 of £6.2m (2007/08: £18.0m).

16. Related party transactions

HMCS, as an executive agency of the Ministry of Justice, had a significant number of material transactions with the MoJ and other entities for which the MoJ was regarded as a parent department.

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

Registry Trust Limited is a private company limited by guarantee with no share capital. It maintains the Register of County Court Judgements on behalf of the Lord Chancellor and Secretary of State for Justice.

Income received from Registry Trust Limited in the year amounted to £0.9m (2007/08: £0.6m) with a total debtor balance due to HMCS as at 31 March 2009 of £0.2m (2007/08: £0.1m).

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

17. Post balance sheet events

17.1 Financial reporting

In accordance with the requirements of FRS 21 – events after the balance sheet date, post balance sheet events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the same date as the date of the Certificate and Report of the Comptroller and Auditor General.

17.2 Property transfer scheme

Between the balance sheet date and the date on which the accounts are authorised for issue, eight properties that did not transfer to HMCS as a result of the PTS Scheme 2005 had legal title transferred to HMCS. Of these eight properties, two existed on the balance sheet for £5.2m as at 31 March 2009. The remaining six properties will be included on the balance sheet at the date of transfer for £2.8m.

Negotiations are continuing to transfer the remaining five properties to HMCS which did not transfer as a result of the PTS Scheme 2005.

17.3 Judicial Policy & Appointments Division

The Judicial Policy & Appointments Division transferred from HMCS to the Access To Justice directorate of the Ministry of Justice on 1 April 2009. These operations, included in the income and expenditure account, are as follows:

	2008/09	2007/08
	£000	£000
Income		
Miscellaneous income	2	-
Total operating income	2	-
Operating costs		
Staff costs	1,508	1,505
Other operating costs	187	973
Total operating costs	1,695	2,478
Net cost of operations	(1,693)	(2,478)

18. Accountability

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

- there were 1,361 cases of reported cash losses totalling £0.2m. These primarily relate to instances where small discrepancies arise in the receipting of cash at court level;
- during the year, a total of £0.8m of debtors was written-off as unrecoverable. This amount had previously been fully provided for in the income and expenditure account. Of this total, £0.4m related to a specific disputed debt that on subsequent investigation was deemed unrecoverable;
- there were 10,167 cases totalling £1.6m where fees were remitted for individuals who were not in receipt of government means tested benefits. In these cases, HMCS has granted remission based on the Guidance for Administering the System of Fee Concession (EX160) published by the Ministry of Justice;
- during the year there were 1,797 Ex-gratia payments totalling £1.6m. Ex-gratia payments are those that go beyond administrative rules of for which there is no statutory cover or legal liability;
- there were 763 special payments, totalling £0.6m. A special payment is one made at HMCS' discretion that does not fall into the ex-gratia category above; and
- interest paid under the Late Payment of Commercial Debts (Interest) Act 1988 was £0.04m.

19. Financial instruments

FRS 29 Financial Instruments: Disclosures, requires disclosure of the role that financial instruments have had during the period in creating or changing risks an entity faces in carrying out its business.

As a result of the way in which HMCS is funded via the Ministry of Justice, it is not exposed to the degrees of financial risk facing a business entity. Financial instruments also play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 29 mainly applies. HMCS has no powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risk facing HMCS in undertaking activities.

19.1 Liquidity risk

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

19.2 Credit risk

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

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

19.3 Foreign currency risk

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

19.4 Financial assets

		2008/09	2007/08
	Notes	£000	£000
Cash and cash equivalents	8	239,450	199,676
Trade debtors	7	6,623	1,925
Other debtors	7	2,219	9,451
Accrued income	7	15,791	13,752
Inter departmental debtors	7	3,446	5,252
		28,079	30,380
Total financial assets		267,529	230,056

All financial assets are classified as loans and receivables measured at amortised cost and are non-interest bearing. They have the following maturity profile:

		2008/09	2007/08
	Notes	£000	£000
Due within one year		267,506	230,022
Due more than one year		23	34
		267,529	230,056
Non financial assets			
Prepayments	7	10,861	12,746
VAT recoverable	7	8,072	8,094
		18,933	20,840

19.5 Financial liabilities

		2008/09	2007/08
	Notes	£000	£000
Trade creditors	9	7,873	10,053
Other creditors	9	12,024	14,594
Accruals	9	102,235	134,999
Creditor for capital value of PFI contracts	9	175,790	184,715
Cash balances payable to other government departments	9	24,474	24,409
Third party balances	9	26,525	22,872
Intra-departmental creditors	9	36,560	52,495
Obligations under finance leases	9	388	418
Total financial liabilities		385,869	444,555

All financial liabilities are measured at amortised cost using the effective interest rate. The instruments have the following maturity profile:

		2008/09	2007/08
	Notes	£000	£000
Due within one year		218,644	268,377
Due more than one year		167,225	176,178
		385,869	444,555
Non-financial liabilities			
Taxation and social security	9	13,246	13,527
Deferred income	9	4,788	4,552
Long-term lease incentives	9	2,008	5,751
Local authority loans	9	63,417	65,309
		83,459	89,139

19.6 Fair values

The fair values of HMCS's financial assets and liabilities as at 31 March 2009 are the same as the book values.

20. Machinery of Government changes

The Civil & Family division and the Law Commission transferred from HMCS to the Access To Justice directorate in the MoJ on 1 April 2008. On the same date, the Judicial Policy & Appointments Division transferred from the Access To Justice directorate in the Ministry of Justice to HMCS.

These movements have been accounted for using the merger accounting principles in accordance with section 5.4 of the FReM.

The 2007/08 accounts are therefore presented as if the functions of the Civil & Family division and Law Commission had always been part of the MoJ and that the functions of the JPAD had always been part of HMCS. Consequently, the results and balances for 2007/08 have been restated to exclude those relating to Civil & Family division and Law Commission and include those relating to the JPAD. The adjustments to the accounts are set out as below:

Account	Detail	Note	£000	£000
Income and expenditure account restated 2007/08 figures			Decrease in costs	Decrease in income
Income	Miscellaneous income	3		51
Staff costs	Staff costs: Wages and salaries	4.1	4,797	
	Staff costs: Social security costs	4.1	426	
	Staff costs: Employer's pension contributions	4.1	1,029	
	Secondments outward	4.1	171	
	Judicial costs: Wages and salaries	4.2	524	
	Judicial costs: Social security costs		59	
Other operating costs	Accommodation, maintenance and utilities	5.1	98	
	PFI service charges	5.1	561	
	Communications, office supplies and services	5.1	280	
	Contracted service costs	5.1	794	
	IT services	5.1	28	
	Agency staff and consultancy costs	5.1	682	
	Miscellaneous	5.1	(60)	
	Other expenditure - operating leases	5.1	2	
	Other staff costs (including travel, subsistence and hospitality)	5.1	332	
	Other judicial costs (including travel and subsistence)	5.1	(201)	
	Hire of plant and machinery	5.1	32	
	Movement in provisions	5.1	841	
	Other grant	5.1	819	
Balance sheet restated 2007/08 figures			Decrease in assets	Decrease in liabilities
Tangible fixed assets	Net book value: Furniture and fittings	6	5	
Debtors	Trade debtors	7	(4)	
	Prepayments and accrued income	7	147	
	Other debtors	7	(58)	
Creditors: amounts falling due within one year	Trade creditors	9		13
	Accruals	25		1,174
Provisions for liabilities and charges	Provision for by-analogy pension scheme	10.3		3,324
	Provision other	10.4		(132)
			Increase in equity	Decrease in equity
General fund	Balance at start of year	11.1		6,874
	Net cost of operations	11.1	11,163	

Related Documents & Links

Her Majesty's Courts Service Framework Document

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

The Public Law Outline _ Guide to Case Management in Public Law Proceedings

www.judiciary.gov.uk/docs/public_law_outline.pdf

Dedicated Drug Court Pilots - A Process Report

www.justice.gov.uk/publications/research010408.htm

The Code of Practice for Victims of Crime

www.homeoffice.gov.uk/documents/victims-code-of-practice

Jury Service

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

Judicial and court statistics

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

Framework for the Provision of Front Office Services in the Civil Courts

Minimum Standards and Guidance

www.hmcourts-service.gov.uk/cms/files/Framework-Provision-FrontOfficeServices-National-Minimum-Standards-Guidance.pdf

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