



HM Courts &
Tribunals Service

HM Courts & Tribunals Service Annual Report and Accounts 2015–16

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Section 1: Introductions

1.1 Introduction by the Lord Chancellor, the Lord Chief Justice and the Senior President of Tribunals

HM Courts & Tribunals Service is responsible for the administration of the criminal, civil and family courts in England and Wales; and for the majority of tribunals in England, as well as all non-devolved tribunals in Scotland, Wales and Northern Ireland.

We are delighted that funding has been secured to enable HM Courts & Tribunals Service to embark upon the most ambitious justice system reform programme ever undertaken. 2015–16 has seen the development of plans for reform; as we move into 2016–17 we are seeing the start of changes that will support the justice system for many years to come. We thank everyone for their collaborative contribution to the Reform debate; we are particularly grateful to the various Judicial Engagement Groups, the regional Delivery Directors and their teams and all of the staff involved in the programme.

We have already begun digitisation of some services to deliver simpler and swifter access to justice. These include:

Introduction of help with fees: making it easier and quicker for people to apply for help with their court and tribunal fees.

The expansion of video services: we have started to introduce an entirely new way of conducting criminal litigation, in which physical appearances in court are confined to trials and sentences in significant cases. A similar approach is now being developed in civil, family and tribunal work. In order to deliver a more streamlined, digitised service, upgraded IT systems were installed in 130 Crown, magistrates' and civil courts; another 100 courts and 17 tribunal sites will be completed in the summer of this year.

The 'common platform': part of the Criminal Justice System programme, this is developing a unified digital process for HMCTS and Crown Prosecution staff, defence lawyers and police.

Transforming summary justice and Better Case Management: these initiatives are already reducing delays in the criminal courts, with fewer hearings per case and an increased number of trials that are effective the first time that they are listed for hearing.

On the theme of collaboration, this was also evident in the discussions that took place last year on the future of the court and tribunal estate. We are grateful for all the views that were put forward in the consultation, and are confident that the course we are set on will contribute to essential reform and modernisation of the courts and tribunals service, whilst ensuring that access to justice is safeguarded.

Despite the strong emphasis on reform over the past year, performance in the day-to-day administration of courts and tribunals services has been maintained in an exemplary fashion, and in a number of areas has improved. We congratulate and thank all of the staff and judiciary who have made this possible through their commitment and dedication.

Finally, we would like to offer thanks this year to Natalie Ceeney for her championship of the transformation upon which HM Courts and Tribunals Service is now embarked.

**The Rt. Hon. Michael Gove 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 Ernest Ryder
Senior President of Tribunals**

1.2 Foreword and introduction by the Chief Executive, Kevin Sadler, interim Chief Executive Officer

I'm very pleased to be writing this foreword for the HMCTS Annual Report. Last year, Natalie Ceeney wrote in this foreword that her focus, as Chief Executive, would be on HMCTS Reform, and in November the Chancellor confirmed that we had secured more than £700 million of funding to deliver the fundamental transformation that our courts and tribunals service needs. This was a vote of confidence not only in our plans and the ability of our people to deliver them, but also in the kind of service that we all want to provide for everyone who uses it.

As this year's annual report shows, significant progress has been made in modernising our service across all jurisdictions. Our criminal courts are now equipped to work digitally, with Wi-Fi available for all professional users and technology in place to allow evidence to be uploaded and displayed digitally. Our new Crown Court Digital Case System has already saved us printing a pile of paper bigger than the Shard. Some 90% of all employment tribunal claims that we receive are now submitted online, and it is easier than ever to apply for help with court or tribunal fees.

These changes are making a real difference to people's lives, as is the work that colleagues carry out on a daily basis, and I am delighted that this year we have been able to achieve further improvements in operational performance within a reducing budget. Whether through the reduction in waiting times in serious criminal cases, or the 14 weeks that it now takes for cases involving custody of and parental contact with children to be completed (two weeks faster than the 16-week target), the service that our customers receive is improving through the hard work of everyone within HMCTS.

I know from my seven years working in courts and tribunals that everyone who works here is enormously committed to the system that they support and want to provide the highest possible standards of service for those who come into contact with us. For that, I offer my sincere thanks.

Inevitably, transformational change on this scale is unsettling and challenging, not least for the people who run the system. The nature of our estate is changing, and this year saw confirmation that 86 sites will be closed over the next two years. While this is an essential part of our plans, I do not underestimate the impact that closing court buildings can have either for those who work there or the communities in which they sit. Our Board has been absolutely clear that access to justice is a key factor in determining the make-up of our estate – both in a physical and virtual sense – and we continue to offer support to those colleagues most affected by the closures.

I have no doubt that challenge will continue to be as much a theme of the year ahead as change, but I also know how strong the collective commitment is within the judiciary, the senior management team and everyone who works within HMCTS to provide the best possible service for our customers and users.

Finally, I would like to thank Natalie. The period covered by this report fell very much under her 'watch' as Chief Executive, and I am clear that without her leadership, support, energy and enthusiasm, we would not have made nearly as much progress as we have.

Kevin Sadler
Chief Executive (Interim) and Accounting Officer

1.3 Foreword by Robert Ayling, Chair of the HM Courts & Tribunals Service Board

This report covers the fifth year since the formation of HMCTS and it has been a year of significant progress.

Last year, I wrote in this foreword of the Government and judiciary having indicated in principle agreement with the case for change within our courts and tribunals service. This year, the Lord Chief Justice has reiterated the judiciary's commitment to taking "a leading role in developing" a reform programme that will "bring the justice system within the reach of everyone". The Lord Chancellor has spoken of the "overwhelming case" for the reform of a system that HMCTS staff "valiantly keep... working despite its flaws". And, in November, the Chancellor confirmed that £700 million of investment would be provided to support our plans "to transform our courts so they are fit for the modern age".

To have secured this investment and support in what are financially difficult times is a significant achievement and an impressive endorsement of the plans that the management team in HMCTS have developed. The Board and I are grateful for their continued efforts and the ongoing strong support from the judiciary and the Ministry of Justice.

The plans that are in place for our courts and tribunals service are ambitious, and rightly so as the need to reform the system is long overdue. At the heart of our plans are the needs of the millions of people who use the service every year, often at their most vulnerable, in many instances for the only time in their lives. I am delighted that we are already starting to implement those plans and make a real difference to people's lives. Waiting times are coming down, systems are being modernised in line with twenty-first century customer needs, and digital technology is helping us to ensure that proceedings run more effectively.

The people who are delivering these plans are our staff, and I thank them all for their tireless hard work over the past year, in what have often been challenging circumstances. Challenging because change is never an easy thing to go through, especially when the basic questions of where and how they do their jobs are unclear. Challenging because we do not yet know all of the answers to precisely how the service will look in the future. And challenging because they have once again been able to drive improvements across the operational performance of the organisation against a reduced budget.

This year saw the tenures of Sir Peter Gross and Sir Jeremy Sullivan as Board members come to an end. I would like to thank them both for their service to HMCTS. I would also like to offer my sincere thanks to Natalie Ceeney, under whose tenure as Chief Executive this reporting period falls. While her time as Chief Executive may have been relatively brief, Natalie's role in laying the foundations for the change that is now underway should not be underestimated. It was a pleasure to work with Natalie, and I know that without her energy and personal commitment to reform, we would not be in as strong a position as we are today.

Robert Ayling
Chairman

Section 2: Our performance

2.1 About us – who we are and what we do

HMCTS is responsible for the administration of the criminal, civil and family courts in England and Wales, tribunals in England, and non-devolved tribunals in Wales, Scotland and Northern Ireland. It was created in 2011, as an executive agency of the Ministry of Justice. Our role is to run an efficient and effective courts and tribunals system to support the delivery of justice. We enable the rule of law to be upheld through our administration, we provide access to justice, and we provide the support to enable the judiciary, tribunal members and the magistracy to exercise their judicial functions independently.

HMCTS operates on the basis of a partnership between the Lord Chancellor, the Lord Chief Justice and the Senior President of Tribunals. It is our job to enable them to discharge their responsibilities effectively.

The past 25 years have seen profound change in the courts and tribunals landscape moving from 150 separate organisations to one – HM Courts & Tribunals Service. Over those years we have made incremental and gradual changes in our processes to improve business performance and efficiency. Despite this, we still have a 20th century model that requires change to deal with the needs of the 21st century.

We are now in the process of fundamentally reforming the courts and tribunals service. We will deliver efficient, modern access to justice not just for now but for the future. Our court and tribunal system is one we hold dear and one which is admired at home and internationally and we must ensure that continues.

Over the next few years, all our services will be transformed to better meet the needs of users and the citizens whose lives we have an impact on; we will keep improving the services we offer vulnerable users, victims and witnesses – both locally (in the way we treat people as they use our services) and nationally (to improve the core infrastructure we offer) as well as delivering at scale and at pace. This will then enable us to embrace the needs of our users and enable us to fulfil our role: to run an efficient and effective courts and tribunals system to support the delivery of justice.

We deliver. In 2015, we achieved:



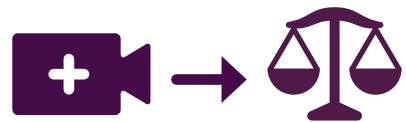
Over 358,000 defendants were **transported to court** last year, and we enabled around 80,000 individuals to participate in court proceedings by video



We provide **interpreters and translators** for around 155,000 people involved in court and tribunal proceedings every year



3.9 million criminal, civil, family and tribunal cases are handled each year across 450 court buildings in England and Wales and tribunal buildings in Scotland



Video – **upgraded systems** have now been installed in 130 Crown, magistrates' and civil courts



Radically improved the way our civil and tribunal users can apply for help paying their courts and tribunals fees, simplifying and improving the process for **over 50,000 people** this year

We have an impact on people's lives. In 2015–16:



5,707 reasonable adjustments made for customers with disabilities to access services and information



Ministers provided assistance to over 600 MPs who wrote to them about HMCTS on behalf of their constituents



HMCTS now has at least one **remote video link** site available in each of its regions which enables victims to give evidence from a location away from court



7,500 12 to 18 year olds from **508 state secondary schools participated in mock trials** held across 75 court sites, allowing young people to gain a positive experience of the justice system



As a result of the floods in the North West, a number of courthouses were unusable. In addition to **moving cases to other sites** within our existing estate, HMCTS liaised with local authorities and alternative non-HMCTS venues were used for over 800 cases.



As at end of December 2015, the Witness Service had **supported 129,975 witnesses** (43,612 in quarter 1, 42,497 in quarter 2 and 44,092 in quarter 3).

48% of those supported in quarter 3 were also victims (21,243). Of those supported, 12,284 were vulnerable or intimidated witnesses (VIW), of which 21% (2,563) were young witnesses (those under the age of 18)



Transformed the way our civil and tribunal users can apply for help paying their courts and tribunals fees, **simplifying and improving** the process, waiting times are reducing from days to hours



Reduced the time it takes to deal with court and tribunal proceedings at difficult points in people's lives – for example when appealing against benefits decisions or agreeing arrangements for children when relationships break up



More than 42,000 people use the new **Professional Court User Wi-Fi** every week



Approx. **95,000 pages of information is now available digitally on the Digital Case Management system**, these would previously have been printed in triplicate. Potential saving – 285,000 pages



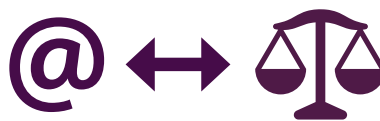
New arrangements were introduced allowing our bulk civil users to pay their fees and progress cases online using the **Fee Account system and Secure Data Transfer**



Within the Employment Tribunal, the vast majority of our users now make their applications online, leading to **savings in paper forms, storage and postage**



Centralised the issue of all Attachment of Earnings and Charging Orders applications, improving the efficiency and effectiveness of the process



Enhanced and improved the ability for customers using civil and family courts to send and receive work by email



Launch of a project, **piloting the delegation of certain civil judicial powers from the judiciary to Legal Advisors**



In the Social Security and Child Support tribunal, the digital transfer of appeals between the tribunal and the Department for Work and Pensions has been piloted in Scotland, **reducing the time to receive an appeal response by 50%**

2.2 Our performance: delivery against our 2015–16 priorities and objectives

This section sets out the activities and achievements against our five priorities for 2015–16.

Our priorities were:

- 1 **Improve the services we offer, delivering better justice at lower cost** by starting to modernise working practices and processes and use of modern technology to make life easier for everyone.
- 2 **Create the blueprint for a future HM Courts & Tribunals Service that delivers better justice** by developing a clear future vision for HMCTS so we all know what we are aiming to achieve.
- 3 **Develop the people and capability of HM Courts & Tribunal Service** by understanding the shape of HMCTS in the future and understanding what talent we need, how to develop it and where to acquire the critical skills needed for the blueprint for the future.
- 4 **Strengthen our customer focus and improve the services to our users** by putting customers first.
- 5 **Keep delivering our services to consistently high standards** by providing an effective and efficient service that allows access to justice for all, while developing the future blueprint.

Priority 1: Improve the services we offer, delivering better justice at a lower cost

As part of the Autumn Spending Review in 2015, HMCTS secured £700 million in new funding to reform our courts and tribunals. The funding will help us fundamentally transform the way we operate, developing a service that meets the expectations of citizens in a digital age. This funding is additional to the £300 million funding we are already investing to create a digital infrastructure for our criminal courts. This overall investment will save taxpayers over £200 million a year from 2019–20.

We have worked with the Secretary of State, Ministers and the judiciary to understand and develop their vision for courts and tribunals – and how this vision will shape our plans for the future.

To enable us to modernise working practices and processes and to use modern technology to make life easier for everyone – staff and users alike, we have started to change the way we work and influence how our services are perceived. We have introduced a number of significant digital changes, starting with the criminal courts (which represent around half of HMCTS activity). These include:

- Introduction of the online plea service for traffic offences, providing an easier way for defendants to plea, making the court process faster and more proportionate in dealing with the offences and by reducing the need for unnecessary trials.
- Introduction of the ejudiciary system, giving approximately 20,000 judges and magistrates online access to guidelines and key information from any enabled device.

- Completion of the introduction of the magistrates' Bench solution, which has commissioned iPads to give magistrates secure and immediate access to eJudiciary guidelines and digital documents held in the magistrates' Store system.
- Rolled-out the national online magistrates' Rota – enabling magistrates to manage their schedules more easily.
- Begun the implementation of the Digital Case System (DCS) in Crown Courts, enabling all participants in criminal case management to view documents online before and in-court, and to work digitally between hearings.
- Developed and started testing of the new 'digital resulting' solution – providing automatic, digital notifications to all parties involved in a case. Other Criminal Justice System (CJS) agencies will be able to act on the outcome straight away, reducing delays and risks to public safety.
- Delivered the national roll out of the digital Crown Court infrastructure which includes Wi-Fi access for professional court users.
- Continued to develop the 'Common Platform'. The programme, a partnership between HMCTS, Crown Prosecution Service and police has released a number of new services and continues to work on major releases to establish a single platform to take cases from pre-charge to creation of the initial details of the prosecution case.

Specifically, we:

Introduced **The Digital Courtroom** comprising a number of key elements to facilitate a more paperless and efficient approach to court proceedings. These elements include:

The Digital Courtroom comprising a number of key elements to facilitate a more paperless and efficient approach. These elements include:

- **Professional court users can now access Wi-Fi**, which allows them to access their home systems and the internet, improving productivity and efficiency of flow of cases in court. This will help reduce some common causes of delay in criminal justice proceedings by reducing downtime between court sessions, improving communication and enabling remote access to additional material. The ability for defence and Crown Prosecution advocates for example to connect to various case management systems and files will mean less reliance on paper formats.
- **Data Store in magistrates' courts** has been introduced to allow automated receipt of case paperwork from the Crown Prosecution Service, access for secure users and improved data housekeeping and archiving.
- **In-court presentation and collaboration solution for the Crown Court** has been introduced in almost all criminal courts to allow trial documentation to be easily shared, annotated, marked-up, navigated and used in the courtroom by all parties.
- **Digital in-court presentation equipment in the magistrates' courts** has been introduced to allow paper case files to be removed and in-court presentation of digital data, such as CCTV, direct from the parties' laptops.

- **Crown Court Digital Case System**, a web based digital document tool is currently being implemented across all Crown Courts, enabling all participants in criminal case management to view documents online before and in-court, and to work digitally between hearings. This is reducing the inefficiencies of paper and providing transparency over the service, receipt of disclosure and evidence between parties.
- **Expansion of video services**, we are introducing an entirely new way of conducting criminal litigation – where physical appearances in court are confined to trials and sentences in significant cases. Everything else will be conducted online. For trials we envisage that most evidence will be delivered by video. This will provide a more cost effective alternative to physical movement of people. To facilitate this upgraded systems have been installed in 130 Crown, magistrates' and civil courts; another 100 courts and 17 tribunal sites will be completed in the early summer of 2016. As well as ensuring usage rates for prison to court and police to court video links rise with the associated benefits for the Criminal Justice System, this provides the framework to deliver innovation in video which will be developed as part of the HMCTS Change Programme.

Continued rollout of the Common Platform Programme during 2015–16, with a number of key products delivered as part of the Criminal Justice System wide programme. This will ultimately design, build and embed a single shared process which will deliver a unified way of working for HMCTS, the Crown Prosecution Service staff and the wider participants in the criminal case management process. This will allow service users (defendants, victims, witnesses and professional users) to interact with the process online – eliminating processes and systems that are antiquated and paper based.

Only actions that absolutely need to be conducted in the courtroom will be done there. Some of the main areas developed and introduced in 2015–16 were:

- **Online plea** – this enables defendants to engage with the magistrates' court process more easily, offering a means for defendants to respond online to police prosecutions for minor road traffic offences. We are preparing for national roll-out in 2016–17 for non-imprisonable offences. The service will be an alternative to a postal response or the need for a personal appearance at court (see Single Justice Procedure below for further information).
- **Digital mark-up** – The magistrates' court will be able to record the result of its cases instantly through a product called 'digital mark-up'. This will be rolled out nationally in 2016–17.

Introduced the **Single Justice Procedure**: A pilot for Single Justice Procedure was introduced in April 2015. The Single Justice Procedure has introduced greater flexibility to where and when straightforward and uncontested cases (adults charged with summary-only non-imprisonable offences) are tried. These are specifically cases that are administered under the written charge and requisition procedure, and almost entirely result in a financial penalty, prosecutors include the Metropolitan Police, Transport for London (TfL) and DVLA.

Single Justice Procedure will:

- enable the cases to be dealt with on the papers by a single magistrate sitting with a legal adviser
- dispense with the requirement for the prosecutor or the defendant to be in attendance and for the case to be heard in a traditional courtroom setting; and
- allow the defendant to engage with the court in writing or respond online via Make a Plea – creating digital case files.

Pilots took place in Bedfordshire, Cambridgeshire and Hertfordshire throughout 2015–16. It took around an hour and a half for 43 cases to be managed in one afternoon in Stevenage; this meant that, on average, each case was dealt with in less than two minutes. The feedback was positive with both the magistrates and legal advisor finding the new way of working more demanding but streamlined, as well as being able to deal with cases more rapidly and therefore more cost effectively.



Within the Employment Tribunal, around **90% of our users now start their cases online**, improving the efficiency and effectiveness of the process



In the Social Security and Child Support tribunal, the digital transfer of appeals between the tribunal and the Department for Work and Pensions has been piloted in Scotland, **reducing the time to receive an appeal response by 50%**

Priority 2: Create the blueprint for a future HMCTS that delivers better justice

In our Annual Report in 2014–15 we highlighted that it was an important year of transition for HMCTS. In 2015–16 we needed to be very clear on and establish exactly where we were heading. This meant being clear about the future HMCTS we are building.

We have:

- Created a clear vision for the future which has been agreed with the senior judiciary and Ministers.
- Secured funding as part of the Government's Spending Review to deliver the HMCTS Transformation Programme.
- Developed and secured approval for the business case for the Transformation Programme, enabling us to have the funding and have the plan to make this change.

- Started the rationalisation of the estate by holding a public consultation on the provision of courts and tribunals in England and Wales, with over 2,100 responses.
- We have agreed the closure of 86 court and tribunal buildings over the next two years. These courts are under-used and not suitable for the way we plan to deliver an efficient and effective service in the future.
- Started to make incremental changes and improvements.

Specifically, to deliver this transformation:

In the **civil, family and tribunal jurisdictions**, we have already made several such incremental changes to create the foundations for courts and tribunals transformation:

- Introduced **Help with Fees**: In October 2015 we made it simpler and quicker for the public to apply for help with their civil court and tribunal fees. We revamped the application form and guidance based on user feedback and our staff can now check with the Department for Work and Pensions digitally whether an applicant is receiving a qualifying benefit. In 2015–16 over 50,000 applications were completed through this new system and we have reduced the number that have to be rejected because of user mistakes when completing the form. In 2016–17 we will make this service available through GOV.UK.
- Vital services have been **centralised or rationalised to pool expertise, improve service and reduce cost**. These include the administration of divorce, the Reciprocal Enforcement of Maintenance Orders, and the Court of Protection in the family jurisdiction. In civil, Attachment of Earnings, as well as Charging Orders, have been centralised, and the administration of the First-tier Tax Tribunal has been centralised.

In the criminal courts we introduced **Better Case Management**: this links key initiatives which together improve the way cases are processed through the system to the benefit of all concerned within the Criminal Justice System. The overarching intention is to provide:

- Robust case management
- Reduce the number of hearings
- Maximum participation and engagement from every participant within the system
- Effective compliance with the Criminal Procedure Rules, Practice and Court Directions

Implementation of Better Case Management (BCM) began in October 2015 with the process piloted by eight courts. National implementation started from January 2016. The aim and objective of BCM is to enable a defendant to plead guilty in the Crown Court at the first reasonable opportunity and be sentenced at the same time. The system provides a single national process to be used in all Crown Courts, building on the Transforming Summary Justice (see page 28) initiative in the magistrates' courts. Some of the benefits of BCM include:

- Increased disposal rates

- Earlier resolution of cases with more guilty pleas early on in the process with fewer hearings – ideally a single hearing
- Reduction of ineffective trials
- Shorter trials
- Witnesses not attending court unnecessarily
- Shorter waiting lists



£700 million for
Change Programme
secured

At Liverpool Crown Court, effective trials increased to 50%, compared to an average of 44% in the previous year. Cracked trials dropped to 35% from 45% the previous year.

Priority 3: Develop the people and capability of HMCTS

At the start of the year, we recognised that as we transform our services, our organisation will start to look different. Not all jobs will be the same, and as we digitise our processes we will need fewer people. At the same time, there will be different roles – particularly in the delivery of digital services, and we will need a lot of people to test, pilot and manage change as we introduce new services. More than ever, we will need the right people, with the right skills, in the right place at the right time.

To do this in 2015–16 we developed a clear understanding of the shape of HMCTS in the future and how we will move towards it. We needed to shape and improve our understanding of our people, as well as give our people the support, skills and tools to do their jobs in a way that ensured they feel valued, developed and effective. We have listed here activity undertaken with regards to this priority, but we provide more detail in section 3.

We have:

- **Developed a clear blueprint for the future organisation design** and a roadmap to ensure that we get there.
- **Identified the skills and capabilities we need for the future** and allocated funds to scope and deliver learning and development to help all of us make the transition (see section 3, page 49).
- **Identified early opportunities to develop our existing staff and recruited external expertise** to provide additional capability and capacity.
- **Started to communicate and engage** with HMCTS staff with our vision and purpose to build awareness and understanding.
- **Launched an online HMCTS Apprenticeship Academy**
- **Launched a Wellbeing Strategy**

Specifically we have:

- Developed a **National Action Plan** which outlines the work for 2016 following the results of our 2015 People Survey. The plan is split into five key themes, each of which will be led by a HMCTS director.
- Identified current capability priority levels through successful delivery of the **Annual Skills Review and Capability Survey**.
- Continued to work with the Ministry of Justice on the Modernising Employment Proposition to secure pay flexibility and provide a better Employee Value Proposition for HMCTS staff. This will enable us to build better career development proposition for staff and enable us to transition through our transformational change journey.

Priority 4: Strengthen our customer focus and improve the services to our users

In HMCTS we know that we are here to provide services to the public. We are now focusing more on our users first when we design those services. Many people use the courts and tribunals when they are at their most vulnerable and need support. We rely on the testimony of witnesses and victims to support the carriage of justice.

As part of our journey, we needed to think about the experience of our users in the way we design services, as well as how we deliver them.

We have:

- Recruited a customer director to focus on the needs of our users and customers for the first time, allowing the building up of permanent central capability around customer insight and user led design.
- Ensured we use insight about user needs to drive our future service design.
- Kept improving the services we offer vulnerable users, victims and witnesses – both locally (in the way we treat people as they use our services) and nationally (to improve the core infrastructure we offer).
- Improved the way we handle errors in our system by developing stronger procedures to reduce the amount of legal fees we pay out in wrongful arrest circumstances and refining all correspondence with our customers.
- Committed to providing our court and tribunal users with alternative provision. This will include the use of other civic or appropriate buildings for video links or hearings.

Specifically we have:

- Introduced new arrangements allowing our bulk civil users to pay their fees and progress cases on line using the **Fee Account system and Secure Data Transfer**. Within the **Employment Tribunal**, around 90% of our users start their cases online, improving the efficiency and effectiveness of the process.
- **Centralised** the issue of all Attachment of Earnings and Charging Orders applications, improving the efficiency and effectiveness of the process.
- **Enhanced and improved** the ability for customers using civil and family courts and tribunals to send and receive work by email.

- **Put in place 25 caseworkers across Tribunals** to undertake routine judicial work delegated to them from the judiciary.
- **Launch of a project**, piloting the delegation of certain civil judicial powers from the judiciary to legal advisors.

In the **Social Security and Child Support tribunal**, the digital transfer of appeals between the tribunal and the Department for Work and Pensions has been piloted in Scotland, reducing the time to receive an appeal response by 50%.

Reflected changes to the **Victims Code and the EU Victims Directive** by refocusing and updating all related training material for staff on victim and witnesses issues. This has ensured staff responsible for victims and witnesses have a better understanding of how their specific roles contribute to providing an improved service to victims and witnesses.

Regional Witness Champions have been reintroduced and tasked with focusing on vulnerable witness issues to ensure that lessons can be learned throughout HMCTS to improve customer services where appropriate. This includes reviewing victim and witness related complaints received on a monthly basis.

We are continuing to learn lessons from the **Witness Experience Survey**.

The survey showed that:

- 93% of respondents were 'satisfied' or 'very satisfied' with the support they received at court.
- 81% of respondents felt less anxious and distressed and better able to cope with giving evidence.
- On average 62% of respondents felt they were able to contact other agencies where they are better placed to provide support.
- 93% of respondents felt informed about the court process.
- 85% of respondents would be prepared to give evidence again.

The Victims' Commissioner was asked by the government to produce a series of independent reports on what more could be done to support victims of crime. Following a review on **Victim Personal Statements**, HMCTS are taking action, working with Ministry of Justice and the wider criminal justice system, to improve awareness and delivery of victims' personal statements. The role of victim personal statements is to give victims and their families a voice in criminal proceedings. It aims to give them an opportunity to explain how the crime has affected them, physically, emotionally, psychologically, financially or in any other way.

- In particular, HMCTS have ensured that all staff and managers in the criminal courts who interact with victims and witnesses gave a specific job objective linked to proving better support and our obligations under the Victims Code and Witness Charter.



5,082 compliments recorded from customers praising the service they received from HMCTS. 93% of respondents were 'satisfied' or 'very satisfied' with the support they received at court or tribunal. 85% of respondents would be prepared to give evidence again.



Over 15,000 customers had complaints resolved at the first contact stage of HMCTS administrative complaints process



The Customer Service Team **responded to over 1,000 items of correspondence** addressed to senior government officials



The **Victim Surcharge** makes sure offenders take greater responsibility for their crimes by paying towards the cost of supporting victims of crime. In 2015/16 the majority of funding (£28,309,203.36) for victims went to Police and Crime Commissioners to deliver services for victims of crime in their areas.

Priority 5: Keep delivering our services to consistently high standards

As we go through change, it is more important than ever that we continue to deliver for today. It is essential that we keep providing an effective and efficient service that provides access to justice for all.

HMCTS measure performance against four key business areas: customer and quality; finance and stewardship; operations; and people and organisation.

In most areas we have either improved or maintained performance despite increasing receipts and with less resource. We have a number of KPIs designed to monitor improvements in the timeliness to deliver services, and efficient and effective use of hearing centres. These are split across the various jurisdictions (civil, crown, magistrates, family and tribunals) to ensure we take into account the differences in services required and delivered.

We have:

- **Rolled out the Transforming Summary Justice initiative** to reduce delays in the magistrates' courts (see page 28)
- **Cleared some trial backlogs and reduced waiting time at magistrates' courts** through successful trial blitzes
- **Lived within our budget** (see section 2.4.1 for details of our spend against budgets in 2015–16).
- **Improved performance in relation to Parliamentary and Health Service Ombudsman complaints upheld** (see section 2.4.3 for details of 2015–16 performance).
- **Reduced the average working days lost due to sickness** (see section 3.1 for details on Our staff and senior management structure)

Against our operational KPIs we measure performance across all jurisdictions, seeking to improve our services and provide ones which are responsive to our users and offers better value for the tax payer. Specifically, we have achieved the following under the relevant jurisdictions.

Crime: In the magistrates' courts outstanding cases reduced by 0.4% from 326,437 at the end of 2014 to 325,209 at the end of 2015. Receipts fell by 1% from 1,607,170 in 2014 to 1,589,516 in 2015 whilst disposals increased by 1% from 1,570,660 to 1,594,029. The magistrates' courts effective trial rate increased from 45% in 2014 to 48% in 2015.

At the Crown Court, outstanding cases fell by 9% in 2015 from 55,116 at the end of 2014 to 50,039 at the end of 2015, there was an 11% reduction in trial cases, from 47,497 to 42,651. The effective trial rate remained steady at 50% in both years.

The number of days from first listing to completion for all criminal cases in magistrates' courts was 22 days in 2015, an increase from 20 days in 2014. The number of days from sending a trial case to the Crown Court to main hearing increased from 117 days in 2014 to 136 days in 2015.

Civil: The average time to deal with a fast or multi-track claim from date issued to claim going to trial improved from 56.8 weeks in 2014 to 52.6 weeks in 2015.

Family: The average time for the disposal of a care or supervision applications in 2015 was 28.3 weeks, an improvement from 29.9 weeks in 2014. The percentage of care or supervision proceedings disposed of within the 26 week time limit (introduced in the Children and Families Act 2014) improved from 55% to 58%.

There has been a decrease in the time taken for private law cases overall in 2015, taking 14.5 weeks compared to 16.7 weeks in 2014.

Tribunals: In the Employment Tribunal, the volume of single claims received decreased by 3% from 17,846 in 2014 to 17,279 in 2015. Social Security and Child Support appeal receipts increased by 8% from 141,440 in 2014 to 152,207 in 2015. Immigration and Asylum appeal receipts fell by 6% from 88,810 to 83,760.

We have also:

Rolled out the Transforming Summary Justice initiative: This was rolled out in May 2015 and involved close working with other agencies. The initiative is aimed at reducing delays in the magistrates' courts, holding fewer hearings per case and increasing the number of trials that go ahead the first time that they are listed. The Crime team in the Courts and Tribunals Development Directorate worked with seven of our partners across the criminal justice system; the Crown Prosecution Service; police forces; the Justices' Clerks' Society; the Presiding Judge and the judiciary; the Chief Magistrate and Magistrates' Association; the National Probation Service; and the Law Society.

The programme ensures each of the parties involved play their part more effectively. There are 10 characteristics which will improve the effectiveness of the magistrates' courts.

1. Quality assured police files
2. Anticipated plea hearings
3. Brigading cases
4. Optimum bailing patterns
5. Early receipt of IDPC (initial details of the prosecution case)
6. The right personnel at the hearing
7. Streamlined disclosure
8. Clear expectations of effectiveness
9. Police support for anticipated not guilty hearings and
10. Connectivity (Wi-Fi) for each agency at court.

This highlights the collaborative working arrangements we have and the process to reform our courts has begun.

Delivered a trials blitz: Several magistrates' courts across London, Manchester and Birmingham took part in a trial blitz exercise to reduce delays. A number of teams from HMCTS and justice partners worked closely together to ensure the project was successful, including district judges, magistrates, legal advisers, ushers, the Crown Prosecution Service and the defence community. This helped to clear some trial backlogs and reduced waiting times.

Performance statistics

HMCTS are committed to transparency, which is part of wider government aims. Each quarter we publish additional national statistics on activity in the magistrates' courts, the Crown Court, the County Court, the Family Court, the High Court, Court of Appeal and tribunals in England and Wales and non-devolved tribunals in Scotland and Northern Ireland. The additional information can be found on www.GOV.UK, however for specific information, please go to:

Criminal Court statistics quarterly

<https://www.gov.uk/government/collections/criminal-court-statistics>

Civil Justice statistics quarterly

<https://www.gov.uk/government/collections/civil-justice-statistics-quarterly>

Family Court statistics quarterly

<https://www.gov.uk/government/collections/family-court-statistics-quarterly>

Tribunals and Gender Recognition statistics quarterly

<https://www.gov.uk/government/collections/tribunals-statistics>

We will continue to publish quarterly national statistics on the performance of the courts and tribunals system which will, over time, start to pick up the impact of HMCTS transformation.

2.3 Vision, objectives and priorities for 2016–17

2016–17 will be the second year of transformation activity and it is only right that with the investment, HMCTS identifies and defines clear strategic objectives. These objectives will see us through the next few years and allow everyone to have a common goal which is consistent with our purpose and which holds justice at the heart of all we do.

Our purpose: Supporting justice, driving modernisation and improvements, simplifying services (developing just outcomes; swiftly, fairly, easily and efficiently)

The following strategic objectives will enable all staff to have a clear understanding of what they do and how they do it (be it a member of the HMCTS senior management team, a local delivery manager or a court usher) and how they contribute to the overarching direction of HMCTS.



The three objectives will be fundamental to all the work that HMCTS undertakes to secure the reality of a reformed courts and tribunals service.

We also have to plan ahead to ensure that we do not just look at 2016–17, but beyond to a reformed courts and tribunals service where the experience of users will be completely different.

We have begun to implement our overall transformation approach, including the Reform Programme, and to make significant progress in securing and changing the operational, digital and cultural foundations to achieve that. We will also continue to progress the delivery of our existing transformation programmes which are introducing improvements to the services we provide, and building the elements required for the Reform Programme as well as starting to enhance our commercial capability and awareness (SO1, SO2 and SO3).

Through working with the judiciary and our delivery partners, HMCTS is building a transformed justice system that is simpler, swifter and more efficient, and an organisation which is adaptable and agile. Within this context of profound change, we can be sure that transformation will touch every job in HMCTS. We therefore will focus on building performance today whilst securing improved performance for tomorrow (SO2 and SO3).

HMCTS must become a customer-centric organisation which is user-led in every aspect and we must build on what we have already achieved. It is also about fostering a culture in which our staff, our partners and the public are advocates of HMCTS as well as key contributors. We therefore must gain a strong understanding of customer insight – who are our users, what do they think about our services, what do they want from a reformed HMCTS? This will enable us to make better management decisions, nationally and locally, based on user need and with an emphasis on our most vulnerable users (SO1 and SO2).

We also need to inspire and empower our staff to improve and innovate our services. This means creating an environment where regional and local innovation is proactively encouraged and supported.

All the while we will hold the provision of justice at the heart of everything we do and ensure that every single member of staff can see and understand what an important role they play in the delivery of our services.

Looking forward we will:

Deliver Year Two of our Reform Programme

During 2016–17 we continue to deliver the early enabling elements of the programme which will transform our services.

We will introduce a unified business model across the justice system. We are aiming to streamline and simplify processes across all jurisdictions, automating where possible to improve the services we provide. This will speed things up by keeping straightforward, minor cases out of the courts altogether. In 2016–17 we will develop and test virtual hearing solutions which will enable a greater use of video and online technology to eliminate hearings and processes that are not essential. We are introducing the Digital Mark Up in magistrates' courts as part of the wider transformation programme. We will also improve the experience of all professional court users by ensuring they can work digitally in the courts.

We will modernise our estate. Many of the current 460 court and tribunal buildings in the HMCTS estate are underused, while some are unsuitable for the services we provide to our customers and many are expensive to maintain. We have already started work to modernise our estate and create a more user-friendly and efficient service. To facilitate and contribute to the overall transformation journey, we need to consolidate our estates infrastructure and proceed with the sale and disposal of the estate as outlined in the consultation response which was published in February 2016.

Build performance today whilst securing improved performance for tomorrow

As year two of the vision for a reformed courts and tribunal's service involves putting the operational and digital foundations in place, it also means getting the right people in place, ensuring we select the best, harness their capabilities, maintain a high benchmark, and shift the emphasis onto reward for performance.

It means anticipating and meeting the capability requirements driven by the vision and any associated new ways of working. Yet, this also means bringing our existing people with us on the journey, treating them fairly and with respect as we transition. To do so, we need to build our capability to lead the business through transformation.

As we transform, we will need to manage the transition from current to future state whilst continuing to provide a business-as-usual service, but we do need to identify, retain and recruit the right people with the right skills and attitude to operate in the future service.

Fundamentally, HMCTS has to evolve and in the long term become an agile organisation better able to adapt to changing user needs, ensuring we have the right structure, climate and capability to manage change and transition well. The aim is to deliver the leaders and leadership that HMCTS needs now and in the future, and to build a workforce of capable, well-informed and supported employees.

We will establish a common purpose and ensure that when setting objectives we will ensure that the golden thread connecting every activity undertaken in HMCTS can be aligned to one or more of the strategic objectives and every person can see how they actively contribute. We recognise that our greatest asset are our people and that people perform best when they have a purpose.

We will pave the way for performance management to be integrated with talent and reward. We will reduce the requirement for form filling by manager and staff member to enable the focus to be on personal and career development and to facilitate simpler, shorter and directed conversations. Talent management discussions will also focus on personal and career development ensuring that individuals are guided and have access to appropriate development and career pathways.

We will define and start to design the people structure for the reformed courts and tribunals service, ensuring leadership is grown, capability enhanced and talent is retained. We recognise that the current organisational design is complex and unclear. This leads to lack of clarity about what is needed to lay the foundations for change, navigate the change and deliver the transformation. We will ensure that the organisation's structures enable the strategy and support the implementation of new services by gathering and maintaining accurate data on staff numbers, locations and activities.

Transforming Compliance and Enforcement Programme: We will begin a process to transform our compliance and enforcement service, ensuring we begin to build a customer centric data driven service which focuses on ensuring orders of the court are complied with. We will partner with our teams to design a new system which ultimately will give staff the right tools and training to allow them to deliver an effective service. Alongside the work to design our future service we will enrich and re-work debt which had been previously administratively cancelled to drive up the level of fine collection.

Develop a Customer Focus

In order to improve we first need to gain a strong understanding of customer insight. This will be used to make better management decisions, nationally and locally, based on user need and with an emphasis on our most vulnerable users.

In doing so we must not lose sight of what we do now and what we are good at. Working with our partners which include the judiciary at all levels and in all jurisdictions, is central to the success of HMCTS and should be fostered and embraced in the future. Externally, we need to grow our relationships with Other Government Departments (OGDs) and our partners, seeking out best practice and co-designing and delivering innovative services.

Internally, we want to achieve and surpass our targets on correspondence, Parliamentary Questions and Freedom of Information requests. As well as responding to customer complaints in a timely and effective way, we must build our ability to continually learn from them and avoid repeat failures.

One of the key aspirations of a reformed courts and tribunal's service, as well as it being one of the main non-financial benefits of the HMCTS transformation, is that we will offer significantly better services to the public and wider society. To do that we need to have an understanding of what it is they want and need. We will develop a capable and proactive customer and communications directorate of professionals who can drive, enable and support the activity required to understand and engage staff, all our partners and the general public, in our transformation journey. We will ensure our reforms are built upon the needs of the user and that an aligned and supportive vision is established and maintained.

We will improve the customer experience for victims and witnesses by working collaboratively with the Victim's Commissioner on the use of Victims' Personal Statements and with the Reform Programme to increase the use of virtual hearings. We will also contribute to the Government's plans to introduce the Victims' Law.

2.4 Our performance against other required reporting

As well as our business priorities, HMCTS are committed to ensuring improvements are made in all areas we are required to report.

2.4.1 Finance

We have carefully managed our expenditure to meet a challenging budget in 2015–16. Together with increases in fee income, we have made a reduction to our net operating expenditure of £82 million since 2014–15.

The increase in fee income of £87 million in 2015–16 was driven by the introduction in March 2015 of enhanced fees for high value civil money claims, where the value of the fee is linked to the value of the claim. Divorce, possession and general application fees increased in March 2016.

Reductions in expenditure were made both by managing business as usual expenditure, such as restricting expenditure on travel and subsistence, and efficiency savings of £80 million.

The announcement of the closure of 86 court and tribunals buildings over the next two years triggered an impairment of £150 million to the carrying amount of the sites. This reflects the reduction in their useful economic lives.

2.4.2 Sustainability

This is the fifth Sustainability Report HMCTS prepared in accordance with 2011–12 guidelines laid down by HM Treasury in 'Public Sector Annual Reports: Sustainability Reporting' published at:

<http://www.gov.uk/government/publications/government-financial-reporting-manual/>

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.

The Ministry of Justice is committed to achieving these government targets, reducing its environmental impact and reducing costs. Priorities include reducing carbon emissions, water consumption and waste to landfill.

Scope exclusions and estimations

This report covers 480 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 2015–16. As these are modest in their 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.

Performance

Overall HMCTS achieved a reduction in greenhouse gases of 9%. The climatic conditions experienced during 2015–16 were very similar to those during 2014–15 with both years experiencing exceptionally mild winters. There has been a 10.6% reduction in electricity consumption and a 5.7% reduction in gas consumption across the estate.

We have exceeded the carbon target through reducing the size of our administrative estate, enhancing maintenance works, working with our facility management providers to enhance building performance and delivering carbon reduction projects.

Greenhouse gas (GHG) emissions		2013–14	2014–15	2015–16
Non-Financial Indicators (tCO ₂ e)	Scope 1 (Direct) Site based emissions & owned transport.	34,797	32,938	30,506
	Scope 2 (Indirect) Supplied energy (Electricity and heat)	59,393	65,954	59,589
	Scope 3 (Other indirect) Business travel & transmission losses from supplied energy.	8,430	8,558	8,373
	Total gross GHG emissions	102,620	107,450	98,468
	Electricity: green/renewable	(14,698)	(16,330)	(10,840)
	Total net GHG emissions	87,922	91,120	87,628
Non-Financial (kWh)	Electricity: Grid, CHP & non-renewable	98,984	99,124	88,585
	Electricity: renewable	32,993	33,039	29,526
	Gas	173,686	169,388	159,633
	Other energy sources	5,395	4,507	3,385
	Total energy	311,058	306,058	281,129
Financial indicators	Expenditure on energy (£m)	26.2	23.6	18.9
	Expenditure on official business travel (£m)	12.7	7.8	6.4

During 2015–16, the HMCTS estate produced a total of 8,362 tonnes of waste; a 34% reduction against the 2009–10 baseline figure. Of the total waste generated, 79% (6,577 tonnes) was diverted away from landfill disposal with 57% (4,770 tonnes) directed to reuse and recycling and 19% (1,541 tonnes) to energy-from-waste incineration. The food waste recycling initiative in the South East, South West and London regions directed 259 tonnes (3%) of waste to composting and anaerobic digestion operations.

The waste reduction can be attributed to digitalisation, better data collection methods and behavioural change.

Waste			2013-14	2014-15	2015-16
Non-financial indicators (tonnes)	Non-hazardous waste	Landfill waste	3,045	2,517	1,784
		To recovery (AD & Composting)	9	154	259
		To incineration	5	5	8
		Reused/recycled waste	5,613	5,913	4,770
		Energy from waste	1,388	963	1,541
	Total waste arising	10,060	9,552	8,362	
Financial indicators	Total waste costs (£m)	2.1	2.6	2.5	

HMCTS is committed to reducing water usage across the estate and continued engagement with contractors will look to improve data collection methods and to further reduce water usage.

Water		2013-14	2014-15	2015-16
Non-financial indicators	Total water consumption (cubic metres – m ³)	805,947	734,613	507,895
Financial indicators	Total water supply costs (£m)	2.3	2.6	2.4

HMCTS commenced the use of the mandatory pan-Government Office Supply Contract (GOSG) in October 2011 and it is hoped that we will be able to reduce our paper usage with a digital strategy.

Paper		2013-14	2014-15	2015-16
	Cost (£m) ex. VAT	1.6	1.1	1.4

Governance, responsibilities and internal assurance

Overall governance and assurance is managed by the Ministry of Justice Sustainable Operation Team. The Ministry of Justice continues to work on reducing its environmental impact across the estate, through a variety of carbon, water and waste saving initiatives.

There are some limitations to the accuracy of our financial and non-financial sustainability data and we are committed to improving the quality of our internal controls, for example through internal audit, and through continuous engagement with both internal and external stakeholders.

Sustainable Operations policy

Under the new Sustainable Operations Team, governance, Ministry of Justice energy and water policies, which stipulate the criteria for investment in energy and water efficiency, are under review and a central, Ministry of Justice policy statement along with a short delivery plan will be issued in 2016.

In the future, Memorandums of Understanding agreed between the relevant parties and the Estates Directorate, will include the level of sustainability services available to them and their respective responsibilities to the Sustainable Operations Team.

The Sustainable Operations Team is also reviewing the water policy and looking to engage with areas representatives and contractors to further reduce our water usage.

Ministry of Justice Single Departmental Plan

The Single Department Plan sets out our vision for the justice system and how our ambitious reforms will transform the services we provide. The plan has been agreed with the Cabinet Office and HM Treasury to ensure it reflects the government's priorities and can be delivered within the spending review budgets.

<https://www.gov.uk/government/publications/moj-single-departmental-plan-2015-to-2020/single-departmental-plan-2015-to-2020>

Commercial policy

In line with Ministry of Justice Commercial policy to embrace best ethical, environmental, and health and safety practice in meeting business needs, procurement should always be conducted using a sustainable approach.

In particular, DEFRA provides details of Government Buying Standards (GBS) for a range of products. The minimum standards required by these GBS are mandated for use by Ministry of Justice and must be included as part of all tendering activity where they apply.

Achievement of these standards is reported annually as part of Greening Government Commitments with 100% compliance reported against most. In particular the current Ministry of Justice food tender is the first large scale procurement to use DEFRA's new balanced scorecard, adopting not just the mandatory GBS but going beyond to establish continuing development in a number of areas.

Ministry of Justice has a good story to tell in respect of its performance against the government's stated aspiration that 33% of government procurement expenditure goes to SMEs. We are the top performing department, with £2 billion (41.6%) of procurement expenditure going to SMEs in 2014–15.

Social and environmental awareness

HMCTS has continued with the biological mapping of its estate so as to understand where it needs to address its statutory and mandatory issues with regards to priority species and habitats. This mapping has been carried out in conjunction with the Ministry of Justice ecology network and local and national wildlife partners. HMCTS has already provided several volunteer ecology coordinators who are working with their local wildlife trusts and with national wildlife projects such as the Big Garden Birdwatch¹ and B-Lines.²

Carbon Reduction Commitment

Carbon Reduction Commitment (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. Ministry of Justice Sustainable Operations team manages CRC on behalf of all its departments although accruals and budgets are managed at department level. The associated carbon allowances for 2015–16 are forecasted to be £1,648,060.

Climate Change adaptation

Climate Change adaptation has provided a challenge in recent years for the HMCTS estate, particularly with courts which have felt the brunt of the resultant flooding, however, individual site business contingency plans have allowed the courts to continue with its professional service unabated. This did, however, demonstrate the continuing need for a current and up-to-date flood risk register. The Ministry of Justice sustainable development team is continuing to work closely with HMCTS and the Environment Agency to keep all its risk registers up-to-date, and where possible advise the regions or areas and the facility management providers with any new research relating to climate change and adaptation.

Biodiversity action planning

HMCTS have worked closely with their facility management provider at its designated site at Snaresbrook Crown Court and the Ministry of Justice ecology network to implement a Local Biodiversity Action Plan. Additionally, to fulfil its site statutory obligations; the Ministry of Justice ecology network have drafted a Site Management Agreement, which puts in place statutory habitat management plans and objectives that will protect the biological importance of the site. Recent enhancements have been a reptile reserve and wildlife corridors and an ambitious nest box programme.

¹ Further details on Biodiversity 2020 are available – www.gov.uk

² Further details are available on European designated sites – <http://jncc.defra.gov.uk/page-1527>

Rural proofing

The Ministry of Justice estate retains its flexibility when it looks at its operational estate; and through a robust and progressive planning system the Ministry of Justice sustainable development team has been quick to respond to such planning issues as, transport plans, ecological impact assessments, as well as local social and community plans. Working closely with estate project and technical design teams at early stages particularly on new builds, has helped us deliver important policy issues with regards to the above and other more progressive issues such as carbon foot printing, rural diversification and ecosystem services on a landscape scale.

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 2015–16 a total of 13 new build and two refurbishments were registered or completed. All achieved the required BREEAM status.

2.4.3 Complaints to the Parliamentary Ombudsman in 2015–16

The Parliamentary and Health Service Ombudsman (PHSO) investigates complaints from individuals who have received poor service from government departments, 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 can also recommend how mistakes can be put right and ask organisations to produce action plans to show how they will be implemented.

The PHSO investigated 75 complaints against HMCTS in the calendar year 2015.

Results show an upwards trend in complaints not upheld by the PHSO measured against figures for the previous two years.

	2015	%	2014	%	2013	%
Investigations completed by PHSO	63	100	51	100	30	100
Upheld complaints against HMCTS	9	14	8	14	8	26
Partly upheld complaints	20	32	17	34	10	33
Complaints not upheld against HMCTS	34	54	26	52	12	40

In line with the PHSO's principles, HMCTS has implemented a system to share lessons learned to ensure continued improvement in customer service. For example, a member of the public experienced a long delay enforcing a warrant because there was no function to add a second defendant electronically. As a result of the PHSO's investigation of the complaint, HMCTS developed a new process for claimants issuing joint warrants manually.

HMCTS has also undertaken work with staff across the regions to improve awareness of complaint handling. This has led to a better recording of complaints, demonstrating the importance we are placing on leading from our customers and reacting to feedback received.

Kevin Sadler
Chief Executive (Interim) and Accounting Officer
4 July 2016

Section 3:
**Our controls,
governance and
accountability report**

3.1 How are we structured in 2015–16: our staff and senior management structure

HMCTS comprises a geographically dispersed organisation with an annual spend of around £1.7 billion and income plans of £914 million. The overall cost base consists of three broadly equal areas of expenditure: HMCTS staff, salaried and fee paid judiciary, and estates.

We employ approximately 16,000 full time equivalent staff and we work with 1,800 full-time judiciary, 7,500 fee-paid judiciary and about 19,500 magistrates out of 471 buildings.

As shown below, the average number of staff permanently employed by HMCTS has reduced by 953 full time equivalents (FTEs) from 2014–15 to 2015–16, with associated staff costs that have decreased from £509 million in 2014–15 to £501 million in 2015–16. These figures do not include the judiciary. Information on judiciary costs and numbers can be found on page 107.

Working within HMCTS we also have a very capable population of agency and contract staff, equivalent to 1,077 FTEs, fulfilling mostly front line roles. As our workforce will reduce over the coming 4 to 5 years, we have deliberately recruited staff to roles on a temporary basis to minimise the risk of redundancy on our existing workforce, and to minimise long term redundancy costs incurred by employing staff now who we know we cannot offer a long term role to.

3.1.1 Our staff

Our staff are fundamental to our success. The nature and scale of modernisation we face as we change the way we operate through automation, places new demands on our people. Our leadership challenge is to maintain service to our users whilst we develop and deliver a radically transformed service and, at the same time, care for and support people to cope with the ambiguity and uncertainty that change brings.

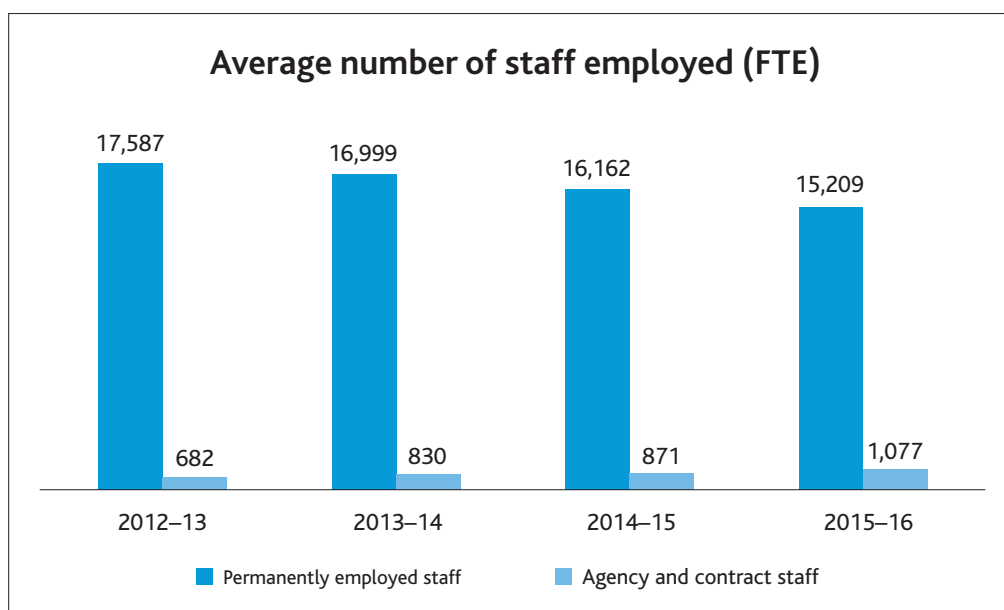
We have therefore, developed principles to guide how we engage with our people; we will involve our people in change to provide them with the opportunity to influence, and have a stake in, the future, and; we will treat people as adults through an honest, transparent and timely dialogue about change.

At the end of 2015, we initiated a programme of development for our leadership population with the initial emphasis on building capability in authentic, self-aware and emotionally intelligent leadership behaviour. The first stage involved the executive team and approximately 200 of the most influential leaders across HMCTS conducting an emotional intelligence profiling exercise to raise self-awareness and shape personal development plans with coaching support.

The learning from this phase of activity will be used to guide the extension of the development programme across the whole leadership population as we begin to implement the whole change programme.

Average number of staff employed¹

The average number of full time equivalent (FTE) staff paid during the year was 16,286 (2014–15: 17,033) comprising of the following:



Staff costs comprise:¹

	2015–16	2014–15
	£000	£000
Wages and salaries	369,472	384,803
Social security costs	23,042	24,304
Employer's pension contributions	72,130	66,139
Agency staff costs	34,878	26,352
Voluntary early departures	1,699	8,240
	501,221	509,838
Add: inward secondments	561	111
	501,782	509,949
Less: recoveries in respect of outward secondments	(490)	(486)
Total staff costs	501,292	509,463

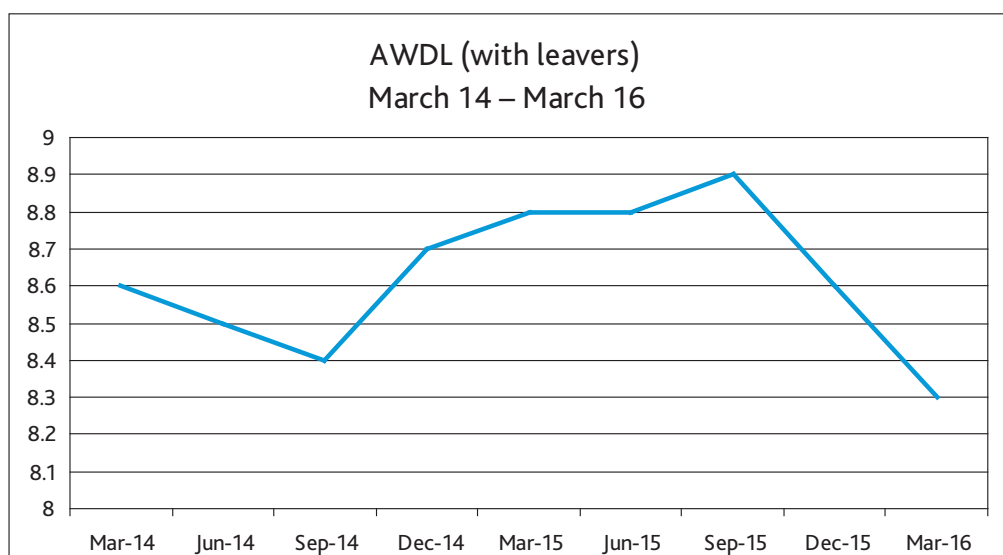
¹ This section is subject to audit.

Sick absence

Following the plateau reached in the second half of 2014–15, there has been an improvement in average working days lost due to sickness and this has continued throughout the year.

At the end of March the figure had reduced to 8.3 days per person (including leavers) from 8.7 days in 2014–15.

This is as a result of the improvement activity undertaken in 2015–16 with the HMCTS Health and Wellbeing Plan put in place, but there are still further reductions to be secured in the forthcoming year.



Equality and diversity

HMCTS is committed to ensuring that we consider 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.

We work 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 so disabled people can access our services. Guidance on supporting disabled staff and providing reasonable adjustments is incorporated in the Ministry of Justice 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.

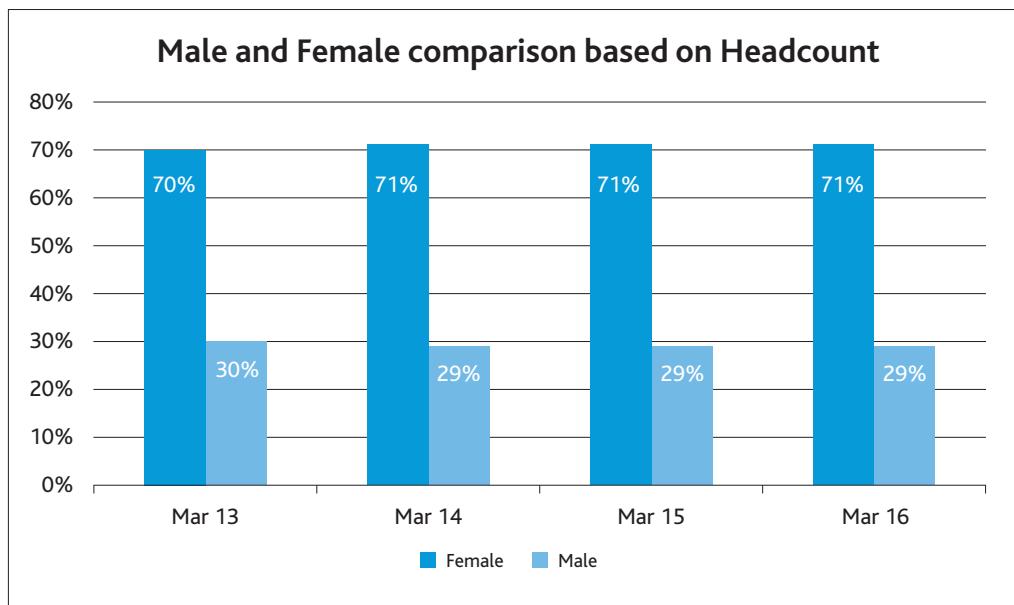
Our Welsh Language Scheme 2013–16 sets out how HMCTS operates under the principle that in the conduct of public business and the administration of justice in Wales, it will treat the Welsh and English languages on a basis of equality. Our scheme outlines how we are responding to an ever changing context in Wales in

terms of our Welsh language services and provision across the wider justice system. In implementing the scheme during the reporting year we saw our Welsh Language Unit deal with an ever increasing workload in terms of its translation work, further increasing its customer base. Our Welsh Language Helpline service also expanded playing an important role in improving customer service and reducing Welsh language related complaints.

As part of the Ministry of Justice family we have appointed diversity champions who provide visibility and leadership to focus on our strategy for equality and diversity issues. They work in partnership with staff networks to promote and raise awareness and understanding of diversity, equality and inclusion across the organisation. We successfully embrace the mental health charities’ Time to Change programme and also encourage our staff to become Dementia Friends.

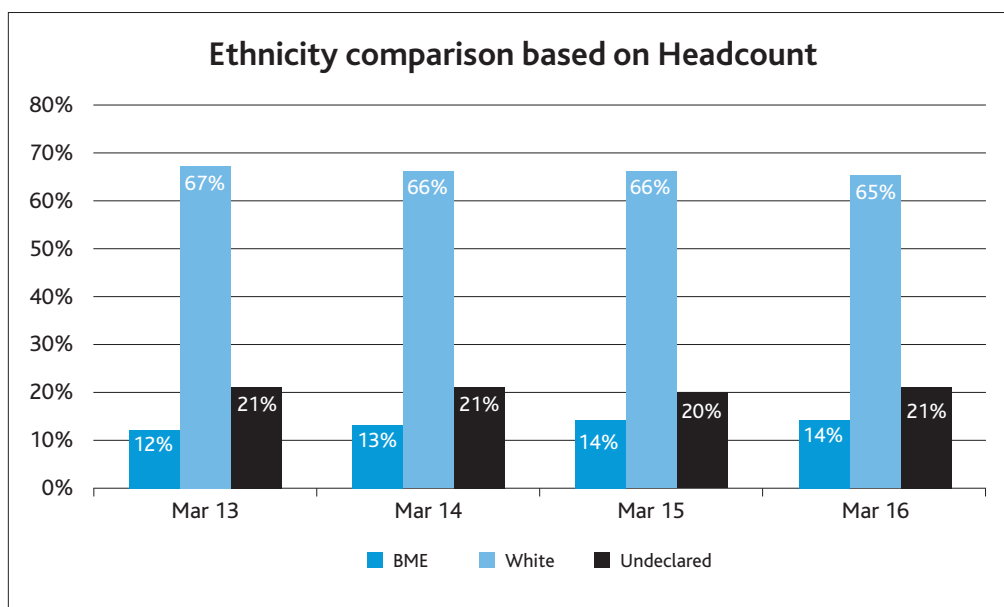
All staff receive guidance and training to make sure they understand how to meet the legal requirements of the Equality Act 2010 in their daily work in all areas of our business.

The general equality duty introduced by the Equality Act 2010 requires public bodies to consider the needs of all individuals when developing policy and delivering services in relation to their own employees and users. We demonstrate 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. This makes sure that the right steps are taken by the right people at the right time.



At 31 March 2016, the breakdown of employees by gender was as follows:

	Male	Female	Total
Executive and non-executive board members	4 (44%)	5 (56%)	9
Senior managers (Senior Civil Servants)	23 (56%)	18 (44%)	41
Other employees	4,795 (29%)	11,856 (71%)	16,651
Total	4,822 (29%)	11,879 (71%)	16,701



Employee engagement

The 2015 People Survey was launched in October 2015, providing staff with an opportunity to have their say on a variety of topics which impact them (see below). The results for HMCTS revealed a response rate of 66% (-2% compared to previous survey) with an Engagement Index of 51% (-2% compared to previous survey).

Local 'Results into Action' workshops have taken place and local action plans have been produced and will be reported in next year's Annual Report.

However, following on from the 2014 People Survey, throughout 2015, led by employee engagement champions, HMCTS developed a wide-ranging plan to tackle and take action. Many of the actions have since been delivered, and were supported by local action plans and initiatives.

Development programme – Following feedback the National Compliance and Enforcement Service set up and ran a development programme aimed at staff at Band E and F. The aim of the programme was to support the development of administrative staff and raise awareness of the knowledge and skills required of HMCTS managers. Following completion of the programme, staff were encouraged to take part in various engagement workshops and were given opportunities to deputise for first line managers. At the closing event the participants delivered group presentations, to members of the senior management team and their line managers, on what they had learned from the programme.

Asha Kumari, took part in the course and has since gained a Temporarily Responsibility Allowance – this is a higher performing role for a limited time, and said of the programme:

“I was put in a team with four others who I had not met before and over the six months I made some good friends who were very supporting and encouraging. By the end of the course I was able to stand in front of a room full of people and deliver our presentation confidently. It was a great feeling being able to conquer your worst fear, something that I had never thought I could do.

“Since the programme I have felt that I’m able to face new challenges with a different view and look for solutions and ways to work and it has given me the confidence to engage and challenge people – something that I definitely would not have done before. This has also helped me in my personal life. I’d recommend taking part in the development programme to anyone.”

Past attendees are acting as coaches for the new programmes and this has added further to building and encouraging development.

Zoe Evison (Compliance and enforcement officer) from Avon and Somerset commented:

“I originally decided to take part in this programme for an insight into the role of a manager and to gain further knowledge that I hoped would benefit me, my colleagues and all our stakeholders. I wanted to challenge myself, to broaden my opportunities and gain understanding of the wider work of the Civil Service.”

Learning and development

HMCTS Capability Survey

In October and November 2014 an organisation wide Capability Survey was undertaken and the significant findings were



Capability Survey: 92% of staff polled reported that they know how to access the learning and development they need



88% of staff polled reported that they **receive the required training** to do their current job

Arising from the survey, were three capability priorities for 2015–2016

- Leading and managing change
- Digital skills
- HMCTS business acumen – we refer to business knowledge and context as business acumen which is something that is unique to HMCTS and takes elements of commercial and financial acumen and sets these skills within the specific business context of how we operate.

In response to the results of the capability survey, HMCTS put together booklets for all staff highlighting what the key priorities are for development focus in 2015–16; highlighting relevant learning for different groups of staff and linking staff and managers to development options available. As well as individual development through Civil Service Learning (CSL) a range of activity took place to meet these specific needs including the following:

Leading and managing change:

- All senior leaders in HMCTS were given the opportunity to attend at least one CSL event and at least one masterclass on leading change.
- Top 200 HMCTS leaders undertook emotional intelligence profiling to help them identify their leadership strengths and areas for development, and they are undertaking action learning sets to underpin this learning.
- A national development programme was made available to staff nominated by the business.
- A number of people started CMI management qualifications and a range of apprenticeships.
- Regions offered managing change events to Band Cs with identified needs and there were a range of regional tailored development programmes for Band Ds ('building the future' – leading change) and Band Es and Fs.

Digital:

- Specific, tailored training has been given to people working with new digital products.
- All legal advisers have done a skills gap analysis and where they have identified generic learning needs, they have been given access to CSL products and others such as speed typing.

Business acumen

- All senior leaders were given the opportunity to attend a CSL event on financial and commercial awareness.
- A video and e-learning was developed and offered to all staff.
- A range of learning has been available to staff on commercial and financial skills – with specific modules targeted at staff at different Bands.



Supported our key priorities and built capability in leading and managing change by **providing learning to 1,713 of our leaders**

Our commitment to the Operational Delivery Profession

The Civil Service Operational Delivery Profession makes sure that people get the services and protection they need. There are 280,000 members of the profession providing services and protection across the civil service, including those who work in HMCTS. For staff within the HMCTS, the Operational Delivery Profession provides career development opportunities as well as a professional sense of identity.

In 2015, we ran 93 workshops to build the capability of 1,556 members of the profession within HMCTS in:

- adapting your behaviour to suit the customer
- defusing hostility and managing conflict
- handling challenging calls in a telephony environment
- investigative interviewing techniques

HMCTS received its first cohort of apprentices under the Operational Delivery Apprenticeship Scheme in December 2015. This is a level 3 apprenticeship and upon successful completion the apprentices will become permanent members of HMCTS.



Including the apprentices there are currently **351 members of the profession undertaking qualifications** from level 2 through to level 7



Level 2 Certificate for Court Ushers – 140 and **Level 3 Diploma** in Courts and Tribunals Clerking – 69



284 of our staff are increasing their capability by taking **apprenticeships** in areas including customer service, team leading and IT

Other staff disclosures

The following sections are included to satisfy parliamentary reporting and accountability requirements and are subject to audit.

Numbers of senior civil service staff

Our executive directors are all senior civil servants. In total there were 45 senior civil servants in HMCTS as at 31 March 2016 (31 March 2015: 33).

Salary band (£)	Number of senior civil service staff	
	2015-16	2014-15
60,000 – 70,000	17	16
70,000 – 80,000	10	5
80,000 – 90,000	9	5
90,000 – 100,000	2	3
100,000 – 110,000	3	1
110,000 – 120,000	-	2
120,000 – 130,000	2	-
130,000 – 140,000	-	-
140,000 – 150,000	-	-
150,000 – 160,000	-	-
160,000 – 170,000	1	-
170,000 – 180,000	1	1
180,000 – 190,000	-	-
Total number of senior civil service staff	45	33

Reporting of civil service and other compensation schemes – exit packages

A summary of the exits are shown below:

Exit package cost	Number of compulsory redundancies		Number of other departures		Total number of exits	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
< £10,000	-	-	2	15	2	15
£10,000 – £25,000	-	-	12	83	12	83
£25,001 – £50,000	-	-	10	95	10	95
£50,001 – £100,000	-	-	13	44	13	44
£100,001 – £150,000	-	-	3	6	3	6
£150,001 – £200,000	-	-	-	-	-	-
£200,001 – £250,000	-	-	-	-	-	-
£250,001 – £300,000	-	-	-	-	-	-
£300,001 – £350,000	-	-	-	-	-	-
£350,001 – £400,000	-	-	-	-	-	-
£400,001 – £450,000	-	-	-	-	-	-
£450,001 – £500,000	-	-	-	-	-	-
Total number of exit packages by type	-	-	40	243	40	243
Total cost of exit packages by type (£000)	-	-	1,699	8,240	1,699	8,240

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 HMCTS has agreed and is committed to the departure. Where HMCTS has agreed early retirements, the additional costs are met by HMCTS and not by the PCSPS. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Review of tax arrangements of public sector appointees

During the current period, HMCTS has reviewed the tax arrangements of all its off-payroll appointments. All contractors within the scope of this exercise have been required to provide evidence of tax compliance. There has been one contractor that has not provided assurance and has been referred to HMRC as at 31 March 2016. The individual has left HMCTS. This is discussed further in the Governance Statement.

Further details of off-payroll engagements can be found in the Ministry of Justice consolidated accounts.

Pension scheme

The PCSPS is an unfunded multi-employer defined benefit scheme, which prepares its own accounts, but for which HMCTS is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2015–16, employer’s contributions of £71.9 million (2014–15: £65.9 million) were payable to the PCSPS at one of four rates in the range of 20.0% to 24.5% (2014–15: 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 reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. The employer’s contribution balance also includes the by-analogy pension scheme current service cost.

Consultancy costs

Expenditure on consultancy in 2015–16 was £8.8 million (2014–15: £6.6 million).

3.1.2 How we work – The partnership of the Lord Chancellor, the Lord Chief Justice and the Senior President of Tribunals: The Framework Document.

HMCTS operates in a unique environment. We provide the system of support, including infrastructure and resources, for the administration of the business of the courts in England and Wales and those tribunals throughout the United Kingdom, for which the Lord Chancellor is responsible. We provide the support necessary to enable the judiciary, tribunal members and magistracy to exercise their judicial functions independently.

The Framework Document reflects an agreement reached by the Lord Chancellor and the Lord Chief Justice and the Senior President of Tribunals on a partnership between them in relation to the effective governance, financing and operation of HMCTS.

The Lord Chancellor and the Lord Chief Justice and the Senior President of Tribunals will not intervene (whether directly or indirectly) in the day-to-day operations of HMCTS and have placed the responsibility for overseeing the leadership and direction of it in the hands of its board. The Chief Executive is responsible for the day-to-day operations and administration of the agency.

The agreed objectives of HMCTS as detailed in the Framework Document are as follows:

- 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 tribunals and courts.

The HMCTS board is responsible for overseeing the leadership and direction of HMCTS in delivering the aim and objectives set by the Lord Chancellor, the Lord Chief Justice and the Senior President of Tribunals.

3.1.3 Our board and senior management team



Non-executive members



Robert Ayling (Chair). Robert is currently Chairman of Welsh Water and was previously the Chairman of Dyson Ltd and the Chairman of the International Dispute Resolution Centre Ltd. He is a solicitor by profession, with 20 years practice in the City and as a senior government legal advisor at the Department of Trade and Industry. He was Managing Director and Chief Executive of British Airways plc from 1993 to 2000.



Victoria Cochrane. Victoria qualified as a solicitor and spent more than 20 years as a litigator, first in private practice and then as General Counsel to Ernst & Young. She took on responsibility for quality, compliance and risk at Ernst & Young in 2003 and spent the last five years of her time there as a member of the Global Executive Board heading up Risk worldwide. She is now a non-executive director of Perpetual Income & Growth Investment Trust Company Plc.



Rachel Osborne. Rachel is the Finance Director, Group Enterprise at Vodafone, a post she has held since September 2015. She previously held a number of senior strategic and finance roles at John Lewis Partnership, Kingfisher Plc and PepsiCo. She brings with her a wealth of expertise in finance control, risk management, developing performance and commercial strategies, as well as delivering major IT transformational programmes.



Ian Playford. Ian's most recent role was Group Property Director of Kingfisher Plc overseeing the strategy, management and investment of Group capital across Europe, Russia and China. He has previously held senior executive roles at Parkridge Holdings and Aviva and has worked across all sectors and disciplines in real estate business throughout Europe and Asia.

Other members



Liz Doherty. Liz was appointed by Ministry of Justice to join the HMCTS board. Liz is a senior finance executive with 30 years' broad-based, international finance experience in a number of large multi-national organisations across a range of industries. Liz spent over 20 years in a range of director level financial roles at Unilever, one of the world's largest FMCG companies. Liz is also a non-executive member of the Ministry of Justice Departmental Board.

Judicial members



Lord Justice Gross (Senior Presiding Judge for England and Wales) – until December 2015 Lord Justice Gross was called to the Bar in 1977, he became Queen’s Counsel in 1992. He sat as a Recorder from 1995 until 2001 and was appointed a Judge of the Queen’s Bench Division in 2001. He was designated a Judge of the Commercial Court in 2002, and was Judge in Charge of Commercial Court from 2009 to 2010. He was Presiding Judge of the South Eastern Circuit (2005 – 2008). He was appointed Chairman of the Standing Committee on Judicial Security in 2009, was appointed to the Court of Appeal in 2010, and was appointed Deputy Senior Presiding Judge for England and Wales in October 2011 and Senior Presiding Judge in January 2013.



Lord Justice Fulford (Senior Presiding Judge for England and Wales) from January 2016 Sir Adrian Fulford was made a Recorder of the Crown Court in 1995 (re-appointed in 2001). He became a High Court Judge 2002. He was appointed to the Queen’s Bench Division. Though he became a judge of the International Criminal Court in 2003, he continued his work at the High Court, presiding over a number of high-profile cases. He was elected to serve as one of the 18 Judges of the International Criminal Court in 2003 for a term of nine years, and is assigned to the Trial Division. He was sworn into office in 2003. He was appointed as a Lord Justice of Appeal in May 2013. Lord Justice Fulford was appointed Senior Presiding Judge for England and Wales, with effect from 1 January 2016.



Lord Justice Sullivan (Senior President of Tribunals) until September 2015 Sir Jeremy Sullivan has specialised in administrative law throughout his career as an advocate and a judge. His main areas of practice at the bar were administrative, local government, parliamentary, planning and environmental law. He took silk in 1982 and was Attorney-General to HRH the Prince of Wales from 1994 to 1997, when he was appointed as a Judge of the High Court, Queen’s Bench Division, and nominated as one of the Judges in the Administrative Court. He succeeded Lord Carnwath as Senior President of Tribunals in June 2012.



Sir Ernest Ryder (Senior President of Tribunals) from September 2015 Sir Ernest Ryder became Senior President of Tribunals in September 2015. Sir Ernest was called to the Bar in 1981 and appointed Queen’s Counsel in 1997. He became a Recorder in 2000. He was appointed a High Court judge, and assigned to the Family Division in 2004. He was the judge in charge of the family modernisation review in 2012. He was appointed as a Lord Justice of Appeal in 2013.



District Judge Michael Walker, CBE Michael Walker was appointed a district judge in April 1994. Since September 2007 he has been seconded to the Senior Presiding Judge’s Office. Before his appointment to the bench, he was a partner in a South London firm of legal aid solicitors. Between 2000 and 2011 he was Honorary Secretary of the Association of Her Majesty’s District Judges. He has been a member of the Judges’ Council since July 2002 and was appointed a director of Her Majesty’s Courts Service in April 2008.

Executive members – biographies below:

Natalie Ceeney CEO
 Lynne Hamilton Finance Director
 Kevin Sadler Director of Courts and Tribunal Development
 Guy Tompkins Director of Operations

Our senior management team



Natalie Ceeney CBE (Chief Executive, HMCTS) Natalie joined HMCTS as Chief Executive in January 2015. Natalie’s career spans the public and private sectors, in both operational and strategic leadership roles. Natalie was made a Commander of the Order of the British Empire in the New Year 2010 Honours List.

Natalie, who announced her departure from HMCTS in May 2016, was responsible for the day-to-day operations and administration of the agency and for the leadership of its staff. As Chief Executive, she worked under the general direction of the board. Natalie was also senior responsible officer for the HMCTS Transformation Programme.



Lynne Hamilton (Director of Finance, Governance and Performance) Lynne joined HMCTS in 2015, having previously been the Director of Finance and Commercial at the Welsh Government. Lynne’s previous experience includes senior policy, delivery and finance roles in which she managed large teams, large complex budgets and big performance improvement programmes.

Lynne is responsible for ensuring HMCTS has strong financial management, governance and controls, as well as chairing the Finance and Performance Committee and Change and Investment Committee.



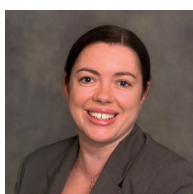
Kevin Sadler (Director of Courts and Tribunals Development) Kevin had a varied early career in operational, policy and private office posts in the Department of Social Security, Cabinet Office and Department of Work and Pensions leading on to roles in the Department for Constitutional Affairs where he oversaw change and restructuring across the department and ran the project to create the Ministry of Justice. Kevin was previously Chief Executive of the Tribunals Service.

Kevin is responsible for the national business strategy, operational policy and modernisation of courts and tribunals, and was announced as Interim Chief Executive for HMCTS in May 2016.



Guy Tompkins (Director of Operations) Guy started his career in the civil service as a clerical officer in the Department of Employment. He has since held a wide variety of posts including operational delivery posts for Job Centre Plus, the Tribunal Service and HMCTS.

As Director of Operations, Guy’s primary responsibility is leading around 16,000 people in the delivery of all business as usual activity, including ensuring the successful delivery of reform change into the business.



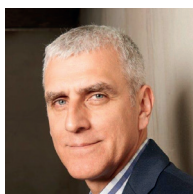
Julie Nerney (Reform Programme Director) until March 2016 Julie led the HMCTS Reform Programme, now the Change Programme. She has a wealth of experience of leading large scale change, having delivered both a range of challenging government programmes over the past ten years and the highly successful transport operation for the London 2012 Olympic and Paralympic games.

As Reform Programme Director, she was responsible for ensuring we had the capability, plans and resources to deliver transformational change.



Richard Goodman (Change Director) from March 2016. Richard joined the HMCTS senior management team in March 2016. Richard started his career in policy and operational case-working roles and then undertook a number of roles where he worked on strategy and workforce reform. In 2011 Richard joined the UK Border Agency as director of international operations, leading the agency's overseas security work and visa operations. After a spell in the Middle East he left the civil service to become policy director at the Financial Ombudsman Service. He joined HMCTS to work on the reform programme in 2015.

As Change Director, Richard is responsible for keeping the transformation of HMCTS on track – and has taken over responsibility for the delivery of the Reform Programme from Julie Nerney.



Kevin Gallagher (Digital Change Director) joined HMCTS in 2015. Before then, he was Chief Information Officer at Channel 4, where he led on bringing digital to the forefront of Channel 4's business model. His role also involved increasing the use of data for customer insight to drive customer behaviours. Before joining Channel 4, Kevin worked in both private and public sector organisations including the Legal Aid Board.

Kevin is responsible for leading on our IT and digital strategy, designing the future infrastructure we need to support change and ensuring it gets delivered.



Faran Johnson (HR Director) joined HMCTS in 2015. She has over 20 years of HR experience at both operational and leadership levels and has worked in the finance, retail, services, technology and media sectors. In her HR leadership roles Faran has been responsible for managing large scale transformational change and delivering breakthrough business performance whilst focusing on employee engagement and improving the working environment.

As HMCTS HR Director, she is responsible talent development, staff engagement and diversity. She is also responsible for ensuring we have the right workforce strategy to manage the change that will be delivered under HMCTS transformation.



Sidonie Kingsmill (Customer Director) joined HMCTS in September 2015 and brings a wealth of experience in using customer insight to make services and experiences better for users. Her most recent role before joining HMCTS was Group Brands Director at Tesco, and she has also worked for companies such as Procter & Gamble and Metro International Newspapers.

As Customer Director, she is responsible for making HMCTS a leader for customer experience across government.

Other attendees at senior management team meetings



Barry Hooper (Commercial Director) joined the Ministry of Justice in 2015. He is a co-opted member of the HMCTS senior management team as he has been appointed as the Senior Ministry Commercial Specialist for HMCTS and the Change Programme. He has held a number of senior posts within the financial services, telecoms and automotive sectors over the past 20 years. Barry has been a member of the Chartered Institute of Procurement and Supply (CIPS) since 1992 and the Chartered Institute of Marketing since 2001.

As Commercial Director, Barry is responsible for the governance of commercial management issues, commissioning and defining services together with effective procurement and supplier risk management at both a performance and contractual level.

3.2 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 (FRM) 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 HMCTS board members were set following discussions between the Permanent Secretary of the Ministry of Justice and her Director Generals in accordance with the rules of the Civil Service Management Code.

HMCTS does not have a Remuneration Committee. The key functions of this committee are dealt with through the Ministry of Justice Workforce Committee.

The following sections provide details of the remuneration and pension interests of HMCTS board members who served during 2015–16.

Table 1 – Remuneration payments to HMCTS board members during the period 1 April 2015 to 31 March 2016

	2015-16					2014-15				
	Total amount of salary and fees	All taxable benefits (to nearest £100)	Bonuses paid	Pension related benefits (to nearest £1,000)	Total	Total amount of salary and fees	All taxable benefits (to nearest £100)	Bonuses paid	Pension related benefits (to nearest £1,000)	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Robert Ayling, Independent Chairman	15-20	Nil	Nil	Nil	15-20	15-20	Nil	Nil	Nil	15-20
Natalie Ceeney, Chief Executive	175-180	Nil	Nil	69	245-250	40-45 (175-180 FYE) ³	Nil	Nil	8	50-55
Steve Gillespie, Director, Finance and Governance (Until 12 April 2015)	0-5 (90-95 FYE) ³	Nil	Nil	1	0-5	90-95	Nil	Nil	53	145-150
Lynne Hamilton, Director, Finance, Governance and Performance (from 13 April 2015)	100-105 (105-110 FYE) ³	34.9	Nil	85	220-225	Nil	Nil	Nil	Nil	Nil
Guy Tompkins, Operations Director	90-95	9.6	Nil	77	175-180	85-90	15.9	Nil	19	115-120

	2015-16					2014-15				
	Total amount of salary and fees	All taxable benefits (to nearest £100)	Bonuses paid	Pension related benefits (to nearest £1,000)	Total	Total amount of salary and fees	All taxable benefits (to nearest £100)	Bonuses paid	Pension related benefits (to nearest £1,000)	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Kevin Sadler, Director, Courts and Tribunals Development	100-105	Nil	10-15	28	140-145	95-100	Nil	10-15	18	130-135
Rachel Osborne, Non-Executive Director	10-15	0.1 ¹	Nil	Nil	10-15	5-10 (10-15 FYE) ²	Nil	Nil	Nil	5-10
Ian Playford, Non-Executive Director	10-15	2.1 ¹	Nil	Nil	10-15	5-10 (10-15 FYE) ²	0.6 ¹	Nil	Nil	5-10
Victoria Cochrane, Non-Executive Director	10-15	0.1 ¹	Nil	Nil	10-15	0-5 (10-15 FYE) ²	0.1 ¹	Nil	Nil	5-10
Liz Doherty, Non-Executive Director Ministry of Justice (from 18 January) ³	0-5 (5-10 FYE) ²	Nil	Nil	Nil	0-5	Nil	Nil	Nil	Nil	Nil

¹ Comprises reimbursements for travel expenses to required business meetings.

² Full year equivalent

³ Liz Doherty is a non-executive director on the Ministry of Justice board. Her remuneration for that role is disclosed in the Ministry of Justice annual report and accounts.

The following judicial members of the HMCTS board are remunerated as judges and received no additional payments as directors.

- Lord Justice Sullivan, Senior President of Tribunals (until 17 September 2015)
- Sir Ernest Ryder, Senior President of Tribunals (from 18 September 2015)
- Lord Justice Gross, Senior Presiding Judge (until 31 December 2015)
- Lord Justice Fulford, Senior Presiding Judge (from 4 January 2016)
- District Judge Michael Walker, Judicial Representative

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 2015–16 relate to performance in 2014–15 and the comparative bonuses reported for 2014–15 relate to the performance in 2013–14.

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.

Pay multiples

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.

	2015–16	2014–15
Band of highest paid director's total remuneration (£000)	175–180	175–180
Median total remuneration (£)	19,585	20,050
Ratio	9.1:1	8.9:1

Remuneration ranged from £10,000–£15,000 to £175,000–£180,000 (2014–15: £10,000–15,000 to £175,000–£180,000).

In 2015–16, no employees received remuneration in excess of the highest paid director (2014–15: two).

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

Table 2 HMCTS board members' contracts

Name	Contract start date	Unexpired term	Notice period
Robert Ayling	1 April 2011 (renewed on 1 April 2015)	2 years and 3 months	1 month
Natalie Ceeney (until August 2016)	5 January 2015	To retirement	3 months
Steve Gillespie (until 12 April 2015)	22 November 1976	To retirement	3 months
Lynne Hamilton	13 April 2015	To retirement	3 months
Guy Tompkins	7 November 2005	To retirement	3 months
Kevin Sadler	10 September 1984	To retirement	3 months
Rachel Osborne	1 August 2014	1 years and 4 months	1 month
Ian Playford	1 August 2014	1 years and 4 months	1 month
Victoria Cochrane	1 November 2014	1 years and 7 months	1 month
Liz Doherty	18 January 2016	2 years and 5 months	1 month
Lord Justice Sullivan ¹	N/A	N/A	N/A
Sir Ernest Ryder ¹	N/A	N/A	N/A
Lord Justice Gross ¹	N/A	N/A	N/A
Lord Justice Fulford ¹	N/A	N/A	N/A
District Judge Michael Walker ¹	N/A	N/A	N/A

Notes:

¹ Judicial members do not operate under contracts.

Pension benefits

Table 3 – HMCTS 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 31/3/16 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/03/16 £000	CETV at 31/03/15 £000	Real increase in CETV £000
Robert Ayling Independent Chairman	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Natalie Ceeney (until August 2016)	5–10 plus lump sum of 0	5–7.5 plus lump sum of 0	66	7	44
Steve Gillespie Director, Finance and Governance (until 12 th April 2015)	45–50 plus lump sum of 135–140	0–2.5 plus lump sum of 0–2.5	939	925	1
Lynne Hamilton Director, Finance, Governance and Performance	40–45 plus lump sum of 50–55	2.5–5 plus lump sum of 2.5–5	751	644	59
Guy Tompkins Operations Director	35–40 plus lump sum of 110–115	2.5–5 plus lump sum of 10–12.5	751	629	65
Kevin Sadler, Director, Courts and Tribunals Development	35–40 plus lump sum of 115–120	0–2.5 plus lump sum of 2.5–5	805	720	24
Rachel Osborne	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Ian Playford	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Victoria Cochrane	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Liz Doherty	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹

Notes:

¹ No pension contributions are made on behalf of HMCTS non-executive board members.

Pension benefits are provided through the civil service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the ‘Civil Servants and Others Pension Scheme’ or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member’s state pension age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

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**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015.

Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of **classic** (and members of **alpha** who were members of **classic** immediately before joining **alpha**) and between 4.6% and 8.05% for members of **premium**, **classic plus**, **nuvos** and all other members of **alpha**. 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. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. 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% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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 up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the civil service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Cash Equivalent Transfer Values

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

3.3 Statement of Accounting Officer's responsibilities

Under section 7(2) of the Government Resources and Accounts Act 2000, HM Treasury directed HMCTS 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 18 December 2015. 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 net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing HMCTS'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
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable.

The principal Accounting Officer for the Ministry of Justice has designated the HMCTS's Chief Executive as HMCTS's Accounting Officer. 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 HMCTS's assets and for preparing HMCTS's accounts, are set out in the Accounting Officer's Memorandum issued by HM Treasury and published in Managing Public Money.

3.4. Governance statement

Introduction

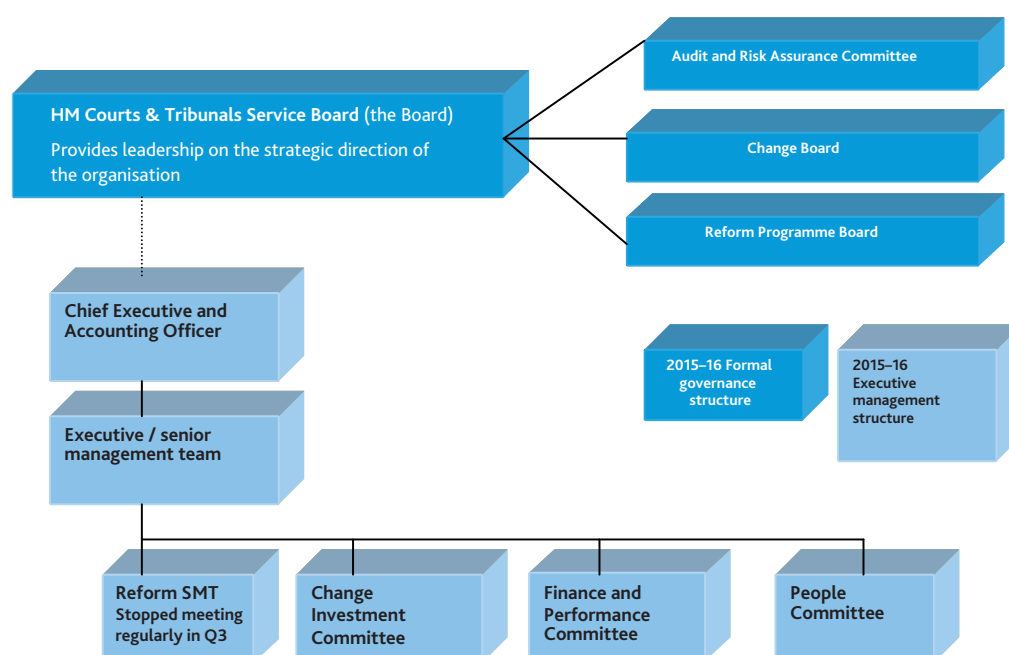
HMCTS is an agency of the Ministry of Justice. Our key aim is to run an efficient and effective courts and tribunals system which enables the rule of law to be upheld and provides access to justice for all. The organisation operates in accordance with our published Framework Document which sets out the basis of an operating partnership between the Lord Chancellor (Secretary of State for Justice), the Lord Chief Justice and the Senior President of Tribunals.

As Chief Executive I am responsible for the day-to-day operations and administration of the agency and leadership of its staff. As Chief Executive and Accounting Officer I am accountable to the Ministry of Justice Permanent Secretary and Principal Accounting Officer and ultimately to Parliament.

I was appointed as Accounting Officer following Natalie Ceeney’s departure on 27 May 2016. I assumed personal responsibility for governance, internal control and risk management for HMCTS. I reviewed the information and assurances provided by Natalie Ceeney and am satisfied with them and 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.

Governance framework and management structure 2015–16

Governance within HMCTS is delivered through robust board and executive as set out in the Delegation of Authority Policy. In 2015–16, this was as follows:



Corporate Governance in Central Government Departments – Code of Good Practice

This code applies to Ministry of Justice directly however HMCTS has adopted key principles as best practice. We remain compliant with material requirements with the exception of the Nominations Committee as reported in previous years. We have this year established a People Committee with the responsibility for considering talent and succession planning within the organisation. In addition the board discussed at their March 2016 meeting, performance and talent management for our senior executives. Governance arrangements for the organisation are overseen by the Audit and Risk Assurance Committee and the board as well as by the executive on a day to day basis.

HMCTS board and its sub-committees

HMCTS board

General

- Terms of Reference reviewed and agreed in July 2015.
- Overall responsibility for Corporate Governance within HMCTS.
- Delegation of Authority Policy 2015–16 for the board and executive agreed May 2015.

Board highlights

- The board discusses performance and finance at each meeting.
- A new balanced scorecard was developed during the year to monitor and demonstrate progress against the delivery of our business priorities.
- Discussions relating to the Spending Review, our estate and the transformational reform of the organisation have been key during the year.

Effectiveness reviews

- Carried out its annual self-assessment of performance in May 2015 with good results.
- Key actions identified included proposed quarterly deep dive discussions on performance. Topics for deep dive discussions have included finance, performance in the criminal courts, and total facilities management.
- It was agreed that the Chair of the ARAC would take on the role of Senior Independent Director and would act as deputy chair in the absence of the Chairman.
- The 2015–16 evaluation was carried out in March 2016. Results were analysed and discussed at the May meeting to agree an action plan to progress during 2016–17.

Audit and Risk Assurance Committee (ARAC)

General

- Terms of Reference were reviewed and agreed in April 2015.
- Chaired by the Senior Non-Executive Director.
- An advisory body supporting the Chief Executive as Accounting Officer
- Supports the board in its responsibilities for risk management, control and governance.
- Reviews the comprehensiveness of assurance received and reviews the reliability and integrity of those assurances.
- The chair provides a report highlighting and escalating issues to the board after each quarterly committee meeting.

ARAC highlights

- Deep dives of risks from the risk register have formed substantive agenda items.
- Substantial discussions have been held on the management of the estates maintenance contracts, IT resilience planning and business continuity. There was also focus on the implementation of Internal Audit's recommendations.

Effectiveness reviews

- Carried out its annual self-assessment of performance in April 2015.
- The results showed a high level of confidence of the workings of the committee.
- It was agreed there would be an increased focus on assurance relating to the strategic risks for the agency and on programmes and their progress, without losing sight of business as usual risks.
- Actions have been addressed during the course of this year and a further annual effectiveness review session has been scheduled for April 2016 with improvement activity forming an action plan for 2016–17.

HMCTS change board

General

- Terms of Reference reviewed and agreed July 2015.
- Chaired by the Director for Courts and Tribunals Development.
- Overall responsibility for the delivery and governance of the portfolio of programmes and projects which fell outside the scope of the wider transformational programme.
- Advises the Accounting Officer and the HMCTS board on the management and delivery of the change portfolio against the organisational strategy; the realisation of benefits across the change portfolio; key risks and issues associated with the change portfolio; and the viability for the continuation of projects.
- Responsibilities will include facilitating effective oversight of the change portfolio and improve the governance, decision making and prioritisation of resources engaged in change activities.
- **The change board and reform programme board will be replaced by the change portfolio board in 2016–17.**

Change board highlights

- A new monthly highlight report was developed which focussed on reporting by exception against the delivery of change projects to time, quality and cost.
- Received and discussed a monthly financial summary of the change projects detailing their performance against cost and anticipated benefits.
- Prioritised knowledge sharing between projects and continuous improvement including quarterly reports to the board on portfolio lessons which had been learned and shared.
- Frequently had the opportunity to commend project managers, project teams and Senior Responsible Officers for successfully delivering high profile and complex projects often with minimal referral to the board.

Effectiveness reviews

- This is a new board and so no effectiveness review was carried out during 2015. The first effectiveness review was carried out February 2016 and the results discussed at the March 2016 board.
- The results showed that members had a high level of confidence in discussions and in the decisions made.
- As the change board is anticipated to close, the self-assessment took the form of a lessons learned exercise rather than the development of an action plan.
- Key lessons from the effectiveness review were shared with the secretariat teams for other boards.

Reform programme board

General

- The Terms of Reference were agreed March 2015.
- The reform programme board is chaired by the Chief Executive who is also the Senior Responsible Officer for the programme.
- Responsible for delivering the reform programme in line with the approved business case, in alignment with the vision set out by the Lord Chancellor, Lord Chief Justice and Senior Presiding Judge, and in accordance with the programme mandate.
- **The reform programme board ceased to be a sub-committee of the board from 2016–17 following the creation of the HMCTS change portfolio board.**

Reform programme board highlights

- Discussed progress against programme plans, the programme's financial position, and the identification and mitigation of key risks and issues as standing agenda items.
- The style and presentation of reports were refined throughout 2015–16 with the aim of giving key insights to board members with increasing impact and concision. A reporting pack was established to capture programme progress, risks and issues succinctly.
- Held two in-depth discussions on the contents of the programme business case in June 2015 and February 2016.
- Also discussed a number of topics relating to wider programme strategy in detail.

Effectiveness reviews

- Carried out an effectiveness review discussion in April 2015.
- For 2015–16 an annual self-assessment of performance was conducted during March 2016.

The attendance schedule for the HMCTS board and sub-committees

	The board		Audit and risk assurance committee		Change board		Reform programme board	
	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	14	14						
Victoria Cochrane – Non-Executive Board Member	13	14	7	7				
Rachel Osborne – Non-Executive Board Member	11	14						
Ian Playford – Non-Executive Board Member	10	14					8	10
Lord Justice Sullivan – Senior President of Tribunals (1 April to 17 September 2015)	5	5						
Sir Ernest Ryder – Senior President of the Tribunals (from 18 September 2015)	8	9					3	3
Lord Justice Fulford (from 4 January 2016)	3	4					7	10
Lord Justice Gross – Senior Presiding Judge (from 1 April to 31 December 2015)	9	10					7	7

	The board		Audit and risk assurance committee		Change board		Reform programme board	
	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
District Judge Michael Walker – Judicial Member	14	14	7	7	6	6		
Natalie Ceeny – Chief Executive	14	14	7*	7*			10	10
Lynne Hamilton Director of Finance, Governance and Performance	13	14	7*	7*	2	6	4	5
Guy Tompkins – Director of Crime	11	14			3	6		
Kevin Sadler – Director Civil, Family and Tribunals	13	14			6	6		
Liz Doherty – Non-Executive Director Ministry of Justice (from 18 January 2016)	2	3						
Julie Nerney – Director of Reform Programme (1 April 2015 to 24 March 2016)					1	6		
Judge John Aitken					5	6		
Judge Brian Doyle			7	7				
Tom Taylor – Independent Non-Executive (from 1 July 2015)			2	3				
Faran Johnson – HR Director					3	5		
Lucy Garrod – Midlands Delivery Director					5	6		
Kevin Gallagher – Digital Change Director					2	6		
Damon Norville – Digital Change					1	1		
Craig Watkins, Director, Ministry of Justice Corporate Finance (until 31 July 2015)							3	4
John McGovern, Acting Deputy Director, Ministry of Justice Corporate Finance (from 1 August 2015)							6	6
Matthew Coats, Director General, Ministry of Justice Corporate Services							4	10

* Attended as a permanent and mandatory attendee as opposed to a substantive member of the committee

HMCTS executive and its sub-committees

Senior management team

- Chaired by HMCTS Chief Executive

Responsible for supporting the Chief Executive in delivering the day-to-day operations and administration of HMCTS, the leadership of its staff and delivery of Accounting Officer requirements.

Key responsibilities

- Set the leadership and direction
- Be visible to and within the organisation
- Be accountable for delivering aims and objectives
- Agree and make recommendations to the HMCTS board, via the CEO and executive board members on matters not excluding:
 - Budget allocations and in year variations;
 - Strategic objectives; performance and risk, including continuous improvement; and
 - Ministry of Justice policies and the impact on the administration of the courts and tribunals
- Monitor performance
- Establish and maintain of a strong working relationship between staff and the judiciary
- Create and maintain the corporate governance framework and controls
- Develop strategic plans for the service;
- Monitor performance of the Ministry of Justice and Shared Services; and
- Ensure all matters reserved for the board are considered in an open and timely fashion.

Reform senior management team

- Chaired by Reform Programme Director until the governance structure matured during 2015–16 and the meetings were no longer required regularly The agenda previously covered at these meetings have now migrated to the Change Portfolio Board

Key responsibilities:

- Include to debate and shape proposals for the future design of the organisation and ensure proposals about HMCTS future are in line with that design.

Change Investment Committee

- Chaired by the Finance, Governance and Performance Director
- Terms of Reference agreed for 2015–16

Key responsibilities:

- Review all change applications and where a sufficient case to proceed has been presented approve the start-up of project activity.
- Ensure all change applications which are approved for start-up activity are aligned and cohere with HMCTS priorities and the reform agenda.
- Generate and manage a pipeline of proposals to enable prioritisation decisions to be made.
- Where a sufficient case has not been presented or it is considered the project is not a priority, direct that any project activity is paused or stopped.
- Allocate all new approved projects to the governance of either the reform programme or HMCTS board.
- Categorise all non-reform projects.
- Approve amendments to and supervise the change application process.

Finance and Performance Committee

- Chaired by the Finance, Governance and Performance Director
- Terms of Reference agreed for 2015–16

Key responsibilities:

- To oversee and govern all performance reporting in HMCTS
- To examine and understand the leading indicators of HMCTS financial and non-financial performance to identify risk and opportunity, and appropriate action
- Escalate to SMT with recommended course of action, where the scorecard indicates that Business Plan or financial position is at risk
- Annual budget setting and resource allocation process
- Oversee and make recommendations to SMT on the annual budget setting and resource allocation process (Resource Delegated Expenditure Limit, Capital Delegated Expenditure Limit, fee income, other government department (OGD) income and fines and charges)
- Review and oversee income and debt management, and the relationships that HMCTS has with other government departments which underpins those income streams.

People Committee

- Chaired by the Chief Executive
- Terms of Reference agreed for 2015–16

Key responsibilities include:

- Drive our people strategy including diversity and inclusion, health and wellbeing and capability
- Proactively engage on talent management and succession planning (current and future)
- Make workforce decisions on people
- Provide an Annual Report to the board.

Risk management

We had in place throughout the year a risk management framework to identify, monitor, manage and report the risks or threats to the achievement of our objectives. The risk policy encompasses regional, central directorate and corporate level activities and enables risks to be managed at the appropriate level, escalating where necessary.

We will be issuing an updated risk strategy for the organisation for implementation in the new financial year.

Risk Assessment 2015–16 – My senior management team undertook a risk workshop at the beginning of the year to identify the risks to the delivery of our key objectives. Risks were considered and subsequently agreed by the board. The risk register has been monitored, reviewed and maintained by the senior management team with regular formal reviews throughout the year. The following risks are those that have been recognised as our biggest risks throughout the year.

Top risks

A risk that we have consistently managed throughout the reporting year is the identified **lack of skills and capability** needed at the senior level across key functions. To mitigate the risk we have undertaken substantial activity throughout the year, including making high calibre appointments to the senior management team and key director and deputy director posts who are responsible for directing and leading the organisation through the transformation. A People and Organisation Strategy has been developed and agreed for implementation by the HMCTS board

in 2016–17 so significant changes are expected incrementally throughout the courts and tribunals transformational journey.

A further risk also relating to our people is the potential for **losing key personnel needed for their skills**, leadership and experience. As referred to earlier, the robust senior management team was created during 2015 with key appointments; the Chairman of the HMCTS board was re-appointed for a further three years and with the appointment of the Senior Presiding Judge, Deputy and Senior President of the Tribunals, we sought to secure strong continuity of executive and judicial leadership. We are also strengthening the calibre and number of leaders in all fields below executive level, to reduce the risk of single points of failure. This risk has been given focus and priority at the newly established People Committee, however this was subsequently realised after year end with the announced departure of the HMCTS Chief Executive as well as other key personal during 2015–16. This risk will, therefore, continue to receive significant focus in 2016, and now represents the highest level risk for HMCTS.

Given the size and scale of the HMCTS transformational change programme we have managed and continue to manage substantial risks associated with the delivery of the Programme. A key risk was the **complexity of the required governance** arrangements. The status of HMCTS as an agency with co-ownership by the Lord Chancellor and the Lord Chief Justice and Senior President of Tribunals, managing a series of major change programmes, had led to overlapping and duplicative governance which was in danger of hindering progress. To counter these issues we have concentrated on maintaining effective relationships with our key partners in order to ensure requests move as quickly as possible through appropriate processes. External reviews have been commissioned to consider the governance and capability arrangements and reported in early 2016–17. Robust engagement has taken place as a result and all governance and capability recommendations are being implemented to ensure sufficient support is given to the programme.

In addition we identified a risk regarding the **dependency of the courts and tribunal change programme on our partners** and the need for a supportive environment; encompassing legislation, financial aspects and our suppliers. We have employed an effective communication and stakeholder engagement approach to manage this. The external reviews referred to above examined whether there is an appropriate supportive governance environment and similarly recommendations are being implemented to ensure sufficient support is given to the programme.

During 2015–16 we managed the risk of failing to **secure income forecast** for services leading to a budget deficit. Throughout the year this was overtly addressed by, amongst other things, establishing director led joint planning with other government departments. We have appointed a director and deputy director to develop and enhance our understanding of the needs of our users. We have reviewed our governance and arrangements for future forecasting and sign off and appropriate accountability will be established and allocated for our key income streams. As a result of this and the announcement in December 2015

of the cancellation of the Criminal Courts Charge, following which the HMCTS's budget was adjusted, this risk has significantly reduced. For the future it has been recognised that income is primarily determined by policy choices made by the wider Ministry of Justice so responsibility for income should sit with the department and as such has been removed from the risk register. HMCTS will fully support the ministry in managing their risk through diligent focus on collection.

Managing the risk of fraud

The overall value and number of incidents of fraud we have identified is low given the nature and size of the organisation and volume of transactions undertaken daily. We have an effective control framework containing fraud risk controls designed to prevent, detect and deter fraudulent and irregular activity. We operate a zero tolerance toward fraud and irregularity and each incident reported to the dedicated investigations team is thoroughly investigated, control weaknesses identified and addressed and a criminal prosecution pursued in all 'prima facie' cases of fraud.

Our approach to 'Whistleblowing'

The Ministry of Justice issued a refreshed whistleblowing policy with effect from April 2015. The revised policy simplified the process for employees to improve their confidence in raising concerns and was also strengthened to improve understanding and clarity. During the course of this year the ARAC assessed the adequacy of our whistleblowing arrangements. There have been relatively few instances of whistleblowing during the course of the year. The annual people survey indicated a high level of awareness of and confidence in the policy.

Our approach to information security

We deal with very sensitive personal information on behalf of people involved in hearings and we take our responsibility very seriously to ensure this information is protected. Our policy is to self-refer all significant data incidents to the Information Commissioner's Office and we continue to work closely with the Information Commissioner's Office and other agencies to further improve our systems and learn lessons.

Governance and risk assurance oversight arrangements

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.

The organisation has in place control processes to provide executive 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.

Compliance reporting and standard controls operate throughout the organisation with quarterly assurance reporting arrangements in place to report and escalate significant issues and risks to the next management layer when appropriate.

In addition the HMCTS board and I gain assurance through:

- Up-to-date and comprehensive reports on performance and finance at all board meetings by the executive.
- Financial and administrative procedures which includes delegations of financial authority and segregation of duties on key financial processes.
- Assurances from Ministry of Justice for the provision of shared services.
- The Audit and Risk Assurance Committee oversees the adequacy and effectiveness of the risk management processes and the system of internal control for the organisation. The Committee regularly reviews the corporate risk register, undertakes deep dives on our key risks and oversees the production of our Annual Report and Accounts, as does the executive and HMCTS board.
- Regular reviews of the risk profile and effectiveness of the systems of internal control through the receipt of minutes from Audit and Risk Assurance Committee, through review of performance reports and through direct feedback from the Chair of the Committee.
- Internal Audit Reports (see below).
- Value for Money and other reports produced by the National Audit Office.

Internal audit and annual audit opinion

One of the key sources of independent assurance within the agency comes from the activities of its internal audit service provided by Ministry of Justice 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, as Accounting Officer, I am made aware of any significant issues which indicate that key risks are not being effectively managed.

The Head of Internal Audit provided an annual overall opinion of 'moderate', with the majority of audit reports being rated as 'moderate' or 'substantial'. As in previous years, Internal Audit have noted a recurring theme of a lack of compliance with system controls have also been concerned that the control failings found by their audits are not always reflected in Standard Operating Control reports. The Head of Internal Audit has therefore indicated that it is a finely balanced judgement for the overall opinion for 2015–16 between 'moderate' and 'limited' assurance but determined moderate would be more appropriate.

National Audit Office Reports

The NAO published their report 'Efficiency in the Criminal Justice System' on 1st March 2016. Their audit examined efficiency in the criminal justice system between the point at which the police or Crown Prosecution Service charge a defendant, and the end of the court case. The focus of the audit was the Ministry of Justice, including HMCTS, and the Crown Prosecution Service. The report concluded that although the management of cases has improved since 2010, the criminal justice system is not currently delivering value for money. It states that while the current

reform programme will tackle many areas of inefficiency, it will not remove the underlying reasons for inefficiencies. The report makes recommendations aimed to create a shared understanding of effectiveness and improve cross-system working and this will be considered as part of the wider transformation agenda being implemented in HMCTS.

Conclusion

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 to adapt to our changing risk environment.

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.

3.5 Current control challenges

During 2015–16 HMCTS had appropriate governance in place to mitigate control challenges. The following control failures and challenges have arisen:

Off-payroll engagements – During the year HMCTS was unable to comply fully with the HM Treasury’s off-payroll controls. It was identified that an individual with significant financial responsibility was engaged via an off-payroll engagement for longer than six months. The non-compliance was identified as part of the HMCTS reviews of the tax arrangements of off-payroll appointees, which is conducted to comply with HM Treasury’s controls.

Immediate action was taken when non-compliance was identified by engaging with the individual, the Ministry of Justice and with HM Treasury. We attempted to regularise the arrangements and assure ourselves of the individual’s tax arrangements due to the importance of the individual to key projects in HMCTS. The individual is no longer engaged in activities on behalf of HMCTS or the Ministry of Justice.

Although immediate action was taken, it was not possible to avoid a period of irregular spend as a result of non-compliance with HM Treasury’s off-payroll controls. I have taken further steps to avoid similar control failures happening in the future, including strengthening the controls in place at the point of procurement of off-payroll services and ensuring that budgets are not delegated to individuals procured through off-payroll engagements.

Judicial expenses – HMCTS entered into commitments to make expenses payments to three senior members of the judiciary of an estimated total value of £330,000. These transactions are special payments, as defined by HM Treasury’s Managing Public Money, because they go beyond what would normally be paid to members of the judiciary. The nature of these payments identified an omission in our policy for making payments to the judiciary in certain circumstances, and as a result the policy is currently being updated to address this.

Total facilities management (estates) – The contract was procured by Ministry of Justice but impacts operationally on HMCTS and we retain overall budget responsibility and accountability. Weaknesses in contract management which could result in overpayments to the supplier have been identified and we are using assurance and monitoring routes, with additional means to mitigate this risk.

Operationally issues continue to be reported regarding the failure to provide services in line with the total facilities management contracts. Regional senior management teams capture contract failures and are in dialogue with total facilities management providers. Issues are escalated to the Ministry of Justice estates team as appropriate. The Director of Estates and Deputy Director for Commercial

and Contract Management are liaising with the provider's senior management to seek a resolution of issues. The supplier has procured additional oversight through another contractor to review the management process with emphasis on compliance, including monitoring of performance and robust analysis through 'deep dive' audits.

Divorce Form E – In December 2015 a fault was discovered in the calculator functionality of a Ministry of Justice form called 'Form E'. The form is prescribed by the Family Procedure Rule Committee in order to enable people to disclose financial information during divorce and similar proceedings. Further investigations by the ministry discovered a similar problem with a related form called Form E1 in January 2016. The fault meant that the automatic calculator in the form calculated the wrong total for an individual's net assets by failing to deduct certain liabilities.

The investigation found the faulty formula was present in versions of Form E which were online between April 2014 and mid December 2015 and between April 2011 and January 2012 and in a past version of Form E1 which was online between April 2011 and March 2012.

HMCTS led the investigation to establish the number of people affected by the error. This has involved reviewing over 37,000 cases which established that approximately 3,600 of them may have used either the faulty version of Form E or E1 and it contained the calculator error. We wrote to the parties in the closed cases (live cases were addressed as they progressed), approximately 4,500 people, to inform them of the potential issue and outlining the various options available to them. As at 1 April 2016 there were only nine applications made to reconsider and five had been dismissed.

To safeguard against similar incidents, I have ensured that, with the Ministry of Justice, we have a clear understanding of who is responsible for all forms and documents, namely that the department from where documents originate should take responsibility for the forms and their accuracy; all forms will have named owners, to make sure that there is an incentive to quality assure and cross-check accuracy with various different functions; all forms will be validated and tested by third party users; and clear guidance will be provided to teams setting out when and how to escalate any issue in relation to forms.

Kevin Sadler
Chief Executive (Interim) and Accounting Officer
4 July 2016

3.6 Parliamentary accountability report

The following sections are included to satisfy parliamentary reporting and accountability requirements and are subject to audit.

Losses:

	2015–16		2014–15	
	Number of cases	£000	Number of cases	£000
Cash losses	1,981	385	1,455	370
Administrative write-offs	155	82	61	11
Fruitless payments	10	691	8	1
Constructive losses	1	8,956	-	-
Total losses	2,147	10,114	1,524	382

In 2015–16 there two (2014–15: nil) losses over £300,000.

A loss of £9.0 million has been recognised in respect of preparatory expenditure which is no longer required on a project to outsource criminal court compliance and enforcement services. Following reconsideration of requirements, it was decided that outsourcing these services to a single supplier was not the best option for HMCTS. This decision was based on the need to ensure that any contract let completely met requirements, provided best value for the taxpayer and complied with procurement law.

A fruitless payment of £359k has been recognised for the premium to exit a land and buildings lease.

Special payments:

	2015–16		2014–15	
	Number of cases	£000	Number of cases	£000
Compensation payments	252	747	285	354
Ex gratia	1,549	1,091	1,397	1,291
Extra-contractual payments	462	81	395	1,043
Extra-statutory and extra-regulatory payments	-	-	-	-
Special severance payments	-	-	-	-
Loans	-	-	-	-
Gifts	-	-	-	-
Total special payments	2,263	1,919	2,077	2,688

In addition to the above, HMCTS entered into commitments to make expenses payments to three senior members of the judiciary of an estimated total value of £330,000. These transactions are special payments, as defined by HM Treasury's Managing Public Money, because they go beyond what would normally be paid to members of the judiciary.

Charitable donations

HMCTS made charitable donations totalling £15,000 in 2015–16 (2014–15: £15,000). These donations were made to charitable organisations to support activities related to HMCTS's operations.

Fee income

HMCTS is required 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 HMCTS under the requirements of the FReM.

HMCTS covers the following business areas: civil and family courts, tribunal, criminal courts and other. HMCTS collects and reports upon fee charges that have been set by Ministry of Justice policy and which appear in statutory instrument fees orders. Government introduced cost recovery fee reform on 22 April 2014, enhanced fee charging for money claims on 9 March 2015, and further enhanced fees including divorce and possession on 21 March 2016. The system of 'Help with fees' (fee remissions) exists to ensure that individuals are not denied access to the courts if they genuinely cannot afford the fee. Only the civil and tribunal businesses have systems for charging fees.

HMCTS reports on both the civil and tribunal fee-charging business segments. Civil business contains two business streams: family (including probate and court of protection) and civil (including civil business in county courts, higher courts and magistrates' courts). While tribunal business contains three business streams: immigration and asylum, employment, and other fee charging tribunals (including lands, residential property, gambling and gender recognition). The table below shows the operating expenditure of those jurisdictions which are funded by fee income (after remissions) and the extent to which fee income funds them.

The most current fees orders can be found in Annex A on page 134.

	Value of fee charges £000	Fees remitted £000	Income collected £000	Expenditure £000	Fee charge surplus/(deficit) £000
Civil business					
Family	160,719	(7,792)	152,927	(202,510)	(49,583)
Civil	521,847	(22,756)	499,091	(404,024)	95,063
Total civil business	682,566	(30,548)	652,018	(606,534)	45,480
Tribunal business					
Asylum & Immigration	12,705	(1,422)	11,283	(94,921)	(83,639)
Employment	12,477	(3,910)	8,567	(65,844)	(57,277)
Other tribunals	1,206	(35)	1,171	(15,408)	(14,236)
Total tribunal business	26,388	(5,367)	21,021	(176,173)	(155,152)
2015–16 Total HMCTS business	708,954	(35,915)	673,039	(782,707)	(109,672)
2014–15 Total HMCTS business	605,593	(19,862)	585,731	(817,927)	(232,196)

Kevin Sadler
Chief Executive (Interim) and Accounting Officer
4 July 2016

Section 4: External scrutiny

4.1 Certificate and Report of the Comptroller and Auditor General

I certify that I have audited the financial statements of HM Courts and Tribunals Service for the year ended 31 March 2016 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 Staff Report, Remuneration Report and the Parliamentary Accountability Disclosures that is described in those reports 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 2016 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 parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures 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
 6 July 2016

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

Section 5: Our expenditure

5.1 Accounts

Statement of Comprehensive Net Expenditure for the year ended 31 March 2016

	Notes	2015-16 £000	Restated 2014-15 £000
Operating income	8	(741,224)	(654,169)
Total operating income		(741,224)	(654,169)
Staff costs	3	501,292	509,463
Judiciary costs	3	462,846	449,258
Purchase of goods and services	4	589,978	613,270
Depreciation and impairment charges	5	212,342	39,228
Other non-cash expenditure	6	126,884	113,272
Total operating expenditure		1,893,342	1,724,491
Net operating expenditure		1,152,118	1,070,322
Finance costs	7	26,410	25,105
Net expenditure for the year		1,178,528	1,095,427

Other Comprehensive Expenditure

	Notes	2015-16 £000	2014-15 £000
Net costs		1,178,528	1,095,427
Net (gain)/loss on revaluation of property and equipment		(234,691)	(186,830)
Net (gain)/loss on revaluation of intangible assets		(713)	(541)
Actuarial (gain)/loss on pension scheme liabilities	17.2	(58)	221
Total Comprehensive expenditure		943,066	908,277

The notes on pages 95 to 133 form part of these accounts.

Statement of Financial Position as at 31 March 2016

	Notes	2015-16 £000	Restated 2014-15 £000
Non-current assets			
Property and equipment	9	3,246,886	3,164,065
Intangible assets	11	55,063	43,770
Trade and other receivables	13	1	43
Total non-current assets		3,301,950	3,207,878
Current assets			
Assets held for sale	10	8,717	9,673
Trade and other receivables	13	82,266	105,945
Cash and cash equivalents	14	14,414	22,602
Total current assets		105,397	138,220
Total assets		3,407,347	3,346,098
Current liabilities			
Trade and other payables	15	(247,785)	(291,448)
Provisions for liabilities and charges	17	(10,910)	(10,865)
Total current liabilities		(258,695)	(302,313)
Total assets less current liabilities		3,148,652	3,043,785
Non-current liabilities			
Trade and other payables	15	(370,350)	(399,836)
Provisions for liabilities and charges	17	(146,806)	(136,387)
Total non-current liabilities		(517,156)	(536,223)
Total assets less total liabilities		2,631,496	2,507,562
Taxpayers' equity			
General fund		1,840,120	1,895,706
Revaluation reserve		791,376	611,856
Total taxpayers' equity		2,631,496	2,507,562

Kevin Sadler
Chief Executive (Interim) and Accounting Officer
4 July 2016

The notes on pages 95 to 133 form part of these accounts.

Statement of Cash Flows for the year ended 31 March 2016

	Notes	2015-16 £000	Restated 2014-15 £000
Cash flows from operating activities			
Net expenditure for the year		(1,178,528)	(1,095,427)
Adjustments for notional and non-cash costs	16	481,385	293,224
Adjustments for finance costs	7	26,410	25,105
(Increase) / decrease in trade and other receivables		(93,759)	(98,431)
Increase / (decrease) in trade and other payables		129,584	200,784
Utilisation of provisions	17	(7,033)	(8,133)
Net cash outflow from operating activities		(641,941)	(682,878)
Cash flows from investing activities			
Purchases of property and equipment	16.1	(42,827)	(43,902)
Proceeds from disposal of property and equipment and assets held for sale		7,678	16,159
Purchases of intangible assets	11	(8,842)	(5)
Net cash outflow from investing activities		(43,991)	(27,748)
Cash flow from financing activities			
Funding from MoJ		698,000	729,000
Capital element of Private Finance Initiative (PFI) contracts		(8,926)	(8,926)
Capital element of finance leases		(228)	(109)
Repayments of Local Authority loans		(2,093)	(2,717)
Interest paid	7	(9,009)	(9,711)
Net cash inflow from financing activities		677,744	707,537
Net increase/ decrease in cash and cash equivalents in the period	14	(8,188)	(3,089)
Cash and cash equivalents as at the beginning of the period	14	22,602	25,691
Cash and cash equivalents as of the end of the period	14	14,414	22,602

The notes on pages 95 to 133 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2016

	Notes	Restated General fund £000	Restated Revaluation reserve £000	Restated Total £000
Balance as at 31 March 2014		1,863,904	447,988	2,311,892
Funding from the MoJ		729,000	-	729,000
Intercompany settlement with MoJ		132,146	-	132,146
Net operating expenditure		(1,095,427)	-	(1,095,427)
Notional expenditure:				
Consolidated fund judicial salaries	16	140,520	-	140,520
External auditors' remuneration	16	320	-	320
Intra-departmental recharges	16	101,961	-	101,961
Revaluation of property and equipment		-	186,830	186,830
Revaluation of intangible assets		-	541	541
Reclassification from revaluation reserve		23,503	(23,503)	-
Actuarial gain on pension scheme liabilities	17.2	(221)	-	(221)
Balance as at 31 March 2015		1,895,706	611,856	2,507,562
Funding from the MoJ		698,000	-	698,000
Intercompany settlement with MoJ		119,822	-	119,822
Net operating expenditure		(1,178,528)	-	(1,178,528)
Notional expenditure:				
Consolidated fund judicial salaries	16	141,943	-	141,943
External auditors' remuneration	16	300	-	300
Intra-departmental recharges	16	106,935	-	106,935
Revaluation of property and equipment		-	234,691	234,691
Revaluation of intangible assets		-	713	713
Reclassification from revaluation reserve		55,884	(55,884)	-
Actuarial gain on pension scheme liabilities	17.2	58	-	58
Balance as at 31 March 2016		1,840,120	791,376	2,631,496

The notes on pages 95 to 133 form part of these accounts.

5.2 Notes to the accounts for the year ended 31 March 2016

1 Statement of accounting policies

These accounts have been prepared in accordance with the Government Financial Reporting Manual (FReM) 2015 to 2016 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 HMCTS for the purpose of giving a true and fair view has been selected. The particular policies adopted by HMCTS are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Basis of preparation

The HMCTS 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 1.19). It also requires management to exercise its judgement in the process of applying the accounting policies.

1.2 Changes in accounting policy and disclosures

a) Changes in accounting policies

HMCTS has revised the recognition points for probate fee income and County Court hearing fee income. This is to provide more relevant and reliable information.

This has resulted in restatement of balances and transactions previously recorded and these revisions are reflected in the restatements of the 2014–15 Statement of Comprehensive Net Expenditure and Statement of Financial Position. Further information can be found in note 26.

b) New and amended standards adopted

IFRS 13 'Fair Value Measurement' is effective for accounting periods beginning on or after 1 April 2015, and is applied prospectively in these accounts. This standard defines fair value, sets out a uniform framework for measuring fair value and provides related disclosure requirements. The aim of this standard is to create a consistent methodology for the calculation of fair values that is to be applied across other IFRSs.

In conjunction with the release of IFRS 13, the FReM has adapted and interpreted IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' for public sector application.

These changes have been applied as being effective from 1 April 2015 and are reflected in these accounts.

c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2014 and not early adopted

IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial Instruments' are not yet effective for public sector reporting. They are not expected to have a material impact on HMCTS's future accounts.

d) Changes in presentation and reclassifications

In line with HM Treasury's Simplifying and Streamlining Accounts project, the presentation of the SoCNE has been revised to align closer with the presentation of IAS 1 'Presentation of Financial Statements'. To ensure information is classified on the same basis as reported for the current year we have made changes to prior year classifications in notes 4, 5 and 6 to the accounts.

In addition, details of staff costs and numbers are disclosed in the Our staff section of the Accountability report on page 43. HMCTS have also reclassified bailiff fee income to contracted service costs. The impact on net operating expenditure is nil. Further detail can be found in notes 4 and 8 to the accounts.

1.3 Operating income

Operating income is income that relates directly to the operating activities of HMCTS and is therefore recognised as revenue in the SoCNE in accordance with IAS 18. Further information can be found in note 8.

Operating income is stated net of VAT.

Fee income consists of amounts for services rendered to civil, family court and tribunals users. For most fee income streams the recognition point is the initiation of the application, which occurs immediately on receipt of the application. For other fee income streams which are not initiated immediately, the value of income where payment has been received but work has yet to be completed are recognised in the Statement of Financial Position (SoFP) as deferred income. The deferred income is subsequently recognised as income upon completion of the service.

Fee income is stated net of fee remissions and exemptions. The remissions scheme is prescribed in the Fee Orders approved by Parliament and remitted fees are not collected by HMCTS.

Operating income also includes receipts from other government bodies for the provision of courts and tribunals services. Income is recovered in line with the related service level agreement (SLA) on a full cost basis.

Funding from the Ministry of Justice is credited directly to the General Fund in line with FReM requirements.

1.4 HMCTS Trust Statement

HMCTS, as the Executive Agency of the Ministry of Justice responsible for collecting fines and financial penalties imposed by the criminal justice system, prepares a separate Trust Statement that should be read in conjunction with the HMCTS 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.

1.5 Notional expenditure

Notional expenditure is credited directly to the general fund and comprises the following:

- Salaries and social security costs of senior judges funded from the Consolidated Fund
- NAO's remuneration for the audits of HMCTS's accounts and Trust Statement
- HMCTS's usage of corporate services provided by Ministry of Justice

1.6 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 who for the purpose of these accounts is determined to be the Board.

1.7 Property and equipment

Initial recognition and capitalisation threshold

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 HMCTS and the cost of the asset can be measured reliably. All other repairs and maintenance are charged to the SoCNE during the financial year in which they are incurred.

The capitalisation threshold for individual assets is £10,000.

Where significant purchases of individual assets which are separately beneath the capitalisation threshold arise in connection with a single project, they are treated as a grouped asset. The capitalisation threshold for grouped assets is £1m. 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 capitalised. All thresholds include irrecoverable VAT.

Where capital budgets are held centrally by Ministry of Justice as parent department, expenditure is first capitalised in the Ministry of Justice accounts and transferred to HMCTS when the associated project is complete.

Subsequent valuation method

Subsequent to initial recognition, land and buildings (including dwellings) are recorded at fair value, as interpreted by the FReM, on the basis of professional valuations which are conducted for each property at least once every five years. In between professional valuations, carrying values are adjusted by the application of indices or through desktop valuations.

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'.

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 FReM, taking into account the functional obsolescence of the property. Leasehold improvements are fair valued using the Building Cost Information Service Tender Price Index compiled by RICS.

Assets which were most recently held for their service potential but are surplus are valued at current value in existing use where there are restrictions which would prevent access to the market at the reporting date. If HMCTS can access the market then the surplus asset should be valued at fair value in accordance with IFRS 13.

In determining whether an asset which is not in use is surplus, HMCTS has assessed whether there is a clear plan to bring the asset back into future use as an operational asset. Where there is a clear plan, the asset is not surplus and the current value in existing is maintained. Otherwise the asset is assessed as being surplus and valued in accordance with IFRS 13.

Fair value hierarchy and inputs

The valuation technique applied to all the Fair Value figures of Surplus properties is the market approach in accordance with IFRS 13; it uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets.

The inputs to this technique constitute Level 2 inputs in each instance. Level 2 inputs are inputs that are observable for the asset, either directly or indirectly. The inputs used take the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.

For other property assets in continuing use, fair value is interpreted as market value or 'value in use'. In the Red Book this is defined as 'market value on the assumption

that property is sold as part of the continuing enterprise in occupation'. The 'value in use' of a non-cash-generating asset is the present value of the asset's remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential.

Depreciated historical cost is used as a proxy for fair value for those assets with short useful lives or low values, as allowed by the FReM.

Revaluation

Gains arising on revaluation are credited to the revaluation reserve and shown in other comprehensive expenditure, unless they reverse a revaluation decrease on the same asset. Reversals are credited to the SoCNE to the extent of the previous amount expensed, and any excess is credited to the revaluation reserve.

When an asset's carrying value decreases as a result of a permanent diminution in the value of the asset due to a clear consumption of economic benefit or service potential. The decrease is charged directly to operating expenditure in the SoCNE, with any remaining revaluation reserves balance released to the General Fund.

A revaluation decrease (other than as a result of a permanent diminution) is reversed against any existing amount held in the revaluation reserve in respect of the same asset, with any residual decrease taken to operating expenditure 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 over the estimated useful lives. The useful lives of asset categories are reviewed annually. Where a change in asset life is determined, the asset is depreciated on a straight-line basis over its remaining assessed life. Depreciation commences in the month following the acquisition of a non-current asset for land, buildings and dwellings and in-month for all other non-current assets.

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

Estimated useful asset lives are within the following ranges:

Freehold land	Not depreciated
Leasehold land	Remaining lease period
Freehold buildings (including dwellings)	Shorter of remaining life or 60 years
Leasehold buildings (including dwellings)	Shortest of remaining life, remaining lease period or 60 years
Information technology	Shorter of remaining lease period or 7 years
Equipment	Shorter of remaining lease period or 3 to 5 years
Furniture and fittings	Shorter of remaining lease period or 10 to 20 years

Assets under construction

Assets under construction are valued at historical cost within property and equipment and intangible assets, and are not depreciated or amortised until completed. On completion, the asset's carrying value is transferred to the respective asset category.

Expenditure is capitalised where it is directly attributable to bringing an asset into working condition.

Disposals

Gains and losses on disposal of property and equipment are determined by comparing the proceeds with the carrying amount and are recognised within operating expenditure in the SoCNE.

When revalued assets are sold, the amounts included in the revaluation reserve are transferred to the General Fund.

1.8 Intangible assets

Intangible assets are recognised in accordance with IAS 38 'Intangible Assets' as adapted by the FReM.

Development costs are recognised as intangible assets when they meet the criteria specified in the FReM. Other expenditures that do not meet these criteria are recognised as an expense as incurred. Costs previously recognised as an expense are not recognised as an asset in a subsequent period. The useful lives of internally developed software range from 3 to 10 years.

Purchased software licenses are recognised as assets when it is probable that future service potential will flow to HMCTS and the cost of the license can be measured reliably. Such licenses are initially measured at cost. Purchased software licences are amortised over the licence period.

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

Where capital budgets are held centrally by Ministry of Justice as parent department, expenditure is first capitalised in the Ministry of Justice accounts and transferred to HMCTS when the associated project is complete.

Subsequent to initial recognition, intangible assets are measured at fair value. As no active market exists for the intangible assets of HMCTS, 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 Office for National Statistics (ONS).

1.9 Impairment

Impairments are recognised in accordance with IAS 36 'Impairment of Assets' as adapted by the FReM.

An impairment reflects a diminution in the value of an asset as a result of a clear consumption of economic benefits or service potential. At each reporting date, HMCTS 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' (defined under 'Valuation Method'). Any impairment loss is charged directly to operating expenditure in the SoCNE. If the asset has previously been revalued, any balance in the revaluation reserve (up to the level of the impairment loss) is transferred to the General Fund.

At each reporting date HMCTS also reviews impairment losses recognised in previous years. Any reversal of an impairment loss is then recognised in the SoCNE to the extent that the original charge, adjusted for subsequent depreciation, was previously recognised, with any remaining amount recognised in the revaluation reserve.

1.10 Assets held for sale

Non-current assets are classified as assets held for sale in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' as interpreted by the FReM.

Non-current assets are classified as 'held for sale' when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable.

Assets held for sale are stated at the lower of their carrying amount immediately prior to classification as 'held for sale' or their fair value less the costs of selling the asset. Any subsequent impairment or reversal of impairment is recognised in the SoCNE. Assets classified as held for sale are not depreciated.

1.11 Leases

Finance leases

Leases of assets where HMCTS retains substantially all the risks and rewards of ownership are classified as finance leases. At the commencement of the lease term, finance leases are capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

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

Operating leases

Leases other than finance leases are classified as operating leases. Payment made under operating leases (net of any incentives received from the lessor) are charged to the SoCNE on a straight-line basis over the period of the lease. Any upfront payments not yet released to the SoCNE are recognised as a lease prepayment in the SoFP.

1.12 Service concession arrangements

Service concession arrangements (SCAs), including Private Finance Initiatives (PFI) arrangements, are arrangements whereby private sector operators are contractually obliged to provide services to the public in relation to certain infrastructure assets. HMCTS defines such arrangements as SCAs if they meet the conditions set out in the FReM and IFRIC 12 'Service Concession Arrangements'.

The future payment streams of SCAs are assessed to separately identify the infrastructure interest and service components.

HMCTS 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.

1.13 Third party assets

HMCTS holds a number of different cash balances on behalf of third parties. These are not recognised in the SoFP in line with FReM requirements and a disclosure of these balances is made in note 24 to the accounts.

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 1.4).

1.14 Value Added Tax (VAT)

Most of the activities of HMCTS 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.

1.15 Provisions and contingent liabilities

Provisions are recognised in accordance with IAS 37 'Provisions, contingent liabilities and contingent assets'.

Provisions represent liabilities of uncertain timing or amount and are recognised when HMCTS 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.

A contingent liability is disclosed when the likelihood of an outflow of resources is less than probable, but more than remote. Where the time value of money is material, contingent liabilities required to be disclosed under IAS 37 are stated at discounted amounts.

1.16 General Fund

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

1.17 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 HMCTS to recognise the expected cost of the annual leave entitlement of its employees that is accrued at the end of each financial year.

1.18 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.

1.19 Critical accounting estimates and judgements

HMCTS 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.

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.

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 value of land and buildings fluctuates with changes in construction costs and the current market conditions.

Valuation of court buildings earmarked for closure

As part of an ongoing estate rationalisation review, Ministers have earmarked a number of under-utilised court buildings for closure over the next few years. This has reduced the remaining estimated useful life of these assets.

At present these court buildings are considered specialised assets and are valued at depreciated replacement cost (DRC). The reduction in the remaining useful life of these assets represents an impairment indicator. All impairment expenditure is charged to the SoCNE, with the balance of any revaluation reserve taken to the General Fund. The valuation method will be altered from DRC to the appropriate valuation methodology when the asset is transferred to held for sale or when it becomes surplus.

2 Statement of operating costs by operating segments

For financial reporting purposes, the segmental reporting format is determined by the way in which the chief operating decision maker monitors the operating results of segments for the purpose of making decisions and allocating resources. The reporting format has been revised for 2015–16 to include the following reportable operating segments:

- Business as usual
- Change and Reform

2014–15 outturn has been restated in the revised format for comparability.

The operating segment's net expenditure for the year is measured on the same basis as the corresponding amounts reported in the financial statements.

Change and Reform expenditure relates to all change projects within HMCTS. This includes the change activity of the Reform, Common Platform and the CJS Efficiency programmes as well as other projects required to introduce new systems for legislative changes.

2.1 Segment results

A description of the services from which the reportable segments derive income is provided in note 8. There were no inter-segment transactions in the year (2014–15: nil).

The following table presents the net expenditure for the year by reportable operating segments for the period ended 31 March 2016:

	2015–16			2014–15		
	Business as usual £000	Change and Reform £000	Total £000	Business as usual £000	Change and Reform £000	Total £000
Operating income	(741,224)	-	(741,224)	(654,169)	-	(654,169)
Total operating income	(741,224)	-	(741,224)	(654,169)	-	(654,169)
Staff costs	489,398	11,894	501,292	503,447	6,016	509,463
Judiciary costs	462,815	31	462,846	448,758	500	449,258
Purchase of goods and services	561,609	28,369	589,978	599,836	13,434	613,270
Depreciation and impairment charges	212,341	1	212,342	39,227	1	39,228
Other non-cash expenditure	126,884	-	126,884	113,272	-	113,272
Total operating expenditure	1,853,047	40,295	1,893,342	1,704,540	19,951	1,724,491
Net operating expenditure	1,111,823	40,295	1,152,118	1,050,371	19,951	1,070,322
Finance costs	26,410	-	26,410	25,105	-	25,105
Net expenditure for the year	1,138,233	40,295	1,178,528	1,075,476	19,951	1,095,427

3 Staff and judiciary costs and numbers

Staff costs comprise:

	2015–16	2014–15
	£000	£000
Wages and salaries	369,472	384,803
Social security costs	23,042	24,304
Employer's pension contributions	72,130	66,139
Agency staff costs	34,878	26,352
Voluntary early departures	1,699	8,240
	501,221	509,838
Add: inward secondments	561	111
	501,782	509,949
Less: recoveries in respect of outward secondments	(490)	(486)
Total staff costs	501,292	509,463

Further information on staff costs and numbers can be found in the Our staff section of the annual report on page 43.

Judiciary costs and numbers

Members of the judiciary are independent of HMCTS. Their payroll costs are met either from the Consolidated Fund in the case of senior judiciary, or directly by HMCTS for other judiciary. All costs are included within HMCTS's Accounts to ensure that the full cost of operations is disclosed. Senior judges also receive long service payments under an agreement with the Ministry of Justice. There is a provision for these payments within the Ministry of Justice accounts.

	2015-16				2014-15			
	Senior judiciary	Other judiciary	Fee paid	Total	Senior judiciary	Other judiciary	Fee paid	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Wages and salaries	126,421	99,206	102,357	327,984	125,272	105,391	106,855	337,518
Social security costs	15,594	11,775	9,701	37,070	15,456	12,112	11,023	38,591
Employer's pensions contribution	48,588	38,000	11,204	97,792	40,143	33,006	-	73,149
Total payroll costs of the judiciary	190,603	148,981	123,262	462,846	180,871	150,509	117,878	449,258

Average number of judiciary

The amounts above include salary costs for an average 900 (2014–15: 950) judicial officers and fees for 936 full-time equivalent fee paid judiciary (2014–15: 952). The salary costs of a further 913 members (2014–15: 910 members) of the senior judiciary were met from the Consolidated Fund.

Judicial Pension Scheme

The JPS is an unfunded multi-employer defined benefit scheme which prepares its own Accounts, but for which HMCTS is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2012. Details can be found in the resource Accounts of the Judicial Pension Scheme at www.official-documents.co.uk.

Judicial pensions are paid out of the Consolidated Fund where the judicial office holder's salary was paid from that fund or the JPS where the salary has been paid from the department's supply estimate. Contributions to the JPS have been made at a rate of 38.45% (2014–15: 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 6.2, HMCTS 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 6.2, HMCTS 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 Ministry of Justice 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 Purchase of goods and services

	2015-16	Restated 2014-15
	£000	£000
Lease / other service concession charges:		
Rentals under operating leases	78,712	81,793
PFI service charges	24,338	25,387
Other service concession charges	9,063	12,451
Other services:		
Accommodation, maintenance and utilities	226,052	247,185
IT Services	111,426	106,842
Juror costs	42,318	41,947
Communications, office supplies and services	25,214	27,158
Contracted service costs	13,715	9,408
Consultancy costs	8,813	6,621
Non-pay staff costs	9,727	10,471
Non-pay judicial costs	32,217	34,334
Bank charges	4,966	4,452
Other costs	3,398	5,206
Other grants	19	15
Total purchase of goods and services	589,978	613,270

Prior year contracted service costs have been restated from £54.6m to £9.4m by reclassifying £45.2m of recovered bailiff fee income to offset against bailiff fee expenditure. This reclassification is made to better reflect the nature of the transactions. The impact on net operating expenditure is nil.

5 Depreciation and impairment charges

	2015-16	2014-15
	£000	£000
Depreciation of property and equipment	116,230	111,304
Amortisation of intangible assets	8,317	17,168
Impairment (reversal) of property and equipment	87,353	(87,473)
Impairment (reversal) of intangible assets	34	(106)
Impairment (reversal) of assets held for sale	453	(3,919)
Increase (decrease) in receivables impairment	(45)	2,254
Total depreciation and impairment charges	212,342	39,228

6 Other non-cash expenditure

	2015-16	2014-15
	£000	£000
Intra-departmental recharges	106,935	101,961
Increase (decrease) in provisions	13,391	4,983
Capital grants	-	615
Straight-lining of operating lease payments	5,715	7,250
Amortisation of operating lease prepayment	-	5
Net (gain) loss on disposal of property and equipment	543	(1,862)
External auditors' remuneration	300	320
Total other non-cash expenditure	126,884	113,272

Intra-departmental recharge

The intra-departmental recharge represents the costs of services shared with Ministry of Justice including human resources, legal and judicial services and finance and administration.

External auditors' remuneration

The costs of the audit performed by the NAO on behalf of the Comptroller and Auditor General are recognised as a non-cash charge. During the year HMCTS did not purchase any non-audit services. The cost comprises £200,000 (2014-15: £220,000) for the audit of the HMCTS Annual Report and Accounts and £100,000 (2014-15: £100,000) for the audit of the HMCTS Trust Statement.

7 Finance costs

	2015-16	2014-15
	£000	£000
Finance charge on pension transfer deficit payable	13,453	10,661
Interest on by-analogy pension scheme liability	174	196
Unwinding of discount on provisions	3,774	4,537
Total non-cash finance costs	17,401	15,394
Local authority loan interest	1,287	1,462
Finance charges on PFI and leased assets	7,722	8,249
Total cash finance costs	9,009	9,711
Total finance costs	26,410	25,105

8 Operating income

	2015-16	Restated 2014-15
	£000	£000
Fee income	673,039	585,731
Recoveries from other government bodies	61,278	62,799
Miscellaneous income	6,907	5,639
Total operating income	741,224	654,169

Prior year income has been restated by reclassifying £45.2 million of recovered bailiff fee income to contracted service costs (note 4). This reclassification is made to better reflect the nature of the transactions. The impact on net operating expenditure is nil.

Fee income

Information on fee income can be found in the Parliamentary accountability report on page 82.

8.1 Consolidated Fund income

Total income does not include amounts collected by HMCTS 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 can be found in the HMCTS Trust Statement published separately from these financial statements.

9 Property and equipment

	Land excluding dwellings £000	Buildings excluding dwellings £000	Land for dwellings £000	Dwellings £000	Information technology £000	Equipment £000	Furniture, fixtures and fittings £000	Assets under construction £000	Total £000
Cost or valuation									
At 1 April 2015	529,280	2,539,236	9,311	13,126	28,669	64,562	32,832	36,364	3,253,380
Additions	-	2,419	-	-	20	4,898	-	28,709	36,046
Disposals	-	(1,627)	-	-	(718)	(1,728)	(93)	(34)	(4,200)
Reclassification	495	30,252	-	257	197	313	-	(31,513)	1
Revaluation	42,810	163,781	173	(2,824)	597	243	16	-	204,796
Impairment	4,100	(161,883)	-	-	-	-	-	-	(157,783)
Reclassified to assets held for sale	(1,507)	(772)	(2,100)	(1,452)	-	-	-	-	(5,831)
Transfers from MoJ	-	25	-	-	19,603	3,570	-	121	23,319
At 31 March 2016	575,178	2,571,431	7,384	9,107	48,368	71,858	32,755	33,647	3,349,728
Depreciation									
At 1 April 2015	-	1	-	-	(12,019)	(50,732)	(26,565)	-	(89,315)
Charged in year	(518)	(99,980)	(15)	(334)	(6,369)	(6,416)	(2,598)	-	(116,230)
Disposals	-	132	-	-	562	1,608	76	-	2,378
Reclassifications	(20)	20	-	-	-	-	-	-	-
Revaluations	480	92,496	15	334	(182)	(179)	(28)	-	92,936
Impairment	58	7,331	-	-	-	-	-	-	7,389
Transfers from MoJ	-	-	-	-	-	-	-	-	-
At 31 March 2016	-	-	-	-	(18,008)	(55,719)	(29,115)	-	(102,842)
Carrying amount at 31 March 2016	575,178	2,571,431	7,384	9,107	30,360	16,139	3,640	33,647	3,246,886
Carrying amount at 31 March 2015	529,280	2,539,237	9,311	13,126	16,650	13,830	6,267	36,364	3,164,065
Asset financing:									
Owned	504,969	2,097,069	4,940	7,577	30,360	16,139	3,640	33,647	2,698,341
Finance leased	53,059	293,654	2,444	1,530	-	-	-	-	350,687
On-balance sheet PFI contracts	17,150	180,708	-	-	-	-	-	-	197,858
Carrying amount at 31 March 2016	575,178	2,571,431	7,384	9,107	30,360	16,139	3,640	33,647	3,246,886

As part of an ongoing court rationalisation review, Ministers earmarked a total of 86 underutilised court buildings for closure (none of which are classified as assets held for sale as at 31 March 2016) over the next two years. Given these courts are no longer expected to form part of HMCTS's operational estate in the future, their valuation has been decreased to reflect the reduction in the remaining useful life. As this change in asset life indicates a permanent diminution in value, any impairment has been taken direct to the Statement of Comprehensive Net Expenditure, with the balance of any Revaluation Reserve taken to the General Fund.

The total court closure impairment for 2015–16 was £150.4 million (2014–15: £nil).

	Land excluding dwellings £000	Buildings excluding dwellings £000	Land for dwellings £000	Dwellings £000	Information technology £000	Equipment £000	Furniture, fixtures and fittings £000	Assets under construction £000	Total £000
Cost or valuation									
At 1 April 2014	481,453	2,356,577	8,762	12,653	30,667	63,278	33,123	49,426	3,035,939
Additions	-	5,934	-	4	(3)	995	89	37,234	44,253
Disposals	(70)	(88)	-	(12)	(1,564)	(1,512)	(380)	(223)	(3,849)
Reclassification	68	49,531	-	104	(727)	533	-	(50,075)	(566)
Revaluation	48,479	127,855	549	377	296	102	-	-	177,658
Impairment	-	-	-	-	-	-	-	-	-
Reclassified to assets held for sale	(650)	(573)	-	-	-	-	-	-	(1,223)
Transfers from MoJ	-	-	-	-	-	1,166	-	2	1,168
At 31 March 2015	529,280	2,539,236	9,311	13,126	28,669	64,562	32,832	36,364	3,253,380
Depreciation									
At 1 April 2014	-	-	-	-	(7,865)	(45,300)	(23,783)	-	(76,948)
Charged in year	(564)	(95,523)	(13)	(698)	(4,677)	(6,748)	(3,081)	-	(111,304)
Disposals	-	8	-	-	600	1,382	299	-	2,289
Reclassifications	-	-	-	-	-	-	-	-	-
Revaluations	564	95,516	13	698	(77)	(66)	-	-	96,648
Impairment	-	-	-	-	-	-	-	-	-
Transfers from MoJ	-	-	-	-	-	-	-	-	-
At 31 March 2015	-	1	-	-	(12,019)	(50,732)	(26,565)	-	(89,315)
Carrying amount at 31 March 2015	529,280	2,539,237	9,311	13,126	16,650	13,830	6,267	36,364	3,164,065
Carrying amount at 31 March 2014	481,453	2,356,577	8,762	12,653	22,802	17,978	9,340	49,426	2,958,991
Asset financing:									
Owned	462,682	2,066,356	6,976	10,458	16,650	13,830	6,267	36,364	2,619,583
Finance leased	50,363	297,908	2,335	2,668	-	-	-	-	353,274
On-balance sheet PFI contracts	16,235	174,973	-	-	-	-	-	-	191,208
Carrying amount at 31 March 2015	529,280	2,539,237	9,311	13,126	16,650	13,830	6,267	36,364	3,164,065

10 Assets held for sale

	Notes	2015-16 £000	2014-15 £000
As at 1 April 2015		9,673	17,854
Assets reclassified to held for sale from Property and equipment	9	5,831	1,223
Increase/(Decrease) in fair value of assets held for sale	5	(453)	3,919
Disposals		(6,334)	(13,323)
As at 31 March 2016		8,717	9,673

As part of an ongoing court rationalisation review, HMCTS 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 of £1.2 million (2014-15: £3.3 million) is included within the overall net loss on disposal of property and equipment within other non-cash expenditure in the SoCNE.

11 Intangible assets

	Information technology £000	Assets under construction £000	Total £000
Cost or valuation			
At 1 April 2015	132,458	4	132,462
Additions	1,165	7,677	8,842
Disposals	-	(65)	(65)
Revaluations	2,042	-	2,042
Impairment	-	(149)	(149)
Reclassifications	1,803	(1,804)	(1)
Transfers from the MoJ	3,671	6,484	10,155
At 31 March 2016	141,139	12,147	153,286
Amortisation			
At 1 April 2015	(88,692)	-	(88,692)
Charged in year	(8,317)	-	(8,317)
Disposals	-	-	-
Revaluation	(1,214)	-	(1,214)
Reclassification	-	-	-
Transfers from the MoJ	-	-	-
At 31 March 2016	(98,223)	-	(98,223)
Carrying amount at 31 March 2016	42,916	12,147	55,063
Carrying amount at 31 March 2015	43,766	4	43,770

All intangible assets are owned by HMCTS.

	Information technology £000	Assets under construction £000	Total £000
Cost or valuation			
At 1 April 2014	120,471	21	120,492
Additions	-	5	5
Disposals	(6)	(22)	(28)
Revaluations	1,361	-	1,361
Impairment	-	-	-
Reclassifications	6,139	(5,573)	566
Transfers from the MoJ	4,493	5,573	10,066
At 31 March 2015	132,458	4	132,462
Amortisation			
At 1 April 2014	(70,809)	-	(70,809)
Charged in year	(17,168)	-	(17,168)
Disposals	-	-	-
Revaluation	(715)	-	(715)
Reclassification	-	-	-
Transfers from the MoJ	-	-	-
At 31 March 2015	(88,692)	-	(88,692)
Carrying amount at 31 March 2015	43,766	4	43,770
Carrying amount at 31 March 2014	49,662	21	49,683

All intangible assets are owned by HMCTS.

At 31 March 2016 and 31 March 2015 there were no individually material intangible assets.

12 Financial instruments

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

As HMCTS is funded via the Ministry of Justice, 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. HMCTS 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. HMCTS is therefore not exposed to significant liquidity, interest rate or foreign currency risk.

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

Credit risk associated with HMCTS'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 HMCTS is exposed to is the carrying value of its financial assets within the SoFP.

Fair values

The fair values of HMCTS's financial assets and liabilities as at 31 March 2016 and 31 March 2015 approximate their book values.

13 Trade and other receivables

Amounts falling due within one year:

	2015-16	2014-15
	£000	£000
Trade receivables	13,433	15,229
Other receivables:		
VAT recoverable	4,095	12,393
Intra-departmental receivables	35,541	47,074
Prepayments and accrued income	24,747	30,247
Other receivables	4,450	1,002
Total amounts falling due within one year	82,266	105,945

Amounts falling due after more than one year:

	2015-16	2014-15
	£000	£000
Other receivables	-	35
Prepayments	1	8
Total amounts falling due after more than one year	1	43

14 Cash and cash equivalents

Cash and cash equivalents recorded in the SoFP and Statement of Cash Flows 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.

	2015-16	2014-15
	£000	£000
As of the beginning of the period	22,602	25,691
Net increase in cash balances	(8,188)	(3,089)
As at the end of the period	14,414	22,602

The following balances as at 31 March were held at:

Government Banking Service	14,338	22,526
Cash in hand	69	65
Imprests	7	11
Total cash and cash equivalents	14,414	22,602

15 Trade and other payables

Amounts falling due within one year:

	2015-16	Restated 2014-15
	£000	£000
Taxation and social security	14,768	26,952
Trade payables	15,267	-
Other payables	14,056	18,865
Intra-departmental payables	44,538	63,802
Accruals and deferred income	117,399	144,787
Cash balances payable to other government departments	-	4
Current part of payable for pension transfer deficit	32,687	27,977
Current part of finance leases	144	135
Current part of imputed finance lease element of on balance sheet PFI contracts	8,926	8,926
Total amounts falling due within one year	247,785	291,448

Amounts falling due after more than one year:

	2015-16	2014-15
	£000	£000
Imputed finance lease element of on balance sheet PFI contracts	104,384	113,310
Local Authority loan balances	28,075	30,168
Lease incentive creditors	16,839	16,951
Straight lining creditors	78,443	72,617
Payable for pension transfer deficit	132,710	156,654
Finance leases	9,899	10,136
Total amounts falling due after more than one year	370,350	399,836

16 Notes to the Statement of Cash Flows

Summary of notional and non-cash costs are as follows:

	2015-16	2014-15
	£000	£000
Notional costs		
Consolidated Fund judicial salaries – wages and salaries	126,349	125,064
Consolidated Fund judicial salaries – social security costs	15,594	15,456
External auditor's remuneration	300	320
Departmental recharge	106,935	101,961
Total notional costs	249,178	242,801
Non-cash costs		
(Profit) / Loss on disposal of property and equipment	543	(1,862)
Reduction in fair value of property and equipment	87,353	(87,473)
Impairment of intangible assets	149	-
(Increase) / Reduction in fair value of intangible assets	(115)	(106)
(Increase) / Reduction in fair value of AHFS	453	(3,919)
Capital Grants (Property Transfer)	-	615
Operating Lease Prepayment – Amortisation	-	5
Straight-lining of operating lease payments	5,715	7,250
Movement in provisions	13,607	5,187
Movement in receivables impairment	(45)	2,254
Depreciation	116,230	111,304
Amortisation	8,317	17,168
Total non-cash costs	232,207	50,423
Total notional and non-cash costs	481,385	293,224

16.1 Reconciliation of property and equipment

	Notes	2015-16	2014-15
		£000	£000
Additions			
Property and equipment	9	36,046	44,253
Plus:			
Movement in capital accrual		6,781	(351)
Total purchases per statement of cash flows		42,827	43,902

17 Provision for liabilities and charges

	Early departure costs £000	By-analogy pension scheme £000	Dilapidations £000	Other provisions £000	Total £000	2014-15 Total £000
Balance at 1 April 2015	114,210	4,908	19,698	8,436	147,252	145,244
Provided in the year	-	158	8,908	13,316	22,382	5,408
Provisions not required written back	(8,833)	-	-	-	(8,833)	-
Provisions utilised in the year	(6,172)	(209)	(284)	(368)	(7,033)	(8,133)
Unwinding of discount	3,772	174	-	2	3,948	4,733
Balance at 31 March 2016	102,977	5,031	28,322	21,386	157,716	147,252

Analysis of expected timings of discounted flows

Not later than one year	5,613	269	2,421	2,607	10,910	10,865
Later than one year but not later than five years	26,823	1,274	7,051	937	36,085	36,028
Later than five years	70,541	3,488	18,850	17,842	110,721	100,359
Balance at 31 March 2016	102,977	5,031	28,322	21,386	157,716	147,252

17.1 Provision for early departure costs

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 HMCTS staff in the PCSPS. Provision has also been made for costs related to the reorganisation and modernisation programme.

An interest rate of 3.60% (2014–15: 3.55%) has been used to assess the interest costs of the scheme liability and future estimated payments have been discounted at a rate of 1.37% (2014–15: 1.30%).

The provision for early departure costs recorded above is separate to the VED scheme costs recorded in note 3.

17.2 By-analogy pension scheme

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 two members, 13 members and 23 members respectively.

The schemes' liabilities were valued by the Government Actuary's Department (GAD) as at 31 March 2016 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.

The aggregate actuarial gain on the scheme liabilities in 2015–16 was £58k (2014–15: £221k loss).

18 Capital commitments

Capital commitments at the end of the year not otherwise included in these accounts:

	2015-16	2014-15
	£000	£000
Property developments	4,694	17,366
Intangible assets	866	-
Total capital commitments	5,560	17,366

19 Operating leases

HMCTS 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 40 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.

HMCTS also leases vehicles under non-cancellable operating lease agreements. The lease terms are between one and six 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:

	2015-16			2014-15		
	Land and buildings £000	Other £000	Total £000	Land and buildings £000	Other £000	Total £000
Not later than one year	77,339	579	77,918	76,114	733	76,847
Later than one year but not more than five years	272,629	690	273,319	266,354	814	267,168
Later than five years	983,833	-	983,833	919,640	-	919,640
Total commitments under operating leases	1,333,801	1,269	1,335,070	1,262,108	1,547	1,263,655

20 Finance leases

HMCTS 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 2016:

	2015-16	2014-15
	£000	£000
Not later than one year	799	812
Later than one year but not more than five years	2,915	3,069
Later than five years	22,207	22,969
Minimum future lease payments	25,921	26,850
Future interest expense	(15,878)	(16,579)
Total present value of obligations	10,043	10,271

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

	2015-16	2014-15
	£000	£000
Not later than one year	144	135
Later than one year but not more than five years	353	460
Later than five years	9,546	9,676
Total present value of obligations	10,043	10,271

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

The buildings comprise mainly court facilities and have lease terms ranging from 20 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.

21 Private finance initiative

HMCTS has entered into eight PFI service concession arrangements. A summary of each PFI contract is set out below:

Project name	Contract start date	Duration (years)	On/off Statement of Financial Position	Initial capital value (£m)	Description
Exeter	November 2002	30	On	20.1	Provision of a courthouse comprising four criminal courts, one civil court and four District Judge hearing rooms. At the end of the contract term the building will revert to HMCTS 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 HMCTS 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 HMCTS 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.
Humber-side Magistrates' Court	March 2000	25	On	21.6	Provision of serviced magistrates' courthouses in Hull, Beverley and Bridlington. On expiry, HMCTS 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.

21.1 On balance sheet contracts

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

	2015–16	2014–15
	£000	£000
Rentals due not later than one year	15,434	15,970
Rentals due later than one year and not later than five years	56,382	58,524
Rentals due later than five years	87,694	100,986
Minimum future lease payments	159,510	175,480
Future interest expense	(46,200)	(53,244)
Present value of minimum lease payments	113,310	122,236

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

	2015–16	2014–15
	£000	£000
Service charge due within one year	23,338	23,163
Service charge due later than one year and not later than five years	93,350	92,652
Service charge due later than five years	169,972	171,059
Total	286,660	286,874

21.2 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 £33.4 million (2014–15: £37.8 million).

22 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 salaried judicial office holder. This lead case set the precedent for other stayed cases, which in addition to pension entitlements, extended to non-pension entitlements relating to fee paid judicial office holders' employment terms and conditions. For example, 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.

Based on the UK Supreme Court ruling, the latest judgments from the Employment Tribunal and Employment Appeal Tribunal and pay claims processed during the 2014–15 period, 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 Ministry of Justice reflect the best estimate of the expenditure required to settle these claims at the end of the reporting period.

During 2013–14 and 2014–15, 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. These hearings also addressed claims for non-pension entitlements relating to fee paid judicial office holders' employment terms and conditions.

The non-pension entitlement claims were dealt with in the Employment Tribunal preliminary hearing in December 2013 and a number of subsequent hearings, with judgements being made as to which non-pension entitlements were able to be claimed and which types of judicial office holders were eligible to make such claims. 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 Ministry of Justice 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 heard will depend on the individual circumstances of the claimant, given the large number of stayed claims and outstanding appeals, this was impracticable.

Other contingent liabilities:

HMCTS is involved in a number of legal cases dealing with ex gratia, compensation and other claims. The estimated cost of settlement for HMCTS is £5.9 million (2014–15: £5.6 million).

HMCTS has one contingent liability which is presently unquantifiable. The Supreme Court has allowed permission to appeal the Court of Appeal decision regarding the introduction of Employment Tribunal fees. It is not possible to accurately measure any potential financial liability to HMCTS.

23 Related party transactions

HMCTS is an Executive Agency of the Ministry of Justice, which is regarded as a related party. During the year, HMCTS has had material transactions with the Ministry of Justice and other entities for which the Ministry of Justice is regarded as the parent entity. HMCTS 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 judgements on behalf of the Lord Chancellor and the Secretary of State for Justice. Revenue received from the Registry Trust Limited in the year amounted to £0.6 million (2014–15 £0.6 million) with a total debtor balance due to HMCTS as at 31 March 2016 of £0.2 million (2014–15: £0.2 million).

A close relative of Steve Gillespie, Director, Finance and Governance (until 12 April 2015), was employed by HMCTS from September 2014 on a 12 month fixed term contract.

Ian Playford, Non-Executive Director, is a director of Onboard Executive Ltd who provide consultancy services to HMCTS. Expenditure in the year amounted to £1.6k (2014–15: nil) with a total creditor balance at 31 March 2016 of £1.6k (2014–15: nil).

No other Board Members or other related parties have undertaken any material transactions with HMCTS during 2015–16 and 2014–15.

HMCTS also has a number of arrangements with the Ministry of Justice 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 SoCNE 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.

24 Third party balances

HMCTS 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 2016 these amounted to £21,759k (2014–15: £17,942k) and have not been recognised in the accounts in accordance with FReM requirements.

25 Events after the reporting period

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

The result of the referendum held on 23 June was in favour of the UK leaving the European Union. This is a non-adjusting event. There is no significant impact on these financial statements.

26 Changes in accounting policies

HMCTS have reviewed the accounting policies for its significant income streams. This has identified the need for revised recognition points for probate fee income and County Court hearing fee income which more accurately reflect when the service has been rendered.

This has resulted in restatement of balances and transactions previously recorded and these revisions are reflected in the restatements of the 2014–15 Statement of Comprehensive Net Expenditure and Statement of Financial Position including opening balances as outlined below.

Statement of Comprehensive Net Expenditure for the year ended 31 March 2015

	As previously reported 2014–15 £000	Adjustment £000	Restated 2014–15 £000
Operating income	(652,111)	(2,058)	(654,169)
Total operating income	(652,111)	(2,058)	(654,169)
Total operating expenditure	1,724,491	-	1,724,491
Net operating expenditure	1,072,380	(2,058)	1,070,322
Finance costs	25,105	-	25,105
Net expenditure for the year	1,097,485	(2,058)	1,095,427

Statement of Financial Position as at 31 March 2015

	As previously reported 2014-15 £000	Adjustment £000	Restated 2014-15 £000
Total non-current assets	3,207,878	-	3,207,878
Total current assets	138,220	-	138,220
Total assets	3,346,098	-	3,346,098
Current liabilities			
Trade and other payables	(292,799)	1,351	(291,448)
Provisions for liabilities and charges	(10,865)	-	(10,865)
Total current liabilities	(303,664)	1,351	(302,313)
Total assets less current liabilities	3,042,434	1,351	3,043,785
Total non-current liabilities	(536,223)	-	(536,223)
Total assets less total liabilities	2,506,211	1,351	2,507,562
Taxpayers' equity			
General fund	1,894,355	1,351	1,895,706
Revaluation reserve	611,856	-	611,856
Total taxpayers' equity	2,506,211	1,351	2,507,562

Statement of Cash Flows for the year ended 31 March 2015

	As previously reported 2014-15 £000	Adjustment	Restated 2014-15 £000
Cash flows from operating activities			
Net expenditure for the year	(1,097,485)	2,058	(1,095,427)
Adjustments for notional and non-cash costs	293,224		293,224
Adjustments for finance costs	25,105		25,105
(Increase) / decrease in trade and other receivables	(98,561)		(98,561)
Operating lease prepayment	130		130
Increase / (decrease) in trade and other payables	202,842	(2,058)	200,784
Third party balances	-		-
Utilisation of provisions	(8,133)		(8,133)
Net cash outflow from operating activities	(682,878)	-	(682,878)
Net cash outflow from investing activities	(27,748)	-	(27,748)
Net cash inflow from financing activities	707,537	-	707,537
Net increase/ decrease in cash and cash equivalents in the period	(3,089)	-	(3,089)
Cash and cash equivalents as at the beginning of the period	25,691		25,691
Cash and cash equivalents as of the end of the period	22,602	-	22,602

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2015

	As previously reported 2014-15 £000	Adjustment £000	Restated 2014-15 £000
Balance as at 31 March 2014	1,864,611	(707)	1,863,904
Funding from the MoJ	729,000	-	729,000
Intercompany settlement with MoJ	132,146	-	132,146
Net operating expenditure	(1,097,485)	2,058	(1,095,427)
Notional expenditure:			
Consolidated fund judicial salaries	140,520	-	140,520
External auditors' remuneration	320	-	320
Intra-departmental recharges	101,961	-	101,961
Revaluation of property and equipment	-	-	-
Revaluation of intangible assets	-	-	-
Reclassification from revaluation reserve	23,503	-	23,503
Actuarial gain on pension scheme liabilities	(221)	-	(221)
Balance as at 31 March 2015	1,894,355	1,351	1,895,706

Annex A – Fees and charges legislation

The most current fees orders are listed below and can also be viewed at <http://www.legislation.gov.uk>

- **The Civil Proceedings Fees and Family Proceedings (Amendment) Order 2015 576 [L7]** amends:
 - The Civil Proceedings Fees Order 2008/1053[L5] – note the 2008 Fees Order was also been amended by 2008/2853[L19], 2009/1498[L15]; 2011/586[L2], 2013/1410[L13] & 2014/874[L17]
 - **The Family Proceedings Fees (Amendment No. 2) Order 2015/1419[L14]** amends
 - The Family Proceedings Order 2008/1054[L6] – note the 2008 Fees Order was also been amended by 2008/2856[L22], 2008/316[L27], 2009/1499[L16], 2010/1916[L10], 2011/587[L3], 2013/1407[L10], 2014/877[L20] & 2015/687[L10]
- **The Non-Contentious Probate Fees (Amendment) Orders 2014 No.876 [L19]** amends The Non Contentious Probate Fees Order 2004/3210[L22] – note the 2004 Fees Orders was also been amended by 2007/2174[L14], 2008/2854[L20], 2009/1497[L14], 2011/588[L4], 2013/1408[L11]
- **The Magistrates' Courts Fees (Amendment) Order 2014 No.875 [L18]** which amends The Magistrates' Courts Fees Order 2008/1052[L4] – note the 2008 Fees Order was also amended by 2008/2855[L21], 2009/1496[L13], 2010/731[L4], 2010/1917[L11], 2013/1409[L12] & 2014/875[L18]
- **The Court of Protection Fees (Amendment) Order 2009/513[L3]** which amends The Court of Protection Fees Order 2007/1745[L13]
- **The First-tier Tribunal (Immigration and Asylum Chamber) Fees Order 2011/2841.**
- **The Upper Tribunal (Immigration and Asylum Chamber) (Judicial Review) (England & Wales) Fees (Amendment) Orders 2014/878[L.21]**, which amends The Upper Tribunal (Immigration and Asylum Chamber) (Judicial Review) (England & Wales) Fees Order 2011/2344 – note the 2011 Fees Order was also amended by 2013/2069
- **The Upper Tribunal (Lands Chamber) Fees (Amendment) Orders 2013 No.1199** which amends the Lands Chamber Fees Order 2009/1114 – note the 2009 Fees Order was also amended by 2010/2601
- **The First-tier Tribunal (Property Chamber) Fees (Amendment) Order 2014/1182** which amends The First-tier (Property Chamber) Fees Order 2013/1179
- **The First Tier Tribunal (Gambling) Fees (Amendment) Order 2010 No.633**, which amends the First Tier Tribunal (Gambling) Fees Order 2010 No.42
- **The Gender Recognition (Application Fees) (Amendment) Order 2012/920** which amends the Gender Recognition (Application Fees) Orders 2006/758 – note the 2006 Fees Order was also been amended by 2007/839, 2008/715, 2009/489, 2011/628,
- **The Employment Tribunals and the Employment Appeal Tribunal Fees (Amendment) Order 2015 /414** which amends The Employment Tribunals and the Employment Appeal Tribunal Fees Order 2013 No.1893

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