



HM Courts &
Tribunals Service

HM Courts & Tribunals Service Trust Statement 2015–16





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Tribunals Service

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

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Any enquiries regarding this publication should be sent to us at:
HM Courts & Tribunals Service Communications Team 10th Floor, 10.31 102 Petty France London SW1H 9AJ
Email: HMCTS.Communications@hmcts.gsi.gov.uk

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Section 1: Introductions





1. Introductions





Accounting Officer's Foreword to the Trust Statement

I'm pleased to write this foreword for the HM Courts & Tribunals Service Trust Statement, and am delighted that the Comptroller and Auditor General has once more been able to provide an unqualified audit opinion on this statement. This opinion represents a great deal of hard work from colleagues across HM Courts & Tribunals Service (HMCTS) as well as through close working with a number of our partner agencies, including the Crown Prosecution Service (CPS) and Serious Fraud Office (SFO). I would like to thank everyone involved for their continued efforts to improve our activities in enforcing and collecting the range of financial penalties and fines for which we are collectively responsible.

Over the past year, our total imposition revenue increased by nearly a third, from £770 million in 2014–15 to £1,002 million. This was primarily due to the introduction of the criminal court charge, which was subsequently withdrawn in December 2015, as well as a small number of high value confiscation orders.

Improved enforcement activity and data sharing with the Department of Work and Pensions and HM Revenue and Customs has also resulted in a 16% increase in cash collections. Improving compliance and enforcement services continues to form a key part of the overall reform of HMCTS. A decision was taken during this year to pursue in-house modernisation of compliance and enforcement. As a result, the 'Transforming Compliance and Enforcement Programme' is now expected to deliver a transformed service by 2020, ensuring that orders of court are enforced and user needs are met in the most cost-effective way for taxpayers.

In addition to these successes, there has been a sixth consecutive annual increase in the amount collected under confiscation orders. These, and this statement, and the unqualified audit opinion that has been achieved, all show the significant progress being made as part of our efforts to improve and modernise all aspects of the service that HMCTS provides.

Operationally, the improvements made in collection and enforcement have come in a year in which we have achieved further improvements in all aspects of operational performance within a reducing budget.

The backdrop will continue to prove challenging as the implementation of the transformational change that our courts and tribunals service needs continues in the year ahead. However, I know how strong the collective commitment of everyone who works within HMCTS is to provide the highest possible standards of service for our customers and users.



Finally, I would like to thank my predecessor, Natalie Ceeney. Natalie was at the helm as Chief Executive for the period covered by this statement, 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
Interim Chief Executive and Accounting Officer
4 July 2016



Introduction to the Trust Statement

Introduction

A Trust Statement provides an account of the collection of revenues which by statute or convention are due to the Consolidated Fund¹ where the entity undertaking the collection acts as agent rather than principal. The legislative requirement for the HM Courts & Tribunals Service Trust Statement is set out in section 7 of the Government Resources and Accounts Act 2000.

HMCTS acts as an agent responsible for collecting financial penalties imposed by the judiciary and the police. These impositions comprise court fines, prosecutors' costs, and compensation to victims, fixed penalty notices, confiscation orders and victim surcharge.

The Trust Statement records income and expenditure relating to these impositions, the third party bodies to which the funds are disbursed and the year-end balance owed to the Consolidated Fund.

The Trust Statement accounts do not include the costs of running HMCTS. These are reported separately in the HM Courts & Tribunals Service Annual Report and Accounts 2015–16 which also sets out the general direction and priorities for the agency, details of its management and the Chief Executive's report.

Scope

HMCTS collects the following types of financial imposition as described below.
Fines, prosecutors' costs and compensation orders – These items are imposed by both magistrates' and Crown Courts and are enforced by the National Compliance and Enforcement Service, part of HMCTS. Fines collected by HMCTS are surrendered to the Consolidated Fund after any retentions permitted by HM Treasury. Prosecutors' costs and compensation order monies are passed to the relevant prosecuting authority and the victims of the crimes committed respectively.

Confiscation Orders – Confiscation orders are imposed by the Crown Court. These require the defendant to pay back the proceeds of acquisitive crime. The orders are made under the Proceeds of Crime Act 2002 and can result in the seizure and sale of assets. 41% of confiscation orders by value are enforced by agencies other than HMCTS, including the CPS, SFO, Department for Work and Pensions and local authorities. The typical composition of confiscation orders is a small volume of high value orders and a larger volume of low value orders. Confiscation order receipts

¹ The Consolidated Fund is the central account administered by HM Treasury which receives government revenues and makes issues to fund expenditure by Government Departments.



are surrendered to the Home Office, with a portion subsequently returned to the Ministry of Justice (MoJ) under the asset recovery incentivisation scheme.

Fixed penalty notices – Penalty notices are imposed by the police and include both fixed penalty notices (FPNs) for traffic rule violations and antisocial behaviour orders (ASBOs). Notices that remain unpaid after 28 days are converted into fines and enforced as described above. Receipts from penalty notices and the associated fines are surrendered to the Consolidated Fund after deduction of retentions permitted by HM Treasury.

Victim surcharge – An additional surcharge is added to fines that are imposed and are enforced as described above. The receipts from the collection of the victim surcharge by HMCTS are passed to the justice reform directorate of the MoJ to fund victims' services.

Criminal Court Charge – The criminal court charge is an additional financial imposition designed to recover some of the costs of the criminal court from those convicted of an offence and was introduced in the Criminal Justice and Courts Act 2015 for offences committed on or after 13 April 2015. The amount of the charge varied depending on the nature of an offence and whether the defendant pleaded guilty or not. On 3 December 2015 the Secretary of State laid an amendment to a statutory instrument with the effect that from 24 December 2015 the criminal courts charge would no longer be imposed. All charges imposed up to that point are still payable. Receipts from the criminal courts charge are due to the MoJ and are recorded in the MoJ departmental accounts.

Expenditure and disbursements – Receipts from confiscation orders, prosecution costs and compensation orders are remitted to appropriate third parties, including government departments and the victims of crime. These remittances are reflected through the disbursements disclosed in the Statement of Revenue and Expenditure.

The only expenditure in the HMCTS Trust Statement relates to the administrative write-off of fines and the impairment of debt related to outstanding fines and confiscation orders.

With the agreement of HM Treasury, the MoJ is permitted to retain an element of fines collected as income through the following schemes.

The warrant enforcement netting off scheme permits MoJ to retain revenue equal to the pre-Courts Act 2003 cost of enforcing and collecting fines whilst the Courts Act national rollout netting off scheme permits the retention of an amount equal to the employment costs of the court officers appointed in compliance with the Courts Act 2003. The amounts retained in 2015–16 under the two schemes were £66.6 million (2014–15: £66.6 million) and £6.9 million (2014–15: £6.9m) respectively.



The fine incentive scheme permits MoJ to retain an amount of fines collected in excess of an agreed payment rate, up to a maximum of £20 million.

Under a memorandum of understanding with the MoJ and with the agreement of HM Treasury, £30 million per annum of additional revenue raised from fixed penalties issued for motoring offences is retained by the MoJ in order to fund services provided to the victims of crime.

As part of the 2013 Spending Round settlement HM Treasury has permitted the MoJ to retain additional collections from fines and fixed penalty impositions. The total amount retained is disclosed under disbursements in the Statement of Revenue and Expenditure as Revenue retained by the MoJ. The additional amount permitted to be retained in 2015–16 is capped at £340 million (2014–15: £145 million) for all retentions.

Under the 2015 Spending Round settlement, from 2016–17, the amount permitted to be retained is managed within an overall income settlement for the MoJ set by HM Treasury according to their Consolidated Budgeting Guidance.





1. Introductions



Section 2: Our performance

2. Our performance

Business Overview

Financial performance

Impositions revenue

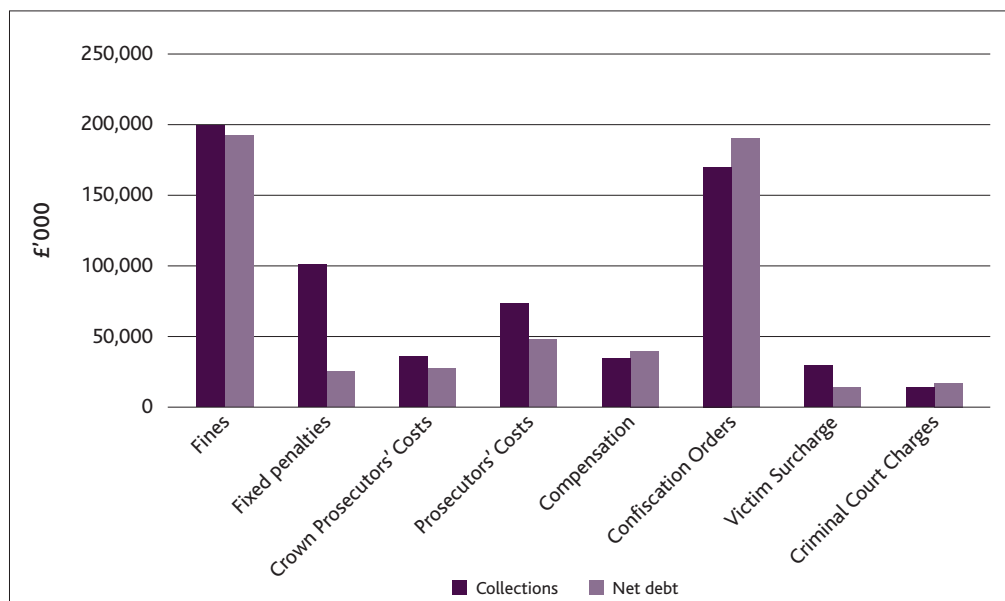
Total imposition revenue increased from £770 million in 2014–15 to £1,002 million in 2015–16, an increase of £232 million. This was driven mainly by the introduction of the criminal court charge and a small number of very high value confiscation orders.

Collections

Improved enforcement activity has resulted in a 16% increase in cash collections. Even after excluding new collections arising from the criminal court charge, there has been a significant improvement in performance – cash collections excluding the criminal court charge have increased by £76 million since 2014–15, a 13% increase. This is driven by a data sharing initiative that began in July 2014 and has since been used more widely across HMCTS to share information with HMRC and DWP allowing identification and enforcement against offenders.

Impairment of debt

Each type of outstanding financial imposition has been separately assessed to calculate the appropriate level of impairment required to reflect the value of debt which is likely to be recovered. The total value of debt estimated to be recoverable as at 31 March 2016 is £548 million (2014–15: £491 million). This is compared to the value of cash collected in the year in the chart below.



Confiscation Orders

The gross value of confiscation order debt as at 31 March 2016 is £1,761 million (2014–15 £1,574m) and has been impaired for accounting purposes to a net present value of £190 million. This is the most significant impairment as a proportion of outstanding debt. There are a number of reasons why the impairment of confiscation orders is high. The recoverability of confiscation order debt is affected by the nature of the debt – orders are often imposed on assets which have been hidden by the defendant, or the assets are overseas. Furthermore, it is not possible to write off confiscation order debt – it can only be cancelled in court (a judicial cancellation) in very specific circumstances, such as on the death of a defendant. The power to apply to discharge accounts where the defendant is deceased was introduced in June 2015. HMCTS is currently working through the stock of these orders, and where appropriate making the relevant application to cancel the order.

Confiscation order debt can be broken down into some of these categories as follows:

	2015–16 £000	2014–15 £000
Interest (historically challenging to enforce)	502,087	431,854
Assets assessed as hidden with no other assets against which enforcement action can be taken.	206,893	211,970
Offenders deceased, deported or cannot be located	135,531	141,415
Orders subject to appeal and cannot be enforced	22,158	30,180
Assets overseas	7,692	9,052
Sub-total	874,361	824,471
Remaining confiscation order balance	887,088	749,294
Total outstanding debt	1,761,449	1,573,765

The 'Remaining confiscation order balance' includes orders where enforcement activity is underway, although it is likely some of the value will be identified as hidden or overseas, making recovery very difficult.

Further analysis of confiscation order debt by value and lead enforcement agency is provided in note 4 to the Trust Statement.

Future developments and initiatives

Enforcement and compliance services

Shailesh Vara MP, Parliamentary Under-Secretary of State for Justice, announced plans for the future provision of enforcement services in a Written Ministerial Statement on the 15 October 2015. The MoJ began a procurement competition for a new outsourced provider of criminal court compliance and enforcement services in July 2013. Following reconsideration of MoJ's 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 we let completely met our requirements, provided best value for the taxpayer and complied with procurement law.



Ministers have set out the importance of reforming HMCTS to provide a modern and efficient service for society. Improving compliance and enforcement services will continue to form a key part of that work. In-house modernisation is therefore regarded as the best option for HMCTS.

Following this announcement HMCTS has started the 'Transforming compliance and enforcement programme'. This programme of change is set up to design and deliver a transformed compliance and enforcement service by 2020 that is fit for purpose, meets user needs and uses data effectively to ensure orders of the Court are enforced. The new service aims to increase the level of collections through improved data analytics and customer insight and segmentation, and reduce the cost per collection through improved processes and increased levels of customer compliance. Better data analytics lead to improved compliance by identifying opportunities to arrange payment plans for customers.

Planning is at an early stage and work will continue through the year to develop the detailed plans. As part of our planning we will be undertaking a number of business improvement activities. These include an increased focus on aged debt, a pilot to test the effectiveness of automatic registration of fines and a renewed focus on customer insight.

Data sharing with HM Revenue & Customs

HMCTS has, under the authority of the Crime and Courts Act 2013 been sending details of fine accounts to HM Revenue and Customs (HMRC) on a monthly basis since July 2014. HMRC provide HMCTS with any additional information they hold on offenders including employer details, self-employed status confirmation and new addresses. This has led to a significant increase in the use of the attachment of earnings sanction and means that accounts are now being closed more quickly and accounts that may have ended up as 'hard to trace' are now being effectively enforced.

This tool is now considered for use wherever possible and work continues with both HMRC and employers to improve its effectiveness.

Effect of Universal Credit on Deduction from Benefit Orders

Deduction from benefit orders have been used as the first enforcement sanction for a number of years but historically the amounts recovered from each offender have been low – only up to £5 per week. Since the introduction of Universal Credit HMCTS have started to see an increased rate of collection from offenders who are having deductions taken from Universal Credit as deductions can be taken from that benefit at a much higher rate – up to 40% of allowance depending on any other third party deductions orders. This means that outstanding financial impositions are being cleared much quicker. The full benefits from this will increase as the Department for Work and Pensions rolls out Universal Credit.



Work to reduce cheque volumes

HMCTS currently sends a large volume of cheques each month when making payments to creditors – mostly to compensates – which are expensive to produce and send and lead to accounting issues if the cheques are not cashed. There is a pilot taking place in two cash offices to reduce the number of cheques that are sent. This involves trying to make contact with any creditor who has not already provided bank details, before amounts are paid out, so that they can be directed to a BACS payment rather than cheque. The pilot started in April 2016 and will run for 12 months.

Confiscation Order Enforcement

For the sixth consecutive year HMCTS has increased the amount that is collected under confiscation orders. Established relationships with partner agencies have been improved in order to secure compliance and maximise the effectiveness of enforcement sanctions.

The Home Office criminal finances board (on which HMCTS is represented) continues to set strategic direction for confiscation order activity as part of the wider criminal finances improvement plan. The Board also ensures that a targeted approach to enforcement is taken by prioritising cases for joint agency intervention.

HMCTS has co-located four regional confiscation units within Proceeds of Crime hubs (set up by the police and CPS) and continues to explore the potential to co-locate other Units. This has enabled agencies to share intelligence and work closely together in order to take quick and effective enforcement action. This improved joint agency working has also improved our ability to implement effective regional strategies and share best practice nationally.

On 1 June 2015 the Serious Crime Act 2015 and amended provisions for the Proceeds of Crime Act introduced new powers in order to improve HMCTS ability to enforce orders. These included:

- the expansion of the use of S67 Payment Orders, which allow the court to order a bank to make payment from a defendant's account
- new provisions to impose travel restrictions on defendants with unpaid orders, and
- the maximum default sentence to be served for orders over £10 million increased from 10 to 14 years.

These amendments enhance the range of enforcement sanctions available and are being used to increase compliance from defendants.



The Serious Crime Act 2015 introduced the power to 'write off' outstanding orders following application to the Crown Court where the defendant has deceased and there are no known assets to enforce against. HMCTS is in the process of reviewing its current stock of cases and making suitable applications to the courts in order to reduce these 'uncollectable' amounts from the total outstanding debt.

Kevin Sadler
Interim Chief Executive and Accounting Officer
4 July 2016





2. Our performance





Section 3: Our controls and governance



3. Our controls and governance



Accounting Officer's responsibilities

Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed HMCTS to prepare a Trust Statement for each financial year in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the collection of fines, penalties, costs awarded by the courts, compensation ordered by the courts, confiscation orders and the associated revenue, expenditure and cash flows for the financial year.

In preparing the statement, 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 statement
- prepare the statement on a going concern basis, and
- confirm that the Trust Statement as a whole is fair, balanced and understandable.

HM Treasury has appointed the Permanent Secretary of MoJ as Principal Accounting Officer of the Department. Kevin Sadler as Interim Chief Executive of HMCTS holds the role of Accounting Officer for the purposes of the Trust Statement.

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

Auditors

The Trust Statement is audited by the Comptroller and Auditor General under Section 7(4) of the Government Resources and Accounting Act 2000. The C&AG's fee for the audit of the 2015–16 Trust Statement was £100,000 (2014–15: £100,000). This is charged on a notional basis and recognised in the HM Courts & Tribunals Service Annual Report and Accounts 2015–16.

So far as I am aware, there is no relevant audit information of which the auditors are unaware. I have taken all steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the auditors are aware of that information.

Kevin Sadler
Interim Chief Executive and Accounting Officer
4 July 2016

Governance Statement

Introduction

HMCTS is an agency of the MoJ. 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.

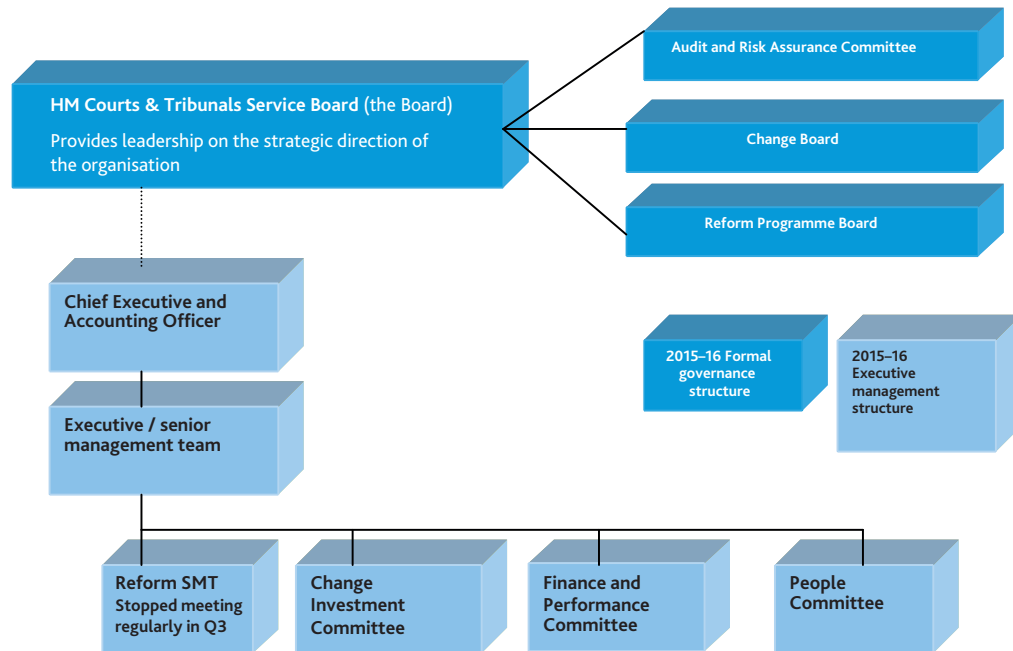
This statement describes the control framework in place over the recording and collection of financial impositions, including the penalties imposed by the police service and the remittance of these collections to the relevant parties and the Consolidated Fund. The HM Courts & Tribunals Service Annual Report and Accounts 2015–16 (HC 239) provides a more detailed explanation of the wider control framework operated by HMCTS.

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 MoJ 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. The detailed roles and responsibilities of the Board, the Executive and associated sub-committees are described in the HM Courts & Tribunals Service Annual Report and Accounts 2015–16. The structure of the Board and committees was as follows in 2015–16:



Corporate governance in central government departments – code of good practice
 This code applies to MoJ directly however HMCTS has adopted key principles as best practice. We remain compliant with material requirements. Governance arrangements for the organisation are overseen by the Audit and Risk Assurance Committee and the Board.

Principal systems and controls

There are two main systems used to account for transactions relating to fines, fixed penalties and confiscation orders – LIBRA and Pentip. LIBRA is a case management system which is used to record all transactions except those relating to fixed penalties, which are recorded on Pentip. Pentip is owned and managed by the Home Office (HMCTS is a member of the Pentip executive committee) and used by Police forces in England and Wales to record penalty notices and by HMCTS to record receipt of payments.

Both systems operate under a comprehensive control framework. The main features of the control framework are described below.

- Segregation of duties and controlled system access.
- Standard operating procedures for all key processes.
- Monthly and quarterly verification of all system control totals.
- Verification of cash balances by completion of daily, monthly and quarterly reconciliations.

There have been no significant control breaches during the year.



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 five 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 HMCTS 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 personnel 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 HMCTS 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 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 MoJ so responsibility for income should sit with the Department and as such has been removed from the risk register. HMCTS will fully support MoJ 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 MoJ 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 Audit and Risk Assurance Committee 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 MoJ 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 (NAO).



Inter-agency accountability

As Accounting Officer for HMCTS I am responsible under the Road Traffic Offenders Act 1988 for the collection of penalty notices and for their subsequent remittance to the Consolidated Fund. I maintain effective systems of control in the fixed penalty offices which operate as part of my organisation. However, the end-to-end system of controls and reporting for fixed penalties includes areas for which I have no responsibility. For example, roadside penalties are issued and registered by front line police operating within 43 different constabularies. Although we do not have control over police policy and procedures, we participate in periodic Pentip stakeholder meetings in order to influence systems control outcomes.

Similarly, I am responsible under the Proceeds of Crime Act 2002 for the collection of confiscation orders. I maintain effective systems of control in the courts and offices which operate as part of my organisation. However, the end-to-end system of controls and reporting for confiscation orders includes areas for which I have no responsibility. In particular, the Home Office bear overall responsibility for policy.

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 MoJ Internal Audit and Assurance, which meets the Public Sector Internal Audit Standards. The internal audit programme is closely linked to the key risks to the agency and arrangements are in place to ensure that, 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 1 March 2016. Their audit examined efficiency in the criminal justice system between the point at which the police or CPS charge a defendant, and the end of the court case. The focus of the audit was the MoJ, including HMCTS, and the CPS. 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.



The NAO issued an update to their previous report on confiscation orders, 'Confiscation orders: progress review' on 11 March 2016. The report reviews the progress that the criminal justice system has made in reforming the confiscation order system since early 2014. It considers the barriers that are still preventing further and faster progress, and how these can be overcome. The report concluded that since 2014 the criminal justice bodies have improved how they administer criminal confiscation orders with a greater focus on enforcement and better joint working across bodies, however, many of the fundamental weaknesses identified two years ago remain, and the system of managing confiscation orders has not been transformed.

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.

Kevin Sadler
Interim Chief Executive and Accounting Officer
4 July 2016





3. Our controls and governance



Section 4: External scrutiny

4. External scrutiny



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

I certify that I have audited the trust statement of Her Majesty's Courts and Tribunals Service (HMCTS) for the year ended 31 March 2016 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Revenue and Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the HMCTS trust statement and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by HMCTS; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the sections entitled "Accounting Officer's Foreword to the Trust Statement", "Introduction to the Trust Statement" and "Business overview" 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 HMCTS Trust Statement gives a true and fair view of the state of affairs of the collection and settlement of fines, penalties, confiscation orders and related expenditures and disbursements administered by HMCTS as at 31 March 2016, and of the net revenue 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 information given in the sections entitled "Introduction to the Trust Statement" and "Business overview" 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 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 KCB
6 July 2016

Comptroller and Auditor General
National Audit Office
157–197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Section 5: Financial statements



5. Financial statements



Statement of Revenue and Expenditure for the year ended 31 March 2016

	Notes	2015-16 £000	2014-15 £000
Impositions revenue			
Fines and penalties			
Court fines		263,763	213,611
Miscellaneous receipts		7,792	4,834
Criminal court charges		66,209	-
Fixed penalty notices		102,375	96,925
Crown prosecutors' costs		40,761	34,970
Prosecutors' costs		89,465	79,618
Compensation		36,661	34,902
Confiscation orders		357,129	269,719
Victim surcharge		37,866	35,203
Total impositions revenue		1,002,021	769,782
Less expenditure			
Credit losses	2	284,933	50,833
Total expenditure		284,933	50,833
Less disbursements			
Revenue retained by the Ministry of Justice	3	321,399	266,141
Prosecutors' costs for the Crown Prosecution Service		36,810	44,091
Prosecutors' costs		79,096	82,854
Compensation for other parties		33,878	52,969
Confiscation orders for Home Office		156,918	179,849
Victim surcharge for the Ministry of Justice		31,438	26,183
Total disbursements		659,539	652,087
Total expenditure and disbursements		944,472	702,920
Net revenue for the Consolidated Fund	6	57,549	66,862

Statement of Financial Position as at 31 March 2016

	Notes	2015-16 £000	2014-15 £000
Current assets			
Receivables	4	548,239	490,532
Cash at bank – fines & other impositions		56,336	61,882
Cash at bank – fixed penalties		8,910	13,461
Total assets		613,485	565,875
Current liabilities			
Payables	5	380,656	385,254
Total liabilities		380,656	385,254
Total net assets		232,829	180,621
Represented by:			
Balance on Consolidated Fund	6	232,829	180,621

Kevin Sadler
Interim Chief Executive and Accounting Officer
 4 July 2016

The notes on pages 40 to 53 form part of this statement.

Statement of Cash Flows for the year ended 31 March 2016

	Notes	2015-16 £000	2014-15 £000
Net cash (out) / inflow from operating activities	7	(4,756)	23,355
Cash paid to the Consolidated Fund	6	(5,341)	(29,328)
Decrease in cash in the period		(10,097)	(5,973)

Analysis of changes in net funds

	2015-16 £000	2014-15 £000
Net funds at beginning of period – 1 April	75,343	81,316
Net funds at end of period – 31 March	65,246	75,343
Decrease in cash in the period	(10,097)	(5,973)

The following balances as at 31 March were held at:

	2015-16 £000	2014-15 £000
Government Banking Service	64,310	74,891
Commercial banks	936	452
Total cash balances	65,246	75,343

The notes on pages 40 to 53 form part of this statement.

Notes to the Trust Statement

1. Statement of Accounting Policies

The Trust Statement is prepared in accordance with:

- the 2015–16 Financial Reporting Manual (FRM) issued by HM Treasury, in particular Chapter 8.2 which deals with Consolidated Fund revenue and Trust Statements. The accounting policies contained in the FRM apply International Financial Reporting Standards (IFRS) as interpreted for the public sector.
- the 2015–16 accounts direction issued by HM Treasury on 18 December 2015 under section 7(2) of the Government Resources and Accounts Act 2000.

The particular policies adopted in the Trust Statement are described below. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Basis of preparation

The Trust Statement has been prepared under the historical cost convention modified to account for the valuation of receivables and payables.

The preparation of the accounts in conformity with IFRS requires the use of certain critical accounting estimates (see note 1.8). It also requires management to exercise its judgement in the process of applying the accounting policies.

The income and associated expenditure recognised in these statements reflect those flows of funds which HMCTS receives and surrenders, in its capacity as agent, on behalf of the Consolidated Fund and other entities.

1.2 Revenue recognition

Fines and penalties are measured in accordance with Financial Reporting Manual (FRM), chapter 8.2. They are measured at the fair value of amounts received or receivable, net of judicial cancellations and remissions. Revenue is recognised when a fine or penalty is validly imposed and an obligation to pay arises. Where a penalty is cancelled due to attendance at a training course, as a result of an appeal or for other legal reasons or as a result of settlement by other valid means including imprisonment, revenue is derecognised and the derecognition of revenue is recorded as a reduction against revenue.



1.3 Expenditure

Credit losses (imposition write-offs and the change in the value of impairment for the year) are accounted for on an accruals basis. Debts written off as uncollectible and any change in the value of impairment are shown as expenditure. Underlying legislation precludes the write-off of confiscation order debt and adjustments to reflect recoverability are included in the impairment charge.

1.4 Disbursements

Disbursements are shown net of impairment and write-offs in accordance with the requirements of the FReM and IAS 39. An accrual for disbursements is made based on the value of impositions payable to parties, including compensatées, other than the Consolidated Fund.

1.4.1 MoJ specific disbursements

The MoJ is permitted to retain as income part of the value of fines and fixed penalties collected. Where part of the revenue collected is permitted to be retained, the amount to be retained is required by the FReM to be recorded as an appropriation of net revenue in the Trust Statement. As such, these retentions are disclosed in the Statement of Revenue and Expenditure as a disbursement to the MoJ. The following retentions of revenue by the MoJ are permitted by HM Treasury.

Revenue retained towards the cost of collection and administration

Retentions comprise netting-off income, fine incentive scheme income and the criminal court charge.

- The warrant enforcement scheme which permits the retention of an amount equal to the pre-courts act 2003 cost of enforcing and collecting fines.
- The Courts Act national roll-out scheme, permitting MoJ to retain an amount equal to the employment costs of the court officers appointed in compliance with the Courts Act 2003.
- Fine incentive scheme which permits the MoJ to retain an amount of fines collected in excess of an agreed payment rate, up to maximum of £20 million.
- The criminal court charge which was an additional financial imposition designed to recover some of the costs of the criminal court from those convicted of an offence and was introduced in the Criminal Justice and Courts Act 2015. On 3 December 2015 the Secretary of State laid an amendment to a statutory instrument with the effect that from 24 December 2015 the criminal courts charge would no longer be imposed. All charges imposed up to that point are still payable and the retention due to the MoJ is based on receipts collected in the period.

The associated revenue from which the above retained amounts are derived is recorded within court fines and criminal court charge imposition revenue at the gross amount of the imposition.



Revenue retained for Victims' Services

With the agreement of HM Treasury, MoJ's justice reform unit retains £30 million per annum of additional revenue raised from fixed penalties issued for motoring offences in order to fund services provided to the victims of crime. In respect of penalty notices for disorder (PND), an amount of £10 per penalty notice issued and paid is retained by the justice reform unit of MoJ in order to fund services provided to the victims of crime.

The associated revenue from which the amount retained is derived is recorded within fixed penalty notice imposition revenue at the gross amount of the imposition.

Revenue retained under Spending Round settlements

As part of the Spending Round 2013 settlement for the financial years ended 2014–15 and 2015–16, HM Treasury has permitted the MoJ to retain collections from fines, criminal court charge and fixed penalty impositions. The additional amount permitted to be retained in 2014–15 was capped at £145 million. The amount permitted to be retained in 2015–16 is capped at £340 million for all retentions. For the 2016–17 financial year MoJ has, under the Spending Round 2015 settlement, again been permitted to retain the collections within an overall departmental income cap.

1.5 Net revenue for the Consolidated Fund

Net revenue for the Consolidated Fund is the value of impositions for the year from court fines, criminal court charge and fixed penalty notices, net of: impairment, write-offs, revenue retained by the MoJ, either under statute or with permission from HM Treasury, and fixed penalty revenue retained by the MoJ for funding victims' services.

1.6 Receivables

Receivables are shown net of impairments in accordance with the requirements of the FReM and IAS 39. Each class of debt has been assessed separately using performance reports to provide data concerning recoverability and the length of time it takes for debt to be repaid.

The fair value of receivables is determined by making an impairment to reduce the carrying value of receivables to the net present value of the estimated future flow of repayments discounted at HM Treasury's interest rate, currently 3.7% (2014–15: 2.2%).

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on any market. Receivables are derecognised when the rights to receive cash flows from the assets have expired.



1.7 Payables

Payables are accounted for on an accruals basis. Because HMCTS is acting as agent in the collection of all financial penalties imposed, the total value of payables, excluding the amount on which cash has been received at year end, is derived from the fair value of receivables net of impairment at the balance sheet date.

1.8 Critical accounting judgements and estimates

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.

When preparing the Trust Statement, 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.

Impairment of debt and credit losses

Receivables are shown net of impairments in accordance with the requirements of the FReM and IAS 39. The fair value of receivables is determined by making an impairment to reduce the carrying value of receivables to the net present value of the estimated future flow of repayments discounted at the interest rate set by HM Treasury. The fair value of receivables is dependent on ongoing collection rates as well as the discount rate used in the valuation. The current year's impairment has been calculated based on a review of specific high value receivables combined with a collective assessment for all other debt. The collective impairment assessment is based on an analysis of past collection history projected forward to provide a payment stream which is then discounted back at the Treasury rate of 3.7% (2014–15: 2.2%) to calculate the net present value.

A sensitivity analysis of the key assumptions inherent in the impairment calculation is included in note 8 to these Financial Statements.

1.9 Prior period adjustment for errors

Where material errors in respect of the recognition, measurement, presentation or disclosure of elements of financial statements are discovered in subsequent periods, these prior period errors are corrected in the comparative information presented in the financial statements for that subsequent period.



2. Credit losses

	Notes	2015-16 £000	2014-15 £000
Debts written off	2.1	43,844	64,698
Increase / (decrease) for year in impairment of receivables	4	241,089	(13,865)
Total		284,933	50,833

2.1 Debts written off

	2015-16 £000	2014-15 £000
Court fines	29,728	45,345
Criminal court charges	133	
Crown prosecutors' costs	2,041	3,747
Prosecutors' costs	8,328	10,558
Compensation	786	2,685
Victim surcharge	2,828	2,363
Total	43,844	64,698

Debts written off are the amounts reportable to Parliament under rules on disclosure of losses and write-offs in Managing Public Money Annex A.4.10.24. under the category of 'Claims waived or abandoned'. Included in debts written off are the following:

	2015-16 No.	2015-16 £	2014-15 No.	2014-15 £
Individual write-offs over £300,000	1	500,000	2	800,120
Made up of:				
Company wind-ups and liquidations	1	500,000	2	800,120
Total	1	500,000	2	800,120

There are no other losses or special payments reportable.

3. Revenue retained by the Ministry of Justice

	2015-16	2014-15
	£000	£000
Revenue retained by MoJ towards the cost of collection and administration:		
Warrant enforcement revenue	66,600	66,600
Fine incentive revenue	20,000	17,341
Courts Act revenue	6,900	6,900
Criminal court charges	12,585	-
	106,085	90,841
Fixed penalty revenue retained by MoJ for Victims' Services:		
Retained from fixed penalties for motor offences	30,000	30,000
Retained from fixed penalties for PNDs	261	300
	30,261	30,300
Revenue retained by MoJ under Spending Round settlements:		
Retained from fine collections	114,193	74,595
Retained from fixed penalty collections	70,860	70,405
	185,053	145,000
Total	321,399	266,141

4. Receivables

2015-16	Compensation £000	Victim surcharge £000	Prosecutors' costs £000	Crown prosecutors' costs £000	Fines £000	Criminal courts charges £000	Fixed penalty notices £000	Confiscation orders £000	Total £000
Impositions outstanding									
At 1 April 2015	71,092	29,381	82,655	51,499	340,000	-	22,916	1,573,765	2,171,308
New impositions	36,661	37,866	89,465	40,761	263,763	66,209	102,375	286,896	923,996
Confiscation order interest	-	-	-	-	-	-	-	70,233	70,233
Collections	(32,945)	(28,307)	(72,838)	(34,577)	(199,900)	(12,585)	(100,992)	(169,445)	(651,589)
Write-offs	(786)	(2,828)	(8,328)	(2,041)	(29,728)	(133)	-	-	(43,844)
At 31 March 2016	74,022	36,112	90,954	55,642	374,135	53,491	24,299	1,761,449	2,470,104
Impairment									
At 1 April 2015	33,466	19,202	41,828	27,754	187,765	-	-	1,370,761	1,680,776
Increase/(decrease) for the year	695	3,313	773	1,193	(12,193)	37,601	-	187,669	219,051
Effect of change in discount rate	1,302	286	1,267	717	5,923	-	-	12,543	22,038
Net increase/(decrease) for the year	1,997	3,599	2,040	1,910	(6,270)	37,601	-	200,212	241,089
At 31 March 2016	35,463	22,801	43,868	29,664	181,495	37,601	-	1,570,973	1,921,865
Receivables Net Book Value at 31 March 2016	38,559	13,311	47,086	25,978	192,640	15,890	24,299	190,476	548,239
Receivables Net Book Value at 31 March 2015	37,626	10,179	40,827	23,745	152,235	-	22,916	203,004	490,532

4.1 Confiscation order debt – value banding by lead agency

	2015–16				2014–15	
	HMCTS £000	SFO £000	CPS £000	Total £000	HMCTS £000	Total £000
Gross debt						
Up to £250,000	203,835	519	46,182	250,536	192,196	245,839
£250,001 – £500,000	97,504	2,762	39,267	139,533	85,456	135,243
£500,001 – £1,000,000	148,960	4,011	51,214	204,185	123,727	191,790
Over £1,000,000	585,183	137,187	444,825	1,167,195	461,515	1,000,893
Total gross debt	1,035,482	144,479	581,488	1,761,449	862,894	1,573,765
Impairment						
Up to £250,000	162,293	436	29,043	191,772	157,286	191,536
£250,001 – £500,000	88,733	2,523	29,243	120,499	76,041	111,463
£500,001 – £1,000,000	138,702	2,796	40,753	182,251	113,378	165,567
Over £1,000,000	554,030	135,650	386,771	1,076,451	437,894	902,195
Total impairment	943,758	141,405	485,810	1,570,973	784,599	1,370,761
Net book value						
Up to £250,000	41,542	83	17,139	58,764	34,910	54,303
£250,001 – £500,000	8,771	239	10,024	19,034	9,415	23,780
£500,001 – £1,000,000	10,258	1,215	10,461	21,934	10,349	26,223
Over £1,000,000	31,153	1,537	58,054	90,744	23,621	98,698
Total net book value	91,724	3,074	95,678	190,476	78,295	203,004

The total gross debt is made up of 10,771 cases, of which: 9,865 (92%) are of value up to £250,000; 397 (4%) are between £250,001 – £500,000; 266 (2%) are between £500,001 – £1,000,000, and; 243 (2%) are over £1,000,000.

4.2 Confiscation order debt – aged debt profile by lead agency

	2015–16				2014–15			
	HMCTS £000	SFO £000	CPS £000	Total £000	HMCTS £000	SFO £000	CPS £000	Total £000
Gross debt								
0 – 1 year	86,959	1,545	188,298	276,802	62,846	15,546	106,898	185,290
1 – 2 years	40,264	2,023	69,485	111,772	33,033	2,006	67,168	102,207
2 – 5 years	165,267	43,346	115,619	324,232	203,039	73,523	175,795	452,357
Over 5 years	742,992	97,565	208,086	1,048,643	563,976	67,656	202,279	833,911
Total gross debt	1,035,482	144,479	581,488	1,761,449	862,894	158,731	552,140	1,573,765
Impairment								
0 – 1 year	52,014	929	144,365	197,308	27,582	3,102	63,096	93,780
1 – 2 years	31,787	1,638	55,368	88,793	21,851	1,180	41,907	64,938
2 – 5 years	145,403	41,865	100,514	287,782	176,207	65,688	146,302	388,197
Over 5 years	714,554	96,973	185,563	997,090	558,959	67,631	197,256	823,846
Total impairment	943,758	141,405	485,810	1,570,973	784,599	137,601	448,561	1,370,761
Net book value								
0 – 1 year	34,945	616	43,933	79,494	35,264	12,444	43,802	91,510
1 – 2 years	8,477	385	14,117	22,979	11,182	826	25,261	37,269
2 – 5 years	19,864	1,481	15,105	36,450	26,832	7,835	29,493	64,160
Over 5 years	28,438	592	22,523	51,553	5,017	25	5,023	10,065
Total net book value	91,724	3,074	95,678	190,476	78,295	21,130	103,579	203,004

The total debt is made up of 10,771 cases, of which: 2,653 (25%) are between 0 – 1 years old; 1,342 (12%) are between 1 – 2 years old; 2,815 (26%) are between 2 – 5 years old, and; 3,961 (37%) are over 5 years old.

5. Payables

	2015-16		Total £000
	On which cash received	On which cash receivable	
	£000	£000	
Home Office	33,925	190,476	224,401
Crown Prosecution Service	169	25,978	26,147
Prosecutors' costs, compensation	7,353	85,645	92,998
Victim surcharge	1,411	13,311	14,722
Fines and fixed penalty receipts payable to MoJ	14,456	-	14,456
Other	7,932	-	7,932
Total	65,246	315,410	380,656

	2014-15		Total £000
	On which cash received	On which cash receivable	
	£000	£000	
Confiscation orders (Home Office)	34,561	203,004	237,565
Crown Prosecution Service	169	23,745	23,914
Prosecutors' costs, compensation	7,790	78,453	86,243
Victim surcharge	2,485	10,179	12,664
Fines and fixed penalty receipts payable to MoJ	9,882	-	9,882
Other	14,986	-	14,986
Total	69,873	315,381	385,254

6. Balance on the Consolidated Fund account

	2015-16 £000	2014-15 £000
Balance on the Consolidated Fund at 1 April	180,621	143,087
Net Revenue for the Consolidated Fund	57,549	66,862
Less: amount paid to the Consolidated Fund	(5,341)	(29,328)
Balance on the Consolidated Fund at 31 March	232,829	180,621

The balance on the Consolidated Fund comprises:

	2015-16		Total £000
	On which cash received £000	On which cash receivable £000	
Balance on Consolidated Fund Account as at 1 April	5,470	175,151	180,621
Balance on Consolidated Fund Account as at 31 March	-	232,829	232,829

	2014-15		Total £000
	On which cash received £000	On which cash receivable £000	
Balance on Consolidated Fund Account as at 1 April	29,391	113,696	143,087
Balance on Consolidated Fund Account as at 31 March	5,470	175,151	180,621

7. Notes to the Statement of Cash Flows

	Notes	2015–16 £000	2014–15 £000
Net cash flow from operating activities is derived as follows:			
Net revenue for the Consolidated Fund	6	57,549	66,862
Adjustment for non-cash items:			
Impairment write-off / (write-back)	2	241,089	(13,865)
(Increase) / decrease in gross receivables		(298,796)	(137,294)
(Decrease) / increase in payables		(4,598)	107,652
Net cash (out) / inflow from operating activities		(4,756)	23,355

8. Financial instruments

On behalf of the Consolidated Fund and other parties, HMCTS is party to financial instrument arrangements as part of its normal operations. These financial instruments include bank accounts, receivables and payables.

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 the course of its operations. As HMCTS is acting as agent on behalf of the Consolidated Fund and other parties in collecting and surrendering financial penalties imposed by the judiciary and the police, it cannot incur losses through the Trust Statement. Write-offs and impairment charges disclosed in the Income and Expenditure Statement reflect the non-recoverability of gross debt since its obligation to surrender financial penalties is limited to the amount it is able to collect in revenue. HMCTS, on behalf of the Consolidated Fund and other parties, has no requirement to borrow or invest surplus funds. As such, HMCTS, in its capacity as agent, is not exposed to the degrees of financial or market risk facing a business entity acting as principal.

a) Carrying amount and fair values

The fair value of cash balances approximate their carrying amount largely owing to the short term maturity of this financial instrument which is less than three months.

The fair value of receivables is determined by making an impairment to reduce the carrying value of receivables to the net present value of the estimated future flow of repayments discounted at the Treasury rate of 3.7% (2015: 2.2%).

The key assumption inherent in the model used to calculate the impairment provision is that the estimated future flow of repayments reflects historical trends and, as such, there is inherent uncertainty in the estimated provision. The impact of the following reasonable possible alternatives to this assumption is reflected in the table below:

Assumption	Change in assumption	Increase / (decrease) in net receivables	
		2015–16 £m	2014–15 £m
Projected cash collections	+10%	46.1	41.7
Projected cash collections	+5%	23.0	20.8
Projected cash collections	-10%	(46.1)	(41.7)
Projected cash collections	-5%	(23.0)	(20.8)

The effect of the change in the discount rate is £22m and is disclosed in note 4 to the accounts.

The fair value of payables on which cash is receivable at the balance sheet date is derived from the fair value of the related receivables balance.

b) Liquidity risk

Liquidity risk is the risk that HMCTS, on behalf of the Consolidated Fund and other parties, will encounter difficulty raising liquid funds to meet commitments as they fall due. HMCTS is obliged to surrender only those funds that it has collected and banked. As such, HMCTS, in its capacity as agent, does not have significant liquidity risk.



c) Credit risk

Credit risk is the risk that a third party will default on its obligation to HMCTS on behalf of the Consolidated Fund and other parties, thereby causing the Consolidated Fund and other parties, for whom HMCTS acts as agent, to incur a loss.

Credit risk arises from deposits with banks and receivables. The maximum exposure to credit risk at the balance sheet date is:

	2015-16 £000	2014-15 £000
Cash at bank	65,246	75,343
Receivables	548,239	490,532
	613,485	565,875

Cash at bank comprises liquid bank balances held with commercial banks, including those administered through the GBS.

The size of the risk inherent within the trade receivables balance (shown net of impairment above) is reflected in the receivables impairment which totals £1,922 million (2014-15: £1,680 million). HMCTS, through the Governance and Risk management structures outlined in the Governance Statement, continues to assess and implement programmes to increase collection of receivables.

d) Currency risk and interest rate risk

There is no exposure to currency risk as all financial penalties are imposed, collected and payable in sterling. Whilst interest is charged on unpaid confiscation orders, the interest charged on the outstanding receivable balance is only payable to the Home Office when received from the debtor.

9. 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. These were no such events requiring disclosure in or adjustment to the Accounts.

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.



5. Financial statements





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