



HM Courts &  
Tribunals Service

**HM Courts & Tribunals Service**

# **Annual Report and Accounts**

**2013-14**





HM Courts &  
Tribunals Service

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## Annual Report and Accounts 2013-14

HM Courts & Tribunals Service is an executive agency of the Ministry of Justice.

Annual Report presented to Parliament pursuant to Section 1(4) of the Courts Act 2003 and Section 39(3) of the Tribunals, Courts and Enforcement Act 2007.

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Accounts of HM Courts & Tribunals Service presented to the House of Lords by Command of Her Majesty.

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## 1. Introduction

HM Courts & Tribunals Service provides administrative support for a large number of courts and tribunals covering a wide variety of functions. What has made the last year so exceptional, however, is that, across all of the various jurisdictions, it was a year of very considerable change that both the staff of HM Courts & Tribunals Service and the judges, working together with genuine co-operation, handled so well.

Their commitment, professionalism and hard work meant that services to the public were maintained to a high standard whilst at the same time the many changes and reforms were implemented.

In the criminal jurisdiction, changes included the abolition of committals, the increase in the use of digitisation and the continued drive to improve case management. The civil jurisdiction saw the introduction of 'the Jackson reforms' to reduce litigation costs. The biggest change of all occurred in the family jurisdiction where, in advance of legislative change, a sheer determination to improve performance saw a radical reduction in the length of time taken to deal with cases involving children caught up in the care system. The tribunals, for their part, have coped with large variations in their forecast workloads but the positive response of the staff and judiciary has resulted in the system dealing with more cases than ever.

Across all jurisdictions, there were improvements to the IT either being introduced or developed, or both. Broadcasting from the Court of Appeal commenced in October 2013. Work was undertaken to prepare for the introduction of both the single County Court and the single Family Court from April 2014. All of the time, in the background, was an on-going commitment both by management and staff to continuous improvement in both the way the organisation works and the service it provides to all its users.

We are delighted therefore, to introduce this Annual Report for 2013-14 as it sets out much more of the detail of what has been achieved. Working together with the judges, and with the cooperation of the users of our courts and tribunals, our staff have achieved significant progress towards a more effective and efficient courts and tribunals administration. None of this could have happened without the tireless and positive support of all the staff of HM Courts & Tribunals Service, to each of whom we convey our sincere thanks. We are indebted to them all.



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



The Rt Hon  
The Lord Thomas  
of Cwmgiedd  
Lord Chief Justice of  
England and Wales



The Rt Hon  
Sir Jeremy Sullivan  
Senior President of Tribunals

## 2. Forewords from the Chairman and Chief Executive

### Foreword from the Chairman

This report is in respect of the third complete year of the operation of HM Courts & Tribunals Service. Throughout this year, HM Courts & Tribunals Service has continued the successes of the previous two years by delivering improvements in its performance whilst lowering operating costs which were £200m lower in 2013-14 than in 2011-12 despite workload increases in some key areas.

I am particularly pleased to note the significant improvement in the time within which public family law cases are now brought for hearing and the reduced time taken for their completion. This was achieved thanks to the dedication and effective co-operation between the family law judiciary and HM Courts & Tribunals Service staff.

However, there is still much to do and further change to bring to ensure we have a courts and tribunals service fit for the 21st century that can achieve the aims set for us by the Lord Chancellor and Lord Chief Justice. During the year, the Board of HM Courts & Tribunals Service invited the Lord Chancellor and the Lord Chief Justice to consider a case for investment in the service, with the aim of providing a more accessible system that is modern and responsive, provides better value for money for the taxpayer and supports growth in the UK legal market. I am glad to say that they both agreed. This culminated in securing a significant investment package from HM Treasury in March 2014 to implement a major and unprecedented programme of reform. The one off package of investment will average up to £75 million each year over five years from 2015-16 and will realise savings in excess of £100 million each year by 2019-20.

The Lord Chancellor and Lord Chief Justice have asked the Board of HM Courts & Tribunals Service to oversee the programme of change that will use this investment to deliver a radical transformation and significant improvement in the service we provide to all our users. I will say more on this in next year's report.

None of what has been done so far could have been achieved without the professionalism and commitment of Peter Handcock and his colleagues, to whom I pay tribute, nor without the valuable contribution of my colleagues who serve on the Board with me. Above all, however, we could not have achieved what we have without the daily work and dedication of each and every member of the staff of HM Courts & Tribunals Service in the courts and tribunals around the country. I would like to thank them all for their service.

At the end of the year Alison White, one of my colleagues on the HM Courts & Tribunals Service Board, resigned after her three year appointment. I would like to thank her for her robust contributions to the work of the Board and other Committees of which she was a member, and for all she did during her time with HM Courts & Tribunals Service.



**Robert Ayling**  
Chairman

## Foreword from the Chief Executive

I am very pleased to present the third Annual Report for HM Courts & Tribunals Service.

HM Courts & Tribunals Service has had another challenging but successful year in which performance has been maintained or improved at the same time as we continue to reduce our costs. Working in partnership with the judiciary and all agencies involved in the family justice system, we have focussed particularly on improving family justice performance in public law cases brought by local authorities to safeguard vulnerable children. After nearly 20 years of declining performance across the family justice system, the average time taken to dispose of care and supervision applications has now reduced significantly: average timeliness performance for the last quarter of 2013-14 has fallen to 32 weeks against the baseline of 56 weeks highlighted in the Family Justice Review in November 2011. The average timeliness for the full year was 36.5 weeks, nearly surpassing the Family Justice Board's ambition for the year of 36-40 weeks. This represents transformational change for vulnerable members of society, and I am very grateful for the work done by our staff in partnership with the judiciary.

This year has also seen record performance in our tribunals, with the number of cases being cleared exceeding the number of cases received for the first time in a number of years, disposing of 12% more than in the last financial year. Improvements can be seen in all of the key tribunals jurisdictions, including 22% more appeals disposed of in the Social Security and Child Support Tribunal than last year and an 11% increase in disposals in the Employment Tribunal. Overall, this year has seen record levels of performance against a background of wide-ranging reform.

We have continued to prioritise the use of video across the Criminal Justice System (CJS), particularly the use of prison to court video links. Currently 90% of magistrates' courts and all Crown Court sites have video links for use between prisons and courts and for vulnerable or intimidated witnesses.

In June 2013 the Minister for Policing and Criminal Justice, Damian Green, announced that the Government will be investing £44 million in the CJS Efficiency Programme to deliver the digital courtroom including through in-court Wi-Fi, digital presentation capability in the magistrates' courts and an effective, digital case management store. Significant progress has been made in the past year in the development of these initiatives, which represent a new digital era for the courts, and I look forward to further progress.

As always, working in cooperation and partnership with the judiciary is crucial in everything that we do, and close working with judicial colleagues takes place at all levels of the organisation, from Board level to local staff in courts and tribunals across the country. This supportive relationship will continue to be critical to the success of the organisation in the year ahead, as well as to the programme of reform that our independent Chairman, Robert Ayling, has mentioned in his foreword.

Most importantly, I want to give my thanks to our staff across the agency for their commitment to improving our services. Our staff are our strength, and their determination to provide a high quality service to the public makes all the difference both to our day-to-day work and our initiatives to improve the way we do business. The success of the past year is thanks to the continued care and dedication they have shown.

I look forward to building on our successes to further improve the service we provide the public in the year ahead.



**Peter Handcock CBE**  
Chief Executive

### 3. About us

HM Courts & Tribunals Service was created in 2011 as an executive agency of the Ministry of Justice. The Agency operates as a partnership between the Lord Chancellor, the Lord Chief Justice and the Senior President of Tribunals as set out in our Framework Document.

HM Courts & Tribunals Service is responsible for the administration of the criminal, civil and family courts and tribunals in England and Wales and non-devolved tribunals in Scotland and Northern Ireland. It supports a fair, efficient and effective justice system delivered by an independent judiciary.

We are one of four delivery arms within the Ministry of Justice (MOJ). The MOJ is one of the largest government departments bringing together areas responsible for the administration of the courts, tribunals, legal aid, sentencing policy, prisons, the management of offenders and matters concerning laws and rights.

#### Our vision

To run an efficient and effective courts and tribunals system, which enables the rule of law to be upheld, and provides access to justice for all.

Our objectives and business priorities for the four year period covered by the government's 2010 Spending Review were published in the HM Courts & Tribunals Service Business Plan 2011-15 and are as follows:

#### Objectives

- Provide the supporting administration for a fair, efficient and accessible courts and tribunal system.
- Support an independent judiciary in the administration of justice.
- Drive continuous improvement of performance and efficiency across all aspects of the administration of the courts and tribunals.
- Collaborate effectively with other justice organisations and agencies, including the legal professions, to improve access to justice.
- Work with government departments and agencies, as appropriate, to improve the quality and timeliness of their decision making in order to reduce the number of cases coming before courts and tribunals.

#### Business priorities

- Establish our long-term vision.
- Increasing efficiency and reducing cost.
- Working with justice system partners to increase performance.

## Our work

### Workload and performance summary

Workload Forecast	Input Indicators <sup>1 2</sup>	Impact Indicators
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#### Crown Court

Forecast receipts 2013-14 – all cases: 129,214 Receipts during 2013-14 - all cases: 142,670 Receipts during 2012-13 - all cases: 130,143	Average staff and judicial cost per sitting day in the Crown Court:  2013-14 Judicial cost £981 Staff cost £541	The average number of weeks it takes to commence <sup>3</sup> trial cases from receipt in the Crown Court – 2013-14: 14.6 weeks 2012-13: 14.3 weeks
Forecast receipts 2013-14 – trial cases: 77,712 Receipts during 2013-14 – trial cases: 96,088 Receipts during 2012-13– trial cases: 79,685	2012-13 Judicial cost £988 Staff cost £540	

#### Magistrates' Court

Forecast completed criminal proceedings (all) 2013-14: 1,465,887 Completed criminal proceedings during 2013-14: 1,607,109 Completed criminal proceedings during 2012-13: 1,634,745	Average staff and judicial cost per sitting day in magistrates' courts: 2013-14 Judicial cost £130 Staff cost £981	The average number of weeks it takes to complete <sup>4</sup> all cases from first listing – 2013-14: 2.9 weeks 2012-13: 3.2 weeks
Forecast adult indictable and triable either way completed proceedings 2013-14: 381,338 Adult indictable and triable either way proceedings completed in 2013-14: 397,378 Adult indictable and triable either way proceedings completed in 2012-13: 347,054	2012-13 Judicial cost £119 Staff cost £1,005	The average number of working days it takes to result court registers – 2013-14: 1.3 days 2012-13: 1.6 days

<sup>1</sup> Staff and judicial expenditure is based on jurisdictional analysis. Judicial costs met centrally through the consolidated fund are apportioned based on sitting days. Costs are divided by the actual days sat in each jurisdiction to derive a cost per sitting day.

<sup>2</sup> The results for different jurisdictions are not comparable. Many cases are completed otherwise than by a hearing, particularly in the civil courts. The costs associated with these cases remain in the overall staff and judicial cost shown. As the proportion of non-hearing related work will vary the costs shown are not comparable.

<sup>3</sup> A case commences at the start of the first main Crown Court hearing. A main hearing is one where the defendant enters a plea to all charges or the jury is sworn in.

<sup>4</sup> A case is completed in the magistrates' courts either when it is disposed of or it is transferred to the Crown Court.

Workload Forecast	Input Indicators <sup>1 2</sup>	Impact Indicators
<p>Forecast summary completed proceedings 2013-14: 1,084,549</p> <p>Summary proceedings completed in 2013-14: 1,059,364</p> <p>Summary proceedings completed in 2012-13: 1,105,997</p>		<p>Financial penalties:</p> <p>Total cash collected –</p> <p>2013-14: £290.3 million</p> <p>2012-13: £284.5 million</p> <p>Total outstanding balance at end of –</p> <p>March 14: £548.8 million</p> <p>March 13: £575.5 million</p> <p>Outstanding balance in arrears at end of –</p> <p>March 14: £271.9 million</p> <p>March 13: £337.0 million</p> <p>Percentage of accounts closed or compliant within 12 months of imposition<sup>5</sup>:</p> <p>2013-14: 69.5%</p> <p>2012-13: 64.6%</p>

### Tribunals

<p>All tribunals:</p> <p>Forecast receipts 2013-14: 921,360</p> <p>Cases received in 2013-14: 691,948</p> <p>Cases received in 2012-13: 881,388</p>	<p>Average staff and judicial cost per sitting day in tribunals:</p> <p>2013-14</p> <p>Judicial cost £891</p> <p>Staff cost £327</p>	
<p>Social Security and Child Support:</p> <p>Forecast receipts 2013-14: 593,166</p> <p>Cases received in 2013-14: 401,917</p> <p>Cases received in 2012-13: 507,131</p>	<p>2012-13</p> <p>Judicial cost £771</p> <p>Staff cost £299</p>	<p>The number of weeks it takes to dispose of cases across the Social Security and Child Support Tribunal –</p> <p>2013-14: 20 weeks</p> <p>2012-13: 18 weeks</p>
<p>Employment:</p> <p>Forecast receipts 2013-14: 177,389</p> <p>Cases received in 2013-14: 105,803</p> <p>Cases received in 2012-13: 191,541</p>	<p>Total cost of tribunals:</p> <p>2013-14</p> <p>£401.7 million</p> <p>2012-13:</p> <p>£377.3 million</p>	<p>The number of weeks it takes to dispose of cases across the Employment Tribunal –</p> <p>2013-14: 135 weeks</p> <p>2012-13: 80 weeks</p>
<p>First tier Immigration and Asylum:</p> <p>Forecast receipts 2013-14: 74,360</p> <p>Cases received in 2013-14: 104,980</p> <p>Cases received in 2012-13: 103,923</p>		<p>The number of weeks it takes to dispose of cases across the first tier Immigration and Asylum Tribunal –</p> <p>2013-14: 26 weeks</p> <p>2012-13: 20 weeks</p>

<sup>5</sup> Accounts closed or compliant by the end of the same month the following year, e.g. those imposed in April 2012 and closed or compliant by the end of April 2013.

<b>Workload Forecast</b>	<b>Input Indicators<sup>1 2</sup></b>	<b>Impact Indicators</b>
Mental Health: Forecast receipts 2013-14: 31,949 Cases received in 2013-14: 30,701 Cases received in 2012-13: 28,969		The number of weeks it takes to dispose of Section 2 cases across the Mental Health Tribunal – 2013-14: 1 week 2012-13: 1 week
Other (inc UTIAC): Forecast receipts 2013-14: 44,496 Cases received in 2013-14: 46,884 Cases received in 2012-13: 47,528		

### **Civil and Family Justice**

<b>Civil courts –</b> All receipts: Forecast receipts 2013-14: 1,441,483 Cases received in 2013-14: 1,512,424 Cases received in 2012-13: 1,391,867	Average staff and judicial cost per sitting day in county courts: 2013-14 Judicial cost £837 Staff cost £695  2012-13 Judicial cost £802 Staff cost £679	Civil – The average number of weeks it takes to hear cases from when the claim was received at court – (Average time between issue & hearing (weeks))  <b>Small claims:</b> 2013-14: 31.1 weeks 2012-13: 30.0 weeks
Money claims: Forecast receipts 2013-14: 1,080,162 Cases received in 2013-14: 1,170,170 Cases received in 2012-13: 1,065,766		
Repossession: Forecast receipts 2013-14: 214,085 Cases received in 2013-14: 227,145 Cases received in 2012-13: 212,243		
Insolvency (return of goods): Forecast receipts 2013-14: 30,288 Cases received in 2013-14: 5,091 Cases received in 2012-13: 5,452		
Other: Forecast receipts 2013-14: 116,948 Cases received in 2013-14: 110,018 Cases received in 2012-13: 108,406		
<b>Family courts –</b> All cases: Forecast receipts 2013-14: 201,445 Cases received in 2013-14: 262,191 Cases received in 2012-13: 263,896		

<sup>6</sup> These measures, along with measures from the Legal Services Commission and the Children and Family Court Advisory and Support Service (CAFCASS), form part of a cross system measurement framework

Workload Forecast	Input Indicators <sup>1 2</sup>	Impact Indicators
Adoption: Forecast receipts 2013-14: 11,109 Cases received in 2013-14: 14,643 Cases received in 2012-13: 13,481		2013:14: 36 weeks 2012-13: 47 weeks
Public law receipts: Forecast receipts 2013-14: 14,897 Cases received in 2013-14: 14,971 Cases received in 2012-13: 15,411		
Private law receipts: Forecast receipts 2013-14: 44,784 Cases received in 2013-14: 55,386 Cases received in 2012-13: 52,961		
Family Law Act (Domestic violence) receipts: Forecast receipts 2013-14: 15,500 Cases received in 2013-14: 20,204 Cases received in 2012-13: 17,575		
Divorce receipts: Forecast receipts 2013-14: 115,155 Cases received in 2013-14: 115,146 Cases received in 2012-13: 121,640		

### Corporate and other financial indicators

<ul style="list-style-type: none"> <li>The number of complaints recorded by HM Courts &amp; Tribunals Service: 15,272<sup>7</sup></li> </ul>
<ul style="list-style-type: none"> <li>The percentage of complaints concluded by the first tier in HM Courts &amp; Tribunals Service: 93%</li> </ul>
<ul style="list-style-type: none"> <li>The average number of days it takes to finalise the answering of complaints: 9.9 working days<sup>8</sup></li> </ul>
<ul style="list-style-type: none"> <li>All spending and contracts over £25,000: Details of all spending and contracts over £25,000 for HM Courts &amp; Tribunals Service and across the MOJ are published monthly at: <a href="https://www.gov.uk/government/publications/hmcts-spend-over-25000-2014">https://www.gov.uk/government/publications/hmcts-spend-over-25000-2014</a></li> </ul>

### Complaints to the Parliamentary and Health Service Ombudsman

The Parliamentary and Health Service Ombudsman (PHSO) investigate complaints from individuals who have been treated unfairly or have received poor service from government departments and other public organisations and the NHS in England. It has the power, in law, to investigate and make the final decision on complaints about public services for individuals. It

<sup>7</sup> The number of complaints recorded is the total of first contact, review and appeal complaints received.

<sup>8</sup> Average days taken does not include all appeal stage complaints.

can also make recommendations on how mistakes can be put right and can ask organisations to produce action plans to show how they will implement them.

From April 2013 the PHSO changed the way it handled complaints which meant that it started to investigate more of them.

The Annual Statement from the PHSO regarding complaints received by the Ombudsman about the MOJ for the calendar year 2013 established that the Ombudsman had received 663 complaints about HM Courts & Tribunals Service, 60 complaints were accepted for investigation. Of these 30 were completed in 2013.

The results of these investigations were as follows:

Total number of investigations completed	30
Upheld complaints against HM Courts & Tribunals Service	8 (26.7%)
Partly upheld complaints	10 (33.3%)
Complaints not upheld against HM Courts & Tribunals Service	12 (40%)

Of the 38 recommendations resulting from these investigations, 36 were complied with within the timescales established by the Ombudsman. Two were outside the timescales but were both completed within one week of the deadline set by the PHSO.

HM Courts & Tribunals Service takes all complaints seriously and is committed to using the recommendations resulting from PHSO investigations to improve its services. We are committed to reducing the overall number of complaints that result in Ombudsman investigations. We have taken steps to improve the guidance available to court staff that deal with complaints in the first instance and ensure that they take into consideration the inconvenience and frustration that is caused to our customers as a result of mistakes made by the courts or tribunals administration.

Senior managers review complaints where customers remain dissatisfied with their response and courts and tribunals will review complaints to ensure that lessons are learnt from them and mistakes avoided in the future.

## 4. Our performance

### Our achievements

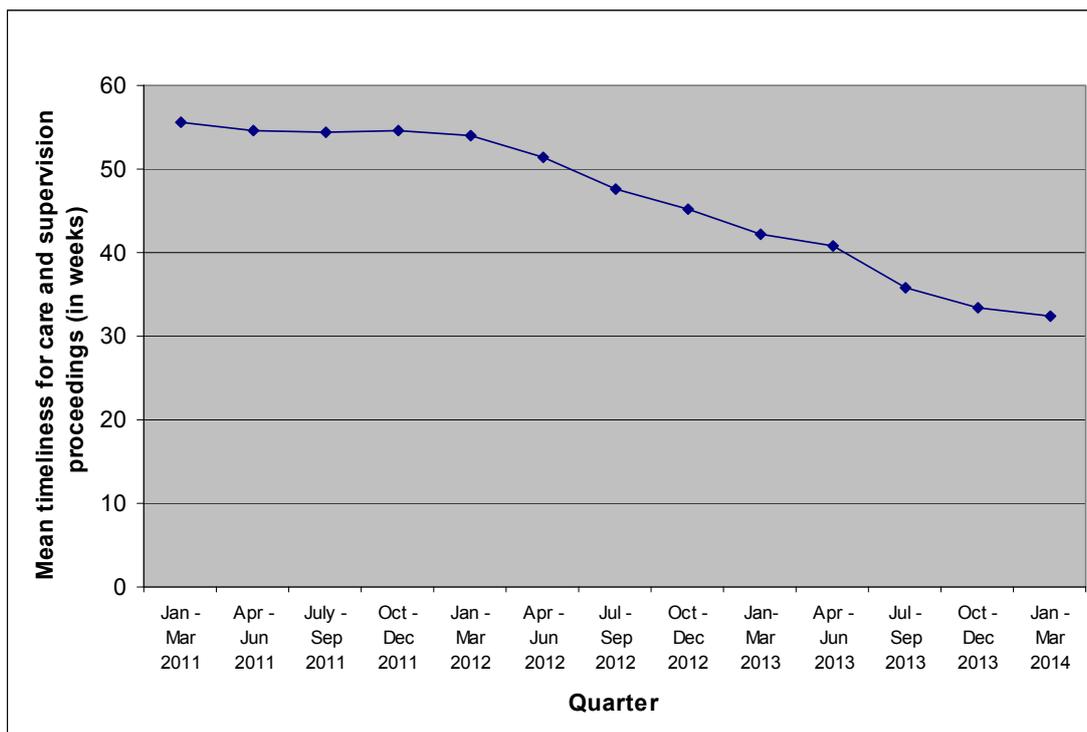
Of particular note, and highlighted below are the achievements in family justice and tribunals.

#### Family justice

The highlight of the year for HM Courts & Tribunals Service has been transformational change in family justice performance. A close focus on improving performance in public law cases (those brought by local authorities to protect the child and ensure they get the care they need) has led to massive improvements in timeliness. This improvement was preceded by nearly 20 years of declining performance across the family justice system.

The average time taken to dispose of care and supervision applications has reduced significantly: statistics for the period January-March 2014 shows average timeliness performance had fallen to 32 weeks - against the baseline of 56 weeks highlighted in the Family Justice Review in November 2011. The average timeliness for the full 2013-14 year was 36.5 weeks nearly surpassing the Family Justice Board's ambition for the year of 36-40 weeks.

#### Timeliness for care and supervision proceedings, January-March 2011 to January-March 2014



Within the national statistics lie some even more remarkable local achievements. Our management information tells us that the HM Courts & Tribunals Service North West region, in the period January-March 2014, reduced the average time it took to dispose of care and supervision cases by 33 weeks compared with its timeliness at the time the Review was published. A further four regions improved their timeliness by over 20 weeks during the same period. The Designated Family Judge area of Newport, over the same period, improved its average timeliness by 51 weeks, with a further 14 areas improving average timeliness by over 30 weeks. Meanwhile, a positive effect of the courts dealing with cases more quickly has seen a significant drop in the number of children involved at any one time in care and supervision

proceedings. This number fell from 13,800 to 9,900 (a reduction of over a quarter) between November 2011 and March 2014.

This improvement is particularly impressive given that 2013-14 saw a sustained focus on clearing older cases remaining within the system. Clearance of these cases depresses the timeliness data, so the strong performance reported here is even better for cases which started in 2013. In addition, the improvements were made during the year whilst maintaining performance on private law (essentially separating parents who wish to determine arrangements for their children), despite the challenges created by legal aid changes which have resulted in increases in the number of litigants in person.

These improvements in timeliness lay a firm foundation for the Agency to play its part in meeting Ministers' expectations that the great majority of care and supervision cases will, during 2014-15, be disposed of within 26 weeks. At the time of the Review, 14% of these cases were being disposed of within 26 weeks. By the period January-March 2014 this had increased to 49%.

Additional resources were again allocated to the family courts for 2013-14; Management Information systems improved significantly as recommended by the Review; and a strong management focus was maintained through monitoring of regional performance. These measures worked in step with a significant programme of judicial modernisation, culture change and training. And, crucially, HM Courts & Tribunals Service staff played a leading part in working with justice system partners within the cross-agency governance of the Family Justice Board. The Agency is an active member of the Board itself, and an HM Courts & Tribunals Service Director chairs its Performance Improvement sub-group. These partnership arrangements were successfully replicated at local level with the creation of 45 Local Family Justice Boards, addressing another key theme of the Review - all the agencies involved in family justice achieving a sea change in how they work together to improve radically the system for those children it is intended to serve.

## **Tribunals**

2013-14 has proven to be a record year for performance from tribunals, with the number of cases being cleared exceeding the number of cases received for the first time in a number of years. Tribunals disposed of 17% more cases across the system compared to 2012-13. The continuing focus on improving performance across tribunals has led to significant reductions in the number of outstanding cases, with a number of tribunals now at their lowest levels since tribunals were brought together into a single agency in the early part of the last decade. There have been a number of notable successes across the year.

The Social Security and Child Support Tribunal (SSCS) has disposed of 36% more appeals than it has received, increasing the number of cases disposed by 17% in comparison to 2012-13. At the start of 2013-14 the SSCS had 204,300 outstanding cases, which had risen to 222,000 outstanding cases by June 2013. However, the continuing focus on increasing the capacity and performance of the tribunals has been rewarded with record levels of performance. As workload reduced in the second half of the year, the outstanding caseload fell to 78,000 by the end of March 2014.

Other tribunals have also made significant contributions over the last year. Against a background of reform and change following the introduction of streamlined rules of procedure, and tribunal fees, the Employment Tribunals have disposed of 38% more claims compared to 2012-13. This has led to the lowest level of outstanding single claims since 2007-08. A large number of the outstanding multiple claims in the Employment Tribunal in England and Wales are currently being disposed of by the tribunal, which will bring the total level of outstanding cases within the Employment Tribunals to its lowest level for a number of years. The Mental Health Tribunal has seen a 6% increase in receipts but has continued to respond to increased workload by delivering record levels of performance with 8% more cases cleared in 2013-14

compared to 2012-13. Overall 2013-14 has seen record levels of performance delivered across tribunals against a background of wide ranging reform and change to tribunal procedures and ways of working.

## **Our progress against business priorities**

### **Establishing our long-term vision**

HM Courts & Tribunals Service continues to develop its long-term vision and delivery strategy following the Written Ministerial Statement by the Lord Chancellor in 2013. HM Courts & Tribunals Service is committed to providing an outstanding service, ensuring consistency and accessibility, and delivering value for money. The needs of HM Courts & Tribunals Service's users are at the heart of this work, and future provision will draw on principles of Lean and continuous improvement.

Cost effectiveness and efficiency will be increased through improvement in use of HM Courts & Tribunals Service's current assets, operating procedures and new technologies.

In March 2014, the Secretary of State, Lord Chief Justice and Senior President of Tribunals announced a programme of reform to deliver - through the use of modern technology, an improved estate and modernisation of current working practices - a more effective, efficient and high performing courts and tribunals administration that will improve the services provided to the public at a significantly lower cost.

The HM Courts & Tribunals Service Reform Programme will be a joint venture between the Secretary of State, Lord Chief Justice and Senior President of Tribunals, exclusively led and implemented by a strengthened Board of HM Courts & Tribunals Service that will bring in commercial leadership and expertise to deliver the reforms. The HM Courts & Tribunals Service Reform Programme will deliver an integrated package of reform to transform our courts and tribunals service to the public and provide the administration of justice with a sustainable, affordable and fit for purpose infrastructure for the future.

Reform will be enabled by a new one-off investment package, averaging up to £75 million each year over five years from 2015-16. We anticipate that the considerable changes the programme envisages will realise significant annual steady state savings in excess of £100 million each year by the 2019-20 financial year.

## **Increasing efficiency and reducing cost**

### **Embedding continuous improvements**

HM Courts & Tribunals Service's long term vision is to embed continuous improvement (CI) and place it at the heart of how HM Courts & Tribunals Service manages its work; an ambitious and transformational vision which places the customer and their needs at the front of service delivery and design. Staff have worked hard during 2013-14 to drive, coach, and support their colleagues in embedding a continuous improvement culture covering a range of activities.

- We continue to consult and develop measures which place what the customer wants at the forefront of our work.
- 'The HMCTS Way' was created to ensure all our people deliver our organisational values.
- Jurisdictional teams are committed to using CI tools as the way in which they visually show the flow of work and impact of changes to customers.
- We promoted 'Learning Networks' to develop and improve CI learning, raising the capability of our people and embedding learning within the business.
- Jurisdictional teams launched an organisation wide system to ensure the delivery of consistent quality outcomes for the customer through Standard Operating Procedures (SOPs) and Job Cards.

- We have an improved communication system between Team Information Boards (TIBs) and Hubs that allows problems and successes to be escalated appropriately.
- A maturity assessment tool which enables all areas of the business to assess CI maturity, coaching and learning from each other to improve, has been delivered.

Delivering the strategy has been a huge success in itself, and HM Courts & Tribunals Service can clearly see how the right systems and behaviours are starting to be embedded throughout the Agency to enable every member of staff to add value to the customer within their role. In the true spirit of CI HM Courts & Tribunals Service has continually evaluated progress, against the individual strands and across the whole of the strategy recognising a need to set out a single, clear and concise set of organisational expectations building on what the organisation is doing in terms of leadership. At the same time the Agency fully embraces the continuous improvement values recognised in organisations with a high performing culture. During 2013-14 HM Courts & Tribunals Service directors worked together to develop a set of principles which align what the Agency does and how it does it in order to deliver a high quality service to users. This was launched in January 2014 and is called 'The HMCTS Way'.

2013-14 was a milestone year in terms of the organisational CI journey, but 'The HMCTS Way' marks the next generation of CI activity both for us as an organisation and as a champion of CI within the public sector.

#### **Harmonising tribunal boundaries with HM Courts & Tribunals Service structure**

HM Courts & Tribunals Service is developing plans with Chamber Presidents to harmonise the tribunal boundaries with other regional boundaries within the organisation. Harmonisation plans for the Social Entitlement Chamber, and the Property Chamber, will be implemented during 2014-15.

#### **Process improvements in courts and business centres**

The National Business Centres (NBC) have demonstrated both qualitative and quantitative improvements across all jurisdictions in 2013-14. Lessons learnt around post opening, high volume workflows and fee remissions have been implemented in the set up of the new Direct Lodgement Centre and Central Payment Facility. HM Courts & Tribunals Service has shared best practice across existing centres, making improvements to workforce scheduling, work delivery and how HM Courts & Tribunals Service communicate process changes and improvements. HM Courts & Tribunals Service has moved in new contact work to the contact centre, delivering training to new and existing staff and further increasing the centres resilience. HM Courts & Tribunals Service has also moved the final 30% of Social Security calls from an existing business centre to the contact centre, ensuring all SSCS calls are now taken in one place creating a streamlined approach utilising fewer staff resources.

#### **Reforming our estate**

HM Courts & Tribunals Service is committed to providing an effective and efficient service to court and tribunal users, to focus resources on front line services and provide access to justice. HM Courts & Tribunals Service will continue to review the court and tribunal estate to ensure it meets operational requirements.

In December 2010 the Lord Chancellor announced the decision to close 142 courts; 93 magistrates' courts and 49 County Courts. The Court Estate Reform Programme (CERP) targeted courts that were underutilised with poor facilities, reducing future routine maintenance and running costs. The number of courts in the programme has reduced to 141; Bicester Magistrates' Court will remain open due to changes in workload. To date 139 courts have closed (91 magistrates' courts and 48 County Courts). There have been no compulsory redundancies and the overall planned reduction of 215 posts for the programme has now been achieved. Over 98% of the programme is now complete with the remaining courts scheduled to close by September 2014.

The total cumulative gross benefits are expected to be £145 million over the Spending Review period: consisting of resource savings from court closures of £97 million and gross capital proceeds of £48 million from the sale of buildings. As at April 2014 a total of 59 properties have been sold realising capital receipts of £41 million.

HM Courts & Tribunals Service has continued to modernise courts and tribunals where necessary, while closing those with inadequate facilities through the Court Estate Reform Programme and through local integrations as part of the strategy to improve and maintain an operational court and tribunal estate in England and Wales.

The construction of the new Newport Magistrates' Court was completed in summer 2013 and the building was opened officially by the Lord Chief Justice in December 2013. The three storey-building is equipped with four court rooms and modern facilities for staff, magistrates and users.

To enable the rationalisation of the London Civil, Family and Tribunal estate and support the establishment of the single Family and County Courts extensive capital refurbishment and internal alteration works with a cost of £8.6 million have been completed at First Avenue House and the Thomas More Building in the Royal Courts of Justice. This has enabled the surrender of three leases and the relocation of the Central London County Court to the Royal Courts of Justice. Subject to completion of the final phase of the programme in East London and associated investment of a further £6 million, a fourth leasehold property will also be vacated. This programme of work will deliver net operational savings of £3 million in 2014-15 and £5 million from 2015-16 onwards. The MOJ is a pathfinder for Building Information Modelling (BIM) a collaborative way of working, underpinned by digital technologies which unlock more efficient methods of designing, creating and maintaining property assets. The MOJ Estate Directorate has worked with HM Courts & Tribunals Service to work up a series of BIM models which offer better courts and tribunals with the construction of hearing rooms at lower cost that facilitates better operations. The designs behind the modelling have been applied to the Thomas More Building refurbishment and resulted in the creation of a much needed additional court room. The BIM models have also been applied to the First Avenue House refurbishment resulting in better facilities.

HM Courts & Tribunals Service continues to identify and test initiatives to improve the way it utilises the court and tribunal hearing rooms. Efficient use of the estate is important in ensuring that HM Courts & Tribunals Service continues to deliver value for money and can operate within the Agency's financial means. These initiatives will also help to understand how to best deliver operational practices in line with future strategic plans.

HM Courts & Tribunals Service was supported by MOJ Estate Directorate in commencing the development of a rolling estate investment programme. This will considerably reduce HM Courts & Tribunals Service operating risk, by improving forward planning and focusing on key areas of the court and tribunal estate.

During 2013-14, MOJ Estate Directorate managed approximately 161 estate-related projects on behalf of HM Courts & Tribunals Service.

### **Moving work that does not need judicial intervention to business centres**

HM Courts & Tribunals Service has completed a successful pilot to enable County Court Small Claims, where both parties indicate a willingness to mediate, to be automatically referred to Small Claims Mediation. This reduces the need for judicial intervention and will be implemented as routine practice from April 2014. At the same time HM Courts & Tribunals Service has centralised the Small Claims Mediation Service to ensure it can deliver a quicker and more consistent service to court users, with the administration based in Northampton and all mediators working under a single leadership chain whilst continuing to operate as a network across England and Wales.

To support the implementation of changes introduced in the Tribunals, Courts and Enforcement Act, HM Courts & Tribunals Service will be centralising the administration of applications to certify bailiffs from April 2014. Applications will be processed and listing dates arranged by staff in Northampton, with hearings taking place at a smaller number of centres to simplify the process for court users and maximise the expertise of court staff.

### **National Business Centres (NBCs)**

HM Courts & Tribunals Service has continued to develop its business centres, working hard to improve the efficiency of the processes as well as using lessons learned to ensure new business centres perform at the levels expected from a much earlier stage.

HM Courts & Tribunals Service has successfully established Direct Lodgement Centres in Bradford, covering England and Wales and in Glasgow, covering Scotland. These centres allow HM Courts & Tribunals Service to meet their requirements arising from the Welfare Reform Act 2012 where customers wishing to appeal Department for Work and Pensions (DWP) benefit decisions do so directly, rather than through the DWP as has historically been the case. The creation of the Direct Lodgement Centre in Bradford has allowed registration of appeals to be moved from regional centres in England and Wales to a national processing centre. In addition to the establishment of the Direct Lodgement Centres, changes have successfully been made to the GAPS2 case management system to allow the direct lodgement of these appeals as well as the introduction of new processes. The centres have developed standard operating procedures to ensure high quality registration of appeals and notification to parties.

HM Courts & Tribunals Service has been working with its suppliers to develop a modern and secure digital system to significantly enhance services to users who issue civil money claims in bulk. The new system, which is expected to be introduced in July 2014, will be available to all existing bulk users who currently issue through the County Court Bulk Centre at Northampton and any other users who wish to issue multiple claims electronically. The new system will enable customers to securely transfer claims from their own IT systems directly to the HM Courts & Tribunals Service system. It will provide them with the ability to track the progress of claims on-line and will also enable them to enter judgements and issue warrants electronically.

### **Evaluate a range of alternative models for collection of criminal fines**

HM Courts & Tribunals Service continues to look at ways to increase the collection of criminal fines and improve compliance and enforcement. In July 2013 HM Courts & Tribunals Service commenced a procurement process to identify an external provider to deliver these services on its behalf. By the end of 2014, HM Courts & Tribunals Service anticipates having identified the preferred bidder to deliver this service. The service will include all compliance and enforcement activity with regards to criminal financial penalties. This would bring the necessary investment and technology needed to achieve the aspiration of a more streamlined and efficient service in the future. It is expected that the project will achieve benefits as a consequence of greater revenue generation from more effective enforcement, lower total resource costs from more efficient administration and enforcement, and enhance confidence in the criminal justice system through the successful collection of financial penalties.

### **Integration of new jurisdictions in a two tier tribunal structure**

A total of 17 new appeal rights were introduced in 2013-14 and a further 25 are forecast in 2014-15. HM Courts & Tribunals Service has also established an agreed approach to funding arrangements between the policy making department and the Agency.

### **Scaling capacity to match demand**

HM Courts & Tribunals Services' aims for making savings in Immigration and Asylum in 2013-14 were impacted by an unexpected increase in workload of approximately 40,000 appeals. This required additional staff, hearing rooms and judicial sittings to deal with the additional appeals. We have worked closely with both the judiciary and the Home Office to identify, and put in

place, new ways of working to clear these increased workloads as quickly as possible. We continue to maximise the most efficient use of the hearing estate, utilising courts and tribunals where required, moving work away from regions where capacity is under the heaviest pressures as well as reducing delays to the speedy resolution of appeals.

The capacity of the SSCS Tribunal has continued to increase this year. There has been a significant growth in hearing capacity through improved use of venues across the courts and tribunals estate, hiring additional rooms where there is limited capacity within existing estate and increasing the number of sessions held on Saturdays. Additionally, over 250 medically qualified members were recruited during the year through an accelerated recruitment process to meet the demand from appeals requiring panels including a medical member.

### **Using technology effectively**

The cross-Criminal Justice System (CJS) video priority continued to focus on increasing utilisation of prison to court video links. The ambition was to increase this type of usage to the level of an agreed national performance benchmark of 35% across the Crown and magistrates' courts by April 2014.

Both HM Courts & Tribunals Service and the National Offender Management Service (NOMS) continue to work with the defence community to ensure that they have access to video slots at booths available in court buildings to save travelling time and expense for case management discussions.

90% of magistrates' courts and all Crown Courts now have video links for use between prisons and courts and also for the use of vulnerable or intimidated witnesses. In addition to the work on prison to court video links, progress was also made on video links with the police. A national policing lead for video has provided a senior point of contact for the CJS Efficiency Programme and stronger leadership for police forces considering the increasing use of video technology. Single points of contact have been established to lead on video across forces in England and Wales.

There has been an encouraging increase in the number of police forces utilising video equipment with 21 areas now operating video links for police witnesses. Three new forces have come on board over the course of 2013-14 with two further forces expected to join in the future.

HM Courts & Tribunals Service continue to use video link technology in bail hearings and facilitated a workshop on 11 October 2013 involving the Home Office, NOMS, the judiciary and representative groups to discuss ways of addressing concerns and improving the current system.

HM Courts & Tribunals Service is exploring with the judiciary, the Home Office and NOMS ways in which video technology could be extended to some types of appeal including deportation appeal hearings for foreign national offenders.

Broadcasting in the Court of Appeal at the Royal Courts of Justice commenced on 31 October 2013 and staff worked with judiciary and broadcasters to successfully extend coverage to the Court of Appeal sitting at Nottingham Crown Court on 29 November 2013. Staff have developed general guidance and lessons learned which will be shared with other Crown Courts likely to be involved in the future. Progress and impact is being monitored through a protocols group and a judicially led group.

### **Criminal Justice System Efficiency Programme**

In June 2013 the Minister for Policing and Criminal Justice, Damian Green, announced that the government will be investing £44 million in the CJS Efficiency Programme to deliver the 'digital courtroom' through a number of enabling technology components. These include: an in-court Wi-Fi solution for professional users; digital presentation capability in the magistrates' courts; a

method for ensuring the Lay Bench can work digitally during proceedings; and an effective digital case management store.

Significant progress has been made in the past year. Strong business cases founded on benefits established in testing have cleared HM Treasury and Cabinet Office governance and are in various stages of pre-implementation. The programme is evaluating tenders for the supply of Professional Court User Wi-Fi with a view to selecting a preferred bidder and preparing contracts for implementation of the service from late 2014. A contract has been let for the supply of enabling equipment to allow for digital presentation of case material and evidence by the prosecution and defence in the magistrates' courts, which will be rolled out by Autumn 2015.

The digital case management store is currently under development with a view to having it in place by summer 2015. A solution to allow magistrates to access digital case material is under development.

Work on a solution for digital working in the more complex cases heard in the Crown Court is progressing with an outline business case approved by the CJS Efficiency Board in March 2014.

HM Courts & Tribunals Service worked with the Legal Aid Agency (formerly Legal Services Commission) to deliver 'Crime Online' - digital criminal legal aid applications. Applications not requiring supporting evidence can now be submitted online in the North East Region and Essex. This first step in digitalising the end-to-end legal aid process has been developed further including work to extend the scope of Crime Online and to link the Legal Aid Agency and HM Courts & Tribunals Service IT systems together. This work will continue into 2014-15.

The work done on bulk transfer for civil bulk users and requests for warrants and judgements also utilises electronic and digital working.

### **Maintenance and improvement of existing case management systems**

Both the Employment Tribunal Fees and Direct Lodgement implementation projects have worked with IT and operational colleagues to make improvements to the existing case management systems, creating new functionality that has enabled and supported work carried out at centralised processing facilities and their onward administration.

We have been working with colleagues in the MOJ's Digital Services Division and with the Government Digital Service to explore options for either enhancing or re-placing Possessions Claims Online and Money Claims Online. This is one of the MOJ's digital exemplar projects and forms part of the government's digital by default agenda. HM Courts & Tribunals Service has focused initial efforts on the digitalisation of those claim types that currently cannot be issued using our existing on line systems and on designing an improved front-end for possession claim submission. The first of the new forms will enable possession cases issued by social landlords to be processed digitally. This will pilot in the spring of 2014 and then expand the scope of the system during 2014-15.

HM Courts & Tribunals Service has been working with suppliers to develop a new payment by account system which is expected to be introduced in September 2014. The new system will enable court users who issue multiple processes through the civil and family courts to pay for their court fees using a credit account. This development will significantly reduce the use of cheques leading to savings for both HM Courts & Tribunals Service and its users.

### **Moving towards full cost recovery**

The government commitment was to introduce fee-charging for Employment Tribunals and the Employment Appeal Tribunal by summer 2013. The timescale and scope of the project was very challenging but thanks to the dedication and hard work of HM Courts & Tribunals Service

staff to deliver the necessary changes we met this commitment. The Fees order came into effect on Monday 29 July 2013 with fees being taken online and by post at the two Central Processing facilities in England and Wales, and Scotland, for new Employment Tribunal claims and Employment Appeal Tribunal appeals. This will reduce the burden on the taxpayer to subsidise the full cost of the tribunal. Recovering some of the costs of the tribunal contributes to the overall savings requirement placed on HM Courts & Tribunals Service and the MOJ. MOJ Digital Services is now committed to continue developing the Employment Fees online submission and payment service to achieve Digital Exemplar status by April 2015. Employment Tribunals fees recorded during 2013-14 are shown in note 5.2 to the Accounts.

HM Courts & Tribunals Service also continues to work towards the policy and financial objective for civil business to recover the full costs of the processes involved less the cost of funding fee remissions.

### **Promoting early settlement**

Statutory Instruments to implement Early Conciliation were laid before Parliament in January 2014, and the new process came into force on 6 April. Early Conciliation's implementation will represent a significant landmark in the government's reform of the end-to-end employment dispute resolution system, helping to ensure that formal litigation is the last resort for workers and businesses. The reform is expected to benefit businesses, claimant employees and the Exchequer, and it compliments the wider reform now being embedded into the Employment Tribunals system.

## **Working with other justice system partners to increase performance**

### **Civil and family**

HM Courts & Tribunals Service has worked closely with the Department for Business Innovation & Skills (BIS) to improve their understanding of the issues surrounding the enforcement of unpaid Employment Tribunal awards. HM Courts & Tribunals Service has continued to work in partnership with BIS and the Insolvency Service to develop plans to reform the debtor petition process following the public consultation in 2013 and plan to implement improvements in 2015-16. Meanwhile, we have continued to provide advice and support to BIS and the Income Payments Order (IPO) on the establishment of a European Unified Patents Court in the UK.

### **Investigate the feasibility of online submission of private law family applications**

Work was completed to establish the feasibility of introducing online private law family applications and a preferred approach has now been agreed. Other change priorities meant that project resources could not be committed to the initiative in 2013-14, but the solution remains a key part of the Agency's digital plans.

## **Tribunals**

HM Courts & Tribunals Service has introduced the sharing of electronic bundles between the Home Office and the Asylum and Immigration Tribunal to help reduce delay.

HM Courts & Tribunals Service has worked with the Home Office to introduce a new approach for receiving overseas bundles from certain posts which has dramatically reduced the timescales involved and led to 100% production of bundles within the timescales set by the judiciary.

HM Courts & Tribunals Service have introduced a pilot with the home office to test a 'triage' approach for managed migration appeals. This means appellants are asked to provide their full evidence bundle to the Home Office in advance of an appeal hearing so that they can consider that evidence and withdraw the appeal if appropriate before it goes to a hearing. This reduces the number of unnecessary appeals and leads to a quicker outcome for the parties involved. It

also frees up more tribunal capacity to hear appeals against Home Office decisions which they wish to defend.

HM Courts & Tribunals Service will continue to work with the Home Office in 2014 to introduce further improvements including; working to extend sharing electronic bundles to other appeal types, further improving the timescales of the Home Office to produce overseas bundles and extending 'triage' to other appeal types.

HM Courts & Tribunals Service has collaborated with BIS, Acas and users of the system, to design the new operating model for Early Conciliation. The reform was implemented on 6 April 2014, and from that point (unless exempt) a prospective claimant will have to engage with Acas prior to lodging a claim with a tribunal. It is expected that this will help workers and employers to resolve their disputes without recourse to formal litigation, with the tribunals system available and put to use only in the cases that require it.

We have continued to work closely with DWP to implement the government's welfare reforms. The successful introduction of Direct Lodgement of Social Security and Child Support appeals against DWP-administered benefits in 2013 was part of the DWP Welfare Reform Programme and as such the project implementing these changes worked across HM Courts & Tribunals Service and DWP to implement effective, and efficient, business processes and supporting systems.

We have also continued to work with DWP to improve the quality of original decision-making. In addition to a mandatory reconsideration process being introduced by DWP before a claimant can lodge an appeal with HM Courts & Tribunals Service, the tribunal is in the process of a phased introduction of a summary paragraph of reasons in all cases in order to provide feedback on reasons for overturned decisions.

## Crime

HM Courts & Tribunals Service officials have held quarterly Joint National Improvement Board meetings with the Crown Prosecution Service (CPS) with the aim of working jointly to drive up performance in both organisations. The Joint National Improvement Board has established a joint performance management tool to monitor progress in areas of strategic interest, and is acting as a national forum for sharing good practice, identifying areas of concern relating to performance and developing solutions with frontline colleagues.

HM Courts & Tribunals Service has implemented Schedule 3 of the Criminal Justice Act 2003 which abolishes the committal process in the magistrates' court as planned. The final commencement order was brought into force on 28 May 2013. The committal for trial process is no longer part of the criminal court process saving police, CPS and HM Courts & Tribunals Service resources.

The judicial led Early Guilty Plea Scheme and case management initiative was launched across England and Wales in December 2013 and support given to areas to raise the volume of cases going through the scheme. Further plans for taking this initiative forward in 2014 are being considered by the Senior Presiding Judge.

HM Courts & Tribunals has worked closely with the judiciary and CJS partners to develop proposals to improve how cases progress through the magistrates' courts. These proposals have been agreed by the Criminal Justice Board and will be implemented in 2014.

We have produced a protocol with the CPS to ensure that cases, subject to a custody time limit are managed effectively. We have also developed a protocol with the National Offender Management Service (NOMS) regarding the production of high risk defendants to the courts, implementation is planned for 2014.

HM Courts & Tribunals Service has been exploring with the CPS the opportunities for more efficient and effective ways of sharing data, managing workflow and recording the outcome of case hearings. This will deliver cost savings, increase efficient and effective working practices and support the HM Courts & Tribunals Service target operating model and estates reform.

Working with CJS partners to consider how the system deals with traffic cases a best-practice model using a more proportionate approach to reduce bureaucracy and ensure swifter justice where the police prosecute specified proceedings (especially low-level road traffic cases) has been developed. Dedicated traffic courts have now been successfully established in 30 areas across England and Wales. Dedicated traffic courts allow low-level traffic offences, such as speeding, traffic-light and document offences, to be dealt with at one local magistrates' court. Up to 100 cases can be dealt with in a single session, reducing unnecessary delays and allowing local magistrates' courts to focus on more serious offences.

## Legislative and Procedural Rule changes

### Family Justice Review

In response to the Family Justice Review we worked to ensure the smooth implementation of the single Family Court in April 2014, which was a key government commitment. We also ensured that the reforms contained in the Children and Families Act 2014 were embedded in HM Courts & Tribunals Service systems and processes.

HM Courts & Tribunals Service has set up a project to determine and implement the most effective business changes to create a single Family Court in accordance with legislation. Objectives included:

- ensuring court support systems (IT and business) support the management of a single jurisdiction and continue to function effectively after the change
- rationalising points of entry for family work and then managing the determination of the most appropriate hearing venue and tier of judge to improve the efficiency and effectiveness of the court, and aid the smooth progression of cases
- enabling the future centralisation of work, within the opportunities provided by a single jurisdiction
- ensuring the practical details of the new courts (seals, signage, communications etc) were effectively implemented
- ensuring the range of dependencies that others are required to deliver were appropriately managed, and
- ensuring that the single Family Court works in conjunction with the changes brought in by the Children and Families Act 2014, so that reforms to the way public and private law cases are managed (for example the 26 week time limit) are successfully embedded.

The Review made recommendations to make the family justice system work better for families and put children's needs first at all times. Working jointly, staff and judiciary were fully engaged in developing appropriate local family structures that take advantage of the benefits of having a single family jurisdiction with centralised administration and more consistent allocation of cases, while maintaining access to justice and the use of local hearing venues. A national blueprint for the court, together with an operating model, was published early in the year, and local Designated Family Judges then agreed local plans for each area. HM Courts & Tribunals Service upgraded its IT systems to support the new court and worked closely with the President of the Family Division and the Family Procedure Rules Committee to make amendments to the supporting rules and legislation. This meant that the organisation was well placed to make a smooth transition to the Family Court in April 2014. We also worked with the family judiciary and the Family Procedure Rules Committee to launch the new Public Law Outline (PLO 2014) for care and supervision cases, and the Child Arrangements Programme (CAP) for private law cases. Both were launched on 22 April 2014.

## **Civil justice reforms**

HM Courts & Tribunals Service has successfully implemented Lord Justice Jackson's reforms to the cost and funding of civil litigation which has resulted in significant changes to civil procedure. The legislation introducing these changes, the Legal Aid, Sentencing and Punishment of Offenders Act 2012 was passed in May 2012 and most of the relevant provisions came into force on 1 April 2013.

Consultation in March 2011 proposed a number of reforms to the civil justice system, including recommendations made by Lord Justice Brooke. The government's response to the consultation was published in February 2012. It signalled the government's intention to establish a single County Court for England and Wales. This was introduced in April 2014 alongside the creation of the single Family Court detailed above. It saw the removal of geographical jurisdictions for County Courts, giving court users more choice in where they can issue their claims and HM Courts & Tribunals Service more flexibility in its ability to manage its administrative and enforcement resources.

A further reform that has been introduced alongside this change is to confer specialist jurisdictions on judges, as opposed to individual County Courts, which enables more flexible listing and more efficient use of judicial resources.

HM Courts & Tribunals Service has implemented three further 'Brooke Reforms' to rebalance the jurisdictional boundaries between the High Court and County Court, specifically to increase the financial limit of the equity jurisdiction of the County Court from £30,000 to £350,000; increase the financial limit below which cases may not be commenced in the High Court from £25,000 to £100,000 (with the exception of personal injury claims and equity proceedings); and extend the power to issue freezing orders to County Court circuit judges.

At the same time, provisions of the Tribunals, Courts and Enforcement Act will be implemented to simplify and modernise the law governing the activities of enforcement agents when taking control of and selling goods. Part of this has seen the introduction of new criteria for certificated bailiffs, as well as the centralisation of their application process as described above.

## **Criminal justice**

HM Courts & Tribunals Service contributed to the development of sections 3 and 14 of the Protection of Freedoms Act 2012. These provisions limit the periods for which the police can retain biometrics (DNA and other samples) and allow applications to be made to the magistrates' courts for a court order to retain the information for a longer period than would otherwise be permitted. HM Courts & Tribunals Service provided guidance as to processes and forms to be used and facilitated communication between the police and local courts. HM Courts & Tribunals Service continues to provide input on the implications for the Agency of changes resulting to powers of entry following the Protection of Freedoms Act 2012.

HM Courts & Tribunals Service also continue to support the wider criminal justice reform agenda on the implementation of the remaining provisions in the Legal Aid and Sentencing and Punishment of Offenders Act 2012 and continue to contribute to the development of provisions in the Social Services and Well Being Bill (Wales) in relation to powers of entry in the form of an Adult Protection and Support Order.

Section 28 of the Youth Justice Criminal Evidence Act 1999 provides that where a video recording is to be admitted as evidence in chief, any cross examination or re-examination may also be recorded and admitted as evidence. This means that witnesses under 16 years of age or adults with severe communication difficulties or degenerative conditions may be able to record their cross examination before the trial and not suffer the stress of attending the trial. Section 28 of the 1999 Act is being piloted for six months from December 2013 at Kingston-Upon-Thames, Leeds and Liverpool Crown Court centres.

## **Tribunals**

HM Courts & Tribunals Service has introduced new processes, training, and guidance following the removal of full family visit visa appeal rights under the Crime and Courts Act. A public consultation was held and a response published in March 2013 on remissions for appeal fees following the removal of legal aid. As a consequence of this more detailed guidelines were published on how to access the remission scheme.

Work on reviewing appeal fees continues but has been delayed whilst considering the implications of the recently introduced Home Office Immigration Bill.

The Tribunal Procedure Committee consulted on new Procedural Rules in April 2013 and asked for responses in July 2013. Since then work has focused on considering the responses and formulating a final set of revised Rules. These should be implemented in autumn 2014.

Alongside the implementation of fee-charging across the Employment Tribunals system, HM Courts & Tribunals Service has also implemented the new Procedural Rules, agreed by Parliament following the independent review led by Mr Justice Underhill (as he then was). The new Rules, which codify the recommendations of the judge-led review, streamline process and increase judicial case management powers, allowing the system to operate more flexibly, effectively and efficiently. HM Courts & Tribunals Service was represented on Sir Nicholas Underhill's working party, and was fundamental to the successful introduction of the new Rules in July 2013.

## **Our finances**

This section acts as a strategic report, as required by the 2013-14 Government Financial Reporting Manual (FRM).

### **Management commentary**

The Annual Accounts of HM Courts & Tribunals Service for 2013-14 are on pages 59 – 107. The accounts have been prepared in accordance with the Accounts direction issued by HM Treasury on 20 December 2013 under section 7(2) of the Government Resources and Accounts Act 2000.

The Accounting Officer for the MOJ has designated the HM Courts & Tribunals Service Chief Executive as the Executive Agency's Accounting Officer. The Accounting Officer authorised these financial statements for issue on 23 June 2014.

### **Overall financial performance**

The continued focus we have placed on implementing streamlined management and delivery structures has enabled us to deliver our key business priorities whilst continuing to reduce our operating cost from £1,325 million in 2012-13 to £1,229 million in 2013-14. Administration costs in 2013-14 have reduced by £11 million compared to the previous year, whilst staff and judiciary programme costs have reduced by £18 million compared to 2012-13. We have also generated increased levels of income with an increase of £42 million recorded during 2013-14.

Further information on our three major cost categories is set out below.

### **Staff and judiciary costs**

The average number of permanent, full time equivalent staff fell for the third year in a row; HM Courts & Tribunals Service employed 17,829 staff in 2013-14 compared to 19,704 in 2011-12. Total staff and judicial costs have reduced by £18 million to £995 million in 2013-14 compared to £1,013 million in 2012-13.

## **Other operating costs**

Other operating costs have increased from £463 million to £556 million, an increase of £93 million. The majority of the increase is attributable to an increase in IT service costs of £75 million. Previously IT Service costs payable to the MOJ were accounted for as a notional, or non-cash charge. However, a decision was taken in 2013-14 to record IT service costs incurred by the MOJ on behalf of HM Courts & Tribunals Service as a cash charge.

## **Non-cash costs**

There has been a decrease in non-cash costs of £111 million in 2013-14 compared to the previous financial year. As noted above the decrease is attributable to the re-classification of IT service costs from non-cash costs offset by movements in the valuation of property and equipment.

## **Income**

There has been an increase of £42 million in income recorded in 2013-14 compared to 2012-13. This is a result of increases in fee income of £30 million and recoveries from other government departments of £12 million. The increase in fee income is attributable to an increase in activity combined with the introduction of fees for Employment Tribunal hearings.

## **Non-current assets**

The total value of non-current assets has increased by £128 million primarily due to an increase in the value of property and equipment held by HM Courts & Tribunals of £132 million. The increase in the value of property and equipment is due to increases in the valuation of our assets of £103 million, plus additions and transfers in of £84 million offset by the depreciation and impairment charges.

## **Pensions**

Details of how pension costs and liabilities are treated can be found in note 1 to the Accounts, and further information relating to pensions is included in note 3 to the Accounts and in the Remuneration Report.

## **Going concern**

The future financing of MOJ liabilities will be met by future grants of supply and the application of future income, both to be approved annually by Parliament. There is no reason to believe that future approvals will not be forthcoming and that the activities of HM Courts & Tribunals Service will not be funded in future financial periods. Accordingly, it has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

## **Charitable donations**

The Agency made charitable donations totalling £15,000 in 2013–14 (2012–13: £65,000). These donations were made to charitable organisations to support activities related to the Agency's operations.

## **Payments**

HM Courts & Tribunals Service's policy is to pay suppliers within five days of receipt of a valid invoice at the correct billing address.

For 2013-14, 87.4% of invoices were paid within these terms against the cross-government target of 80% (2012-13: 86.5% against a target of 80%).

## Capital structure

HM Courts & Tribunals Service's net assets were represented entirely by taxpayers' equity, consisting of the General Fund and the Revaluation Reserves as detailed in the Statement of Changes in Taxpayers' Equity.

## Auditor

The Accounts, comprising the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Changes in Taxpayers' Equity and Statement of Cash Flows are audited by the National Audit Office on behalf of the Comptroller and Auditor General. The auditor's remuneration for the audit of the Accounts of HM Courts & Tribunals Service for 2013-14 was £0.35 million (2012-13: £0.34 million). No non-audit work was performed in 2013-14 or 2012-13.

## Principal risks and uncertainties

HM Courts & Tribunals Service faced challenges and risks to the achievement of its business objectives as highlighted in the Governance Statement. A detailed risk management strategy has been in place throughout the year in relation to each of these risks to ensure organisational risks were effectively managed.

## Future developments

In March 2014 HM Treasury agreed new investment averaging up to £75 million each year over five years from 2015-16. This will enable HM Courts & Tribunals Service to undertake a reform programme which will deliver a more effective, efficient and high performing courts and tribunals administration through the use of modern technology, an improved estate, and modernisation of current working practices.

Funding for this work has been secured from the financial year 2015-16 and supplements the funding already provided through the Ministry of Justice for the CJS IT and Common Platform programmes and to support the upgrading of the estate.

The reform programme will give the administration of justice a sustainable and affordable infrastructure for the future and will deliver a more efficient and high-performing courts and tribunals administration, meeting the needs of the public, as well as providing significant benefits to the taxpayer and legal profession.

## Events after the reporting period

In accordance with IAS 10 'Events After the Reporting Period', accounting adjustments and disclosures are considered up to the point the Accounts are authorised for issue. The Accounts were authorised for issue on the same date the Comptroller and Auditor General certified the Accounts. Further details are provided in Note 22.

## Our staff

HM Courts & Tribunals Service Human Resources (HR) continues to support the business with its significant change portfolio, introduce new civil service policies and work to raise the capability of the workforce.

We have supported the introduction of 'The HMCTS Way' into all our learning products and started work to embed this into our HR processes. We have continued to build towards a high performance culture by launching a new Performance Management system, adding features requested from our operational leadership and aligning with the rest of the civil service. This was supported by adoption of the new Civil Service Competence Framework to ensure consistent assessment of standards.

We have sought to continuously improve our recruitment processes including significantly reducing the average time taken to hire new staff from 105 days at the end of 2012-13 to 64 days at the end of 2013-14.

Further development of our succession planning and talent management systems have ensured that we are regularly identifying and preparing our next generation of leaders, particularly in business critical and high risk roles. The year saw our second round of the HM Courts & Tribunals Service Future Leaders Scheme, which identifies and equips talented staff to reach senior management levels, resulting in 15 people now completing a variety of projects that combine creativity and business knowledge to continuously improve our service. Their work has projected savings in excess of £3.4 million.

The work to reduce levels of staff absence and address staff wellbeing has continued to pay dividends, with the average working days lost per member of staff reducing from 9.21 days in 2012-13 to 8.56 days in 2013-14, principally through building the capability of managers in this area and providing them with improved management information. The reduction in absence resulted in around 15,000 additional days being worked compared to the previous year.

Through the continuation of a number of business change programmes and strong workforce planning a reduction of 639 full-time equivalent posts were realised by the end of the year, which equated to salary savings of £12.2 million. The Spending Review savings set for us in 2010 have been achieved and further reviewed against Resourcing plans as budget constraints and workload changed. A total SR10 (Spending Review) reduction of 3,754 posts has been achieved and yearly pay bill reduced by £121.8 million.

The Staff Engagement Survey results for Learning and Development improved by a further 5% in 2013-14 (up 4% in 2012-13). This improvement has been achieved by working in partnership with the HR Voice of the Customer group to design and launch a simplified Learning and Development 'One Stop Shop' where all learning products are available to our staff in one place.

Business skills training has continued to be delivered, using a blended approach to learning through a combination of Computer Based Training (CBT), e-learning products workbooks and face-to-face coaching/training, delivered through approximately 1,050 of the front line staff who are internally accredited and quality assured Business Skills Trainers and Coaches. Phase two of the project to convert business skills training materials to CBT or e-learning products has been completed on time and within budget and has delivered 15 e-learning and 115 CBT civil and 29 family products this year. Our products have received external recognition for their design and build phases and have received around 6,406 hits from staff throughout the year providing a flexible and accessible way for individuals to learn within their workplace or even from home.

The Learning and Development team has continued to work towards accreditation of all HM Courts & Tribunals Service business skills learning. 93 staff have signed up for the pilots of accredited learning programmes for Usher and Court Clerk qualification allowing the Agency to create our own cadre of in house assessors to support those who take the qualifications in the future. A full programme of Apprenticeships including generic Courts Tribunals and Prosecution, and Operational Delivery Profession has been provided with 412 candidates undertaking new apprenticeship qualifications in the 2013-14 year which has built our total number of 550 nationally recognised qualified apprentices within HM Courts & Tribunals Service to date.

This year saw the creation of development programmes for Bands D, B and A scoped against National Occupational Standards and rolled out to 228 staff based on business capability gaps. The Band D programme was aimed at new and inexperienced staff, and the Band B programme specifically aimed at top talent staff who require further support to fulfil succession planning

roles. Our development programmes for Bands E and F was scoped, piloted and launched this year and rolled out to 235 staff. There is increasing interest to all the development programmes.

All Learning and Development products and the new induction package have been aligned to 'The HMCTS Way' and make appropriate reference to continuous improvement processes ensuring our aim to build capable staff and leaders covers all aspects of business specific skills required in HM Courts & Tribunals Service staff.

## Equality and diversity

HM Courts & Tribunals Service is committed to ensuring that we consider thoroughly the diverse needs of our staff and all those who use our services. We promote a culture where staff and service users are treated with fairness and respect. We ensure we are sensitive to the needs of those who are vulnerable or socially excluded.

HM Courts & Tribunals Service works hard to ensure equality for disabled staff and users. We have a Reasonable Adjustment Policy under which advice, support and guidance are provided on how to consider and make reasonable adjustments for users. Guidance on supporting disabled staff and providing reasonable adjustments is incorporated in the MOJ Ability Manual. The Department is an authorised user of the Two Ticks Scheme and participates in the Guaranteed Interview Scheme for candidates with a disability.

All staff receive guidance and training to ensure they understand how to meet the legal requirements of the Equality Act 2010 in their daily work in all areas of our business. In addition, since January 2014, all line managers have been required to complete e-learning on 'Disability Awareness' and 'Unconscious bias.'

The general equality duty introduced by the Equality Act 2010 requires all public bodies to consider the needs of all individuals in shaping policy and delivering services in relation to their own employees. HM Courts & Tribunals Service demonstrates the necessary due regard to this duty by assessing equality impacts at the start of and during the phases of policy development and major change projects, which ensures that the right steps are taken by the right people at the right time.

In paying due regard to the equality duty, HM Courts & Tribunals Service takes a light touch approach which focuses on achieving effective outcomes and reduced unnecessary bureaucracy.



**Peter Handcock CBE**  
**Chief Executive and Accounting Officer**  
**20 June 2014**

## 5. Sustainability Report

### Introduction

This is the third Sustainability Report HM Courts & Tribunals Service has prepared in accordance with 2011–2012 guidelines laid down by HM Treasury in ‘Public Sector Annual Reports: Sustainability Reporting’ published at:

[www.hm-treasury.gov.uk/frem\\_sustainability.htm](http://www.hm-treasury.gov.uk/frem_sustainability.htm).

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

MOJ sustainability focus is on achieving these government targets, reducing environmental impact and reducing costs. Priorities include reducing carbon emissions, water consumption and waste to landfill. Further details on GGC can be found at:

<http://sd.defra.gov.uk/gov/green-government/commitments/>

### Scope, exclusions and estimations

This report covers 650 buildings. Shared occupations are not accounted for due to the limitations of extrapolating reliable sustainability data from service charge data. 80 shared occupation buildings existed during 2013-14. As these are modest in size and in the case of shared occupations being reported by the major occupier there is little benefit in extrapolating their sustainability data. This is consistent with the wider government and with last year’s report. We do not consider that the exclusion of these areas has a material impact on sustainability reporting as a whole.

### Governance, responsibilities and internal assurance

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

There are some limitations to the accuracy of our financial and non-financial sustainability data and we continue to improve the quality of our internal controls, for example through internal audit, further engagement with both internal and external stakeholders and also through enhanced monitoring devices such as automated meter readers.

### Business Plan commitments

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

- i) Assess and manage environmental, social and economic impacts and opportunities in its policy development and decision making.

MOJ demonstrates a commitment to embedding SD principles into day-to-day working practices across all departments. To effectively enable this, MOJ holds monthly SD Board meetings, chaired by a Board level SD Champion, to steer and agree programmes of work and improve working practices across the different disciplines of each department.

- ii) Implement the department's plan to deliver on the GGC, supplying quarterly information and contributing to an annual report on progress.

GGC was launched on 1 April 2011 and requires government departments to take action to significantly reduce their environmental impact by 2014–2015 (compared to a 2009–2010 baseline). GGC objectives are a key priority of the MOJ Estates Directorate which are managed, reviewed and monitored by the MOJ SDT.

- iii) Sustainable procurement: Procure from small businesses with the aspiration that 25% of contracts should be awarded to Small and Medium Enterprises (SME).

The MOJ is one of the top performing departments in government in respect of expenditure with SMEs. In 2012-13, 35% of MOJ spend went to SMEs, exceeding the government's aspiration of 25%. We have increased MOJ's spend with SMEs over the past two years by implementing a number of process changes to increase transparency and make it easier for SMEs to bid for MOJ work. This includes:

- Appointing a ministerial SME lead, supported by an SME champion in MOJ's procurement team to oversee the implementation and delivery of the SME Action Plan [www.gov.uk/government/organisations/ministry-of-justice/about/procurement](http://www.gov.uk/government/organisations/ministry-of-justice/about/procurement)
- Advertising business opportunities over £10,000 on Contracts Finder, the single advertising portal for government opportunities, to ensure that businesses everywhere can bid for contracts
- Publishing a quarterly pipeline of forthcoming opportunities on the MOJ website, providing SMEs with early sight of forthcoming tender opportunities to help them plan and, where appropriate, to enable them to either form consortia or join prime contractors in order to be in a stronger position to bid for our business [www.gov.uk/government/organisations/ministry-of-justice/about/procurement](http://www.gov.uk/government/organisations/ministry-of-justice/about/procurement)
- Removing the pre qualification questionnaire for all sub Official Journal of the European Union (OJEU) tenders, and
- Where possible, splitting large contracts into smaller 'lots' that are more suitable for SMEs to bid for.

More efficient operating procedures have been implemented to ensure all but the most complex procurements are completed within the government's new 120 day target. We have discontinued the use of the lengthy Competitive Dialogue competition procedure unless it can be demonstrated that it delivers value for money. Our procurement projects are now being undertaken using the EU Open Procedure.

MOJ has also been trialling Project Bank Accounts for construction suppliers, which aims to get payment to SME subcontractors immediately when the main contractor is paid, to further support SMEs working with government. We already include a 'fair payment' clause in all contract documentation with main contractors, which ensures payment to those further down the supply chain within 30 days.

These measures will encourage innovation and broaden the scope of businesses who can respond to our requirements. MOJ is working to give all our suppliers the confidence to invest for the future and the ability to compete on a level playing field.

The full MOJ SME Action Plan including desired outcomes, success factors, contracting opportunities and case studies/success stories of the MOJ's ongoing relationship with SMEs is available at:

[www.gov.uk/government/organisations/ministry-of-justice/about/procurement](http://www.gov.uk/government/organisations/ministry-of-justice/about/procurement)

## Social and environmental awareness

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

## Carbon Reduction Commitment (CRC)

CRC is a mandated energy reporting system for medium to large scale energy consumers. Participants must prepare detailed annual consumption reports and purchase sufficient allowances to cover their respective carbon impact. The associated carbon allowances for 2013-14 are estimated to be £5.8 million.

The Environment Agency produced the Annual Report Publication (ARP) on 14 November 2013 containing unranked aggregated data. This follows the government's response to earlier consultation as part of the government's wider simplification of the CRC scheme.

## Climate change adaptation

Within HM Courts & Tribunals Service the MOJ SDT continues to manage and review its high risk buildings database, which highlights susceptible buildings and sites to the effects of climate change such as temperature increases, rise in sea levels and also flooding. The system and its associated processes and Statement for Climate Change Adaptation provide the following purpose for both the built and non-built estate:

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

## Biodiversity Action Planning

MOJ supports the UK Biodiversity Strategy towards 2020 by managing its HM Courts & Tribunals Service estate in a way that allows both flora and fauna to naturally flourish, whilst reducing the loss and decline of priority species and habitats, leaving a legacy for our future generations.

MOJ establishes Biodiversity Action Plans (BAPs) across the HM Courts & Tribunals Service estate, where those sites have been established and recognised for having priority flora and fauna; but particularly at designated sites such as Snaresbrook Crown Court on the edge of Epping Forest.

The MOJ SD Ecology Team have implemented an active and formal Biodiversity Action Plan audit system across the MOJ estate which incorporates HM Courts & Tribunals Service, which sets an industry standard at all designated sites, that work towards challenging targets not just for species and habitats, but for important nature programmes and projects.

All of these biodiversity initiatives provide the MOJ with a more practical approach to supporting ecosystem services across its rural estate, through a landscape scale conservation strategy, where habitats play a vital role in the environment.

## Rural proofing

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

Decisions to site new buildings is challenging to both the custodial and non-custodial estate, whether regarding local planning policy statements or nature and heritage requirements; all of which may impact on both local leisure and tourism industries.

Every aspect including nature, archaeological, tourism, leisure and rural diversification are assessed in the early stages of planning and design for all new builds across the MOJ estate as part of our rural proofing policy.

## Carbon Management Plan (CMP)

The HM Courts & Tribunals Service Carbon Management Plan is a document which made the business case to invest in both capital and resource carbon saving projects. Since the plan was written the SD team established the Carbon Reduction Programme (CRP) which drives continual investment and implementation in projects which save energy, carbon and utility bills. The plan will now be superseded by a strategy that will underpin the SD energy policy.

## Sustainable construction

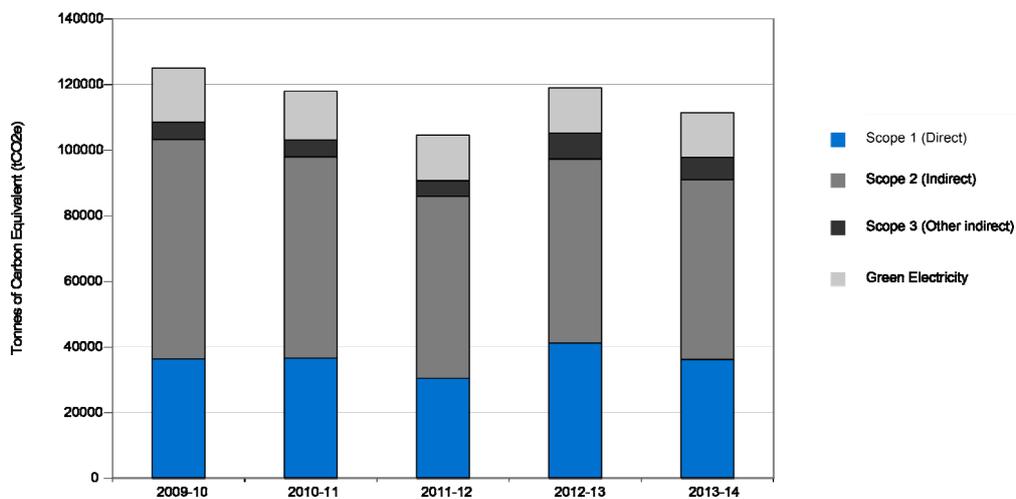
All major refurbishments and new builds are required to be Building Research Establishment Environmental Assessment Method (BREEAM) assessed to a standard of 'very good' for refurbishments and 'excellent' for new builds. In addition the Department is committed to reducing construction waste to landfill and ensures that all major refurbishment and new build projects have clauses requiring details on waste streams. During 2013-14 a total of four new builds and two refurbishments were registered or completed. All achieved the required BREEAM status.

## Performance 2013-14 SR Output

Greenhouse Gas Emissions		2009-10	2010-11	2011-12	2012-13	2013-14
Non-Financial Indicators (tCO <sub>2</sub> e)	Scope 1 (Direct) Site based emissions and owned transport.	36,338	36,528	30,336	41,151	36,124
	Scope 2 (Indirect) Supplied energy (Electricity and heat)	66,809	61,304	55,529	56,052	54,762
	Scope 3 (Other indirect) Business travel and transmission losses from supplied energy.	5,268	5,209	4,747	7,894	6,847
	<b>Total gross GHG emissions</b>	<b>108,414</b>	<b>103,042</b>	<b>90,611</b>	<b>105,097</b>	<b>97,733</b>
	Electricity: green/renewable	16,492	14,819	13,873	13,820	13,540
	<b>Total net GHG emissions</b>	<b>91,923</b>	<b>88,222</b>	<b>76,738</b>	<b>91,277</b>	<b>84,193</b>

Non-Financial (mWh)	Electricity: Grid, CHP and non-renewable	119,860	110,649	101,421	101,032	98,984
	Electricity: renewable	39,951	36,110	33,805	33,675	32,993
	Gas	192,293	193,177	162,768	200,730	173,686
	Other energy sources	7,455	8,248	1,614	6,471	5,395
	Total energy	359,559	348,185	299,608	341,907	311,058
Financial indicators	Expenditure on energy (£m)	£24.13	£18.61	£22.16	£23.76	£26.15
	Expenditure on official business travel (£m)	£8.90	£8.01	£11.09	£12.50	£2.62

### Greenhouse Gas Emission by source



### Performance commentary (including targets)

The Greenhouse Gas target is to reduce emissions by 25% between 2009-10 and 2014-15. The above figures show a 10% reduction in carbon between 2009-10 and 2013-14. This is a slight reduction in achievements highlighted last year when 11% was achieved. Electricity has reported a small reduction when compared to last year. Gas has reported a more significant reduction (13%) in consumption against the previous year although this would be expected due to the exceptionally cold winter of 2012-13. Also the reporting quality of refrigerant losses has improved for 2012-13 and 2013-14 and this area was not covered by reporting during the baseline year. Following the introduction of a pan-government travel management system, there has been an improvement in managing the cost of travel. The normalised performance (against FTE) 2009-10: 21,116 FTE's and 108,414 tCO<sub>2</sub>e = 5.13 tCO<sub>2</sub>e per employee. 2013-14 = 16,865 FTE's and 98,123 tCO<sub>2</sub>e = 5.81 per employee.

### Controllable impacts commentary

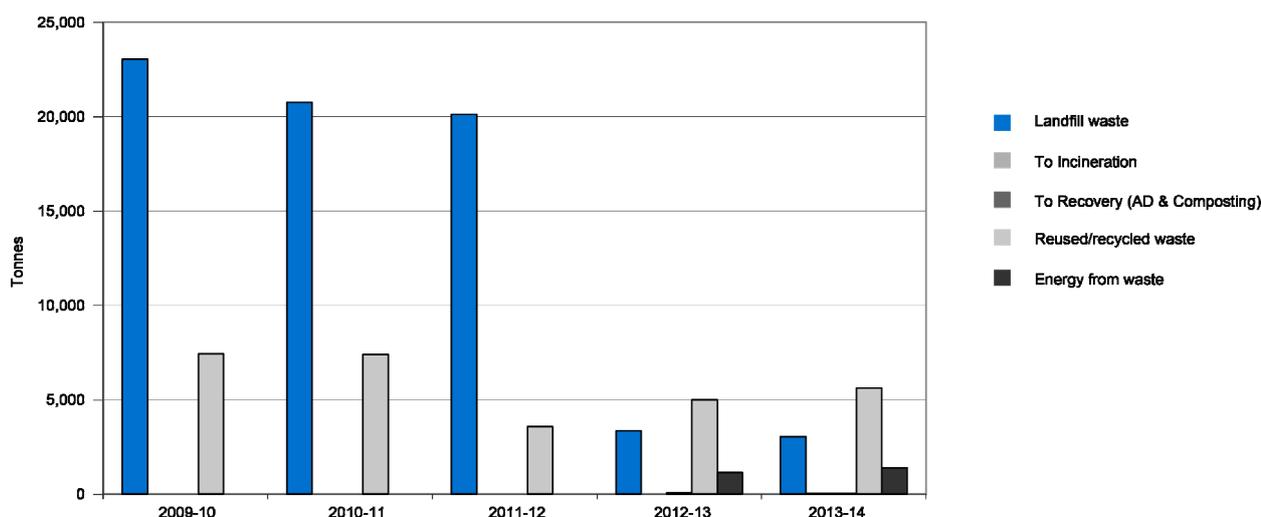
Delivering cost and carbon savings is a HM Courts & Tribunals Service priority. Sustainable development and energy reduction targets are mandated at site, region and corporate level. Projects including estate rationalisation, voltage and boiler optimisation, lighting upgrades and awareness campaigns continue to deliver savings

## Overview of influenced impacts

MOJ Procurement liaise with energy suppliers to improve monitoring and reporting systems. In addition and where possible the MOJ Procurement team engages with suppliers regarding the government buying standards in relation to efficiency, sustainability and cost reduction.

Waste			2009-10	2010-11	2011-12	2012-13	2013-14
Non-Financial Indicators	Non-hazardous waste	Landfill waste	23,028	20,763	20,116	3,334	3,045
		Total Recovery (AD and Composting)	0	0	0	0	9
		To Incineration	0	0	0	60	5
		Reused/recycled waste	7,430	7,396	3,564	4,979	5,613
		Energy from waste	0	0	0	1,136	1,388
	<b>Total Waste Arising</b>		30,458	28,159	23,680	9,509	10,060
Financial Indicators	Non-hazardous waste	Landfill waste	1,643,491	1,786,662	1,805,543	2,332,000	2,090,000
		Total Recovery (AD and Composting)	0	0	0	0	0
		To Incineration	0	0	0	0	0
		Reused/recycled waste	0	0	0	0	0
		Energy from waste	0	0	0	0	0
	<b>Total Waste Costs (£)</b>		1,643,491	1,786,662	1,805,543	2,332,000	2,090,000

## Waste by final disposal



## Performance commentary (including targets)

HM Courts & Tribunals Service waste management performance is driven towards meeting the Greening Government Commitments to reduce, by 2015, the amount of waste generated by 25% from a 2009/10 baseline. The programme of installing recycling stations across the HM

Courts & Tribunals Service estate was completed in April 2014. HM Courts & Tribunals Service achieved a reduction in total waste arising of 67% against the 2009/10 baseline with approximately 70% diverted away from landfill disposal to preferred options such as recycling and composting (56% of waste materials) and energy from waste incineration (14%). Please note that the waste data has been estimated and is based on data returns from April 2014 to December 2014 and excludes 16 sites under PFI contract arrangements.

**Controllable impacts commentary**

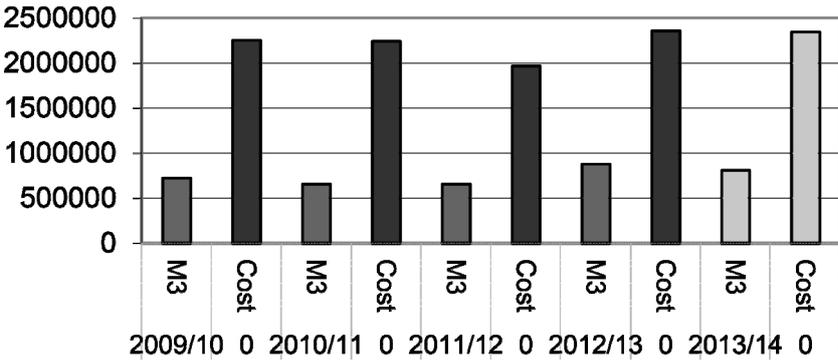
Detailed waste management data is sourced directly from the Facility Management (FM) contractors with the financial data provided from the MOJ Regional Hub. The roll-out of the recycling strategy across the HM Courts & Tribunals Service estate has increased the level of materials diverted away from landfill disposal to other, more preferable options, such as recycling, composting and energy from waste incineration.

**Overview of influenced impacts**

The MOJ Procurement team engages with suppliers (TFM and PFI) regarding the government buying standards in relation to efficiency, sustainability and cost reduction. HM Courts & Tribunals Service staff are also encouraged to reduce waste through in-house publications such as 'Sustainability Matters', behavioural change initiatives and campaigns such as 'waste awareness week'.

Water		2009-10	2010-11	2011-12	2012-13	2013-14
Non-Financial Indicators (cubic metres)	<b>Total water consumption (cubic meters-m<sup>3</sup>)</b>	722,887	655,548	655,650	877,924	805,947
Financial Indicators	<b>Total water supply costs (£m)</b>	£2.25	£2.24	£1.97	£2.36	£2.34

**Water (consumption and costs).**



**Performance commentary (including targets)**

HM Courts & Tribunals Service targets are led by the Government's Greening Government Commitments which requires a reduction in water consumed between the baseline and 2014/15. Not all water consumption data is maintained centrally and therefore data is not credible. However TFM continues to increase it's engagement with water companies and current reporting systems will be upgraded to enhance our monitoring in line with targets set by government.

## Controllable impacts commentary

Delivering cost and water savings remains a priority for HM Courts & Tribunals Service. There are limitations to the quality of water consumption data which is estimated based on sites from which both annual costs and consumption figures are known. The figure is then uplifted against cost details taken from the Purchase Ledger. The cost figures include consumed water and waste water. The water strategy centres around monitoring and targeting, automated meter readings, awareness campaigns, installation of controlled devices, borehole extraction, simple rainwater harvesting for gardening and aerated shower heads where applicable

## Overview of influenced impacts

MOJ Procurement engages with suppliers to improve monitoring and reporting, and the Government Buying Standards in relation to efficiency, sustainability and cost reduction. TFM is increasing its engagement with the water companies to provide a collaborative and cost-effective service. Water reporting systems will be upgraded to enhance our monitoring in line with targets set by government

Paper	2009-10	2010-11	2011-12	2012-13	2013-14
Cost (£m) ex. VAT	£0.00	£0.00	£1.20	£1.71	£1.58

HM Courts & Tribunals Service commenced the use of mandatory pan Government Office Supplies contract (GOSG) in October 2011. Under the terms of the contract, Management Information (MI) data is distributed by the Government Procurement Service. The above figure shows a 19% reduction in costs which can be partly attributed to the estate rationalisation and awareness campaigns.

## 6. Remuneration Report

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

### Board members' Remuneration Report

The Remuneration Report has been prepared in accordance with the requirements of the Government Financial Reporting Manual (FRoM) as issued by HM Treasury.

The Prime Minister sets the remuneration policy of senior civil servants following independent advice from the Senior Salaries Review Body. The salaries of HM Courts & Tribunals Service Board members were set following discussions between the Permanent Secretary of the MOJ and her Director Generals in accordance with the rules of the Civil Service Management Code.

HM Courts & Tribunals Service does not have a Remuneration Committee. The key functions of this Committee are dealt with through the MOJ Workforce Committee.

The following sections provide details of the remuneration and pension interests of HM Courts & Tribunals Service Board members who served during 2013–14.

**Table 1 – Remuneration payments to HM Courts & Tribunals Service Board members during the period 1 April 2013 to 31 March 2014**

Name	Board member role	Salary £'000	Bonus payments £'000	Benefits in kind £'000	Pension benefits £'000	Total £'000
Robert Ayling	Independent Chairman	15 - 20	Nil	Nil	Nil	15 - 20
Peter Handcock	Chief Executive	145 - 150	Nil	1.7 – 1.8	N/A <sup>4</sup>	145 - 150
Steve Gillespie	Director, Finance and Governance	90 - 95	Nil	Nil	54	140 - 145
Guy Tompkins	Director, Crime	80 - 85	5 - 10	12.2 – 12.3	70	175 - 180
Kevin Sadler	Director, Civil, Family and Tribunals	95 - 100	10 - 15	Nil	5	115 - 120
Alison White (Resigned 31 March 2014)	Non-Executive Director	15 – 20 <sup>2</sup>	Nil	0.6 – 0.7 <sup>3</sup>	Nil	15 - 20
Francis Dobbyn	Non-Executive Director	15 – 20 <sup>2</sup>	Nil	4.1 – 4.2 <sup>3</sup>	Nil	20 - 25
Lord Justice Sullivan	Senior President of Tribunals	Nil <sup>1</sup>	Nil <sup>1</sup>	Nil <sup>1</sup>	Nil <sup>1</sup>	Nil <sup>1</sup>
Lord Justice Gross	Senior Presiding Judge	Nil <sup>1</sup>	Nil <sup>1</sup>	Nil <sup>1</sup>	Nil <sup>1</sup>	Nil <sup>1</sup>
District Judge Michael Walker	Judicial Representative	Nil <sup>1</sup>	Nil <sup>1</sup>	Nil <sup>1</sup>	Nil <sup>1</sup>	Nil <sup>1</sup>
Band of Highest Paid Director's Total Remuneration (excluding pension benefit)			£145,000 – £150,000			
Median Total Remuneration			£20,043			
Ratio			7.4			

<sup>1</sup> Judicial members are remunerated as judges and received no additional payments as directors of HM Courts & Tribunals Service.

<sup>2</sup> Includes payments for additional work completed during 2012-13 which were approved and paid during 2013-14.

<sup>3</sup> Comprises reimbursement of travel expenses to required business meetings.

<sup>4</sup> Peter Handcock opted out of the Civil Service Pension Scheme as at 1 April 2012 and as a result did not accrue a pension benefit.

**Table 2 Remuneration payments to HM Courts & Tribunals Service Board members during the period 1 April 2012 to 31 March 2013**

Name	Board member role	Salary £'000	Full year salary equivalent £'000	Bonus Payments £'000	Benefits in kind £'000	Pension Benefits £'000	Total £'000
Robert Ayling	Independent Chairman	15 – 20	15 – 20	Nil	Nil	Nil	15 - 20
Peter Handcock	Chief Executive	140 – 145	140 – 145	Nil	Nil	N/A <sup>3</sup>	140 - 145
Steve Gillespie	Director, Finance and Governance	80 – 85	80 – 85	5 – 10	Nil	2	90 - 95
Shaun McNally (Resigned 19 October 2012)	Director, Crime	45 – 50	80 – 85	Nil	18.3 – 18.4	4	65 – 70 (full year equivalent 120 – 125)
Guy Tompkins (Appointed 22 November 2012)	Director, Crime	25 - 30	80 – 85	Nil	4.8 – 4.9	8	40 – 45 (full year equivalent 110 – 115)
Kevin Sadler	Director, Civil, Family and Tribunals	95 – 100	95 – 100	Nil	Nil	7	105 - 110
Alison White	Non-Executive Director	5 – 10	5 – 10	Nil	0.7 – 0.8 <sup>2</sup>	Nil	5 - 10
Francis Dobbyn	Non-Executive Director	5 – 10	5 – 10	Nil	3.4 – 3.5 <sup>2</sup>	Nil	10 - 15
Lord Justice Carnwath (Resigned 16 April 2012)	Senior President of Tribunals	Nil <sup>1</sup>	Nil <sup>1</sup>	Nil <sup>1</sup>	Nil <sup>1</sup>	Nil <sup>1</sup>	Nil <sup>1</sup>
Lord Justice Sullivan (Appointed 25 June 2012)	Senior President of Tribunals	Nil <sup>1</sup>	Nil <sup>1</sup>	Nil <sup>1</sup>	Nil <sup>1</sup>	Nil <sup>1</sup>	Nil <sup>1</sup>
Lord Justice Goldring (Resigned 31 December 2012)	Senior Presiding Judge	Nil <sup>1</sup>	Nil <sup>1</sup>	Nil <sup>1</sup>	Nil <sup>1</sup>	Nil <sup>1</sup>	Nil <sup>1</sup>
Lord Justice Gross (Appointed 1 January 2013)	Senior Presiding Judge	Nil <sup>1</sup>	Nil <sup>1</sup>	Nil <sup>1</sup>	Nil <sup>1</sup>	Nil <sup>1</sup>	Nil <sup>1</sup>
District Judge Michael Walker	Judicial Representative	Nil <sup>1</sup>	Nil <sup>1</sup>	Nil <sup>1</sup>	Nil <sup>1</sup>	Nil <sup>1</sup>	Nil <sup>1</sup>

Band of Highest Paid Director's Total Remuneration	£140,000 – £145,000
Median Total Remuneration	£19,746
Ratio	7.2

<sup>1</sup> Judicial members are remunerated as judges and received no additional payments as directors of HM Courts & Tribunals Service.

<sup>2</sup> Comprises reimbursement of travel expenses to required business meetings.

<sup>3</sup> Peter Handcock opted out of the Civil Service Pension Scheme as at 1 April 2012 and as a result did not accrue a pension benefit.

## Salary

Salary covers both pensionable and non-pensionable amounts and includes, but may not necessarily be confined to: gross salaries; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. The figures shown do not include amounts that are a reimbursement of expenses directly incurred in the performance of an individual's duties. This report is based on accrued payments made by the Agency and thus recorded in these accounts.

## Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2013-14 relate to performance in 2012-13 and the comparative bonuses reported for 2012-13 relate to the performance in 2011-12.

## Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue & Customs as a taxable emolument.

## Third party payments

There were no amounts payable to third parties in respect of members of the HM Courts & Tribunals Service Board in 2013-14.

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

## Banded remuneration of the highest-paid director

The banded remuneration of the highest-paid director in HM Courts & Tribunals Service was £145k – £150k (2012–13: £140k – £145k) which comprises of salary costs. This was 7.4 times (2012–13: 7.2) the median remuneration of the workforce, which was £20,043 (2012–13: £19,746). In 2013-14, 1 (2012-13: nil) staff received remuneration in excess of the highest-paid director.

Total remuneration includes salary, non-consolidated performance-related pay, benefit-in-kind allowances as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

## Service contracts

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

The officials covered by this report hold appointments which are open-ended, with the exception of Non Executive Directors who are appointed for a term of three years. Early termination, other

than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at [www.civilservicecommission.org.uk](http://www.civilservicecommission.org.uk)

**Table 3 HM Courts & Tribunals Service Board members' contracts**

Name	Contract start date	Unexpired term	Notice period
Robert Ayling	1 April 2011	1 years and 3 months	1 month
Peter Handcock	4 January 1971	To retirement	3 months
Steve Gillespie	22 November 1976	To retirement	3 months
Shaun McNally	17 December 1985	To retirement	3 months
Guy Tompkins	7 November 2005	To retirement	3 months
Kevin Sadler	10 September 1984	To retirement	3 months
Alison White	1 April 2011	0 years	1 month
Francis Dobbyn	1 April 2011	6 months	1 month
Lord Justice Sullivan <sup>1</sup>	N/A	N/A	N/A
Lord Justice Gross <sup>1</sup>	N/A	N/A	N/A
District Judge Michael Walker <sup>1</sup>	N/A	N/A	N/A

Notes:

<sup>1</sup> Judicial members do not operate under contracts.

### Pension benefits

**Table 4 – HM Courts & Tribunals Service Board members' pension benefits and the cash equivalent transfer values (CETV) of those benefits during and at the end of the financial year**

Name	Accrued pension at pension age as at 31/3/14 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/14 £'000	CETV at 31/3/13 £'000	Real increase in CETV £'000
Robert Ayling <b>Independent Chairman</b>	N/A	N/A	N/A	N/A	N/A
Peter Handcock <b>Chief Executive</b>	100 – 105 plus nil lump sum	N/A <sup>3</sup>	1,942	1,940	N/A <sup>3</sup>
Steve Gillespie <b>Director, Finance and Governance</b>	40 – 45 plus 125 – 130 lump sum	2.5 – 5, plus 7.5 – 8 lump sum	836	742	46
Guy Tompkins <b>Director, Crime</b>	30 – 35 plus 95 – 100 lump sum	3.0 – 3.5, plus 9.5 – 10 lump sum	586	500	53
Kevin Sadler, <b>Director, Civil, Family and Tribunals</b>	35 – 40 plus 105 - 110 lump sum	0 – 0.5, plus 1 – 1.5 lump sum	671	627	2
Alison White	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Francis Dobbyn	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Lord Justice Sullivan	N/A <sup>2</sup>	N/A <sup>2</sup>	N/A <sup>2</sup>	N/A <sup>2</sup>	N/A <sup>2</sup>

<b>Senior President of Tribunals</b>					
Lord Justice Gross <b>Senior Presiding Judge</b>	N/A <sup>2</sup>				
District Judge Michael Walker <b>Judicial Representative</b>	N/A <sup>2</sup>				

Notes:

<sup>1</sup> No pension contributions are made on behalf of HM Courts & Tribunals Service Non-Executive Board members.

<sup>2</sup> Judicial members are remunerated as judges and received no additional pension entitlements as directors of HM Courts & Tribunals Service.

<sup>3</sup> Peter Handcock opted out of the Civil Service Pension Scheme as at 1/04/2012. The change in CETV reported as at 31/03/13 and 31/03/14 is attributable to indexation.

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

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

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement). No members of the HM Courts & Tribunals Service Board were members of the partnership pension account.

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

Further details about the civil service pension arrangements can be found at the website <http://www.civilservice.gov.uk/pensions>

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

### **The real increase in the value of the CETV**

This is the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement). It is worked out using common market valuation factors for the start and end of the period.



**Peter Handcock CBE**  
**Chief Executive and Accounting Officer**  
**20 June 2014**

## 7. Statement of Accounting Officer's Responsibilities

Under section 7(2) of the Government Resources and Accounts Act 2000, HM Treasury directed HM Courts & Tribunals Service to prepare for each financial year a statement of accounts (the Accounts) in the form and on the basis set out in the Accounts Direction issued by HM Treasury on 20 December 2013. The Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Agency and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

The Principal Accounting Officer for the MOJ has designated the HM Courts & Tribunals Service's Chief Executive as HM Courts & Tribunals Service's Accounting Officer.

In preparing HM Courts & Tribunals Service's Accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.
- Make judgements and estimates on a reasonable basis.
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the Accounts.
- Prepare the Accounts on a going concern basis, and
- Ensure that, so far as the Accounting Officer is aware, there is no relevant audit information of which the entity's auditors are unaware. The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that HM Courts & Tribunals Service's auditors are aware of that information.

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



**Peter Handcock CBE**  
**Chief Executive and Accounting Officer**

20 June 2014

## 8. Annual Governance Statement

### 1 Introduction

- 1.1 This Governance Statement is provided in my role as Accounting Officer for HM Courts & Tribunals Service.
- 1.2 HM Courts & Tribunals Service is an agency of the MOJ whose key aim is to run an efficient and effective courts and tribunals system which enables the rule of law to be upheld and provides access to justice for all.
- 1.3 As Accounting Officer I have established a governance framework and management structure for the organisation to support me in the management of our key risks. I am satisfied that I have the necessary systems and processes in place to maintain an effective system of internal control which supports the achievement of policies aims and objectives whilst safeguarding the public funds and assets for which I am personally accountable.
- 1.4 HM Courts & Tribunals Service operates in accordance with its published Framework Document which sets out the basis of an operating partnership between the Lord Chancellor (Secretary of State for Justice) and the Lord Chief Justice. As Chief Executive I am responsible to both, for the day-to-day operations and administration of the Agency and leadership of its staff. As Chief Executive and Accounting Officer I am also accountable to the MOJ Permanent Secretary and ultimately to Parliament.
- 1.5 The organisation now in its third year, is well established, following the major programme of structural reform that has been undertaken over the last few years. During the current reporting year the Board and I have continued to oversee and monitor our performance against key strategic objectives with regular updates being provided by senior managers. A report on our performance can be found at Section 4. The Board has also this year continued to consider, discuss and plan for how the organisation will operate in the future within increasingly challenging and reducing budgets. The Board has received regular updates on the progress of the HM Courts & Tribunals Service new Reform Programme which sets out options for our future organisation.
- 1.6 The remainder of this statement sets out how we have managed a number of significant risks and control issues this year and control framework that we have in place which has enabled us to do so effectively.

### 2 Governance framework and management structure

- 2.1 Significant aspects of the management structure and framework are detailed below. To ensure continual effectiveness, self-assessment reviews have been carried out during April and May 2014.
- 2.2 **HM Courts & Tribunals Service Board** - the Board provides a vital role in shaping and directing the organisation ensuring we are equipped to deliver high quality and cost effective services to court and tribunal users. It provides leadership on the broad direction for the organisation in delivering the aims and objectives agreed by the Lord Chancellor and the Lord Chief Justice. The Board has overall responsibility for Corporate Governance within HM Courts & Tribunals Service.
- 2.3 The Board operates within the parameters of the Framework Document and the agreed Terms of Reference. Both of these documents are published on the organisation's intranet. The Framework Document is also available on the Justice website.

- 2.4 An independent evaluation of the effectiveness of the Board was carried out by the National Audit Office in February 2013 and the summarised results were presented to the Board. Key improvement activities were subsequently agreed in support of which:
- we have taken opportunities to increase engagement with our key stakeholders and a Stakeholder Engagement Strategy has been developed and approved by the Board
  - governance arrangements have been exercised on service delivery where expenditure and accountability sits with our shared service providers, and
  - executive management invited the Board to consider the regular financial information provided and a session was held in March 2014 to identify risks for 2014-15.
- 2.5 The MOJ Head of Internal Audit facilitated a discussion with Board members on the results of the annual effectiveness review of the Board in April 2014. Improvement activities identified will be incorporated into an action plan for taking forward in 2014-15.
- 2.6 There are three formal sub-Committees to the Board which are:
- 2.7 **The Audit and Risk Assurance Committee** – (formerly the Audit Committee). This Committee is an advisory body which supports the Chief Executive in his role as Accounting Officer, and the Board in their responsibilities for risk management, control and governance. The Committee reviews the comprehensiveness of assurances from internal and external audit, executive management and other sources, and reviews the reliability and integrity of those assurances. The Chair of the Committee provides a report highlighting and escalating issues to the Board after each quarterly meeting.
- 2.8 In February 2013, members of the NAO facilitated a discussion with Committee members on its annual self-assessment effectiveness review, a number of key actions were identified for further improvement during 2013-14. In support of which:
- there has been continued engagement with Internal Audit and Assurance to ensure effective delivery of audit activity and discussion of the Internal Audit Annual Plan
  - regular discussions were held between the Board Secretariat and the Chair to provide assurance in relation to any Amber/Red or Red audit reports
  - continuous development and learning opportunities were provided to Committee members including visits to courts and tribunals to provide assurance on areas such as Resulting and the implementation of Standard Operating Procedures and the Standard Operating Control reporting tool, and
  - the Committee was renamed to highlight the important role it plays in relation to risk assurance. The Terms of Reference were amended to reflect the change in name.
- 2.9 The Head of Internal Audit has been invited to facilitate an annual effectiveness review session in May 2014. Identified improvement activity will form the basis of an action plan to take forward during 2014-15.
- 2.10 **The Change and Modernisation sub-Committee** - the Committee has overall responsibility for developing and promoting change to deliver the strategic objectives for the organisation on behalf of the Board, supporting the Board in its delivery of the Agency's strategy, policies and services.
- 2.11 An effectiveness review was initially undertaken in March 2012 led by the Chair of the sub-Committee and again in March 2013.
- 2.12 Emerging findings from the review undertaken in 2013 indicated an 83% positive response in the category on 'Objectives, Strategy and Remit'; an 80% positive response on 'Performance Measurement'; a 70% positive response on Risk Management; a 69%

positive response on 'The Board Room'; and a 98% positive response on 'sub-Committee Support'. More detailed analysis was conducted of the review with the following key actions being identified for continuous improvement over the year:

- continued timely and robust post evaluation reviews of major projects, including enhanced focus on benefits
- enhanced processes for identifying and reviewing principal risks
- regular projections of future cash flows for the medium term as well as the short term, and
- more thorough analysis of performance against budgets, targets and key outcomes.

2.13 Throughout the year, the Change Portfolio Office has continued to address these points through developing and implementing a lessons learned process enabling lessons to be evaluated both during and post project closure. Focus remains on financial performance with increasingly robust financial reports being produced monthly, including an increased emphasis on benefits monitoring and analysis on 'actuals' and 'forecasts' against original business cases. The MOJ risk evaluation process has been implemented across the portfolio enabling the sub-Committee to clearly assess key risks and bring particular focus on those with greatest possible impact to the change portfolio.

2.14 In April 2014, Committee members were invited to discuss the effectiveness of the Committee and to identify any actions for further improvement. Improvement activities will be incorporated into an action plan for taking forward during 2014-15.

2.15 **The Health and Safety Committee** - the Committee is an advisory body that supports the Chief Executive as Accounting Officer and the Board in their responsibilities for managing risk and establishing effective control for health and safety. The Committee promotes health and safety throughout the organisation and ensures we meet agreed standards including legal obligations.

2.16 In February 2013, the Chair invited attendees of the Committee to consider a set of facilitated questions to prompt discussion on the effectiveness of the Committee and to identify any actions for further improvement during 2013-14. The key actions arising and progress against meeting them were:

- taking steps to provide effective mechanisms by which members can remotely participate in meetings, and
- improving communications through the circulation to members the Annual Health and Safety Report for the Chief Executive.

2.17 An annual effectiveness review was carried out in February 2014 and all attendees were satisfied with the operation of the Committee. The only improvement action identified was that all Delivery Plans should be shared.

2.18 In considering the Agency's Health and Safety and Security policies, the HM Courts & Tribunals Service Board agreed to establish a new sub-group of the Board to bring together key stakeholders to review the effectiveness of the health and safety and security controls. The first meeting of this group will be held early in the new year, which will allow time for new streamlined policies and reporting arrangements to be communicated and embedded.

2.19 Full details of the membership and attendance records of the Board and its sub-Committees are shown in the schedule in the Appendix.

- 2.20 In addition to the formal governance structure HM Courts & Tribunals Service has an executive management structure in place to support day to day operational business.

### **Corporate Governance in Central Government Departments - Code of Good Practice**

- 2.21 This code applies to MOJ directly however HM Courts & Tribunals Service has adopted key principles as best practice. A review this year has confirmed we are compliant with material requirements with the exception of the Nominations Committee as reported in previous years. Key functions of this committee are provided through the MOJ Workforce Committee and the HM Courts & Tribunals Service Board.

## **3 Risk management**

- 3.1 Risk management systems are in place to identify, assess and prioritise risk efficiently and effectively and to ensure risk is managed to an acceptable level.
- 3.2 The organisation had in place throughout the year a risk management framework to identify, monitor, manage and report the risks or threats to the achievement of its objectives. The risk policy encompasses regional, central directorate and corporate level and enables risks to be managed at the appropriate level, escalating where necessary.
- 3.3 A reporting tool, the Risk and Assurance Management Tool, operates at Cluster Manager and Justices Clerk level in place of formal risk registers and enables effective management of risks identified at the operational (administrative) and legal levels.
- 3.4 A process is also in place to enable escalation of risks to the MOJ Corporate Risk Register if risks breach the organisation's tolerance level. The MOJ are regularly provided with copies of the Corporate Risk Register.
- 3.5 During April 2013 the Senior Management Team (SMT) and Regional Delivery Directors took part in a risk workshop to identify the key risks to achieving the organisation's objectives as set out in its business plan. The identified risks were subsequently endorsed through the Board and monitored and managed by the SMT through alternate monthly reviews of the risk register. The risk register is also reviewed by the Audit and Risk Assurance Committee on a quarterly basis. The committee this year requested the risk register be given greater prominence in their agenda and management now provides a separate more substantial report detailing the risk environment and changes. The HM Courts & Tribunals Service Board also reviews the risk register every six months.
- 3.6 The risk register has remained fairly stable throughout the reporting year but the organisation has managed and continues to manage a number of risks that are ranked as high or very high and remain so at the end of the year. They include the following.
- **Contracts and centralised services to be accurately specified and closely managed to ensure operational effectiveness.** Continuing issues with service delivery have required addressing at the highest level within the organisation with contract management and procurement colleagues. Further detail on this issue can be found under the significant control issues section which follows.
  - **IT infrastructure to be resilient and flexible to cope with business demands.** This remains one of the organisations biggest risks but ICT activity is aimed at ensuring delivery of key organisational priorities. All plans are subject to robust business plans and subject to review through the Change and Modernisation sub-Committee. Funding for operating business as usual IT activity has been transferred to the organisation this year giving greater control and accountability.
  - **HM Courts & Tribunals Service is not ready to implement MOJ Shared Service Solution.** This risk has the potential to disrupt the smooth running of current financial processing should it materialise; the risk has recently been escalated from a lower level

risk register. Senior HM Courts & Tribunals Service managers continue to engage with the Shared Services programme and contingency planning is currently ongoing.

- **There is a need to pro-actively engage with our staff/partners/key stakeholders.** This risk recognises the need that engaging with staff, internal and external stakeholders, judiciary and others is fundamental to the successful delivery of our objectives. Effective communication strategies are in place and subject to continuous review.
- **Planning for the prospect of an adverse impact of change through good programme management and interventions to mitigate this risk.** This risk is mitigated through activity of the Strategy and Change Directorate and specifically the Change and Modernisation sub-Committee which is responsible for managing risks to resources, dependencies, communications, procurement, ICT and the estate arising from all organisational change and modernisation.
- **Specialist skills and capability to be developed further in key areas.** Key mitigation includes The HM Courts & Tribunals Service National Workforce Change Board which assures and oversees the implementation of the national workforce plan; Regional Workforce Boards support and monitor staffing levels regionally. An annual Staff Engagement Survey is undertaken to monitor staff morale and results analysed and action plans developed to address issues of concern and increase staff engagement.
- **Effectively manage health and safety/security risks.** Key mitigation includes work overseen by the National Health and Safety Committee. The issue and implementation of a revised and robust policy endorsed through the HM Courts & Tribunals Service Board, and health and safety controls being encompassed within the Standard Operating Controls Self Assessment tool.

### *Significant Control Issues*

- 3.7 Despite effective risk management arrangements, a number of significant control issues have materialised throughout the reporting year, or have continued from previous years. They include the following:
- 3.8 **Processing Motor convictions** – The Police have continued to investigate irregularities with recording and communicating decisions for motoring offences in magistrates' courts, after a member of staff was found guilty of bribery and misconduct in a public office. Further arrests have been made and the investigation and legal proceedings are continuing. Controls have been tightened and management teams in the affected courts have been reinforced. A review has been completed and a number of recommendations to further improve controls have been implemented, including the commencement of a review of the legal process for making a Statutory Declaration. A similar but unrelated case in another region has resulted in a number of substantial prison sentences for perverting the course of justice.
- 3.9 **Supplier Contract Management** – HM Courts & Tribunals Service relies upon services provided through shared service suppliers procured centrally by the MOJ. This includes contracts for Total Facilities Management (TFM), Prisoner Escort Services, Electronic Monitoring and Interpreters. There have been issues with service delivery and concern that the contract management models have not been fully effective.
- 3.10 Issues with specific contracts have been addressed during the course of the year, involving direct engagement with suppliers. An MOJ wide review of contract management has been undertaken recently and HM Courts & Tribunals Service will be reviewing the recommendations and consider actions required.
- 3.11 In relation to the TFM contract respective suppliers have issued the organisation with a refund.

- 3.12 In the interim, following the discovery of possible irregularities in the operation of the electronic monitoring contract two suppliers were referred by the MOJ to the Serious Fraud Office and consequently have withdrawn from future negotiations in the current competition for this contract. This is referred to later in this statement having been the subject of a report by the NAO.
- 3.13 **Civil Bailiff activities** – A review of the control and organisational structure which governs the work of our civil bailiffs was initiated after irregularities were highlighted during the course of a high profile case in the High Court. Appropriate investigations were initiated and are continuing.
- 3.14 **PentiP Enforcement System** – We reported last year on a new system being implemented by the Home Office to record fixed penalty notices issued by the police and collected by HM Courts & Tribunals Service. Implementation in Fixed Penalty Offices had been affected by some performance and reliability issues which resulted in processing backlogs at HM Courts & Tribunals Service sites. The issues also led to problems and delays in the reconciliation process. These delays have subsequently led to the NAO qualifying the 2012-13 HM Courts & Tribunals Service Trust Statement. Plans have however been developed with our third party supplier to recover the reconciliation backlog in time for completion of the 2013-14 Trust Statement.
- 3.15 **Fee processing and collection** – The processing and collection of fees is complex, especially at larger centres. Successive audit reports have highlighted weaknesses in systems and in one case, there was a delay collecting fees due from local authorities for sensitive family cases. We have tightened controls, improved the guidance available for staff and introduced a new tracker to improve our links with local authorities.
- 3.16 **Driving licence endorsements (Fixed Penalty)** – We are working jointly with the Driver & Vehicle Licensing Agency (DVLA) to improve the quality and effectiveness of the license endorsement process. This is after we were alerted to a risk that a very small number of more than a million motorists whose driving licenses are endorsed by the court each year, might be escaping disqualification under the ‘totting up’ procedure because of weaknesses in systems.
- 3.17 We have thoroughly investigated jointly with DVLA, and will be implementing fixes to the Police National Computer (PNC). We have also improved training for staff and increased management checks in Fixed Penalty Offices.
- 3.18 **Review of long term leasing contracts** – A review by management of long-term land and building lease contracts entered into by HM Courts & Tribunals Service predecessor bodies, concluded that a small number of contracts had not delivered sufficient value for money. The financial statements include the necessary disclosures and report the constructive loss recognised in relation to these projects This is disclosed in note 23. The current governance framework and control processes used to evaluate investment decisions are considered fit for purpose to prevent recurrence but a formal lessons learned exercise is underway.

#### *Fraud and Irregularity Risk Management*

- 3.19 HM Courts & Tribunals Service, in line with policy across government, has a zero tolerance toward fraud and irregularity. To reduce and manage the risk we have in place:
- an effective control framework which has embedded within it fraud risk controls which are designed to prevent, detect and deter fraudulent activity
  - a rigorous fraud response plan and a well managed incident management process
  - representation on the MOJ organisation wide Counter Fraud Group

- an active counter fraud strategy including Fraud Response Plans and whistle-blowing policy
- a well defined and expedient investigation process focussed towards financial recovery
- a team of specialist officers dedicated to managing and investigating fraud and irregularity incidents
- a pan government mandatory training package and assessment that all staff and managers in HM Courts & Tribunals Service are required to undertake and pass, and
- a Single Point of Contact with the City of London Police at “ActionFraud” to ensure the smooth running of all referred investigations.

3.20 The overall value and numbers of incidents of identified fraud within HM Courts & Tribunals Service is relatively low given the nature and size of the organisation and volume of transactions undertaken daily. However, we have identified there has been a year-on-year increase in the numbers of reported frauds and greater fraud awareness is seen as a contributory factor in the numbers being reported. A number of these issues have been reported on earlier within this statement.

3.21 Frauds perpetrated against HM Courts & Tribunals Service include those perpetrated externally by third parties and internally by members of our own staff. Every incident reported through the designated fraud reporting route is investigated thoroughly and where proven criminal activity has taken place we will inform the police, seek a prosecution and take appropriate disciplinary action.

#### *Health, Fire Safety and Security Risk Management*

3.22 The HM Courts & Tribunals Service Security and Safety Team work with a dedicated team of Regional Security, Health, Safety and Fire Safety Officers who are based within the Regional Support Units. Their role is to effectively manage all security, health and safety, and fire risks within their respective regions. The management of these areas has been put in place with the appropriate Health, Fire Safety and Security training undertaken to address weaknesses.

3.23 HM Courts & Tribunals Service Security and Safety developed a consistent and measurable new Security, Health and Safety and Fire Safety Policy which aligns all arrangements and mitigates against the risks that the transition from the former organisations might have caused. The new policy approved by the HM Courts & Tribunals Service Board has been implemented in 2013-14.

3.24 The audit assessment for this period remains Amber / Red. A programme of security, health and safety, and fire safety audits of HM Courts & Tribunals Service Regions began in 2013 and will continue throughout 2014-15. Including:

- continuing to engage with the judiciary in taking forward the Judicial Security Action Plan
- taking forward the Tribunals Security Order 2014 which will provide Tribunal Security Officers in England and Wales with the same powers as Court Security Officers, and
- reviewing District Judges chambers in order to ensure a consistent application of standards across our estate.

#### *Business Continuity Risk Management*

3.25 Business Continuity plans are in place for all HM Courts & Tribunals Service sites. We continue to test business continuity arrangements annually at the recovery site that has been developed for the County Court Bulk Centre (CCBC) which is one of our bulk processing centres. The test was successful. Issues arising from the test are progressed

or raised with suppliers. We have business continuity arrangements in place for County Court Money Claims Centre (CCMC) and other national back offices that now effectively mitigate the risk of any potential loss of operations in the future.

- 3.26 The bi-annual assurance process enables progress to be monitored on compliance with the requirements of the plans. A number of sites have successfully dealt with business continuity incidents during 2013-14.

#### *Information Risk Management*

- 3.27 HM Courts & Tribunals Service is committed to ensuring public data is appropriately protected and work is continually ongoing to ensure we fulfil our obligations to the public.
- 3.28 Key controls that we have in place to manage our information assurance responsibilities include the following.
- The Senior Information Risk Owner, a member of the Board, leads and directs information assurance to ensure compliance with the mandatory government standards set out in the Security Policy Framework and is supported by a dedicated and specialist information assurance team.
  - The Information Security Group which has managers appointed from key strategic positions within the organisation. The group provides assurance and ensures that our Information Security Management System supports effective operations and is compliant with legal and HM Government requirements.
  - The new Cabinet Office led Government Security Classification training which all staff are required to undertake.
  - Nominated Information Asset Owners will complete the mandatory training and have attended targeted training in relation to their roles.
  - A comprehensive review of the Information Asset Register. Assets on the register have been assessed and rated by the central Information Assurance team in conjunction with the asset owners.
  - Data Sharing Agreements with suppliers, other government departments and research bodies to share personal information that has been entrusted to us.
  - Ongoing compliance reviews within courts and tribunals to review the effectiveness of policies, guidance, procedures and processes.
  - Effective data incident procedures that ensure losses are reported, escalated in a timely manner and dealt with at the appropriate level within the Agency.
- 3.29 There are a number of minor areas where we have identified that we are not compliant with the Security Policy Framework mandatory requirements. Specifically, quarterly and annual formal information risk assessments of assets did not take place. However information risk assessments were undertaken periodically by operational managers when appropriate and Information Asset Owners and the central information team in conjunction with the asset register review.
- 3.30 A number of breaches of Information Security considered to have a potentially high impact were reported during the year. These incidents related to failures to protect the personal information of vulnerable parties in sensitive cases and resulted in submissions to ministers. They are as follows.
- The release to a defendant of personal information relating to a victim (applicant) in a domestic violence case. The information released included the address and telephone numbers of the applicant not previously known by the defendant. The applicant has received an apology for the disclosure and steps to prevent recurrence have been

taken. All staff across the region were reminded of the importance of keeping data secure.

- A public law order was served by the court on a party (estranged father) who was at the time prohibited from knowing the whereabouts of the parent with care. The order gave details of the mother's new name and address to the estranged father. A local review of performance within the court administration and the local authority has identified actions to prevent a similar incident occurring in the future.
- The names of two female defendants appeared on public court lists in contravention of a Section 39 order specifically preventing publication of names which could have led to the identification of child victims. This resulted from an administrative listing error. Given the nature of the case reporting restrictions were thought to be in place and names were not publicised, until a member of the public published them on social media. HM Courts & Tribunals Service has completed an internal investigation and are assisting the Information Commissioner with their enquiries.
- The release, to the birth mother, of the name and address of the prospective adopters for her children. A formal investigation into the incident has taken place. All staff have been reminded of their responsibility to keep data secure and the area has taken the step of centralising the adoption process in a specialist team from the new reporting year.

3.31 The vast majority of other data incidents related to losses of driving licences during despatch, although losses represent less than 0.01% of all licences despatched annually and the number of incidents was lower than the previous year.

## 4 Oversight and assurance

- 4.1 As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of my executive managers. They have the responsibility for the development, maintenance and reporting of the internal control framework, together with observations and recommendations made by internal and external auditors in their management letters and other reports.
- 4.2 The organisation has in place control processes to provide management with assurance over financial and operational risks. These processes are subject to continuous improvement and review to ensure they remain current, effective and relevant. These processes are set out below.
- 4.3 **Standard Operating Controls (SOC) Self Assessment Tool** - The SOC is an assurance tool designed to report the level of compliance with mandatory controls set out in Standard Operating Procedures (SOPs) in place at operational level. We have continued during this year to ensure the SOC tool is properly embedded to provide the required level of proportionate assurance.
- 4.4 We reported last year on a project to improve the design and implementation of SOPs. We wanted to increase the quality to ensure they supported and met the needs of staff and customers. We established a risk based criteria to identify which activities carry the highest risk in order to reduce the number of SOPs and to provide for proportionate assurance based upon the key risks to the business. This work has culminated during the year with a new process for the production of SOPs being established together with a more user friendly design of SOP and supporting Job Cards. The organisation will be gradually transitioning to the newly designed SOPs.
- 4.5 To further enhance the quality and consistency of the assurance available, key controls have been identified for each SOP activity. Assurance will be drawn from the level of

compliance to these key controls. Electronic links to these key controls will be available in the SOC tool to support staff. Work is continuing to develop Key Control Check Sheets for all SOPs within the SOC tool.

4.6 **Director level Quarterly and Annual Governance Statements** - all Central and Regional Directors submit quarterly statements, which include control issues raised by directorate and regional management teams, and escalated and reviewed by Senior Management Teams. These statements include reporting on sources of internal control and this in turn provides assurance of managements' compliance with operational policies, procedures and established key controls.

4.7 In addition, the Board and I gain assurance through the following.

- Up to date and comprehensive reports on finance and performance submitted at their regular meetings.
- Financial and administrative procedures which includes delegations of financial authority and segregation of duties on key financial processes.
- The MOJ which provides a number of services to the Agency, to improve value for money and to support the development of consistent professional corporate services. In the areas of human resources, information technology, procurement services and estates management, HM Courts & Tribunals Service draws assurance of adequacy and effectiveness from the MOJ.
- The Board being updated on the risk profile and effectiveness of the systems of internal control through the receipt of minutes from the Audit and Risk Assurance Committee, through review of the HM Courts & Tribunals Service performance reports and through direct feedback from the Chair of the Audit and Risk Assurance Committee. The Board are also provided with the risk register on a six monthly basis.
- The Audit and Risk Assurance Committee which oversees the adequacy and effectiveness of the risk management processes and the system of internal control for the organisation. The Committee regularly reviewed the corporate risk register and the production of the Annual Report and Accounts for the Agency. The Audit and Risk Assurance Committee Chair has free and confidential access to the MOJ Audit and Risk Assurance Committee Chair, the Internal Audit and Assurance Division and the external auditors as required.
- Value for Money and other reports produced by the NAO. There have been a number this year that report on activities relevant to HM Courts & Tribunals Service.
  - Confiscation Orders HC 738 17 December 2013 – This report focussed on the leadership and governance of confiscation orders and the efficiency and effectiveness of the process. We recognise the importance of developing a coherent cross government strategy for dealing with confiscation orders and to develop more effective governance arrangements. We are currently assessing the actions required to address the recommendations made by the NAO.
  - The MOJ's electronic monitoring contracts HC737 19 November 2013 - This report by the NAO focussed on the events surrounding the MOJ's process in 2013 to re-compete its electronic monitoring contract with two providers and a subsequent decision to commission a forensic audit of these contracts by PricewaterhouseCoopers.
  - The MOJ's language services contract: progress update HC995 22 January 2014. This report examines the MOJ's progress in managing the language services contract and responding to the Committee of Public Accounts' recommendations. The report indicates that we have made progress on the implementation of most of

the earlier recommendations although improvement and quicker implementation is still required in some areas.

- 4.8 One of the key sources of independent assurance within the Agency comes from the activities of its Internal Audit service provided by MOJ Internal Audit and Assurance, which meets the Public Sector Internal Audit Standards. The internal audit programme is closely linked to the key risks to the Agency and arrangements are in place to ensure that the Accounting Officer is made aware of any significant issues which indicate that key risks are not being effectively managed.
- 4.9 The Head of Internal Audit was able to provide a Reasonable Assurance on the adequacy and effectiveness of the system of governance, risk management and internal control. The majority of audit reports issued were rated amber/green or green, although there a significant minority of amber/red rated systems audits. There was a control framework in place and management accepted recommendations made and took effective action to improve control.

## 5 Conclusion

- 5.1 I am satisfied that we have effective governance, risk management and assurance arrangements in place as set out in this statement. Arrangements are kept under continuous review as the organisation continues to evolve.
- 5.2 Where significant control issues have been identified within this statement I am satisfied they are subject to rigorous review and appropriate, effective and proportionate mitigating activity put in place to manage those issues.



**Peter Handcock CBE**  
**Chief Executive and Accounting Officer**  
**20 June 2014**

## Attendance at HM Courts & Tribunals Service Board and Committees 2013-14

	HM Courts & Tribunal Service Board		Audit and Risk Assurance Committee		Change and Modernisation sub-Committee		Health and Safety Committee	
	No. of meetings attended	No. of eligible meetings	No. of meetings attended	No. of eligible meetings	No. of meetings attended	No. of eligible meetings	No. of meetings attended	No. of eligible meetings
Robert Ayling – Independent Chairman	8	11						
Francis Dobbyn – Non Executive Member	10	11	5	5				
Alison White – Non Executive Member	9	11	5	5	9	11		
Lord Justice Gross – Senior Presiding Judge	11	11						
District Judge Michael Walker – Judicial Member	11	11	5	5	10	11		
Lord Justice Sullivan – Senior President of Tribunals	10	11						
Peter Handcock – Chief Executive	11	11	4	5				
Steve Gillespie – Director of Finance and Governance	11	11	5	5	10	11	3	4
Guy Tompkins – Director of Crime	11	11			11	11		
Kevin Sadler – Director Civil, Family and Tribunals	9	11			10	11		
Sarah Albon – Director of Strategy and Change					9	11		
Dileeni Daniel-Selvaratnam – Deputy Director of Strategy and Change					7	11		
Chris Ball – HR Director					8	11		
Paul Shipley – IT Director					8	11		
HHJ Sycamore – Judicial Representative					7	11		
Lucy Garrod – Delivery Director, Midlands					9	10		

Project Office Management representative					<b>11</b>	<b>11</b>		
Judge Nick Warren – Judicial Member			<b>5</b>	<b>5</b>				
Penny Seera – Head of Financial Accounts			<b>5</b>	<b>5</b>				
Gary Spooner – Head of Governance/ Assurance			<b>2</b>	<b>3</b>				
Tim Watkinson – Head of MOJ Internal Audit and Assurance			<b>5</b>	<b>5</b>				
National Audit Office			<b>5</b>	<b>5</b>				
Representative Change Finance					<b>4</b>	<b>7</b>		
Representative North East Region							<b>3</b>	<b>4</b>
Representatives of North West/Midlands/ South West Regions							<b>4</b>	<b>4</b>
Representative South East Region							<b>3</b>	<b>4</b>
Representative London Region							<b>3</b>	<b>4</b>
Representative for Wales							<b>3</b>	<b>4</b>
Departmental Trade Union Side representatives							<b>4</b>	<b>4</b>
Health, Safety and Fire Officer							<b>3</b>	<b>4</b>
Representation MOJ Estates							<b>4</b>	<b>4</b>

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

I certify that I have audited the financial statements of HM Courts and Tribunals Service for the year ended 31 March 2014 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## **Respective responsibilities of the Accounting Officer and auditor**

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

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of HM Courts and Tribunals Service and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by HM Courts and Tribunals Service; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

## **Opinion on regularity**

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

## **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the affairs of HM Courts and Tribunals Service as at 31 March 2014 and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

### **Opinion on other matters**

In my opinion:

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

### **Matters on which I report by exception**

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

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

### **Report**

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**

**23 June 2014**

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

## 9. Accounts

### Statement of Comprehensive Net Expenditure for the Year Ended 31 March 2014

	Notes	2013-14	2012-13
		£000	£000
<b>Administration costs:</b>			
Staff and judiciary costs	3	16,083	16,828
Other administration costs	4.1	52,499	62,689
		68,582	79,517
Income	5	(807)	(859)
<b>Net administration costs</b>		<b>67,775</b>	<b>78,658</b>
<b>Programme costs:</b>			
Staff and judiciary costs	3	978,539	996,589
Other programme costs	4.1	801,117	804,172
Finance costs	4.2	18,358	39,856
		1,798,014	1,840,617
Income	5	(636,834)	(594,592)
<b>Net programme costs</b>		<b>1,161,180</b>	<b>1,246,025</b>
<b>Net operating cost</b>		<b>1,228,955</b>	<b>1,324,683</b>

### Other Comprehensive Expenditure

	Notes	2013-14	2012-13
		£000	£000
Net operating cost		1,228,955	1,324,683
Net (gain) on revaluation of property, equipment and investment property		(147,934)	(95,868)
Actuarial loss / (gain) on pension scheme liabilities	14.3	504	(233)
<b>Total comprehensive expenditure</b>		<b>1,081,525</b>	<b>1,228,582</b>

The notes on pages 63 to 107 form part of these accounts.

## Statement of Financial Position as at 31 March 2014

	Notes	31 March 2014	31 March 2013
		£000	£000
<b>Non-current assets</b>			
Property and equipment	6	2,958,991	2,826,632
Intangible assets	8	49,683	53,599
Trade and other receivables	10	188	219
<b>Total non-current assets</b>		<b>3,008,862</b>	<b>2,880,450</b>
<b>Current assets</b>			
Assets held for sale	7	17,854	18,349
Trade and other receivables	10	83,854	114,060
Cash and cash equivalents	11	25,691	106
<b>Total current assets</b>		<b>127,399</b>	<b>132,515</b>
<b>Total assets</b>		<b>3,136,261</b>	<b>3,012,965</b>
<b>Current liabilities</b>			
Cash and cash equivalents	11	-	(57,500)
Trade and other payables	12	(256,611)	(245,601)
Provisions for liabilities and charges	14	(11,866)	(11,347)
<b>Total current liabilities</b>		<b>(268,477)</b>	<b>(314,448)</b>
<b>Total assets less current liabilities</b>		<b>2,867,784</b>	<b>2,698,517</b>
<b>Non-current liabilities</b>			
Trade and other payables	12	(421,807)	(461,252)
Provisions for liabilities and charges	14	(133,378)	(116,343)
<b>Total non-current liabilities</b>		<b>(555,185)</b>	<b>(577,595)</b>
<b>Total assets less total liabilities</b>		<b>2,312,599</b>	<b>2,120,922</b>
<b>Taxpayers' equity</b>			
General fund		1,864,611	1,805,047
Revaluation reserves		447,988	315,875
<b>Total taxpayers' equity</b>		<b>2,312,599</b>	<b>2,120,922</b>



**Peter Handcock CBE**  
**Chief Executive and Accounting Officer**  
**20 June 2014**

The notes on pages 63 to 107 form part of these accounts.

## Statement of Changes in Taxpayers' Equity for the Year Ended 31 March 2014

	Notes	General fund	Revaluation reserves	Total
		£000	£000	£000
<b>Balance as at 31 March 2012</b>		<b>1,667,765</b>	<b>252,725</b>	<b>1,920,490</b>
Funding from the Ministry of Justice (MOJ)		1,108,320	-	1,108,320
Net operating cost		(1,324,683)	-	(1,324,683)
Adjustments in respect of non current assets:				
Transfers in from other public bodies	6	3,402	-	3,402
Notional costs:				
Consolidated fund judicial salaries	13	141,190	-	141,190
External auditors' remuneration	13	340	-	340
Departmental recharge	13	175,762	-	175,762
Revaluation of property, equipment and investment property		-	95,868	95,868
Actuarial gain on pension scheme liabilities	14.3	233	-	233
Reclassification from revaluation reserves		32,718	(32,718)	-
<b>Balance as at 31 March 2013</b>		<b>1,805,047</b>	<b>315,875</b>	<b>2,120,922</b>
Funding from the MOJ		930,000	-	930,000
Intercompany settlement with MOJ		114,155	-	114,155
Net operating cost		(1,228,955)	-	(1,228,955)
Adjustments in respect of non current assets:				
Transfers in from other public bodies	6	3,627	-	3,627
Notional costs:				
Consolidated fund judicial salaries	13	140,846	-	140,846
External auditors' remuneration	13	350	-	350
Departmental recharge	13	84,224	-	84,224
Revaluation of property, equipment and investment property		-	147,934	147,934
Actuarial (loss) on pension scheme liabilities	14.3	(504)	-	(504)
Reclassification from revaluation reserves		15,821	(15,821)	-
<b>Balance as at 31 March 2014</b>		<b>1,864,611</b>	<b>447,988</b>	<b>2,312,599</b>

The notes on pages 63 to 107 form part of these accounts.

## Statement of Cash Flows for the Year ended 31 March 2014

	Notes	2013-14	2012-13
		£000	£000
<b>Cash flows from operating activities</b>			
Net operating costs		(1,228,955)	(1,324,683)
Adjustments for notional and non-cash transactions	13	353,898	464,887
Finance costs	4.2	18,358	39,856
(Increase) in trade and other receivables		(36,405)	(12,532)
Increase / (decrease) in trade and other payables		130,178	(120,187)
Utilisation of provisions	14	(12,535)	(145,207)
<b>Net cash outflow from operating activities</b>		<b>(775,461)</b>	<b>(1,097,866)</b>
<b>Cash flows from investing activities</b>			
Purchases of property and equipment	13.1	(66,470)	(91,974)
Proceeds from disposal of property and equipment and assets held for sale		18,180	35,733
Purchase of intangible assets	8	(339)	-
<b>Net cash outflow from investing activities</b>		<b>(48,629)</b>	<b>(56,241)</b>
<b>Cash flows from financing activities</b>			
Funding from the MOJ		930,000	1,108,320
Capital element of Private Finance Initiative (PFI) contracts		(8,926)	(8,925)
Capital element of finance leases		46	(287)
Repayments of Local Authority loans		(3,191)	(2,916)
Interest paid	4.2	(10,754)	(11,474)
<b>Net cash inflow from financing activities</b>		<b>907,175</b>	<b>1,084,718</b>
<b>Net increase / (decrease) in cash and cash equivalents in the period</b>	11	<b>83,085</b>	<b>(69,389)</b>
<b>Cash and cash equivalents as at the beginning of the period</b>	11	<b>(57,394)</b>	<b>11,995</b>
<b>Cash and cash equivalents as at the end of the period</b>	11	<b>25,691</b>	<b>(57,394)</b>

The notes on pages 63 to 107 form part of these accounts.

# Notes to the Accounts for the Year Ended 31 March 2014

## 1 Statement of accounting policies

These accounts have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as interpreted for the public sector.

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

### 1.1 Accounting convention

HM Courts & Tribunals Service accounts have been prepared under the historical cost convention modified to account for the revaluation of property and equipment and intangible assets and certain financial assets and liabilities.

The preparation of the accounts in conformity with IFRS requires the use of certain critical accounting estimates (see note 1.27). It also requires management to exercise its judgement in the process of applying the accounting policies.

### 1.2 HM Courts & Tribunals Service Administration and Programme

The Statement of Comprehensive Net Expenditure (SoCNE) is analysed between Administration and Programme income and expenditure. The classification of income and expenditure as Administration and Programme follows the definition of administration costs as set out in the Spending Review by HM Treasury. Administration expenditure reflects the costs of running HM Courts & Tribunals Service while programme costs relate to service delivery activities.

### 1.3 Changes in accounting policy, and disclosures

#### a) Changes in accounting policy

HM Courts & Tribunals Service did not have any changes in accounting policies during the year.

#### b) New and amended standards adopted

International Accounting Standard (IAS) 1 'Presentation of Financial Statements – Other Comprehensive Income' (effective for accounting periods beginning on or after 1 July 2012), retains the option to present other comprehensive expenditure on a separate statement from net operating cost items, and to reclassify certain other comprehensive expenditure items to net operating cost. HM Courts & Tribunals Service has applied the requirements of IAS 1 in full to these Accounts.

There are no other IFRS' or International Financial Reporting Interpretations Committee (IFRIC) interpretations effective for the first time for the financial year beginning on or after 1 April 2013.

#### c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2013 and not early adopted

New standards which are not yet effective are not expected to have a material impact on the Group's future accounts.

## 1.4 Machinery of Government changes and restatement of comparatives

Machinery of Government changes, which involve the transfer of functions or responsibilities between two or more parts of the public sector/government departments, are required to be accounted for using merger accounting principles where there is a transfer of function between departmental groups within central government in accordance with the FReM. Where material the prior year comparatives are restated as appropriate, so that it appears that the entity has always existed in its present form. All other public sector business combinations are accounted for using absorption accounting.

There have been no Machinery of Government changes in HM Courts & Tribunals Service in 2013-14.

## 1.5 Income

Operating income is income that relates directly to the operating activities of HM Courts & Tribunals Service and is therefore recognised as revenue in the SoCNE.

It principally comprises fee income for services provided on a full cost basis to external customers and the recovery of costs from other government departments. Other operating income includes bailiff fees, rental income and miscellaneous receipts (for example sale of publications). Income is stated net of VAT.

Funding from the MOJ is credited directly to the General Fund in line with FReM requirements.

## 1.6 Fee income

Fee income consists of amounts for services rendered to civil, family court and tribunals users. The elements where payment has been received, but relate to work yet to be completed, are held in the Statement of Financial Position (SoFP) as deferred income. The deferred income is subsequently recognised as income upon completion of the service.

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

For certain fee income streams, such as warrants and assessments, an estimate is made of the time period in which the application is made (typically one week) and the deferred element is thus determined.

For other fee income streams, such as petitions, appeals and probate, specific records are maintained in respect of the outstanding services and the deferred income is directly determined based upon these.

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

## 1.7 HM Courts & Tribunals Service Trust Statement

Since 2010-11 HM Treasury has required government departments that collect material revenues from taxes, duties, fines and penalties, on behalf of the Consolidated Fund, to prepare a stand-alone Trust Statement that specifically reports on the financial activities relating to such collections.

HM Courts & Tribunals Service, as the Executive Agency of the MOJ responsible for collecting fines and financial penalties imposed by the criminal justice system, prepares a stand-alone Trust Statement that should be read in conjunction with the HM Courts & Tribunals Service Annual Report and Accounts.

The Trust Statement accounts for fines and penalties imposed by the criminal justice system as revenue ultimately payable to the Consolidated Fund, on a gross basis. It also accounts for the cash and balances payable to the Consolidated Fund and third parties in relation to the collection of the fines and penalties amounts.

## 1.8 Non-cash charges

Non-cash charges in the SoCNE include external auditors' remuneration, which represents the National Audit Office's cost for the audit of HM Courts & Tribunals Service's accounts, and departmental overhead recharges which are recharged to the HM Courts & Tribunals Service from the MOJ.

Other non-cash charges include salary and social security costs of senior judges who, being independent of HM Courts & Tribunals Service, are funded from the Consolidated Fund. Senior judges also receive long service payments under an agreement with the MOJ. There is a provision for these payments within the MOJ resource accounts.

## 1.9 Operating segments

Operating segments are analysed in accordance with IFRS 8 'Operating Segments' along with the lines of information presented to the Chief Operating Decision Maker (CODM) who for the purpose of these accounts is determined to be the Chief Executive. The CODM is responsible for allocating resources and assessing performance of the operating segments.

## 1.10 Property and equipment recognition

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

### **Capitalisation threshold – individual assets**

The threshold for individual assets is £10,000 (including irrecoverable VAT).

### **Capitalisation threshold – grouped assets**

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

Grouped assets typically comprise:

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

HM Courts & Tribunals Service threshold for grouped assets is £1m (including irrecoverable VAT). Where an item costs less than the prescribed limit, but forms an integral part of a package whose total value is greater than the capitalisation level, then the item is treated as a tangible fixed asset.

### **Valuation of land and buildings (including dwellings)**

Subsequent to initial recognition, land and buildings (including dwellings) comprise mainly court

facilities. Land and buildings are included at fair value, as interpreted by the FReM, on the basis of professional valuations which are conducted for each property at least once every five years.

Professional valuations are primarily undertaken by the Valuation Office Agency (VOA) using the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual, known as the 'Red Book'. In between professional valuations, carrying values are adjusted by the application of indices or through desktop valuations.

Criminal courts are mostly classified as specialised buildings which cannot be sold on the open market. Specialised properties are valued on depreciated replacement cost (DRC) to a modern equivalent basis in accordance with the Red Book, taking into account the functional obsolescence of the property. The Instant Building approach has been adopted, as required by the FReM. Therefore, no building periods or consequential finance costs have been reflected in the costs applied when the DRC approach is used. Ingoing works are fair valued using the Building Cost Information Service Tender Price Index as supplied by the RICS.

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

#### **Valuation of assets held for sale**

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

#### **Valuation of other assets**

Other assets comprise information technology, equipment, furniture, fixtures and fittings. These assets are included at cost upon purchase and are restated at each reporting date using the Producer Price Index produced by the Office of National Statistics (ONS).

Other assets revaluations and subsequent costs are accounted for in a consistent manner to land and buildings above.

#### **Assets under construction**

Assets under construction are valued at historical cost within property, plant and equipment and are not depreciated. Relevant expenditure such as external consultant costs, relevant employee costs and an appropriate portion of relevant overheads is capitalised where it is directly attributable to bringing an asset into working condition.

An asset ceases to be classified as an asset under construction when it is ready for use. Its carrying value is then removed from assets under construction and transferred to the respective asset category. Depreciation is then charged on the asset in accordance with the depreciation policy.

#### **Revaluation**

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

When an asset's carrying amount decreases as a result of a permanent diminution in the value of the asset due to a clear consumption of economic benefit or service potential, the decrease is charged directly to 'Other Operating Costs' in the SoCNE, with any remaining Revaluation Reserves balance released to the General Fund.

When an asset's carrying amount decreases (other than as a result of a permanent diminution), the decrease is recognised in the Revaluation Reserve to the extent a balance exists in respect of that asset. Any further decrease in excess of revaluation surpluses is charged to 'Other Operating Costs' in the SoCNE.

Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the SoCNE and depreciation based on the asset's original cost is transferred from the Revaluation Reserve to the General Fund.

Depreciation

Depreciation is charged on a straight-line basis at rates calculated to write-off the value of assets less estimated residual value evenly over their estimated useful lives or, for leased assets, over the life of the lease or the period implicit in the repayment schedule. The useful lives of assets or asset categories are reviewed annually and any changes are discussed with the relevant authorities to ensure that budgeting implications have been properly considered. Where a change in asset life is agreed, the asset is depreciated on a straight-line basis over its remaining assessed life. Depreciation commences in the month following the acquisition of a non-current asset for land, buildings and dwellings and in-month for all other non-current assets.

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

Estimated useful asset lives are within the following ranges:

<b>Freehold land</b>	Not depreciated
<b>Leasehold land</b>	Remaining lease period
<b>Freehold buildings (including dwellings)</b>	Shorter of remaining life or 60 years
<b>Leasehold buildings (including dwellings)</b>	Shortest of remaining life, remaining lease period or 60 years
<b>Information technology</b>	Shorter of remaining lease period or 7 years
<b>Equipment</b>	Shorter of remaining lease period or 3 to 5 years
<b>Furniture and fittings</b>	Shorter of remaining lease period or 10 to 20 years
<b>Assets held for sale</b>	Not depreciated
<b>Assets under construction</b>	Not depreciated

Disposals

Gains and losses on disposal of non-current assets are determined by comparing the proceeds with the carrying amount and are recognised within 'Other Operating Costs' in the SoCNE.

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

Donated assets

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

## 1.11 Intangible assets

HM Courts & Tribunals Service's intangibles comprise internally developed software for internal use (including such assets under construction) and purchased software licences.

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

- it is technically feasible to complete the software product so that it will be available for use;
- HM Courts & Tribunals Service intends to complete the software product and use it;
- there is an ability to use the software product;
- the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

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

Purchased software licenses are recognised as assets when it is probable that future service potential will flow to HM Courts & Tribunals Service and the cost of the license can be measured reliably. Such licenses are initially measured at cost.

Subsequent to initial recognition, intangible assets are included in the accounts at fair value. As no active market exists for the intangible assets of HM Courts & Tribunals Service, fair value is assessed as replacement cost less any accumulated amortisation and impairment losses (i.e. depreciated replacement cost).

Intangible assets in service are re-measured at the end of each reporting period using the Producer Price Index issued by the ONS.

Intangible assets are amortised using the straight-line method over their expected useful life. The useful lives of internally developed software range from three to seven years. Purchased software licences are amortised over the licence period. Intangible assets in development are not amortised until they are ready for use, at which point amortisation is then charged in accordance with the stated accounting policy.

### **Capitalisation thresholds – software projects**

The capitalisation threshold for software projects is £1m (including irrecoverable VAT).

## 1.12 Impairment

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

The recoverable amount of an asset is the higher of its "fair value less costs to sell" and "value in use". For the purposes of the public sector, the FReM defines the "value in use" of a non-

cash-generating asset as the present value of the asset's remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential.

Any impairment loss is charged directly to 'Other Operating Costs' in the SoCNE. If the impaired asset has previously been re-valued, any balance on the Revaluation Reserve (up to the level of the impairment loss) is transferred to the General Fund.

At each reporting date HM Courts & Tribunals Service also assesses whether there is any indication that an impairment loss recognised in a previous period either no longer exists or has decreased. If any such indication exists, the recoverable amounts of the assets in question are reassessed. The reversal of an impairment loss is then recognised in the SoCNE, if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment test was carried out. The amount of any reversal is restricted to increasing the carrying value of the relevant assets to the carrying value that would have been recognised had the original impairment not occurred (that is, after taking account of normal depreciation that would have been charged had no impairment occurred).

### 1.13 Leases

Leases are classified as either finance leases or operating leases based on the substance of the arrangement. The lease of land and buildings is split at inception of the lease into a separate lease of land and a lease of buildings.

#### **Finance leases**

Leases of property and equipment, where HM Courts & Tribunals Service has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the commencement of the lease at the lower of the fair value of the leased property or equipment and the present value of the minimum lease payments. Up-front payments for a leasehold interest classified as a finance lease are capitalised as part of the asset.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in either short term or long-term payables, depending on the dates HM Courts & Tribunals Service is contractually obliged to make rental payments. The interest element is charged to the SoCNE over the lease period at a constant periodic rate of interest on the remaining balance of the liability for each period.

The property and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

#### **Operating leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the SoCNE Expenditure on a straight-line basis over the period of the lease. Any up-front payments for a leasehold interest classified as an operating lease are recognised as a lease prepayment in the SoFP and amortised over the lease term.

Lease revenue from operating leases where HM Courts & Tribunals Service is the lessor is recognised as revenue on a straight-line basis over the lease term.

#### **Operating lease incentives**

HM Courts & Tribunals Service treats lease incentives (such as rent-free periods or contributions by the lessor to the lessee's relocation costs) as an integral part of the consideration for the use of the leased asset. The incentives are accounted for as an integral part of the net consideration agreed for the use of the leased asset and are spread appropriately over the lease term.

## Arrangements containing a lease

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

### 1.14 Service Concession Arrangements

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

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

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

HM Courts & Tribunals Service recognises the infrastructure asset at fair value (or the present value of the future minimum infrastructure payments, if lower) as a non-current asset in the SoFP with a corresponding liability for future payments under the agreement.

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

### 1.15 Cash and cash equivalents

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

### 1.16 Third party cash balances

HM Courts & Tribunals Service holds a number of different cash balances on behalf of third parties. These consist of bail monies which are received and held while a criminal case progresses and have not been recognised in the accounts in accordance with FReM requirements. These balances do not include amounts held following the collection of fines and penalties on behalf of other bodies; these amounts are reported in a separate Trust Statement (see note 1.7).

Third party cash balances are not included in the SoFP in line with FReM requirements and a disclosure of these balances is made in note 21 to the accounts.

### 1.17 Financial instruments

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

receive or make cash payments.

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

### 1.18 Value Added Tax (VAT)

Most of the activities of HM Courts & Tribunals Service are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capital purchase cost of property and equipment and intangibles. Where output tax is charged or input tax is recoverable the amounts are stated net of VAT.

### 1.19 Provisions

Provisions represent liabilities of uncertain timing or amount.

Provisions are recognised when HM Courts & Tribunals Service has:

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

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

### 1.20 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37 'Provisions, contingent liabilities, and contingent assets', HM Courts & Tribunals Service discloses, for Parliamentary reporting and accountability purposes, certain statutory and non-statutory contingent liabilities where the likelihood of transfer of economic benefit is remote as required by the Managing Public Money (MPM) guidelines.

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

### 1.21 Contingent assets

Contingent assets are disclosed where a probable asset arises from a past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within HM Courts & Tribunals Service's control.

### 1.22 General Fund

Funding received from the government is credited to the General Fund within the Statement of Changes in Taxpayers' Equity (SoCTE) upon receipt of the funds.

### 1.23 Employee benefits

Short term benefits such as salaries and wages or post-employment benefits resulting from employment and long-term benefits such as long service awards, including termination benefits (for example early departure costs) and pension benefits are recognised at the cost of providing

the benefit in the period in which it is earned by the employee, rather than when it is paid or becomes payable.

IAS 19 ('Employee Benefits') requires HM Courts & Tribunals Service to recognise the expected cost of the annual leave entitlement of its employees that is accrued at the end of each financial year. HM Courts & Tribunals Service estimates this accrual by calculating the average value of outstanding leave across each payband which is then used to provide an extrapolated total.

#### 1.24 Pensions

Most past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The Agency recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Agency recognises the contributions payable for the year.

Members of the judiciary are covered by the Judicial Pension Scheme (JPS). Further details of this scheme can be found in note 3.2.2.

#### 1.25 Early departure costs

HM Courts & Tribunals Service is required to pay the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early, unless the retirement is on approved medical grounds. The total cost is provided in full when the early departure programme or individual agreement is binding on HM Courts & Tribunals Service. The provision is measured at the present value of the expenditures required to settle the obligation. Where the effect is material, the estimated risk-adjusted cash flows are discounted using the nominal rate set by HM Treasury (2013-14: 4.3% and 2012-13: 4.1%). The increase in the provision due to passage of time is recognised as interest expense.

Following the introduction of a Civil Service Compensation Scheme in December 2010, the MOJ has also offered a Voluntary Early Departure (VED) scheme to selected HM Courts & Tribunals Service employees. The VED expenses reported in notes 3.1 and 3.1.3 cover amounts paid to individuals who accepted the offer of voluntary exit and who were approved to leave during 2012-13 and 2013-14. In line with the terms of the Civil Service Compensation scheme, no ex-gratia amounts were paid to individuals who exited under the VED scheme.

#### 1.26 By-analogy pension scheme

HM Courts & Tribunals Service has three by-analogy pension schemes for the Immigration and Asylum Chamber (IAC), the Criminal Injuries Compensation tribunal (CIC) and the Residential Property Tribunal Service (RPTS) which are similar to the PCSPS. These are funded from the Department's Vote and payments are administered by the department and Capita respectively. Payments made to the IAC pensioners are made via the payroll system.

#### 1.27 Critical accounting estimates and judgements

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

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

### *Valuation of property and equipment*

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

The majority of buildings are valued at depreciated replacement cost to a modern equivalent basis. All other buildings are measured at fair value determined from market-based evidence. The value of HM Courts & Tribunals Service's land and buildings fluctuates with changes in construction costs and the current market value of land and buildings. The accounting policy for land and buildings is set out in note 1.10 and information on the land and buildings is set out in note 6.

In December 2010 ministers announced the decision to close 142 courts; 93 magistrates' courts and 49 county courts. The Court Estate Reform Programme (CERP) closes courts that are underutilised and have poor facilities, reducing future routine maintenance and running costs. These courts will no longer form part of HM Courts & Tribunals Service's operational estate in the future, therefore their valuation method has been altered from depreciated replacement cost to fair value less selling costs determined from market-based evidence. As this change in valuation method indicates a permanent diminution in value, any impairment has been taken direct to the SoCNE, with the balance of any Revaluation Reserve taken to the General Fund.

### *Lease accounting*

Judgement is required in the initial classification of leases as either operating leases or finance leases. Where a lease is taken out for land and buildings combined both the building and land elements may be capitalised as separate finance leases if they meet the criteria for a finance lease. If the contracted lease payments are not split between land and buildings in the lease contract, the split is made based on the market values of the land and buildings at the inception of the lease. The accounting policy for leases is set out in note 1.13.

### *Dilapidations provision*

A dilapidations provision is recognised for leasehold properties to the extent that obligations exist within the lease requiring HM Courts & Tribunals Service to make good any changes made to the property during the period of the lease. Where a dilapidation provision is required, HM Courts & Tribunals Service recognises a provision equal to the cost of reinstating the building condition to the state as at the date of commencement of the lease.

A dilapidation provision is recognised when there is a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation; and if this amount is capable of being reliably estimated. If such an obligation is not capable of being reliably estimated it is classified as a contingent liability. When the effect of the time value of money is material, provision amounts are calculated on the present value of the expenditures expected to be required to settle the obligation. The present value is calculated using HM Treasury long term discount rates, as measured at the balance sheet reporting date, which have been adjusted for risks already reflected in future cash flow estimates

### *Onerous lease provision*

An onerous lease provision is made in respect of a lease contract where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Where an onerous contract is identified, the present value of the onerous portion of the contractual payment is quantified and recognised as a provision with the present value determined by using an appropriate discount rate. The onerous portion is the portion of lease payments that are not offset by some economic gain.

## 2. Statement of Operating Costs by Operating Segments

HM Courts & Tribunals Service is organised for management purposes into eight operational regions and a number of corporate areas.

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

HM Courts & Tribunals Service's reportable operating segments are as follows:

- London region
- North East region
- South East region
- North West region
- Midlands region
- South West region
- Wales region
- Scotland region
- Centralised frontline
- Estates
- Other

The operating segment's net cost of operations is measured on the same basis as the corresponding amounts reported in the financial statements.

Centralised front line costs include frontline operation costs not incurred directly by Regional Directorates such as Higher Judicial Salaries and fees, the National Taxation Team and Bulk Processing Centres and Enforcement.

Other includes headquarters functions, centrally managed non-cash items and the MOJ overhead recharge.

### 2.1 Segment revenue and results

A description of the services from which the reportable segments derive income is provided in note 5. There were no inter-segment transactions in the year (2012-13: nil).

The following table presents the net operating costs of operations by reportable operating segments for the period ended 31 March 2014:

	2013-14	2012-13
	£000	£000
London region	256,696	275,492
North East region	107,375	112,273
South East region	116,562	118,257
North West region	112,423	116,063
Midlands region	126,553	135,632
South West region	68,063	69,698

Wales region	57,091	55,856
Scotland region	23,253	23,985
Centralised frontline	317,951	268,705
Estates	231,390	238,866
Other	449,239	505,307
<b>Gross expenditure</b>	<b>1,866,596</b>	<b>1,920,134</b>
<b>Income</b>	<b>(637,641)</b>	<b>(595,451)</b>
<b>Net expenditure per Operating Cost Statement</b>	<b>1,228,955</b>	<b>1,324,683</b>

'Income' is primarily managed centrally and therefore has been shown as a separate category.

### 3 Staff and judiciary costs and numbers

Staff costs and numbers are separated between those attributable to employees of HM Courts & Tribunals Service and those attributable to members of the judiciary. Each category is dealt with in the following notes, with total costs summarised in the table below:

	Notes	2013-14			2012-13		
		Admin	Prog	Total	Admin	Prog	Total
		£000	£000	£000	£000	£000	£000
Staff costs	3.1	16,083	483,556	499,639	16,828	519,636	536,464
Judiciary costs	3.2	-	472,358	472,358	-	457,483	457,483
Agency staff costs	3.1	-	22,625	22,625	-	19,470	19,470
<b>Total staff and judiciary costs</b>		<b>16,083</b>	<b>978,539</b>	<b>994,622</b>	<b>16,828</b>	<b>996,589</b>	<b>1,013,417</b>

#### 3.1 Staff costs comprise:

	2013-14		
	Permanently employed staff	Agency and contract staff	Total
	£000	£000	£000
Wages and salaries	401,522	22,625	424,147
Social security costs	25,842	-	25,842
Employer's pension contributions	69,000	-	69,000
Voluntary early departures	3,087	-	3,087
	<b>499,451</b>	<b>22,625</b>	<b>522,076</b>
Add: inward secondments	660	-	660
	<b>500,111</b>	<b>22,625</b>	<b>522,736</b>
Less: recoveries in respect of outward secondments	(472)	-	(472)
<b>Total staff costs</b>	<b>499,639</b>	<b>22,625</b>	<b>522,264</b>

	2012-13		
	Permanently employed staff	Agency and contract staff	Total
	£000	£000	£000
Wages and salaries	417,097	19,470	436,567
Social security costs	27,044	-	27,044
Employer's pension contributions	70,490	-	70,490
Voluntary early departures	22,259	-	22,259
	<b>536,890</b>	<b>19,470</b>	<b>556,360</b>
Add: inward secondments	663	-	663
	<b>537,553</b>	<b>19,470</b>	<b>557,023</b>
Less: recoveries in respect of outward secondments	(1,089)	-	(1,089)
<b>Total staff costs</b>	<b>536,464</b>	<b>19,470</b>	<b>555,934</b>

### 3.1.1 Pension scheme

The PCSPS is an unfunded multi-employer defined benefit scheme, which prepares its own accounts, but for which HM Courts & Tribunals Service is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)).

For 2013-14, employer's contributions of £69.0m (2012-13: £70.4m), were payable to the PCSPS at one of four rates in the range of 16.7% to 24.3% (2012-13: 16.7% to 24.3%) of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2013-14 to be paid when the member retires and not the benefits paid during this period to existing pensioners. The employer's contribution balance also includes the By-analogy pension scheme current service cost.

### 3.1.2 Average number of staff employed

The average number of full time equivalent persons paid during the year was:

	2013-14		
	Permanently employed staff	Agency and contract staff	Total
Directly employed	16,999	-	16,999
Other	-	830	830
Staff engaged on capital projects	-	-	-
<b>Total</b>	<b>16,999</b>	<b>830</b>	<b>17,829</b>

	2012-13		
	Permanently employed staff	Agency and contract staff	Total
Directly employed	17,587	-	17,587
Other	-	682	682
Staff engaged on capital projects	-	-	-
<b>Total</b>	<b>17,587</b>	<b>682</b>	<b>18,269</b>

### 3.1.3 Voluntary Early Departures

A summary of approved VED exits is shown below:

Exit package cost	Number of compulsory redundancies		Number of voluntary departures agreed		Total number of exit packages by cost	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
<£10,000	-	-	4	10	4	10
£10,000 - £25,000	-	-	22	88	22	88
£25,000 - £50,000	-	-	16	123	16	123
£50,000 - £100,000	-	-	26	118	26	118
£100,000 - £150,000	-	-	5	52	5	52
£150,000 - £200,000	-	-	-	13	-	13
£200,000 - £250,000	-	-	-	2	-	2
£250,000 - £300,000	-	-	-	1	-	1
£300,000 - £350,000	-	-	-	1	-	1
£350,000 - £400,000	-	-	-	-	-	-
£400,000 - £450,000	-	-	-	-	-	-
<b>Total number of exit packages by type</b>	-	-	<b>73</b>	<b>408</b>	<b>73</b>	<b>408</b>
<b>Total resource cost (£000)</b>	-	-	<b>3,087</b>	<b>22,259</b>	<b>3,087</b>	<b>22,259</b>

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full when HM Courts & Tribunals Service has agreed and is committed to the departure. Where HM Courts & Tribunals Service has agreed early retirements, the additional costs are met by HM Courts & Tribunals Service and not by the PCSPS. Ill-health retirement costs are met by the pension scheme and are not included in the table.

## 3.2 Judiciary costs and numbers

Members of the judiciary are independent of HM Courts & Tribunals Service. Their payroll costs are met either from the Consolidated Fund, in the case of senior judiciary, or directly by HM Courts & Tribunals Service for other judiciary. All costs are included within HM Courts & Tribunals Service's Accounts to ensure that the full cost of operations is disclosed.

	2013-14				2012-13			
	Senior judiciary salaries	Other judiciary salaries	Fee paid	Total	Senior judiciary salaries	Other judiciary salaries	Fee paid	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Wages and salaries	125,353	101,848	131,153	358,354	125,271	103,512	115,568	344,351
Social security costs	15,493	12,036	13,721	41,250	15,525	12,185	12,318	40,028
Employer's pensions contribution	40,255	32,499	-	72,754	40,352	32,752	-	73,104
<b>Total payroll costs of the judiciary</b>	<b>181,101</b>	<b>146,383</b>	<b>144,874</b>	<b>472,358</b>	<b>181,148</b>	<b>148,449</b>	<b>127,886</b>	<b>457,483</b>

### 3.2.1 Average number of judiciary

The amounts in note 3.2 include salary costs for an average 936 (2012-13: 952) judicial officers and fees for 1,487 full-time equivalent fee paid judiciary (2012-13: 1,443). The salary costs of a further 914 members (2012-13: 925 members) of the senior judiciary were met from the Consolidated Fund.

### 3.2.2 Judicial Pension Scheme

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

Judicial pensions are paid out of the Consolidated Fund where the judicial office holder's salary was paid from that fund, or the JPS where the salary has been paid from the department's supply estimate. Contributions to the JPS have been made at a rate of 32.15% (2012-13: 32.15%). The amount of these contributions is included in the table in note 3.2 shown above.

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

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

Pension entitlements are provided to salaried judges under the JPS. In September 2005, a retired fee paid judicial office holder brought a claim in the Employment Tribunal seeking

retrospective parity of treatment with salaried judicial office holders by claiming pension entitlements under the Part Time Workers Regulations.

A UK Supreme Court hearing on 6 February 2013 ruled that a retired fee paid judicial office holder is entitled to a pension on terms equivalent to those of a salaried judicial office holder. This lead case set the precedent for other stayed cases. Consistent with the accounting for salaried judicial office holders, and in accordance with FReM 12.2.5, HM Courts & Tribunals Services accounts for employer contributions payable to the JPS for eligible fee paid judicial office holders as they are incurred, but does not recognise a liability in respect of back payments or the pension liability arising pursuant to the claim. Accordingly, provision for the fee paid pension entitlement is recognised in the JPS Accounts.

Provisions have been recognised in the MOJ Accounts for both the liability to fee paid judicial office holders in respect of the Judicial Service Award, and the separate element of the pension liability relating to fee paid judges, as neither of these is a liability covered by the JPS and its governing Acts.

## 4 Operating costs

### 4.1 Other operating costs consist of the following:

	<b>2013-14</b>		
	<b>Administration £000</b>	<b>Programme £000</b>	<b>Total £000</b>
Accommodation, maintenance and utilities	11	251,394	251,405
Juror costs	-	39,396	39,396
PFI service charges	-	23,908	23,908
Other service charges	-	10,711	10,711
Communications, office supplies and services	95	31,200	31,295
Contracted service costs	2,118	37,966	40,084
IT services	5,498	90,972	96,470
Consultancy costs	199	6,859	7,058
Other staff costs (including travel and subsistence)	1,545	8,486	10,031
Other judicial costs (including travel and subsistence)	1,377	37,347	38,724
Bank charges	-	4,065	4,065
Other costs	807	2,410	3,217
Capital grants	-	(504)	(504)
Other grants	-	15	15
	<b>11,650</b>	<b>544,225</b>	<b>555,875</b>
<b>Operating leases</b>			
Property rental costs	-	82,333	82,333
Hire of equipment and machinery	1	620	621
Other expenditure	5	1,889	1,894
	<b>6</b>	<b>84,842</b>	<b>84,848</b>
<b>Non-cash costs</b>			
External auditors' remuneration – audit of the Accounts	-	350	350
Net gain on disposal of property and equipment	-	(1,532)	(1,532)
(Impairment reversal) of property and equipment	-	(22,061)	(22,061)
Impairment of intangible assets	-	1,796	1,796
Impairment of assets held for sale	-	1,382	1,382
Straight-line of operating lease payments	-	6,159	6,159
Amortisation of operating lease prepayment	-	5	5
Movement in provisions	-	20,622	20,622
Intra-departmental recharges	40,843	43,381	84,224
Movement in bad debt provision	-	(129)	(129)
Depreciation	-	105,009	105,009
Amortisation	-	17,068	17,068
	<b>40,843</b>	<b>172,050</b>	<b>212,893</b>
<b>Total Operating costs</b>	<b>52,499</b>	<b>801,117</b>	<b>853,616</b>

	<b>2012-13</b>		
	<b>Administration £000</b>	<b>Programme £000</b>	<b>Total £000</b>
Accommodation, maintenance and utilities	19	236,934	236,953
Juror costs	-	39,948	39,948
PFI service charges	-	22,661	22,661
Other service charges	5	13,600	13,605
Communications, office supplies and services	231	31,127	31,358
Contracted service costs	4,140	30,567	34,707
IT services	7,213	14,019	21,232
Consultancy costs	585	978	1,563
Other staff costs (including travel and subsistence)	1,275	8,538	9,813
Other judicial costs (including travel and subsistence)	966	36,254	37,220
Bank charges	-	3,736	3,736
Other costs	1,240	2,721	3,961
Capital grants	-	5,809	5,809
Other grants	-	65	65
	<b>15,674</b>	<b>446,957</b>	<b>462,631</b>
<b>Operating leases</b>			
Property rental costs	-	78,530	78,530
Hire of equipment and machinery	12	981	993
Other expenditure	18	1,115	1,133
	<b>30</b>	<b>80,626</b>	<b>80,656</b>
<b>Non-cash costs</b>			
External auditors' remuneration – audit of the Accounts	-	340	340
Net loss on disposal of property and equipment	-	1,046	1,046
(Impairment reversal) of property and equipment	-	(10,626)	(10,626)
Increase in fair value of assets held for sale	-	1,801	1,801
Increase in fair value of intangible assets	-	(216)	(216)
Capital Grants	-	682	682
Straight-line of operating lease payments	-	13,325	13,325
Amortisation of operating lease prepayment	-	5	5
Movement in provisions	-	24,139	24,139
Intra-departmental recharges	46,985	128,777	175,762
Movement in bad debt provision	-	(62)	(62)
Depreciation	-	102,010	102,010
Amortisation	-	15,368	15,368
	<b>46,985</b>	<b>276,589</b>	<b>323,574</b>
<b>Total Operating costs</b>	<b>62,689</b>	<b>804,172</b>	<b>866,861</b>

## Departmental recharge

The departmental recharge represents the cost of services shared with the MOJ including human resources, legal and judicial services and finance and administration.

## Auditors' remuneration

The costs of the audit performed by the NAO on behalf of the Comptroller and Audit General are recognised as a non-cash charge. During the year HM Courts & Tribunals Service did not purchase any non-audit services. The cost comprises £240,000 (2012-13: £210,000) for the audit of the HM Courts & Tribunals Service Annual Report and Accounts and £110,000 (2012-13: £130,000) for the audit of the HM Courts & Tribunals Service Trust Statement Annual Report and Accounts.

### 4.2 Finance costs consist of the following:

	2013-14	2012-13
	£000	£000
Interest on pension fund transfer deficit	-	10,094
Finance charge on Local Government Pension Scheme (LGPS) creditor	5,878	13,304
Interest on by-analogy pension scheme liability	158	193
Unwinding of discount on provisions	1,568	4,791
<b>Total non-cash finance costs</b>	<b>7,604</b>	<b>28,382</b>
Local authority loan interest	1,674	1,828
Finance charge on PFI and leased assets	9,080	9,646
<b>Total cash finance costs</b>	<b>10,754</b>	<b>11,474</b>
<b>Total finance costs</b>	<b>18,358</b>	<b>39,856</b>

## 5 Income

	2013-14	2012-13
	£000	£000
Fee income	506,666	477,092
Rental income	287	649
Recoveries from other government bodies	94,063	82,041
Bailiff fees	31,338	25,697
Miscellaneous income	5,287	9,972
<b>Total income</b>	<b>637,641</b>	<b>595,451</b>

Income relating to Administration and Programme respectively amounted to £807k (2012-13: £859k) and £636,834k (2012-13: £594,592k).

### Fee income

Fee income comprises amounts received from the business streams as shown in note 5.2.

### Rental income

Rental income comprises investment property rental, sub-letting and other rental paid by occupiers of the HM Courts & Tribunals Service estate.

### Bailiff fees

Represents recovery of Bailiff fees incurred by HM Courts & Tribunals Service in the collection of outstanding impositions.

### Miscellaneous income

Miscellaneous income relates to income received from sales of publications, insurance claims, vending machine receipts, telephone boxes and casual lettings.

## 5.1 Consolidated Fund Income

Total income does not include amounts collected by HM Courts & Tribunals Service where it was acting as agent of the Consolidated Fund rather than as principal. Full details of income collected as agent for the Consolidated Fund are in the HM Courts & Tribunals Service Trust Statement published separately from these financial statements.

## 5.2 Fees and charges

HM Courts & Tribunals Service is required, in accordance with HM Treasury's MPM, to disclose performance results for the areas of its activities where fees and charges are made. The analysis is not intended to meet the requirements of IFRS 8 'Operating Segments' which is not applicable to HM Courts & Tribunals Service under the requirements of the FReM.

HM Courts & Tribunals Service covers the following business areas: civil and family courts, tribunal, criminal courts and other. Only the civil and tribunal businesses have systems for charging fees. The policy and financial objective for civil business is to recover the full costs of the processes involved less the cost of funding fee remissions. The government is also looking at the case for charging enhanced fees, which exceed the cost of proceedings, in certain circumstances, to reduce further the cost to the taxpayer of operating the courts system. We will be bringing forward our plans for reform in due course. Separate cost recovery targets have been agreed for the tribunal business. The system of fee remissions exists to ensure that individuals are not denied access to the courts if they genuinely cannot afford the fee.

HM Courts & Tribunals Service reports on both the civil and tribunal business segments. Civil business contains two business streams: family (including non-contentious probate and court of protection) and civil (including civil business in county courts, higher courts and magistrates' courts). The tribunals business contains three business streams: immigration and asylum, employment and other fee charging tribunals (including lands, residential property, gambling and gender recognition).

Employment tribunal fees were introduced in July 2013 and there has also been a review of the approach used to estimate the full cost of providing services for which we charge fees. The table below reflects these changes, with 2012-13 figures re-stated as appropriate.

	Gross income	Income foregone via Remission	Net income	Expenditure	Net (surplus)/ deficit	Gross (surplus)/ deficit	Fee recovery	
	£'000	£'000	£'000	£'000	£'000	£'000	Actual	Target
				Note 1			%	%
							Note 2	
<b>Civil business</b>								
Family [Note 3]	161,168	(13,269)	147,899	(204,365)	(56,466)	(43,197)	79%	100%
Civil [Note 4]	348,354	(5,453)	342,901	(413,981)	(71,080)	(65,627)	84%	100%
<b>Total civil business</b>	<b>509,522</b>	<b>(18,722)</b>	<b>490,800</b>	<b>(618,346)</b>	<b>(127,546)</b>	<b>(108,824)</b>	<b>82%</b>	<b>100%</b>
<b>Tribunal business [Note 5]</b>								
Asylum and Immigration	10,890	(626)	10,264	(101,113)	(90,849)	(90,223)	11%	
Employment	5,149	(680)	4,469	(76,364)	(71,895)	(71,215)	7%	
Other tribunals [Note 6]	1,159	(26)	1,133	(13,498)	(12,365)	(12,339)	9%	-
<b>Total tribunal business</b>	<b>17,198</b>	<b>(1,332)</b>	<b>15,866</b>	<b>(190,975)</b>	<b>(175,109)</b>	<b>(173,777)</b>	<b>9%</b>	<b>-</b>
<b>2013-14 Total HM Courts &amp; Tribunals Service business</b>	<b>526,720</b>	<b>(20,054)</b>	<b>506,666</b>	<b>(809,321)</b>	<b>(302,655)</b>	<b>(282,601)</b>	<b>65%</b>	<b>-</b>
<b>2012-13 (restated) Total HM Courts &amp; Tribunals Service business [Note 7]</b>	<b>501,057</b>	<b>(23,965)</b>	<b>477,092</b>	<b>(800,035)</b>	<b>(322,943)</b>	<b>(298,978)</b>	<b>63%</b>	<b>-</b>

**Notes:**

- The costs above are calculated on a full cost basis, and include an allocation of overhead costs including headquarter and regional office costs.
- The fee recovery target is calculated using gross income against expenditure.
- The Court of Protection and Probate have been included within the family business line as their work is administered as part of the family division of the High Court.
- Civil includes civil business in the county courts, higher courts and magistrates' courts.
- Only the income charging tribunals have been included in the table above. Tribunal fees in Asylum and Immigration and Employment Tribunals were originally set at 25% of cost and 33% of cost respectively for those processes which attract fees. There were no targets in 2013-14 for overall cost recovery in these jurisdictions.
- Other tribunals include lands, residential property, gambling and gender recognition.
- The 2012-13 figures have been restated to reflect a new cost model. This model was created during 2013-14 to improve transparency to cost allocation for work processed in the courts and tribunals.

The most current fees orders are listed below and can also be viewed at <http://www.justice.gov.uk/courts/fees/si-in-force>:

- **The Civil Proceedings Fees (Amendment No. 2) Order 2013 No.1410 [L.13]** which amends The Civil Proceedings Fees (Amendment) Order 2011 No.586 [L2]
- **The Family Proceedings Fees (Amendment) Order 2013 No.1407 [L.10]** which amends The Family Proceedings Fees (Amendment) Order 2011 No.586 [L2]

- **The Non-Contentious Probate Fees (Amendment) Order 2013 No.1408 [L. 11]** which amends The Non - Contentious Probate Fees (Amendment) Order 2011 No.588 [L4]
- **The Magistrates' Courts Fees (Amendment) Order 2013 No.1409 [L.12]** which amends The Magistrates' Courts Fees (Amendment No 2) Order 2010 [1917]
- **The Court of Protection Fees (Amendment) Order 2009 [513]** which amends the Court of Protection Fees Order 2007 [1745]
- **The First-tier Tribunal (Immigration and Asylum Chamber) Fees Order 2011 No 2841.**
- **The Upper Tribunal (Immigration and Asylum Chamber) (Judicial Review) (England & Wales) Fees (Amendment) Order 2013 No.2069**, which amends The Upper Tribunal (Immigration and Asylum Chamber) (Judicial Review) (England & Wales) Fees Order 2011 No.2344
- **The Upper Tribunal (Lands Chamber) Fees (Amendment) Order 2013 No. 1199** which amends the Lands Chamber Fees (Amendment) Order 2010 No.2601
- **The First Tier Tribunal (Gambling) Fees (Amendment) Order 2010 No.633**, which amends the First Tier Tribunal (Gambling) Fees (Amendment) Order 2010 No.42
- **The Gender Recognition (Application Fees) (Amendment) Order 2012 No. 920** which amends the Gender Recognition (Application Fees) Orders 2006 No 758 and 2011 No 628,
- **The First-tier Tribunal (Property Chamber) Fees Order 2013 No.1179** which replaces The Residential Property Tribunal (Fees) (England) Regulations 2011 No 1007
- **The Employment Tribunals and the Employment Appeal Tribunal Fees Order 2013 No.1893** (New fees came into force on 29 July 2013)

## 6 Property and equipment

2013 -14									
	Land excluding dwellings	Buildings excluding dwellings	Land for dwellings	Dwellings	Information technology	Equipment	Furniture, fixtures and fittings	Assets under construction	Total
	Notes 6.1, 6.3, 6.4	Notes 6.1, 6.3, 6.4	Note 6.2	Note 6.2					
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>									
<b>As at 1 April 2013</b>	<b>459,002</b>	<b>2,237,361</b>	<b>7,756</b>	<b>12,373</b>	<b>17,770</b>	<b>60,732</b>	<b>32,941</b>	<b>64,722</b>	<b>2,892,657</b>
Additions	69	9,874	-	501	50	732	130	50,554	61,910
Disposals	-	(5)	-	-	(2,831)	(1,500)	(166)	28	(4,474)
Reclassification	-	60,746	-	581	(469)	641	-	(61,364)	135
Revaluation	24,834	75,425	949	(256)	(322)	2,191	199	-	103,020
Impairment	4,014	(20,900)	57	(546)	(389)	-	19	(4,484)	(22,229)
Reclassified to assets held for sale	(9,565)	(7,198)	-	-	-	-	-	-	(16,763)
Transfers from the MOJ	104	642	-	-	16,858	482	-	(30)	18,056
Transfers in from other public bodies	2,995	632	-	-	-	-	-	-	3,627
<b>As at 31 March 2014</b>	<b>481,453</b>	<b>2,356,577</b>	<b>8,762</b>	<b>12,653</b>	<b>30,667</b>	<b>63,278</b>	<b>33,123</b>	<b>49,426</b>	<b>3,035,939</b>
<b>Depreciation</b>									
<b>As at 1 April 2013</b>	-	-	-	-	<b>7,191</b>	<b>38,196</b>	<b>20,638</b>	-	<b>66,025</b>
Charged in year	451	90,801	11	631	2,885	7,116	3,114	-	105,009
Disposals	-	-	-	-	(2,613)	(1,330)	(117)	-	(4,060)
Reclassifications	-	-	-	-	-	-	-	-	-
Revaluations	(384)	(46,900)	(11)	(404)	(91)	1,318	141	-	(46,331)
Impairment	(67)	(43,990)	-	(227)	(14)	-	7	-	(44,291)
Transfer from the MOJ	-	89	-	-	507	-	-	-	596
<b>As at 31 March 2014</b>	-	-	-	-	<b>7,865</b>	<b>45,300</b>	<b>23,783</b>	-	<b>76,948</b>
<b>Net book value as at 31 March 2014</b>	<b>481,453</b>	<b>2,356,577</b>	<b>8,762</b>	<b>12,653</b>	<b>22,802</b>	<b>17,978</b>	<b>9,340</b>	<b>49,426</b>	<b>2,958,991</b>
<b>Net book value as at 31 March 2013</b>	<b>459,002</b>	<b>2,237,361</b>	<b>7,756</b>	<b>12,373</b>	<b>10,579</b>	<b>22,536</b>	<b>12,303</b>	<b>64,722</b>	<b>2,826,632</b>
<b>Asset financing</b>									
Owned	423,544	1,912,579	6,577	10,053	22,802	17,978	9,340	49,426	2,452,299
Finance leased	42,539	275,111	2,185	2,600	-	-	-	-	322,435
On-balance sheet PFI contracts	15,370	168,887	-	-	-	-	-	-	184,257
<b>Carrying value at 31 March 2014</b>	<b>481,453</b>	<b>2,356,577</b>	<b>8,762</b>	<b>12,653</b>	<b>22,802</b>	<b>17,978</b>	<b>9,340</b>	<b>49,426</b>	<b>2,958,991</b>

2012-13									
	Land excluding dwellings	Buildings excluding dwellings	Land for dwellings	Dwellings	Information technology	Equipment	Furniture, fixtures and fittings	Assets under construction	Total
	Notes 6.1, 6.3, 6.4	Notes 6.1, 6.3, 6.4	Note 6.2	Note 6.2					
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>									
<b>As at 1 April 2012</b>	<b>457,984</b>	<b>2,143,915</b>	<b>7,203</b>	<b>12,720</b>	<b>19,745</b>	<b>49,331</b>	<b>31,658</b>	<b>126,326</b>	<b>2,848,882</b>
Additions	586	439	-	-	99	628	436	75,969	78,157
Disposals	(283)	(1,336)	-	(14)	(9,235)	(2,628)	(135)	(229)	(13,860)
Impairments	(11,253)	(82,181)	(123)	(882)	-	-	-	(19,104)	(113,543)
Reclassification	355	113,382	-	458	5,038	(102)	230	(118,208)	1,153
Revaluation	26,759	93,026	676	91	2,123	1,282	752		124,709
Reclassified to assets held for sale	(17,785)	(30,647)	-	-	-	-	-	-	(48,432)
Transfers from MOJ	-	-	-	-	-	12,221	-	(32)	12,189
Transfers in from other public bodies	2,639	763	-	-	-	-	-	-	3,402
<b>As at 31 March 2013</b>	<b>459,002</b>	<b>2,237,361</b>	<b>7,756</b>	<b>12,373</b>	<b>17,770</b>	<b>60,732</b>	<b>32,941</b>	<b>64,722</b>	<b>2,892,657</b>
<b>Depreciation</b>									
<b>As at 1 April 2012</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>11,628</b>	<b>32,193</b>	<b>17,227</b>	<b>-</b>	<b>61,050</b>
Charged in year	388	87,816	11	532	2,399	7,777	3,087	-	102,010
Disposals	(1)	(93)	-	-	(7,487)	(2,447)	(75)	-	(10,103)
Reclassifications	(2)	(34)	-	-	-	-	-	-	(36)
Impairment	(48)	(30,590)	-	(142)	-	-	-	-	(30,780)
Revaluations	(338)	(57,100)	(11)	(390)	651	673	399	-	(56,116)
<b>As at 31 March 2013</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,191</b>	<b>38,196</b>	<b>20,638</b>	<b>-</b>	<b>66,025</b>
<b>Net book value as at 31 March 2013</b>	<b>459,002</b>	<b>2,237,361</b>	<b>7,756</b>	<b>12,373</b>	<b>10,579</b>	<b>22,536</b>	<b>12,303</b>	<b>64,722</b>	<b>2,826,632</b>
<b>Net book value as at 31 March 2012</b>	<b>457,983</b>	<b>2,143,914</b>	<b>7,203</b>	<b>12,720</b>	<b>8,117</b>	<b>17,138</b>	<b>14,431</b>	<b>126,326</b>	<b>2,787,832</b>
<b>Asset financing</b>									
Owned	401,202	1,778,546	5,731	9,644	10,579	22,535	12,303	64,722	2,305,262
Finance leased	42,374	280,840	2,025	2,729	-	1	-	-	327,969
On-balance sheet PFI contracts	15,426	177,975	-	-	-	-	-	-	193,401
<b>Carrying value at 31 March 2013</b>	<b>459,002</b>	<b>2,237,361</b>	<b>7,756</b>	<b>12,373</b>	<b>10,579</b>	<b>22,536</b>	<b>12,303</b>	<b>64,722</b>	<b>2,826,632</b>

Notes:

- 6.1 Included under land and buildings excluding dwellings are PFI contract assets with a net book value of £184.2m (2012-13: £193.4m) and depreciation charged in year of £4.6m (2012-13: £4.5m); also included are finance lease assets with a net book value of £317.9m (2012-13: £323.2m) and depreciation charged in the year of £15.7m (2012-13: £14.6m). Within buildings excluding dwellings £88.2m (2012-13: £89.4m) relates to leasehold improvements.
- 6.2 Included under land for dwellings are finance leases with a net book value of £2.2m (2012-13: £2.0m) and depreciation charged in the year of £0.01m (2012-13: £0.01m). Included under Dwellings are finance lease assets with a net book value of £2.6m (2012-13: £2.7m) and depreciation charged in the year of £0.4m (2012-13: £0.2m).
- 6.3 All assets other than 'Land and Buildings (excluding dwellings)' and 'Assets under Construction' are valued using the Producer Price Index produced by the ONS.
- 6.4 As part of an ongoing review into the optimal utilisation of the courts estate, a review of the viability of the development plans at a number of sites is being undertaken. This review has resulted in an impairment of property and equipment of £4.5m (2012-13: £19.0m) being recognised in the SoCNE to reflect the reduction in the value of assets under construction.

## 7 Assets held for sale

As part of an ongoing court rationalisation review, HM Courts & Tribunals Service has committed to a plan to sell a number of surplus properties (land and buildings) that were previously used to provide court services. An active programme to locate buyers and complete the sale of each property has commenced and estate agents are actively marketing the properties. The properties are available for sale in their present condition and the sales are highly probable to occur within one year from the date of classification to assets held for sale within the SoFP.

A net profit on disposal of assets held for sale as at 31 March 2014 of £2.3m (as at 31 March 2013 - £1.7m) is included in net loss on disposal of property and equipment within Other Programme Costs in the SoCNE.

	Notes	2013-14	2012-13
		£000	£000
<b>As at the beginning of the period</b>		<b>18,349</b>	<b>5,405</b>
Assets reclassified from property and equipment	6	16,763	48,431
Increase in fair value of assets held for sale	4.1	-	283
Impairment	4.1	(1,382)	(2,084)
Disposals		(15,876)	(33,686)
<b>As at the end of the period</b>		<b>17,854</b>	<b>18,349</b>

## 8 Intangible assets

	2013-14		
	Information technology	Assets under construction	Total
	£000	£000	£000
<b>Cost or valuation</b>			
<b>As at 1 April 2013</b>	<b>105,836</b>	<b>158</b>	<b>105,994</b>
Additions	271	68	339
Disposals	-	(359)	(359)
Reclassifications	477	(612)	(135)
Impairment	(271)	(1,526) *	(1,797)
Revaluations	(2,584)	-	(2,584)
Transfers from the MOJ	16,742	2,292	19,034
<b>As at 31 March 2014</b>	<b>120,471</b>	<b>21</b>	<b>120,492</b>
<b>Amortisation</b>			
<b>As at 1 April 2013</b>	<b>52,395</b>	<b>-</b>	<b>52,395</b>
Charged in year	17,068	-	17,068
Disposals	-	-	-
Reclassifications	-	-	-
Revaluations	(1,168)	-	(1,168)
Transfers from the MOJ	2,514	-	2,514
<b>As at 31 March 2014</b>	<b>70,809</b>	<b>-</b>	<b>70,809</b>
<b>Carrying value at 31 March 2014</b>	<b>49,662</b>	<b>21</b>	<b>49,683</b>
<b>Carrying value at 31 March 2013</b>	<b>53,441</b>	<b>158</b>	<b>53,599</b>
<b>Asset financing:</b>			
Owned	<b>49,662</b>	<b>21</b>	<b>49,683</b>
Finance leased	-	-	-
PFI contracts	-	-	-
<b>Carrying value at 31 March 2014</b>	<b>49,662</b>	<b>21</b>	<b>49,683</b>

\* During 2013-14 HM Courts & Tribunals Service impaired development expenditure on the deployment of an existing IT system, GAPS2, to an additional business area following the reappraisal of the economic benefits of the business case.

	2012-13		
	Information technology	Assets under Construction	Total
	£000	£000	£000
<b>Cost or valuation</b>			
<b>As at 1 April 2012</b>	<b>83,597</b>	<b>8,035</b>	<b>91,632</b>
Additions	-	-	-
Disposals		(19)	(19)
Reclassifications*	9,730	(9,968)	(238)
Revaluations	12,509	-	12,509
Transfers from other departments/agencies		2,110	2,110
<b>As at 31 March 2013</b>	<b>105,836</b>	<b>158</b>	<b>105,994</b>
<b>Amortisation</b>			
<b>As at 1 April 2012</b>	<b>33,167</b>	-	<b>33,167</b>
Charged in year	15,368	-	15,368
Disposals	(1)	-	(1)
Reclassifications			
Revaluations	3,861	-	3,861
Transfers from other departments/agencies	-	-	-
<b>As at 31 March 2013</b>	<b>52,395</b>	-	<b>52,395</b>
<b>Carrying value at 31 March 2013</b>	<b>53,441</b>	<b>158</b>	<b>53,599</b>
<b>Carrying value at 31 March 2012</b>	<b>50,430</b>	<b>8,035</b>	<b>58,465</b>
<b>Asset financing:</b>			
Owned	<b>53,441</b>	<b>158</b>	<b>53,599</b>
Finance leased	-	-	-
PFI Contracts	-	-	-
<b>Carrying value at 31 March 2013</b>	<b>53,441</b>	<b>158</b>	<b>53,599</b>

\* Following the completion of a number of software projects classified as assets under construction, the assets were transferred to IT. As part of the go-live assessment £238k of IT hardware was identified and reclassified to Property and Equipment and disclosed under Information Technology.

The net book values and remaining amortisation lives of individually material assets within intangible assets are detailed below:

Asset description	2013-14		2012-13	
	Net book value	Remaining amortisation period (years)	Net book value	Remaining amortisation period (years)
	£000		£000	
Magistrates' Courts Operational Business Systems	6,511	3	9,524	4
Software upgrade programme to case management system	22,053	3	23,742	4
Digital Audio Recording Transcription Service (DARTS) software rollout	8,325	3	11,146	4

## 9 Financial instruments

IFRS 7 'Financial Instruments: Disclosures', requires disclosure of the role that financial instruments have had during the period in creating or changing risks an entity faces in carrying out its business.

As HM Courts & Tribunals Service is funded via MOJ, it is not exposed to the degrees of financial risk or market risk facing a business entity. Financial instruments also play a much more limited role in creating or changing risk than would be typical of the listed companies to which IFRS 7 primarily applies. HM Courts & Tribunals Service has no powers to borrow or invest surplus funds. Its financial assets and liabilities arise from day-to-day operational activities and are not held to hedge risks arising from these activities. HM Courts & Tribunals Service is therefore not exposed to significant liquidity, interest rate or foreign currency risk.

Credit risks arise from HM Courts & Tribunals Service's financial assets, which comprise cash and cash equivalents, trade and other receivables and other financial assets. HM Courts & Tribunals Service's exposure to credit risk arises from the potential default of a counterparty on their contractual obligations resulting in financial loss to HM Courts & Tribunals Service.

Credit risk associated with HM Courts & Tribunals Service's receivables is minimal as most debtor balances are with other government related bodies. Credit risk in relation to receivables is also monitored by management regularly by reviewing the ageing of receivables. The maximum loss HM Courts & Tribunals Service is exposed to is the carrying value of its financial assets within the SoFP.

### Fair values

The fair values of HM Courts & Tribunals Service's financial assets and liabilities as at 31 March 2014 and 31 March 2013 approximate their book values.

The fair value of the creditor for pension transfer deficit amounts payable to LGPS has been derived by discounting the future cash payments to be made in order to extinguish the liability. The discounting is considered to be material to the accounts. Refer to note 14.1 for further information.

## 10 Trade and other receivables

Amounts due within one year:

	2013-14	2012-13
	£000	£000
Trade receivables	10,018	9,124
Other receivables:		
VAT recoverable	10,695	9,798
Intra-departmental debtors	29,452	29,129
Prepayments and accrued revenue	29,097	32,526
Other receivables	4,592	33,483
<b>Total amounts due within one year</b>	<b>83,854</b>	<b>114,060</b>

Amounts due after one year:

	Notes	2013-14	2012-13
		£000	£000
Other receivables		53	79
Prepayments		135	140
<b>Total amounts due after one year</b>		<b>188</b>	<b>219</b>

### 10.1 Analysis of receivable balances by organisational type

	2013-14		2012-13	
	Amounts due within one year	Amounts due after one year	Amounts due within one year	Amounts due after one year
	£000	£000	£000	£000
Other central government bodies	46,917	-	49,027	-
Local authorities	1,621	135	1,998	140
NHS Bodies	2	-	3	-
Public corporations and trading funds	922	-	2,868	-
Bodies external to government	34,392	53	60,164	79
<b>Total trade and other receivables</b>	<b>83,854</b>	<b>188</b>	<b>114,060</b>	<b>219</b>

## 11 Cash and cash equivalents

	2013-14	2012-13
	£000	£000
<b>As at the beginning of the period</b>	<b>(57,394)</b>	<b>11,995</b>
Increase / (decrease) in cash balances	83,085	(69,389)
<b>As at the end of the period</b>	<b>25,691</b>	<b>(57,394)</b>
<b>The following balances as at 31 March were held at:</b>		
Government Banking Service	25,603	(57,500)
Cash in hand	62	74
Imprests	26	32
<b>Total cash and cash equivalents</b>	<b>25,691</b>	<b>(57,394)</b>

## 12 Trade and other payables

Amounts due within one year:

	2013-14	2012-13
	£000	£000
Other taxation and social security	16,778	17,622
Trade payables	3,630	2,450
Other payables	19,032	21,609
Intra-departmental creditors	44,080	56,869
Accruals and deferred revenue	137,599	135,625
Creditor for pension transfer deficit: amounts payable to LGPS	26,456	2,404
Finance leases	110	96
Imputed finance lease element of on-balance sheet PFI contracts	8,926	8,926
<b>Total amounts due within one year</b>	<b>256,611</b>	<b>245,601</b>

Amounts due after one year:

	2013-14	2012-13
	£000	£000
Capital value of PFI contracts	122,236	131,162
Other payables	115,331	111,996
Creditor for pension transfer deficit: amounts payable to LGPS	173,970	200,778
Obligations under finance leases	10,270	17,316
<b>Total amounts due after one year</b>	<b>421,807</b>	<b>461,252</b>

### 12.1 Analysis of payables by organisational type

	2013-14		2012-13	
	Amounts due within one year	Amounts due after one year	Amounts due within one year	Amounts due after one year
	£000	£000	£000	£000
Other central government bodies	84,988	-	89,166	-
Local authorities	32,580	206,855	22,039	236,854
NHS bodies	24	-	28	-
Public corporations and trading funds	451	-	385	-
Bodies external to government	138,568	214,952	133,983	224,398
<b>Total trade and other payables</b>	<b>256,611</b>	<b>421,807</b>	<b>245,601</b>	<b>461,252</b>

## 13 Notes to the Statement of Cash Flow

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

	2013-14	2012-13
	£000	£000
<b>Notional costs</b>		
Consolidated fund judicial costs – wages and salaries	125,353	125,665
Consolidated fund judicial costs – social security costs	15,493	15,525
External auditors' remuneration	350	340
Departmental recharge	84,224	175,762
<b>Notional costs</b>	<b>225,420</b>	<b>317,292</b>
<b>Non-cash costs</b>		
Net (profit)/loss on disposal of property and equipment	(1,532)	1,046
Reduction/(increase) in value of property and equipment	(26,545)	(10,626)
Impairment of property and equipment	4,484	-
Impairment of intangible assets	1,526	
Reduction/(increase) in fair value of intangible assets	270	(216)
Reduction in fair value of assets held for sale	1,382	1,801
Operating lease prepayment amortisation	5	5
Capital grants – property transfer	-	682
Straight-line of operating lease payments	6,159	13,325
Movement in provisions	20,781	24,262
Movement in bad debt provision	(129)	(62)
Depreciation	105,009	102,010
Amortisation	17,068	15,368
<b>Non-cash costs</b>	<b>128,478</b>	<b>147,595</b>
<b>Total notional and non-cash costs</b>	<b>353,898</b>	<b>464,887</b>

### 13.1 Reconciliation of property and equipment

	Notes	2013-14	2012-13
		£000	£000
Additions			
Property and equipment	6	61,910	78,157
Plus:			
Increase in capital accrual		4,560	13,817
<b>Total additions per Cash Flow Statement</b>		<b>66,470</b>	<b>91,974</b>

## 14 Provision for liabilities and charges

	Notes	2013-14	2012-13
		£000	£000
Provision for pensions transfer deficit	14.1	-	-
Provision for early departure costs	14.2	112,394	109,434
Provision for by-analogy pension scheme	14.3	4,493	3,887
Dilapidations provision	14.4	19,507	8,800
Other provisions	14.5	8,850	5,569
<b>Total provisions</b>		<b>145,244</b>	<b>127,690</b>

Provisions for liabilities and charges fall due as follows:

	2013-14	2012-13
	£000	£000
One year	11,866	11,347
Two to five years	39,127	35,762
More than five years	94,251	80,581
<b>Total provisions</b>	<b>145,244</b>	<b>127,690</b>

### 14.1 Provision for pensions transfer deficit

	2013-14	2012-13
	£000	£000
<b>As at the beginning of the period</b>	-	<b>182,464</b>
Increase in provision	-	12,099
Interest and unwinding of discount on pension transfer deficit	-	10,094
Utilised in year	-	(136,120)
	-	<b>68,537</b>
Amount reclassified to trade and other payables	-	(68,537)
<b>As at the end of the period</b>	-	-

The Courts Act 2003 legislated for the transfer of magistrates' courts functions and responsibilities to HM Courts & Tribunals Service. As a result, approximately 8,000 employees on the local Magistrates' Court Committees' contracts of employment transferred to HM Courts & Tribunals Service and required changes in their pension arrangements. The transferred staff became members of the PCSPS on 1 April 2005. They were given options to transfer their accrued benefits to the PCSPS.

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

Following the employees' transfer from the administering local authority to PCSPS, the LGPS' were required to identify the underlying net funding position of the transferred employees. If a net deficit resulted due to the historic under-funding of the LGPS, then HM Courts & Tribunals Service was liable for the LGPS deficit in relation to the employees. However, if the LGPS had

sufficient funds to cover retained liabilities, then the relevant portion of the net asset would be transferred to the PCSPS.

As part of the agreement, HM Courts & Tribunals Service agreed to fund the net deficit incurred by the PCSPS over a 10 year period subject to sufficient funding, including the interest implications arising from this approach. As at 31 March 2013, final transfer values were agreed for all the LGPS funds. For those funds where positive transfer values were agreed, one-off payments have been made to the PCSPS for the value of the positive transfer amounts. For those funds where negative transfer values were agreed, a series of 10 annual payments, equal to the value of the agreed negative transfer amounts, will be made to the applicable LGPS funds.

## 14.2 Provision for early departure costs

	2013-14	2012-13
	£000	£000
<b>As at the beginning of the period</b>	<b>109,434</b>	<b>107,411</b>
Increase in provision	7,218	5,873
Unwinding of discount	4,131	4,791
Utilised in year	(8,389)	(8,641)
<b>As at the end of the period</b>	<b>112,394</b>	<b>109,434</b>

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

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

An interest rate of 4.35% (2012-13: 4.10%) has been used to assess the interest costs of the scheme liability and future estimated payments have been discounted at a rate of 1.8% (2012-13: 2.35%).

The provision for early departure costs recorded above is separate to the VED scheme costs recorded in note 3.1.3.

### 14.3 By-analogy pension scheme

	2013-14	2012-13
	£000	£000
<b>As at the beginning of the period</b>	<b>3,887</b>	<b>4,012</b>
Increase in provision	159	123
Interest charge	158	193
Actuarial loss/(gain) on scheme liabilities	504	(233)
Utilised in year	(215)	(208)
<b>As at the end of the period</b>	<b>4,493</b>	<b>3,887</b>

The by-analogy pension scheme provision relates to three pension schemes for the Criminal Injuries Compensation (CIC) tribunal, the Immigration and Asylum Chamber (IAC) and the Residential Property Tribunal (RPT). These schemes have 1 member, 13 members and 31 members respectively.

The schemes' liabilities were valued by the Government Actuary's Department (GAD) as at 31 March 2014 and the associated interest and current service costs have been charged to the SoCNE.

The schemes are referred to as 'by-analogy pension schemes' as they are similar to the PCSPS. However, they are funded by provisions from the Department's Vote and pension payments are administered by the Department and made via the payroll system.

### 14.4 Dilapidations

	2013-14	2012-13
	£000	£000
<b>As at the beginning of the period</b>	<b>8,800</b>	<b>3,067</b>
Increase in provision	11,318	5,733
Utilised in year	(611)	-
<b>As at the end of the period</b>	<b>19,507</b>	<b>8,800</b>

### 14.5 Other provisions

	2013-14	2012-13
	£000	£000
<b>As at the beginning of the period</b>	<b>5,569</b>	<b>5,373</b>
Increase in provision	9,164	434
Utilised in year	(3,320)	(238)
Unwinding of discount	(2,563)	-
<b>As at the end of the period</b>	<b>8,850</b>	<b>5,569</b>

## 15 Capital commitments

	2013-14	2012-13
	£000	£000
Capital commitments at the end of the period not otherwise included in these accounts:	-	-
Property and equipment	6,443	16,463
<b>Total capital commitments</b>	<b>6,443</b>	<b>16,463</b>

## 16 Operating leases

HM Courts & Tribunals Service leases various land and buildings under non-cancellable operating lease agreements. The land and buildings comprise mainly court facilities and have lease terms ranging from 3 to 125 years. The operating leases do not have purchase options, although some have escalation clauses and terms of renewal. Renewals are negotiated with the lessor in accordance with the provisions of the individual lease agreements.

HM Courts & Tribunals Service also leases various equipment and cars under non-cancellable operating lease agreements. The lease terms are between 1 and 14 years.

The non-cancellable operating lease expenditure charged to the SoCNE during the year is disclosed in note 4.

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

	2013-14			2012-13		
	Land and buildings	Other	Total	Land and buildings	Other	Total
	£000	£000	£000	£000	£000	£000
Not later than one year	76,993	706	76,699	85,442	739	86,181
Later than one year but not more than five years	263,908	815	264,723	299,947	1,164	301,111
Later than five years	961,699	-	961,699	1,157,990	-	1,157,990
<b>Total commitments under operating leases</b>	<b>1,302,600</b>	<b>1,521</b>	<b>1,304,121</b>	<b>1,543,379</b>	<b>1,903</b>	<b>1,545,282</b>

## 17 Finance leases

HM Courts & Tribunals Service leases various buildings under non-cancellable finance lease agreements.

The total future minimum lease payments under non-cancellable finance leases for each of the following periods are as follows as at 31 March:

	2013-14			2012-13		
	Land and buildings	Other	Total	Land and buildings	Other	Total
	£000	£000	£000	£000	£000	£000
Not later than one year	798	-	798	947	-	947
Later than one year but not more than five years	3,126	-	3,126	3,869	-	3,869
Later than five years	23,723	-	23,723	160,896	-	160,896
Less: interest element	(17,267)	-	(17,267)	(148,300)	-	(148,300)
<b>Total present value of obligations</b>	<b>10,380</b>	<b>-</b>	<b>10,380</b>	<b>17,412</b>	<b>-</b>	<b>17,412</b>

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

	2013-14			2012-13		
	Land and buildings	Other	Total	Land and buildings	Other	Total
	£000	£000	£000	£000	£000	£000
Not later than one year	109	-	109	96	-	96
Later than one year but not more than five years	478	-	478	506	-	506
Later than five years	9,793	-	9,793	16,810	-	16,810
<b>Total present value of obligations</b>	<b>10,380</b>	<b>-</b>	<b>10,380</b>	<b>17,412</b>	<b>-</b>	<b>17,412</b>

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

## 18 Private finance initiative

HM Courts & Tribunals Service has entered into eight PFI service concession arrangements. A summary of each PFI contract is set out below:

Project name	Contract start date	Duration of (years)	On/off Statement Financial Position	Initial capital value (£m)	Description
Exeter	November 2002	30	On	20.1	Provision of a courthouse comprising four criminal courts, one civil court and four District Judge hearing rooms. At the end of the contract term the building will revert to HM Courts & Tribunals Service at no cost.
East Anglia	October 2002	25	On	34.5	Provision of Crown Court centres in Ipswich and Cambridge. Ipswich consists of five criminal courtrooms; Cambridge consists of three criminal courtrooms. At the end of the contract term the buildings in Ipswich and Cambridge will revert to HM Courts & Tribunals Service at no cost.
Sheffield	November 2002	25	On	7.7	Provision of a Family Hearing Centre in Sheffield. At the end of the contract term HM Courts & Tribunals Service has the option of acquiring the under lease at the lower of its open market value or £2.0m.
Derbyshire Magistrates' Courts	August 2001	27	On	29.5	Provision of serviced accommodation for magistrates' courts at New Mills, Chesterfield and Derby. The contract term can be extended (subject to agreement of mutually acceptable terms) by up to five years.
Hereford and Worcester Magistrates' Courts	March 2000	25	On	30.6	Provision of serviced accommodation for magistrates' courts at Bromsgrove, Kidderminster, Worcester and Redditch. The contract term can be extended for another 10 years.
Manchester Magistrates' Court	March 2001	25	On	32.9	Provision of an 18-courtroom courthouse.
Humberside Magistrates' Court	March 2000	25	On	21.6	Provision of serviced magistrates' courthouses in Hull, Beverley and Bridlington. On expiry, HM Courts & Tribunals Service has the option of taking the assets back for a nominal amount of £3.0m.
Avon and Somerset Magistrates' Court	August 2004	27	On	46.6	Provision of serviced accommodation for magistrates' courts and offices in Bristol, Weston-Super-Mare and Flax Bourton.

## 18.1 On Balance Sheet Contracts

Details of the imputed finance lease charges are given in the table below for each of the following periods:

	2013-14	2012-13
	£000	£000
Rentals due not later than one year	16,505	17,041
Rentals due later than one year but not more than five years	60,666	62,808
Rentals due later than five years	114,814	129,178
	<b>191,985</b>	<b>209,027</b>
Less interest element	(60,823)	(68,939)
<b>Present value of obligations</b>	<b>131,162</b>	<b>140,088</b>

Details of the minimum service charge element are given in the table below for each of the following periods.

	2013-14	2012-13
	£'000	£'000
Service charge due within one year	21,412	20,308
Service charge due later than one year and not later than five years	85,648	81,231
Service charge due later than five years	180,846	191,754
<b>Total</b>	<b>287,906</b>	<b>293,293</b>

## 18.2 Charge to the Statement of Comprehensive Net Expenditure

The total amount charged in the SoCNE in respect of the service element of PFI contracts and other Service Concession Arrangements recognised on the SoFP was £34.6m (2012–13: £36.3m).

## 19 Contingent liabilities

### **Fee paid judicial office holder claims:**

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

The UK Supreme Court ruled on 6 February 2013 that the retired fee paid judicial office holder was entitled to a pension on terms equivalent to those applicable to a salaried judicial office holder. This lead case set the precedent for other stayed cases. The case was remitted to the Employment Tribunal to determine the quantum of the pension to which the judicial office holder is entitled.

During 2013-14, there were several hearings held at the Employment Tribunal and Employment Appeal Tribunal to address the quantum of the pension and which judicial office holders were eligible to make claims.

Based on the UK Supreme Court ruling and the latest judgments from the Employment Tribunal and Employment Appeal Tribunal, an estimate of the liability to the group of fee paid judges to which the eligible claimants belong to has been prepared. The estimate comprises the pension entitlement, with a separate element of the pension liability relating to retired fee paid judges, and a Judicial Service Award which compensates retirees for the tax paid on pension lump sums paid on retirement.

The provisions recognised by JPS and the MOJ reflect the best estimate of the expenditure required to settle these claims at the end of the reporting period. Further information on these provisions is set out in Note 3.2.2.

In addition to a pension entitlement, the claims covered by the stayed cases extended to non-pension entitlements relating to fee paid judicial office holders' employment terms and conditions, such as holiday and sick pay, payments in respect of training and writing up fees, increases in daily fees and cancellation fees where bookings are not honoured.

These non-pension entitlement claims were dealt with in the Employment Tribunal preliminary hearing which took place during December 2013 and judgments were made as to which non-pension entitlements may be claimed and which types of judicial office holders are eligible to make such claims. As such, the contingent liability disclosed in the prior year have now crystallised and based on the Employment Tribunal judgment, an estimate of the non-pension liability to the group of fee paid judges to which the eligible claimants belong to has been prepared. These non-pension entitlements have been accounted for in the MOJ Accounts.

There were a large number of stayed claims and outstanding appeals lodged which were not heard before the end of the reporting period or before these accounts were finalised. These claims remain as contingent liabilities. No estimate has been made in relation to the stayed cases as whether a stayed case is even heard will depend on the individual circumstances of the claimant, and given the large number of stayed claims and outstanding appeals, this was impracticable.

### **Other contingent liabilities:**

HM Courts & Tribunals Service is involved in a number of legal cases dealing with ex gratia, compensation and other claims. The estimated cost of settlement for HM Courts & Tribunals Service is £20.8m (2012-13: £3.8m). The most significant contingent liability relates to a claim for losses of £16.4m (2012-13: £nil). HM Courts & Tribunals Service has been formally served claim papers for damages. A full defence to the claim has been lodged.

In addition HM Courts & Tribunals Service may terminate a number of leases prior to their expiry dates. The expected cost of these terminations, should they occur, is £nil (2012-13: £26k)

The result of the July 2005 High Court challenge meant that HM Courts & Tribunals Service has not been able to gain control of a number of properties intended to come within the 31 March 2005 Property Transfer Scheme. HM Courts & Tribunals Service faces a contingent accommodation liability for the properties that it is yet to control.

If HM Courts & Tribunals Service is not able to effect a transfer of ownership and control of these properties it faces potential accommodation obligations to the parties who ultimately own the property rights and will control the underlying economic benefits. Based on the rental value of the properties as at 31 March 2007, it is estimated that HM Courts & Tribunals Service could be exposed to additional costs of up to £73k per annum (2012-13: £0.3m) with a total maximum contingent liability since 1 April 2005 of £0.7m (2012-13: £2.6m).

HM Courts & Tribunals Service has no other unquantifiable contingent liabilities.

## **20 Related party transactions**

HM Courts & Tribunals Service is an Executive Agency of the MOJ, which is regarded as a related party. During the year, HM Courts & Tribunals Service has had material transactions with the MOJ and other entities for which the MOJ is regarded as the parent entity. HM Courts & Tribunals Service has also had material transactions with a number of other government departments and central government bodies. In accordance with the requirements of the FReM these transactions have not been reported.

Registry Trust Limited is a private company limited by guarantee with no share capital. It maintains the Register of County Court judgments on behalf of the Lord Chancellor and the Secretary of State for Justice. Revenue received from the Registry Trust Limited in the year amounted to £0.6m (2012-13: £0.5m) with a total debtor balance due to HM Courts & Tribunals Service as at 31 March 2014 of £0.2m (2012-13: £0.1m).

During both 2013-14 and 2012-13, no Board Members or other related parties have undertaken any material transactions with HM Courts & Tribunals Service.

HM Courts & Tribunals Service has a number of arrangements with the MOJ and its departmental bodies which are classified as intra-departmental recharges. These payments are for the use of assets and other services, and are expensed in the Statement of Comprehensive Net Expenditure each year as they are incurred. It is impractical to separate the payments reliably between those relating to assets, and those relating to other services. These arrangements contain no defined end date. The payments also include payments for non-lease elements in the arrangements.

## **21 Third party balances**

HM Courts & Tribunals Service holds a number of cash balances on behalf of third parties. These consist of bail monies and monies held on behalf of court users which are received and held whilst the case progresses. At 31 March 2014 these amounted to £17,360k (2012-13: £10,841k) and have not been recognised in the accounts in accordance with FReM requirements.

## 22 Events after the reporting period

### Financial reporting

In accordance with the requirements of IAS 10 'Events After the Reporting Period', post Statement of Financial Position events are considered up to the date on which the Accounts are authorised for issue. This is interpreted as the same date as the date of the Certificate and Report of the Comptroller and Auditor General. There were no such events requiring disclosure in or adjustment to the Accounts.

## 23 Accountability

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

- There were 1,911 (2012-13: 1,568) cases of reported cash losses totalling £354k (2012-13: £517k). These primarily relate to instances where small discrepancies arise in the receipting of cash at court level.
- During the year, £7k (2012-13: £72k) relating to two debts were written-off as unrecoverable. This amount had previously been recognised as an impairment expense in the SoCNE.
- During the year there were 1,865 (2012-13: 2,065) special payments, totalling £1,341k (2012-13: £1,761k). Special payments are those that go beyond administrative rules or for which there is no statutory cover or legal liability.
- During the year there were 2 payments (2012-13: 3) in respect of interest paid under the Late Payment of Commercial Debts (Interest) Act 1988 totalling £1k (2012-13: £1k).
- During the year a constructive loss of £1,727k was recognised in respect of a software programme roll out which was curtailed following a reappraisal of the economic benefits of the business case.
- During the year HM Courts & Tribunals Service completed a review of sites previously acquired to accommodate potential future court construction projects. The projects all commenced before the 2010 Spending Review. The business cases for these projects have been reassessed in light of changing operational requirements. Following a reappraisal of the economic benefits of the business cases some projects will no longer proceed in the planned format. These sites have been re-valued in accordance with accounting policy requirements and some acquisition costs are declared as constructive losses as follows:
  - A constructive loss of £23,488k was recognised in respect of eight court construction projects which were curtailed in their original format following a reappraisal of the business cases. The assets were reported under the heading 'assets under the course of construction' with £19,005k impaired during 2012-13 and a further £4,483k impaired in 2013-14.
  - During the year a constructive loss of £4,389k was recognised in respect of securing a lease on a land site for a court construction project which was curtailed in the original format following a reappraisal of the economic benefits. The impairment of the finance leased land was recorded and disclosed in the 2009-10 Annual Report and Accounts.
  - During the year a constructive loss of £17,921k was recognised in respect of securing a lease on a land site for a court construction project which was curtailed in the original format following a reappraisal of the economic benefits.

## 24 Criminal Injuries Compensation Statement of Account as at 31 March 2014

This statement has been included in accordance with the accounts direction issued by the Secretary of State, in pursuance of section 6(3)(a)(ii) of the Criminal Injuries Compensation Act (CICA) 1995 and paragraph 4 of the Criminal Injuries Compensation Scheme 2001, after consultation with the Scottish Ministers in accordance with section 88(2) of the Scotland Act 1998 to report costs incurred by HM Courts & Tribunals Service in assessing Scottish CICA claims.

	2013-14		2012-13	
	£'000	£'000	£'000	£'000
Income *		(319)		(349)
Staff costs:				
Staff payroll costs	710		765	
Judicial payroll costs	1,412		1,429	
Total payroll costs		2,122		2,194
Other operating costs		1,410		1,386
Net cost of operations		<b>3,213</b>		<b>3,231</b>

\* Includes £319k (2012-13: £349k) contribution from the Scottish Executive towards Scottish cases.

## Annexes

### Annex A: Data sources and data quality

This annex gives brief details of data sources for the figures given in this report, along with a brief discussion on data quality. Further information can be found in 'Court Statistics Quarterly' and 'Quarterly Statistics for the Tribunals' via the GOV.UK website at <https://www.gov.uk/government/collections/court-statistics-quarterly> and <https://www.gov.uk/government/collections/tribunals-statistics>

#### County courts (non-family)

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

#### Family courts

The data on the family courts was principally sourced from the county court administrative system FamilyMan (via MIS), used by court staff for case management purposes and containing good quality information about a case's progress through the family courts. Some data is also sourced from the HM Courts & Tribunals Service Performance Database. Statistical quality assurance procedures include the identification and removal of duplicate entries for the same case on the administrative systems, and checks that data has been collated for all courts to ensure completeness.

#### Crown Court

The data on the Crown Court has been sourced from the Crown Court administrative system CREST (via MIS), used by court staff for case management purposes. This contains good quality information about the incidence and dates of major events of each case's progress in the Crown Court. Statistical quality assurance procedures include the identification and removal of duplicate entries, checks of apparent anomalies and checks for completeness.

#### Magistrates' courts

The statistics on completed proceedings are sourced from the HM Courts & Tribunals Service Performance Database, which was rolled out across magistrates' courts during 2007-2008 and is populated using information contained on the Libra Management Information System and manual data collection. This contains good quality information about magistrates' courts' caseloads. Data provided by the courts must be checked and verified by court staff before being submitted onto the HM Courts & Tribunals Service Performance Database. The centrally collated data is subject to further checks including the investigation of apparent anomalies in the data.

#### Tribunals

The data on tribunals presented in this report are Official Statistics drawn from a number of administrative sources and quality checked and reconciled. Although care is taken when processing and analysing the data, the details are subject to inaccuracies inherent in any large-scale recording system and it is the best data that is available at the time of publication.



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