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For us
him
her
all
them
me
you
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The Court Service Annual Report & Accounts 2004/05 Introducing Her Majesty's Courts Service

An Executive Agency of the Department for Constitutional Affairs
For the period April 2004 to March 2005



Laid before Parliament by the Secretary of State and the Lord Chancellor
pursuant to:

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and
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Her Majesty's Courts Service...

- is the new organisation responsible for managing the administration of courts in England and Wales
- brings together the magistrates' courts, the Crown Court, county courts, High Court and Court of Appeal into a single organisation for the first time
- puts the needs of victims, witnesses and law-abiding citizens first
- manages a total of 650 courts across England and Wales and employs more than 20,000 people
- is an executive agency of the Department for Constitutional Affairs.



Offenders sentenced. Debts paid. Children at risk protected.



These are the kinds of things that take place in courts across England and Wales, day in, day out – and they are all overseen by Her Majesty's Courts Service, the new organisation responsible for managing the administration of the courts.

This document is designed to give you an insight into Her Majesty's Courts Service. It explains who we are and what we do, focusing on six key aspects in which we are helping to improve the court process for everyone involved. The stories we include aren't those of anyone in particular – but they are representative of the kind of feedback people give us about what we do and how we're improving our service.

The second part of the document looks at our structure, how we work and how we are measured and managed.

The third part contains the accounts of the Court Service for the operating year 2004/05 – the final year of its existence. The accounts have been prepared in accordance with HM Treasury guidelines and audited by the Comptroller and Auditor General.

20,000 employees

650 courts

42 areas



Our vision

Delivering justice and protecting people's rights: these are two of the fundamental aims of the Department for Constitutional Affairs (DCA). The creation of Her Majesty's Courts Service (HMCS) is a central element in our ability to meet these goals.

HMCS is an organisation explicitly designed around our principle of serving the law-abiding public better. We know that people want a justice system they can respect and have faith in. They want to see the law upheld, to have confidence in their ability to seek redress and that everybody (including defendants) will be treated fairly, and to know that the judgments made in court will be enforced. Above all, they want a justice system that leads to safer communities and protects the vulnerable. By bringing together all of the courts in England and Wales under a single management, HMCS is helping us meet these shared goals more effectively.

The courts in the community

Firstly, by uniting the former Court Service and magistrates' courts committees in a single organisation, HMCS can provide a more consistent service. No matter which court people visit, they will know what they can expect, both from the courts and in the courts.

□ **HMCS is an organisation explicitly designed around our principle of serving the law-abiding public better.**

□ **People want a justice system that leads to safer communities and protects the vulnerable.**

Secondly, a single organisation can make better use of all the court premises in England and Wales. Where that delivers benefit is in terms of ensuring we can continue to deliver justice locally; instead of moving the court out of a town, premises are consolidated and shared between different types of courts, making sure the court is a visible part of the community.

“ **HMCS can play a more positive role, sharing knowledge and allocating resources to enforcing the decisions of the courts nationwide.** ”

But it also needs to be respected – which is why enforcement is such a key issue. Here too, as a unified body, HMCS can play a more positive role, sharing knowledge and allocating resources to enforce the decisions of the courts nationwide. And when judgments are respected and offenders brought to justice, communities feel safer.

Protecting the vulnerable

It's these same goals that we're addressing through our approach to supporting victims of crime. By ensuring there are secure facilities in courtrooms, making use of innovative technology such as video links and looking to keep them better informed from start to finish, we are making trials and hearings less intimidating – meaning more offenders are brought to justice and so enabling the law-abiding public to live their lives without fear.

This is an integral part of the vision of DCA, and has been since the Department was established. It's now the vision of a new organisation too – and I am delighted that HMCS has been created to help make this vision a reality.



Rt Hon Lord Falconer QC
Secretary of State for Constitutional Affairs and Lord Chancellor



Our purpose

In just over a year as Permanent Secretary at DCA, it's been an enormous honour to oversee substantial change and growth, with the creation of HMCS. On 1 April 2005, when the Crown, county and magistrates' courts, High Court and Court of Appeal came together to form this new organisation, DCA became an employer of nearly 24,000 people.

But it's not simply in numeric terms that this new addition to the DCA family is so significant. More important is the fact that over 20,000 of these people are directly employed in delivering services to the public. For a Whitehall department, this is an unusually large proportion of public-facing staff, and I believe it's a vital element not only of our character as a department but also in our continued commitment to focusing on the needs of the users of our services.

Our people in the front line

It is HMCS staff who are in the front line, engaging with victims, witnesses and defendants as they enter the courts. It is in their hands to ensure that people attending court understand what is expected of them, that they know where to go, and that the vulnerable can come to court without fear.

Similarly, it is HMCS staff who act as listing officers, to make sure courtroom cases are processed quickly, and HMCS staff who handle fee payments and help enforce orders after the hearings, ensuring the whole experience is as stress-free and effective as possible.

“ It is HMCS staff who are in the front line, engaging with victims, witnesses and defendants as they enter the courts. ”

It's a major responsibility, but from meeting these same people across England and Wales, it's clear to me that this responsibility is in excellent hands.

Taking the opportunities

In turn, this places a responsibility back on the Ministerial team and the senior staff to ensure we provide a positive working environment, in which people can continue to make a difference.

I believe that HMCS will offer real opportunities to do this, not only in terms of giving greater career progression but also enabling us to take forward key policies, such as the Professional Skills for Government agenda, and our commitment to diversity – something I already believe we can be proud of.

These kinds of policies not only help develop our staff, raise their knowledge and awareness, and ensure that their working lives are positive, but in turn help us to deliver a better service to the public.



Alex Allan
Permanent Secretary,
Department for Constitutional Affairs



Our progress

The year 2004/05 has been hugely significant in the work of the courts in England and Wales. It has seen a great number of significant achievements and major events, building up to the launch of HMCS, in the company of the Queen herself, on 1 April. Now I am in the position of looking forward to what we can deliver as HMCS, as much as I am looking back and reflecting on a hugely rewarding final year for the Court Service.

When the year began, we had two key objectives: to ensure everything progressed as smoothly as possible towards the launch of HMCS, and to maintain and improve the standards of performance we had set for ourselves over recent years. I'm delighted to say that we achieved both of these, though inevitably not without a few anxious moments along the way.

That we did so is an enormous credit to the staff in the courts, who continued to focus on delivering a high-quality service to court users regardless of the organisational change that was happening in the background. At the same time, credit is also due to the management teams – both those of the Court Service and the magistrates' court committees and the new HMCS Board – who worked extremely hard to ensure the transition to the new organisation was as seamless as it could be.

Launching new initiatives

In amongst all this, new initiatives were launched, investments made and policies developed. Some of the most notable, from my perspective, were the nationally co-ordinated fines enforcement 'blitzes', Operation Payback 1 and 2. The 'blitzes' not only recovered a great deal of money that was owed to the courts, but also helped emphasise that we will ensure respect for and compliance with the orders of the courts. The success of such initiatives has resulted in closer working with the police and other criminal justice agencies as well as a high level of positive publicity and public awareness.

“ **HMCS is an organisation that combines strengths in policy development with real-world delivery expertise.** ”

Another significant achievement has been the establishment of more than 100 courts dedicated to dealing with anti-social behaviour. We have worked closely with our partners across the justice system to ensure we are able to respond quickly and effectively. Other efforts have been focused on working alongside the judiciary to help reduce the number of ineffective trials in England and Wales. I'm pleased to report that we have exceeded our performance targets in this area.

What HMCS is doing

To show you how HMCS is taking the work of the courts forward, we've highlighted six key aspects. You can read about these over the next few pages.

□ Focused service	10
□ Fewer ineffective trials	14
□ Faster resolution	18
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Moving forward as HMCS

Naturally, there are areas where we still have a great deal of work to do. Most obviously, there are still substantial improvements to be made in the way difficult family issues, such as childcare cases, are handled. But I'm confident that this is precisely the kind of area where HMCS will prove its value.

HMCS is an organisation that combines strengths in policy development with real-world delivery expertise. As a national body, we are better able to work with our partners in the justice and social care systems, and with the public, to deliver a more consistent service.

Our ability to do that is dependent on the strong foundations provided by the Court Service, not least in its final year of existence, as this Annual Report will show; and by the magistrates' courts committees. That's one of the reasons I can look forward to the next year with such confidence and optimism.



Sir Ronald De Witt
Chief Executive

Focused service



A focused service

Who do the courts really serve? It's a key question that guides the work of HMCS. We are there to support the administration of justice, by the judiciary, on behalf of the community. That's a key reason why we are committed to making our courts a more integral part of our communities.

One such example is the Community Justice Centre that has been established in North Liverpool. The Centre, located in a converted community building, is home not only to the court (and a dedicated judge) but also the local police, probation officers, the Youth Offending Team and advice and support services, all working together to address the problems of offenders and the local community.

“By co-ordinating resources in a single location, the whole justice process can react faster and more effectively to crimes, community needs and offenders' problems”

The principles are simple: by co-ordinating resources in a single location, the whole justice process can react faster and more effectively to crimes, community needs and offenders' problems. For instance, following a public request for a crackdown on kerb-crawling, a number of offenders were arrested and brought to court in a matter of days. This underlined to local people that the Centre is there to serve them and that they have a voice within the justice system.

Members of the community are also able to review the list of offences treated as priorities at the Centre, to influence the types of services and activities provided on site and even to identify possible tasks that offenders can undertake, unpaid, as part of a community sentence. This means that justice can be seen to be done, which helps make the community as a whole feel safer.

116

anti-social behaviour response courts have been set up in the last year.

19%

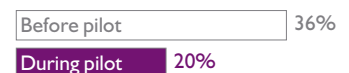
The rise in conviction rate for domestic violence cases following the pilot of a specialist domestic violence court in Croydon.

The final report (published June 2005) on the evaluation of two pilot specialist domestic violence courts highlighted a number of specific areas:

Number of days from arrest to case finalisation Gwent



Number of cases withdrawn or discontinued before trial Croydon





Providing a more focused service means our staff work more closely together to get the right results.

What we've done

Our more focused service is equally visible in the development of 'specialist' courts to deal with particular issues – like anti-social behaviour or domestic violence. We're bringing together our resources, across different courts, statutory services and the voluntary sector, to ensure that these issues can be dealt with faster and more effectively, and by people with the right level of expertise. We're also working closely with judges and magistrates to ensure they have the right training, as well as supporting our own staff in understanding the issues too.

- We have identified more than 116 anti-social behaviour response courts – where problems that affect communities can be dealt with quickly and effectively, with specialist anti-social behaviour sessions held where appropriate.
- There are at least seven magistrates' courts in England and Wales currently operating specialist ways of dealing with domestic violence cases. Evaluation at all seven sites has shown that they have helped to reduce attrition, increase convictions and improve victims' confidence and satisfaction in the system.
- In recognition of the fact that drugs offences are often symptoms of a bigger problem, we have already identified best practice in the way that specialist drug panels deal with offenders and we are establishing pilots of dedicated drugs courts to help tackle the root causes.

The HMCS factor

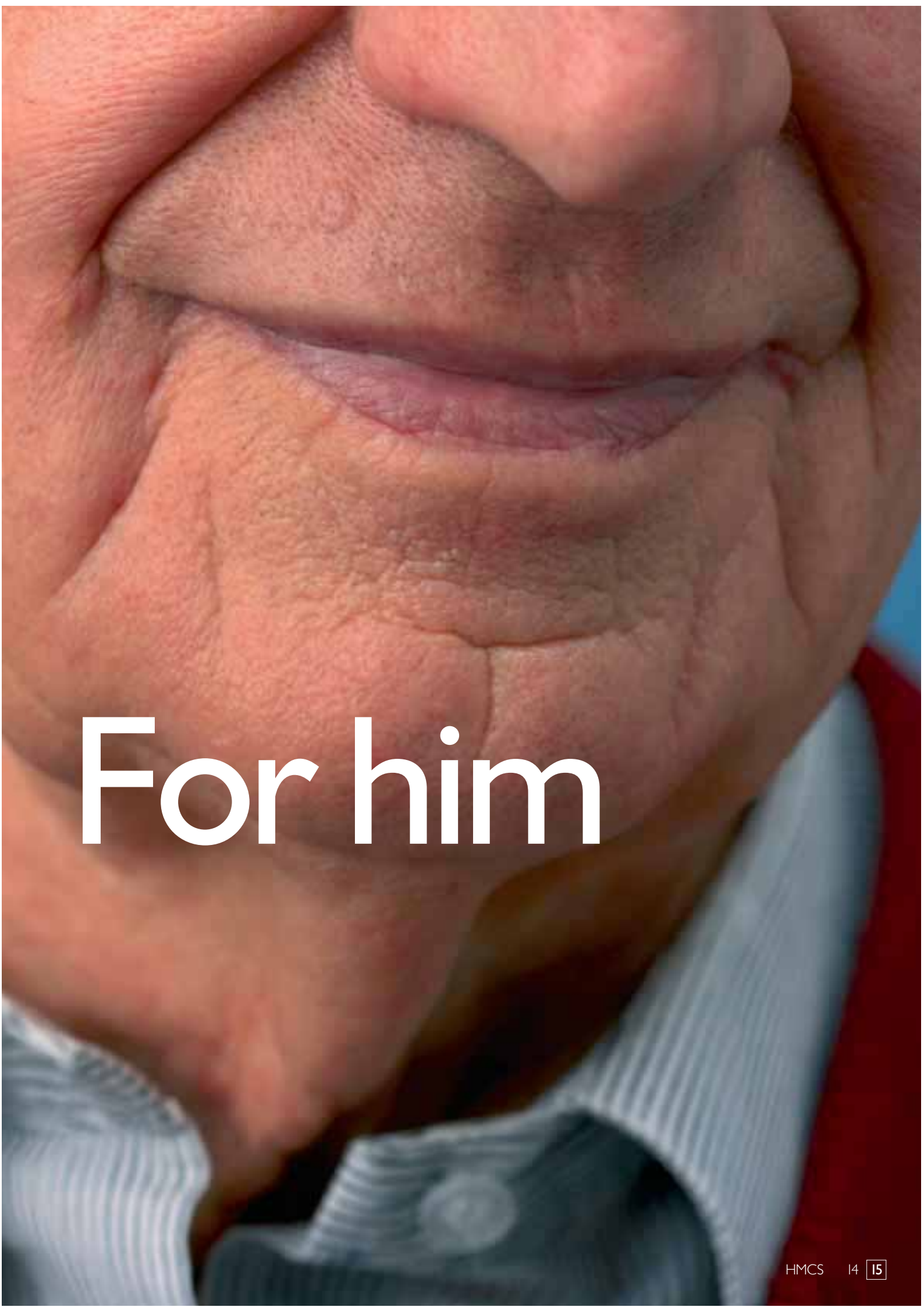
HMCS is looking to ensure that innovative solutions and best practices are developed in local areas and used to tackle other offences. Because we have overall administrative control and manage performance across all courts, we are better equipped to identify how the courts can respond to specific problem areas and act accordingly, taking account of different local needs.

At the same time, we can see where resources could be shared effectively to support faster responses and serve the needs of the community more clearly. That may involve establishing more community justice-style initiatives – but equally it might mean supporting online payment of fines and fees.

In short, we want to provide a focused service, which reflects the real needs of communities and the individuals that live in them. As an integrated, national organisation, that's exactly what we can do.

Fewer ineffective trials

“I was terrified of going to court. I’d seen it on TV; the way the lawyers ask all those questions, with everyone watching you and the man who attacked you sitting there staring at you all the time. But it wasn’t like that at all. They told me I could give my evidence on video from a separate room. I wouldn’t even have to see him, or his family. That gave me the confidence to testify – and I’m really glad I did.”



For him

Fewer ineffective trials

Fewer ineffective trials

Holding any trial is a major event. It requires the participation of a number of people – the defendant, the victim, witnesses, the police, lawyers and a range of court staff as well as the judge or magistrates. If any one of these is absent, for whatever reason, the trial may not be able to proceed. If time runs out on the day, because other hearings have overrun, the trial may have to be relisted.

Ineffective trials are not only hugely frustrating for everyone involved, they are also costly and help to create a negative perception of the courts and the justice system as a whole. That's why one of our major targets over the last few years has been reducing the numbers of trials that don't make it through to a judgement.

One of the key problems that prevented trials from proceeding was victims' and prosecution witnesses' concerns about the court process. Going to court is a stressful and significant issue at any time; the prospect of facing the perpetrator of the crime, or meeting them or a family member outside the courtroom, only makes the whole experience more daunting.

To tackle this, we've invested in video links, which means that vulnerable and intimidated witnesses and victims don't have to go into the courtroom itself to testify. What's more, we are developing and implementing a strategy to improve the service and support we offer to victims and witnesses, from explaining to them before the trial day exactly what they can expect, to providing separate waiting areas and ensuring support is on hand throughout the day to help them.

It's given people the confidence to go ahead with the trial, and that leads in turn to justice being done – and being seen to be done.

“We've given more resources to witness services and victim support.”

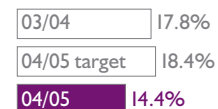
14.4%

The ineffective trial rate in the Crown Court dropped from 17.8% to 14.4% in 2004/05 – exceeding our target of 18.4%.

22.7%

In the magistrates' courts, the ineffective trial rate dropped from 27.2% to 22.7% – exceeding our target of 24.5%.

Crown Court ineffective trial rate



Magistrates' courts ineffective trial rate



What we've done

Trials fail for a number of reasons, and we've introduced measures to respond to as many of these as we can.

- Video links have been installed in a number of prisons, meaning that preliminary hearings can take place without having to bring prisoners to court. Where prisoners do have to travel, we are working closely with the Prison Escort Service to make sure it has sufficient notice of trials.
- Working with the judiciary, we have analysed all ineffective trials to identify the reasons for failure, so that we can focus our resources on solving the real problems. Where trials fail now, judges and magistrates are required to establish the reasons for failure and to add their findings to our knowledge base.
- The same analysis process looked at the duration of hearings for different offences and under different circumstances, to gain a clearer picture of how long trials will last. This has enabled more effective trial listing, giving all participants a better idea of when they are likely to be required and avoiding having them waiting around for long periods of time on the day.
- To help with the scheduling process, we have also looked to work more closely with lawyers to find out how defendants will plead, and to get an idea of the number of witnesses that are anticipated.
- A practice direction from the Lord Chief Justice, Lord Woolf, has made it possible that in certain circumstances, judges and magistrates can elect to proceed without the defendant present.

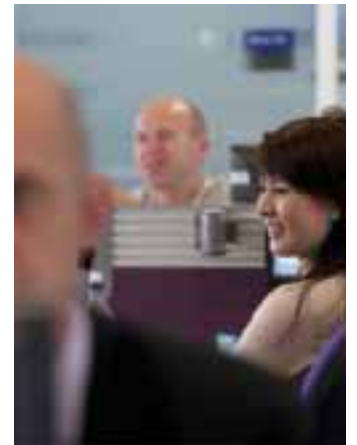
The HMCS factor

One of the key advantages of the establishment of HMCS is that, as a single organisation, we are better able to report on overall performance and share and analyse information. This means in turn we can share best practice in tackling ineffective trials across all courts.

Our strategy will look at a number of different ways to make sure victims and witnesses can feel safe and comfortable at court, be fully informed about the court experience, feel that their time is valued while at court and that their contribution has been appreciated.

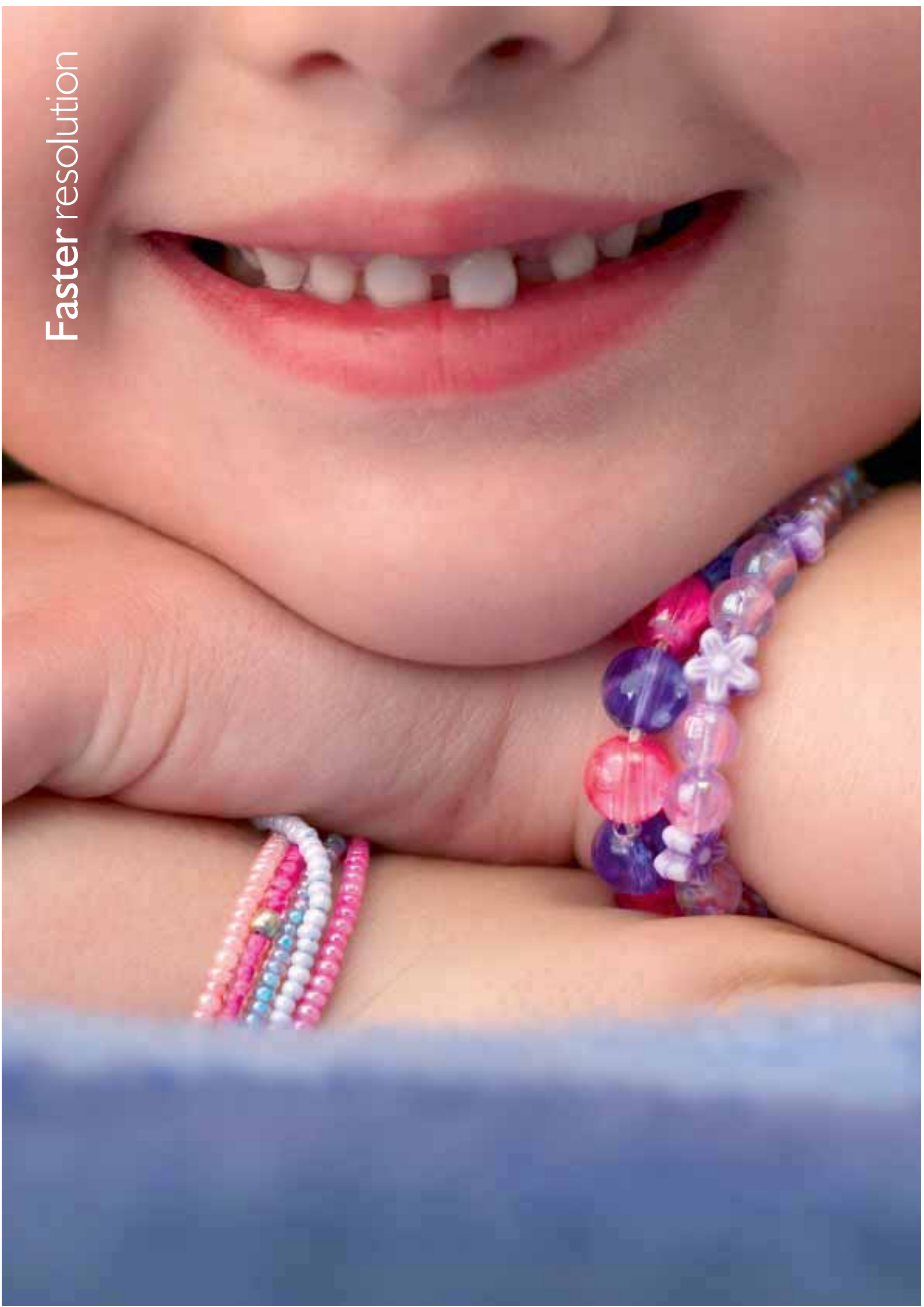
We also have the ability to focus our resources more effectively across the entire court estate. That might mean ensuring that cases involving vulnerable witnesses are heard at courts with appropriate facilities, working closely with the judiciary so that we can identify how best to use all courtrooms when listing hearings, and continuing to treat ineffective trials as a priority, deploying key people to monitor progress and devise solutions.

In addition, we are seeking ways to work more closely with partner organisations within the justice process, from the police to prisons, so that potential problems are identified early. Ineffective trials affect the whole justice system; we need to tackle them together.



Our role is to make sure the right people are in the right places, with the right information available, at the right time.

Faster resolution



For her

“ There’s no such thing as an easy case when it comes to childcare. But at the same time, we all know that the sooner a decision can be reached, the better it will be for the child. That’s why it’s so important to us that the courts are now able to prioritise cases where children are at risk.

We can get them out of a dangerous situation straight away, and then take the time to make the right decision in the long term.

”

Faster resolution

Protecting the vulnerable has long been a key issue for DCA, and the courts have a vital role to play in supporting this. Children at risk are clearly one of the most obvious examples of the vulnerable in our society. When social services or the NSPCC have identified a need to remove a child from his or her living environment, everyone involved wants to move quickly to ensure that child's safety.

Our role in the process is to ensure that when a case of this nature is brought to us, we can treat it as a priority. That means supporting the judiciary so that they can list the case as soon as possible, and ensuring that all necessary paperwork and case management processes are fulfilled quickly.

“ Our ability to deliver faster resolution for childcare cases is due to the fact that we can now be more flexible in our work. ”

Where the case is likely to move from a family proceedings court, this is identified as early as possible so that all parties are given more notice. And, once the initial decision is made, and a child is put in care, the system needs to be managed so that the case is brought to a full conclusion as soon as reasonably possible – without compromising the fairness of the process.

Essentially, then, our ability to deliver faster resolution for childcare cases – one of our key targets – is due to the fact that we can now be more flexible in our work. By working far more closely with members of the judiciary, we are able to give key cases the priority treatment they require.

41%

Over the last year, the proportion of public law childcare cases resolved within 40 weeks rose from 35% to 41%.



Our staff know that faster resolution is better for everyone involved in a case.



The HMCS factor

Our focus isn't simply on acting fast; it's about making the right decisions faster. To do that depends on our ability to bring together as much information as possible, as quickly as possible.

As a single organisation, HMCS is able to build nationwide relationships with other organisations with the same priorities – such as removing children from dangerous situations. We are working more closely with the Department for Education and Skills nationally, and individual schools locally, as well as social services, to help identify potential problem cases and bring together more evidence to support decision-making.

We are also looking at ways to streamline the process of transferring cases within the court system and ensuring that all the available information is passed on in an intelligent and effective way, so that subsequent hearings can be listed as soon as possible to help maintain progress and continuity. The results are a more integrated court process and, in turn, a court process that can respond faster and more effectively.

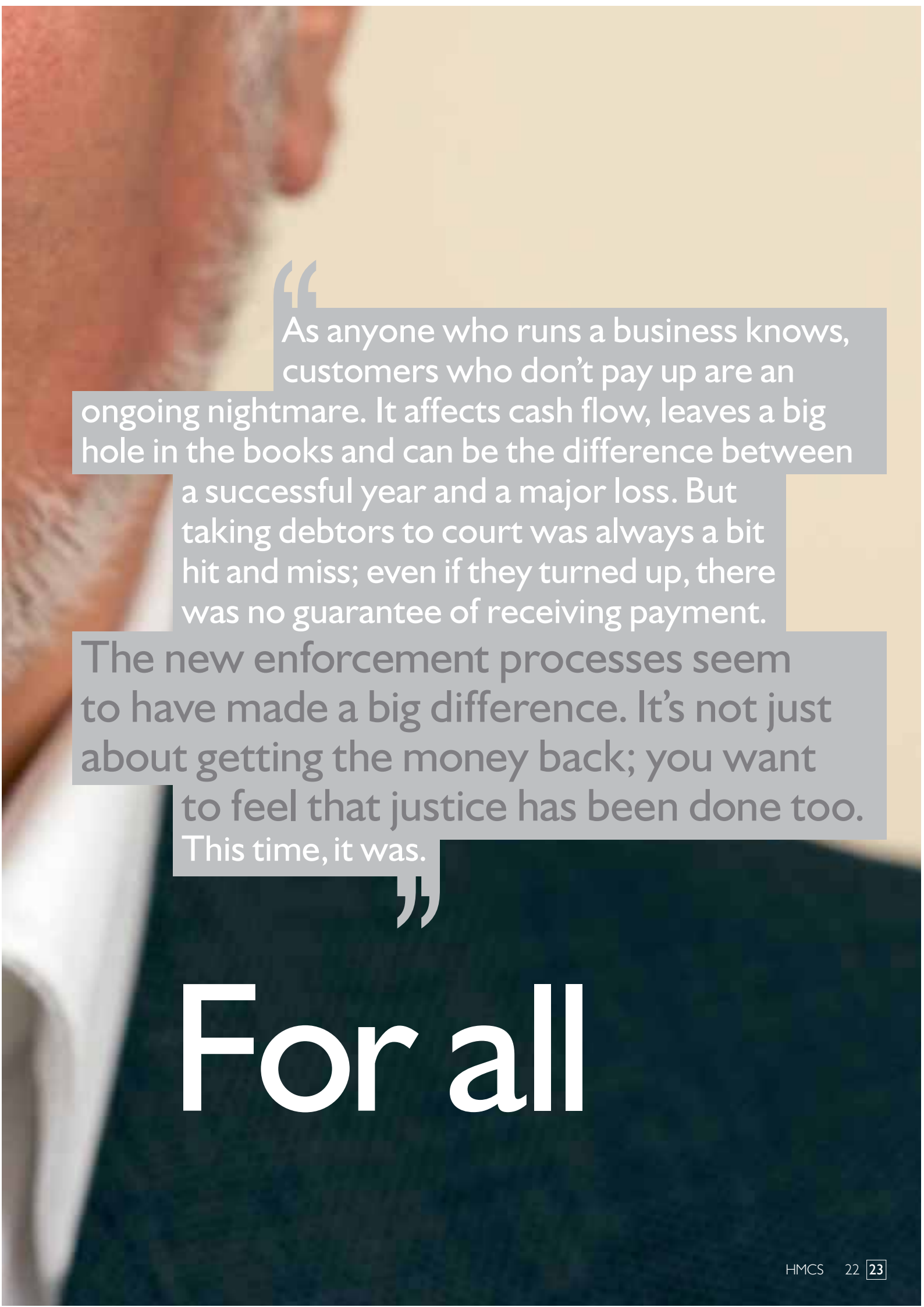
What we've done

Faster and more proportionate dispute resolution isn't just about what happens in the court. In some areas, we believe our service is best provided outside traditional courtrooms.

- We have developed and promoted online services to support money claims and allow people to fill in forms and pay fees. This is more convenient for those using the online services and also frees up court resources.
- More cases, such as speeding offences, are resolved by fixed penalties, again reducing the burden on courts and increasing convenience for the customer. At the same time, we're looking to provide more guidance on alternative dispute resolution routes for civil and family problems, which often turn out to be far swifter than going through a full court hearing.
- Following the successful pilot schemes in Luton, Bedford and Newcastle county courts to conduct some procedural hearings by telephone, DCA has now launched a full consultation into the use of telephone hearings nationwide.
- Fines officers are being appointed, within magistrates' courts, to work with offenders so that they can meet their financial obligation to the court. The fines officer has the ability to adjust the payment terms set by the court, thus freeing up court resources to focus on more problematic enforcement cases.

Firmer enforcement





“
As anyone who runs a business knows, customers who don't pay up are an ongoing nightmare. It affects cash flow, leaves a big hole in the books and can be the difference between a successful year and a major loss. But taking debtors to court was always a bit hit and miss; even if they turned up, there was no guarantee of receiving payment.

The new enforcement processes seem to have made a big difference. It's not just about getting the money back; you want to feel that justice has been done too. This time, it was.

”
For all

Firmer enforcement

Firmer enforcement

Public confidence in the justice system depends on whether or not people believe that justice is being done. When offenders escape punishment – whether by not paying a fine, or by breaching a curfew or restraining order – or when debtors aren't made to pay in spite of the court judgment, it leads to a lack of faith in the system, and a lack of respect for the courts themselves.

On the other side of the coin, when people believe justice is being done thanks to better enforcement of judgments and penalties, confidence in the system rises. Communities feel safer and they trust the courts to resolve disputes and punish offenders. There is increased respect for the courts, which has benefits in terms of encouraging more people to attend hearings, whether they are victims, witnesses or defendants. And the magistrates who are imposing fines, or judges presiding over small claims against debtors and businesses, feel that their work is being valued.

In response to this, we've focused our attention on how best to deliver sustained improvement in the enforcement of both financial and non-financial penalties and ensure respect for orders of the court. We've dedicated resources to establishing exactly where we stand, identifying those that haven't paid and sharing information with other sources, such as the police, to try and locate them. The joint aim is that, by 2008, rigorous enforcement will revolutionise compliance with sentences and orders of the court.

That doesn't just mean increased public trust, but also that businesses can have greater confidence in the courts to help them get their money back.

“When people believe justice is being done thanks to better enforcement of judgments and penalties, confidence in the system rises.”

80%

Throughout the year, £10 million more was collected than in 2003/04, equating to a payment rate of 80%, comfortably exceeding our target.

£2.5 million

of unpaid financial penalties were recovered during Operation Payback 1 and 2 collectively.



To improve enforcement, our staff are working closely with a number of different organisations.



What we've done

Over the last year, we have conducted two major enforcement initiatives, Operation Payback and Operation Payback 2. Both initiatives focused on enforcing fines, compensation, bringing persistent offenders to justice (working with the police to target defaulters on persistent offender lists), high-value individual fines and high-value company fines imposed in the criminal courts – particularly the magistrates' courts. These included fines imposed for offences such as handling stolen goods, vandalism, disorderly behaviour, car crime, theft, assault and some drug-related offences.

- The inaugural Operation Payback, which took place in March 2004, recovered around £750,000 in unpaid financial penalties. Experience shows that there will be a further increase in payments after the event, and that it will also encourage potential defaulters to pay their fines in full and on time.
- Operation Payback 2, which took place in November 2004, was designed to make the most of the lessons learnt and to reap the benefits experienced during Operation Payback. The amount collected increased by 136% in Operation Payback 2.
- A series of further new legislative measures have been introduced to ensure that HMCS staff have the powers they need for more effective enforcement. These include increased powers of search and entry for civilian enforcement staff, use of police photo IDs to identify defaulters, the compulsory use of attachment of earnings/deduction from benefits, the appointment of Fines Officers and the introduction of other enforcement sanctions such as vehicle clamping and registration.

- We have also introduced a number of new information-sharing measures between different criminal justice agencies, which have significantly contributed to more effective enforcement, identification of previously hard-to-trace defaulters and a considerable reduction in bureaucratic delays. Court areas now have access to the Equifax credit reference agency database, the Police National Computer and the Department for Work and Pensions Customer Information System.

The HMCS factor

In the longer term, the various elements of the Enforcement Programme come together in the business redesign proposed for HMCS. Work is under way on a redesigned enforcement process, based on current best practice, which will provide HMCS with a single, consistent and more efficient enforcement service.

The national enforcement service will build on the wide range of initiatives currently being taken forward to improve performance across all aspects of enforcement – fines, community penalty breach and fail to attend warrants, plus asset recovery. It will put in place a framework for improved enforcement and sentence compliance, as well as establishing a distinct and clearly identifiable body of trained enforcement professionals, which will focus on fine defaulters, those skipping bail and community penalty breaches.

Under a national enforcement service there will be more collaboration, increased intelligence sharing, centralised information, standard processes and procedures – as well as reduced duplication of work across the wider justice system.

Fresher thinking

For them



“

When we tried to get money back from the builders who had worked on our house, we just assumed we'd have to take them to court. It wasn't something we were looking forward to, and we knew it might be expensive, but we had no idea what else we could do. **Fortunately, the court advised us to look at mediation instead – and it turned out to be the perfect solution.** A specialist mediator brought us together with the builders, they agreed to complete the job and we didn't have to pay for solicitors or have the stress of going to court.

”

What we've done

Over the last few years, we have worked hard to establish a range of alternative dispute resolution methods. The main challenge at this stage is informing people about them and encouraging uptake.

- DCA set up the National Mediation Helpline, in conjunction with the Civil Mediation Council, providing a single telephone number and website for people to find out more about mediation.
- We have produced a series of leaflets and posters to publicise mediation and explain how it works.
- In addition, we have developed a best practice mediation toolkit to help local courts set up their own mediation service, based on extensive evaluation of existing mediation schemes.
- We are testing new forms of mediation, particularly for small claims. Pilots are under way in Exeter, Manchester, Reading and Wandsworth.

The HMCS factor

HMCS is committed to improving the public understanding of the court process. We want to make people more aware of their legal rights and opportunities, whether that is in terms of going to court or seeking resolution through an alternative route.

To that end, we are investing in a range of educational programmes, including leaflets about what to expect in court and how other dispute resolution methods work, as well as a new video explaining the court process, from the perspective of a victim, a witness, and other court users. We are also publicising the National Mediation Helpline, to help raise awareness of what it can do and make people understand that the court isn't their only option. This is a long-term goal, and much needs to be done to change public opinion, but we believe we are making tangible progress.

Where cases do need to go to court, we are dedicated to providing everyone involved with more information before, during and after their involvement in the process. One major initiative is to try and ensure that every participant in cases in the criminal courts receives a letter from the courts once judgment has been passed, thanking them for their contribution and informing them what the outcome was. This fuller picture helps increase people's confidence in and understanding of the justice system.



Mediation is a complementary solution which enables us to dedicate resources to the cases that can only be dealt with in court.



Fresher thinking

Even though going to court is widely viewed as the last resort when it comes to resolving disputes, few people realise that there are a number of alternative options to help them reach a solution. What's more, these alternative options are often a lot less expensive and demanding.

“More people are choosing mediation, and finding it to be a less costly, less stressful and faster means of resolving their disputes.”

Arbitration, early neutral evaluation and mediation are all means to help two or more parties to come to an agreement without going to court. Each has its own benefits, and suits different situations and levels of dispute.

Our main focus has been around mediation, as this encourages parties to put forward their own solutions, using a third party as a facilitator. It is proving effective both in enabling individuals to resolve complaints against businesses that have not fulfilled their contract, and helping to find less acrimonious solutions during relationship breakdown and separation.

Most courts now send out information about the pros and cons of mediation – and an explanation of how it works – when people are looking to bring a civil action, giving them the chance to opt for this before the court case is listed. This information also provides details on the National Mediation Helpline and mediation services provided through the Civil Mediation Council.

The results are that more people are choosing mediation, and finding it to be a less costly, less stressful and faster means of resolving their disputes. And, at the same time, valuable court resources are being freed up to focus on those cases that users believe are best resolved by a hearing.

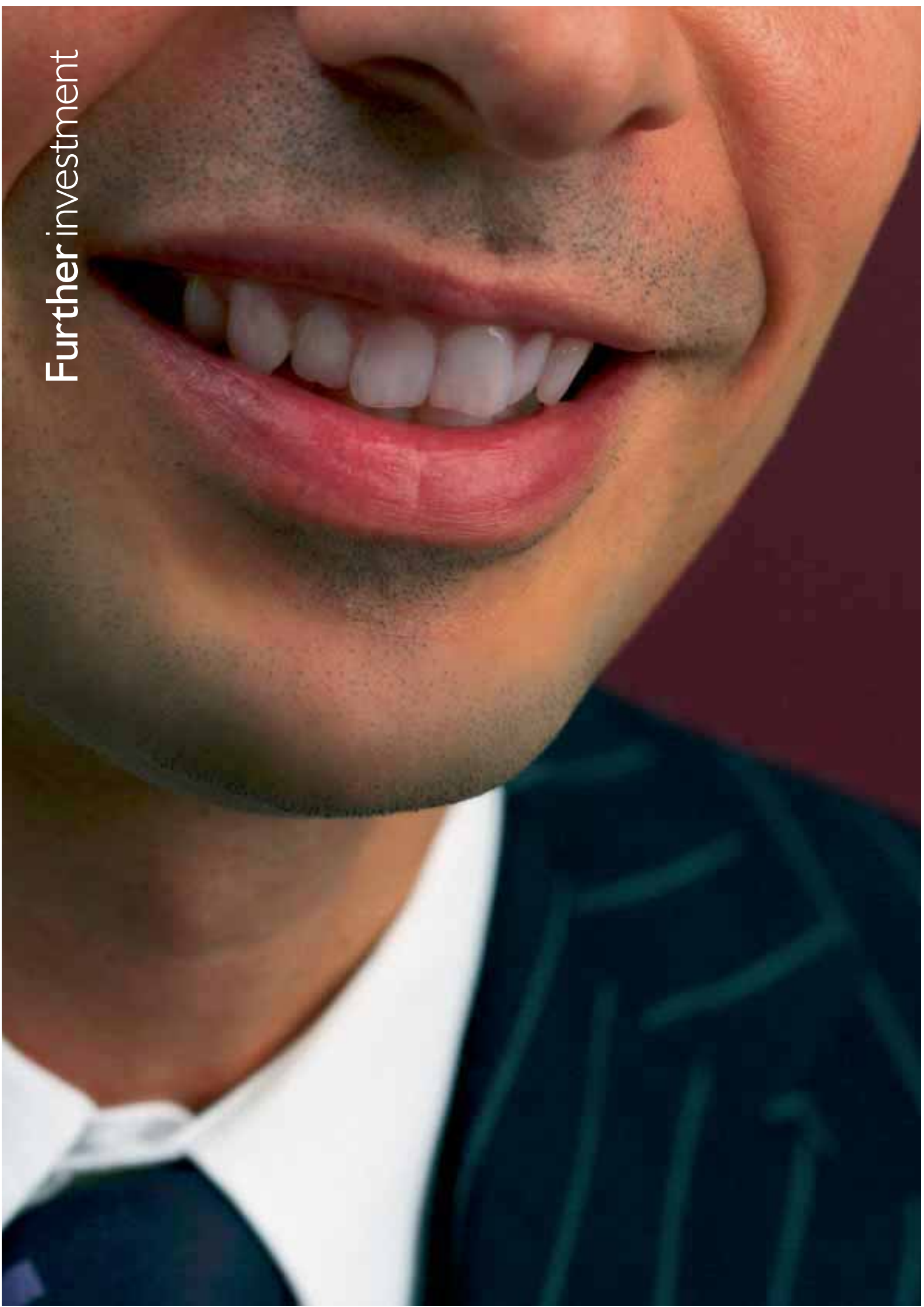
32%

The proportion of contact orders in private family law cases that are made by consent has risen to 32%.

61,500

The number of cases that were ultimately heard in the civil courts dropped from 65,500 to 61,500.

Further investment



“

Like anyone else, I want to be able to plan my working day effectively and get things done. Going to court was always the unknown factor. How long would it take? When would I be called in? It used to mean I had to keep the best part of the day free of appointments. Now I have a better idea of when I might be needed – meaning I can provide a better service to other clients too.

”

For me

Further investment

Further investment

Lawyers, police officers and witness care workers all recognise that attending court is an important part of their job, but they have many other things to do in their working day too. That's why solutions like XHIBIT are so valuable to them, to the courts, and to the general public.

For over 400,000 people working in the criminal justice system, XHIBIT provides real-time information on the progress of Crown Court hearings. Anyone involved in a case now has access to more accurate information on proceedings, faster than ever before. In the court precincts, in waiting areas and via the internet, witnesses and members of the public can also track cases meaning they are better informed on progress.

XHIBIT is also an important first step towards joining up the criminal justice system. It links with the CJS Exchange XHIBIT Portal, which provides an electronic repository for Crown Court hearing information. This enables instant access to case management information for agencies across the criminal justice system. Together XHIBIT and the Portal provide a capability to thousands of criminal justice organisation staff, enabling them to act on information previously only available to those within the courthouse.

It's all part of speeding up access to important information from the Crown Court, contributing to swifter justice and a better deal for the public.

“Because we have invested time and resources into analysing the duration of the cases heard, the judiciary is able to list cases more accurately.”

50

XHIBIT is live in 50 Crown Courts (August 2005) – and national roll-out will be complete by the end of March 2006.

266

magistrates' courts in England and Wales now have video links.



Our investment in IT is transforming the way our staff are able to work.

- **We have continued to roll out video technology in both courts and prisons, a programme that will continue through till 2008.**
- **We have developed further our highly popular online solutions, like Money Claim Online.**

What we've done

XHIBIT is an excellent demonstration of our investment strategy, adopting new and innovative technology to support and enhance streamlined processes. These same principles are equally visible in our other headline investments.

- We have continued to roll out video technology in courts.
- We have developed our popular online solutions, like Money Claim Online.
- We have examined our estates and identified priority locations for improvement – whether that's in terms of secure docks for defendants or separate facilities for witnesses.
- Some new premises have been built, such as the Warwickshire Justice Centre. In other areas we've invested in existing facilities, such as at Newcastle Combined Court where we've set up a new witness suite which had its first use during a very high-profile trial.
- We have also invested in back-office improvements at the Northampton Bulk Centre, a single location dedicated to tasks such as issuing claims, processing payments and handling registrations.

The HMCS factor

As a single, joined-up organisation, HMCS will be able to invest effectively in nationwide solutions that drive efficiency and improve service, while benefiting from economies of scale in terms of buying and using new technology.

We are also able to make better use of all the estates at our disposal. Already, the ability to share premises and facilities has proved its worth. When floods hit Carlisle, the magistrates' court was inoperable, but hearings continued at the Crown Court. When York Crown Court suffered a fire, much of the work was relocated to the magistrates' court.

Our policy is not to restrict the availability of court facilities as we consolidate our estate. Instead we plan to take advantage of the opportunities now open to us to remove the back-office function from our court houses, so that they can concentrate on defended cases. IT will play an important role in all this – not only in terms of achieving savings, but also in eliminating bottlenecks and helping to deliver a more efficient service to our customers.



Performance analysis

The year 2004/05, on paper, was difficult for the Court Service. As the organisation continued the transition to becoming HMCS, there could have been a great deal of disruption to the day-to-day business of the courts, both those administered by the Court Service (Crown and county courts) and the Magistrates' Courts Committees.

However, as the following pages will show, the reality was that performance over the year not only met the majority of targets, but in several areas exceeded them. This reflects a number of key factors:

- effective risk management throughout the transition programme, empowering court staff to continue with their work
- the commitment and dedication of court staff to maintaining business as usual
- the impact of several key programmes such as the Effective Trial Management Programme and our enforcement drive – programmes that HMCS is set to build on.

Overall, then, it was a year of considerable success, a fitting end to the operational existence of the Court Service and the 42 individual Magistrates' Courts Committees, and an excellent platform for further development and achievement under HMCS.

Key achievements

- **The appointment of a new management Board**
Throughout 2004/05, the interim administration recruited and appointed a new management Board, including seven regional directors and five non-executive directors. The new Board brings together a broad range of public and private sector expertise, and includes a number of people with many years' experience of frontline service delivery in the courts.
- **Bringing courts into shared premises**
In a number of locations, courts have moved into shared premises, reducing operational overheads and real estate costs. This has proved a real success, not least due to the approach taken by court staff in terms of working with one another.
- **Reducing ineffective trials**
As our performance against targets shows, 2004/05 saw real progress in our drive to reduce the proportion of ineffective trials, with substantial drops both in the magistrates' courts and in the Crown Court.
- **Increasing customer satisfaction**
Customer satisfaction levels have continued to rise, a fact that may be linked to better enforcement and greater use of alternative methods of dispute resolution.
- **Effective roll-out of video technology and new IT systems**
Over the course of the year, considerable progress was made on a number of IT projects. Video links were installed in more courts, the XHIBIT system went live, providing information about case hearings in a number of Crown Court premises, and more IT facilities were placed in courts to support the day-to-day work of our staff. All these roll-outs took place without disrupting operations.

Our performance analysis:

- Effective risk management throughout the transition programme empowered court staff to continue with their work.
- The commitment and dedication of court staff meant we could maintain business as usual.
- The impact of several key programmes such as the Effective Trial Management Programme and our enforcement drive was considerable – and HMCS is set to build on these successes.

The contribution of our staff in enabling us to meet our targets during the transition was immense.



Performance against PSA targets

HMCS contributes to the delivery of DCA's Public Service Agreement (PSA) targets. The following performance figures are for Spending Review 2002 performance.

Objective I: To ensure the effective delivery of justice

HMCS works with DCA and others across government and with local partners to reduce the number of ineffective trials and to guarantee the rights of defendants whilst ensuring that the public are protected and that jurors, victims and witnesses are treated with respect and care.

Target 1:

To improve the delivery of justice by increasing the number of crimes for which an offender is brought to justice to 1.15 million by 2005/06¹; with an improvement in all criminal justice system areas, a greater increase in the worst performing areas and a reduction in the proportion of ineffective trials².

Target 2:

To improve the level of confidence in the criminal justice system, including increasing that of ethnic minority communities, and increasing year on year the satisfaction of victims and witnesses, whilst respecting the rights of defendants.

Measures	Target	Performance in 2004/05
A reduction in the proportion of ineffective trials	The target will be met if the national level of improvement for Crown Court and magistrates' courts is 27% by March 2006 This equates to a reduction in the proportion of ineffective trials from 24% to 17% in the Crown Court, and from 31% to 23% in the magistrates' courts. The target for 2004/05 is 18.4%	On course Latest outturn for the proportion of ineffective trials (quarter ending March 2005) shows: <ul style="list-style-type: none"> □ a reduction for Crown Court centres from 24% (baseline) to 14.4% □ a reduction for magistrates' courts from 31% (baseline) to 22.7%
To support Local Criminal Justice Boards in meeting their Crown Court target for the number of defendants/appellants whose cases are heard within target time	The target is 78%	The average for the period April 2004 to March 2005 was 78.4%
To reduce the period from charge to sentence for persistent young offenders cases	71 days	68 days (quarter ending January 2005)
To increase sitting days in the Crown Court	104,200	101,823 (financial year ending March 2005)

¹ 'Offences brought to justice' counts the number of offences that someone is convicted of, has been cautioned for, has had taken into consideration by the court, or for which they received a penalty notice (either for harassment, shoplifting (retail under £200) or vandalism (damages under £500)). Formal warnings for the possession of cannabis are also included. Only notifiable cases are counted. The offences brought to justice aspect of the target was modified in Spending Review 2004, superseding the previous target of 1.2 million offences brought to justice in 2005/06. At the same time, a higher target of 1.25 million offences brought to justice was set for 2007/08.

² 'Ineffective trials' are trials that, on the date expected, do not proceed due to action or inaction by one or more of the prosecution, the defence or the court, and a further listing for trial is required.

Objective II: To ensure a fair and effective system of civil and administrative law

HMCS works to deliver a fair and effective system of civil and administrative law. We work to give people access to a choice of proportionate and low-cost ways to resolve disputes including alternatives to court-based systems. We work to make sure that costs are kept to a minimum, delays are avoided and judgments are enforced so that excellent customer service becomes the norm.

Target 3:

To reduce the proportion of disputes that are resolved by resort to the courts.

Measures, baselines and target levels	Latest outturn
(i) Reduce the number of non-family claims in the civil courts by 11.8% (from 1.79 million to 1.58 million)	Slippage 1.791 million Slippage due to the large increase in the number of claims for recovery of debt and fines issued by major users – such as water utilities, the DVLA and the Inland Revenue (now Her Majesty's Revenue & Customs) These claims are rarely defended, and are even more rarely the subject of court hearings. They are not, therefore, 'disputes' in the sense envisaged in the wording of the target.
(ii) Reduce the proportion of allocated (i.e. defended) cases that are resolved by a hearing by 1.9% (from 48.9% to 47%)	Ahead Latest outturn: (year to March 2005) 40.5%
(iii) Reduce the number of hearings by 9.3% (from 71,300 to 64,700)	Ahead Latest outturn: (year to March 2005) 61,500
(iv) Increase the proportion of contact and ancillary relief orders made by consent by 2.8% (from 70.6% to 73.4%) a) Maintain the proportion of ancillary relief orders made by consent at over 90% b) Increase the proportion of contact orders made by consent to 32.2%	Slippage Latest outturn: (year to March 2005) 69.9% a) ancillary relief orders – current performance is 91.2% b) contact orders – current performance is 32.0% This is a composite target and the two separate elements are performing well. However, because we have seen a greater increase in the number of contact orders compared with ancillary relief orders, overall performance is being dragged down. This is because less than 33% of contact orders are made by consent compared with the much higher rate of 90% for ancillaries

Target 4:

Increase year on year the level of satisfaction of users by taking speedy, high-quality decisions and reducing unnecessary delay and cost, and by ensuring that outcomes are enforced effectively. This target will be met if all headline targets are achieved and 8 of the 14 supporting targets are achieved.

Measures	Performance	
The achievement of year-on-year improvements in four key areas of dissatisfaction identified through the 2002/03 customer satisfaction survey		
By March 2006:	2003/04	2004/05
85% of customers satisfied with the knowledge of court staff at public counter (2004/05 target is 82%)	87%	87%
80% of customers satisfied with the knowledge of staff on telephone service (2004/05 target is 78%)	85%	86%
60% of customers satisfied with the speed of resolution of complaints (2004/05 target is 50%)	31%	27%
80% of customers satisfied with the helpfulness of written communication (2004/05 target is 75%)	79%	79%

In 2004/05, three of the four headline targets were met. There was some slippage against the target measure relating to customer satisfaction with the speed of resolution of complaints, though the percentage fall is within the high statistical tolerance caused by a particularly low volume of responses to this question in the annual customer satisfaction survey.

87%

of customers satisfied with the knowledge of court staff at the public counter – exceeding our 85% target.

86%

of customers satisfied with the knowledge of staff on the telephone service – exceeding our 80% target.

95%

Target met for the number of courts or units that apply for the Charter Mark.

97%

of complaints received by Ministers answered within the target timescale. Exceeding our 85% target.

A range of activities has been implemented to improve the complaints handling process (e.g. including actual speed of complaint resolution in senior managers' performance reviews, introducing new standards for customer service staff, and supporting staff and managers involved in resolving complaints through providing new complaints handling guidance and new training events).

However, it is proving particularly challenging to translate improvements in the complaints handling process itself through to customer perception, which the survey measures.

2004/05 supporting targets

Outturn for April–March

I	95% of courts or units that apply for the Charter Mark are awarded that status	Target met early
		In April 2004 we achieved 95% court accreditation. From 2004/05 the Charter Mark process is changing and individual courts will no longer apply, or re-apply, for accreditation. Instead, we are working towards achieving full corporate accreditation by 2008/09
		The creation of Her Majesty's Courts Service in April 2005 more than doubled the number of courts that DCA directly oversees. Because of these changes we have agreed with HM Treasury that this target measure will be reported as 'met early' for the remainder of the PSA period
2	85% of complaints answered within the target timescales:	
a)	Received by Ministers – 17 working days	97%
b)	Received at Court Service Headquarters Customer Service Unit – 15 working days	95%
c)	Received by group managers – 10 days	75%
d)	Received by court managers – 5 days	86%
3	94% of administration transactions completed within 5 days	95%
	To increase the percentage of civil cases heard within target from allocation to hearing:	
4	77% of small claims heard within 15 weeks	81%
5	77% of fast-track cases heard within 30 weeks	79%
6	77% of multi-track cases heard within 50 weeks	76%
	Percentage of public and private law Children Act cases and adoption cases dealt with within target by the end of March 2006	
7a)	70% public law heard within 40 weeks	41%
7b)	70% private law heard within 40 weeks	68%
8	70% of adoption cases heard within 20 weeks	64%
9	Realise at least 30 opportunities for county courts and magistrates' courts to share accommodation by April 2006	17 We delivered 10 in 2003/04 and a further 7 in 2004/05, making a total of 17 out of the target 30 achieved
10	Establish a cost indicator (by April 2004)	Met
II	The amount of money on enforceable warrants as a percentage of the total value of enforceable warrants will be 80%	91%
12	70% of charging orders will be processed in the appropriate timescales:	
a)	From application to interim order in 2 weeks	93%
b)	From interim order to final order in 10 weeks	84%
13	70% of third party debt orders will be processed in the appropriate timescales:	
a)	From application to interim order in 2 weeks	92%
b)	From interim order to final order in 10 weeks	84%
14	70% of attachment of earnings orders will be processed in the appropriate timescales: From application to first order (suspended or full) in 10 weeks	69%



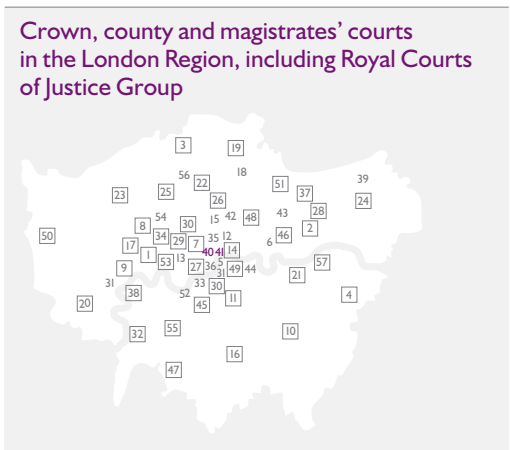
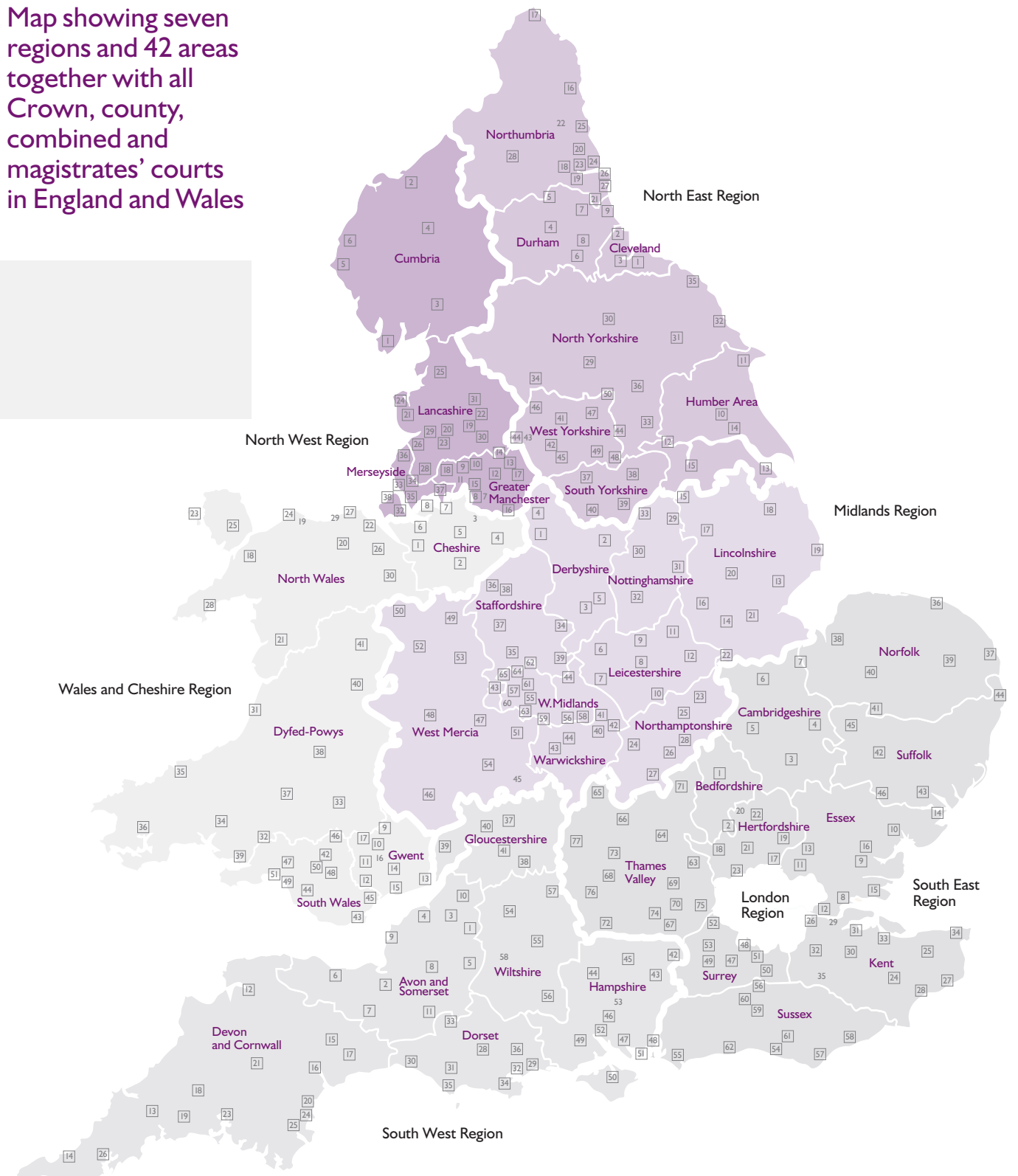
HMCS operates **650 courts**, employs around **20,000 staff** and works with more than **30,000 judges and magistrates**. To ensure we provide the right balance of central direction and local autonomy and accountability, HMCS is structured around **42 areas**, which match the existing criminal justice system areas, operating within **seven regions**.

See map under flap 

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Map showing seven regions and 42 areas together with all Crown, county, combined and magistrates' courts in England and Wales



Key to map

Magistrates' court



Combined court centre

1 First 2 Second 3 Third

Crown Court

1 First 2 Second 3 Third

County court



HMCS area boundaries



HMCS regional boundaries



North West Region

- Cumbria**
- 1 Barrow-in-Furness
 - 2 Carlisle 1
 - 3 Kendal ▲
 - 4 Penrith ▲
 - 5 Whitehaven ▲
 - 6 Workington

Greater Manchester

- 7 Altrincham ▲
- 8 Trafford
- 9 Bolton 2
- 10 Bury ▲
- 11 Leigh ▲
- 12 Manchester ▲ 1 3
- 13 Oldham ▲
- 14 Rochdale
- 15 Salford ▲
- 16 Stockport ▲
- 17 Tameside ▲
- 18 Wigan ▲

Lancashire

- 19 Accrington ▲
- 20 Blackburn ▲
- 21 Blackpool ▲
- 22 Burnley 3
- 23 Chorley ▲
- 24 Fleetwood
- 25 Lancaster ▲
- 26 Leyland
- 27 Nelson ▲
- 28 Ormskirk
- 29 Preston 1
- 30 Rawtenstall ▲
- 31 Reedley

Merseyside

- 32 Birkenhead ▲
- 33 Bootle
- 34 Knowsley
- 35 Liverpool 1
- 36 Southport ▲
- 37 St Helens ▲
- 38 Wirral

North East Region

Cleveland

- 1 Langbaugh East
- 2 Hartlepool ▲
- 3 Teesside 1

Durham

- 4 Bishop Auckland ▲
- 5 Consett ▲
- 6 Darlington ▲
- 7 Durham ▲ 3
- 8 Newton Aycliffe
- 9 Peterlee

Humber Area

- 10 Beverley
- 11 Bridlington
- 12 Goole
- 13 Grimsby 3
- 14 Kingston upon Hull 2
- 15 Scunthorpe ▲

Northumbria

- 16 Alnwick
- 17 Berwick upon Tweed
- 18 Blaydon
- 19 Gateshead ▲
- 20 Gosforth
- 21 Houghton le Spring
- 22 Morpeth and Berwick ▲
- 23 Newcastle upon Tyne 1
- 24 North Tyneside ▲
- 25 South East Northumberland
- 26 South Tyneside ▲
- 27 Sunderland ▲
- 28 Tynedale

North Yorkshire

- 29 Harrogate ▲
- 30 Northallerton
- 31 Pickering
- 32 Scarborough ▲
- 33 Selby
- 34 Skipton ▲
- 35 Whitby
- 36 York ▲ 2

South Yorkshire

- 37 Barnsley ▲
- 38 Doncaster ▲ 3
- 39 Rotherham ▲
- 40 Sheffield 1

West Yorkshire

- 41 Bradford 2
- 42 Dewsbury ▲
- 43 Halifax ▲
- 44 Calderdale
- 45 Huddersfield ▲
- 46 Keighley ▲
- 47 Leeds 1
- 48 Pontefract ▲
- 49 Wakefield ▲
- 50 Wetherby

Midlands Region

Derbyshire

- 1 Buxton ▲
- 2 Chesterfield ▲
- 3 Derby 2
- 4 Glossop
- 5 Ilkeston

Leicestershire

- 6 Coalville
- 7 Hinckley
- 8 Leicester ▲ 2
- 9 Loughborough
- 10 Market Harborough
- 11 Melton
- 12 Mowbray ▲
- 13 Rutland

Lincolnshire

- 13 Boston ▲
- 14 Bourne
- 15 Gainsborough
- 16 Grantham ▲
- 17 Lincoln ▲ 1
- 18 Louth
- 19 Skegness ▲
- 20 Sleaford
- 21 Spalding
- 22 Stamford

Northamptonshire

- 23 Corby
- 24 Daventry
- 25 Kettering ▲
- 26 Northampton 2
- 27 Towcester
- 28 Wellingborough ▲

Nottinghamshire

- 29 East Retford
- 30 Mansfield ▲
- 31 Newark ▲
- 32 Nottingham ▲ 1
- 33 Worksop ▲

Staffordshire

- 34 Burton upon Trent ▲
- 35 Cannock
- 36 Newcastle under Lyme
- 37 Stafford 1
- 38 Stoke on Trent 3
- 39 Tamworth ▲

Warwickshire

- 40 Leamington Spa
- 41 Nuneaton ▲
- 42 Rugby ▲
- 43 Stratford upon Avon ▲
- 44 Warwick 1

West Mercia

- 45 Evesham ▲
- 46 Hereford ▲ 2
- 47 Kidderminster ▲
- 48 Ludlow ▲
- 49 Market Drayton
- 50 Oswestry ▲
- 51 Redditch ▲
- 52 Shrewsbury ▲ 2
- 53 Telford ▲
- 54 Worcester 2

West Midlands

- 55 Birmingham ▲ 1
- 56 Coventry 3
- 57 Dudley ▲
- 58 Halesowen
- 59 Solihull
- 60 Stourbridge ▲
- 61 Sutton Coldfield
- 62 Walsall ▲
- 63 Wylye
- 64 West Bromwich
- 65 Wolverhampton 2

South East Region

Bedfordshire

- 1 Bedford ▲
- 2 Luton ▲ 2

Cambridgeshire

- 3 Cambridge ▲ 1
- 4 Ely
- 5 Huntingdon ▲
- 6 Peterborough 3
- 7 Wisbech

Essex

- 8 Basildon 3
- 9 Chelmsford ▲ 1
- 10 Colchester ▲
- 11 Epping
- 12 Grays
- 13 Harlow ▲
- 14 Harwich
- 15 Southend ▲
- 16 Witham

Hertfordshire

- 17 Cheshunt
- 18 Hemel Hempstead
- 19 Hertford ▲
- 20 Hitchin ▲
- 21 St Albans ▲ 2
- 22 Stevenage
- 23 Watford ▲

Kent

- 24 Ashford ▲
- 25 Canterbury 3
- 26 Dartford ▲
- 27 Dover
- 28 Folkestone
- 29 Gravesend ▲
- 30 Maidstone 2
- 31 Medway ▲
- 32 Sevenoaks
- 33 Sittingbourne
- 34 Thanet
- 35 Tunbridge Wells ▲

Norfolk

- 36 Cromer
- 37 Great Yarmouth
- 38 Kings Lynn ▲ 3
- 39 Norwich 1
- 40 Swaffham
- 41 Thetford

Suffolk

- 42 Bury St Edmunds ▲ 3
- 43 Ipswich ▲ 2
- 44 Lowestoft ▲
- 45 Mildenhall
- 46 Sudbury

Surrey

- 47 Dorking
- 48 Epsom ▲
- 49 Guildford ▲ 3
- 50 Redhill
- 51 Reigate ▲
- 52 Staines ▲
- 53 Woking

Sussex

- 54 Brighton ▲
- 55 Chichester 2
- 56 Crawley
- 57 Eastbourne ▲
- 58 Hastings ▲
- 59 Haywards Heath ▲
- 60 Horsham ▲
- 61 Lewes 1
- 62 Worthing ▲

Thames Valley

- 63 Amersham
- 64 Aylesbury ▲ 3
- 65 Banbury ▲
- 66 Bicester
- 67 Bracknell
- 68 Didcot
- 69 High Wycombe ▲
- 70 Maidenhead
- 71 Milton Keynes ▲
- 72 Newbury ▲
- 73 Oxford 1
- 74 Reading ▲ 2
- 75 Slough ▲
- 76 Wantage
- 77 Witney

South West Region

Avon and Somerset

- 1 Bath ▲
- 2 Bridgwater
- 3 Bristol ▲ 1
- 4 Flax Bourton
- 5 Frome
- 6 Minehead
- 7 Taunton ▲ 2
- 8 Wells
- 9 Weston-super-Mare ▲
- 10 Yate
- 11 Yeovil ▲

Devon and Cornwall

- 12 Barnstaple ▲ 3
- 13 Bodmin ▲
- 14 Camborne
- 15 Cullompton
- 16 Exeter 1
- 17 Honiton
- 18 Launceston
- 19 Liskeard
- 20 Newton Abbot
- 21 Okehampton
- 22 Penzance ▲
- 23 Plymouth 2
- 24 Torquay and Newton Abbott ▲
- 25 Totnes
- 26 Truro ▲ 1
- 27 Isles of Scilly

Dorset

- 28 Blandford
- 29 Bournemouth 3
- 30 Bridport
- 31 Dorchester 2
- 32 Poole ▲
- 33 Sherborne
- 34 Wareham
- 35 Weymouth 2
- 36 Wimbome

Gloucestershire

- 37 Cheltenham ▲
- 38 Cirencester
- 39 Coleford
- 40 Gloucester ▲ 2
- 41 Stroud

Hampshire

- 42 Aldershot ▲
- 43 Alton
- 44 Andover
- 45 Basingstoke ▲
- 46 Eastleigh
- 47 Fareham
- 48 Havant
- 49 Lyndhurst
- 50 Newport (IOW) 3
- 51 Portsmouth 3
- 52 Southampton 3
- 53 Winchester 1

Wiltshire

- 54 Chippenham
- 55 Devizes
- 56 Salisbury 2
- 57 Swindon 2
- 58 Trowbridge ▲

Wales and Cheshire Region

Cheshire

- 1 Chester ▲ 1
- 2 Crewe ▲
- 3 Knutsford 3
- 4 Macclesfield ▲
- 5 Northwich ▲
- 6 Runcorn ▲
- 7 Warrington 3
- 8 Widnes

Gwent

- 9 Abergavenny
- 10 Abertillery
- 11 Blackwood ▲
- 12 Caerphilly
- 13 Chepstow
- 14 Cwmbran
- 15 Newport ▲ 2
- 16 Pontypool ▲
- 17 Tredegar

North Wales

- 18 Caernarfon ▲ 1
- 19 Conwy and Colwyn ▲
- 20 Denbigh
- 21 Dolgellau 3
- 22 Flint
- 23 Holyhead
- 24 Llandudno
- 25 Llangefni ▲
- 26 Mold ▲ 1
- 27 Prestatyn
- 28 Pwllheli
- 29 Rhyl ▲
- 30 Wrexham ▲

Dyfed-Powys

- 31 Aberystwyth ▲
- 32 Ammanford
- 33 Brecon ▲
- 34 Carmarthen ▲ 2
- 35 Cardigan
- 36 Haverfordwest ▲ 3
- 37 Llandovery
- 38 Llandrindod Wells
- 39 Llanelli ▲
- 40 Newtown
- 41 Welshpool ▲ 2

South Wales

- 42 Aberdare ▲
- 43 Barry
- 44 Bridgend ▲
- 45 Cardiff ▲ 1
- 46 Merthyr Tydfil ▲ 2
- 47 Neath ▲
- 48 Pontypridd ▲
- 49 Port Talbot
- 50 Rhondda
- 51 Swansea ▲ 1

London Region

- 1 Acton
- 2 Barking
- 3 Barnet ▲
- 4 Bexley
- 5 Blackfriars 3
- 6 Bow ▲
- 7 Bow St
- 8 Brent
- 9 Brentford ▲
- 10 Bromley ▲
- 11 Camberwell Green
- 12 Central Criminal Court 2
- 13 Central London 2
- 14 City of London
- 15 Clerkenwell ▲
- 16 Croydon ▲ 1
- 17 Ealing
- 18 Edmonton ▲
- 19 Enfield
- 20 Feltham
- 21 Greenwich
- 22 Haringey
- 23 Harrow 3
- 24 Havering
- 25 Hendon
- 26 Highbury Corner
- 27 Horseferry Road
- 28 Ilford ▲
- 29 Inner London Family Proceedings Court
- 30 Inner London Sessions House 3
- 31 Isleworth 3
- 32 Kingston upon Thames ▲
- 33 Lambeth ▲
- 34 Marylebone
- 35 Mayor's & City of London ▲
- 36 Middlesex Guildhall 3
- 37 Redbridge
- 38 Richmond upon Thames
- 39 Romford ▲
- 40 Royal Courts of Justice
- 41 Principal Registry of the Family Division
- 42 Shoreditch ▲
- 43 Snaresbrook 3
- 44 Southwark 3
- 45 South Western including Balham Youth Court
- 46 Stratford
- 47 Sutton
- 48 Thames
- 49 Tower Bridge
- 50 Uxbridge ▲
- 51 Waltham Forest
- 52 Wandsworth ▲
- 53 West London ▲
- 54 Willesden ▲
- 55 Wimbledon
- 56 Wood Green 3
- 57 Woolwich ▲ 3

Our organisation

In his review of the criminal justice system in 2001, Sir Robin Auld recommended a “single and nationally funded administrative structure, but one providing significant local autonomy and accountability”. Her Majesty’s Courts Service (HMCS), launched on 1 April 2005, is the organisation created in response to this recommendation.

HMCS brings together for the first time all of the Crown, county and magistrates’ courts in England and Wales under one administration. This ends the previously long-standing separation between magistrates’ courts, each of which was run by an independent local committee (of which there were 42 across England and Wales), and the central Government-run Court Service, which managed the Court of Appeal, the High Court and all Crown and county courts. The only court not included within the remit of HMCS is the House of Lords.

Removing the overheads of running 43 separate organisations enables HMCS to divert more resources to front-line service delivery. It also helps to provide a central focus for development of new policy initiatives and for sharing best practice.

Our purpose is to deliver justice effectively and efficiently to the public. We will spearhead partnerships between the courts, criminal justice agencies and others involved with tackling the concerns of local communities. Our priorities are listed below.

650

HMCS brings together all 650 Crown, county and magistrates’ courts in England and Wales under one administration.

- **Tackling crime** leading to safer communities, by working with our partners to help increase the total number of crimes for which offenders are brought to justice to 1.25 million by 2008/09.
- **Providing better facilities for victims, witnesses and vulnerable people in all courts**, such as separate waiting rooms and the ability to testify via video link. These can help to reduce ineffective trials and ensure people are confident to come to court.
- **Reducing the amount of wasted time** for witnesses, jurors, police, families and those needing to resolve their disputes as cases proceed on time and more effectively with better co-operation across all courts and agencies.
- **Enabling tougher enforcement** of court orders, which not only means justice is done but also supports the work of the judiciary.

These priorities support the work of DCA, of which HMCS is an executive agency.

£20 million

As a single agency, HMCS could ultimately generate efficiencies of as much as £20 million a year.



Organisational structure

HMCS operates 650 courts, employs 20,000 staff and works with 30,000 judges and magistrates. Our headquarters is in Central London, in the same building as the headquarters of our parent department, DCA.

The central directors are based at these premises.

Chief Executive	Sir Ronald De Witt KB
Director of Policy, Crime	Neil Ward
Director of Policy, Civil and Family, and Director of Customer Services	Mark Ormerod
Resources Director	Philip Lloyd
Estates Director	Alan Fenton
Performance Director	Clare Sumner CBE
Director of Communications	Atula Gor
Director of Royal Courts of Justice Group	Alastair Clegg

We also have five non-executive directors:

- Sir Peter Bonfield
- Jeff Denton
- Maggie Lee
- Mee Ling Ng
- Lord Justice Thomas, the Senior Presiding Judge.

To ensure we provide the right balance of central direction and local autonomy and accountability, HMCS is structured around 42 areas, which match the existing criminal justice system areas, operating within seven regions.

Each area has an area director, who reports into one of the seven regional directors, and a Courts Board, which is designed to be a forum for local people to be consulted regarding the operation of the local courts.

Region	Regional Director
London	Nicola Bastin
South East	Kevin Pogson
South West	Peter Risk
Midlands	Alan Eccles
Wales and Cheshire	Nick Chibnall
North West	Chris Mayer CBE
North East and Yorkshire	Stephen Caven

The Courts Boards will scrutinise, review and make recommendations about how local courts are run, where they are located and how the level of service for court users can be improved. They will not be involved in any judicial decisions, like sentencing, but will fulfil an advisory role to identify and meet local needs.

The High Court

The High Court sits at the Royal Courts of Justice in London, as well as at some major court centres around the country. The work is handled by three divisions, depending on its subject:

- Chancery Division: equity, trusts, tax, bankruptcy
- Queen's Bench Division: contract, tort, commercial matters
- Family Division: divorce, children, probate.

The Divisional Court of the High Court sits in the Family and Chancery Divisions, and hears appeals from the magistrates' courts and county courts. The Administrative Court in the Queen's Bench Division deals with a variety of judicial review matters.

Court of Appeal

The Court of Appeal also sits at the Royal Courts of Justice. The Criminal Division hears appeals from Crown Court cases, while the Civil Division receives appeals from the High Court, tribunals and, in certain cases, county courts.

Supreme Court

In 2003, the Government announced that it would create a new Supreme Court for the UK. Following the passage of the Constitutional Reform Act 2005, work is under way to establish it. The Supreme Court is a superior court of record. It is not part of HMCS.

Central services

To support the work of the individual courts, HMCS also provides some nationwide services, such as the Bulk Centre, and is establishing a national enforcement service.

The Bulk Centre, located in Northampton, is dedicated to issuing claims across the whole of HMCS. It consists of four main working areas:

- Claim Production Centre
- Centralised Attachment of Earnings Payment System
- Money Claim Online
- Traffic Enforcement Centre.

We have invested in IT systems to support the Bulk Centre's work and it is able to process claims quickly and accurately. The Bulk Centre also runs dedicated telephone helpdesks to support courts and end customers. When a defence or acknowledgement of service is received, claims are transferred to local courts, and we are continuing to invest in IT equipment for these courts as well.

In support of the work in our business redesign proposals around enforcement, we are establishing a national enforcement service. The national enforcement service will build on the wide range of initiatives and:

- ensure respect for the authority and orders of the courts
- focus on compliance, confidence and compensation
- show that justice is being done thereby increasing public confidence
- put in place a more effective, professionalised enforcement force to tackle hardcore offenders.

The enforcement professionals involved will be fully trained and will have defined areas of jurisdiction, in line with nationwide standards and processes.

The national enforcement service is not a new government department or agency. Instead, it will be a service that embodies the new approach to enforcement across England and Wales, in which HMCS is the senior partner.

The business redesign proposals will also explore the possibility of an integrated civil and criminal enforcement strategy, feasibility of call centres for telephone enforcement, and regional accounting centres.

Strategy

The work of the courts touches millions of lives a year. There are members of the public such as victims, defendants, claimants, witnesses, jurors and the families and friends of all of them. Then there are all those involved in the justice system: judges and magistrates, police officers, lawyers as well as court staff.

HMCS wants to strengthen and develop the work of the courts, and the court experience of all the users of our services. By doing so we not only support the justice system effectively, we can also help ordinary citizens feel safer and more confident.

Our strategy is focused around three key delivery areas:

- reducing crime and anti-social behaviour
- protecting the vulnerable
- supporting more effective and proportionate dispute resolution.

These three areas are naturally interlinked and all support the achievement of DCA's PSA targets. HMCS has specific targets in each area.

Currently, our performance targets are the very same as those the Court Service was previously measured against. These PSA targets were established as part of the 2004 Spending Review. As a new organisation, we are committed to working towards these targets as best we can. At the same time, we are aiming to be in a position to play a lead role in setting our targets for the next Spending Review.

Reducing crime and anti-social behaviour

We are working to reduce crime and anti-social behaviour by ensuring court orders act as an effective deterrent and by supporting the judiciary in sentencing quickly.

Our strategy for achieving this objective covers a number of areas:

- We will improve enforcement of penalties and sentence compliance through the development of the national enforcement service.
- In partnership with a wide range of stakeholders across the justice system, we want to help ensure more offenders are sentenced by reducing ineffective trials. Defendants who don't turn up without good reason should expect to be tried in their absence; victims and witnesses will be encouraged to testify.
- Working with the judiciary, we are streamlining processes to ensure that some cases can be treated as priorities, such as those involving persistent young offenders, where our aim is to reduce the time from arrest to sentencing.
- We are also looking to increase the involvement of members of the community in the delivery of justice. Aside from our work to support the recruitment of a more diverse magistracy, we are investing in programmes such as the North Liverpool Community Justice Centre, where the needs and priorities of the community are considered when sentencing.

Protecting the vulnerable

HMCS is committed to protecting the vulnerable both in the court – when they are required to attend hearings as victims or witnesses – and through the court, with regard to acting fast to help remove those at risk in childcare and domestic violence cases.

In court, our key goals are around ensuring the provision of adequate facilities for witnesses and victims. Part of this is the ongoing roll-out of video technology within courts, so that witnesses don't necessarily have to be in the same room as the defendant when they are testifying. Equally important, however, are things like separate waiting areas, and having court staff and the Witness Service on hand to assist. We recognise that our work begins before the actual hearing, for example offering pre-court familiarisation visits and are continuing to develop a range of resources to help inform potential attendees of what they can expect.

With regard to children, our aims are essentially twofold: to protect the children and minimise the levels of disruption brought into their lives, and to ensure that the adverse impact on children of parental separation is minimised.

HMCS is part of a Ministerial Strategic Group, including representatives from the judiciary, the Department for Education and Skills, local authorities and DCA, which is helping develop an integrated plan in response to the need for more effective response in public law childcare cases.

In terms of domestic violence, we have been extensively involved in the pilot programme of a fast-track system for domestic violence cases, which proved highly successful. The principle is simple: to provide adequate protection for the victim, both in the short term and through ongoing court protection. The Domestic Violence, Crime and Victims Act 2004 included provisions in both of these areas, making common assault an arrestable offence and enabling courts to impose restraining orders for any offence.

The final report (published June 2005) on the evaluation of two pilot specialist domestic violence courts in Caerphilly (Gwent) and Croydon highlighted a number of specific areas:

- The number of days from arrest to case finalisation dropped from 86 days to 76 days (Gwent).
- In Croydon, the number of cases withdrawn or discontinued before trial decreased significantly from 36% to 20%.
- Victim retraction in Caerphilly dropped from 53% to 27%.
- In Caerphilly convictions rose from 8% to 19%; in Croydon from 0% to 19%.

The results of this support and feed in to the work of a National Implementation Project Board, set up in 2004, to consider the practicalities of piloting the first integrated domestic violence court (IDVC). Such a court would provide an improved service to families in crisis by co-ordinating criminal and family proceedings where the underlying issue was domestic violence.

A model has been drafted, taking into account the need for judicial continuity while ensuring a fair trial, and we have now appointed Project Managers with a view to piloting the first IDVC cases in Croydon by the end of 2005.

By April 2006, we plan to have established 25 specialist, fast-track or cluster domestic violence courts.

Supporting more effective and proportionate dispute resolution

Going to court is and should be a last resort. One of our key goals is to provide and inform people about reliable and effective alternatives to court, using other means of dispute resolution that can be faster and more efficient for everyone involved.

Our strategy is focused on the ongoing development of alternative dispute resolution methods. We have developed the range of information around mediation and new services such as the National Mediation Helpline, which will further drive the public's understanding of the process and the advantages it can provide.

At the same time, we're working with the judiciary and other key stakeholders to ensure that they have a full picture of the alternatives available in each area. Court-based mediation schemes operate in Central London, Birmingham, Exeter, Guildford and South Wales.

4,000

More than 4,000 cases a month go through Money Claim Online.

95%

of all civil and family business units have Charter Mark accreditation.

154

More than 30 Crown Courts and 154 magistrates' courts now have prison video link technology installed.

In West Mercia, courts in Telford, Shrewsbury and Kidderminster used to each have their own administration, secretariat and telephone helplines. They have now been integrated into one premises, freeing up space in the courts themselves and helping deliver a better service at the same time.



We are also continuing to invest in the development of online services such as Money Claim Online. We provide a number of forms online and fees can be paid by credit or debit card. This offers a range of benefits: it's a better service to the public, and it complies with government requirements in terms of making services available online.

Providing an efficient and effective system to support the business of the courts

While our delivery strategy is all about helping meet HMCS and DCA priorities, our operational strategy is focused on ensuring we can support the courts as effectively as possible in their day-to-day business. The creation of HMCS offers considerable scope to improve operating efficiency. Indeed, the business case for creating the organisation estimated that, as a single agency, HMCS could ultimately generate efficiencies of as much as £20 million a year. These efficiencies will be generated through:

- the creation of more consistent policies, based on best practice identified around the whole organisation
- the ability to integrate back-office resources, through smart use of IT
- working better with the judiciary to ensure that they have access to the information and resources they need, wherever possible
- working more closely with all of our stakeholders across the justice system. One example is increased sharing of information with the Prison Escort Service, so helping to ensure that defendants coming from prisons are brought to court at the right time for their trials. At the same time, we have rolled out prison video links to a number of magistrates' courts and Crown Courts, removing the need to bring defendants in from prisons
- removing or varying jurisdictional or procedural barriers that reduce the flexibility to match cases to the most appropriate tier of judiciary

- smarter use of estates, both in terms of identifying the most appropriate facility to hear certain cases (e.g. using a court with a secure dock for a high-risk defendant, or with separate entrances where vulnerable witnesses are involved) and in some situations looking at consolidating magistrates' and county courts in the same town into single premises.

Increasing customer satisfaction with the courts

In 2005/06, HMCS will embark on a programme to achieve Charter Mark accreditation across all business areas, including magistrates' courts, with the objective of achieving full corporate accreditation by 2008/09. HMCS leads the public sector in terms of the number of Charter Mark accreditations it has. Already, more than 100 courts have achieved the Charter Mark, including 95% of all civil and family business units.

One of the key criteria for meeting the Charter Mark standard is for the courts to demonstrate a positive contribution to the community they serve. This programme of work will therefore help to support the wider objective of forging stronger ties with the community in order to make the court system more accessible and better understood by the public.

Developing and implementing our strategy

A central principle of HMCS is that it combines policy development and service delivery in the same organisation. In recognition of this fact, HMCS created two new roles: Service Policy Director for Crime and Service Policy Director for Civil and Family.

There are a number of processes in place to ensure that the views of those involved in delivering services are heard when we develop policy and strategy. The most obvious of these is the organisational structure, which ensures insights from the individual court boards are passed to area directors, who can then present them to the regional directors, who sit on the corporate Board. Similarly, strategic initiatives and policies can be discussed at each level with the staff, and their feedback then considered.

Improving and standardising processes

As a national organisation that manages all courts, HMCS is able to introduce nationwide processes and best practice. This helps streamline the work of the courts, deliver efficiencies and provide a consistently high level of service to the public.

Some key process areas that HMCS is already working on include:

- **Improving case management** – HMCS is committed to ensuring better management of cases from start to finish. We have distributed a 'toolkit' to courts detailing how cases should be prepared, what resources may be required and how information should be stored.
- **Supporting better listing** – better listing helps ensure more trials take place at the appointed time and plays a major part in cutting the number of ineffective trials. HMCS has recorded and studied the length of hearings for different types of case and so is able to help the judiciary to estimate more accurately how many cases it can fit in a single day. We are also working more closely with defendants' counsel to anticipate their pleas and the number of witnesses they might be calling, again giving an idea of how much time to allocate each hearing.
- **Giving certain cases priority status** – thanks to better listing and case management, HMCS is able to give priority cases priority status. That means that childcare cases, for instance, can be pushed through quickly to help protect the child. A pilot scheme, operating in London and North West England, has put in place a common protocol regarding the disclosure of police information in family proceedings. The aim is to give police more notice of forthcoming family proceedings and enable them to indicate in advance the level of information and evidence that may be available.
- **Ensuring earlier consideration of alternative dispute resolution** – our work to support mediation begins before cases reach courts. All civil and family court users are automatically sent information about mediation as soon as their case details are received by the court. This gives them time to find out more about their options and make appropriate decisions.
- **Encouraging better inter-working between courts** – clearly, HMCS provides increased links between magistrates' courts, Crown and county courts. This is valuable when cases need to be referred to a higher court; information flow is now much easier and standard formats and procedures can be introduced, monitored and optimised.

- **Empowering enforcement** – aside from national roll-out of the new enforcement framework contained in the Courts Act 2003 and development of the national enforcement service, HMCS also provides a clear opportunity to integrate civil and criminal enforcement activities. We have a joint vision for the future that will look to maximise cost-effectiveness and flexibility by integration of field and administrative functions by 2007/08.

Our role in the wider justice system

HMCS is one of a number of organisations involved in the justice system, and our work covers not only criminal justice but also family and civil issues, such as separation, divorce and childcare, probate, and all commercial and financial matters, including small claims.

The nature of this work demands that we interact effectively with a wide range of people, from the judiciary who preside over the hearings, to the police, the National Probation Service, social services, the legal profession and, of course, the public at large.

As a single national organisation, HMCS is equipped to build better relationships with our partners at every level. Our policy teams can play a role in the development of cross-department initiatives, while our ability to deliver services ensures that this work is implemented effectively and in support of the policy.

Working with the judiciary

Clearly the single most important working relationship HMCS has is with the judiciary. HMCS is committed to working closely with the judiciary, ensuring the needs and views of magistrates and judges are heard and supporting their work through better resource management, information delivery and enforcement.

Lord Justice Thomas, Senior Presiding Judge, represents members of the judiciary on the HMCS Corporate Board.

Throughout the last year, we carried out a major survey of all 28,500 magistrates in England and Wales to find out more about their views on the efficiency and effectiveness of the courts they work in. A White Paper in response to this consultation was published before the end of 2005.

HMCS has also looked to support the judiciary through investment in IT solutions, including the ongoing development of eLIS (electronic Library and Information Services), an online service which provides a wealth of legal information. Accessible by the judiciary, DCA and HMCS, it also acts as a portal to other legal websites and valuable online resources.

Court structure



Throughout the last year, we carried out a major survey of all 28,500 magistrates in England and Wales.

Our aim is to ensure that HMCS truly becomes an employer of choice, with a working environment that develops its staff, recognises excellence and provides consistent, sound management at all levels.

Supporting and developing our staff

As a service delivery organisation, HMCS depends on the work of its staff in courts across England and Wales as well as in its offices to maintain the high standards of service set over recent years. We are committed to developing and supporting our staff so that they can make the most of the increased opportunities available in the new organisation.

The transition to HMCS was clearly a potentially difficult time for our staff, many of whom were moving from relatively small organisations, such as individual magistrates' courts committees, into a single, far larger one.

One key decision, to help ensure a more consistent service, was that HR support for HMCS – from recruitment and selection, to policy development, to advice and guidance – should be provided as a service by the HR Directorate of DCA.

This has proved vital in ensuring we have been able to develop and implement organisation-wide HR policies, and meant there was a stable support service available during the transition period.

A second fundamental principle was that there would be no forced redundancies through the transition. This gave people a good degree of confidence and was pivotal to ensuring our staff continued to deliver outstanding customer service throughout the run-up to the creation of HMCS, a fact highlighted in our performance against targets.

Establishing the organisational structure

One of the main tasks carried out by the HR Directorate, in conjunction with the change programme managers, was to establish precisely what new roles would be required within HMCS, allocating them to the correct grades or spans, and confirming pay brackets.

Once these decisions were made, recruitment could begin for any new positions – many of which were filled by existing court staff.

As part of the transition process, there were a number of ongoing communications with staff at all levels, such as the 'Focus on the Future' events, which were delivered to all HMCS staff. These culminated in the sending out of a personal letter to each individual staff member by the end of March 2005, which confirmed their new job title and place of work.

Developing new ways of working

Alongside the transition to HMCS, the HR Directorate was also preparing to undergo a transition of its own. This involved the integration of new staff from 43 different organisations, creating a directorate of more than 400 people, split across 50 locations, as well as beginning to integrate systems with the long-term aim of having a single IT platform for all human resources issues.

HMCS now has HR business partners located at the centre and at regional and area level, giving a real insight into the HR needs of staff across England and Wales.

The HR team has not only been restructuring internally, but has also begun the development of new, standardised, simplified policies to support the organisation as a whole.

One example is that following a report on recruitment and selection, which sought the views of key stakeholders, and several recommendations were made to help streamline recruitment for HMCS. This led to the launch of a new recruitment policy in April 2005 – one of several new policies created at the same time. Others included an interim performance management process, and a revised disciplinary policy.

Work is currently under way to redesign the reward strategy and supporting systems for all HMCS employees. The aim is to ensure that HMCS truly becomes an employer of choice, with a working environment that develops its staff, recognises excellence and provides consistent, sound management at all levels.

The HR transformation programme is targeted to be complete by 2010, by which time a full range of revised HR policies and processes will be in place. The organisation will be supported by an IT-enabled HR shared service function, which is both more efficient and adds greater capacity.

Support for our staff

A number of initiatives are in place to support all staff more effectively in their day-to-day working lives.

- Through DCA, HMCS provides an in-house occupational welfare service, accessed via a national helpline, which is available to all employees, individuals and managers, who need support and guidance on work-related or personal welfare issues.
- In July 2004, the stress tool kit was launched, giving managers advice on how to reduce stress, identify individuals suffering from stress and what to do when it could become an issue.
- To offer a swifter, less antagonistic alternative to the formal complaints procedure, we also set up a mediation scheme, in which trained mediators can be asked to help resolve disputes in the workplace, where both parties are willing to participate.
- HR communications sends out monthly bulletins detailing any changes to HR policy, so keeping all staff informed.

Diversity

HMCS is committed to ensuring our workforce reflects the population it serves, and has an excellent track record in supporting diversity.

- A number of diversity networks operate within DCA, which extend into HMCS. These include the Proud network, the Rainbow network and a Disability network. In each case, the aim is to provide support for people from diverse backgrounds, helping them overcome any problems they face and encouraging them to take opportunities available to them.
- In July 2004, we launched the *Ability Manual*, which provided managers with a range of practical guidance on how to make reasonable adjustments to working conditions to support those with disabilities, as outlined in the Disability Discrimination Act 2005.
- DCA won the Carers UK 'Carers in Employment Award' at the Working Families Employer of the Year Awards.

Managing and developing our people

As an organisation, HMCS (like DCA) is committed to developing people and supporting them in their work.

We have continued to invest in developing leadership skills at all levels by providing a suite of development events targeted at different groups, from senior leaders to first-line managers. All programmes aim to develop skills that are in line with DCA's leadership profile.

Staff were able to attend more than 70 different skills, knowledge and technology courses across our core operational business areas and headquarters. To support the delivery of PSA 4, around customer service, we produced a new customer service training strategy, and developed ten new courses. This included an event to support Part 3 of the Disability Discrimination Act 1995, which came into force on 1 October 2004. We also supported the early stages of XHIBIT implementation by training business representatives and staff to use the system.

We offered a range of over 20 development events, from leadership and management to communication and diversity, including positive action training, and produced a series of events to support the launch of *Stress at Work – A manager's toolkit*.

To support the Government's skills strategy, HMCS also took further steps to help staff at all levels:

- We broadened the range of National Vocational Qualifications available to staff and offered support for Apprenticeships regardless of age.
- We continued to participate in Prince's Trust Team and Skills for Life activities.
- We are a pathfinder department for the Foundation 4 Government foundation degree, and have 16 participants.
- We began a pilot programme to sponsor staff to study for Master of Public Administration courses, or other similar public sector qualifications that match the private sector MBA.

HMCS is keen to support DCA in maintaining corporate Investors in People status. This was achieved in May 2004 and included the then Court Service.

HMCS is a diverse organisation, and seeks to ensure its workforce reflects the population it serves.



Managing our estates

HMCS is responsible for the management of court premises across England and Wales. We are developing an integrated estates strategy that will enable us to make the best use of these facilities, support redevelopment without compromising services and ensure we deliver the best value for money from our resources.

New premises

In 2004/05 new court premises were opened in Exeter, Sheffield and East Anglia (all built through PFI schemes), as well as for Manchester City Magistrates' Court, and the Warwickshire Justice Centre in Nuneaton.

This single building, costing £13 million, houses the police, the Crown Prosecution Service, a magistrates' court, a family court, the Probation Service, the Youth Offending Team and the Victim and Witness Support Service. The aim is to support inter-working between these agencies and ensure effective information sharing, leading to a better service to the public and a safer community. With working practices already integrated before the building was complete, the local magistrates' court already had the smallest number of ineffective trials in England and Wales.

Effective enforcement is also increased through enabling key justice services to work more closely together. The in-house magistrates' court at the Warwickshire Justice Centre recently issued a fine to a defendant who did not have a permanent address. When he didn't pay the fine, an arrest warrant was issued. Because several different parties involved in the justice system are all located in the same premises, the court was able to get an address for the offender from an adjoining probation officer, and take the warrant to the police, within minutes.

Sharing premises

HMCS offers the opportunity to look at consolidating estates, while adhering to the overall strategy of delivering justice on a local level. At this stage, the main aim is to ensure that cases are heard in the court with the most suitable facilities.

However, where we need to redevelop premises, HMCS is able to move hearings to an alternative court. This will prove valuable as we continue our modernisation programme but has already proved its worth during the winter of 2004/05, even before HMCS was launched.

- When York Crown Court was damaged by fire, hearings were immediately moved to York Magistrates' Court, giving the administration time to put into action its disaster recovery plan of relocation to Leeds Combined Court. York Crown Court has now been refurbished and reopened.
- When floods hit Carlisle in February, the magistrates' court was underwater. Hearings were moved to the Crown Court and cases could continue.

Modernisation

HMCS will continue the modernisation programmes begun under the Court Service and the Magistrates' Courts Committees. We are also committed to ensuring that, by 2008, all Crown Court sites and 90% of magistrates' courts will have separate facilities for victims and prosecution witnesses. One example of the value of this was during a high-profile murder trial at Newcastle Combined Court. The witness suite was made available to the families of the victims, offering them space away from the media and other pressures as well as ensuring they wouldn't be in close proximity to the defendant.

Further modernisation work is based around the continuing need to upgrade the IT provision in courts across the country. In many civil courts, this is now going further and wireless networks are being set up to enable lawyers, barristers and professionals to access email and other resources while waiting for a hearing.

The Libra project has already successfully put new IT hardware and software into all magistrates' courts. This offers over 12,000 staff access to modern PCs and printers, the internet and secure email facilities, giving staff a safe and efficient way of communicating with customers, colleagues and other criminal justice organisations and agencies, such as the police.

90%

By 2008 all Crown Courts and 90% of magistrates' courts will have separate facilities for victims and prosecution witnesses.

60

More than 60 sites now have the hardware and software to use key case management systems.

6,000

More than 6,000 staff now have access to email and the internet through the LINK programme.

During the year a further 26 Crown Court sites, 64 magistrates' courtrooms and all family care centres were equipped with modern videoconferencing facilities. This not only provides enhanced facilities for vulnerable witnesses in the criminal courts but it also allows the Crown Court and care centres to hear evidence from remote witnesses. As a result, witnesses from as far away as Australia have given evidence without travelling to court. Furthermore, in Liverpool we have begun a pilot of a single solution for all audio and visual requirements in the Crown Court and we will be evaluating this during the coming year.

Health and safety

We are committed to providing safe and healthy working conditions for all our staff and to ensuring the security of all court hearings.

During 2004/05, we began a large-scale review of court security, helping to ensure trials were held at courts with the appropriate level of secure facilities (e.g. secure docks, separate/covered entrances). We will continue this review in the coming months.

In terms of the health and safety of our own staff, we have continued to develop measures and train staff effectively. Courses have been delivered on general workplace safety issues to all staff, while many managers have been to specific courses and training events.

One significant task over the last year has been an extensive programme to ensure display screens are safe. Thirty-two training days supported a nationwide risk assessment, and a revised health and safety manual has been circulated.

IT and investment

There are a number of ongoing IT programmes that HMCS is now responsible for. These include:

□ LINK – the project to install a new IT infrastructure within larger courts, connecting courtrooms, offices and judges' chambers to HMCS's new national network, is making excellent progress. More than 90 criminal court premises have been modernised with new cabling, hardware and software designed to support IT projects for the next 15–20 years. More than 40 county courts have also been updated, as have parts of the Royal Courts of Justice. In total, for the first time, over 6,000 staff now have industry standard office software, access to email and the internet. The programme is on schedule to complete as planned by April 2006 and is within budget. It will provide the missing link between the courts and the rest of the criminal justice system. Equally importantly, it has caused very little disruption to the work of the courts – a major achievement on the part of the project team.

□ Libra – the Libra project has already successfully put new IT hardware and software into all magistrates' courts. This offers over 12,000 staff access to modern PCs and printers, the internet and secure email facilities, giving staff a safe and efficient way of communicating with customers, colleagues and other organisations and agencies, such as the police. Libra will also provide magistrates' court staff with modern and standardised case management software, the new Libra Application. The application will help improve ways of working, provide new and improved electronic links with other organisations and agencies, and form a platform to build on for the future, making it a key element of 'joined-up justice'.

□ XHIBIT – XHIBIT stands for Exchanging Hearing Information by Internet Technology. It is a computer system for the Crown Court, which provides information about events in a case as they happen. It improves the day-to-day business of every Crown Court and is a first step towards joining up the criminal justice system through the provision of vital information to all criminal justice agencies in real time. Witnesses and members of the public can view how a case is progressing on public display screens at the court, or on the internet through www.hmcourts-service.gov.uk. At the end of August 2005, 50 Crown Court sites were live and the project will be rolled out nationwide by the end of March 2006.

Much of the work undertaken around IT over recent years has been managed by the e-Delivery group. This group, working alongside members of the judiciary, served to promote the need for improved IT within courts and to ensure the solutions and projects delivered met the requirements of a wide range of stakeholders. It also served as an excellent model for the interworking of court staff and the judiciary.

DCA as a whole has put in place a comprehensive plan for the re-letting of all its core IT support contracts when they expire over the next three years. CCS, the major IT contract underpinning the work of the courts, and Libra are both among these, along with core finance, accounting and human resources services. Because these decisions will clearly affect HMCS, we are closely involved in the procurement exercise.

Performance measures

HMCS measures its performance in a number of ways. For some years, we have measured ourselves in line with our PSA targets – most of which refer to the actual throughput of the courts. For instance, current measures look at the number of sitting days in the Crown Court, the percentage of ineffective trials, the percentage of warrants enforced, the speed at which cases reach judgement, and levels of customer satisfaction.

Our performance challenge, however, is to improve service delivery to customers and ensure that we provide consistently high standards across all courts. HMCS has the opportunity to achieve this goal through:

- better training for all staff, ensuring good practice is shared
- better use of resources, so that the right cases are heard in the right premises, with the right facilities available (such as secure docks for high-risk defendants or separate entrances for witnesses, victims or families)
- better management information about our performance in all areas, helping identify best practice, as well as seeing any areas in which we are underperforming early, so that we can take appropriate action
- better connection from policy to delivery and vice versa, ensuring that policies introduced are able to make a practical and valuable difference to the work of the courts.

The role of the performance team, led by the Performance Director, is to oversee all these areas, develop appropriate performance indicators and continually identify the areas and courts that are performing well to enable the sharing of good practice. The performance team consists of the data collection and analysis team, and the performance improvement team, which includes seven regional performance managers.

One of the key questions that affects each of our programmes to improve performance is whether they are best delivered locally, regionally or nationally. The performance team helps decide this, and also looks to benchmark HMCS service standards against other organisations. In the future, the performance team will also seek to introduce ways of measuring our involvement in some of the outcomes of the courts.

Risk management

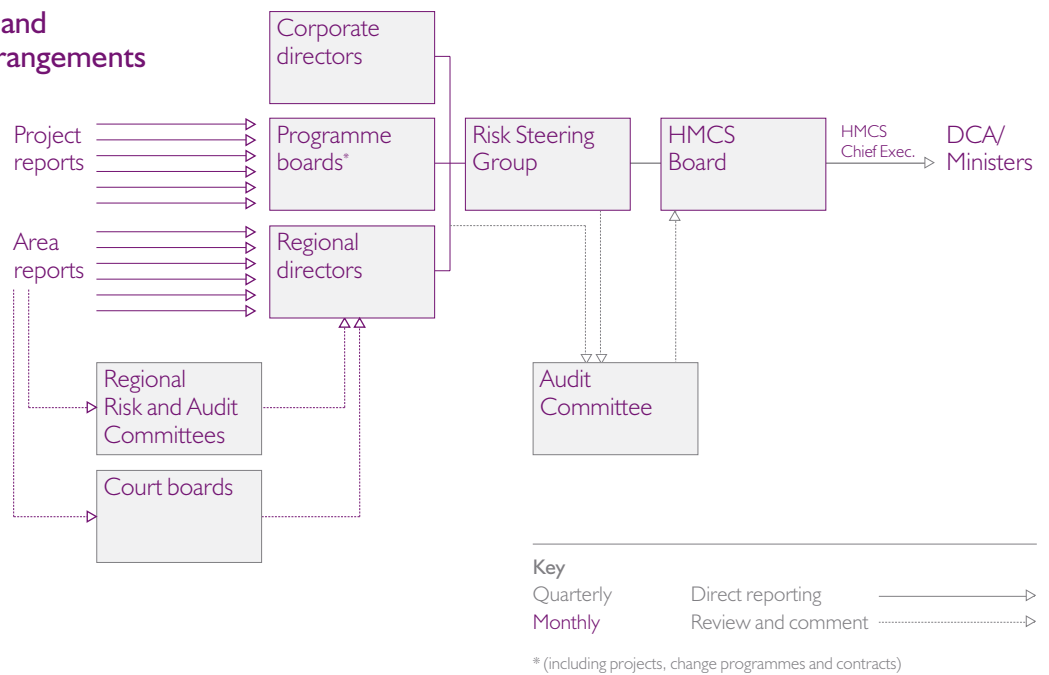
Following the major transition programme, part of which was a comprehensive risk audit, HMCS is in a strong position to manage risk. We have successfully overcome the single largest risk of the last financial year – the transition itself – and have a full understanding of what our current risks are.

To further the governance arrangements, a risk steering committee has also been established, which will review the key risks identified through local arrangements, consider any impact upon the corporate risk register and monitor progress. Ongoing programmes all have key measures in place, enabling us to keep track of whether projects are on budget and on schedule.

Looking forward, our key risks are:

- The development of new service delivery channels, such as electronic services**
Though to date customers have been keen to use electronic services to pay fees and fines, and pilots have been successful, the fact remains that increased dependency on electronic channels places real demands on our IT infrastructure. We have invested in systems and developed processes to give us business continuity in the event of an IT failure.
- Increased use of alternative dispute resolution methods, such as mediation**
While the pilot programmes have shown some willingness for people to use mediation rather than going to court, there is still a good way to go to win over public opinion. If mediation were to prove unpopular in the long term, or an ineffective way of resolving disputes, the courts would be required to pick up the burden of all these cases again.
- Our dependence on other partners within the justice system**
HMCS is only responsible for part of the justice system – ensuring the effective administration of the courts themselves. We are dependent on organisations such as the police and the Crown Prosecution Service to enable the courts to meet their targets. We have therefore continued to seek ways to strengthen our relationships with these organisations at a local and national level.

Governance and reporting arrangements



Governance

HMCS is committed to providing effective governance and ensuring our operations meet the highest standards for transparency and accountability.

- The Chief Executive of HMCS reports to the DCA Permanent Secretary, Alex Allan, and is accountable to the Secretary of State and Lord Chancellor, Lord Falconer.
- HMCS set up a new management Board, with a different structure to that of the Court Service. The Board of HMCS combines those responsible for policy development, the regional directors responsible for delivery, corporate directors and non-executive directors. This last category includes a senior member of the judiciary, Lord Justice Thomas, and non-executive directors with extensive private and public sector experience. The management Board meets at least every two months, and more frequently if required.
- Performance is managed centrally, with data collected to support ongoing monitoring and evaluation of performance both against PSA target objectives and around specific HMCS challenges and goals. Local court boards also have responsibility for managing performance and monitoring finances at the local level. Accounting practices are fully compliant with HM Treasury guidelines.
- We operate an HMCS Audit Committee, chaired by a non-executive director. Further, a Regional Risk and Audit Committee is being established in each region, also to be chaired by a non-executive director. The regional non-executives will have direct input to the national Audit Committee.

Corporate social responsibility and sustainable development

HMCS recognises its responsibility to the communities it works in, both in terms of administering justice and acting as a good corporate citizen. We are actively seeking to involve the community within the justice system, as the North Liverpool Community Justice Centre demonstrates.

In terms of sustainable development, we are working in line with DCA's policy and operational guidelines. Some of the key initiatives are:

- undertaking energy and water surveys to identify where resource can be saved
- training key staff to work with two pilot environmental management systems
- ensuring more than 80% of the DCA estate now receives electricity from renewable sources
- introducing sustainable development clauses in all new building contracts and in the court standards design guide
- raising staff awareness through training sessions and internal communications.

It is anticipated that, by the end of the financial year, HMCS will have developed its sustainable development policies further.

Background information

The Court Service was created as a unified service in 1972 as a result of the Courts Act 1971. The Court Service was established as an executive agency of the Department for Constitutional Affairs (DCA) on 3 April 1995 under the 'Next Steps' initiative.

Role of the Court Service

The Court Service managed the Supreme Court of England and Wales (comprising the Court of Appeal and the High Court of Justice – including the Probate Service, but excluding the Court of Protection), the Crown Court and county courts.

Formation of Her Majesty's Courts Service

This is the last set of accounts for the Court Service which, under the framework of the Courts Act 2003, merged with the 42 magistrates' courts committees on 1 April 2005 to form Her Majesty's Courts Service (HMCS). The merger is considered a transfer of function and, as such, the Court Service's status as a going concern is not affected.

Ministers

Ministers with responsibility for the Court Service, henceforth referred to as 'the agency', during the financial year were:

- Secretary of State and Lord Chancellor – Lord Falconer of Thoroton
- Parliamentary Secretary – Christopher Leslie MP

Senior management

The Court Service Board was responsible for determining strategy and for ensuring its achievement through effective planning. The members of the Court Service Board during the year to 31 March 2005 were:

Sir Ronald De Witt KB Chief Executive	
Nicola Bastin	Regional Director – London (from April 2004)
Mark Camley	Supreme Court Group Director (from April 2004)
Stephen Caven	Regional Director – North East (from April 2004)
Nick Chibnall	Regional Director – Wales and Cheshire (from April 2004)
Helen Dudley CBE	Human Resources Director (to March 2005)
Alan Eccles	Regional Director – Midlands (from April 2004)
Alan Fenton	HMCS Estates Director (from November 2004 – see below)
Philip Lloyd	Resources Director (from January 2005)
Peter Lovell	Resources Director (until October 2004)
Chris Mayer CBE	Regional Director – North West (from April 2004)
Kevin Pogson	Regional Director – South East (previously Acting Director, Field Services)
Jonathan Radway	Performance Director (May 2004 to January 2005)
Peter Risk	Regional Director – South West (from April 2004)
Kevin Sadler	Criminal Court Development Director (to January 2005)
Alan Sloan OBE	Estates Director (to March 2005 – see below)
Simon Smith	Business Solutions Director (until June 2004)
Annette Vernon CBE	e-Delivery Director (May 2004 to March 2005)
Neil Ward	Service Policy Director – Crime (from December 2004)
Jeff Denton	Non-executive Director
Lord Justice Thomas	Non-executive Director (from April 2004)

Alan Fenton was appointed Estates Director for HMCS in November 2004 and attended Court Service Board meetings alongside Alan Sloan until the end of March 2005. Colin Lyne and Amanda Finlay left the Board on 31 March 2004.

The Chief Executive of the agency was appointed by the Permanent Secretary of the DCA. The appointment was for an indefinite period under the terms of the Senior Civil Service contract. The rules for termination are set out in Chapter 11 of the Civil Service Management Code.

Other members of the Court Service Board were appointed by the Chief Executive of the agency. These appointments were also for an indefinite period, and the rules for termination were as above. No Board member had any other directorship or significant interest that conflicts with their management responsibilities.

Remuneration

Ministers' remuneration is set by the Ministerial and Other Salaries Act 1975 and the Ministerial and Other Pensions and Salaries Act 1991. No elements of Ministerial salaries are included in these accounts.

The salaries for the members of the Court Service Board were determined by the Permanent Secretary of the DCA in accordance with the rules set out in Chapter 7.1, Annex A of the Civil Service Management Code. Further details on remuneration and pensions are set out in Note 4.1.3 to the accounts.

Operating and financial review

Modernisation of the courts

The major programme of constitutional reform of the courts system continued during the year, together with other initiatives intended to modernise the way the courts are run:

- The creation of HMCS on 1 April 2005 has brought together the Crown, county and magistrates' courts as well as the High Court and Court of Appeal into a single unified administration, under the legal framework provided in the Courts Act 2003. The new agency has replaced the Court Service and the 42 magistrates' courts committees and ran in shadow form during 2004/05 before 'going live' on 1 April 2005. The 2005/06 financial year will be the first year of operation for HMCS, giving local communities a stronger voice in the running of their courts and supporting the independent judiciary.
- Work continued on the LINK project to install a new IT infrastructure within the Crown Courts to provide new hardware and software and access to case management systems. To date, 60 sites throughout England and Wales have been updated. It is anticipated that the infrastructure will be in place across the court system by the end of the 2005/06 financial year.
- The modernisation of the court estate continued during 2004/05, as three new court building schemes, in Exeter, Sheffield and East Anglia, were completed under PFI schemes and brought into use during the year.

Financial performance

The Court Service was a supply-financed agency within DCA. It was required to recover the majority of the costs of civil proceedings, after an allowed subsidy, by setting fees for that business at an appropriate level. The subsidy was planned to ensure that no sector of the population was denied access to justice through the inability to afford the requisite fee. In 2004/05 there was a shortfall, after subsidy, of £81 million, (2003/04: £51 million) with 81% of costs recovered (2003/04: 87%). The increase in the shortfall had several contributory factors: delay in the introduction of new Fees Orders until the last quarter of the year; the removal of subsidies from the calculation; increased IT costs due to the roll-out of the courts modernisation programme to more civil courts; and the commencement of service charges on the three PFI court building schemes.

The Court Service had responsibility for the administration of the majority of tribunals that fell under the direct responsibility of the Secretary of State and Lord Chancellor up until February 2004. The tribunals now form a separate delivery arm within DCA. This change was a key first step towards a dedicated Tribunals Service. As a result, tribunals are not reported in these accounts, and the 2003/04 comparatives have been restated (see Note 24).

The agency's expenditure for 2004/05 forms part of the Department's request for resources and is accounted for within the Departmental resource account. The Court Service had to manage its business and meet its objectives within the resources allocated to it by the Department. These were set out in the Supply Estimates and are approved by Parliament.

The net cost of operations for the year ended 31 March 2005 was £564.2 million (2003/04 restated: £428.2 million). This has been calculated after including a number of notional and non-cash costs which are not borne directly by the agency. Details of these are given in the notes to the accounts.

The Court Service complied with the British Standard for Achieving Good Payment Performance in Commercial Transactions (BS 7890). Court Service policy was to pay bills in accordance with contractual conditions or, where no such conditions exist, within 30 days of receipt of goods and services or the presentation of a valid invoice, whichever is the later. The most recent prompt payment survey, for the financial year 2004/05, shows that 87% of invoices were paid on time.

Investment and banking review

The implementation of the investment and banking review continued throughout 2004/05. This brought together specific activities in the Court Funds Office, the Office of the Official Solicitor and Public Trustee and the Public Guardianship Office. Significant urgent operational issues were addressed and detailed risk and compliance assessments completed for all investment and banking (I&B) processes. As a result, substantial improvements have been made to the operation and the service to clients and in the governance reporting to key stakeholders. These improvements will be sustained going forward.

In parallel with this work, a number of policies were developed looking at the future provision of I&B services from the DCA. The general strategic direction has been discussed and broadly endorsed by the Corporate Board and Ministers. Further detailed planning and consultation is now underway.

Fixed assets

Capital expenditure in the year totalled £129.6 million (2003/04 restated: £70.9 million). Of this total, £59 million is due to the capitalisation of the three PFI court building schemes and approximately £41 million related to the LINK infrastructure assets, with an additional 40 sites going live during the year. In addition, £24 million was spent on building projects, including £18 million on the Manchester Civil Justice Centre.

Employee involvement

The Court Service attached considerable importance to ensuring the fullest involvement of employees in delivering its aims and objectives. It was an 'Investors in People' (IiP) organisation and fully demonstrated the levels of good practice for improving performance through its staff, which it continued to ensure were met. Re-accreditation was achieved in May 2004.

Disabled persons

The Court Service was committed to ensuring that all people with disabilities were supported and encouraged to apply for employment and to achieve progress through the organisation. HMCS follows the same principles.

Equal opportunities

The Court Service was, and HMCS is, committed to equality of opportunity in all its employment practices, policies and procedures.

The Court Service was, and HMCS is, committed to becoming an organisation that recognises, reflects and supports the diversity of the society it serves. No employee or potential employee will be subject to discrimination on any unfair ground, and all employees are entitled to be treated with respect in an environment free from harassment, victimisation, bullying and discrimination. In accordance with this commitment, the Court Service adopted aspirational diversity targets to ensure that the agency will, in future, be more representative of the society it serves at all levels.

The effectiveness of the Court Service equal opportunities policies was reviewed by monitoring. The results are considered centrally, and support and action are developed where change is necessary.

Accounts and audit

These accounts have been prepared in accordance with a direction given by HM Treasury in pursuance of Section 7(2) of the Government Resources and Accounts Act 2000 and follow HM Treasury guidance, including the *Resource Accounting Manual*.

The accounts have been prepared on a going concern basis and there have been no changes to the accounting policies in the year covered by these financial statements. Although, as a result of the Courts Act 2003, the Court Service merged with the magistrates' courts committees on 1 April 2005 to form Her Majesty's Courts Service, this does not affect the going concern status of these accounts, or of the Court Service as a whole.

They have been audited by the Comptroller and Auditor General, who is the appointed auditor under Section 7(3)b of the Government Resources and Accounts Act 2000 and whose Certificate and Report appears on pages 58 and 59. The cost of the audit is included in the £210,000 reported in Note 5.1 to these accounts. Also included is the cost of the Comptroller and Auditor General's audit of the Funds in Court Part A accounts which are prepared by the Court Funds Office and audited by the Comptroller and Auditor General in accordance with the Administration of Justice Act 1982.

Sir Ronald De Witt
Chief Executive
17 October 2005

Statement of agency's and Chief Executive's responsibilities

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

The Accounting Officer for the Department for Constitutional Affairs has designated the Chief Executive of the Court Service as the Accounting Officer for the agency, with responsibility for preparing the agency's accounts and for transmitting them to the Comptroller and Auditor General.

In preparing the accounts, the Accounting Officer is required to comply with the *Resource Accounting Manual* prepared by HM Treasury, and in particular to:

- observe 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 *Resource Accounting Manual*, have been followed, and disclose and explain any material departures in the accounts, and
- prepare the accounts on a going concern basis.

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

Statement on internal control

Scope of responsibility

As the Court Service Accounting Officer, I acknowledge my responsibility for maintaining a sound system of internal control, including risk management and governance practices. This system supports the achievement of the agency's policies, aims and objectives, set by the Department's Ministers. It also helps to safeguard public funds and departmental assets, for which I am personally responsible, in accordance with the responsibilities assigned to me in *Government Accounting*.

The Court Service was an executive agency within the Department for Constitutional Affairs (DCA). The Lord Chancellor and Secretary of State was the Minister accountable to Parliament for the activities and performance of the Court Service. The agency had a Management Board, which comprised non-executive and executive members, who co-ordinated the governance, strategies and activities of the Court Service.

The purpose of the system of internal control

The system of internal control was designed to manage risk to a reasonable level rather than eliminate all the risk of failure to achieve policies, aims and objectives. It could therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control was based on an ongoing process designed to identify and prioritise the risks to the achievement of the agency's policies, aims and objectives. Identified risks were then evaluated for likelihood and impact and mitigations put in place to ensure they were managed efficiently, effectively and economically. A system of internal control was in place in the agency throughout the year ended 31 March 2005 and up to the date of approval of the annual report and accounts. It accorded with HM Treasury guidance. HMCS has now adopted a similar system.

Modernisation of the courts

During the year, work continued to bring together the existing 42 magistrates' courts committees and the Court Service through the Unified Courts Administration Programme and on 1 April 2005 the new agency, Her Majesty's Courts Service (HMCS), was established. A review of the governance, risk management and assurance certification processes currently operating within the magistrates' courts, Court Service and Corporate directorates was recently conducted and identified various limitations. The purpose of the review was to introduce within HMCS and across all its activities effective risk management, control, assurance and governance arrangements and a comprehensive and consistent system of risk registers and assurance certification. I am aware of the various control, assurance and governance issues that feature within the DCA Statement on Internal Control and these will be addressed during the current year. I will also ensure that continuous improvement is made to the system of internal control of the new agency and sound and embedded governance arrangements are in place which accord with HM Treasury guidance and best practice.

Capacity to handle risk

The Court Service Board recognised its responsibility for risk management within the agency and the Department. The Court Service Board had a policy document for identifying risks in the Court Service in accordance with the policy set by its parent department, DCA. It set out the Department's attitude to risk in the achievement of its policies and objectives, and provides guidance on the process of identifying, assessing and managing risk. The document was available to all staff on the Department's Intranet. The system established reports on the significant risks; these were aligned for accountability to the owner for delivery. These risks were managed by the agency and were reviewed at local monthly management meetings. Building on this information, a consolidated Agency Risk Register was used to report on the significant risks across the business, which was considered by the DCA Executive Committee quarterly. The Court Service worked alongside the DCA Finance Director who leads on the Department's work in implementing the recommendations contained in the Strategy Unit's Report 'Risk: Improving Government's capability to handle risk and uncertainty'.

The risk and control framework

In the Court Service the main processes that we had in place for identifying, evaluating, and managing risk were:

- a framework policy for identifying, evaluating and managing risk in accordance with the DCA framework strategy on risk
- a departmental risk strategy which was available to all staff in the Court Service
- training in risk management
- senior management reporting on risk at Circuit Board monthly meetings, local management meetings and quarterly senior field team meetings, and
- a risk register reviewed quarterly by the Court Service Board.

The Court Service had an internal control framework based on regular management information, financial regulations, administrative procedures, including segregation of duties; and a system of delegation and accountability. In particular, it included:

- comprehensive planning and budgeting systems with an annual budget which was reviewed and agreed by the Court Service Board
- regular reviews by the Court Service Board of periodic and annual reports which indicated performance delivery and financial performance against headline targets and financial forecasts
- clearly defined capital investment control guidelines
- assurances from senior budget holders, on a quarterly basis, that internal controls were in place within their areas of responsibility
- as appropriate, formal programme and project management disciplines
- a formal system of operational risk controls
- delivery plans which identified the risks and ensured ownership was aligned with accountability for delivery
- a system to ensure that the guidance on reviewing risks operated consistently and effectively across the agency, and
- ensuring that the reporting of strategic risks identified by the Circuit Boards flowed up to the Court Service Board.

Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers, within DCA support services and the Court Service, who had responsibility for the development and maintenance of the control framework, and comments by the external auditors in their management letters and other reports. The Board and the Audit Committee have advised me on the results of reviews undertaken during the year of the effectiveness of the system of internal control.

My review of the effectiveness of the system of internal control is therefore informed by the following:

- Various management boards that met monthly to consider the plans and the strategies of the agency and report to the Court Service Board.
- An Audit Committee that was chaired by a non-executive Director. Court Service Board Directors and internal and external auditors also attended the meetings. A review of the Committee's non-executive membership led to the new HMCS, in accordance with latest HM Treasury guidelines, increasing its representation. In the short term this was offset by encouraging a strong contribution from the executive membership. The Committee reviewed the external and internal audit workplans and considered reports from management, internal and external audit on the system of internal control, risk management and any material weakness.
- Reports on audits by DCA Internal Audit Division (IAD), to standards defined in the Government Internal Audit Standards. These include the independent opinion of the Head of Internal Audit (HIA) on risk management, control and governance, together with recommendations for improvement. The work of the internal audit unit was informed by an analysis of the level of risk to which the Court Service was exposed, and annual internal audit plans were based on this analysis. The analysis of risk and the internal audit plans were endorsed by the Court Service's Audit Committee and approved by me. At least annually, the HIA provided me with a report on internal audit activity in the Court Service.

Before producing this statement, I have also reviewed the following:

- the results for the reporting process in which the Directors for DCA, Support Services and the Court Service have completed a statement confirming compliance with prescribed internal controls throughout the period, including the reporting of exceptions and remedial actions
- a certificate of assurance provided by Liberata UK Limited to confirm that the accounting services supplied by them have been delivered in compliance with the assurance and control requirements of the DCA and the Court Service, and
- audit reports received throughout the year from the HIA.

Significant internal control issues

Court Funds Office (CFO)

Following the completion of the Internal Audit Review of Court Funds Office accounting procedures in June 2003, there has been a concerted effort to clear the identified operational and accounting deficiencies and to establish propriety and 'best practice' through a complete review of the structure and working practices. In support of this appropriate control, training and guidance were concluded ahead of roll-out to all staff and comply fully with the quarterly/annual certification process during 2004/05.

Finance and payroll services provided by DCA

The Court Service was reliant on DCA for various shared IT and financial services, including payroll and accounts payable, provided through outsourced contracts. DCA was responsible for the tender award and ongoing management of these contracts. Delays in the implementation of new systems emerged, in the last quarter of the year, with delivery of part of the payroll project to transfer the 42 magistrates' courts payrolls to DCA and to transfer the accounts payable system to Oracle 11i by 1 April 2005. To address these issues, over the period of the delays, risk assessments were undertaken, new project management structures put in place, additional resources recruited and recovery plans and new control arrangements implemented. At this time limited assurance is given as to the overall level of control provided by these temporary arrangements required to support delivery of the contractual commitments.

Sir Ronald De Witt
Chief Executive
17 October 2005

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

I certify that I have audited the financial statements on pages 60 to 80 under the Government Resources and Accounts Act 2000. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 62 to 63.

Respective responsibilities of the agency, the Chief Executive and Auditor

As described on page 55, the agency and Chief Executive are responsible for the preparation of the financial statements in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder, and for ensuring the regularity of financial transactions. The agency and Chief Executive are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view of the Court Service and are properly prepared in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the agency has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

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

I review whether the statement on pages 56 to 58 reflects the agency's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the Accounting Officer's statement covers all risks and controls. I am also not required to form an opinion on the effectiveness of the entity's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are 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 are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Court Service at 31 March 2005 and of the net cost of operations, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by Treasury; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General
24 October 2005

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

Income and expenditure account

for the year ended 31 March 2005

	Note	2004/05 £'000	2003/04 restated £'000
Income			
Operating income	3	360,754	356,424
Expenditure			
Staff costs	4	(423,314)	(399,733)
Other operating costs	5.1	(393,621)	(288,359)
Depreciation	7	(48,659)	(42,139)
Total operating costs		(865,594)	(730,231)
Net cost of operations before interest		(504,840)	(373,807)
Interest payable	5.2	(59,357)	(54,399)
Net cost of operations		(564,197)	(428,206)

All activities are continuing (see 'Foreword to the accounts').

Statement of recognised gains and losses

for the year ended 31 March 2005

	Note	2004/05 £'000	2003/04 restated £'000
Unrealised surplus on revaluation of tangible fixed assets	12.3	55,083	144,015

The notes on pages 62 to 80 form part of these accounts.

Balance sheet

as at 31 March 2005

	Note	31 March 2005 £'000	31 March 2004 restated £'000
Fixed assets			
Tangible fixed assets	7	1,788,339	1,669,741
Current assets			
Debtors	8	66,287	90,674
Cash at bank and in hand	9	24,334	24,690
		90,621	115,364
Creditors: amounts falling due within one year	10.1	(80,650)	(64,531)
Net current assets		9,971	50,833
Total assets less current liabilities		1,798,310	1,720,574
Creditors: amounts falling due after more than one year	10.2	(59,439)	(427)
Provisions for liabilities and charges	11	(1,941)	(2,684)
		1,736,930	1,717,463
Taxpayers' equity:			
General Fund	12.1	983,199	1,005,952
Revaluation reserve	12.3	753,731	711,511
		1,736,930	1,717,463

Sir Ronald De Witt
Chief Executive
17 October 2005

The notes on pages 62 to 80 form part of these accounts.

Cash flow statement

for the year ended 31 March 2005

		2004/05	2003/04
	Note	£'000	restated £'000
Net cash outflow from operating activities	C1	(227,822)	(178,316)
Net cash outflow from investing activities	C2	(46,329)	(68,616)
Net cash inflow from financing	C3	274,222	249,126
Decrease in third party balances	10.3	(427)	(71,282)
Decrease in cash	9	(356)	(69,088)

Notes to the cash flow statement

C1. Reconciliation of operating cost to operating cash flows

		2004/05	2003/04
	Note	£'000	restated £'000
Net cost of operations before finance charges		(504,197)	(428,206)
Adjust for notional and non-cash costs	17.1	313,387	243,701
Adjust for movements in working capital other than cash	17.2	23,505	7,416
Transfer of provisions to parent department	11	-	(633)
Cash movement in provisions	11	(517)	(594)
Net cash outflow from operating activities		(227,822)	(178,316)

C2. Analysis of capital expenditure and financial investment

		2004/05	2003/04
		£'000	restated £'000
Purchase of fixed assets		(69,570)	(70,905)
Proceeds of disposal of fixed assets		23,241	2,289
Net cash outflow from investing activities		(46,329)	(68,616)

C3. Analysis of financing

		2004/05	2003/04
		£'000	restated £'000
Funding from Department		276,139	251,985
Transfers to parent department		-	(633)
Payments to Consolidated Fund re: current year		(119)	(536)
Payments to Consolidated Fund re: prior year		(32)	(1,087)
Capital element of finance leases		(1,766)	(603)
Net cash inflow from financing		274,222	249,126

The notes on pages 62 to 80 form part of these accounts.

Notes to the accounts for the year ended 31 March 2005

I Accounting policies

I.1 Basis of accounting

The accounts have been prepared in accordance with the *Resource Accounting Manual* issued by HM Treasury, using the historical cost convention, modified to account for the revaluation of fixed assets at their value to the business by reference to their current cost.

Without limiting the information given, the accounts meet the accounting and disclosure requirements of the Companies Act, the Accounting Standards Board and HM Treasury, in so far as those requirements are appropriate.

Further to the merger of the Court Service with the 42 magistrates' courts committees on 1 April 2005, the Accounting Officer has determined that these accounts can be prepared on a going concern basis and no adjustments have been made to the carrying value of assets.

I.2 Fixed assets

Land and buildings have been included on the basis of professional valuations which are carried out at least every five years. Most properties are valued at depreciated replacement cost because they are specific and specialised buildings, whilst other properties, such as offices, are valued on the basis of existing use value. Vacated properties awaiting disposal are valued at open market value. In 2000 a rolling programme of professional valuations was introduced. The Valuation Office Agency (VOA) carries out the valuations in accordance with the *RICS Appraisal and Valuation Manual*. Each year 20% by number of the property assets, together with the four most highly valued properties are revalued through on-site inspections by professional surveyors. The 20% are drawn from different types of property and geographical areas. The remaining property assets are revalued by the VOA via a desktop valuation system using market knowledge and input from earlier surveys.

Legal title to freehold land and buildings shown in the accounts is held in the name of the First Secretary of State (Office of the Deputy Prime Minister). The DCA/Court Service assumed responsibility for the former 'Departmental Estate' on 1 April 1991 and for the former 'Common User Estate' on 1 April 1996. The Court Service enjoyed beneficial ownership of the properties it used as 'major occupier' and such properties are therefore capitalised and included in the balance sheet.

Plant, equipment, furniture and vehicles are included at cost in the month of purchase and thereafter are restated annually using Price Index Numbers for Current Cost Accounting (Office for National Statistics).

The threshold for capitalisation of tangible fixed assets was £1,000 to 31 March 2005, but from 1 April 2005 the threshold increased to £10,000. As a result, the decision was taken to write off assets, except furniture, with an original gross book value less than £10,000 in 2004/05.

Furniture, with the exception of operational antiques and high-density storage, is recorded on a pooled basis. The increase in the capitalisation threshold to £10,000 from 1 April 2005 will see existing furniture grouped into a single pool, which will be subject to normal revaluation and depreciation policy. Future purchases will be assessed against the £10,000 threshold on an individual basis.

Items of antique furniture are valued individually at open market value. Professional valuations are carried out at least every five years. The value of non-operational antiques, such as paintings and other works of art, is not considered material so these items are not capitalised for balance sheet purposes.

I.3 Depreciation

Depreciation is provided at rates calculated to write off the valuation of freehold buildings or current replacement cost of other tangible fixed assets, less estimated residual value, evenly over their estimated useful lives or, for leased assets, over the life of the lease. Depreciation of land and buildings is based on opening balance sheet values, while all other depreciating assets are depreciated on closing balance sheet values. Asset lives are normally in the following ranges:

Category:	Asset life:
Freehold land	Not depreciated
Freehold buildings	Remaining life or 60 years, whichever is the shorter
Leasehold buildings	Shorter of: remaining life, remaining lease period or 50 years
Leasehold land	Remaining lease period (except that leases with more than 125 years remaining are not depreciated)
Assets under construction	Not depreciated
Plant, equipment and computers	5 to 7 years
Furniture	20 years
Vehicles	3 to 4 years
Finance leases	Lease period
Operational antiques	50 years

I.4 Stock

Stocks of consumable stores, e.g. stationery held, are not considered material and are written off in the income and expenditure account as they are purchased.

1.5 Income

Income includes both operating income appropriated in aid and income to the Consolidated Fund authorised by HM Treasury to be treated as operating income. It is stated net of VAT.

Income comprises primarily fees and charges for services provided to external customers, mainly fees for civil cases. The accounting systems used record each fee in full at the time it is raised. In a number of cases, fees taken will relate to work which will not be completed within the accounting period. Deferred income is estimated at period end using a standard time per case workflow model to adjust the total income recorded in the period.

Other operating income includes rents receivable and miscellaneous receipts (e.g. sale of publications).

1.6 Value added tax

VAT is accounted for in accordance with Statement of Standard Accounting Practice 5 (SSAP 5).

1.7 Pensions

Most of the agency's staff are members of the Principal Civil Service Pension Scheme (PCSPS), which is a multi-employer pay-as-you-go defined benefit scheme. Departments and agencies covered by the PCSPS make employer contributions to the cost of pension cover provided for their staff by payment of charges calculated on an accruing basis. For the Court Service these employer contributions were a charge on the income and expenditure account. Pension benefits payable under the PCSPS are financed from the Consolidated Fund on an annual basis through a separate resource supply, voted each year by Parliament. The employer contributions and benefits paid are accounted for in separate resource accounts for the PCSPS.

1.8 Early departure costs

The Court Service was required to pay the additional cost of benefits beyond the normal PCSPS benefits, in respect of employees who retired early, unless the retirement was on approved medical grounds. The total cost was provided in full when the early departure programme was announced and was binding on the agency.

1.9 Notional and non-cash charges

A notional charge for interest on capital is included in the income and expenditure account. This is calculated at 3.5% of the average capital employed, which is the value of total assets less total liabilities, after excluding cash held in the Paymaster General account and amounts owed to the Consolidated Fund. The value of total assets is the opening balance plus fixed asset additions at cost less fixed asset disposals at their opening balance sheet values.

No outside insurance is effected except where there is a statutory requirement to do so. While a notional charge for insurance is not included in the income and expenditure account, in accordance with HM Treasury's Fees and Charges guide, a notional charge has been made to cover such risk in calculating the Court Service fees targets and is included in Note 2.

Similarly, the portion of early departure costs funded by HM Treasury under the 80:20 Scheme is not included in the income and expenditure account, but is included in Note 2, in line with the Fees and Charges Guide.

Other notional and non-cash charges include: the external auditors' remuneration, which represents the National Audit Office's cost for the audit of the Court Service's financial statements and the Funds in Court Part A accounts; notional rent on properties owned by the Corporation of the City of London; and departmental overhead charges, which were recharged to the Court Service by the Department.

1.10 Operating leases

Rentals under operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.

1.11 Finance leases

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the fair value of the leased assets. The corresponding leasing commitments are shown as obligations to the lessor. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful life of equivalent owned assets.

1.12 Payments to PFI suppliers

PFI transactions have been accounted for in accordance with Technical Note No. 1 (Revised) on 'How to account for PFI Transactions'. Where the balance of risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI payments are recorded as an operating cost. Where the agency has contributed assets a prepayment for their fair value is recognised and amortised over the life of the PFI contract by a charge to the income and expenditure account. Where the balance of risks and rewards of ownership of the PFI property are borne by the agency, it is recognised as a fixed asset along with the liability to pay for it which is accounted for as a finance lease.

2 Segmental analysis

The Court Service was required, in accordance with HM Treasury's Fees and Charges Guide, to disclose performance results for the areas of its activities where fees and charges were made. The following analysis is not intended to meet the requirements of Statement of Standard Accounting Practice 25 – Segmental Reporting.

The fee target for civil business is to recover the full administrative and judicial costs, less the cost of providing fee exemptions and remissions. This subsidy is a planned subsidy, that has been agreed with HM Treasury, to ensure no sector of the population is denied access to justice through the inability to afford the requisite fees.

In the short term, however, this target is not feasible for family business, and HM Treasury agreed in SR2004 that the agency should aim to move family fees, in stages, from the current level of less than 50% cost recovery to 66% by the end of the spending review period (2007/08). Planned recovery for family business in 2004/05 was 53% of the cost net of exemptions and remissions.

The costs below include the judicial costs that are borne directly by the Consolidated Fund and notional costs for insurance and early departure which are not included within the income and expenditure account.

Civil business

	Income £'000	Expenditure £'000	Less: subsidy £'000	Net expenditure £'000	Total surplus/(deficit) £'000	Fee recovery Target %	Actual %
2004/05							
County	263,123	(228,167)	4,483	(223,684)	39,439	100	118
Family	39,612	(136,540)	15,281	(121,259)	(81,647)	100	33
Insolvency	8,684	(14,473)	1,964	(12,509)	(3,825)	100	69
Supreme Court	17,157	(59,714)	1,087	(58,627)	(41,470)	100	29
Probate	19,722	(13,026)	7	(13,019)	6,703	100	152
Total	348,298	(451,920)	22,822	(429,098)	(80,800)	100	81
2003/04							
Total restated	344,160	(424,439)	29,046	(395,393)	(51,233)	100	87

Court Funds Office

	Income £'000	Expenditure £'000	Total surplus/(deficit) £'000	Fee recovery Target %	Actual %
2004/05	10,495	(10,495)	-	100	100
2003/04	8,564	(8,564)	-	100	100

The civil business fee recovery target, above, is based on expenditure net of exemptions and remissions. Applicants in receipt of certain means-tested benefits are entitled to automatic fee exemption. Remission of fees is considered on an individual basis and is granted in cases of hardship. Total fees remitted during 2004/05 amounted to £2,419k (2003/04 restated: £1,820k) and applied in 32,270 instances (2003/04 restated: 28,148 instances).

The Court Funds Office recovers the full cost of operations from the UK Debt Management Office on a reimbursement basis, in accordance with the Administration of Justice Act 1982.

Fees were increased by new Fees Orders on 4 January 2005, introduced following commencement of Section 92 of the Courts Act 2003 (which provides the Secretary of State and Lord Chancellor with a single fee-making power in respect of the Supreme Court, county courts and magistrates' courts). The Civil Proceedings Fees Order makes the provision for taking fees in the Supreme Court and county courts. All fee increases followed the set of nine principles set out in Parliament on 19 November 1998. HMCS is currently developing its strategy for civil court fees and the principles will be reviewed as part of this.

3 Operating income

	2004/05 £'000	2003/04 restated £'000
Fee income	348,298	344,160
Rental income	355	436
UK Debt Management Office recoveries	10,495	10,052
Miscellaneous receipts	1,411	1,217
CFER income	195	559
	360,754	356,424
Authorised to be appropriated in aid	360,559	355,865

Rental income comprises amounts paid by minor occupiers of the Court Service estate. Of the £355k taken as income (2003/04 restated: £436k), £54k relates to non-government bodies (2003/04 restated: £168k) and the remaining £301k relates to public agencies (2003/04 restated: £268k). This income is generated from property that is either owned by the Court Service or occupied under an operating lease. None of the leasing agreements with minor occupiers falls into the category of a finance lease.

4 Staff and judiciary costs and numbers

Staff costs and numbers are broken down between those attributable to employees of the Court Service and those attributable to members of the judiciary. Each category is dealt with in the following notes, but the total costs are summarised in the table below:

	Note	2004/05 £'000	2003/04 restated £'000
Staff costs	4.1.1	197,321	184,385
Judicial costs	4.2.1	225,993	215,348
		423,314	399,733

4.1 Court Service staff

4.1.1 Staff costs

The payroll costs for the year were as follows:

	2004/05 £'000	2003/04 restated £'000
Wages and salaries	165,859	155,795
Social security costs	12,025	9,882
Employer's pension contributions	19,300	18,669
	197,184	184,346
Inward secondments	288	39
	197,472	184,385
Less recoveries in respect of outward secondments	(151)	-
	197,321	184,385

4 Staff and judiciary costs and numbers continued

4.1.2 Staff numbers

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

	2004/05	2003/04 restated
Headquarters, circuit offices, group offices and judges' lodgings	386	403
Supreme Court and Court of Appeal	1,030	1,007
Criminal Appeals	169	156
Civil Appeals	62	61
County court	4,392	4,355
Crown Court	2,375	2,319
Contract staff	73	44
	8,487	8,345

In addition to the staff shown above, the Court Service paid for 74,123 days of casual employment (2003/04 restated: 64,798), equivalent to 361 full-time staff (2003/04 restated: 324). Included within the wages and salaries figure above is £3,037k (2003/04 restated: £2,091k) relating to contract staff.

4.1.3 Remuneration of Chief Executive and other Board members

The Chief Executive received remuneration including the monetary value of benefits in kind of £150,000 (2003/04: £6,942). The Chief Executive is an ordinary member of the Principal Civil Service Pension Scheme.

Board remuneration

Name	2004/05		2003/04	
	Salary (exc. pension contributions) £'000	Benefits in kind (to nearest £100)	Salary (exc. pension contributions) £'000	Benefits in kind (to nearest £100)
Sir Ronald De Witt (Chief Executive)	145 – 150	-	5 – 10	-
Nicola Bastin	75 – 80	-	-	-
Mark Camley	55 – 60	-	-	-
Nick Chibnall	70 – 75	300	-	-
Helen Dudley	80 – 85	-	85 – 90	-
Alan Fenton	35 – 40	-	-	-
Philip Lloyd	30 – 35	-	-	-
Peter Lovell	35 – 40	-	65 – 70	-
Chris Mayer	80 – 85	-	-	-
Kevin Pogson	85 – 90	-	85 – 90	-
Peter Risk	80 – 85	2,300	-	-
Kevin Sadler	65 – 70	-	80 – 85	-
Alan Sloan	65 – 70	-	-	-
Simon Smith	10 – 15	-	70 – 75	-
Annette Vernon	80 – 85	-	-	-
Neil Ward	30 – 35	-	-	-
Peter Handcock	-	-	100 – 105	-
Colin Lyne	-	-	95 – 100	-
Jeff Denton	5 – 10	-	5 – 10	-

No costs are disclosed for Lord Justice Thomas, who is remunerated via the Consolidated Fund. Alan Eccles, Stephen Caven and Jonathan Radway were remunerated during the year by magistrates' courts committees. Although Amanda Finlay was on the Board until 31 March 2004 no costs are disclosed in the 2003/04 comparatives since she received no remuneration in her capacity as a non-executive director of the Court Service.

Where a director joined or left the Board during the year, their salary reflects only that which they received whilst a member of the Board. Where they were a member of the Board for only part of the year but have been employed by the agency or DCA throughout, their annual salary has been reported on a 'days served' basis.

Salary includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. During the year Peter Risk had the private use of an allocated car in circumstances permitted by the Civil Service Management Code; Nick Chibnall had the benefit of an interest-free loan as part of a relocation package awarded prior to his appointment to the Board.

Board pension benefits

Name	Real increase in pension at age 60 £'000	Accrued pension at age 60 at 31 March 2005 and related lump sum £'000	CETV at 31 March 2005 £'000	CETV at 31 March 2004 £'000	Real increase in CETV in CETV £'000
Sir Ronald De Witt	2.5–5.0 plus 0.0–2.5 lump sum	0–5 plus 0–5 lump sum	53	5	33
Nicola Bastin	0.0–2.5 plus 5.0–7.5 lump sum	20–25 plus 55–60 lump sum	361	308	33
Mark Camley	0.0–2.5 plus 2.5–5.0 lump sum	15–20 plus 45–50 lump sum	175	154	10
Nick Chibnall	0.0–2.5 plus 2.5–5.0 lump sum	10–15 plus 40–45 lump sum	168	144	14
Helen Dudley	0.0–2.5 plus 5.0–7.5 lump sum	25–30 plus 85–90 lump sum	427	374	28
Alan Fenton	0.0–2.5 plus 0.0–2.5 lump sum	0–5 plus 0–5 lump sum	8	0	8
Philip Lloyd	0.0–2.5 plus 0.0–2.5 lump sum	0–5 plus 0–5 lump sum	5	0	5
Peter Lovell	0.0–2.5 plus 0.0–2.5 lump sum	25–30 plus 75–80 lump sum	412	383	9
Chris Mayer	2.5–5.0 plus 12.5–15.0 lump sum	25–30 plus 85–90 lump sum	460	367	69
Kevin Pogson	0.0–2.5 plus 7.5–10.0 lump sum	40–45 plus 120–125 lump sum	684	635	25
Peter Risk	-5.0 – -2.5 plus 0.0–2.5 lump sum	30–35 plus 95–100 lump sum	517	486	-1
Kevin Sadler	0.0–2.5 plus 2.5–5.0 lump sum	15–20 plus 55–60 lump sum	240	218	15
Alan Sloan	0.0–2.5 plus 5.0–7.5 lump sum	30–35 plus 100–105 lump sum	634	571	32
Simon Smith	0.0–2.5 plus 0.0–2.5 lump sum	20–25 plus 60–65 lump sum	254	255	1
Annette Vernon	0.0–2.5 plus 5.0–7.5 lump sum	25–30 plus 75–80 lump sum	303	266	20
Neil Ward	0.0–2.5 plus 2.5–5.0 lump sum	10–15 plus 40–45 lump sum	229	198	17

Pension

Pension benefits are provided through the Civil Service Pension (CSP) 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 premium 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 salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may commute some of their pension to provide a lump sum). Classic plus is essentially 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 they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Further details about the CSP arrangements can be found at the website 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 arrangement to secure pension benefits in another pension

scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003/04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangement and for which the Civil Superannuation Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

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

Jeff Denton, a non-executive Director, is not a member of the Civil Service Pension scheme and no other pension contributions are made on his behalf. No pension details are disclosed for Lord Justice Thomas, who is remunerated by the Consolidated Fund.

4.1.4 Superannuation scheme

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

For 2004/05, employers' contributions of £19.3m were payable to the PCSPS (2003/04 restated: £18.7m) at one of four rates in the range 12% to 18.5% of pensionable pay, based on salary bands. Rates will remain the same for the next year, subject to revaluation of the salary bands. Employer 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.

4.2 Judiciary

4.2.1 Payroll costs of the judiciary

Members of the judiciary were independent of the Court Service and are independent of HMCS. Their payroll costs for 2004/05 were met either from the Consolidated Fund (senior judiciary) or by the Court Service. All costs are included within the accounts of the Court Service to ensure the full cost of operations is disclosed.

The payroll costs for the year were as follows:

	2004/05			2003/04 restated		
	Consolidated Fund judicial salaries £'000	Other judicial salaries £'000	Total £'000	Consolidated Fund judicial salaries £'000	Other judicial salaries £'000	Total £'000
Wages and salaries	97,128	68,661	165,789	92,227	65,653	157,880
Social security costs	11,340	7,798	19,138	10,774	7,303	18,077
Employer's pensions contributions	28,384	12,682	41,066	27,011	12,380	39,391
	136,852	89,141	225,993	130,012	85,336	215,348

4.2.2 Judiciary numbers

The Court Service met the salary cost of District Judges and all fees paid to Deputy Judges. Costs disclosed in Note 4.2.1 include salary costs for 525 judicial officers (2003/04 restated: 524) and 63,747 fee paid days (2003/04 restated: 61,768), equivalent to 296 full-time District Judges (2003/04 restated: 287). The salary costs of a further 793 members of the senior judiciary (2003/04: 771) were met from the Consolidated Fund.

4.2.3 Superannuation scheme

Judicial pensions are paid out of the Consolidated Fund where the judicial office holder's salary was paid from that fund, or the Judicial Pension Scheme where the salary was paid from the Department's supply estimate. Superannuation has been included for judicial salaries using a rate of 29.25% (2003/04: 29.25%).

The benefits payable are governed by the provisions of either the 1981 Judicial Pensions Act for those judicial office holders appointed before 31 March 1995, or the 1993 Judicial Pensions and Retirement Act 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

	2004/05 £'000	2003/04 £'000
Accommodation, maintenance and utilities	84,174	71,069
Juror costs	37,919	39,520
PFI suppliers	60,104	38,542
Other staff costs (including travel and subsistence)	4,501	8,063
Other judicial costs (including travel and subsistence)	14,985	13,768
Contracted services	18,606	17,603
Consultancy	8,657	4,426
Communications, office supplies and services	30,525	20,094
Miscellaneous expenditure	10,501	11,082
Operating leases:		
Property rents	25,404	19,321
Hire of plant and machinery	557	138
Other expenditure	751	477
Non-cash costs:		
External auditors' remuneration	210	205
Gain on disposal of assets	(3,038)	(26,758)
Accounting loss on disposal	5,001	-
Permanent impairment in asset value	14,703	8,118
Reversal of prior period permanent impairment	(1,984)	(574)
Notional rent	1,962	1,300
Movement in provisions	(226)	490
Prepayment on PFI contracts	23	106
Departmental recharge	80,267	61,274
Bad debt provision	19	95
	393,621	288,359

There is no external auditors' remuneration for non-audit work.

Under the Courts Act 1971, the Corporation of the City of London provided the Court Service with use of the Central Criminal Court and the Mayor's and City of London court, for minimal rents. To fairly reflect the value of the cost of use of these properties, the Court Service recognised a notional rent charge, which was regarded as the most appropriate way to represent this value.

5.2 Interest payable

	2004/05 £'000	2003/04 £'000
Notional interest on capital	59,323	54,305
Finance charges on leased assets	34	94
	59,357	54,399

6 Analysis by administration and programme

For public expenditure control purposes the income and expenditure of the Court Service was classified between administration and programme. Whilst this classification is reflected in the operating cost statement of the resource accounts prepared by the Department for Constitutional Affairs, the Court Service considered it to be inappropriate for its executive agency accounts. For this reason the agency took advantage of the dispensation offered by the *Resource Accounting Manual* for agencies which are not whole departments to adopt a Companies Act format for their income and expenditure account.

Despite the *Resource Accounting Manual* requirement to split the capital charge between administration and programme, owing to the complexities of the Court Service estate it was not considered practical. Many properties are used for activities that fall into both categories.

If the *Resource Accounting Manual* format for an operating cost statement had been adopted, the analysis of net operating costs would have been as follows:

	2004/05		2003/04
	£'000	£'000	restated £'000
Administration costs:			
Staff costs	(197,320)	(184,384)	
Other administration costs	(441,730)	(323,910)	
Gross administration costs	(639,050)	(508,294)	
Operating income	11,228	10,904	
Net administration costs		(627,822)	(497,390)
Programme costs:			
Staff costs	(225,995)	(215,348)	
Other programme expenditure	(59,906)	(60,989)	
Gross programme costs	(285,901)	(276,337)	
Programme income	349,526	345,521	
Net programme costs		63,625	69,184
Net operating costs		(564,197)	(428,206)

7 Tangible fixed assets

	Land and buildings excluding dwellings £'000	Dwellings £'000	Information technology £'000	Plant and machinery £'000	Furniture, fixtures and fittings £'000	Assets under construction £'000	Total £'000
Cost and valuation as at 1 April 2004 restated	1,545,935	17,620	84,222	18,882	30,726	19,822	1,717,207
Additions	60,391	-	21,707	800	2,986	43,733	129,617
Disposals	(230)	-	(318)	(483)	(130)	-	(1,161)
Write-off	-	-	(2,536)	(4,651)	(2,087)	-	(9,274)
Revaluation	10,205	1,915	(7,736)	94	619	-	5,097
Reclassification	1,708	-	19,349	-	227	(21,284)	-
Transfers to parent department	-	-	259	(122)	(466)	-	(329)
As at 31 March 2005	1,618,009	19,535	114,947	14,520	31,875	42,271	1,841,157

	Land and buildings excluding dwellings £'000	Dwellings £'000	Information technology £'000	Plant and machinery £'000	Furniture £'000	Assets under construction £'000	Total £'000
Depreciation as at 1 April 2004 restated	445	37	17,320	14,212	15,452	-	47,466
Charged in year	36,061	256	9,292	1,393	1,657	-	48,659
Revaluation	(36,503)	(293)	(672)	20	181	-	(37,267)
Disposals	(3)	-	(530)	(319)	(106)	-	(958)
Write-off	-	-	(1,111)	(2,368)	(793)	-	(4,272)
Transfers to parent department	-	-	(587)	(69)	(154)	-	(810)
As at 31 March 2005	-	-	23,712	12,869	16,237	-	52,818

Net book value:

As at 31 March 2005	1,618,009	19,535	91,235	1,651	15,638	42,271	1,788,339
As at 31 March 2004 restated	1,545,490	17,583	66,902	4,670	15,274	19,822	1,669,741

The value of freehold land included within 'land and buildings excluding dwellings' is £308m (2003/04 restated: £295m).

In 2004/05 the rolling programme of professional revaluation of the estate covered 39% by value of all property assets. A further 57% were re-valued on the basis of a professional desktop valuation based on local geographic knowledge. The remaining property assets are shared ownership sites with the magistrates' courts. These property assets were re-valued on the basis of gross internal area. The last professional valuation of all the property assets was carried out by the Valuation Office Agency (VOA) in June 2000.

There was one property vacated and awaiting disposal at 31 March 2005 (31 March 2004: two). Such premises are held at open market value and are not depreciated.

Included in 'information technology' are assets leased under a finance lease with a net book value of £0.44m (2003/04 restated: £0.59m). Included within the depreciation charge for the year is an amount of £0.16m (2003/04 restated: £0.42m) relating to these leased assets.

Also included in 'information technology' is an asset representing the capitalised value of an element of the payments made under the County Court Systems (CCS) PFI contract (see Note 20), which under FRS5 is deemed to be an asset of the Court Service. This has a net book value of £0.13m (2003/04 restated: £0.42m). Included within the depreciation charge for the year is an amount of £0.04m (2003/04 restated: £0.61m) relating to this asset.

Included in 'land and buildings excluding dwellings' are assets representing the capitalised value of an element of the payments made under the Exeter, East Anglia and Sheffield PFI contracts (see Note 20), which under FRS5 are deemed to be assets of the Court Service. These have a net book value of £54.38m (2003/04: not applicable). Included within the depreciation charge for the year is an amount of £1.39m (2003/04: not applicable) relating to these assets.

During the year, an accounting loss of £5.0m (cost £9.3m less depreciation £4.3m) arose from the write-off of assets costing less than £10k, excluding furniture pools, following an increase in the capitalisation threshold.

8 Debtors

	2004/05	2003/04
	£'000	restated £'000
Amounts falling due within one year:		
VAT recoverable	6,179	5,704
Trade debtors	2,612	1,143
Deposits and advances	968	594
Other debtors	21,309	21,181
Prefunding of early departure costs	-	159
Prepayments and accrued income	10,785	7,555
Prepayment on PFI contracts	5,045	7,076
	46,898	43,412
Amounts falling due after one year:		
Deposits and advances	57	82
Other debtors	16,616	36,616
Prepayments	3	19
Prepayment on PFI contracts	2,713	10,545
	19,389	47,262
	66,287	90,674

- Included in debtors are amounts due from other government departments totalling £7,274k and amounts due from local government organisations totalling £527k. There are no significant amounts due from trading funds or NHS Trusts.
- Trade debtors are shown net of bad debt provision of £26k (2003/04 provision: £95k).
- Included in deposits and advances are amounts of £604k (2003/04: £600k) due within one year and £57k (2003/04: £82k) due after more than one year relating to staff loans.
- Other debtors due within one year includes £20m (2003/04: £20m) from the sale of property. A further £16.6m (2003/04 £36.6m) from the sale of property is included in debtors due after one year.
- Prepayments and accrued income includes property rentals of £5.1m (2003/04: £3.8m).
- The prepayment on PFI contracts, both within and after one year, represents advance payments for IT services, together with an element of the open market value of assets transferred to Liberata UK Limited and EDS Limited on commencement of the PFI contracts, the latter being released evenly over the lives of the contracts.

9 Cash at bank and in hand

	2004/05	2003/04
	£'000	restated £'000
Balance at start of year	24,690	93,778
Decrease in cash during the year	(356)	(69,088)
Balance at end of year	24,334	24,690

	2004/05	2003/04
	£'000	restated £'000
Comprises:		
Balances at Office of HM Paymaster General (OPG)	22,810	23,636
Commercial banks	313	366
Cash in hand	1,121	605
Imprests	90	83
	24,334	24,690

- An amount of £3.84m (2003/04: £4.27m) is included in amounts held at OPG on behalf of third parties.
- The Court Service used commercial banks to deposit funds from courts and transmit them to the account with OPG and therefore also to process refer-to-drawer cheques and any discrepancies. Separate accounts were maintained for different purposes, but as there was a right of off-set the net balance is disclosed here.

I0 Creditors

I0.1 Amounts falling due within one year

	Note	2004/05 £'000	2003/04 restated £'000
Taxation and social security		9,209	719
Other creditors		4,937	3,358
Accruals and deferred income		60,186	55,883
Obligations under finance leases		174	268
Creditor for capital value of PFI contracts		2,224	-
Cash balances payable to the Consolidated Fund		76	32
		76,806	60,260
Third party balances	10.3	3,844	4,271
		80,650	64,531

□ Included in creditors are amounts due to other government departments totalling £9,209k. There are no significant amounts due to local government organisations, trading funds or NHS Trusts.

I0.2 Amounts falling due after more than one year

	2004/05 £'000	2003/04 restated £'000
Creditor for capital value of PFI contracts	55,337	-
Accruals and deferred income	3,812	-
Obligations under finance leases	290	427
	59,439	427

The creditor falls due within:

	2004/05 £'000	2003/04 £'000
Two to five years	12,999	427
More than five years	46,440	-
	59,439	427

I0.3 Third party balances

The third party balances included in the accounts are:

	31 March 2004 £'000	Gross inflows £'000	Gross outflows £'000	31 March 2005 £'000
Bank balances and monies on deposit	4,271	55,885	(56,312)	3,844

	31 March 2003 £'000	Gross inflows £'000	Gross outflows £'000	31 March 2004 £'000
Bank balances and monies on deposit	75,553	58,313	(129,595)	4,271

II Provisions for liabilities and charges

		2004/05	2003/04
	Note	£'000	restated £'000
Provision for early departure costs	11.1	528	942
Provision for maladministration	11.2	1,413	1,742
		1,941	2,684

II.1 Provision for early departure costs

		2004/05	2003/04
		£'000	£'000
Balance at start of year		942	1,942
Transfer to parent department		-	(633)
Increase in provision		11	150
Unwinding of discount		17	59
Utilised in year		(442)	(576)
Balance at end of year		528	942

The liability falls due within:

		2004/05	2003/04
		£'000	£'000
One year		277	442
Two to five years		248	473
More than five years		3	27
		528	942

II.2 Provision for maladministration

		2004/05	2003/04
		£'000	£'000
Balance at start of year		1,742	1,479
Utilised in year		(75)	(18)
(Decrease)/increase in provision		(254)	281
Balance at end of year		1,413	1,742

Provision has been made for a number of specific claims against the Court Service in respect of the administration of court proceedings. The provision represents cases where a claim has been admitted but not yet paid.

The provision for by analogy pension scheme, operated for the benefit of immigration adjudicators, no longer appears in these accounts, as this was transferred to the parent department along with the rest of the balances relating to tribunals.

I2 Reserves

I2.1 General Fund

	Note	2004/05 £'000	2003/04 restated £'000
Balance at start of year		1,005,952	934,329
Funding from Department		276,139	251,985
Transfer of provisions to parent company		-	(633)
Transfer to parent department	7	481	(209)
Net cost of operations		(564,197)	(428,206)
Notional costs	12.2	250,230	220,085
Transfer from revaluation reserve		12,863	24,654
CFERs treated as operating income		(195)	(570)
Fixed asset adjustments in respect of prior years		1,926	4,517
Balance at end of year		983,199	1,005,952

I2.2 Notional costs

	Note	2004/05 £'000	2003/04 restated £'000
Consolidated Fund judicial salaries and social security costs	4.2.1	108,468	103,001
Interest on capital	5.2	59,323	54,305
Overhead recharge from parent department	5.1	80,267	61,274
Notional rent	5.1	1,962	1,300
External auditors' remuneration	5.1	210	205
		250,230	220,085

I2.3 Revaluation reserve

	Note	2004/05 £'000	2003/04 restated £'000
Balance at start of year		711,511	592,151
Revaluation of fixed assets during the year		55,083	144,015
Transfer to general fund of realised element of reserves		(11,749)	(11,455)
Transfer to general fund on disposal of revalued assets		(1,114)	(13,200)
Balance at end of year		753,731	711,511

I3 Capital commitments

Contracted capital commitments at 31 March 2005 for which no provision has been made amounted to £47.3m (2003/04: £72.3m).

14 Commitments under operating leases

	Land and buildings £'000	2004/05 Other £'000	Land and buildings £'000	2003/04 Other £'000
At 31 March 2005 the agency was committed to making the following payments during the next year in respect of operating leases expiring:				
– within one year	2,195	75	1,080	149
– between two and five years	3,792	202	4,317	199
– after five years	18,698	42	15,857	36
	24,685	319	21,254	384

15 Other commitments

The minimum commitments payable under non-cancellable PFI contracts are:

Within:	1 year £'000	2–5 years £'000	6–10 years £'000	11–15 years £'000	16–20 years £'000	21–25 years £'000	26–30 years £'000
CCS	7,300	7,300	-	-	-	-	-
ARAMIS	19,200	14,690	-	-	-	-	-
Probate Records Exeter	1,550 2,410	6,700 9,640	9,505 12,050	10,850 12,050	12,295 12,050	3,370 12,050	- 9,640
East Anglia	4,064	16,585	21,538	22,545	23,685	19,868	-
Sheffield	912	3,881	5,422	6,135	6,941	6,204	-
	35,436	58,796	48,515	51,580	54,971	41,492	9,640

The PFI commitments relate to contracts for the provision of financial and other services. The amounts shown assume payments due in 2005/06 are unchanged in future years. Future annual payments may in fact vary by unknown amounts in accordance with a formula based on operating requirements. Details regarding the above contracts are shown in Note 20 to these accounts.

16 Contingent liabilities

The Court Service has works of art on loan from the Government Art Collection. In addition, there are many works of art on loan from other museums and galleries. Valuations are not held for these items.

The recent sixth edition of Her Majesty's Revenue and Customs' VAT guidance notes for government departments has clarified the list of eligible services under the Treasury (Contracting-out) Direction. HMCS is currently reviewing claims against this guidance to ensure that it has correctly claimed refunds of VAT.

17 Notes to the cash flow statement

17.1 Summary of notional and non-cash costs

	2004/05	2003/04
	£'000	restated £'000
Depreciation	48,659	42,139
Permanent impairment adjustment	12,719	7,544
Gain on disposal of fixed assets	(3,038)	(26,758)
Fixed asset write-off	5,001	-
Notional rent	1,962	1,300
Prepayment on PFI contracts	23	106
Consolidated Fund judicial salaries	108,468	103,001
Notional interest on capital	59,323	54,305
(Decrease)/Increase in provisions	(226)	490
Departmental recharge	80,267	61,274
External auditors' remuneration	210	205
Bad debt provision	19	95
	313,387	243,701

17.2 Movements in working capital

	2004/05	2003/04
	£'000	restated £'000
Decrease/(Increase) in debtors	24,387	(57,789)
Adjusted for movement in:		
Prepayment on PFI contracts	(23)	(106)
Fixed asset debtors	(20,000)	56,615
Bad debt provision	(19)	(95)
	4,345	(1,375)
Increase/(Decrease) in creditors	75,131	(54,058)
Adjusted for movement in:		
PFI and finance lease creditors	(57,330)	(671)
Fixed asset creditors	976	(8,815)
Cash balances payable to Consolidated Fund	(44)	1,053
Third party creditors	427	71,282
	19,160	8,791
Decrease in working capital	23,505	7,416

18 Related party transactions

The Court Service was an executive agency of the Department for Constitutional Affairs. DCA is regarded as a related party. During the year the Court Service has had a significant number of material transactions with the Department and with other entities for which DCA is regarded as the parent department, e.g. the Public Guardianship Office.

In addition, the agency had a significant number of material transactions with other government departments and other central government bodies.

Registry Trust Limited is a private company limited by guarantee with no share capital. It maintains, on behalf of the Secretary of State and Lord Chancellor, the Register of County Court Judgements. In view of its role and its relationship with the Secretary of State and Lord Chancellor, Registry Trust is regarded as a related party. Income received from Registry Trust Limited in the year 2004/05 amounted to £121k (2003/04: £123k).

During the year none of the Board members, members of key management staff, or other related parties undertook any material transactions with the Court Service.

19 Post balance sheet events

On 1 April 2005, the Court Service merged with 42 magistrates' courts committees throughout England and Wales, to form Her Majesty's Courts Service. This was carried out under the framework of the Courts Act 2003. The merger is considered a transfer of function and as such does not affect the Court Service's going concern status.

20 PFI contracts

The Court Service entered into six private finance initiative arrangements:

- ARAMIS PFI Project with Liberata UK Limited for the provision of accounting, management information and corporate IT services to the Court Service and DCA Headquarters. The nine-year contract commenced in January 1998. The majority of assets underlying the services provided are deemed to be off balance sheet under FRS5. IT assets relating to the provision of the estate management system are included in the balance sheet at a cost of £239k. The capital value of the contract is currently estimated to be £39.5m out of a total expected contract value of £217m. At the start of the contract certain IT assets owned by the Court Service transferred to Liberata. This created an initial prepayment of £225k, which is amortised over the life of the project.
- Probate Records Scheme with Iron Mountain Europe Limited to provide storage and retrieval services. This contract was signed on 27 July 1999 for a period of 25 years. The assets underlying the services provided are deemed to be off-balance sheet under FRS5. The capital value of the contract is estimated to be £10.9m out of a total expected contract value of £56m. The contract has been operational since January 2002.
- CCS (formerly LOCCS) PFI Project with Electronic Data Systems Limited (EDS) to supply IT services. The contract was signed on 30 September 1996 and covers the provision of computer systems, software development, support and maintenance for operational systems to the Court Service and now HMCS. The contract has been extended for a further three years to run for a total of 10 years. The majority of assets used in the provision of this contract are deemed to be on balance sheet under FRS5. Some assets have also been provided under finance lease arrangements within the contract. The capital value of the contract is currently estimated to be £20m out of a total contract value of £288m. The costs have increased due to: roll-out of the Xhibit system, introduction of e-Diary and roll-out of the Possession Claims Online Service. Disclosures regarding the assets and related liabilities are made in the appropriate notes.

□ Exeter – this project provides a new courthouse comprising four criminal courts, one civil court and four District Judges Hearing rooms. Accommodation for the Probate Registry and for the Group Manager is also included. The contract, with Enterprise Civic Buildings Limited, was signed in November 2002 and runs for 30 years from completion of the building. The net present value of the project is £23.2m, while the capital value is £20.1m. The building was operational on 15 November 2004 when the first court session took place. The scheme has been assessed as being on balance sheet under FRS5. At the end of the PFI term the building will revert to the Department at no cost.

□ East Anglia – this project provides new court accommodation in East Anglia. Specifically, the project includes the provision of new Crown Court centres in Ipswich and Cambridge. The new accommodation was required to replace poor existing accommodation. Ipswich Crown Court consists of five criminal courtrooms, Cambridge Crown Court consists of three criminal courtrooms. The contract, with Modern Courts East Anglia Limited, was signed on 31 October 2002 and has a term of 25 years from completion of the buildings. The project has a net present value of £43.3m and a capital value of £34.5m. Both sites became fully operational on 7 June 2004. The scheme has been assessed as on balance sheet under FRS5. At the end of the PFI term the buildings in Ipswich and Cambridge will revert to the Department at no cost.

□ Sheffield – this project provides a new Family Hearing Centre in Sheffield. The new hearing centre was required to enable the court to deal with increasing workload levels and provide more appropriate facilities for family hearings. The new hearing centre consists of two family courtrooms, two hearing rooms and a training room which is capable of being converted into one large, or two small, hearing rooms. The contract, with Palecastle Limited, was signed on 21 November 2002 and has a term of 25 years from completion of the building. The new centre became operational on 15 June 2004 and court sittings commenced on 5 July 2004. The scheme has a net present value of £8.8m and a capital value of £7.7m. The scheme has been assessed as on balance sheet under FRS5. At the end of the PFI term the Department has the option of acquiring the underlease at the lower of its open market value or £2m.

21 Accountability

The following disclosures are included to comply with *Government Accounting* reporting requirements:

- There were 701 cases (2003/04 restated: 500) involving cash losses totalling £125k (2003/04 restated: £230k).
- There were 307 special payments (200/04 restated: 958) totalling £223k (2003/04 restated: £609k).
- There were 32,270 cases (2003/04 restated: 28,148) where fees were remitted. The total value was £2,419k (2003/04 restated: £1,820k).

22 Financial instruments

FRS13, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which government departments are financed, the agency is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS13 mainly applies. The agency has very limited powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the agency in undertaking its activities.

As permitted by FRS13, debtors and creditors which mature or become payable within 12 months from the balance sheet date have been omitted from the currency profile.

Liquidity risk

The agency's net revenue resource requirement is financed by resources voted annually by Parliament to the Department for Constitutional Affairs, just as its capital expenditure largely is. It is not exposed, therefore, to significant liquidity risks. However, within the normal Parliamentary supply procedure, the agency has to budget for resources (both revenue and capital) in the nine months preceding the financial year in which it will be granted.

Interest-rate risk

100% of the agency's financial liabilities carry nil or fixed rates of interest, and therefore it is not exposed to significant interest rate risk.

Foreign currency risk

The agency's exposure to foreign currency risk is not significant.

23 Other third party assets

The Court Funds Office manages money held in court on behalf of clients who may: be involved in a civil legal action; be patients who, under the Court of Protection, are not able to manage their property and affairs; be children under the age of 18. These are non-agency assets and are not included in these accounts. The assets held at the balance sheet date to which it was practical to ascribe monetary values comprised cash, securities and unit holdings in the Common Investment Scheme. These items, with values as at 28 February 2005, are listed below:

- Cash – held and invested on behalf of the Accountant General of the Supreme Court through the Commissioners for the Reduction of the National Debt – £4.26bn (2003/04 restated: £3.96bn).
- Common Investment Scheme – administered on behalf of the Secretary of State and Lord Chancellor by an appointed Investment Manager. The Accountant General holds unit shares in the Index Tracker Fund on behalf of the beneficiaries. The Index Tracker Fund is a balanced portfolio managed by the Investment Manager in accordance with the investment strategies in force at the time – £36.3m (2003/04: £30.4m).

Further information is contained in the Funds in Court published White Paper Accounts, which are audited by the Comptroller and Auditor General and laid before Parliament.

24 Transfer of function

The Court Service had responsibility for the administration of the majority of tribunals that fell under the direct responsibility of the Secretary of State and Lord Chancellor up until February 2004. The tribunals now form a separate delivery arm within DCA. This change is a key first step towards a dedicated Tribunals Service. As a result, tribunals are not reported in these accounts and the 2003/04 comparatives have been restated.

The tables below show the balances relating to tribunals that have been removed from the respective headings in the 2003/04 figures:

Income and expenditure account

	2003/04 £'000
Income	352
Staff costs	(72,575)
Other operating costs	(49,571)
Depreciation	(2,157)
Net cost of operations	(123,951)

Balance sheet

	2003/04 £'000
Fixed assets	20,588
Debtors	710
Cash at bank and in hand	37
	747
Creditors due within one year	(6,830)
	(6,083)
Total assets less current liabilities	14,505
Creditors due after one year	-
Provisions for liabilities and charges	(1,150)
	13,355
Taxpayers' equity:	
General Fund	12,649
Revaluation reserve	706
	13,355

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