Ministry of Justice

Ministry of Justice Annual Report and Accounts 2017-18

HC 1285

Protecting and advancing the principles of justice

Ministry of Justice
Annual Report and Accounts 2017-18

(For the year ended 31 March 2018)

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Performance

Overview

Who we are and what we do

Read more on key services delivered on pages 4 to 5 (Our year in numbers)

The Ministry of Justice is a major government department, at the heart of the justice system.

We are responsible for these parts of the justice system:

- Courts and tribunals (which we administer in partnership with the independent judiciary)
- Prisons
- Probation
- And a range of services to help victims of crime, children, vulnerable people, and those seeking access to justice

We work together with people and organisations in and beyond government to bring the principles of justice to life for everyone in society.

How we operate

The Ministry of Justice is a ministerial department, supported by 37 agencies and public bodies.

In 2017-18 we had five executive agencies responsible for the delivery of the majority of our services to the public: HM Courts & Tribunals Service, HM Prison and Probation Service, the Legal Aid Agency, Office of the Public Guardian and the Criminal Injuries Compensation Authority. We provide services across England and Wales, and certain non-devolved tribunals in Scotland and Northern Ireland.

Our vision and objectives

Read more about our objectives and performance on pages 15 to 25 (Our performance analysis)

Our justice system is admired across the world. The principles and values that run through our justice system are a mark of the kind of country we are.

Our vision is to deliver a world class justice system that works for everyone in our society.

We do this by protecting the public and keeping our communities safe, by reforming offenders, by providing open and accessible justice, by standing up for victims and protecting the vulnerable, and by upholding the rule of law and the independence of the judiciary.

Our single departmental plan sets out our objectives and how we will achieve them. These are:

- A prison and probation service that reforms offenders
- A modern courts and justice system
- A Global Britain that promotes the rule of law
- A transformed Department

Our objectives are ambitious, and reflect our commitment to work to create a justice system that is open to all, and one that everyone in the country can have confidence in.

Our financial performance

Read more about our financial activity on pages 9 to 14 (Chief Financial Officer's Review of the Year)

We have a responsibility to maintain a tight grip of Departmental finances, and recognise our role in the stewardship of public resources to deliver public services.

We are accountable to HM Treasury, Parliament, and the public for how we have used public funds during the year, and within our Annual Report and Accounts we have set out how resources have been used to deliver services across the Departmental Group.

Our financial stewardship has ensured that we have remained within the spending limits set by Parliament.

Image: Manchester Civil Justice Centre

Our year in numbers

In this section we outline our performance during 2017-18. Here is a snapshot of the services we provide for the public.

Criminal Justice

1.5 million
cases heard
in magistrates' courts

113,840
cases heard
in the Crown Court

1.2 million
offenders received
sentences at courts

83,263
prisoners held in
England & Wales

264,689
offenders supported by
probation services

2,638
additional prison officers
recruited in year

Family, Civil and Administrative Justice

32,017
children involved in
public law cases

76,044
children involved in
private family law cases

2.1 million
claims to county courts

483,735
cases received in tribunals

Legal Aid

448,832
Grants of legally aided representation

£1.8 billion
legal aid funding provided

Corporate

Total staffing down by
15%
since 2014

£7.7 billion
total comprehensive net spend during the year

63%
overall staff engagement in MoJ People Survey

Parliamentary Activity

52
Statutory Instruments laid

2,082
Parliamentary Questions answered within Parliamentary deadline

Forewords

By the Lord Chancellor and Secretary of State for Justice

I am pleased to introduce the Annual Report and Accounts for the past year, which outline the Department's achievements and continued transformation of the justice system.

I feel very privileged to have been appointed as the Lord Chancellor and Secretary of State for Justice.

I am committed to defending the independence of the judiciary and respect for the rule of law, and determined to create a justice system that is open to all, a justice system that everyone in the country can have confidence in, and one that lives up to the deep rooted sense of justice and fairness the United Kingdom is known for around the world.

My role since joining has been to guide the Department in pursuit of our longer term strategic objectives, which we updated in our single Departmental plan in December 2017. To support the Department in this, my ministerial team and I have looked hard at the justice system and the challenges we face, and agreed a set of priorities that we introduced towards the end of the financial year, set out below:

- Getting the basics right in prison and cutting re-offending levels;
- Ensuring a sustainable prison population;
- Promoting the rule of law and providing a fair justice system;
- Ensuring growth and readiness for leaving the EU; and
- Having a tight grip of Departmental finances.

These priorities link into delivery of the Department's strategic objectives, and I am pleased to see that the work undertaken during the year has seen the direction of travel of the Department move towards and encompass these priorities. Key achievements this year include:

- The launch of HM Prison and Probation Service in April 2017 with full responsibility for the operational management of offenders in custody and the community. In the face of significant challenges, the new service has strived to maintain the highest level of public protection and reform offenders;
- Integrating probation services better with custody services, to design a new Offender Management in Custody model of delivery to ensure effective transition of offenders who are released on licence;
- Continued investment in improving courts facilities, and the launch of a range of online services which will save time and stress for those who use court services. We will continue to modernise our justice system by introducing new technology, better settings and improved capabilities and skills;
- Testing new arrangements for all courts and tribunals across jurisdictions to make more and better use of video and audio technology, and – in some circumstances hold hearings without the need for a physical court at all; and
- The launch of our 'Legal Services are GREAT' campaign, with the simple message that the UK is, and will continue to be, one of the leading legal centres in the world.

Finally, justice is the cornerstone of our democracy and a key part of a fairer society. In my role as Lord Chancellor I want people to have confidence in every part of the justice system, and I look forward to working with the Lord Chief Justice, and other senior members of the judiciary to ensure that we make this a reality.

The Right Honourable David Gauke MP, Lord Chancellor and Secretary of State for Justice

By the Permanent Secretary

I hope you find this year's Annual Report and Accounts helpful and informative.

We are proud to play a central part in the administration of justice, and in defending and promoting the principles that underpin it. It gives us all, wherever in the Department we work, a real and unifying sense of purpose.

The steps we are taking in pursuit of that mission, and our priorities for the year, were articulated in our single Departmental plan.

In partnership with our excellent and independent judiciary, we administer courts and tribunals in England and Wales (and some tribunals throughout the United Kingdom). During the year, we have started to see the tangible results of our multi year courts and tribunals reform programme, which will make justice more accessible and easier to use. For example, people can now bring and manage money claims in the civil court by a simple, plain English, online process. We look forward to sharing more radically improved services in the coming year. We also value our relationships with all parts of the legal profession, both as contributors to reform and, in many areas, as guarantors of access to justice. And above all, in improving our justice system we are determined to put first the needs of the people who use it or need it.

At the start of the year under review, HM Prisons and Probation Service replaced the National Offender Management Service. In its first 12 months, HMPPS has focussed relentlessly on improving the quality and safety of our custodial estate. There are some indications that improvements are coming through in many of our establishments, and we have been pleased to welcome many new and talented recruits to our workforce. But too many of our prisons remain unsafe, and none of us underestimates the challenges which we continue to face and to which we must respond.

Meanwhile, the National Probation Service within HMPPS has had a good year. Our NPS staff carry a large and difficult caseload, managing risk on behalf of society and promoting rehabilitation. We have also worked hard to stabilise the contracts with the nationwide network of Community Rehabilitation Companies. I would like to pay tribute to all of the remarkable people who work for us or for our contracted partners.

We have tried to present this report in a way that gives you a clear picture of the work we have done this year, the money we have spent and received, the improvements we have made, and the difficulties and risks we have addressed during the year.

Richard Heaton
Permanent Secretary and
Principal Accounting Officer

By the Non-Executive Board Member

2017-18 has been a particularly challenging year for the Department with a significant number of personnel changes at all levels as well as unprecedented financial and operational pressures.

There have been three Secretaries of State and an almost complete renewal of the Ministerial team. Of the Departmental Board members, Mark Sweeney was appointed Director General, Justice and Courts Policy Group, while the former Lead Non-Executive Board Member Lord Agnew, and one other NEBM Sir Martin Narey departed their roles.

I have taken interim responsibility for the Lead NEBM role and, together with my co-member Lizzie Noel, have worked hard to ensure that progress on the Department's strategic priorities has been made and that milestones continued to be met. Despite the operational challenges faced, the Department has managed to work within its financial settlements delivering both 'business as usual' and significant progress on new initiatives. The Department has a number of highly complex programmes under way and we have continued to work on further improving the likelihood of successful outcomes, by providing independent oversight and challenge as well as more detailed input on specific projects.

In December 2017 the Department published an updated version of the single Department plan which runs to 2020. This is an important document to monitor and report the Department's achievements, and provides a public accountability tool. We have worked hard to ensure that there is a clear line of sight between the Department's aspirations and the resources (people and financial) needed to deliver them.

In addition, the Audit and Risk Committee has worked on improving the adequacy of risk management. A more robust risk management framework has been developed, clear accountabilities have been assigned and there have been regular reviews to ensure that actions identified are promptly executed. We have also used the ARC to conduct deep dives into those risks deemed most significant. This has enabled us to scrutinise and challenge at a more detailed level, the robustness of plans to mitigate risks in commercial contracting and cyber security among others.

We have also worked to gain better oversight of our arm's length bodies, creating a more harmonised, unified approach to risk across the Department. This has led to a better understanding of interdependencies between ALBs and the centre, facilitated shared learning, accelerated some activities and allowed for more informed choices to be made

I continue to provide independent input as a panel member on the HM Courts & Tribunals Service Board, as well as assist with several key public appointments within the Department.

The NEBMs provide a vital 'critical friend' role to the Department's senior teams. Lizzie Noel worked closely with the New Futures Network, Electronic Monitoring Programme, and provided a steer to enhance capability across the workforce. Lord Agnew also challenged officials to ensure improvements in business accountability and budgetary responsibility were embedded in the culture of the Department.

Following the recent reshuffle and changes to NEBMs, it is crucial that the Department continues to feel supported and maintains the positive changes already in place.

Liz Doherty
Non Executive Board Member

Chief Financial Officer's Review of the Year

As the 2017-18 financial year ended I've looked back at the challenge I set the Department at the beginning of the year to take ownership of the financial implications of decisions that we make, and remember that we all have a personal responsibility for how we spend taxpayers' money.

We know as a Department that we have faced tough financial decisions, which have impacted every area of our business. The priority has been to ensure that we have a tight grip of Departmental finances, and demonstrate our commitment to delivering value for money in everything we do. It has been a collective effort to get us to the position where we are reporting another successful year of meeting our agreed Parliamentary control totals.

This review will focus on the financial performance achieved by the Department in 2017-18. In particular focusing on:

- Financial outturn;
- Investment in services;
- Sources of revenue; and
- Future plans.

Table 1: Performance against Parliamentary control totals

	Supplementary Estimate provision £m	Outturn £m	Variance £m
Resource DEL	7,753	7,627	126
Of which administration	491	450	41
Capital	425	414	11
Resource AME	482	45	437*
Net Cash	7,870	7,586	284

*AME spending is inherently volatile and dependent upon a number of factors outside the control of the Department resulting in the variance between outturn and estimate.

Financial outturn

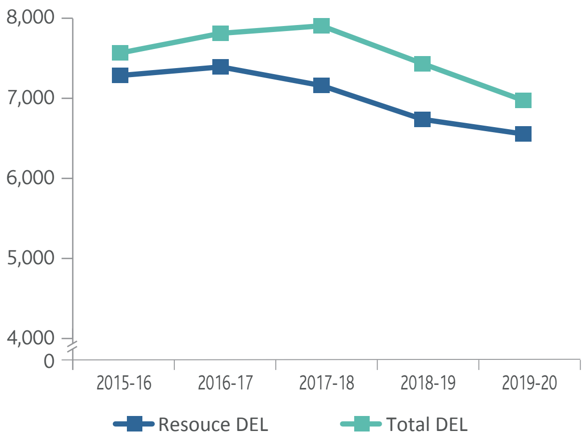
In 2017-18 our total resource Departmental Expenditure Limit (DEL) budget was £7,753 million and our total resource Annually Managed Expenditure (AME) budget was £482 million.

Table 1 shows performance against our 2017-18 control totals as agreed by Parliament in the 2017-18 Supplementary Estimate. A further breakdown of these figures by agency/area can be seen in table SoPS 1.1 on page 81.

The Department has managed our resources across the year in a way that has enabled us to met all of our Parliamentary control totals.

We know that going forward the Department faces a challenge to set a financial strategy that allows us to maintain a continued tight grip on our finances. This is demonstrated by the Department's Resource and Capital budgets over the spending review period to 2019-20, shown in Table 2.

Table 2: Spending Review Funding to 2019-20 (£m)

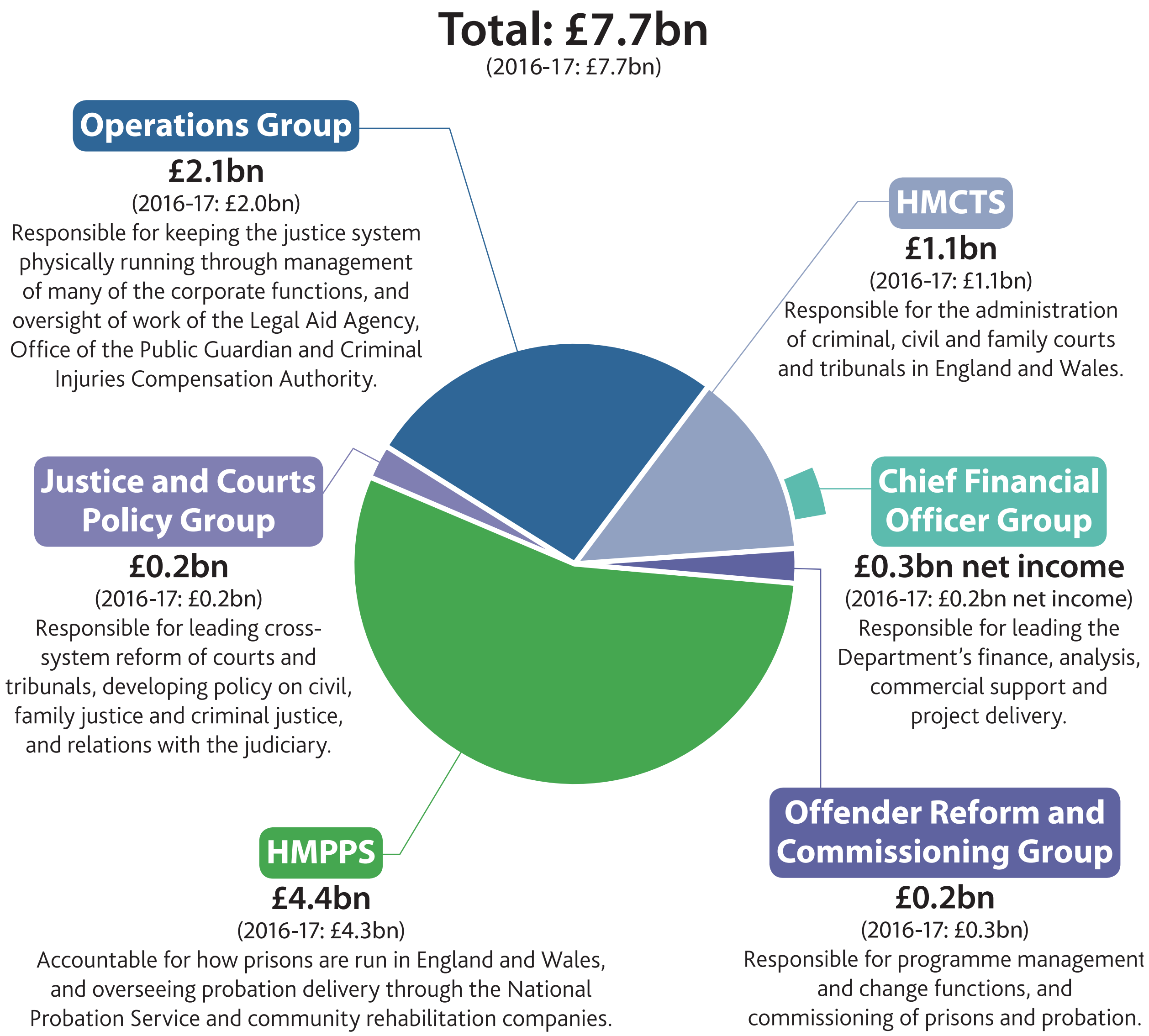


This shows the overall downward funding trend within which the Department has had to manage its service delivery. The Department is looking to actively manage the funding reductions over the final two years of the spending review period. This is against a backdrop of increasing demand, and continuing challenges such as prison safety.

Departmental spend overview

Table 3 shows the significant areas of spend within the Department's six business groups, with a comparison to 2016-17. This section provides commentary to support the Financial Statements and our performance during the past year. The Financial Statements are set out from pages 96 to 100. Note 2 on the Financial Statements on pages 113 to 114 details the net expenditure for the Department by operating segment, and notes 3-12 set out expenditure and income in detail.

Table 3: Departmental Net Expenditure



Figures are taken from Note 2. Statement of Operating Expenditure by Operating Segment on pages 113 to 114. The total net expenditure figure reflects the net expenditure reported in the Consolidated Statement of Comprehensive Net Expenditure on page 96. The difference between the Resource expenditure reporting in Table 1 and the net expenditure reported in Table 3 is explained in the SoPS 2 Reconciliation of outturn to net operating expenditure on page 84.

Investment in services

The Department has two major operational investment programmes: ongoing prisons estate transformation and courts reform, alongside the delivery of MoJ Transformation, a programme aimed at creating a smarter, simpler and unified Department through efficiency gains and reducing our administrative budget.

Court Reform was launched in 2016, with a commitment to large scale investment to modernise and transform the way justice is administered, focused on building a system around those who use it. During 2017-18 through the Reform Programme the Department has been able to deliver some real changes, in particular:

- Launching new online services allowing the public easier access to make civil money claims, apply for divorce, seek probate or track the progress of their social security appeal;
- Delivering on digitisation of criminal courts, with Wi-Fi provided in all criminal courts and in 85% of civil, family and tribunal hearing centres;
- Developing facilities to make more and better use of video and audio technology; and
- Continued improvements across the courts estate to make sure that our estate is fit for purpose.

All these improvements have had a direct impact in providing a more responsive, more accessible and more efficient justice system.

Case study: Investment in Birmingham Civil Justice Centre

Background: The Department has invested £8.12 milion in Birmingham Civil Justice Centre, 12 new multi-purpose and digitised courtrooms, more modern public space, and 19 new rooms for the judiciary have been built. The building now hosts 59 courtrooms and Chambers, 60 judges and around 223 employees – whose roles range from ensuring trials progress and assisting the judiciary to helping people who are attending court.

This investment into Birmingham CJC is part of the Department's £1bn reform and modernisation of the justice system – ensuring Britain's courts and tribunals are fit for the 21st century.

Benefits: Justice services and court user experience has improved following the centralisation of hearings from the Immigration Asylum Centre and Social Security and Child Support and Youth Court into Birmingham CJC. This has enabled HM Courts & Tribunals Service to surrender leases on other buildings in Birmingham.

Across our prison estate we've had to manage some very real issues in order to provide a safe and secure prison service. In custody it has been well publicised that the Department has focused on significantly increasing the numbers of prison officers to meet the Government's target, but it has never just been about the numbers; we are also investing in leadership capability to achieve better performance, service integration and partnership working.

We recognise the need to improve living conditions and addressing maintenance issues across the estate, and in this respect, I've been proud of the efforts of the Department following the collapse of Carillion. We responded very pro actively, setting up Gov Facility Services Limited to ensure services previously delivered by Carillion such as cleaning, reactive maintenance, landscaping and planned building repair work across 52 prison establishments would continue with minimal disruption.

The Prison Estate Transformation Programme, is aimed at transforming the prison estate to build effective prisons and organise the estate so prisoners are placed into prisons with the right level of security and with appropriately tailored regimes. Some of our major prison projects in 2017-18 included the opening of the 2,106 bed prison, HMP Berwyn, in North Wales. This development provides a safe and secure modern prison, that is fit for purpose.

Case study: HMP Berwyn

Background: HMP Berwyn is located in Wrexham, North Wales and is the first public sector prison built in a generation. It was built at a cost of £212 million on the site of a long disused tyre factory. When it is fully operational it will hold 2,106 men. It will hold Category B, Category C and Category D men as well as those unconvicted men held on remand from the courts of North Wales.

As part of the construction project, a total of 100 apprenticeships were awarded and 2,150 work placement days for those interested in joining the trade. 64% of the total work force were employed from within a 50 mile radius, £38 million was spent with local businesses and £83 million spent with small and medium enterprise companies.

The prison is the most modern design prison in the estate and has a full, fibre digital network to improve communication and efficiency.

Benefits: Each of the men who reside at HMP Berwyn have a shower, a telephone and a laptop in their room. The telephone is restricted to the numbers it can access for security purposes. It allows the men to maintain contact with family and friends but also allows staff to ring the men in their rooms directly. This avoids staff across the large site having to walk to the many locations and allows for issues to be dealt with very quickly. Staff can then spend quality time with the men supporting them on their rehabilitative journey.

The laptop, which also has restricted access, allows the men to carry out some basic prison functions that are normally performed by staff such as booking of visits and ordering their meals. It also allows the men to get use to working with IT to assist them in their resettlement after release.

The large modern site provides state of the art facilities for staff including wi-fi capability. HMP Berwyn is the first prison to trial a mobile system that allows staff to access the individual records of each of the men utilising a Samsung Smartphone. It allows staff to quickly access each individual file but also to add case notes instantly.

Finally, we are investing in the Department. The MoJ Transformation is aimed at ensuring the Department can better serve the public, whilst having the benefit of making the Department a better place to work. A transformed and improved HQ will help us be more effective and efficient. So, we've invested in our people and capability, upgraded our technology, reduced our reliance on expensive properties and ensured we're using them more effectively.

A big part of MoJ Transformation involves relocating some of our staff and sub letting space at our 102 Petty France HQ to other organisations, including 1,600 staff from the Crown Prosecution Service. Staff relocating will move to one of our other three HQs, 10 South Colonnade in Canary Wharf, Southern House in Croydon, and Wellington Place in Leeds.

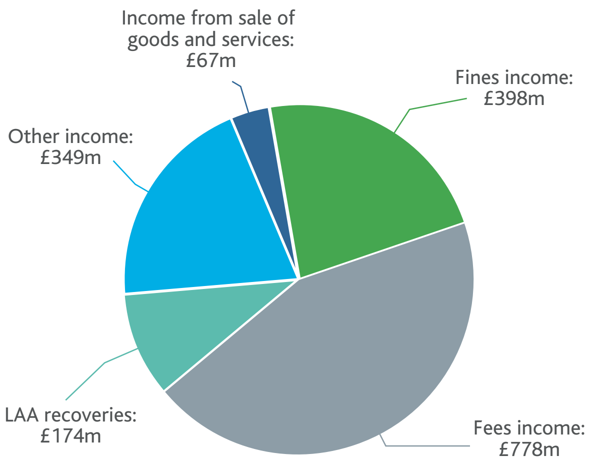
We have also introduced functional leadership for eight areas of the business: Finance, Commercial, HR, Estates, Project Delivery, Analytical Services, Communications and Digital and Technology. Joining up our corporate and professional services to support the Department and four of our executive agencies (HM Prison and Probation Service, the Legal Aid Agency, Office of the Public Guardian and the Criminal Injuries Compensation Authority), brings together specialists and professions into single, unified teams, and allows the Department to better focus and prioritise resources.

Sources of revenue

The Department's income comprises a combination of fees, fines, recoveries from other government departments (OGD), commercial income, debt collection and income from prison industries. Our reliance on these funding streams has significantly increased following reduction in funding in the 2010 and 2015 spending reviews.

As a proportion of our budget, income made up 13% in 2010-11, rising to 20% in 2017-18. We are not expecting this to increase significantly over future years.

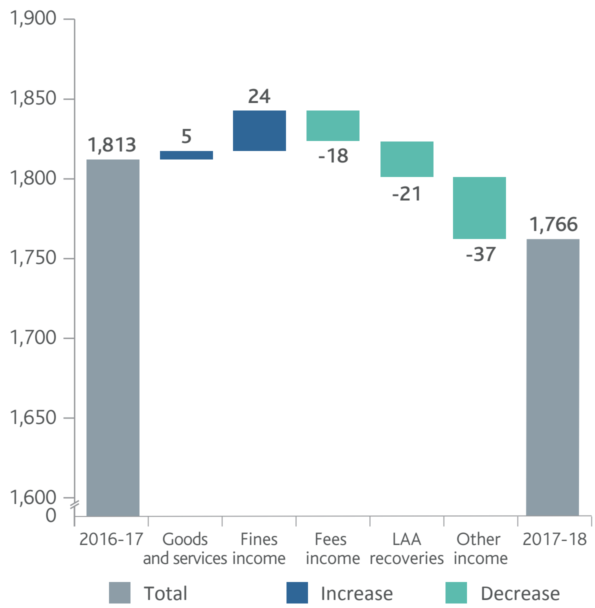
Table 4: Analysis of 2017-18 revenue sources



Figures are taken from Note 3. Income from sale of goods and services, and Note 4. Other operating income on page 117.

Table 4 provides a summary of our main income sources excluding Parliamentary funding during the year, with the key movements year on year shown in Table 5.

Table 5: Revenue sources and movement since last year (£m)



There are currently some uncertainties affecting the future levels of Departmental income streams, focused around the income we derive from fees (civil, family and tribunals). This reinforces the Department's position on managing income and reviewing fee levels. Measures during the year have seen steps taken to improve the unit costing of services, ensuring that, as a data driven Department, we are able to provide reliable information to inform cost recovery requirements.

During the year, we undertook a review of courts and tribunals fees against their unit costs, which identified that a number of fees had been unintentionally set above cost. Further detail on this, and the actions the Department is taking to rectify the matter are discussed on page 89. In the meantime, we have strengthened the arrangements for the oversight of income, and worked to provide a co ordinated approach to ensure the management of sources of revenue is aligned with Departmental objectives and ministerial priorities.

Future plans

The last two years of the spending review were always going to be the most challenging. In the Autumn Statement 2016, the Department received additional funding, which was largely for prison safety, HM Courts & Tribunals Service Reform and policy revisions. However, resources are still limited and we have reviewed our expenditure plans to ensure that budgets are aligned to our Secretary of State's priorities to deliver the best outcomes for the public.

We are changing the way the Department operates, making us more efficient through our MoJ Transformation programme, which will see us reduce our reliance on expensive properties, upgrade technology, and develop staff so that they have the skills and capability to deliver professional excellence. As part of this we have moved to a model of functional leadership, more effectively delivering corporate and professional services.

We are also continuing to carry out large reforms, covering how the courts deliver their services to create a modern justice system and transforming the prison estate, replacing some old and overcrowded establishments with new, fit for purpose buildings.

We will maintain focus and discipline on financial management on improving financial capability, on ensuring effective governance, and ensure that controls and a cost conscious culture we deliver our priorities.

As well as the medium term, the Department has also looked further ahead to understand how we will deliver a successful justice system in the future, through our Justice 2030 project.

Justice 2030 is a horizon-scanning project that aims to identify the main trends that could impact the justice system over the coming decade, what they might mean for citizens, the state, the government, and the Department, and how we might respond to them. The project does not set out to predict the future, but rather to open a dialogue about the potential realities we may face by 2030.

This vision of the world we will be operating in by 2030 will help to guide our thinking as a Department, and allow us to align our strategic priorities going forward to shape the future of the Department.

Mike Driver
Chief Financial Officer

Our performance analysis

Introduction

The Department has published a single Departmental plan which describes what we will deliver up to the year 2020. The plan sets out four strategic objectives (see below), and contains a range of indicators that will allow the Department's progress against the objectives to be monitored.

Our Vision

Delivering a world class justice system that works for everyone in our society

Strategic Objective 1:
A prison and probation service that reforms offenders

1.1 Keep prisons safe and secure and maintain the highest level of public protection	**1.2** Reform offenders

Strategic Objective 2:
A modern courts and justice system

2.1 Improving access to justice	**2.2** Protect vulnerable victims, witnesses and children	**2.3** Support the independent judiciary and their ability to attract the best and widest range of talent

Strategic Objective 3:
A Global Britain that promotes the rule of law

3.1 Promote our world class legal sector and judiciary and make the most of opportunities presented by exiting the EU to expand the reach of our legal services

Strategic Objective 4:
A transformed department

4.1 Be a unified and responsive Department	**4.2** Use data, information, technology and innovation to improve services, deliver value and drive efficiency in all we do

Performance against our Strategic Objectives

Our vision is to deliver a world class justice system that works for everyone in our society. We do this by protecting the public and keeping our communities safe, by reforming offenders, by providing open and accessible justice, by standing up for victims and protecting the vulnerable, and by upholding the rule of law and the independence of the judiciary.

We continually measure our performance using a range of indicators and data captured throughout the year. This enables us to understand the broader impact that the Department is having and provide challenge over our delivery, with the aim of driving improvement. All our metrics are published at www.gov.uk.

1.1 Keep prisons safe and secure and maintain the highest level of public protection

How we will achieve this:

- Operate safe, secure prisons that protect the public
- Recruit an extra 2,500 prison officers
- Using the Urgent Notification process respond promptly and publicly, within 28 days, when problems are identified by the prisons inspectorate

1.2 Reform offenders

How we will achieve this:

- Develop and implement a cross government approach to reducing reoffending
- Provide a continuous path to reform by integrating the prison system more closely with services in the community and making better use of early intervention
- Deliver more effective and tailored interventions for offenders who are vulnerable or have distinct needs – such as women and young offenders

2.1 Improving access to justice

How we will achieve this:

- Deliver an accessible, speedy and effective online court
- Provide easy to use digital ways to resolve matters like probate and uncontested divorce online
- Deliver world class digital systems to manage cases seamlessly from police and Crown Prosecution Service through the criminal courts
- Introduce legislation to modernise the courts system
- Use fewer, better, more flexible court buildings more effectively
- Provide simple, timely and reliable access to legal aid

2.2 Protect vulnerable victims, witnesses and children

How we will achieve this:

- Continue to roll out the use of pre recorded cross examination in criminal courts
- Publish an overarching strategy for victims of crime to ensure victims are properly supported by the justice system
- Develop legislative proposals to tackle domestic violence and abuse
- Publish a response to David Lammy's independent review of outcomes for BAME individuals in the criminal justice system
- Work with the judiciary and others to reduce the stress, complexity and cost of family disputes
- Administer the scheme for compensation to victims of violent crime fairly, efficiently and sensitively
- Register lasting and enduring powers of attorney

2.3 Support the independent judiciary and their ability to attract the best and widest range of talent

How we will achieve this:

- Make sure judicial recruitment meets the needs of today's justice system and draws on the best talent from every part of society
- Conduct a major review of judicial pay through the Senior Salaries Review Body

3.1 Promote our world-class legal sector and judiciary and make the most of opportunities presented by exiting the EU to expand the reach of our legal services

How we will achieve this:

- Launch and use the Legal Services are GREAT campaign to promote the UK legal services sector around the world
- Work to secure an effective post exit framework with the EU for resolving cross border commercial, civil and family disputes
- Work with the legal services sector to maintain its world leading status

4.1 Be a unified and responsive department

How we will achieve this:

- Develop our people so that they have the skills and capability to deliver excellent services
- Foster an inclusive culture to build a more diverse workforce

4.2 Use data, information, technology and innovation to improve our services, deliver value and drive efficiency in all we do

How we will achieve this:

- Put evidence at the heart of the justice system, and improving our information management
- Reduce our reliance on expensive properties in Whitehall by being a smarter, decentralised national organisation
- Become a more effective organisation by simplifying internal processes, and build on the organisation's new functional structure to maximise benefits

Strategic objective 1:
A prison and probation service that reforms offenders

Performance overview:

We have made good progress, in a challenging environment to keep prisons safe and secure and maintain the highest level of public protection.

- We have created HMPPS with full responsibility for operational management of offenders in custody and in the community.
- We have taken an innovative approach to prison officer recruitment, leading to us meeting our target for an additional 2,500 prison officers ahead of schedule, at the end of the financial year.
- We have faced challenging issues in our prisons – violence, self harm and over crowding – and are committed to tackling these issues.

As part of this we have established the urgent notification process. This enables HM Inspectorate of Prisons to urgently notify us of problems identified in prisons, to which we will respond, publicly, within 28 days. We received our first urgent notification on 17 January 2018 with regards HMP Nottingham, responded to this on 12 February 2018 and are taking the appropriate action to address the concerns.

We are also continuing our work to reform offenders. With the additional prison officers we have recruited we are able to continue the roll out of our Offender Management in Custody model, which aims to guide, coach and support an individual through their sentence. Just as importantly, this links directly to probation to ensure there is a continuous path to reform between prison and community services.

We have created the Youth Custody Service with the ambition of supporting young people to live positive and crime free lives, and have piloted new schemes to support women offenders to reduce their risk and help them complete their sentences. As we move into 2018-19 and as outlined in our most recent single Departmental plan, we will continue our work to ensure we have a prison and probation service that reforms offenders, focusing on getting the basics right in prison and ensuring a sustainable prison population.

Performance metrics:

Adult proven reoffending rate for offenders released from custody or commencing a court order of 37.2% compared to 38.1% over the previous reported period[1]	The reoffending rate is the annual average of one year proven reoffending rate for adult offenders discharged from prison or commencing a court order. For adults commencing a court order or released from custody in 2015-16 the annual average proven reoffending rate was 37.2%. This is a decrease of around 4 percentage points compared to 2005.
Community Rehabilitation Companies community orders 78.0% (2016-17: 78.2%) CRC completion of community orders and suspended sentence orders	Performance for the period April to December 2017 has been maintained at around 78%, compared to a target of 75%. The final outturn for 2017-18 will be published on 26 July 2018 in the Community Performance Quarterly Management Information release. During 2017-18 we have worked with CRCs to refresh best practice guidance and improve service level performance.
National Probation Service community orders 73.2% (2016-17: 71.4%) NPS completion of community orders and suspended sentence orders	Performance has improved to 73.2% for April to December 2017, albeit below the target of 75%. The final outturn for 2017/18 will be published on 26 July 2018 in the Community Performance Quarterly Management Information release. Over the last year we have completed a significant change programme that has standardised and made more efficient the core processes of the NPS, to better integrate services.
Escapes – prison and prison escorts 4 (2016-17: 7) escapes from prison and prison escorts	There were fewer escapes in 2017-18 than in each of the past two years. The total of four escapes is composed of one from a prison and three from prison service escorts. This equates to 0.005% of the average prison population.
Escapes – contractor escorts 9 (2016-17: 8) escapes from contractor escorts	The number of escapes from contractor escorts is higher than the previous year, but the rate remains low: the nine escapes equate to one per 67,123 prisoner movements.
Prisoner on prisoner assaults 248 (2016: 224) prisoner on prisoner assaults per 1,000 prisoners[2]	There were 21,270 prisoner-on-prisoner assaults in the 12 months to December 2017 (a rate of 248 per 1,000 prisoners), up 11% from the previous year. This is the highest level in the time series.
Assaults on prison staff 98 (2016: 80) assaults on prison staff per 1,000 prisoners[2]	There were 8,429 assaults on staff in the 12 months to December 2017 (a rate of 98 per 1,000 prisoners), up 23% from the previous year. This is the highest level in the time series.
Self-inflicted deaths 0.8 (2016-17: 1.3) self-inflicted deaths per 1,000 prisoners[2]	There were 69 self-inflicted deaths in 2017-18, down 40% from 115 in the previous year. On a rate basis this is 0.8 instances per 1,000 prisoners. We have a wide ranging Safety Programme that is co-ordinating our activity to address the issues of violence, self-harm and self-inflicted deaths. Our immediate focus has been to attempt to stabilise the system and reverse the current trends through a number of initiatives which will help to improve overall safety in prisons.
Prison officer numbers (FTE) 21,041 (2016-17: 18,403) full time equivalent prison officers in post as at 31 March 2018[3]	The number of Band 3-5 Prison Officers on a full-time equivalent (FTE) basis increased by 3,086 between 31 October 2016 and 31 March 2018. Having the right number of staff and the right quality of staff is vital to building a successful service and has been at the centre of our priorities.

1 Period reported for current year is April 2015-March 2016. Prior year period reported is April 2014-March 2015.
2 Period reported for current year is January 2017-December 2017. Prior year period reported is January 2016-December 2016.
3 Band 3-5 prison officer numbers.

Strategic objective 2:
A modern courts and justice system

Performance overview:

In 2017-18 we have continued our focus on protecting vulnerable victims, witnesses and children. We have also worked collaboratively with the Home Office to consult on legislative proposals to tackle domestic violence, and made progress with a victims strategy which we plan to publish in 2018-19.

During the year we have seen increased demand in the family justice system and are working across Government to understand the reasons for this increase and it's impact. We have also seen demand increases in other parts of our courts and tribunals system, particularly in Social Security and Child Support and Employment Tribunals, and have taken action to recruit judges and increase the number of sitting days to help reduce outstanding caseloads and improve timeliness.

We continue our role in administering the compensation scheme for victims of crime and to roll out the use of pre recorded cross examination in criminal courts. The Public Guardian has continued his role in protecting the most vulnerable through registering an increasing volume of lasting powers of attorney and supervising court appointed deputies.

We remain focused on providing a fair and effective justice system, and have worked closely with the judiciary to ensure judicial recruitment meets the needs of the justice system and to maintain our world class status.

We have made progress with the courts reform programme including the roll out of digital services to improve our offer to the users of court services. This includes the roll out of new online services including:

- Applying for divorce;
- Civil money claims;
- 'Make a plea online service' (now operational in all traffic courts nationally); and
- 'Track My Appeal', which allows vulnerable users appealing social security and child support decisions to check progress via email and SMS.

We continue to provide access to legal aid and have continued our work to transform legal aid provision to be more simple, timely and reliable.

In 2018-19 we will continue to drive forward the courts reform programme, including finalising the response to the courts estates rationalisation consultation and implementing legislation to underpin the reform agenda.

Performance metrics:

Crown Court 37,587 (2016-17: 42,149) outstanding criminal cases in the Crown Court, with only 15% of listed trials not commenced on the day scheduled[4]	The number of outstanding cases in the Crown Court has fallen over the last three years (by 17% over 2016 and a further 11% over 2017). Disposals exceeded receipts in each of the last two years. Both reduced in number, but receipts reduced more substantially than disposals. Receipts fell by 10% over 2016 and by 3% over 2017. Disposals only fell by 6% over both 2016 and 2017. Overall, outstanding triable either way cases fell by 37% over 2016 and 18% over 2017. Indictable cases fell by 13% and 7% over the same period.
Magistrates court 296,329 (2016-17: 291,422) outstanding criminal cases in the magistrates' courts, with only 15% of listed trials not commenced on the day scheduled[4]	Outstanding cases in the Magistrates' courts fell by 11% over 2016 and slightly increased by 2% over 2017. The overall fall resulted from disposals exceeding receipts. Receipts fell by 4% over 2016 and 1% over 2017, whereas disposals fell by 2% and 4% over the same period.
Civil courts Average time 31.4 weeks (2016-17: 31.3) to deal with a small claim from date issued to claim going to trial in civil court[4]	Time taken to process a small claim from issue to hearing decreased by 0.3 weeks between 2015 and 2016, and increased by 0.1 weeks between 2016 and 2017. Despite this small fall in timeliness, the number of small claims trials increased 5% between 2015 and 2016, and 15% between 2016 and 2017.
Family court Average time 28.2 weeks (2016-17: 26.9) for disposal of a care or supervision application in family court[4]	Against a background of a 18% increase in receipts between 2015 and 2018 there has not been a direct impact on the time taken to dispose of cases. Whilst the time has increased by just over one week in 2017, to 28.2 weeks, on the previous year this is a still significantly quicker than levels seen in previous years where it was 55.1 weeks in 2011, 49.5 weeks in 2012 and 38.2 weeks in 2013.

[4] Period reported for current year is January 2017-December 2017. Prior year period reported is January 2016-December 2016.

Strategic objective 3:
A Global Britain that promotes the rule of law

Performance overview:

The Department remains focused on ensuring growth and readiness for leaving the EU.

We are helping to secure the best outcome for the UK in leaving the EU, while continuing to promote the UK's legal service sector in Europe and globally. We continue to work to understand the downstream impacts of EU exit on our services and we are working on our plans to manage these impacts.

As well as contributing to the negotiations on the Withdrawal Agreement between the UK and the EU, including in the area of citizens' rights, we outlined and promoted the Government's proposition for continuing, close cooperation post-exit with the EU on civil judicial cooperation matters. We also worked closely with the Home Office in developing the vision of a Future Security Partnership with the EU, including in criminal justice matters in which the MoJ has lead interest, and we promoted the interests of the legal sector in the Future Economic Partnership. We continue to work to understand the downstream impacts of EU exit on our services and we are working on our plans to manage these impacts.

To support growth around EU exit we've been working with the legal and tech sectors, the judiciary, and academia on how we can foster innovation, backing the UK to compete globally. We've delivered an ongoing programme to support this – including a challenger workshop and session on educating the lawyers of tomorrow. During the year we launched the Legal Services are GREAT campaign to promote UK legal services around the world with events in Singapore, USA, Australia, New Zealand, Kazakhstan, Guatemala, China, and Qatar.

The Department continues to oversee the UK's human rights framework. We have coordinated the implementation of judgments of the European Court of Human Rights and continued to work to reform the ECtHR and Convention system through the recent adoption of the Copenhagen Declaration by the Secretary of State for Justice together with the other 46 Member States of the Council of Europe. The Department also submitted two responses to visit reports to, and facilitated one visit to Northern Ireland from, the Council of Europe European Committee for the Prevention of Torture.

The Department continued to fulfil the UK's human rights obligations to the United Nations for which the Department has responsibility, including by submitting two UK reports and by participating in a dialogue with the UN.

The Department also continues to fulfil its responsibilities in managing the UK's constitutional relationship with the Crown Dependencies and its statutory responsibilities towards the legal services regulatory framework for England and Wales.

Case study: Legal Services are GREAT campaign

Background: Legal Services are GREAT' is the Department's first international marketing campaign. It aims to promote the UK's legal services sector overseas to generate business wins for our law firms, chambers and courts. The legal sector is worth over £24 billion to the UK economy.

Lord Keen launched the global campaign in October 2017 at the High Commissioner's Official Residence, in Singapore. Since then, the campaign has been promoted in 18 countries including Australia, USA, South Africa and Mozambique. In addition to this global push, the campaign will focus on generating business in three key markets in 2018-19 – Kazakhstan, Nigeria and China.

Benefits: The campaigns are an opportunity for the Department to showcase the UK's legal offer and how it can support businesses. They provide in-depth information on why English Law can benefit international businesses, and why London is a fair, transparent and cost-effective place to resolve disputes.

Strategic objective 4:
A transformed department

Performance overview:

Good progress continues to be made across a wide range of transformational activity as we move towards a smarter, simpler and more unified Department, and focus on ensuring the Department can better serve the public and be an excellent place to work.

We continue to reduce our reliance on expensive properties through the greater consolidation of our administrative estate. Over the last year, we have been heavily promoting and implementing a strategy in which several agencies share modern, flexible and connected office space.

The Department is also leading across government in the efficient use of office space. MoJ National is one of the key workstreams of MoJ Transformation and is creating four headquarter sites (102 Petty France, Southern House in Croydon, 10 South Colonnade in Canary Wharf and Wellington Place in Leeds). Rolling out a 6:10 desk ratio means we currently achieve a c.6m^2 per FTE in 102 Petty France and Southern House which will reduce to a projected 5m^2 per FTE across the four HQ properties in 2019 compared to the Cabinet Office 2018 figure of 8m^2 per FTE.

In addition to our estate, we have also invested in our people to ensure they have the skills and capabilities to deliver excellent services. Throughout the year, we have celebrated and shared a strong set of Values: Purpose, Humanity, Openness, Together. We have worked hard to ensure these values are at the heart of everything we do. We remain dedicated to ensuring an inclusive culture within the Department and to creating a more diverse workforce, particularly at senior levels.

During the year the Department has created and launched new data visualisation tools that provide better, more intuitive access to performance data for our staff (with publicly available tools to access statistics on Crown Court, legal aid, family justice, and mortgage and landlord possessions). We have enhanced the skills and capabilities of our people to understand data and evidence and use it to support decision making.

We have rolled out an innovative leadership programme for our senior leaders which focuses on the leadership qualities needed in a digital world, and implemented our functional leadership model with our specialists in Finance, Commercial, HR, Estates, Project Delivery, Analytical Services, Communications and Digital and Technology brought together within functions to provide better support to the business.

Performance metrics:

Staff engagement An increase in the overall staff engagement index from 61% to 63%[5]	Staff are more likely to be engaged when they feel valued, have clear and challenging work objectives, can link their personal and team objectives together and are involved in decisions that affect them. The results of the 2017 People Survey saw an increase in overall staff engagement across the Department, as senior management continue to promote and support a positive workplace culture.
Ministerial correspondence 87% (2016-17: 82%) of ministerial correspondence answered within 15 days[6] **Parliamentary Questions** 85% (2016-17: 77%) of Parliamentary Questions answered on time[6]	The continued improvement across response times for both ministerial correspondence and Parliamentary questions has been the culmination of hard work to communicate the importance of timely responses and ensure that questions are escalated to the appropriate level for response. The process has now embedded, with an 8% improvement on the previous year for Ministerial correspondence, and 5% improvement on Parliamentary questions compared to the previous year. In both cases the Cabinet Office 80% target was achieved.
Freedom of Information 89% (2016-17: 84%) of Freedom of Information (FoI) requests answered on time[6]	The introduction of a new case management system has improved end to end visibility and tracking of progress, enhancing the Department's ability to manage requests effectively throughout all stages of the process. This has seen a 5% improvement on the previous year's performance, closing within 1% of the Cabinet Office 90% target.
MoJ HQ Estate MoJ HQ Estate size per FTE staff member decreased from 7.5m^2 to 7.3m^2	The Civil Service 8m^2/FTE target set by Cabinet Office has been exceeded, providing a strong indicator for estates rationalisation and efficient use of the estate.
Carbon emissions 34% (2016-17: 28%) reduction in overall carbon emissions	The Department has exceeded the Government target of a 22% reduction by 2019-20. This has been achieved through the Smarter Working programme, estate rationalisation work, changes to carbon factors because of decarbonisation of the electricity network and implementation of a £4 million energy efficiency programme in 2017-18.

5 The MoJ staff engagement survey is conducted annually in November. The current year score is from November 2017.
6 Period reported for current year is January 2017-December 2017. Prior year period reported is January 2016-December 2016.

Sustainable development

Introduction and scope

Sustainability is a long-term, integrated approach towards achieving a better quality of life while respecting the need to live within environmental limits.

During 2017-18 the Department's sustainability objectives were:

- Legal compliance and delivering the Greening Government Commitments; and
- Ensuring compliance with mandatory Government Buying Standards.

Included within the scope of this element of the Annual Report are MoJ HQ, HMPPS, HMCTS, LAA, OPG and CICA.

Internal data validation checks are carried out by the Department's Sustainable Operations Team and its data contractors, with external validation checks of GGC data carried out on behalf of the Department for Environment, Food and Rural Affairs by the Building Research Establishment.

The Department is unable to report data from locations where landlords do not provide it. Some data is estimated. The data below shows our present position for the financial year 2017-18 against a 2009-10 baseline (unless otherwise stated). Where data for the full year has not been available at the reporting date we have estimated the final quarter using the best available information.

The greenhouse gas conversion factors used can be found in the government environmental impact reporting requirements for business.[7]

Sustainability performance

Embedding sustainable development in our business and operations is a shared responsibility within the Department. This is reflected in our Senior Sustainability Board which includes representatives from a wide range of business units, our executive agencies and arm's length bodies. It is responsible for developing and overseeing the implementation of our sustainability strategy and supporting policy, standards, rules and guidance.

Sustainable development is about applying economic, social and environmental thinking to an issue and paying particular attention to the long term consequences. We have developed a range of sustainability strategies and policies to embed environmental sustainability throughout our estate, operations and procurement activity. Planning for future changes like impacts of climate change, to minimise future costs and damage caused by the effects of climate change, and ensuring the Department's estate, which is one of the largest and most diverse across government, continues to reflect our broad, dynamic and biologically diverse landscape.

We have linked the aims of our sustainable development into these three categories:

[7] https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting

Category	Icon	Description
Economic		We aim to achieve high and sustainable levels of employment to support economic growth
Social		We aim to recognise the needs of everyone and support those with complex barriers to turn their lives around for the better
Environmental		We aim to make prudent use of natural resources to help protect the environment

Our sustainability activity in 2017-18 is detailed here:

Initiative	Activity in 2017-18 includes
Sustainable Procurement	New contracts require that suppliers meet the Government Buying Standards. New procurement staff are provided with training on sustainable procurement. Due to its historic performance in managing spend with Small and Medium Sized Enterprises against the Government target of 33%, the Department has set a more challenging target of 38% by 2020. In 2017-18 we focused on engaging our custodial services providers, to gather information relating to the use of SME within these contracts. All commercial policy professionals are required to complete the Civil Service 'Introduction to Sustainability' online training course. All food supplied is produced to UK or equivalent standards. Menus are designed to reflect in season produce and purchased locally where feasible to do so to reduce food miles and to assist in supporting our local suppliers. The Department is working with its suppliers to reduce or remove single use plastics from our catering establishments.
Biodiversity	The Department has 10 Sites of Special Scientific Interest. Two of our largest SSSIs (HMP North Sea Camp and HMP Hewell) are in a favourable condition, and seven sites are in an unfavourable recovering condition. We have processes in place to ensure at least 60% are in a favourable condition by 2020. The Department has been working closely with its estate Facilities Management Providers and its lead partners to sign and implement innovative and challenging Memorandums of Understanding that deliver on its biodiversity strategy for both flora and fauna. We have implemented a national behaviour awareness campaign which includes a national Biodiversity Day and a National BioBlitz which focuses the MoJ Ecology network and its volunteers on crucial data gathering for protected species and habitats and community partnership involvement. Over the year, 15 prisons including six designated sites, have engaged offenders on ecological related work, providing important rehabilitation and offending behaviour opportunities. Our Biodiversity Policy was published in March 2018.
Rural Proofing	A check list of specific impact tests now forms part of the policy impact assessment guide, giving greater assurance that due consideration will be given to impacts that risk being perceived as peripheral, including sustainability and rural proofing. The Department secures appropriate guidance on sustainable development when developing robust programmes in response to important planning issues, such as: transport plans, ecological impact assessments and social and community plans.

Initiative	Activity in 2017-18 includes
Climate Change Adaptation 	The Department is mindful of the risks posed by climate change and has taken steps to avoid overheating in prisons. It will continue its programme to review and introduce measures to mitigate against overheating in the existing prison estate by: ▪ Improving its use of insulating materials; ▪ Incorporating more natural ventilation, solar shading and passive cooling; and ▪ Increasing planting to create cooling microclimates. The Department has incorporated Climate Change Scenarios in its Prison Estate Transformation Programme energy modelling. This will help ensure that new prison buildings are designed to reduce summertime overheating, and that designs are optimised to ensure that the energy used for future cooling demands is minimised at the design stage. Application of BREEAM requirements will also ensure that new prisons sites and designs consider and address flood risk, rainfall and solar gain.
Sustainable Construction 	The Department is committed to the BREEAM standard of 'excellence' for new builds and 'very good' for refurbishments over stated minimum threshold values. MoJ published its revised Sustainable Construction BREEAM Policy in March 2018. In response to recommendations from the Environmental Audit Committee's 2017 review of sustainability in the Department, we undertook to publish progress on retrospectively obtaining BREEAM certificates for projects where we do not have them. At no cost we have obtained a further 70 BREEAM certificates (49 'excellent') for new buildings and eight BREEAM certificates (three 'very good') for refurbishments. In 2017-18, all six potential new prisons under Prison Estate Transformation Programme have been registered for BREEAM.

Independent reviews

During 2017-18 the Department was subject to an Environmental Audit Committee (EAC) Inquiry into sustainability. Overall the EAC found the Department had strengths in the arrangements it had in place to promote and monitor some aspects of environmental sustainability, that it had met its 2020 Greening Government Commitment target for reducing carbon emissions, and was developing a structured approach to reducing carbon emissions on its existing estate. But it had also exhibited some weaknesses including governance, monitoring of Sites of Special Scientific Interest, statutory compliance on disposal of HMCTS heritage sites, monitoring of compliance with Government Buying Standards and sustainability impacts in policy making.

We have provided the Committee with a full response and put in place a process to oversee the improvements required.

Greening Government Commitments

The data below shows our present position for the financial year ending 2017-18 against a 2009-10 baseline, unless otherwise stated.

Overall GGC performance 2017-18

Overall GGC performance 2017-18

Requirement	2017-18 performance	Achievement against target	Explanation where target not achieved
Reduce greenhouse gas (GHG) emissions by 22%	34%		
Reduce domestic business flights by 30%	5%		HMCTS and OPG business areas continue to have a requirement to fly to locations where there is no alternative travel
Continue to reduce overall waste and exceed 2015-16 reduction levels (31%)	26%		We are working with our facilities management companies to seek improvements
Landfill waste to be less than 10%	9%		
Increase recycling and exceed 2015-16 levels (59%)	61%		
Reduce paper use by 50%	32%		The Department is improving its digital systems to enable a reduction in its reliance on paper
Continue to reduce total estate water consumption and exceed 2014-15 reduction levels (6%)	1%		We are initiating a water leak detection programme and automatic meter readings to improve water consumption on the estate

The Department has achieved £41m savings from improved sustainability performance since 2014-15, including from its energy expenditure due to investment in energy efficiency projects and estate rationalisation.

Greenhouse gases

Greenhouse gases and financial costs 2017-18

Greenhouse gas (GHG) emissions		2017-18	2016-17	2015-16
Non-financial indicators (tCO2e)	Total Gross Scope 1 (Direct) GHG emissions	180,786	195,971	195,591
	Total Gross Scope 2 (Energy indirect) emissions	161,654	178,950	224,224
	Total Gross Scope 3 (Official business travel) emissions	28,682	30,218	39,679
	Total emissions - Scope 1, 2 & 3	**371,121**	**405,139**	**459,494**
Non-financial indicators (MWh)	Electricity: non-renewable	358,468	350,095	335,636
	Electricity: renewable	81,553	83,316	111,515
	Gas	880,716	921,913	903,080
	Other energy sources	35,363	53,839	84,267
	Total energy	**1,356,100**	**1,409,163**	**1,434,498**

Greenhouse gas (GHG) emissions		2017-18	2016-17	2015-16
Financial indicators (£m)	Expenditure on energy	65	97	97
	CRC Expenditure	7	7	7
	Expenditure on official business travel	24	28	25
	Total expenditure on energy and business travel	**96**	**132**	**129**

The Department has achieved a 34% reduction on its overall carbon emissions from estate and business travel since 2009/10. The custodial estate has recorded a 27% reduction in its carbon emissions. The Department has continued to reduce its overall carbon emissions through its Smarter Working programme, HMPPS and HMCTS estate rationalisations, changes to carbon factors because of decarbonisation of the electricity network and implementation of £4 million energy efficiency programme during this reporting year. The Department is seeking further funds over the next three years to install more energy efficient lighting, biomass boilers and a pilot solar PV array at a prison location to improve its performance.

Central Government met its 2020 target during this year and as such is now setting new carbon reduction targets for 2019-20. We are negotiating with the Department for Business, Energy and industrial Strategy a stretching, new, GHG reduction target for 2019-20. This new target is expected to be a 38% reduction by 2019-20. It will replace the current 22% target from 2018-19 and builds on our previous success in this area.

Energy use at our HQ buildings can be viewed online.

Travel

Domestic flights 2017-18

Domestic air travel	2017-18	2016-17	2015-16
Number of flights	4,377	4,034	3,319

Whilst the Department has reduced its overall business-related travel emissions, increasing the use of video conferencing, upgrading IT, and the introduction of Smarter Working it has still not met the 2020 target to reduce by 30% the number of domestic flights from a 2009-10 baseline.

The Department has reminded its managers of their responsibility to assess whether there is a genuine business need to travel, and is working with the travel provider to provide more immediate reporting to support oversight and controls at an agency level.

Waste

Waste production and financial costs 2017-18

Waste			2017-18	2016-17	2015-16
Non-financial indicators (tonnes)	Hazardous waste		112	132	n/a
	Non-hazardous waste	Landfill	4,600	7,223	10,807
		Recycled/Reused	32,214	26,907	25,846
	Incinerated with energy from waste		15,735	13,616	9,297
	Incinerated without energy recovery		19	76	109
	Total waste		**52,680**	**47,954**	**46,059**
Financial indicators (£m)	**Total disposal cost**		**3.0**	**7.4**	**7.0**

The Department has achieved a 26% reduction in overall waste compared to the 2009-10 baseline. This is slightly worse than our position in 2015-16 (31% reduction). Only 9% of our waste currently goes to landfill meeting the GGC target. Recycling rates are 61% exceeding our target of 59%.

We are working with our facilities management companies to improve upon all our waste targets and seeking solutions to find alternatives to landfill, incineration and turning waste into refuse derived fuels. We have eliminated the use of disposable coffee cups and single use plastic drinking cups at our HQ as part of our wider drive to reduce the use of single use plastics on our estate in response to growing concerns about the environmental damage they may cause. We also make use of the Warp-it on-line re-use portal to source and dispose of furniture and office equipment.

Our prison waste management units (WMU) employ offenders to sort through the waste, separating out items suitable for reuse and processing materials for recycling. These not only reduce waste and increase our recycling rates, but also provide rehabilitation opportunities for offenders through accredited waste management qualifications and work experience. In 2017-18 an average of 472 offenders were employed in WMUs, working an average of 1,197 hours a week between them.

The Department has recorded a 32% decrease in paper consumption since 2009-10. This has been achieved through our Digital transformation programme within HMCTS, and the MoJ Transformation programme which introduced more mobile IT devices, thereby reducing reliance on paper.

Water

Water consumption and financial costs 2017-18

Water		2017-18	2016-17	2015-16
Non-financial indicators	Total water consumption (m^3 000)	9,150	8,682	8,356
Financial indicators	Total water supply costs (£000)	25.9	25.2	24.3

The Department has reported a 1% reduction in water consumption compared to the 2009-10 baseline, which falls short of our performance in 2014-15. We are initiating a water leak detection programme and automatic meter readings to improve water consumption on the estate.
The Department plans to publish a water strategy in 2018 detailing these initiatives and other planned improvements.

Richard Heaton
Accounting Officer

29 June 2018

Accountability

Accountability

Corporate Governance Report

The purpose of the Corporate Governance Report is to explain the composition and organisation of the Department and how these arrangements have supported the achievement of its objectives during 2017-18.

Directors' Report

The table below sets out names and titles of all Ministers and members of the Departmental Board who have had responsibility for the Department during 2017-18.

Departmental Board, Audit and Risk Committee and Nominations Committee Member Attendance 1 April 2017 to 31 March 2018

Members	Meetings attended per member out of those eligible to attend		
	Departmental Board	Audit & Risk Committee[8]	Nominations Committee
Ministers			
The Rt Hon David Gauke MP, Lord Chancellor and Secretary of State for Justice (from 8 January 2018)	1 of 1	-	-
The Rt Hon David Lidington, Lord Chancellor and Secretary of State for Justice (from 10 June 2017 to 8 January 2018)	3 of 3	-	-
The Rt Hon Elizabeth Truss MP, Lord Chancellor and Secretary of State for Justice (to 10 June 2017)	-	-	-
Rory Stewart OBE MP, Minister of State for Justice (from 9 January 2018)	1 of 1	-	-
The Rt Hon Lord Keen of Elie QC, Lords Spokesperson for Ministry of Justice	3 of 4	-	-
Dr Phillip Lee MP, Parliamentary Under Secretary of State	0 of 4	-	-
Lucy Frazer QC MP, Parliamentary Under Secretary of State for Justice (from 9 January 2018)	1 of 1	-	-
Dominic Raab MP, Minister of State at the Ministry of Justice (from 12 June 2017 to 9 January 2018)	2 of 3	-	-
Sam Gyimah MP, Parliamentary Under Secretary of State at the Ministry of Justice (to 9 January 2018)	3 of 3	-	-
The Rt Hon Sir Oliver Heald QC, MP, Minister of State at the Ministry of Justice (to 11 June 2017)	-	-	-

[8] Permanent Secretary and Chief Financial Officer attend the Audit and Risk Committee meetings in the capacity of additional attendees.

Departmental Board, Audit and Risk Committee and Nominations Committee Member Attendance 1 April 2017 to 31 March 2018

Members	Meetings attended per member out of those eligible to attend		
	Departmental Board	Audit & Risk Committee[8]	Nominations Committee
Executive Management			
Richard Heaton CB, Permanent Secretary	4 of 4	5 of 5	1 of 1
Mark Sweeney, Director General, Justice and Courts Policy Group (from 16 October 2017)	2 of 2		-
Scott McPherson, Interim Director General, Justice and Courts Policy Group (from 31 May 2017 to 15 October 2017)	1 of 2	-	-
Catherine Lee CBE, Director General, Justice and Courts Policy Group (to 31 May 2017)	-	-	
Justin Russell, Director General, Offender Reform and Commissioning Group	4 of 4	-	-
Mike Driver, Chief Financial Officer	4 of 4	5 of 5	-
Matthew Coats, Chief Operating Officer	4 of 4	-	-
Michael Spurr CB, Chief Executive, HM Prison & Probation Service	4 of 4	-	-
Susan Acland-Hood, Chief Executive, HM Courts & Tribunals Service	4 of 4	-	-
Non-Executive or Independent Member			
Liz Doherty, Departmental Audit & Risk Committee Chair and Non-Executive Director	3 of 4	5 of 5	-
Lord Agnew of Oulton, Lead Non-Executive Director (to 28 September 2017)	3 of 3	-	1 of 1
Lizzie Noel, Non-Executive Director	3 of 4	-	1 of 1
Sir Martin Narey, Non-Executive Director (to 14 July 2017)	-	-	-
Peter Conway, Independent member of Audit & Risk Committee	-	5 of 5	-
Kathryn Ayton, Independent member of Audit & Risk Committee (to 21 March 2018)	-	2 of 5	-

Accountability

Personal data related incidents

The following gives a summary report of significant personal data related incidents reported to the Information Commissioner's Office (ICO) in 2017-18. The disclosure of these incidents which would in itself create an unacceptable risk of harm, may be excluded in accordance with exemptions contained in the Freedom of Information Act 2000 or may be subject to limitations of other UK information legislation.

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
January 2017	The name of a juvenile suspected of a serious crime was disclosed by a member of court staff to the staff's relatives.	Name of a juvenile suspected of committing a serious crime.	One individual was affected.	ICO notified April 2017. The ICO investigation is continuing.
February 2017	Court of Protection application files went missing within a contracted courier's network.	Names, addresses, dates of birth, medical assessments, care plans.	The case files related to 15 individuals but contained details of a total of 95 individuals.	ICO and affected individuals notified July 2017. ICO closed its investigation taking no action noting the incident was not due to a lack of organisational controls.
March and April 2017	Versions of Magistrates court lists containing sensitive personal information, rather than the versions without the sensitive information were sent to press agencies in error.	Names, telephone numbers, national insurance numbers, ethnicity, email addresses, drivers licence details, employee details.	177 individuals were affected.	ICO and affected individuals notified May 2017. ICO closed its investigation taking no action noting the incident was due to human error and not a lack of organisational controls.
May 2017	Tribunal served papers on respondent that, in error, included applicant's confidential address.	Confidential address.	Three individuals were affected.	ICO notified August 2017. Affected individuals became aware when they received their copy of the papers. ICO closed its investigation taking no action noting the incident was due to human error and not a lack of organisational controls.
August 2017	Court served papers on applicant that, in error, included respondent's confidential address.	Confidential address.	Two individuals were affected.	ICO notified in September 2017; their investigation is ongoing. Affected individuals became aware when they received their copy of the papers.

August 2017	Court served papers on respondent that, in error, included applicant's confidential address.	Confidential address.	Two individuals were affected.	ICO notified in October 2017. Affected individuals notified as soon as the court became aware of the error. ICO closed their investigation taking no further action, noting the incident was due to human error and not a lack of organisational controls and the remedial action taken.
October 2017	Court files went missing within a contracted courier's network.	Names, addresses, national insurance numbers, fine payment records, brief details of offences, medial conditions.	48 individuals were affected.	ICO notified February 2018. ICO closed their investigation taking no further action, noting the courts plans to put in place additional monitoring of file movements.
November 2017	Contracted courier's van containing case files being reviewed on behalf of the Legal Aid Agency was stolen.	Details of criminal offences and alleged offences, outcomes of criminal trials, financial means, potentially details of victims and witness.	The exact number of individuals is unknown. Files relating to 15 cases were stolen, the numbers of individuals identifiable in each file is not known.	ICO notified in December 2017. ICO closed their investigation taking no further action, noting an appropriate contract was in place with the courier and tracking processes to monitor file movements.
December 2017	Personal data was inadvertently uploaded to a public software code repository.	Names, address, email addresses, details of information requested from the Department.	1,070 individuals were affected.	ICO notified in January 2018. The ICO investigation is continuing.
December 2017	Court staff made prosecution papers containing sensitive personal information available to defence solicitors in error.	Names, addresses, witness statements.	Three individuals were affected.	ICO notified March 2018. Affected individuals notified in January 2018. The ICO investigation is continuing.

The Department will continue to monitor and assess its information risks in order to identify and address any weaknesses and ensure continuous improvements of its systems.

Incidents deemed by the Data Controller not to fall within the criteria for reporting to the ICO but recorded centrally within the Department are set out in the table below, categorised according to Cabinet Office requirements:

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	256
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	902
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	5
IV	Unauthorised disclosure	1,964
V	Other	47
Total		**3,174**

Accountability

The Department manages millions of records of personal data, takes all incidents of personal data loss very seriously and requires staff to capture small, localised incidents, which comprise most of the figures cited above. All staff are required to undertake compulsory information assurance training upon joining the Department and yearly thereafter.

Effective implementation of security is monitored at a local level by a network of trained security and information assurance practitioners. The Department is applying the Government's *Security Policy Framework* to control risks across the organisation. This comprises of the requirement to identify and manage threats to the security (confidentiality, integrity and availability) of its information assets and to control these by applying proportionate measures.

Complaints to the Parliamentary and Health Service Ombudsman

The Parliamentary and Health Service Ombudsman addresses complaints made by members of the public, brought to its attention by Members of Parliament, where there has been alleged maladministration by government departments and other bodies within their jurisdiction.

Complaints provide an opportunity for the Department not only to put right any mistakes we might have made, but also to improve the overall standard of the service we provide. They are therefore treated very seriously.

In the Parliamentary and Health Service Ombudsman's most recent report published in December 2017 on complaint handling by government, the Department's performance for the year 2016-17 was as follows:

Number of completed investigations*	Investigations upheld or partly upheld		Investigations not upheld		Investigations resolved without a finding or discontinued	
	Number	%	Number	%	Number	%
91	33	36	35	39	23	25

*Includes inquiries about organisations that are accountable to the Department.

The Parliamentary and Health Service Ombudsman provides an annual analysis of the complaints it has received for each government department. The report also provides further details on investigations, compliance and recommendations and can be found at: www.ombudsman.org.uk.

Department spending

	2017-18	2016-17
Publicity and advertising	£675,626	£320,664
Sponsorship spend over £5,000	nil	nil
Political donations and expenditure	nil	nil

Audit

The notional cost of the statutory audit for the Core Department was £538,500 (2016-17: £517,500) which also includes the statutory external audit of the Consolidated Accounts, Official Solicitor and Public Trustee, Office of the Accountant General and the Judicial Pension Scheme.

The total cost of statutory external audits across the Departmental Group was £1,667,400, of which £259,500 was cash and £1,407,900 notional cost (2016-17: £1,620,000 comprising £227,500 cash and £1,392,500 notional cost). The notional external audit cost includes the cost of the HM Courts & Tribunals Service Trust Statement which is not consolidated as part of these Accounts.

Health & Safety

The Department is committed to protecting the health, safety and wellbeing of its employees, the judiciary, detainees, contractors and all our visitors. We recognise that occupational health and safety plays an important role in the delivery of our corporate objectives. The annually updated corporate strategy and plan for fire, health and safety continues to provide a framework for continuous improvement, and a targeted approach for monitoring our performance.

The Department is fully committed to meeting its statutory healthy and safety obligations. In support of this aim we recently published a revised version of the 'MoJ Corporate Health and Safety Policy'. The policy is endorsed by the Permanent Secretary and provides clear performance outcomes for us to report against during the year. Our health and safety policy is underpinned by a robust governance structure. Good governance enables oversight and assurance of health and safety across the Department, its executive agencies and arm's length bodies.

Ministerial correspondence

We give correspondence from Members of the House of Commons and the House of Lords a high priority.

In accordance with Cabinet Office guidance, the Department aims to respond to 80% of correspondence from parliamentarians within 15 working days of it being received. The target is 20 days in the case of HM Prison and Probation Service where the Chief Executive replies on behalf of Ministers, and 10 days for the Office of the Public Guardian where the Chief Executive replies on behalf of Ministers.

During calendar year 2017 Ministers and Chief Executives on their behalf, replied to 4,817 items of correspondence (compared to 4,493 in calendar year 2016). The Department has learnt from good practice in other departments and has put in place measures to improve performance during 2017, focusing on increasing the quality and timeliness of responses.

Ministerial correspondence from Members of Parliament and peers 1 January 2017 to 31 December 2017[9]

	2017-18		2016-17	
	Number of letters received	% of replies (where reply required) within targets	Number of letters received	% of replies (where reply required) within targets
Ministry of Justice Headquarters[10]	2,539	88%	2,073	82%
HM Courts & Tribunals Service (where CEO replied)	348	96%	311	95%
HM Courts & Tribunals Service (where Ministers replied)	656	98%	672	90%
Official Solicitor and Public Trustee (where CEO replied)	-	-	12	100%
Official Solicitor and Public Trustee (where Ministers replied)	-	-	6	100%
Office of the Public Guardian (where CEO replied)	44	93%	31	97%
Office of the Public Guardian (where Ministers replied)	45	93%	37	86%
HM Prison and Probation Service (where CEO replied)	297	92%	302	92%
HM Prison and Probation Service (where Ministers replied)	888	81%	1,049	71%

9 Figures are given for the calendar year rather than financial year, to be consistent with previous Annual Reports and the method in which this data is presented to Parliament

10 Includes Legal Aid Agency correspondence

Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Ministry of Justice to prepare, for each financial year, consolidated resource accounts. These must set out the resources acquired, held or disposed of by the Department during the year, and the uses to which those resources have been put. The scope of the accounts must cover the Department including its executive agencies, and also those of its sponsored arm's length public bodies that are designated in an order under Government Resources and Accounts Act (Statutory Instrument 2017 No 1256).These bodies are together known as the 'Departmental Group', consisting of the Department and sponsored bodies listed at Note 29 to the Accounts. The Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and the Departmental group and of the net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing the Accounts, the Accounting Officer of the Department 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;
- Ensure that the Department has in place appropriate and reliable systems and procedures to carry out the consolidation process;
- Make judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by non departmental and other arm's length public bodies;
- State whether applicable accounting standards as set out in the Financial Reporting Manual have been followed, and disclose and explain any material departures in the Accounts;
- Take all reasonable steps to make himself aware of any relevant audit information and to ensure that the entity's auditors are aware of it;
- Confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable, and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable; and
- Prepare the Accounts on a going concern basis.

HM Treasury has appointed the Permanent Secretary of the Ministry of Justice as Principal Accounting Officer.

The Principal Accounting Officer has also appointed the Chief Executives or equivalents of the Department's sponsored arm's length bodies as Accounting Officers of those bodies. The Principal Accounting Officer is responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that the Department makes to its sponsored bodies are applied for the purposes intended and that such expenditure and the other income and expenditure of the sponsored bodies are properly accounted for, for the purposes of consolidation within the resource accounts. Under their terms of appointment, the Accounting Officers of the sponsored bodies are accountable for the use, including the regularity and propriety, of the grants received and the other income and expenditure of the sponsored bodies.

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 the assets of the Department or arm's length bodies for which the Accounting Officer is responsible, are set out in *Managing Public Money*.

The Governance statement

Introduction

This Governance Statement sets out risks and challenges the Department faced in 2017-18, the risk management framework used to manage them, the assurances I have received and information about the Department's compliance with the corporate governance code.

As the Principal Accounting Officer, I am supported in preparing the Governance Statement by:

- Insight into the Department's performance from Internal Audit, including an audit opinion on the quality of the systems of governance, risk and control;
- Feedback from senior management with delegated responsibility within the Department about the business, our use of resources, responses to risks, and the extent to which in year budgets and other targets have been met;
- Views of the Audit and Risk Committee on the Department's risk and assurance arrangements; and
- Information from the Department's arm's length bodies on the performance of their organisations and their relevant boards.

The Department has continued to make improvements to the control environment, strengthening the assurance mechanisms that support our operations. 2017-18 saw the establishment of the Risk Advisory Group to support robust scrutiny of Departmental risks; the creation of the cross Department Counter Fraud and Investigations Team bringing together the management and investigation of fraud risks; and the publication of the Department's Accounting Officer System Statement setting out the accountability relationships and processes across the Department.

Internal Audit has provided an overall assurance opinion of **Moderate** which reflects the body of work performed by Internal Audit during the year.

This statement sets out my personal view of the most significant challenges across the Department, and sets out the collective steps which I and my senior team are taking to address gaps in our control environment.

Governance framework

The Secretary of State chairs the Departmental Board, which comprises the Department Ministerial team, our Non Executive Board Members, myself and my executive team colleagues.

There were several changes to our Board's membership during 2017-18. The in-year changes are reflected in this timeline:

May 2017

31 **Scott McPherson** (Interim Director General for Justice and Courts Policy) appointed

31 **Catherine Lee** Director General for Justice and Courts Policy) left

June 2017

10 **Rt Hon Elizabeth Truss MP** Lord Chancellor and Secretary of State for Justice left

11 **Rt Hon Sir Oliver Heald QC** Minister of State at the Ministry of Justice left

11 **Rt Hon David Lidington MP** appointed Lord Chancellor and Secretary of State for Justice and assumed the role of Chair of the Board

12 **Dominic Raab MP** Minister of State at the Ministry of Justice appointed

July 2017

14 **Sir Martin Narey** (NEBM) left

September 2017

28 **Lord Agnew of Oulton** (Lead NEBM) left

October 2017

15 **Scott McPherson** (Interim Director General for Justice and Courts Policy) left

16 **Mark Sweeney** (Director General for Justice and Courts Policy) appointed

January 2018

7 **Rt Hon David Lidington MP** Lord Chancellor and Secretary of State for Justice left

8 **Rt Hon David Gauke MP** appointed Lord Chancellor and Secretary of State for Justice and assumed the role of Chair of the Board

9 **Dominic Raab MP** Minister of State at the Ministry of Justice left

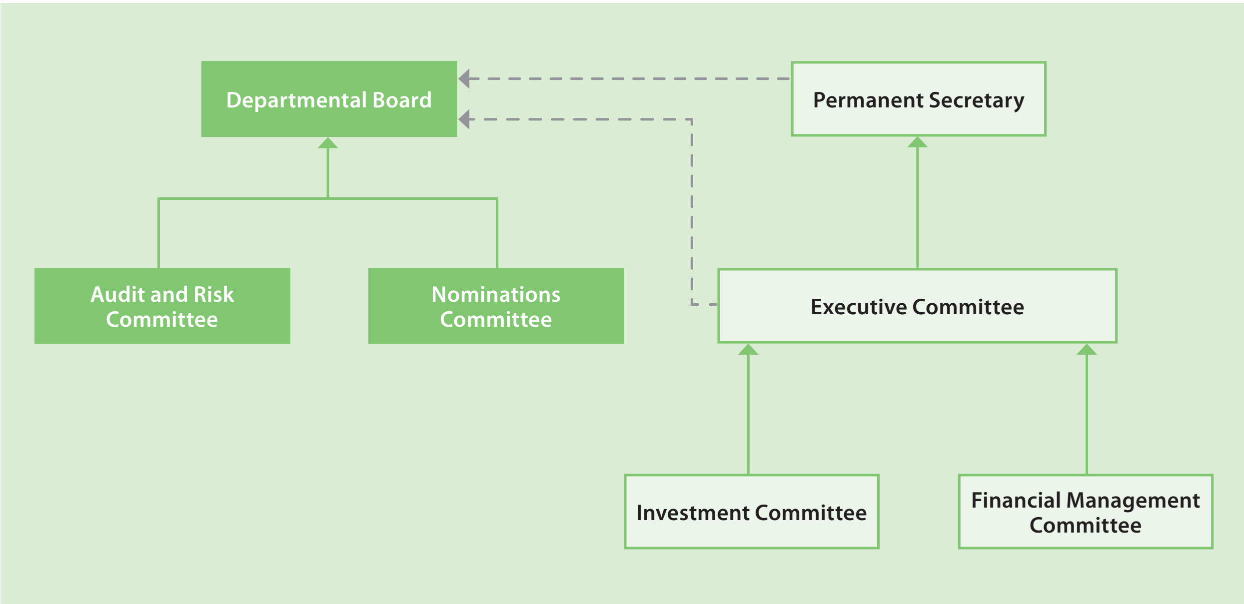
9 **Sam Gyimah MP** Parliamentary Under Secretary of State at the Ministry of Justice left

9 **Rory Stewart OBE MP** appointed Minister of State for Justice

9 **Lucy Frazer QC MP** appointed Parliamentary Under Secretary of State for Justice

Board Committee Structure

Departmental Board attendance has been reported on pages 34 to 35.



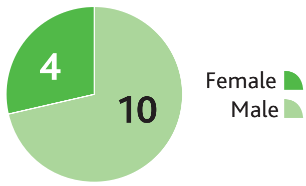
Departmental Board

Chair:	Secretary of State
Frequency:	4 during year

Committee composition as at 31 March 2018

By Position:

By Gender:



Role of the Committee:

The Board is an advisory committee that allows the Secretary of State to have strategic overview of the Department, and utilises all the Non-Executives to provide independent scrutiny to the Board.

Key activities during the year under review:

The standing agenda included:

- Departmental Priorities and Performance;
- Strategic Risk; and
- Finance.

Key areas of operations discussed through the year included:

- Prison Safety and Capacity Pressures;
- Probation and Community Rehabilitation Companies;
- Cyber security; and
- Drivers of demand in the justice system.

Managing conflicts of interest:

At the beginning of every Departmental Board meeting, all members are asked to declare any new potential conflicts of interest. These are noted in the minutes, along with the appropriate action taken to manage them such as members withdrawing from discussions relating to those interests.

This process is duplicated at Executive Committee and sub committees.

Departmental Board and Audit and Risk Committee members are also asked to review and update the conflict of interest record at least annually.

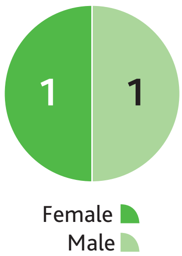
Audit and Risk Committee

Chair:	Lead Non-Executive Board Member
Frequency:	5 during year

Committee composition as at 31 March 2018

By Position:

By Gender:



Role of the Committee:

Supports the Departmental Board and Principal Accounting Officer by reviewing the completeness and reliability of assurances in governance, risk management and internal controls and the integrity of financial statements in Department.

This includes the Department's executive and other executive arm's length bodies.

Key activities during the year under review:

Particular focus was given to the following key areas:

- Considering and challenging the Department's overall approach to risk and the management of risk;
- Reviewing the Annual Report and Accounts production timetable, monitoring its delivery and providing independent oversight and challenge on its content;
- Reviewing progress reports from the MoJ Group Chief Internal Auditor and the National Audit Office summarising work completed and emerging findings;
- Considering and challenging the Department's approach to third party risk management and overall commercial capability; and
- Considering and challenging the Department's overall approach and progress against plans to mitigate cyber security risk.

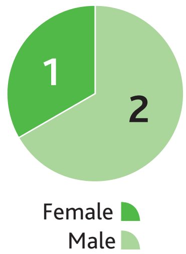
Nominations Committee

Chair:	Lead Non-Executive Board Member
Frequency:	1 during year

Committee composition during 2017-18 meeting

By Position:

By Gender:



Role of the Committee:

Provides the Departmental Board with assurance on senior executive appointments within the Department. This includes succession planning, talent management and pay strategy (including remuneration and process for Board level appointments).

Key activities during the year under review:

Particular focus was given to the following key areas:

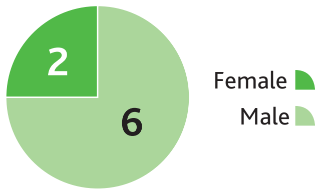
- Discussing and advising on the Departmental strategy for pay awards; and
- Discussing and advising on performance, talent strategy, and succession planning.

Accountability

Executive Committee

Chair:	Permanent Secretary
Frequency:	48 during year

Committee composition as at 31 March 2018 by gender



Role of the Committee:

The Executive Committee is the senior management committee in the Department and has overall collective responsibility for the Department. To achieve this the Executive Committee:

- Supports the Permanent Secretary in his duties as the Principal Advisor to the Secretary of State and as the Principal Accounting Officer;
- Demonstrates clear, consistent and collective leadership of the Department;
- Sets strong strategic narrative for staff, stakeholders and the public about the work of the Department and its arm's length bodies;
- Actively manages Departmental planning and prioritisation, ensuring Departmental wide understanding and alignment;
- Takes responsibility for the successful delivery of Departmental priorities and the management of Departmental risks; and
- Takes action to ensure we have financial stability both in-year and longer term.

Key activities during the year under review:

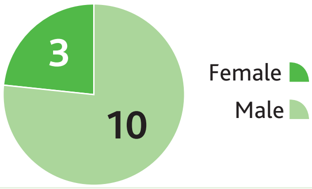
Discussion areas during the year included:

- Developing the single departmental plan and narrative for the Department that reaches public, staff and other stakeholders. This includes understanding and agreeing the management of risks that could prevent delivery of the plan by formulating the Departmental strategic risk register, and conducting deep dives on: legal risks, Brexit and Community Rehabilitation Companies;
- Introducing a disciplined approach to how we plan our finances in the longer term against our strategic objectives, to create our Medium Term Financial Plan. This is supported by managing our in year financial position, identifying ways to make financial savings across the Department and implementing plans to put these in place;
- Regularly scrutinising Departmental performance and looking at key levers of demand and solutions for mitigating these with other partners across government. In 2017-18 this meant holding six monthly joint Executive Committee meetings with the Home Office to ensure joined up working on cross-departmental issues and the levers for managing the downstream impact on the Department;
- Engaging with arm's length bodies strategy planning by inviting several ALBs to Executive Committee to discuss their success stories, share best practice and approve the Impact Analysis of all our ALBs; and
- Setting a strategy, narrative and opportunity for the Department to be fully inclusive and diverse, including social mobility outreach schemes.

Financial Management Committee

Chair:	Chief Financial Officer
Frequency:	12 during year

Committee composition as at 31 March 2018 by gender:



Role of the Committee:

The Financial Management Committee approves and oversees the delivery of the Department's financial plans, including providing advice to the Executive Committee on budget allocation and the Department's ability to meet its multi year financial settlement.

Key activities during the year under review:

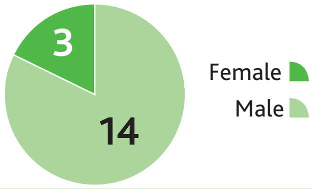
Particular focus was given to the following key areas:

- Discussing the Department and its executive agencies' in year finances;
- Considering, advising and agreeing the Departmental Medium Term Financial Plan;
- Undertaking various thematic reviews, including asset disposal, stabilising the prison environment, and out of court disposals; and
- Agreeing and monitoring a training programme for budget holder responsibilities, knowledge and skills.

Investment Committee

Chair:	Chief Financial Officer
Frequency:	12 during year

Committee composition as at 31 March 2018 by gender:



Role of the Committee:

The Investment Committee has delegated powers to make investment decisions on the Executive Committee's behalf (where a business case whole life cost is more than £30 million), with oversight of the MoJ Portfolio, including portfolio projects from inception through to implementation, ensuring they remain strategically aligned, affordable and deliverable.

Key activities during the year under review:

Particular focus was given to the following key areas:

- Scrutiny and approval of business cases of £30 million and above, or below this threshold when considered to be novel or contentious;
- Considering and challenging the Departmental portfolio on its delivery confidence;
- Agreeing and monitoring Departmental Change programmes funding; and
- Release of gated funds after reviewing progress of programmes/projects.

Year end governance assurance process

As the Principal Accounting Officer I am responsible for ensuring there is an effective process in place for monitoring and reporting governance issues during the year. I am supported by Director Generals and Directors who have delegated financial and risk management authority appropriate to their responsibilities.

To prepare the Department's Governance Statement I am provided with feedback and assurance from across the Department. This includes:

- Completion of annual Director Assurance Statements (which have been reviewed and countersigned by the relevant Director General) to summarise the objectives, controls and risks within each Director's operations and provide an assessment of the level of assurance within business processes;
- Outputs from holding to account meetings held with the Accounting Officers of each of the Department's executive agencies and Director Generals throughout the year; and
- Content of executive agencies and arm's length bodies governance statements to ensure consistency and completeness of the governance statements across both the Department and its Departmental bodies.

Improving governance

The Corporate Governance Code for Central Government Departments recommends that a Board Effectiveness Evaluation be carried out annually. However, because of Ministerial changes and unintended impacts this had upon Non-Executive Board Member recruitment, including not having a Lead Non Executive for the latter part of the year, a Board Effectiveness Evaluation was not undertaken. A full performance review will be carried out mid 2018-19. This will allow newly appointed Ministers and Non-Executives to provide more considered feedback.

However, during the year Internal Audit conducted a review of Corporate Governance which included the Departmental Board. This concluded that there was a good level of engagement from the Non-Executives and Ministers in considering Departmental business. It also concluded that there was an effective Audit and Risk Committee whose members provided robust challenge. Some improvements recommended included increasing the length and frequency of Departmental Board meetings, these were actioned immediately. Other areas for improvement highlighted included the risk management process and assessment of risk appetite. Work is currently ongoing to improve these areas, as detailed in the risk management section of this statement, and will be completed by mid 2018.

Audit and Risk Committee members also undertook their own effectiveness review. As a consequence of the delayed Non Executive recruitment outlined above, the committee was unable to comply with the code recommendation that two of its members were Non-Executive. However, once recruitment is completed this position will be reviewed. Key outcomes of the self-assessment included:

- Recognition that a collective strength of the committee was the level of strong, constructive challenge which had contributed to improvement in the quality of risk management; and
- Identification of communication and links with arm's length bodies' Audit and Risk Committees as an area for development. Work had already begun during the year to improve this area, but, members agreed this area could be strengthened further and work will be ongoing to achieve this.

Quality of information

The Department recognises the need to ensure the Departmental Board and sub committees receive sound advice and information to enable informed decisions to be made. The Board Secretariat works with teams to ensure the information provided is of a good quality, with a template used for committee papers, structured to ensure risks and resource implications are highlighted and to ensure sufficient engagement and challenge during discussions.

The structure and information contained in regular agenda items has been reviewed, improved and updated over the course of the year.

Quality assurance of analysis (modelling) is also regularly reviewed, and the Department has developed an Analytical Quality Assurance process with representatives from each of the units in Analytical Services, whose responsibilities are to:

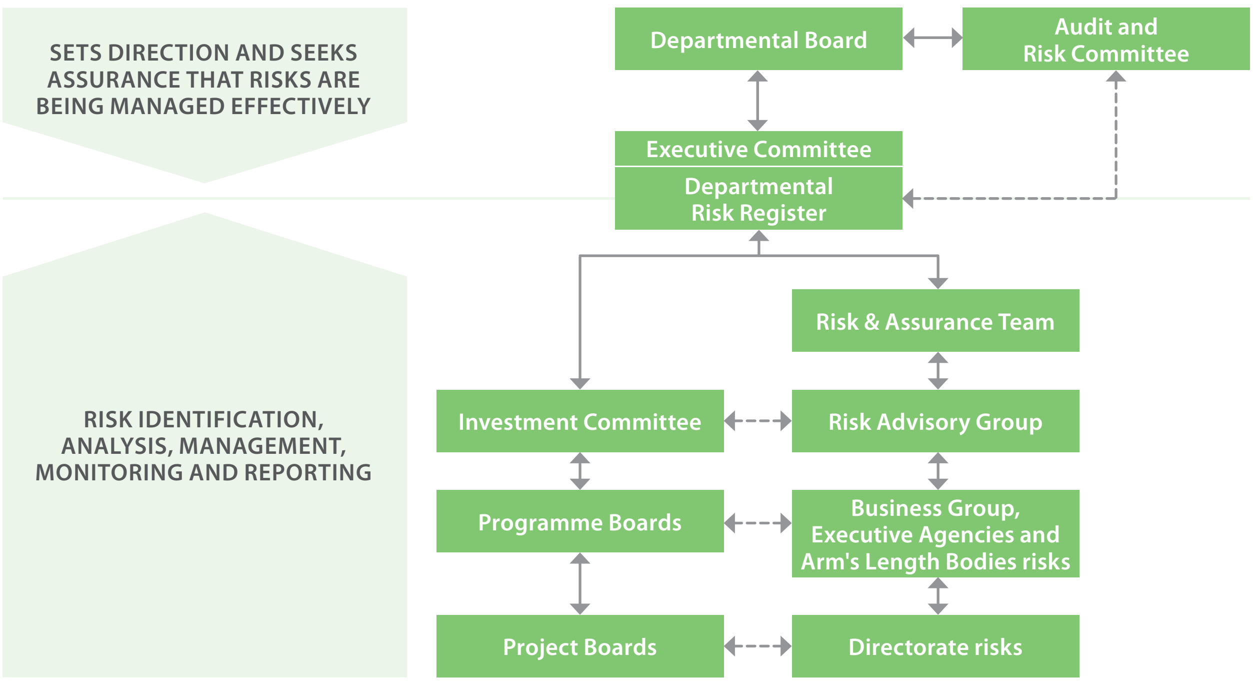
- Conduct the analytical quality assurance keyholder reviews of business cases, to improve the quality of the analysis behind these cases; and
- Provide advice on analytical quality activities, and develop tools and processes to improve those activities.

All data provided to the Departmental Board through the Analytical Services Directorate is underpinned by the analytical quality assurance guidance, to support its accuracy and give confidence to the Departmental Board.

Risk management

The Department promotes a supportive risk culture which encourages openness. The aim of our risk management framework is to support safe and successful delivery through the effective identification, analysis and management of risks to the achievement of strategies, objectives and change.

Risk is managed at three levels Department, business group (including executive agency and arm's length body) and Directorate which have clear escalation and delegation between them. The Departmental risk register is considered and discussed by the Executive Committee and Risk Advisory Group every two months and reported to Departmental Board and the Audit and Risk Committee four times per year.



We have made significant improvements in the way the Department identifies and manages risks within this financial year:

- Risk community workshops are now in place bringing risk co-ordinators and specialists together from across the Department to discuss and agree changes to risk management policy and guidance and act as a forum for sharing good practice;
- The Risk Advisory Group supports the Executive Committee and the Principal Accounting Officer by scrutinising the Departmental Risk Register every two months and discussing risks for escalation from business groups. It is formed of a representative selection of Deputy Directors from across the Department; and
- We have integrated the three lines of defence model with our risk management process to place a greater emphasis on control and assurance when managing risk.

In the coming year we will:

- Refresh the Department Risk Register to take account of revised priorities within the single departmental plan;
- Agree a risk appetite statement and take practical steps within our processes to ensure that this influences risk decision making; and
- Agree a risk maturity model and assess the Department's risk maturity against this at the business group level.

Case study: Carillion

On 15 January 2018 construction giant Carillion went into liquidation after huge financial troubles finally overwhelmed it. Carillion, which specialised in construction, as well as facilities management and ongoing maintenance, held many government contracts – including building hospitals, managing schools and highways, and maintaining prisons.

For the Department this meant that maintenance services previously provided by Carillion for 52 prisons were at risk.

The Department's risk management arrangements rely on the effective identification, analysis and management of risks, and this was evidenced by our response to the collapse of Carillion. In recognition of our complex supplier services model, and the high reliance we place on supplier provided services, the Department had considered the impact and likelihood of such a market failure, and was well prepared to manage and mitigate the risk to ensure we kept our essential public services running safely.

Following the announcement of Carillion's collapse the Department took immediate action to:

- Commit the necessary funding required by the Official Receiver to maintain services;
- Provide assurance to staff engaged on the prison maintenance contracts that they would continue to be paid, ensuring staff employed under the contract continued to come to work; and
- Create Gov Facility Services Limited to maintain the delivery of prison facilities management services from 12 February 2018.

The positive action of the Department helped mitigate a potential service failure, and ensured the continuation of professional and effective service delivery to ensure essential repairs and maintenance are carried out in a timely manner to ensure the health and safety of staff and prisoners.

Significant challenges and issues in 2017-18

Risks and opportunities affect the ability of the Department to fulfil its objectives and deliver services. The table below sets out further detail on in year challenges and control issues which warrant further disclosure, and have been actively managed and monitored during 2017-18.

The Department views challenges as ongoing activities that have to be managed throughout the year to deliver services to the public, these often impact the Department as a whole rather than individual business areas. While issues are specific matters that have arisen during the year, or over a longer period, that impact a specific area of the Department.

We have assessed these challenges and issues against our strategic risks and objectives and linked each challenge below to the relevant objective.

Objectives:	
1. A prison and probation service that reforms offenders	**3.** A Global Britain that promotes the rule of law
2. A modern courts and justice system	**4.** A transformed Department

Category	Topic	Detail	Key mitigations
Specific Operational Issue	Prison Safety and Stability 1	The level of violence, self inflicted deaths and self harm in prisons remains an area of concern. The overall total number of deaths in custody fell in 2017-18, including a significant reduction in self-inflicted deaths at 69 in 2017-18, down 40% from 115 in the previous year. However all other recorded statistics are up on the previous year: ▪ Self harm 11% increase; ▪ Prisoner on prisoner assaults 11% increase; ▪ Assaults on staff 23% increase.	Immediate focus has been to stabilise the system and achieve a reversal in the increasing trends by 2020 through the Prison Safety and Reform Programme focusing on substantial investment in the prison estate, increasing prison staff numbers and implementing revised offender management arrangements. Specific actions in 2017-18 include: ▪ Recruitment and Retention Project – 2,638 prison officers as at 31 March 2018; ▪ Closer working between priority prisons and Regional Safer Custody Leads to implement the Challenge, Support and Intervention Plan. ▪ Roll out of the revised Offender Management in Custody arrangements and work to promote rehabilitative cultures in prisons.
Specific Operational Issue	Prison population 1	The in year prison capacity became increasingly difficult to manage due to unanticipated and sharp rises in the prison population. This peaked in August when the prison population was around 1,600 places higher than projected. In the first quarter of 2018 prison population pressures have reduced though future underlying trend is still up.	In the short term actions have been taken to ensure contingencies are in place to reduce impact on operational delivery. This included deferring the closure of both HMP Rochester and HMP Hindley to provide sufficient capacity. New capacity continues to come on stream and streamlining of the Home Detention Curfew process has improved timeliness of HDC releases.

Category	Topic	Detail	Key mitigations
Specific Operational Issue	Prison Living Conditions 1	During 2017-18, living conditions and the associated facilities management services for prisons have become of increasing concern. The thematic HM Inspectorate of Prisons report on living conditions and the subsequent HMIP report on HMP Liverpool highlighted significant concern about the quality of some of the accommodation kept in use.	In response to the report on HMP Liverpool we reduced capacity, introduced new cell checking arrangements, and put in place additional cleaning parties to make sure we address the issues raised. Towards the end of 2017-18 we put in place a programme to address systematically the concerns about facilities management focused on maintaining continuity of service, ensuring compliance with statutory and mandatory inspection and maintenance obligations, and addressing priority sites that require urgent action.
Specific Operational Issue	Community Rehabilitation Companies 1	The number of cases allocated to CRCs and the volume of work resulting from sentence requirements imposed by the courts are materially lower than forecast. This has impacted on CRC revenues, undermining their ability to invest in service innovation. As a result of findings from the Probation System Review in the summer of 2017, CRC contracts were amended so that payments more accurately reflected their costs, allowing them to improve delivery. A significant proportion of CRC forecast income is linked to reoffending performance. This Payment by Results element is paid based on providers' success in reducing both the binary (proportion who reoffend) and frequency (of those who reoffend, how many offences do they commit) measures.	We are continuing to work with providers to understand what is driving that divergence in performance and what further steps should be taken to improve operational delivery. We have dedicated Contract Management teams that robustly monitor compliance with contracts on a local basis to make sure providers fulfil their contractual commitments to deliver services which reduce reoffending, protect the public and provide value for money to the taxpayer. Performance against Service Levels has improved during the year, but published data shows that some CRCs are not yet meeting targets. Where providers miss a target, we take a range of actions as necessary which may include improvement plans and service credits, and closely track implementation of steps to drive up performance.
Specific Operational Issue	Fee Refund Schemes 2 / 4	The Department launched two refund schemes in 2017-18 to address two separate matters: The Employment Tribunal refund scheme was created following the Supreme Court Judgment which found that fees charged in the Employment Tribunal and Employment Appeals Tribunal are unlawful under domestic law. The Power of Attorney refund scheme was created following an internal review into the fee levels set for PoA and Supervision orders, which determined fees had been set in excess of costs. The Supervision refund scheme is due to launch in 2018-19.	At the time of publication, applications for ET fee refunds had been received from approximately 17,000 applicants, of which refunds had been issued to 50% of applicants. Additional work has also been used to ensure any claimants eligible for a refund are proactively contacted and given the necessary information to aid their application. The Department has also received approximately 128,000 claims under the PoA refund scheme, which has been open from February 2018. During the year, we undertook a review of courts and tribunals fees against their unit costs, which identified that a number of fees had been unintentionally set above cost. Further detail on this, and the actions the Department is taking to rectify the matter are discussed on page 89. In response to the over recovery of fees the Department has strengthened the arrangements for managing income, which will be subject to more regular review and more senior oversight.

Category	Topic	Detail	Key mitigations
General Operational Challenge	Technology and Cyber 1 / 2 / 3 / 4	The speed with which the Department is moving towards digitising its systems and functions in order to improve its internal and external services presents a challenge to keep pace with the work required to ensure that systems are secure, particularly in relation to some of the Department's legacy systems. A move away from paper to digital documents means that staff can access and therefore potentially lose or incorrectly disclose far greater volumes of information, or that information can be compromised via a cyber attack.	There is a network of roles within the Department with responsibility for protecting data and information within their area and to provide leadership and governance to ensure staff understand information handling responsibilities. During the year specific actions included: ▪ Patching the server and desktop estate, resulting in stronger coverage; ▪ Major migration of LAA technology to the public cloud, addressing a wide range of cyber security risks; and ▪ Staff awareness campaign to raise awareness of the threat of phishing and spam e-mail.
General Operational Issue	Data Protection Regulation 1 / 2 / 3 / 4	Information, including personal data, is a key Departmental asset and public trust in the Department is intrinsically linked to how we handle data. To deliver our services, maintain public confidence in the Department and avoid reputational damage, information must be handled well and in compliance with data protection laws. The UK is updating data protection legislation through implementing the General Data Protection Regulation and the Law Enforcement Directive. The Department will be required to ensure compliance otherwise it may face regulatory action as well as associated reputational damage.	Good progress has been made in 2017-18 to understand the scale of the risk that the Department faces and to address the commercial and ICT related risks. A new Data Protection Implementation Board has been established, with sub groups focused on the key risk areas such as ICT, commercial and transparency and executive agency matters. The Department's Senior Information Risk Owners are required to attend regular holding to account meetings to update progress towards compliance within their business areas and this is tracked via a dashboard. Each executive agency has established its own governance structures to address the requirements of the new legislation. Overall progress is monitored via the Information Risk and Security Board and via the inclusion of the risk on the Departmental Strategic Risk Register.
General Operational Issue	Shared Services 4	In January 2017 the Department migrated its HR, finance, payroll and procurement services from the Phoenix platform to a new IT system called Single Operating Platform. This is part of Cabinet Office's next generation Shared Service Strategy which sets out a new model to share functions and join up ways of working across government. Since implementation there have been issues with accommodating the complexity of the payroll and HR policies across the Departmental Group.	The Department and the wider Civil Service HR community are working to address these issues and have instigated a payroll improvement programme. This has seen improvements in the level of payroll accuracy in the later part of the year, and efficiency improvement have been made in the recruitment system. The Department is committed to delivering further improvement and working to establish better outcomes through its support for the next generation of solutions built in line with the Cabinet Office Shared Services future strategy.

Accountability

Category	Topic	Detail	Key mitigations
Constraint	Financial Constraints and Capacity 1 / 2 / 3 / 4	There is continued pressure on the Department's financial position, meaning that to deliver our core business we have to be realistic in our ambitions for the Department. Any reduction in our planned change programmes may deny the Department future efficiencies and create greater financial pressure in future years. We therefore need to ensure finances are being utilised in the right areas, and develop options to reduce spending and re-prioritise investments.	The Department is realistic about the challenges being faced due to financial pressures over the spending review period. Significant work has been undertaken to set a balanced budget heading into 2018-19, with a focus on how the Department manages financial risk. We have improved our approach to financial management, demonstrating a change in the financial culture of the Department, and identifying efficiencies and more difficult savings options.
Constraint	Departmental Capability 1 / 2 / 3 / 4	The MoJ Strategy sets out an ambitious agenda involving changes to the organisational design, the operating model and processes, and technology and use of data within the Department. These changes will require us to learn new capabilities as well as expand existing capabilities. This provides an opportunity to reset how we approach capability. Insufficient capability and/or capability gaps not being properly understood or addressed may impact on the delivery of MoJ Transformation, Prison Reform and Court Reform.	We remain focused on developing leadership capability within MoJ HQ to accelerate change and help delivery of: ▪ Departmental priorities; ▪ Business area capability assessments (dashboards); ▪ Recruitment and retention schemes; ▪ The Modern Employment Proposition; and ▪ Talent and succession planning. Within HMPPS mitigation focuses on the employment of additional prison and probation officers, continued professional development and apprenticeships. Within HM Courts & Tribunals Service capability mapping across the business continues and a programmatic streamlined approach to business as usual learning is now in place.

Business continuity planning

All Departmental business units have trained business continuity practitioners. They also have resilience plans designed to provide an effective response to disruptive events and a structured return to business as normal. There are inevitably events which test plans in live conditions. We learn and respond to these events.

A schedule of desktop training exercises is in place to test planning assumptions, both internally and at a national level with other government departments. Most recently we have reviewed our plans for dealing with widespread power failure and also managing pandemic illness, with several prisons taking an active involvement in the latter cross departmental exercise.

Information assurance

The MoJ Senior Information Risk Owner, HQ business group and executive agency SIROs meet quarterly as an Information Risk and Security Board enabling active senior monitoring of the Department's key and cross-cutting information risks. The IRS Board is supported by Information Assurance Leads from HQ functional areas and executive agencies, and Corporate Security and Cyber Security teams. The IRS Board and supporting IAL network was re-structured in February 2017 to match the functional leadership model of the Department's corporate functions and reflect the need to ensure improved comprehensive oversight of all information assurance risks.

Following this restructure, training and induction materials have been developed to support new SIROs and IALs and ensure they are following best practice. This has included the development of a corporate performance management objective for all IALs and an expanded central Information Assurance team which has improved the support provided to those within Information Assurance roles across the organisation.

The Department processes large volumes of data stored across extensive IT, supplier based and paper systems. We are committed to understanding and analysing all our information risks including data incidents, the increased threat of cyber-attack and our readiness to meet the requirements of the new data protection laws. In recognition of these risks and of the challenges set out in a recent Internal Audit report, the Department has included compliance with the new data protection laws and cyber security risks on the Departmental Strategic Risk Register.

In recognition of work undertaken by the Board since 2016 to mitigate risks associated with the loss of personal data, this risk has been de-escalated from the Departmental Strategic Risk Register and is being managed at IRS Board level. The New Data Protection Implementation Board has been developed to oversee the work required to assess and manage compliance with the new laws, regular holding to account meetings take place with SIROs and the Executive Committee is updated on progress periodically. A Cyber Security Strategy has also been developed alongside the recruitment of a Chief Information Security Officer.

A summary of incidents involving personal data reported to the Information Commissioner's Office during 2017-18 is contained in the Annual Report.

Counter fraud activity

The Department's policy on fraud, bribery and corruption is one of zero tolerance, whether involving its own staff, or other external individuals or bodies.

The Group Finance Director is the Department's nominated Counter Fraud, Error, Debt and Grants Champion, and leads on measures to tackle fraud. The Champion is part of a network, across all major government departments, and supports the work of the Cabinet Office Fraud, Error, Debt and Grants Team.

In 2017 a cross Department Counter Fraud and Investigations Team was established to bring together the management of, and the investigation into, fraud risks facing the Department.

A Fraud Risk Assessment was carried out across the Department in late 2017. Common fraud risks identified by the Department include false claims and documentation. Specific risks have been identified across the Department's Agencies around corruption, misappropriation of fund/payments, and procurement contracts. This Fraud Risk Assessment will inform the strategy for future years, and an activity plan for 2018-19 is being developed by the Counter Fraud Champion.

The Department reports regularly to the Cabinet Office on progress to deliver commitments contained in the Departmental Fraud and Error Action Plan which enhance our ability to detect, measure, prosecute and prevent fraud.

The Department participates in the National Fraud Initiative, an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud.

Whistleblowing

The Department's whistleblowing policy encourages employees to raise concerns about wrongdoing, advises on the protection afforded to whistle blowers, and provides reassurance that concerns will be investigated responsibly and professionally. The policy is accessible on the Department intranet.

There are currently six whistleblowing Nominated Officers across the Department. All are of senior management grade. During the period April 2017 to January 2018 the Department reported ten whistleblowing cases. Complaints of harassment, bullying and discrimination are reported separately under the Department's grievance policy.

The HR Director published an intranet news article to promote Civil Service Whistleblowing Awareness day on 21 September 2017, reminding staff of their responsibilities under the Civil Service Code and the importance of reporting concerns and wrongdoing. The Department also published a blog from one of our whistleblowing Nominated Officers and ran staff awareness sessions. The Department has since published a video presentation, by the Civil Service Commission.

Departmental staff survey results provide a measure of the effectiveness of the whistleblowing policy. Employees are asked to respond to questions including awareness of how to raise a concern and confidence in the investigation process. The People Survey figures for 2017 remain relatively static and the Department reports a 65% outcome in awareness and 61% outcome in confidence in these areas. The data is analysed each year during the annual review with the Nominated Officers.

Nominated Officers are working closely with the Department's newly centralised Counter Fraud and Investigations Team to ensure that staff raising fraud related concerns get immediate support and understand the protections afforded to them under the whistleblowing policy.

Independent oversight of assurance arrangements

The Department is subject to independent oversight in a number of areas and implements many of the recommendations made. This oversight includes:

- National Audit Office reports (including Value for Money) and the audit report for the Annual Report and Accounts;
- HM Chief Inspector of Prisons publications and (annual) report;
- HM Chief Inspector of Probation publications and (annual) report; and
- Feedback from the Major Projects Review Group.

Assurances from Internal Audit

One of the key sources of independent assurance within the Department comes from the activities of the Internal Audit function which provides me and the Audit and Risk Committee with a clearer view on themes emerging from Internal Audit work.

The internal audit programme is closely linked to the key risks of the Department, its executive agencies and arm's length bodies. Arrangements are in place to ensure that I am made aware of any significant issues which indicate that key risks are not being effectively managed. The Internal Audit service complies with the Public Sector Internal Audit Standards.

In the opinion of the MoJ Group Chief Internal Auditor, the governance, risk management and control arrangements throughout the year have provided a Moderate assurance, defined as 'some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control'.

The overall opinion is also informed by the annual opinions provided across the executive agencies and ALBs of the Department. These are expected to all be Moderate or better for 2017-18. This includes HMPPS which has seen an improvement this year from the Limited opinion issued in 2016-17. The improvement, in part, reflects action taken by management around the key risks and the operational impact of safer custody and violence reduction programs.

Whilst Internal Audit have issued a number of Limited rated audit reports, they completed a broader spectrum of work compared to 2016-17 and a majority of the corporate systems reviewed were rated Moderate or better. The results of their work in the finance and commercial areas have been largely positive this year but improvements were identified as being required across key processes including accounts payable, delegation of authority, management of grants funding, manual finance processes and the development of an effective supply chain strategy. Management have been proactive to accept and implement key recommendations to improve controls arising from the work of Internal Audit.

The key area where Internal Audit continue to identify weaknesses in the control framework, relate to digital, technology and data protection risks. This was consistent with the audit findings from 2016-17 and reflects a landscape across the Department where there has not been a consistent and coordinated approach to the maintenance of the IT legacy infrastructure. The Department has implemented a new digitech strategy and action is on going to remediate identified weaknesses across legacy systems.

At the time when Internal Audit reviewed the Department's readiness for the implementation of the General Data Protection Regulation, insufficient progress had been made in terms of assessing where the risks of non-compliance were greatest to ensure that sufficient action was being made. Management have since taken steps to prioritise readiness work relating to those systems where the Department holds the most sensitive data.

Assurances covering Arm's Length Bodies

Assurance about the extent to which our ALBs, statutory office holders and associated offices comply with their respective framework documents and financial memoranda is provided primarily by the ALB Division working in collaboration with the relevant policy partners and finance business partners.

The arrangements for providing assurance to the Principal Accounting Officer about the ALBs are:

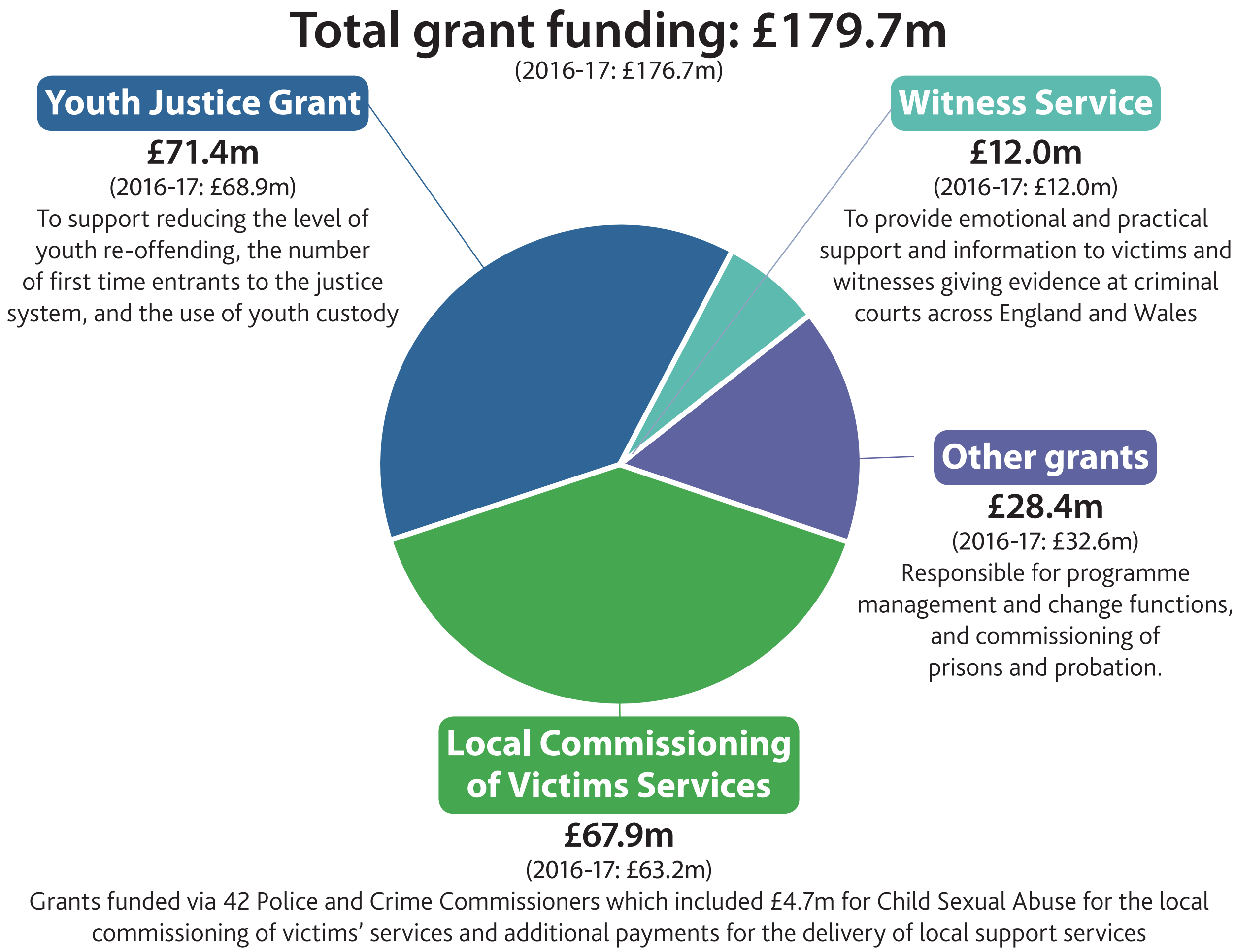
- Impact Support Analysis exercise process conducted with ALBs: results are reported to the Executive Committee;
- On going, regular and proportionate partnership relationship: informed by Partnership between departments and arm's length bodies: code of good practice;
- Quarterly or six monthly holding to account meetings between assurance partners, finance business partners, policy partners and ALBs with relevant risks escalated as appropriate to the business group risk register or Departmental risk register;
- Quarterly update to senior Departmental officials about the oversight of ALBs within their business groups;
- Head of ALB Division attends the Departmental Audit and Risk Committee to provide assurance in respect of ALB performance, finance and risk;
- Bi-monthly: Performance update to Executive Committee on all high impact ALBs and others by exception; and
- Year end: Governance statements completed by Directors General and Directors provide assurance on the sponsorship they provide to ALBs.

A new ALB Centre of Expertise is being established which will bring together and enhance the Department's expertise and knowledge on ALBs, building on the existing expertise contained in ALB Division and incorporating experts from across the

Department. The Centre of Expertise will improve how assurance partners, finance partners and policy sponsors work together to provide effective oversight and support to the Department's ALBs, as well as providing more focused support for ALB specific issues.

Spending by grant recipients

During the year the Department has provided funding to multiple programmes. The most significant programmes included:



To ensure that we have robust governance arrangements and grant expenditure is achieving value for money the Department set up a Grants Challenge Panel in October 2017. The purpose of the panel is to:

- Assess individual grants and provide advice to grant managers;
- Consider the benefits and value for money derived from grant payments;
- Consider whether grants allocation is achieving specified benefits; and
- Consider whether grant funding is the most appropriate, efficient and cost effective option.

The Department is in the process of setting up a Grants Centre of Excellence to provide a holistic view of the Department's grant giving in order to improve the effectiveness of grant spend, and to strengthen our governance and assurance around grant funding.

The Corporate Governance Code

As part of the preparation of this report, the Department considers its compliance with the Corporate Governance Code for Central Government Departments. We are aware of the following exception with the principles of the Code, noted below.

During the year two Non Executive Board Members left the Departmental Board. As a result the Departmental Board did not include at least four Non-Executives as recommended by the Corporate Governance Code for Central Government Departments. The Department has recently concluded the recruitment for these roles.

Overall conclusions

I have considered the evidence that supports this Governance Statement and I can confirm that the Department has an effective system of controls to support the Department's work. During the year the Department has continued to improve our governance, risk management and control arrangements to ensure the Department is able to meet its strategic objectives.

Richard Heaton
Accounting Officer

29 June 2018

Remuneration and staff report

The Remuneration and Staff Report summarises the Department's policy on remuneration of Ministers, Executive Board Members, Non-Executive Board Members and staff; it also provides details of actual costs and contractual arrangements.

Remuneration policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975 (as amended).

In reaching its recommendations, the Review Body has regard to the following considerations:

- The need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- Regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- The funds available to departments as set out in the government's departmental expenditure limits; and
- The government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the Review Body can be found at: www.gov.uk

Board members and senior civil servants remuneration

The salaries of MoJ Departmental Board members (excluding the ministerial and nonexecutive members) are determined in line with the Cabinet Office SCS Reward policy. Nonconsolidated performance related payments for senior civil servants are determined by the Departmental Executive Committee (SCS Pay Band 1 and 2) and the Nominations Committee (SCS Pay Band 3), Details of the Nominations Committee are provided in the Governance Statement on page 45.

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.

Unless otherwise stated below, the officials covered by this report hold appointments which are open ended and to which a notice period of three months would usually apply. 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.

Remuneration and pension entitlements

This section has been subject to audit.

The following sections provide details of the remuneration and pension interests of the Ministers and most senior management of the Department.

Remuneration (salary and payments in kind)

Remuneration	2017-18					2016-17				
	Total amount of salary and fees	All taxable benefits (nearest £100)	Pension related benefits (nearest £1,000)^	Severance payments	Total (nearest £1,000)	Total amount of salary and fees	All taxable benefits (nearest £100)	Pension related benefits (nearest £1,000)[1]	Severance payments	Total (nearest £1,000)
Ministers	£	£	£	£		£	£	£	£	£
The Rt Hon Elizabeth Truss MP, Lord Chancellor and Secretary of State for Justice (to 10 June 2017)	13,501 (67,505 FYE)	-	4,000	-	17,000	48,088 (67,505 FYE)	-	13,000	-	61,000
The Rt Hon David Lidington, Lord Chancellor and Secretary of State for Justice (from 11 June 2017 to 7 January 2018)	38,392 (67,505 FYE)	-	9,000	-	48,000	-	-	-	-	-
The Rt Hon David Gauke MP, Lord Chancellor and Secretary of State for Justice (from 8 January 2018)	15,425 (67,505 FYE)	-	5,000	-	20,000	-	-	-	-	-
The Rt Hon Sir Oliver Heald QC MP, Minister of State at the Ministry of Justice (to 11 June 2017)	6,336 (31,860 FYE)	-	1,000	-	7,000	22,568 (31,860 FYE)	-	6,000	-	29,000
Dominic Raab MP[2], Minister of State at the Ministry of Justice (from 12 June 2017 to 9 January 2018)	20,152 (31,860 FYE)	-	_	-	20,000	6,496 (22,375 FYE)	-	-	5,594	12,000
Sam Gyimah MP, Parliamentary Under Secretary of State (to 9 January 2018)	18,646 (22,375 FYE)	-	4,000	-	23,000	15,879 (22,375 FYE)	-	4,000	-	20,000
Dr Phillip Lee MP, Parliamentary Under Secretary of State	22,375 (22,375 FYE)	-	6,000	-	29,000	15,879 (22,375 FYE)	-	4,000	-	20,000
Rory Stewart OBE MP, Minister of State for Justice (from 9 January 2018)	5,280 (31,860 FYE)	-	3,000	-	8,000	-	-	-	-	-
Lucy Frazer QC MP, Parliamentary Under Secretary of State for Justice (from 9 January 2018)	5,052 (22,375 FYE)	-	2,000	-	7,000	-	-	-	-	-

Notes to the table:

[1] The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

[2] The 2016-17 disclosure for Dominic Rabb MP relates to the period 1 April 2016 to 15 July 2016.

Information disclosed above relates to the period in which the individuals were in post as Ministers.

Accountability

Remuneration	2017-18					2016-17				
Senior Managers	Total amount of salary and fees	All taxable benefits (nearest £100)	Bonuses paid	Pension related benefits (nearest £1,000)	Total	Total amount of salary and fees	All taxable benefits (nearest £100)	Bonuses paid	Pension related benefits (nearest £1,000)	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Richard Heaton CB, Permanent Secretary[1]	180-185	-	-	-	180-185	180-185	-	-	-	180-185
Mike Driver, Chief Financial Officer[1]	175-180	-	10-15	-	190-195	160-165	-	-	224	385-390
Matthew Coats CB, Chief Operating Officer	145-150	-	10-15	50	210-215	140-145	-	10-15	54	215-220
Catherine Lee CBE, Director General, Justice and Courts Policy Group (to 31 May 2017)	15-20 (115-120 FYE)	-	-	0	15-20	110-115	-	-	22	135-140
Scott McPherson, Interim Director General, Justice and Courts Policy Group (from 31 May 2017 to 15 October 2017)	35-40 (95-100 FYE)	-	-	34	70-75	-	-	-	-	-
Mark Sweeney, Director General, Justice and Courts Policy Group (from 16 October 2017)	55-60 (125-130 FYE)	-	-	126	185-190	-	-	-	-	-
Justin Russell, Director General of Offender Reform and Commissioning Group	125-130	-	-	78	200-205	55-60 (120-125 FYE)	-	-	51	105-110
Michael Spurr CB, Chief Executive, HMPPS	145-150	-	-	0	145-150	145-150	-	15-20	25	185-190
Susan Acland Hood, Chief Executive, HM Courts & Tribunals Service	125-130	-	-	157	285-290	45-50 (120-125 FYE)	-	-	76	120-125

Notes to the table:

1. Richard Heaton and Mike Driver chose not to be covered by the Civil Service pension arrangements during the reporting year.

2. Mike Driver disclosed a related party during 2017-18. This is detailed in Note 27: Related party transactions.

Remuneration	2017-18			2016-17		
Non-Executive Board Members	**Fees (excluding performance related remuneration)**	**All taxable benefits (nearest £100)**	**Bonuses paid**	**Fees (excluding performance related remuneration)**	**All taxable benefits (nearest £100)**	**Bonuses paid**
	£000	£000	£000	£000	£000	£000
Sir Theodore Agnew, Lead Non-Executive Director (to 28 September 2017)	0-5 (15-20 FYE)	-	-	-	-	-
Liz Doherty[1], Audit and Risk Committee Chair and Non-Executive Director	15-20	-	-	15-20	-	-
Lizzie Noel, Non-Executive Director	10-15	-	-	10-15	-	-
Sir Martin Narey[2], Non-Executive Director (to 14 July 2017)	0-5 (10-15 FYE)	-	-	10-15	3	-

Notes to the table:

1 Liz Doherty is also the MoJ representative on the HMCTS Board. Her remuneration for that role is disclosed in the HMCTS Annual Report and Accounts.

2 Sir Martin Narry disclosed a related party during 2017-18. This is detailed in Note 27: Related party transactions.

Information disclosed above relates to the period in which the individuals were in post as Senior Managers or Non-Executive Board Members.

Since 20 April 2011 all appointed Non-Executive Board Members were entitled to an annual honorarium of £15k. Liz Doherty was entitled to an additional £5k for her duties as Chair of the Audit Committee and Sir Theodore Agnew was entitled to an additional £5k for his duties as Lead Non-Executive Board Member. None of the Non-Executive Board Members have pension entitlements with the Department.

Salary

'Salary' includes gross salary; 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. This report is based on accrued payments made by the Department and thus recorded in these Accounts. In respect of Ministers in the House of Commons, departments bear only the cost of the additional Ministerial remuneration; the salary for their services as an MP was £76,011 from 1 April 2017, and various allowances to which they are entitled are borne centrally. However, the arrangement for Ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their Ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures above.

All taxable benefits

Taxable benefits include all benefits in kind and taxable cash benefits. The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument. Benefits recognised relate to travel and subsistence. Benefits in kind are an estimate, as the final value is to be agreed between the Secretary of State for Justice and HM Revenue and Customs.

Bonuses

Permanent Secretary bonuses are determined by the Permanent Secretary Remuneration Committee within Cabinet Office.

Bonuses for SCS Payband 3 are determined by the Permanent Secretary, with the advice of the Nomination Committee, which is chaired by the Permanent Secretary and includes a Non-Executive Director and the Group Human Resources (HR) Director. Bonuses are subject to in year performance, following Cabinet Office guidance. The policy for Non-consolidated Performance Related Pay remains that such payments should be restricted to the top 25% of performers.

The bonuses reported in 2017-18 relate to performance in 2016-17 and the comparative bonuses reported for 2016-17 relate to the performance in 2015-16.

Pension entitlements

Ministerial pensions (audited)

Pension Benefits

Ministers	Accrued pension at age 65 as at 31 March 2018	Real increase in pension at age 65	CETV at 31 March 2018	CETV at 31 March 2017	Real increase/ (decrease) in CETV
	£000	£000	£000	£000	£000
The Rt Hon Elizabeth Truss MP, Lord Chancellor and Secretary of State for Justice (to 10 June 2017)	5-10	0-2.5	54	51	1
The Rt Hon David Lidington, Lord Chancellor and Secretary of State for Justice (from 10 June 2017 to 8 January 2018)	5-10	0-2.5	133	117	7
The Rt Hon David Gauke MP, Lord Chancellor and Secretary of State for Justice (from 8 January 2018)	5-10	0-2.5	72	69	2
The Rt Hon Sir Oliver Heald QC MP, Minister of State at the Ministry of Justice (to 11 June 2017)	0-5	0-2.5	92	90	1
Dominic Raab MP, Minister of State at the Ministry of Justice (from 12 June 2017 to 9 January 2018)	n/a	n/a	n/a	n/a	n/a
Sam Gyimah MP, Parliamentary Under Secretary of State (to 9 January 2018)	0-5	0-2.5	19	15	1
Dr Phillip Lee MP, Parliamentary Under Secretary of State	0-5	0-2.5	8	3	2
Rory Stewart OBE MP, Minister of State for Justice (from 9 January 2018)	0-5	0-2.5	21	19	1
Lucy Frazer QC MP, Parliamentary Under Secretary of State for Justice (from 9 January 2018)	0-5	0-2.5	1	0	1

Notes to the table: Information disclosed above relates to the full year, whereas dates included above relate to the period in which the individuals were in post as Ministers.

Ministerial pension benefits

Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund. The scheme is made under statute and the rules are set out in the Rules of the Parliamentary Contributory Pension Fund (Ministers' etc. Pension Scheme 2015).

Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). A new MP's pension scheme was introduced from May 2015, although members who were MPs and aged 55 or older on 1 April 2013 have transitional protection to remain in the previous MP's final salary pension scheme.

Benefits for Ministers are payable from State Pension age under the 2015 scheme. Pensions are revalued annually in line with Pensions Increase legislation both before and after retirement. The contribution rate from May 2015 is 11.1% and the accrual rate is 1.775% of pensionable earnings.

The figure shown for pension value includes the total pension payable to the member under both the pre- and post-2015 Ministerial pension schemes.

Cash Equivalent Transfer Value of ministerial pensions

This 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 Cash Equivalent Transfer Value 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 pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total Ministerial service, not just their current appointment as a Minister. Cash Equivalent Transfer Values 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.

Real increase in Cash Equivalent Transfer Value on ministerial pensions

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 Minister. It is worked out using common market valuation factors for the start and end of the period.

Accountability

Civil Service pensions (audited)

Pension Benefits

Senior Managers	Accrued pension and related lump sum at pension age as at 31 March 2018	Real increase in pension and related lump sum at pension age	CETV at 31 March 2018	CETV at 31 March 2017	Real increase/ (decrease) in CETV
	£000	£000	£000	£000	£000
Richard Heaton CB, Permanent Secretary[1]	n/a	n/a	n/a	n/a	n/a
Mike Driver, Chief Financial Officer[1]	n/a	n/a	n/a	n/a	n/a
Matthew Coats CB, Chief Operating Officer	60-65	2.5-5	1,007	922	23
Catherine Lee CBE, Director General, Justice and Courts Policy Group (to 31 May 2017)	45-50 plus a lump sum of 135-140	0-2.5 plus a lump sum of 0-2.5	1,043	1,037	0
Scott McPherson, Interim Director General, Justice and Courts Policy Group (from 31 May 2017 to 15 October 2017)	25-30 plus a lump sum of 70-75	0-2.5 plus a lump sum of 0-2.5	421	396	18
Mark Sweeney, Director General, Justice and Courts Policy Group (from 16 October 2017)	25-30 plus a lump sum of 75-80	5-7.5 plus a lump sum of 12.5-15	411	325	76
Justin Russell, Director General of Offender Reform and Commissioning Group	25-30	2.5-5	400	325	48
Michael Spurr CB, Chief Executive, HMPPS	65-70 plus a lump sum of 200-205	0-2.5 plus a lump sum of 0-2.5	1,423	1,340	-8
Susan Acland Hood, Chief Executive, HM Courts & Tribunals Service	40-45	7.5-10	461	352	81

Notes to the table:

[1] Richard Heaton and Mike Driver chose not to be covered by the Civil Service pension arrangements during the reporting year.

Civil Service pension benefits

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. The PCSPS has four sections: three 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 4.6% and 8.05% for members of **classic**, **premium**, **classic plus**, **nuvos** and **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 in 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 8% and 14.75% (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 0.5% of pensionable salary 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 www.civilservicepensionscheme.org.uk.

Cash Equivalent Transfer Value (CETV) of Civil Service pensions

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out 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.

Real increase in Cash Equivalent Transfer Value on Civil Service pensions

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Pay multiples (as at 31 March 2018)

This section has been subject to audit.

	2017-18	2016-17
Band of highest paid director's total remuneration (£000)	190-195	180-185
Median total remuneration (£)	25,692	25,258
Ratio	7.5:1	7.2:1

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.

The banded remuneration of the highest-paid director in the Department in the financial year 2017-18 was £190-195k (2016-17: £180-185k). This was 7.5 times (2016-17: 7.2) the median remuneration of the workforce, which was £25,692 (2016-17: £25,258).

In 2017-18, 1 (2016-17: 12) members of the workforce received remuneration in excess of the highest-paid director. Remuneration ranged from £10-15k to £205-210k (2016-17: £10-15k to £235-240k). These figures exclude any severance pay in respect of compulsory redundancies and voluntary early departures disclosed on page 73.

Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and the Cash Equivalent Transfer Value of pensions. Benefits in kind have been excluded as the final value is to be agreed between the Secretary of State for Justice and HM Revenue and Customs. The omission of benefits in kind is not considered material.

Compensation for loss of office

No senior managers received compensatory payments in 2017-18 (2016-17: one compensation payment of £140,000-145,000).

Staff numbers and composition

This section has been subject to audit.

Staff costs

Departmental Group

	2017-18					2016-17
	Permanently employed staff	Other	Ministers	Special advisors	Total	Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	2,046,688	225,228	153	84	2,272,153	2,141,008
Social security costs*	213,604	1,262	16	19	214,901	194,752
Other pension costs	476,284	32	-	12	476,428	403,967
Sub Total	2,736,576	226,522	169	115	2,965,350	**2,739,727**
Early departure costs	6,370	-	-	-	6,370	19,809
Early departure provisions	(5,311)	-	-	-	(5,311)	(524)
Add inward secondments	5,076	5,093	-	-	10,169	10,038
Less recoveries in respect of outward secondments	(9,260)	-	-	-	(9,260)	(9,279)
Total Net Costs	2,733,451	231,615	169	115	2,965,350	**2,759,771**
Of which:						
Core Department and Agencies	2,616,246	205,670	169	115	2,822,200	2,628,899
NDPBs	117,205	25,945	-	-	143,150	130,872
	2,733,451	**231,615**	**169**	**115**	**2,965,350**	**2,759,771**

*The Apprenticeship Levy, implemented across England on 6 April 2017, is a new employment tax of 0.5% of the annual pay bill and these costs are included within social security costs. Further details of the Apprenticeship Levy can be found at: www.gov.uk

During the period ended 31 March 2018, £10.3 million of staff costs (2016-17: £6.0 million) have been capitalised.

The Department have disclosed information on the number of hours and associated cost to the Department of employees who were relevant unions officials during 2017-18 in Annex D.

Under the Ministerial and Other Salaries Act 1975, the salary and social security costs of the Lord Chancellor, included under Ministers above, are paid from the Consolidated Fund. In 2017-18 the Lord Chancellors' full year equivalent salary was £67,318 (2016-17: £67,505) and the associated combined social security costs were £7,977 (2016-17: £8,103).

Accountability

The PCSPS and the Civil Servant and Other Pension Scheme – known as "alpha", are unfunded multi-employer defined benefit schemes where MoJ is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2016. Details can be found in the Accounts of the Cabinet Office: Civil Superannuation at: www.gov.uk

For 2017-18, employers' contributions of £326.4 million were payable to the PCSPS (2016-17: £312.5 million) at one of four rates which ranged from 20% to 24.5% (2016-17: 20.0% to 24.5%) of pensionable pay, based on salary bands (27.9% for prison officer grades with reserved rights). The Scheme Actuary reviews employer contributions approximately 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.

In addition, employer pension contributions equivalent to 0.5% (2016-17: 0.5%) of pensionable pay were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of employees in the PCSPS.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions to partnership pension accounts were £436k (2016-17: £429k) and were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions, which are age-related, ranged from 8.00% to 14.75% (2016-17: 8.00% to 14.75%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay.

For 2017-18 employers' pension contributions and contribution rates for the LSC, Cafcass and Probation pension schemes, refer to Note 25.

100 persons (2016-17: 120 persons) retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to £409k (2016-17: £483k).

Judicial costs

Departmental Group

				2017-18	2016-17
	Senior judicial salaries	Other judicial salaries	Fee paid judiciary	Total	Total
	£000	£000	£000	£000	£000
Wages and salaries	122,919	91,670	134,270	348,859	347,008
Social security costs	16,664	12,500	14,604	43,768	42,112
Other pension costs	45,392	35,701	35,169	116,262	99,865
Total Net Costs	**184,975**	**139,871**	**184,043**	**508,889**	**488,985**

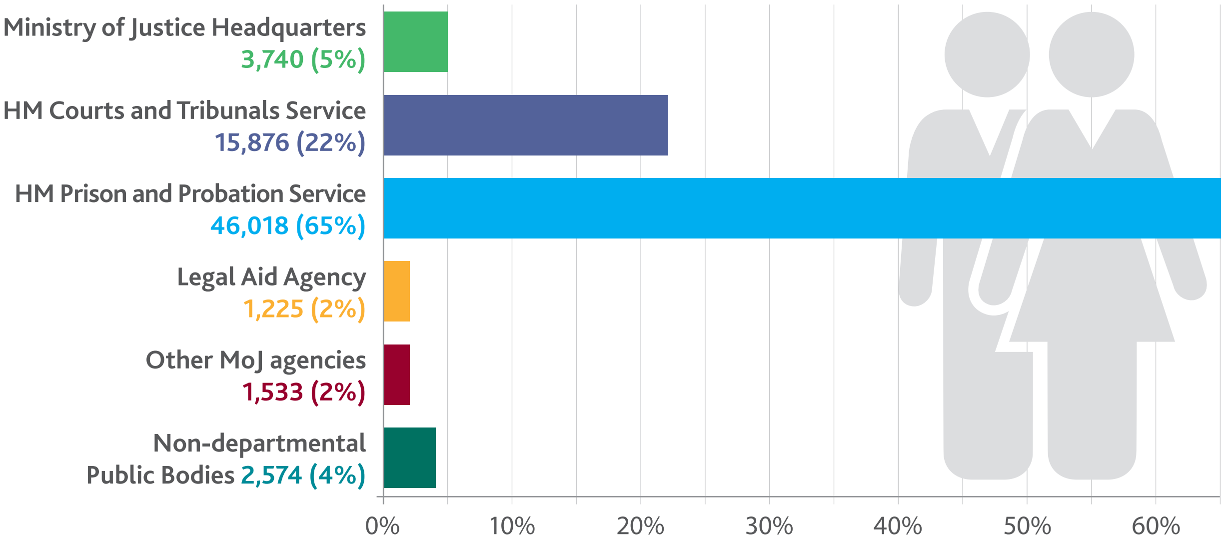
The Judicial Pension Scheme is an unfunded multi-employer defined benefit scheme which prepares its own Accounts, but for which the Department (through HM Courts & Tribunals Service) is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation is being carried out as of 31 March 2016. Details of the most recent completed valuation (as at March 2012) are available at www.gov.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% (2016-17: 38.45%).

The benefits payable are governed by the provisions of either the Judicial Pensions Regulations 2015 (for newly appointed judicial office holders after 1 April 2015 and those transferring from previous schemes); or the Judicial Pensions Act 1981 or the Judicial Pensions and Retirement Act 1993 (for those remaining in these schemes due to transitional protection). MoJ makes employer contributions to the JPS in respect of all these schemes as service is incurred.

Following a UK Supreme Court judgement in February 2013, fee paid judicial office holders are entitled to a pension equivalent to that of a salaried judicial office holder. The 2015 Scheme includes both fee paid and salaried judicial office holders. On 1 April 2017 a new Fee Paid Judicial Pension Scheme came into effect to provide pensions for eligible fee paid judicial office holders in respect of service incurred from 7 April 2000: The Department will commence making employer contributions to the JPS for this scheme in 2017-18.

Average number of full-time equivalent staff employed in the year



Accountability

Departmental Group

					2017-18	2016-17
	Permanently employed staff	Other	Ministers	Special advisers	Total	Total
MoJ Headquarters and Associated Offices						
Corporate Services	1,352.1	368.4	0.1	0.3	1,720.9	1,243.2
Law and Access to Justice	549.0	4.1	1.4	0.3	554.8	577.3
Criminal Justice	389.1	5.4	1.0	0.3	395.8	281.2
Finance, Assurance and Commercial	1,022.0	46.3	0.1	0.1	1,068.5	871.8
Agencies						
HM Courts & Tribunals Service	13,841.0	2,034.0	0.4	0.3	15,875.7	15,749.8
Office of the Public Guardian	1,085.0	172.0	0.1	0.1	1,257.2	1,206.3
HM Prison and Probation Service	44,407.0	1,610.0	0.8	0.3	46,018.1	44,428.2
Legal Aid Agency	1,195.0	29.0	0.3	0.3	1,224.6	1,386.8
Criminal Injuries Compensation Authority	276.0	-	0.1	0.1	276.2	260.2
Non-Departmental Public Bodies						
Non-Departmental Public Bodies	2,250.0	324.4	-	-	2,574.4	2,520.6
Capital Projects						
Staff engaged on capital projects	61.1	85.0	-	-	146.1	126.0
Total	**66,427.3**	**4,678.7**	**4.0**	**2.0**	**71,112.0**	**68,651.4**
Of which:						
Core Department and Agencies	64,177.3	4,354.3	4.0	2.0	68,537.6	66,130.8
NDPBs	2,250.0	324.4	-	-	2,574.4	2,520.6
	66,427.3	**4,678.7**	**4.0**	**2.0**	**71,112.0**	**68,651.4**

Ministers and special advisers are employed and paid by MoJ Headquarters. However, the Full Time Equivalent analysis for Ministers and special advisers reflects the proportion of time spent across the different functions within the Departmental Group.

From 1 April 2017, staff delivering finance, analytical services, communications, and digital and technology services in HMPPS, LAA, OPG and CICA transferred into the Core Department in order to deliver smarter working, simplified systems and processes within more collaborative and unified teams. Further information can be found in Note 31.3.

In addition, there was substantial recruitment into the prison service following a national campaign in line with a Government priority.

Average number of full-time equivalent judiciary in post in the year

Departmental Group

				2017-18	2016-17
	Senior judicial salaried	Other judicial salaried	Fee paid judiciary	Total	Total
Core Department and Agencies	877.0	847.0	1,220.0	2,944.0	2,863
Total	**877.0**	**847.0**	**2,220.0**	**2,944.0**	**2,863**

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

Civil Service and other compensation schemes - exit packages

This section has been subject to audit.

Departmental Group

			2017-18			2016-17
	Compulsory redundancies	Other departures	Total exit packages	Compulsory redundancies	Other departures	Total exit packages
Exit package cost band	Number	Number	Total number	Number	Number	Total number
< £10,000	2	32	34	2	42	44
£10,000 - £25,000	-	329	329	1	246	247
£25,001 - £50,000	-	115	115	1	161	162
£50,001 - £100,000	-	48	48	-	105	105
£100,001 - £150,000	-	4	4	-	1	1
£150,001 - £200,000	-	-	-	-	-	-
£200,001 - £250,000	-	-	-	-	-	-
£250,001 - £300,000	-	-	-	-	-	-
Total number of exit packages by type	**2**	**528**	**530**	**4**	**555**	**559**
Total cost of exit packages by type (£000)	**7**	**15,002**	**15,009**	**80**	**18,239**	**18,319**
Number of exit packages						
Of which:						
Core Department and Agencies	-	524	524	-	551	551
NDPBs	2	4	6	4	4	8

Accountability

	2017-18			2016-17		
	Compulsory redundancies	Other departures	Total exit packages	Compulsory redundancies	Other departures	Total exit packages
	2	**528**	**532**	**4**	**555**	**559**
Cost of exit packages (£000)						
Of which:						
Core Department and Agencies	-	14,905	14,905	3	18,177	18,180
NDPBs	7	97	104	77	62	139
	7	**15,002**	**15,009**	**80**	**18,239**	**18,319**

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 accordance with *IAS19 Employee Benefits* within the financial statements. The table above discloses exit packages in the year the exit package is confirmed, in accordance with the FReM. Where the Department has agreed early retirements, the additional costs are met by the Department and not by the PCSPS. Ill health retirement costs are met by the pension scheme and are not included in the table above.

Other departure exit costs include 427 medical inefficiency dismissal exit packages at a value of £12.1m (2016-17: 459 at a value of £14.3m) within payment bands not exceeding £100k (2016-17: £150k).

Spend on consultancy and temporary staff

	2017-18			2016-17		
	Core and Agencies	NDPBs	Total	Core and Agencies	NDPBs	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Consultancy	36,278	59	36,337	15,148	8	**15,156**
Temporary staff	198,576	11,101	209,677	138,602	7,663	**146,265**
Total	**234,854**	**11,160**	**246,014**	**153,750**	**7,671**	**161,421**

Our staff

Recruitment

Recruitment processes are based on the principle of selection on merit through fair and open competition, as described in the Civil Service Commission Recruitment Principles.

Strict controls on all external recruitment were introduced across the Department on 24 May 2010 (in line with wider government controls) and remain in place. These controls apply to all external recruitment of permanent, fixed term contract and agency staff.

There is an approvals process in place for which all recruitment has to be authorised by the relevant approver on behalf of the Secretary of State for Justice. This is to ensure that across the MoJ Family recruitment is consistent and the only recruitment is by exception for business critical and frontline roles.

Employment and employee involvement

The Department continues to attach importance to engaging its employees in delivering its aims and objectives. Some 7,500 staff took part in events to develop a set of values to unite us in the way work together. Finalised as Purpose, Humanity, Openness and Together and, alongside a new Justice story, serve to unite the Department around a compelling narrative.

There are a range of tools available to support colleagues to talk about and role model our values (e.g. the values toolkit, thank you e-card and values climate tool). Further, the Department centrally and individual agencies (e.g. HMCTS) have developed communications activities to keep the values alive such as posters, articles and blogs.

Managers involve staff on a day to day basis through conversations around team information boards, all staff stand up meetings in the workspace and one to one coaching and development discussions. The Department is supporting staff networks and diversity champions covering different faiths, gender, race, nationality, sexuality, disability, age, working pattern and caring responsibilities and enjoys a constructive relationship with its trade unions and 12 staff associations.

The Department was pleased to see this recognised in the 2017 Civil Service People Survey with a 2% improvement in its headline employee engagement index to 56% (from 54%) as well as across the board improvements in other score, including a 4% improvement in leadership and managing change – which was a priority area. The Department recognises there is more to do in this area as it remains in the middle of the five largest departments and below the Civil Service benchmark of 61%.

Employment of disabled persons

The Department is committed to ensuring equality of opportunity for all disabled staff, as set out in our Disability policy. We promote a culture that enables disabled staff to participate fully in working life and guidance on supporting disabled staff is provided through the Departmental Ability Manual. In practical support of this, the Civil Service Workplace Adjustment Team acts as a central point of contact for enquiries. It provides advice and support to staff and line managers on workplace adjustments for disabled staff, shares best practise and maximises performance. Information on workplace adjustments is also included in Performance Management and Attendance Management guidance for staff.

The Department is accredited to Disability Confident Employer Level 3 and as a part of that we guarantee an interview for any disabled candidates who meet the minimum criteria for a job. Disabled staff have access to targeted career development support and advice including the Coaching Squared programme and the Civil Service Learning 'Positive Action Pathway'. All staff have access to Disability Awareness, Mental Health Awareness and Unconscious Bias training. In addition, we have a network of Mental

Health Allies who are trained to provide advice and guidance to those experiencing episodes of mental ill-health, and to sign post them to appropriate specialist support where needed. This work is underpinned by our Mental Health Strategy and Action Plan.

Diversity and inclusion

Our core values: Purpose, Humanity, Open and Together, shape our approach to Diversity and Inclusion. We aim a for a workplace that is welcoming, flexible and fully inclusive, where everyone is treated with dignity and respect and valued for their own unique contributions. We also want to develop a workforce that reflects our diverse society at all levels and across the breadth of our functions and estate.

We have a Diversity and Inclusion Strategy in place that relates to staff and service users and sets out how we will drive action across all business groups. The D&I Strategy includes key staff-related actions aimed at:

- Improving the diversity of staff representation in the Senior Civil Service, and its feeder grades to ensure a strong and diverse 'pipeline' of talented staff.
- Supporting under-represented staff to build skills to support their development and potential progression, including through targeted training such as the Positive Action Pathway and Coaching Squared programmes.
- Continuing to drive up diversity data recording rates to enable better quality analysis of data that will help inform policy and planning and pinpoint more accurately where interventions should be made to support our diversity and inclusion objectives

We publish diversity information annually in our MoJ Workforce Monitoring Report. The latest report covers 2016-17 and is available at www.gov.uk

Sickness absence data

The Department reports and monitors sickness absence as the number of average working days lost. Figures reported here include the Department and its executive agencies. Figures for Non-Departmental Public Bodies have not been included. AWDL across the Department at the end of March 2018 was 8.6 compared with 9.3 at March 2017. AWDL figures include Injury Leave. Primary causes of sickness absence as reported at March 2018, (of cases where cause was known) were mental and behavioural disorders and musculoskeletal related conditions.

In January 2017, the Department moved across to the Standard Operating Platform which offered a greater self-service facility to enable managers to record sickness absence.

The Department's Wellbeing Strategy continues to support managers to address the primary causes of sickness absence. Our Mental Health Strategy and Action Plan was published in May 2017 and is supported by the rollout of a network of Mental Health Allies across the Department who will offer peer support to employees and advice to managers.

The development of our employee wellbeing offer supports a proactive approach encouraging both managers and employees to take responsibility for health and happiness at work. Our wellbeing offer and toolkits for managers support a preventative approach to reducing sickness absence which is consistent with the wider Civil Service Strategy.

The Departmental Attendance Management Policy is based on the cross government Civil Service Employee Policy and is regularly refreshed. Reducing AWDL continues to be a priority for all senior leaders. Progress is monitored regularly by the Executive Committee and other senior committees.

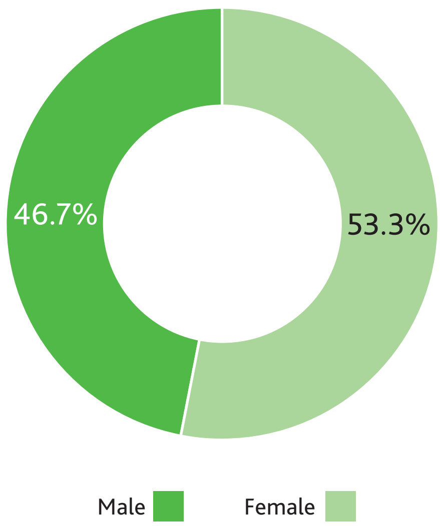
Workforce composition

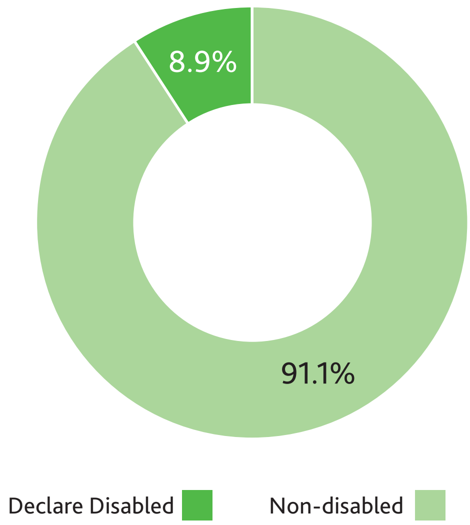
The number of staff split between male and female as at 31 March 2018

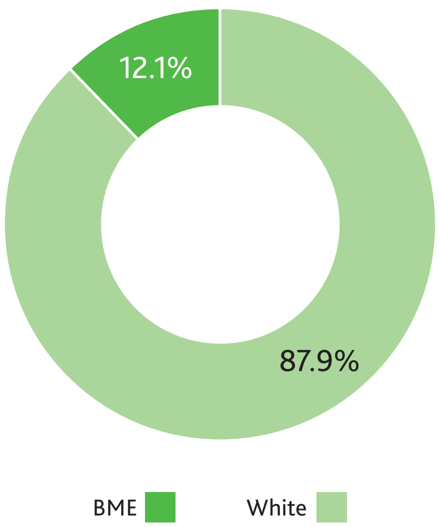
	Male	Female
Board Members	73	57
Senior Civil Service equivalent *	147	150
MoJ employees (excluding Senior Civil Service equivalent)	33,747	39,980

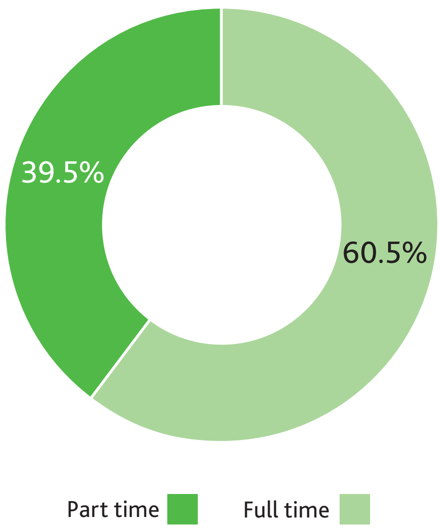
* Excludes Board members who are senior civil servants and are shown in row above.

Departmental core diversity statistics[11]









These statistics provide a snapshot of the Department's workforce, and help us understand how representative we are as a Department and where we need to focus our attention, as we work to build a fair and inclusive work environment and a workforce that at every level reflects the diverse communities we serve.

The Department publishes an annual Workforce Monitoring Report which provides more detailed statistics and analysis of the workforce. This is available at www.gov.uk.

[11] The data represents the Department and executive agencies. Disability and ethnicity data is based on declaration rates, which refer to the percentage of all staff who have provided information on their ethnicity or disability status.

Senior Civil Service (SCS) equivalent staff by band

Salary Band	SCS or equivalent within band as at 31 March 2018		SCS or equivalent within band as at 31 March 2017	
	Number	Percentage	Number	Percentage
£60,000-£70,000	80	24%	73	23%
£70,000-£80,000	68	20%	61	19%
£80,000-£90,000	61	18%	52	16%
£90,000-£100,000	75	22%	80	25%
£100,000-£110,000	23	7%	23	7%
£110,000-£120,000	8	2%	9	3%
£120,000-£130,000	9	3%	8	2%
£130,000-£140,000	4	1%	4	1%
£140,000-£150,000	6	2%	5	2%
£150,000-£160,000	-	-	-	-
£160,000-£170,000	1	-	4	1%
£170,000-£180,000	3	1%	-	-
£180,000-£190,000	1	-	2	1%
£190,000-£200,000	-	-	-	-
£200,000-£210,000	-	-	1	0%
Total	**339**	**100%**	**322**	**100%**

Off-payroll engagements

During the financial year 2017-18, the Department has reviewed all off-payroll engagements using HM Revenue and Customs guidance and on-line status indicator. Where engagements have been assessed as being within scope of the intermediaries, (IR35), legislation, the paying agency has been advised of this determination so that appropriate tax deductions are made at source from payments made in respect of the engagement.

As at 31 March 2018 the Department has produced three tables providing data on off-payroll engagements for the Core Department, executive agencies and its arm's length bodies. The tables are shown in Annex C and form part of the Accountability report.

Parliamentary Accountability

Statement of Parliamentary Supply

In addition to the primary statements prepared under International Financial Reporting Standards (IFRS), the FReM requires the Department to prepare a Statement of Parliamentary Supply (SoPS) and supporting notes, reporting outturn against the Supplementary Estimate presented to Parliament in respect of each budgetary control limit. The SoPS and related notes are subject to audit.

Summary of Resource and Capital Outturn 2017-18

								2017-18	2016-17
		Estimate			Outturn			Voted Outturn compared with Estimate: saving/ (excess)	Outturn
		Voted	Non-Voted	Total	Voted	Non-Voted	Total		Total
	Note	£000	£000	£000	£000	£000	£000	£000	£000
Departmental Expenditure Limit									
- Resource	SoPS 1.1	7,629,193	123,350	7,752,543	7,493,167	133,927	7,627,094	136,026	7,405,945
- Capital	SoPS 1.2	424,867	-	424,867	414,467	-	414,467	10,400	417,200
Annually Managed Expenditure									
- Resource	SoPS 1.1	482,001	-	482,001	45,197	-	45,197	436,804	259,354
- Capital	SoPS 1.2	-	-	-	-	-	-	-	-
Total Budget		**8,536,061**	**123,350**	**8,659,411**	**7,952,831**	**133,927**	**8,086,758**	**583,230**	**8,082,499**
Total Resource		8,111,194	123,350	8,234,544	7,538,364	133,927	7,672,291	572,830	7,665,299
Total Capital		424,867	-	424,867	414,467	-	414,467	10,400	417,200
Total		**8,536,061**	**123,350**	**8,659,411**	**7,952,831**	**133,927**	**8,086,758**	**583,230**	**8,082,499**

Net Cash Requirement 2017-18

				2017-18	2016-17
		Estimate	Outturn	Outturn compared with Estimate: saving/ (excess)	Outturn
	Note	£000	£000	£000	£000
Net cash requirement	Annex A, SoPS 3	**7,870,191**	**7,585,889**	**284,302**	7,458,318

Accountability

Administration Costs 2017-18

	2017-18		2016-17
	Estimate	Outturn	Outturn
	£000	£000	£000
Administration costs	**490,932**	**449,677**	**510,050**

Figures in the areas outlined in bold are voted totals subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the administration budget will also result in an excess vote. Due to its size the AME Estimate to outturn variance has been explained below:

AME spend is by its nature inherently volatile expenditure. The Department has a relatively small AME budget and therefore large variances are not unusual. In 2017-18 the Department budgeted for £482 million of AME and the final outturn was £45.1 million. The main reason for this underspend was that the budgeted figure made assumptions about the level of AME required which included prudent assumptions about the valuation of the estate, the level of prison and court closures announced in year and the provision needed in respect of the actuarial valuation of our pension scheme liabilities. All of these areas are highly uncertain and the actual requirement was significantly lower.

During the course of the year the Department carried out a fundamental, principles-based review of its Administration expenditure and agreed with HM Treasury to reclassify activities costing £65.125 million (net) out of Administration and into Programme. Examples of these activities include case management activity within the LAA and the CICA, prison officer recruitment costs and costs falling to the Judicial Office. The Department is continuing to discuss with HM Treasury other areas of activity where reclassification may be appropriate before any further switches can be agreed in relation to future years.

SoPS Note 3 and 4 in Annex A form part of the Statement of Parliamentary Supply. These notes are subject to audit.

SoPS 1. Net outturn

SoPS 1.1 Analysis of net resource outturn by section

							2017-18 Outturn			2017-18 Estimate	2016-17 Outturn
	Administration			Programme							
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net Total compared to Estimate	Net Total compared to Estimate adjusted for virements	Net Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limits (DEL)											
Voted expenditure											
A Policy, Corporate Services and Associated Offices	301,990	(12,775)	289,215	1,022,876	(1,188,678)	(165,802)	123,413	84,493	(38,920)	30,314	(100,454)
B HM Courts & Tribunals Service	20,454	(188)	20,266	1,641,972	(85,582)	1,556,390	1,576,656	1,694,377	117,721	650	1,565,064
C Office of the Public Guardian	56	-	56	52,501	(64,856)	(12,355)	(12,299)	(11,691)	608	664	2,092
D Youth Justice Board (net)	4,244	-	4,244	100,511	-	100,511	104,755	128,821	24,066	24,066	149,432
E Parole Board (net)	1,190	-	1,190	16,354	-	16,354	17,544	18,125	581	581	16,753
F Criminal Cases Review Commission (net)	596	-	596	4,644	-	4,644	5,240	5,393	153	153	5,349
G Judicial Appointments Commission (net)	354	-	354	4,498	-	4,498	4,852	5,082	230	230	3,622
H Office for Legal Complaints (net)	-	-	-	12,240	-	12,240	12,240	11,802	(438)	-	11,855
I Legal Services Board (net)	-	-	-	3,470	-	3,470	3,470	3,848	378	378	3,525
J Legal Aid Agency	24,465	-	24,465	1,830,118	(174,516)	1,655,602	1,680,067	1,666,788	(13,279)	9,798	1,639,385
K CICA Agency	4,857	-	4,857	162,012	(18,057)	143,955	148,812	138,628	(10,184)	-	135,229
L Children and Family Court Advisory and Support Service (net)	6,046	-	6,046	113,368	-	113,368	119,414	118,136	(1,278)	-	113,147
M HM Prison & Probation Service	100,201	(1,813)	98,388	3,863,606	(252,991)	3,610,615	3,709,003	3,765,391	56,388	69,192	3,722,864
Total Voted expenditure in DEL	**464,453**	**(14,776)**	**449,677**	**8,828,170**	**(1,784,680)**	**7,043,490**	**7,493,167**	**7,629,193**	**136,026**	**136,026**	**7,267,863**
Non-Voted expenditure											
N Higher Judiciary Judicial Salaries	75	-	75	148,332	-	148,332	148,407	139,000	(9,407)	(9,407)	152,165
O Levy Income - Legal Services Board and Office for Legal Complaints (CFER)	-	-	-	-	(14,480)	(14,480)	(14,480)	(15,650)	(1,170)	(1,170)	(14,083)
Total Non-voted expenditure in DEL	**75**	**-**	**75**	**148,332**	**(14,480)**	**133,852**	**133,927**	**123,350**	**(10,577)**	**(10,577)**	**138,082**
Total Resource DEL Spending	**464,528**	**(14,776)**	**449,752**	**8,976,502**	**(1,799,160)**	**7,177,342**	**7,627,094**	**7,752,543**	**125,449**	**125,449**	**7,405,945**

	2017-18 Outturn							2017-18 Estimate			2016-17 Outturn
	Administration			Programme							
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net Total compared to Estimate	Net Total compared to Estimate adjusted for virements	Net Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Annually Managed Expenditure Limits (AME)											
Voted expenditure											
P HM Prison & Probation Services	-	-	-	84,351	-	84,351	84,351	130,000	45,649	45,649	47,036
Q Policy, Corporate Services and Associated Offices	-	-	-	(55,692)	-	(55,692)	(55,692)	158,307	213,999	189,232	153,139
R HM Courts & Tribunals Service	-	-	-	(44,498)	-	(44,498)	(44,498)	124,546	169,044	169,044	9,644
S Criminal Cases Review Commission (net)	-	-	-	186	-	186	186	258	72	72	343
T Legal Aid Agency	-	-	-	18,401	-	18,401	18,401	50,000	31,599	31,599	37,414
U Criminal Injuries Compensation Authority	-	-	-	33,175	-	33,175	33,175	10,000	(23,175)	-	4,601
V Children and Family court Advisory and Support Service (net)	-	-	-	10,054	-	10,054	10,054	8,890	(1,164)	-	5,554
Youth Justice Board (net)	-	-	-	398	-	398	398	-	(398)	-	-
Parole Board (net)	-	-	-	(1,144)	-	(1,144)	(1,144)	-	1,144	1,144	1,052
Office of the Public Guardian	-	-	-	(64)	-	(64)	(64)	-	64	64	504
Office for Legal Complaints (net)	-	-	-	30	-	30	30	-	(30)	-	67
Total Resource AME Spending	**-**	**-**	**-**	**45,197**	**-**	**45,197**	**45,197**	**482,001**	**436,804**	**436,804**	**259,354**

SoPS 1.2 Analysis of net capital outturn by section

	2017-18 Outturn			2017-18 Estimate			2016-17 Outturn
	Gross	Income	Net Total	Total	Net Total compared to Estimate	Net Total compared to Estimate adjusted for virements	Net Total
	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limits (DEL)							
Voted expenditure							
A Policy, Corporate Services and Associated Offices	212,559	(4)	212,555	187,370	(25,185)	-	197,294
B HM Courts & Tribunals Service	159,954	(48,632)	111,322	163,451	52,129	8,272	130,998
C Office of the Public Guardian	2,332	-	2,332	3,600	1,268	1,268	1,524
D Youth Justice Board (net)	941	-	941	1,600	659	659	3,666
E Parole Board (net)	915	-	915	785	(130)	-	877
F Criminal Cases Review Commission (net)	122	-	122	205	83	83	247
G Judicial Appointments Commission (net)	147	-	147	70	(77)	-	-
H Office for Legal Complaints (net)	371	-	371	489	118	118	407
I Legal Services Board (net)	-	-	-	-	-	-	-
J Legal Aid Agency	265	-	265	-	(265)	-	9,168
K Criminal Injuries Compensation Authority	1,367	(27)	1,340	888	(452)	-	1,192
L Children and Family Court Advisory and Support Service (net)	697	-	697	-	(697)	-	-
M HM Prison & Probation Service	91,644	(8,184)	83,460	66,409	(17,051)	-	71,827
Total Voted expenditure in DEL	**471,314**	**(56,847)**	**414,467**	**424,867**	**10,400**	**10,400**	**417,200**
Non-voted expenditure							
N Higher Judiciary Judicial Salaries	-	-	-	-	-	-	-
O Levy Income - Legal Services Board and Office for Legal Complaints (CFER)	-	-	-	-	-	-	-
Total Non-voted expenditure in DEL	-	-	-	-	-	-	-
Total Capital DEL Spending	**471,314**	**(56,847)**	**414,467**	**424,867**	**10,400**	**10,400**	**417,200**
Spending in Annually Managed Expenditure Limits (AME)							
Voted expenditure							
P Policy, Corporate Services and Associated Offices	-	-	-	-	-	-	-
Q HM Prison & Probation Service	-	-	-	-	-	-	-
R Youth Justice Board (net)	-	-	-	-	-	-	-
S Parole Board (net)	-	-	-	-	-	-	-
T Criminal Cases Review Commission (net)	-	-	-	-	-	-	-
U Legal Aid Agency	-	-	-	-	-	-	-
V Criminal Injuries Compensation Authority	-	-	-	-	-	-	-
W Children and Family Court Advisory and Support Service (net)	-	-	-	-	-	-	-
HM Courts & Tribunals Service	-	-	-	-	-	-	-
Office of the Public Guardian	-	-	-	-	-	-	-
Office for Legal Complaints (net)	-	-	-	-	-	-	-
Total Capital AME Spending	**-**	**-**	**-**	**-**	**-**	**-**	**-**

SoPS 2 Reconciliation of outturn to net operating expenditure

SoPS 2.1 Reconciliation of net resource outturn to net operating expenditure

	Note	2017-18 Outturn £000	2016-17 Outturn £000
Total resource outturn in SoPS			
Voted DEL	SoPS 1.1	7,493,167	7,267,863
Non-voted DEL	SoPS 1.1	133,927	138,082
Total DEL		7,627,094	7,405,945
Total AME	SoPS 1.1	45,197	259,354
		7,672,291	**7,665,299**
Add:			
Capital grants (net of European Union contributions)		4,180	14,367
Other			
Research costs classified as capital under ESA 10		14,632	18,173
Adjustment for other capital expenditure in CSoCNE		5,811	(17)
		24,623	**32,523**
Less:			
Income payable to the Consolidated Fund (excluding non-voted levy income)		(1,013)	(25,809)
Other			
Private Finance Initiatives adjustments		(3,994)	750
		(5,007)	**(25,059)**
Net Operating Expenditure in CSoCNE		**7,691,907**	**7,672,763**

Regularity of expenditure

Losses and special payments

This section has been subject to audit.

Losses statement

Values	31 March 2018 Core Department & Agencies	31 March 2018 Departmental Group	31 March 2017 Core Department & Agencies	31 March 2017 Departmental Group
	£000	£000	£000	£000
Cash losses	799	799	1,470	1,470
Claims abandoned	6,043	6,043	63	63
Administrative write-offs	2,300	2,305	7,019	7,024
Fruitless payments	2,473	2,529	802	873
Store losses	1,914	1,914	2,079	2,079
Constructive losses	10,060	10,060	5,316	5,788
Total value of losses	23,589	23,650	**16,749**	**17,297**

Numbers	31 March 2018 Core Department & Agencies	31 March 2018 Departmental Group	31 March 2017 Core Department & Agencies	31 March 2017 Departmental Group
Cash losses	1,641	1,641	2,044	2,044
Claims abandoned	53	53	46	46
Administrative write-offs	1,774	1,776	4,338	4,341
Fruitless payments	16	46	35	63
Store losses	11,696	11,696	9,808	9,808
Constructive losses	3	3	5	6
Total number of losses	15,183	15,215	**16,276**	**16,308**

In 2017-18 there were five losses (2016-17: six) over £300k as follows:

- A constructive loss of £1,414,922 for sunk costs relating to the cessation of the HMP Rye Hill project. The decision was made to terminate the project after a review identified that the progression of Rye Hill no longer aligned with the Prison Estate Transformation Programme's strategic requirements, particularly in terms of value for money. The loss includes abortive costs and the impairment of assets under construction;
- An abandoned claim of £5,983,000 for recoveries from CRCs which were written off in HMPPS. The monthly Fee For Service (FFS) payments to CRCs are based on estimated offender volumes. At the end of each contract year, actual volumes are calculated and recoveries made where volumes are lower than

estimated. New assumptions applied to the FFS payments resulted in HMPPS waiving sums that had not yet been recovered from CRCs;

- Cash loses include overpayments to 69 HMPPS staff of £354,115. Exit overpayments made to staff were written off under the advice of the Cabinet Office and with approval from the Accounting Officer. During 2017-18, the Government lost a Judicial Review against the changes made to the calculation and upper tariffs applied within the Civil Service Compensation Scheme, the result being that the current lawful terms for compensation are those included within the previous 2010 terms. For all those who exited under the 2016 terms their exit payments were reworked under 2010 terms.
- The Core Department recognised a constructive loss of £5.96m arising from contract payments to a supplier for IT assets that were no longer required by the Technology Transition Programme.
- A constructive loss of £4.1m was also recognised in the Core Department in respect of a settlement claim paid to a departmental supplier following the national roll-out and upgrade of network services. The claim was in respect of delays attributed to the department that resulted in additional costs incurred by both the contractor and its subcontractors.

Special payments

	31 March 2018		31 March 2017	
Values	**Core Department & Agencies**	**Departmental Group**	**Core Department & Agencies**	**Departmental Group**
	£000	£000	£000	£000
Compensation payments	27,445	27,900	35,481	36,454
Ex gratia	1,568	1,568	1,168	1,168
Extra-contractual payments	33	128	499	542
Extra-statutory and extra-regulatory payments	-	-	-	-
Special severance payments	-	-	-	-
Total value of special payments	**29,046**	**29,596**	**37,148**	**38,164**

	31 March 2018		31 March 2017	
Numbers	**Core Department & Agencies**	**Departmental Group**	**Core Department & Agencies**	**Departmental Group**
Compensation payments	6,623	6,994	7,642	8,222
Ex gratia	9,907	9,907	1,651	1,651
Extra-contractual payments	396	398	387	388
Extra-statutory and extra-regulatory payments	-	-	-	-
Special severance payments	-	-	-	-
Total number of special payments	**16,926**	**17,299**	**9,680**	**10,261**

In 2017-18 there were six (2016-17: two) special payments over £300k.

- Six compensation payments were made to operational members of HMPPS staff injured in the course of their duties: £2,792,574, £919,310, £750,000, £490,147, £405,000, and £318,927.

Gifts and hospitality

Details of the Department's ministers, directors general, permanent secretary and special advisers' gifts, hospitality, travel and meetings can be found at www.gov.uk.

Fees and charges

This section has been subject to audit.

The Department is required, in accordance with HM Treasury's *Managing Public Money*, to disclose results for the areas of its activities where fees and charges are levied. The analysis provided below is for fees and charges purposes and is not intended to meet the requirements of *IFRS 8 Operating Segments*.

					2017-18	2016-17
	Gross income net of remissions	Full cost	Surplus/ (deficit)	Fee recovery actual	Fee recovery target	Fee recovery actual
	£000	£000	£000	%	%	%
Office of the Accountant General	1,231	6,138	(4,907)	20%	100%	29%
Official Solicitor and Public Trustee						
Litigation	1,665	7,398	(5,733)	23%	n/a	37%
Trust and Estates	598	643	(45)	93%	n/a	63%
HM Courts & Tribunals Service						
Family	165,442	200,988	(35,546)	82%	100%	100%
Civil	566,041	449,836	116,205	126%	100%	138%
Asylum & Immigration	7,328	110,098	(102,770)	7%	n/a	11%
Other Tribunals	1,438	15,000	(13,562)	10%	n/a	9%
Employment Tribunals	2,360	63,159	(60,799)	4%	n/a	20%
Office of the Public Guardian	66,199	65,240	959	101%	100%	148%
Legal Services Board	3,470	3,470	-	100%	100%	100%
Office for Legal Complaints	11,119	11,119	-	100%	100%	100%
	826,891	**933,089**	**(106,198)**			

Operating Segment	Details
Office of the Accountant General	The Office of the Accountant General invests money on behalf of its clients in the Court Funds Investment Account, which earns interest at the Bank of England Base Rate, or in the Equity Index Tracker Fund for long term investments. Clients do not pay fees for investment services but the operational costs of OAG are paid out of the surplus interest earned on their funds. OAG is therefore intended to run at nil net cost to the MoJ Vote and in terms of the principles of cost recovery should be 100% self-funding. Due to the reduction of the Bank of England base rate to 0.25% in 2016-17, interest earned on client funds in the CFIA was not sufficient to cover client interest payable and the administrative costs of OAG. OAG therefore called the Department, to provide funding to ensure a breakeven position. The long-term funding model is currently being reviewed by OAG as part of a Strategic Review of the Court Funds Office.
Official Solicitor and the Public Trustee	The Official Solicitor's litigation services continue to be largely publicly funded due to the nature of the cases dealt with. However, where appropriate to do so, the Official Solicitor charges clients at full cost for services provided. The Official Solicitor and the Public Trustee charge for their work in administering Trusts and Estates cases. The T&E caseload continues to diminish as cases are only now accepted on the basis of 'last resort'. As at 31 March 2018 the T&E caseload was 161 (115 OS & 46 PT) (2016-17: 173). The fee income associated with Public Trustee cases is capped by a Fees Order and there are some cases for which the OSPT is not empowered to charge fees. The Public Trustee also processes Title on Death applications under Law of Property Act, for which he charges £40 per application. The Official Solicitor also deals with various civil, family and Court of Protection (COP) litigation cases. The family cases and the majority of civil matters are publicly funded, while the COP work recovers approximately 60% of its cost. The budget allocation to the OSPT also covers the cost of the Lord Chancellor's Reciprocal Enforcement & Maintenance Orders team and the International Child Abduction and Contact Unit. This service is publicly funded in full.
HM Courts & Tribunals Service	HMCTS collects and reports upon fee charges, at rates that appear in statutory instrument fees orders. Section 180 of the Anti-social Behaviour, Crime and Policing Act 2014 gives the Lord Chancellor, with consent of the Treasury, the statutory power to set certain court and tribunal fees above cost recovery levels. The income generated must be reinvested back into the courts and tribunals service. Government introduced enhanced fee charging for money claims on 9 March 2015, and further enhanced fees including divorce, civil and some tribunals in March, April and July 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. A fees strategy review is underway to seek to balance the interests of all court and tribunal users and the taxpayer in the wider context of funding for the system overall. HMCTS reports on both the civil and tribunal 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). Tribunal business contains two business streams: immigration and asylum, and other fee charging special tribunals (including lands, residential property, gambling and gender recognition). Further detail regarding current fees orders can be found within the HMCTS Annual Report and Accounts. Following the UK Supreme Court judgment that quashed that the Employment Tribunals and the Employment Appeal Tribunal Fees Order 2013/1893, a repayment scheme has been implemented for Employment Tribunal fees. Further details are provided in the Repayment Schemes section below.

Operating Segment	Details
Office of the Public Guardian	The Mental Capacity Act 2005 provides for fees to be charged for proceedings brought in relation to the functions carried out by the Public Guardian. The levels of charges are contained in two Statutory Instruments as well as the Lasting Powers of Attorney, Enduring Powers of Attorney, Public Guardian Regulations 2007 and the Public Guardian (fees etc) Regulations 2007. Following a review of the fees charged in the previous four years, a repayment scheme has been implemented with regards to the Power of Attorney fee. Further details are provided in the Repayment Schemes section below.
Legal Services Board and Office for Legal Complaints	Legal Services Board and the Office for Legal Complaints income relates to levies receipted from approved regulators. This income is surrendered to the Consolidated Fund in line with the Legal Services Act 2007. In return, LSB and OLC receive Grant in Aid funding from the MoJ Core Department equal to the income surrendered.
Category	**Details**
Repayment Schemes	There are two active repayment schemes currently in operation. ▪ On 26 July 2017, the UK Supreme Court handed down a judgment that quashed that the Employment Tribunals and the Employment Appeal Tribunal Fees Order 2013/1893. The Lord Chancellor has committed to refunding the fees taken to those who paid them. HMCTS is currently undertaking activities to contact users of the Employment Tribunals and Employment Appeal Tribunal who may be able to claim a refund of their fee. HMCTS has recognised a provision of £9.2m and a contingent liability of £16.5m in respect of these fee refunds, including an estimate of the interest payable. At the reporting date £7.1m of fees had been refunded; ▪ An analysis performed internally identified that the OPG was charging fees in excess of costs. To ensure compliance with Managing Public Money, a full review of the Power of Attorney fee was performed to investigate the level of historic over-recovery and as a result, a repayment scheme was announced and a provision of £89m was recognised. On 1 February 2018 the Department launched the repayment scheme for those customers that had been overcharged and at the reporting date, £1.8m, reflecting approximately 128,000 refunds of fees, had been repaid. This amount includes £42k in interest payments. Further details can be found at www.gov.uk
Fee Review Outcomes	During the year as part of our fee review work we identified a number of cases where HMCTS fees charged were above full cost recovery levels. The fees were prescribed in secondary legislation, with the intention was that they shouldbe set at, or below, full cost recovery levels. The review however, established that they had unintentionally been set above full cost recovery levels unintentionally. These issues affect the fees charged for certain proceedings in the Court of Protection, a small number of civil proceedings in the magistrates' courts, fees for general applications in insolvency proceedings and the fees charged for High Court judges sitting as arbitrators. Further fees were charged in error where secondary legislation was incorrectly interpreted. These fees were the fees to commence certain low value personal injury claims, known as "stage 3" claims. Revised guidance on the fees to be charged in these cases were issued in March 2018. A Written Ministerial Statement in July 2018 announces that a statutory instrument was laid before Parliament reducing those fees which are set above cost to their full cost recovery levels, and that a refund scheme will be established to reimburse the amounts overcharged in both cases. To minimise the risk of this issue re-occurring in the future we have put in place more robust arrangements, under which fees will be reviewed more regularly against cost, and will be subject to more senior oversight.

Remote contingent Liabilities

As required by Managing Public Money, in addition to contingent liabilities disclosed in accordance with IAS 37 in Note 17 to the Accounts, HMPPS discloses, for Parliamentary reporting and accountability purposes, certain statutory and non-statutory contingent liabilities where the likelihood of transfer of economic benefit is remote. This section has been subject to audit.

Heathrow Airport Holdings Limited indemnity: Assurance has been given to Heathrow Airport Holdings Limited and other third parties (e.g. airlines) which may be affected by the operations of HM Prison and Probation Service. The likelihood of a liability arising from these contingencies is considered to be remote.

The assurance covers the following amounts:

- Up to £50 million for damage or injury per incident to third parties caused airside in the event of negligence of HMPPS.
- Up to £250 million to damage or injury to third parties per incident in the event of negligence by HMPPS whilst on board an aeroplane.
- Personal accident and/or sickness for HMPPS staff whilst on escorting duties.

Privately managed prisons: HMPPS would be liable as underwriter or last resort to meet certain losses incurred by the privately managed prisons.

Local Government Pension Scheme Guarantee: The Secretary of State for Justice has provided a guarantee to the Greater Manchester Pension Fund in respect of the CRCs' participation in the GMPF for pension liabilities that transferred to the CRCs.

The responsibility for funding the past service liabilities associated with the original employees who are deferred or pensioner members of the LGPS transferred to HMPPS under the Secretary of State for Justice.

Richard Heaton
Accounting Officer

29 June 2018

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

Opinion on financial statements

I certify that I have audited the financial statements of the Ministry of Justice and of its Departmental Group for the year ended 31 March 2018 under the Government Resources and Accounts Act 2000. The Department consists of the core Department and its agencies. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2017. The financial statements comprise: the Department's and Departmental Group's 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 Statement of Parliamentary Supply and the related notes, and the information in the Remuneration and Staff Report and the Parliamentary Accountability disclosures within the Accountability Report that is described in those reports and disclosures as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Department's and the Departmental Group's affairs as at 31 March 2018 and of the Department's net operating cost and Departmental Group's 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 regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2018 and shows that those totals have not been exceeded; and
- the income and expenditure 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.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Department in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Accounting Officer for the financial statements

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.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Department's and the Departmental Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Department's and the Departmental Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also 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.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the Department and the Departmental Group and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance and Accountability Reports 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 Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

5 July 2018

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

Financial Statements

Financial Statements

Consolidated Statement of Comprehensive Net Expenditure

for the year ended 31 March 2018

	Note	2017-18 Core Department & Agencies £000	2017-18 Departmental Group £000	2016-17 Core Department & Agencies £000	2016-17 Departmental Group £000
Income from sale of goods and services	3	(67,378)	(67,378)	(62,360)	(62,360)
Other operating income	4	(1,692,064)	(1,698,339)	(1,770,028)	(1,750,799)
Total Operating Income		**(1,759,442)**	**(1,765,717)**	**(1,832,388)**	**(1,813,159)**
Staff costs	5	2,822,200	2,965,350	2,628,899	2,759,771
Judicial costs	5	508,889	508,889	488,985	488,985
Purchase of goods and services	6	2,100,364	2,122,974	2,073,608	2,089,392
Depreciation, amortisation and impairment charges	7	438,073	442,578	671,073	675,916
Provision expense	8	1,994,446	1,994,332	2,018,399	2,019,933
Net (gain)/loss on disposal of assets	9	(51,967)	(51,846)	(1,602)	(1,589)
Revaluation of non-current and financial assets	10	(45,664)	(45,664)	(56,962)	(56,962)
Other operating expenditure	11	1,632,410	1,436,361	1,585,307	1,417,635
Total Operating Expenditure		**9,398,751**	**9,372,974**	**9,407,707**	**9,393,081**
Net Operating Expenditure before financing		**7,639,309**	**7,607,257**	**7,575,319**	**7,579,922**
Finance expense	12	73,002	77,829	75,765	81,430
Borrowing cost on provisions		6,823	6,816	11,390	11,407
Net Operating Expenditure before tax		**7,719,134**	**7,691,902**	**7,662,474**	**7,672,759**
Taxation		-	5	-	4
Net Operating Expenditure		**7,719,134**	**7,691,907**	**7,662,474**	**7,672,763**
Non-operating activities					
Net (gain)/loss on transfers by absorption	31	(56,779)	-	-	-
Net Expenditure for the year ended 31 March 2018		**7,662,355**	**7,691,907**	**7,662,474**	**7,672,763**
Other Comprehensive Net Expenditure					
Items that will not be reclassified to operating expenditure:					
Net (gain)/loss on revaluation of:					
Property, plant and equipment		(875,539)	(875,572)	(591,999)	(593,310)
Intangible assets		(3,884)	(4,100)	(14,087)	(14,790)
Assets held for sale		-	-	399	399
Remeasurement of pension schemes:					
Cafcass pension scheme		-	(9,601)	-	20,057
LSC pension scheme		(24,184)	(24,184)	(5,592)	(5,592)
By-analogy pension schemes		(158)	(462)	623	973
Probation pension schemes		(171,492)	(171,492)	341,287	341,287
Total Comprehensive Net Expenditure for the year ended 31 March 2018		**6,587,098**	**6,606,496**	**7,393,105**	**7,421,787**

The notes on pages 101 to 154 form part of these Accounts.

Consolidated Statement of Financial Position

as at 31 March 2018

	Note	31 March 2018 Core Department & Agencies £000	31 March 2018 Departmental Group £000	31 March 2017 Core Department & Agencies £000	31 March 2017 Departmental Group £000
Non-current assets					
Property, plant and equipment	13	11,449,226	11,452,822	10,629,192	10,701,144
Intangible assets	14	449,135	461,500	388,425	393,467
Investments		529	529	467	467
LSC pension net asset	25	102,427	102,427	76,652	76,652
Trade and other receivables	16	1,280	1,281	2,953	2,954
Total non-current assets		**12,002,597**	**12,018,559**	**11,097,689**	**11,174,684**
Current assets					
Assets held for sale	15	102,166	102,166	33,960	33,960
Inventories		49,204	49,204	42,471	42,471
Trade and other receivables	16	565,730	567,555	563,531	542,529
Cash and cash equivalents	17	190,532	222,750	232,658	276,928
Total current assets		**907,632**	**941,675**	**872,620**	**895,888**
Total assets		**12,910,229**	**12,960,234**	**11,970,309**	**12,070,572**
Current liabilities					
Trade and other payables	18	(1,369,717)	(1,380,884)	(1,482,072)	(1,500,745)
Bank overdraft	17	-	-	-	-
Provisions	19	(837,917)	(840,731)	(848,885)	(852,134)
Total current liabilities		**(2,207,634)**	**(2,221,615)**	**(2,330,957)**	**(2,352,879)**
Total assets less current liabilities		**10,702,595**	**10,738,619**	**9,639,352**	**9,717,693**
Non-current liabilities					
Trade and other payables	18	(690,035)	(690,035)	(745,805)	(757,540)
Provisions	19	(789,904)	(790,446)	(734,068)	(734,833)
Cafcass pension net liability	25	-	(192,236)	-	(191,853)
By-analogy pension liabilities		(2,235)	(8,768)	(5,820)	(12,746)
Probation pension net liability	25	(1,500,399)	(1,500,399)	(1,578,376)	(1,578,376)
Total non-current liabilities		**(2,982,573)**	**(3,181,884)**	**(3,064,069)**	**(3,275,348)**
Assets less liabilities		**7,720,022**	**7,556,735**	**6,575,283**	**6,442,345**
Taxpayers' equity					
General Fund		3,806,046	3,641,342	3,439,304	3,280,772
Revaluation Reserve		3,913,976	3,915,393	3,135,979	3,161,573
Total taxpayers' equity		**7,720,022**	**7,556,735**	**6,575,283**	**6,442,345**

The notes on pages 101 to 154 form part of these Accounts.

Richard Heaton
Accounting Officer
29 June 2018

Consolidated Statement of Cash Flows

for the year ended 31 March 2018

	Note	2017-18 Core Department & Agencies £000	2017-18 Departmental Group £000	2016-17 Core Department & Agencies £000	2016-17 Departmental Group £000
Cash flows from operating activities					
Net operating expenditure	CSoCNE	(7,719,134)	(7,691,907)	(7,662,474)	(7,672,763)
Adjustments for non-cash transactions		2,398,263	2,444,077	2,689,391	2,722,721
Finance costs/(income)		17,659	17,659	18,851	18,851
Movements in pensions		51,622	56,690	1,701	1,728
(Increase)/decrease in trade and other receivables	16	(526)	(23,353)	(126,002)	(114,576)
Less: Movements in receivables not passing through the CSoCNE and receivable impairments		(15,698)	(15,698)	(15,951)	(15,952)
(Increase)/decrease in inventories		(6,733)	(6,733)	(3,701)	(3,701)
(Decrease)/increase in trade and other payables	18	(168,125)	(187,366)	(84,036)	(68,601)
Less: Movements in payables relating to items not passing through the CSoCNE		80,545	66,610	(36,348)	(49,885)
Utilisation of provisions	19	(1,983,392)	(1,983,927)	(1,936,099)	(1,936,604)
Intra-departmental adjustment through SoCiTE (between MoJ Core and Agencies)		22,647	-	-	-
Net cash outflow from operating activities		**(7,322,872)**	**(7,323,948)**	**(7,154,668)**	**(7,118,782)**
Cash flows from investing activities					
Purchase of property, plant and equipment		(308,983)	(310,817)	(262,491)	(266,460)
Purchase of intangible assets		(140,809)	(142,508)	(116,074)	(117,017)
Proceeds on disposal of property, plant and equipment		11,257	11,257	14,800	14,800
Proceeds on disposal of assets held for sale		97,257	97,257	23,336	23,336
Net cash outflow from investing activities		**(341,278)**	**(344,811)**	**(340,429)**	**(345,341)**
Cash flows from financing activities					
From the Consolidated Fund (Supply)		7,568,000	7,568,000	7,496,100	7,496,100
From the Consolidated Fund (Non-Supply)		148,407	148,407	152,163	152,163
Advances from the Contingencies Fund		-	-	-	-
Repayments to the Contingencies Fund		-	-	-	-
Machinery of Government transfers	CSoCiTE	-	-	-	-
Capital element of finance leases and on-balance sheet Private Finance Initiative (PFI) contracts		(35,027)	(42,470)	(54,662)	(70,712)
Repayment of local authority loans		(1,969)	(1,969)	(1,970)	(1,970)
Movement in third party balances		-	-	(1)	(1)
Interest paid		(17,659)	(17,659)	(18,851)	(18,851)
Net cash inflow from financing activities		**7,661,752**	**7,654,309**	**7,572,779**	**7,556,729**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**(2,398)**	**(14,450)**	**77,682**	**92,606**
Payments of amounts due to the Consolidated Fund		(39,728)	(39,728)	(15,477)	(15,477)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**(42,126)**	**(54,178)**	**62,205**	**77,129**
Cash and cash equivalents at the beginning of the period	17	**232,658**	**276,928**	**170,453**	**199,799**
Transfer out of boundary		-	-	-	-
Cash and cash equivalents at the end of the period	17	**190,532**	**222,750**	**232,658**	**276,928**

The notes on pages 101 to 154 form part of these Accounts.

Financial Statements

Consolidated Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2018

		Core Department & Agencies			Departmental Group		
		General fund	Revaluation reserve	Total reserves	General fund	Revaluation reserve	Total reserves
	Note	£000	£000	£000	£000	£000	£000
Balance at 1 April 2017		**3,439,304**	**3,135,979**	**6,575,283**	**3,280,772**	**3,161,573**	**6,442,345**
Net Parliamentary Funding – drawn down		7,568,000	-	7,568,000	7,568,000	-	7,568,000
Net Parliamentary Funding – deemed		193,228	-	193,228	193,228	-	193,228
Unspent Supply drawn down repayable to the Consolidated Fund		(175,339)	-	(175,339)	(175,339)	-	(175,339)
Consolidated Fund Standing Services							
- Judicial salaries		139,304	-	139,304	139,304	-	139,304
- Lord Chancellor's salary		75	-	75	75	-	75
- Utilisation of Judicial Service Award		9,028	-	9,028	9,028	-	9,028
CFERs payable to the Consolidated Fund		(1,013)	-	(1,013)	(15,493)		(15,493)
Net expenditure for the year	CSoCNE	(7,662,355)	-	(7,662,355)	(7,691,907)	-	(7,691,907)
Net gain/(loss) on revaluation of							
- Property, plant and equipment		-	875,539	875,539	-	875,572	875,572
- Intangible assets		-	3,884	3,884	-	4,100	4,100
- Assets held for sale		-	-	-	-	-	-
Remeasurement of pension schemes							
- Cafcass pension scheme	25	-	-	-	9,601	-	9,601
- LSC pension scheme	25	24,184	-	24,184	24,184	-	24,184
- By-analogy pension schemes		158	-	158	462	-	462
- Probation pension schemes	25	171,492	-	171,492	171,492	-	171,492
Non-cash adjustment							
- Auditors' remuneration	6	1,408	-	1,408	1,408	-	1,408
- Corporate overhead charges	11	(4,151)	-	(4,151)	-	-	-
Movements in reserves							
- Transfers from Revaluation Reserve		101,426	(125,234)	(23,808)	125,852	(125,852)	-
- Absorption accounting transfers between reserves		9,616	23,808	33,424	-	-	-
Adjustment in respect of prior periods		519	-	519	518	-	518
Intra-departmental adjustment		(8,995)	-	(8,995)	-	-	-
Other		157	-	157	157	-	157
Balance at 31 March 2018		**3,806,046**	**3,913,976**	**7,720,022**	**3,641,342**	**3,915,393**	**7,556,735**

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2017

		Core Department & Agencies			Departmental Group		
		General fund	Revaluation reserve	Total reserves	General fund	Revaluation reserve	Total reserves
	Note	£000	£000	£000	£000	£000	£000
Balance at 1 April 2016		**3,666,624**	**2,721,677**	**6,388,301**	**3,545,881**	**2,746,133**	**6,292,014**
Net Parliamentary Funding – drawn down		7,496,100	-	7,496,100	7,496,100	-	7,496,100
Net Parliamentary Funding – deemed		155,446	-	155,446	155,446	-	155,446
Unspent Supply drawn down repayable to the Consolidated Fund		(193,228)	-	(193,228)	(193,228)	-	(193,228)
Consolidated Fund Standing Services			-			-	
- Judicial salaries		142,515	-	142,515	142,515	-	142,515
- Lord Chancellor's salary		92	-	92	92	-	92
- Utilisation of Judicial Service Award		9,556	-	9,556	9,556	-	9,556
CFERs payable to the Consolidated Fund		(25,809)	-	(25,809)	(39,892)	-	(39,892)
Net expenditure for the year	CSoCNE	(7,662,474)	-	(7,662,474)	(7,672,763)	-	(7,672,763)
Net gain/(loss) on revaluation of							
- Property, plant and equipment		-	591,999	591,999	-	593,310	593,310
- Intangible assets		-	14,087	14,087	-	14,790	14,790
- Assets held for sale		-	(399)	(399)	-	(399)	(399)
Remeasurement of pension schemes							
- Cafcass pension scheme	25	-	-	-	(20,057)	-	(20,057)
- LSC pension scheme	25	5,592	-	5,592	5,592	-	5,592
- By-analogy pension schemes		(623)	-	(623)	(973)	-	(973)
- Probation pension schemes	25	(341,287)	-	(341,287)	(341,287)	-	(341,287)
Non-cash adjustment							
- Auditors' remuneration	6	1,393	-	1,393	1,393	-	1,393
- Corporate overhead charges	11	(5,908)	-	(5,908)	-	-	-
Movements in reserves							
- Transfers from Revaluation Reserve		191,384	(191,384)	-	192,260	(192,260)	-
Adjustment in respect of prior periods		(69)	(1)	(70)	137	(1)	136
Balance at 31 March 2017		**3,439,304**	**3,135,979**	**6,575,283**	**3,280,772**	**3,161,573**	**6,442,345**

The notes on pages 101 to 154 form part of these Accounts.

Notes to the Accounts for the year ended 31 March 2018

1a) Statement of accounting policies

1.1 Basis of preparation

These Accounts have been prepared in accordance with the ***Government Financial Reporting Manual (FReM) 2017-18*** issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

The functional and presentational currency of MoJ is the British pound sterling (£).

1.2 Accounting convention

These Accounts have been prepared on an accruals basis under the historical cost convention, modified to account for the revaluation of non-current assets, inventories and assets held for sale, where material.

1.3 Basis of consolidation

These Accounts consolidate the Core Department, Executive Agencies and NDPBs which fall within the Departmental Boundary as defined in the FReM and make up the Departmental Group. A list of entities included within the Departmental Boundary is given at Note 29.

All significant intra-departmental balances and transactions between entities within the Departmental Boundary are eliminated.

All consolidated entities have accounting reference dates that align with the Core Department.

1.4 Machinery of Government changes and restatement of comparatives

Machinery of Government changes, which involve the transfer of functions between two or more parts of the public sector/government departments, are required to be accounted for using merger accounting principles where the transfer is between departmental groups within central government in accordance with the FReM. Where material, the prior year comparatives are restated as appropriate, so that it appears that the function has always been performed by MoJ.

Transfer of functions within the MoJ departmental boundary are accounted for on an absorption basis in accordance with the FReM. The carrying value of the assets and liabilities of the transferred functions are not adjusted to fair value and there is no recognition of goodwill or restatement of comparatives in the financial statements. The carrying value of the net assets relating to the transferred functions are recognised in the transferee at the date of transfer. The net asset or liability is recorded as non-operating gain or loss through net expenditure with the transferor recording symmetrical entries. Revaluation reserves are transferred in full with the remaining balance transferred to the General Fund.

There have been no significant Machinery of Government changes in 2017-18.

MoJ internal restructure

During the year the Department has undergone restructuring in certain areas. On 1 April 2017 NOMS was renamed HMPPS, and the Department moved toward a functional leadership structure to centralise key corporate functions. On 1 September 2017 responsibility for day-to-day management of the young people's estate transferred from the Youth Justice Board for England and Wales (YJB) to HMPPS. These transfers are described in more detail in Note 31.

1.5 Changes in accounting policy and disclosures

a) Changes in accounting policies

There have been no changes in accounting policies for the period ended 31 March 2018.

b) New and amended standards adopted

There have been no new or amended standards adopted in the period ended 31 March 2018.

c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2017 and not early adopted

IFRS 9: Financial Instruments, IFRS 15: Revenue from contracts with customers and *IFRS 16: Leases* are not yet effective for public sector reporting.

IFRS 9: Financial Instruments (replacing IAS 39) aims to simplify financial instrument accounting and more closely align accounting and practices with how instruments are used in the business. IFRS 9 may have an impact on the impairment methodology used across the Group, however these changes are not expected to have a material impact on the Departmental Group's future Accounts. Effective from 2018-19.

IFRS 15: Revenue from contracts with customers aims to replace a significant amount of existing guidance and reduce inconsistencies by setting a new principles-based Standard. This standard is not expected to have a material impact on the Departmental Group's future Accounts given that the Department's revenue contracts do not span across financial years (see Notes 3 and 4 for details of the income streams within the Group). Effective from 2018-19.

IFRS 16: Leases will change the way MoJ recognises, measures, presents and discloses leases that it holds. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is short term (less than 12 months) or the underlying asset has a low value. The full impact of IFRS 16: Leases on the Department will not be determined until it has been adopted for use in the public sector by the FReM and uncertainties surrounding the valuation methodology, and the full scope of the standard have been resolved. See Note 21.1 for details of the Group's operating leases. Effective from 2019-20.

d) Changes in presentation and reclassifications

The split reported for segmental reporting purposes has been updated to reflect the revised structure as reported to the Executive Committee (ExCo) of the Board from 1 April 2017. Details of the changes are provided in Note 2.

1.6 Property, plant and equipment

Initial recognition and capitalisation threshold

Property, plant and equipment, including subsequent expenditure on existing assets, are initially recognised at cost. The Core Department's capitalisation threshold for individual assets is £10,000. The thresholds across the Departmental Group range from £500 to £10,000.

Where significant purchases of individual assets which are separately below the capitalisation threshold arise in connection with a single project, they are treated as a grouped asset. The Core Department's capitalisation threshold for grouped assets is £1m. The thresholds across the Departmental Group range from £500 to £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.

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.

Criminal courts, prisons and some parts of the probation estate are mostly classified as specialised buildings which cannot be sold on the open market. Specialised properties are valued at Depreciated Replacement Cost (DRC) to a modern equivalent basis in accordance with the 'Red Book', 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 the Royal Institute of Chartered Surveyors.

Assets which were recently held for their service potential but are surplus are valued at current value in existing use where there are restrictions on MoJ or the asset, which would prevent access to the market at the reporting date. Otherwise, surplus assets are valued at fair value in accordance with *IFRS 13 Fair Value Measurement*.

In determining whether a non-operational asset is surplus, MoJ assesses 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 considered as surplus and is maintained at current value in existing use. Otherwise, the asset is assessed as being surplus and valued at fair value under *IFRS 13 Fair Value Measurement*.

Fair value hierarchy and inputs

The valuation technique applied to all 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 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 Net Expenditure, unless they reverse a revaluation decrease on the same asset. Reversals are credited to the Consolidated Statement of Comprehensive Net Expenditure (CSoCNE) to the extent of the previous amount expensed, and any excess is credited to the Revaluation Reserve.

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 that same asset, with any residual decrease taken to net operating costs in the CSoCNE.

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

Depreciation

Depreciation is charged on a straight-line basis at rates calculated to write-off the value of assets less estimated residual value evenly over their estimated useful lives. The useful lives of buildings 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 buildings and dwellings and in-month for all other non-current assets.

If an item of property, plant 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	Shorter of remaining life or 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 3 to 15 years
Furniture, fixtures and fittings	Shorter of remaining lease period or 3 to 20 years

Assets under construction

Assets under construction are valued at historical cost within property, plant 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, such as external consultant costs, relevant employee costs and an appropriate portion of relevant overheads.

Disposal of non-current assets

Gains and losses on disposal of non-current assets are determined by comparing the proceeds with the carrying amount and are recognised in the CSoCNE.

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

1.7 Intangible assets

Intangible assets comprise of internally developed software for internal use (including such assets under construction), software developed by third parties, and purchased software licences.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by MoJ are capitalised when they meet the criteria specified in the FReM, which has been adapted from *IAS 38 Intangible Assets*.

Other expenditure that does not meet this criteria is 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 three to 15 years.

In accordance with *IAS 38 Intangible Assets* MoJ reviews the useful economic lives of its intangible assets each financial year.

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

The Core Department's capitalisation threshold for software projects is £1m (including irrecoverable VAT). The thresholds across the Departmental Group range from £500 to £1m (including irrecoverable VAT).

Subsequent to initial recognition, intangible assets are recognised at fair value. As no active market exists for MoJ's intangible assets, fair value is assessed as replacement cost less any accumulated amortisation and impairment losses. Intangible assets are revalued at each reporting date using the Producer Price Index (PPI) produced by the Office for National Statistics (ONS).

1.8 Impairment

Each year, MoJ performs an impairment review across all significant asset categories. If indicators of impairment exist, the assets in question are tested for impairment by comparing the carrying value of those assets with their recoverable amounts.

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 net operating costs in the CSoCNE, with any remaining Revaluation Reserve balance released to the General Fund. Reversal of an impairment loss is recognised in the CSoCNE to the extent that the original charge, adjusted for subsequent depreciation, was previously recognised, with any remaining amount recognised in the Revaluation Reserve.

1.9 Leases

Finance leases

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

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in either short term or long term payables, depending on the dates MoJ is contractually obliged to make rental payments. The interest element of the finance cost is charged to the CSoCNE 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 property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Operating leases

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

1.10 Service Concession Arrangements

Service Concession Arrangements (SCAs), including Private Finance Initiative (PFI) arrangements, are where private sector operators are contractually obliged to provide services to the public in relation to certain infrastructure assets. MoJ 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.

MoJ 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 CSoFP with a corresponding liability for future payments under the agreement.

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

For budgeting purposes, SCAs are evaluated according to the balance of risks and reward of ownership as defined by ESA 10. This means that some SCAs recognised in the Accounts are treated differently for budgetary purposes against HM Treasury budgeting controls.

1.11 Non-current assets held for sale

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

1.12 Employee benefits

Employee leave accrual

An accrual is made for untaken employee annual leave and flexi-leave. Performance bonuses are not accrued as the annual appraisal process which determines performance pay is not finalised at the time these Accounts are prepared and are not expected to have a material impact.

Defined benefit pension schemes

Principal Civil Service Pension Scheme and Judicial Pension Scheme

The provisions of the Principal Civil Service Pension Scheme (PCSPS) cover most past and present employees, and salaried judicial office holders are covered by the Judicial Pension Scheme (JPS). Both the PCSPS and the JPS are unfunded defined benefit schemes although, in accordance with FReM, the Department accounts for these as defined contribution schemes. MoJ recognises contributions payable to defined contribution schemes as an expense in the year in which they are incurred, and the legal or constructive obligation is limited to the amount that it agrees to contribute to the fund.

MoJ is responsible for the administration of the JPS that provides for the pension entitlements of salaried and fee-paid judicial office holders of six other participating bodies. The JPS is not consolidated within these Accounts and further information can be found in the JPS scheme Accounts at www.gov.uk.

In February 2013, the UK Supreme Court 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 the FReM, MoJ 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 judicial pension entitlement is recognised in the JPS Accounts. MoJ also recognises a provision for the liability to fee paid judicial office holders in respect of the Judicial Service Award.

However, provision has previously been recognised in these Accounts for a separate element of the pension liability relating to retired fee paid judges, as prior to the commencement of the new fee paid scheme in April 2017 this liability was not covered by the JPS and its governing Acts. Additionally, further claims that relate to fee paid judicial office holders' employment terms and conditions that historically have not matched salaried comparators have also been provided. Further information about these provisions is set out in Note 19.

Funded pension schemes

Unlike the schemes described above, funded pension schemes are accounted for through the Department's CSoFP, applying *IAS 19 Employee Benefits* in full. These Accounts contain the Local Government Pension Scheme (LGPS) for past and present employees of the National Probation Service (NPS) and Community Rehabilitation Companies (CRCs) (previously The Probation Trusts), the Children and Family Court Advisory and Support Service (Cafcass) and the Legal Services Commission Pension Scheme (LSCPS). The cost of providing benefits is determined using the projected unit credit method, with formal actuarial valuations being carried out at the end of every third reporting period (the most recent valuations being 31 March 2016).

The liability or asset recognised in the CSoFP is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. Any surplus is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan (the 'asset ceiling').

The present values of the schemes are calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value, and the fair values of plan assets are deducted.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling (including irrecoverable surplus adjustments), and the return on plan assets (excluding interest) are recognised within Other Comprehensive Expenditure in full in the period in which they arise. Service costs are recognised immediately in the CSoCNE in the period in which they are incurred. Past service cost, and gains and losses on curtailments and settlements are recognised in the CSoCNE in the period of plan amendment. The net interest charge to the CSoCNE is calculated by applying the discount rate to the net defined benefit liability or asset.

Other defined benefit pension schemes

The Department has separate schemes that are 'by-analogy' or similar to the PCSPS. Provision has been made for the future cost of benefits under these schemes.

Early departure and injury benefit costs

The Department is required to pay the additional cost of benefits beyond the normal PCSPS and LGPS benefits in respect of employees who retire early. The total cost is provided in full when the early departure programme has been announced and is binding on MoJ.

The Civil Service Injury Benefits Scheme (CSIBS) requires the Department to pay benefits to any individual who is injured in connection with their employment. Benefits are paid only in respect of loss of earning capacity, and a provision is made for expected future costs.

The early departure and injury benefit provisions are discounted using the rate disclosed in Note 1.17.

1.13 Operating income

Operating income is generated directly from the operating activities of the Departmental Group and includes both budgetary and non-budgetary income. Non-budgetary income is outside the ambit of the Departmental Group and is surrendered to the Consolidated Fund as CFERs, refer to Annex A, SoPS 4.

Operating income is stated net of VAT and comprises mainly fees and charges for services which are set on a full cost recovery basis. 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. Further information on the individual charging streams in place across the Group can be found in the Fees and Charges note within the Accountability section, or alternatively in the individual Annual Report and Accounts of each consolidated body.

Fine income is collected and reported by the HMCTS Trust Statement however MoJ is permitted to retain as income part of the value of fines and fixed penalties collected. The fines and penalties largely comprise of the collections from fines, criminal court charges and fixed penalty impositions collected by HMCTS.

In accounting for levy income of the Office of Legal Complaints (OLC) and Legal Services Board (LSB), s175 of the Legal Services Act 2007 requires all levy income collected by OLC and LSB to be surrendered to the Consolidated Fund. In return, OLC and LSB receive Grant in Aid (GiA) funding from the Core Department equal to the income surrendered. Accordingly, a notional transfer to the Consolidated Fund has been shown in the Statement of Changes to Taxpayers' Equity and an equal amount is shown as a notional Grant in Aid receipt from the sponsoring department.

The LSB and OLC, in conjunction with the MoJ and HMT, are seeking to identify a suitable legislative vehicle to make an amendment to s175 of the 2007 Act to enable them to retain the levy income and not surrender it in return for an equal grant.

1.14 Grants payable and paid

GiA financing to MoJ's NDPBs is reported on a cash basis in the period in which payments are made. Co-funding grants from other government departments are paid to NDPBs via MoJ Core, and are included as part of the GiA funding for the year. All GiA and Supply funding made by MoJ Core to its Agencies and NDPBs is fully eliminated within the Departmental Group.

MoJ also makes a small number of grants to a variety of public sector, private sector and voluntary bodies. These grants are recognised at the point at which an authorised request is received from the recipient body, in accordance with the terms of the relevant financial memoranda.

1.15 Costs borne by the Consolidated Fund

The salary and social security costs of senior judges are included in these Accounts as a cost and are funded from the Consolidated Fund. Senior judges also receive service award payments under an agreement with MoJ which are paid from the Consolidated Fund.

1.16 Notional costs

Notional costs comprise statutory auditors' remuneration, which represents the National Audit Office's cost for the audit of MoJ and Executive Agencies' Accounts, and notional costs for corporate overheads which are recharged to business areas. Such notional costs are credited directly to the General Fund. The majority of the notional recharge costs relate to IT services, estates costs, and shared services processing charges that are centrally managed on behalf of the Group.

1.17 Provisions

Provisions are recognised when MoJ has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and for which a reliable estimate can be made for the amount of the obligation.

Where the effect of discounting is material, provisions are measured at their present value using the below current discount rates set by HM Treasury based on the underlying cash flows. Where future cash flows related to the obligation are forecast in monetary amounts, rather than on the basis of current cost, these discount rates are adjusted upwards based on HM Treasury's forecasts for inflation in the relevant time period. Early departure and injury benefit provisions are discounted using the HM Treasury post-employment benefits real discount rate of 0.10% (2016-17: 0.24%).

	Real rate
Short-Term (due within 5 years)	-2.42%
Medium-Term (due between 6-10 years)	-1.85%
Long-Term (due after 10 years)	-1.56%

1.18 Contingent liabilities

A contingent liability is disclosed when the likelihood of a payment is less than probable, but more than remote, or the obligation cannot be measured reliably. Where the time value of money is material, contingent liabilities required to be disclosed under *IAS 37 Provisions, Contingent Liabilities and Contingent Assets* are stated at discounted amounts.

1.19 Value Added Tax

Most of the activities of MoJ 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 capitalised purchase costs of non-current assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

1.20 Third party assets

MoJ holds, as custodian or trustee, certain assets belonging to third parties. These assets are not recognised in the CSoFP and are disclosed within Note 28 since neither the Department nor the government has a direct beneficial interest in them.

Other third party monies held at the Government Banking Service (GBS) at 31 March are recognised as both cash and cash equivalents (Note 17) and trade and other payables (Note 18), and therefore have no net impact on the CSoFP.

1.21 Financial instruments

Recognition

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

De-recognition

Financial assets are de-recognised when the contractual rights to receive future cash flows have expired or are transferred and MoJ has transferred substantially all the risks and rewards of ownership. Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

Classification and measurement of financial assets

In addition to cash and cash equivalents, the Department has two categories of financial assets:

Loans and receivables

Loans and receivables comprise trade receivables, other receivables and accrued income that have fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method net of any impairment, in accordance with *IAS 39 Financial Instruments: Recognition and Measurement*.

Financial Assets at fair value through profit and loss

Fair value is equal to the market value at the reporting date, and the movement in the value of the assets is recognised immediately in the CSoCNE, as income or as an expense.

MoJ, through HMPPS, holds a number of investment shares in limited companies as a result of its farming activities. MoJ has designated its quoted and unquoted investments as fair value through profit and loss. The fair values of quoted investments are based on bid prices in an active market at the reporting date. The fair value of unlisted securities is established using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and earnings multiples.

Impairment of financial assets

At the end of each reporting period, MoJ assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. If there is objective evidence that an impairment loss on such an asset has been incurred, MoJ recognises this in the CSoCNE as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Classification and measurement - financial liabilities

MoJ has financial liabilities, comprising finance lease liabilities, trade payables, other payables and accruals. All financial liabilities are recognised initially at fair value, net of any transaction costs incurred, and then measured at amortised cost using the effective interest rate method. Where the effect is material, the estimated cash flows of financial liabilities are discounted.

1.22 Cash and cash equivalents

Cash and cash equivalents recorded in the CSoFP and Consolidated 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 at inception and bank overdrafts.

1b) Critical accounting estimates and judgements

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

Critical accounting estimates and assumptions

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

Valuation of non-current assets

Land and buildings (including dwellings) comprise mainly prisons and court facilities that 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.

Net pension assets and liabilities

The present value of the net pension assets and liabilities detailed in Note 25 depends on a number of actuarially derived assumptions about inflation, salary and pension trends, discount factors and mortality rates. The estimated net liability or asset is subject to fluctuation and uncertainty due to changes in these assumptions over time and differences between assumptions and actual events.

Provisions for liabilities and charges

The recognition and measurement of provisions rely on the application of professional judgment, historical experience, and other factors expected to influence future events. Where the likelihood of a liability crystallising is deemed probable and can be measured with reasonable certainty, a provision is recognised. Provision balances which contain regular, homogeneous transactions are often derived from complex financial models. Estimates and assumptions applied in these models are continually evaluated and reviewed. Further information is set out in Note 19.

Accounting for receivables impairment

Legal Aid Agency (LAA) provides for impairment of receivables based on historical cash collection experience and management assessment of likely recoveries, for each category of debt. Consideration is given to macroeconomic factors such as any downturn in the economy, and inherent risks, such as potential changes to recoveries arising from revisions to legal aid schemes, in assessing the levels of impairment. For further detail regarding LAA impairment refer to Note 24.

Critical judgements in applying MoJ's accounting policies

Lease accounting

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

Service Concession Arrangements

The Departmental Group is party to a number of SCAs, including PFI. The classification of such arrangements as SCAs requires MoJ to determine, based on an evaluation of the terms and conditions of the arrangements, whether it controls the infrastructure. Where the Departmental Group is judged to control or regulate the infrastructure, the contract assets are reflected in the CSoFP.

Valuation of court buildings and prisons earmarked for closure

As part of an ongoing justice transformation strategy, Ministers have identified a number of under-utilised court buildings and prisons no longer fit for purpose, for closure over the next few years. This has reduced the remaining estimated useful life of these assets.

Prior to the announcement of closure these buildings are considered specialised assets and are valued at depreciated replacement cost (DRC). The announcement of closure triggers the impairment event. The reduction in the remaining useful life of these assets represents an impairment indicator. All impairment expenditure is charged to the CSoCNE, 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 Expenditure by Operating Segment

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the ExCo.

The Department is split into six segments: four business groups plus two Executive Agencies. These segments are: Chief Finance Officer Group (CFOG), Offender Reform and Commissioning Group (ORC), Justice and Courts Policy Group (JCPG), Operations Group, HM Courts & Tribunals Service (HMCTS), and Her Majesty's Prison and Probation Service (HMPPS). Since the 1 April 2017, the operating segments reported to the ExCo of the Board changed as explained below:

- Finance Group has been renamed Chief Finance Officer Group (CFOG) and no longer includes Official Solicitor and the Public Trustee (OSPT);
- Prisons, Offender Reform and Youth Justice Policy Group (POYJP) has been renamed Offender Reform and Commissioning Group (ORC) and now includes Prison Reform Policy; and
- Operations Group has taken on the responsibilities of OSPT.

The segmental analysis presents the financial information based on the structure reported to ExCo.

In addition to the structural changes detailed above, since 1 April 2017, the Department has also centralised some corporate functions under the functional leadership model. This has resulted in increased direct costs within the Core Department, offset by an increase in the notional recharges communicated to the Agencies. Further details of the impact of functional leadership are provided in Note 31.2.

Chief Finance Officer Group focuses on the key role of finance, analysis and assurance in challenging and supporting Department's business. It also leads on all commercial activities that support the Department.

Offender Reform and Commissioning Group (ORC) provides support to the Department's ministerial team and delivers a range of outcomes in support of prison, probation and youth justice reform. ORC includes the Parole Board and Youth Justice Board (YJB).

Justice and Courts Policy Group (JCPG) leads on all justice policy issues and incorporates LSB, OLC, Judicial Appointments Commission (JAC), Cafcass and CCRC.

Operations Group brings together the headquarters directorates which carry out essential corporate functions as well as three executive agencies, the LAA, the CICA and the OPG.

The ExCo of the Board does not receive a CSoFP analysed by operating segment and therefore such an analysis is not presented here.

The breakdown of the prior year figures has been restated to provide a more detailed analysis of the material lines of expenditure by segment.

	CFOG	ORCG	JCPG	Operations Group	HM Courts & Tribunals Service	HMPPS	Gross Total	Elimination	2017-18 Net Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross expenditure	69,726	214,067	319,040	2,348,863	1,849,929	4,696,493	9,498,118	(40,494)	9,457,624
Income	(373,403)	(24,992)	(86,555)	(277,641)	(788,811)	(254,809)	(1,806,211)	40,494	(1,765,717)
Net expenditure	**(303,677)**	**189,075**	**232,485**	**2,071,222**	**1,061,118**	**4,441,684**	**7,691,907**	**-**	**7,691,907**

	CFOG	ORCG	JCPG	Operations Group	HM Courts & Tribunals Service	HMPPS	Gross Total	Elimination	2016-17 Net Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross expenditure	169,764	281,343	317,733	2,261,161	1,902,427	4,607,991	9,540,419	(54,497)	9,485,922
Income	(367,964)	(19,426)	(84,862)	(300,755)	(804,926)	(289,723)	(1,867,656)	54,497	(1,813,159)
Net expenditure	**(198,200)**	**261,917**	**232,871**	**1,960,406**	**1,097,501**	**4,318,268**	**7,672,763**	**-**	**7,672,763**

2. Statement of Operating Expenditure by Operating Segment (continued)

	CFOG	ORCG	JCPG	Operations Group	HM Courts & Tribunals Service	HMPPS	2017-18 Gross Total (pre-eliminations)
	£000	£000	£000	£000	£000	£000	£000
Income							
Revenues from external customers	(371,755)	(24,992)	(72,049)	(278,281)	(79,164)	(197,605)	(1,023,846)
Revenues from transactions with other operating segments of the Department	-	-	-	-	-	(34,422)	(34,422)
Interest revenue	-	-	(26)	-	-	-	(26)
Material items of income							
EU Grant	-	-	-	-	-	(22,777)	(22,777)
CFERs	(1,648)	-	(14,480)	640	-	(5)	(15,493)
Fee Income	-	-	-	-	(709,647)	-	(709,647)
Total income	**(373,403)**	**(24,992)**	**(86,555)**	**(277,641)**	**(788,811)**	**(254,809)**	**(1,806,211)**
Individual items of expenditure							
Depreciation	-	668	305	27,329	119,125	259,181	406,608
Amortisation	-	2,776	756	28,085	17,685	33,742	83,044
Material items of expenditure							
Staff costs	66,976	53,641	152,114	222,686	518,540	1,951,586	2,965,543
Costs of the judiciary	103	154	4,746	42	503,845	-	508,890
Accommodation, maintenance and utilities	(6)	84	6,224	27,883	253,011	411,927	699,123
Offender related costs	-	-	-	-	-	621,358	621,358
Service concession charges	131,380	7,443	-	(482)	36,906	464,788	640,035
IT services & telecommunications (non-service concession arrangements)	(128,253)	2,045	3,743	303,099	137,523	6,380	324,537
Costs of Community Rehabilitation Companies	-	-	-	-	-	388,623	388,623
Payments of grant-in-aid to NDPBs which eliminate with receipts of grant-in-aid by NDPBs	-	149,100	144,529	-	-	-	293,629
Cost of legal services and disbursements (crime)	-	-	-	4,009	-	-	4,009
Cost of legal services and disbursements (civil)	-	-	-	6,478	-	-	6,478
Provisions provided for in year	1,441	(272)	(4,115)	1,952,555	9,550	35,172	1,994,331
Corporation tax	-	-	5	-	-	-	5
Rentals under operating leases	(143)	34	172	21,456	81,768	1,961	105,248
Finance charges on leases and service concession arrangements	(32)	-	-	10,025	6,560	16,690	33,243
Current Grants	6,065	71,915	98,049	-	35	4,166	180,230
Corporate Overhead recharge	(34,665)	(103)	892	(368,613)	88,401	314,088	-
SoCNE Impairments	-	-	-	-	2,868	(65,616)	(62,748)

							Restated 2016-17
	CFOG £000	ORCG £000	JCPG £000	Operations Group £000	HM Courts & Tribunals Service £000	HMPPS £000	Gross Total (pre-eliminations) £000
Income							
Revenues from external customers	(367,324)	(19,426)	(70,753)	(275,586)	(62,980)	(214,020)	(1,010,089)
Revenues from transactions with other operating segments of the Department	-	-	-	-	-	(55,509)	(55,509)
Interest revenue	-	-	(26)	-	-	-	(26)
Material items of income							
EU Grant	-	-	-	-	-	(20,194)	(20,194)
CFERs	(640)	-	(14,083)	(25,169)	-	-	(39,892)
Fee income	-	-	-	-	(741,946)	-	(741,946)
Total income	**(367,964)**	**(19,426)**	**(84,862)**	**(300,755)**	**(804,926)**	**(289,723)**	**(1,867,656)**
Individual items of expenditure							
Depreciation	-	1,518	1,575	34,213	124,476	255,029	416,811
Amortisation	-	1,756	771	29,199	11,105	31,211	74,042
Material items of expenditure							
Staff costs	45,769	40,341	141,480	184,018	503,073	1,845,092	2,759,773
Costs of the judiciary	-	-	4,987	-	483,997	-	488,984
Accommodation, maintenance and utilities	274	73	7,856	22,114	241,508	383,880	655,705
Offender related costs	-	-	-	-	-	546,681	546,681
Service concession charges	160,102	16,050	-	2,175	34,698	565,466	778,491
IT services & telecommunications (non-service concession arrangements)	(158,719)	1,687	3,351	144,783	136,248	117,336	244,686
Costs of Community Rehabilitation Companies	-	-	-	-	-	410,110	410,110
Payments of grant-in-aid to NDPBs which eliminate with receipts of grant-in-aid by NDPBs	-	153,333	138,206	-	-	-	291,539
Cost of legal services and disbursements (crime)	-	-	-	3,844	-	-	3,844
Cost of legal services and disbursements (civil)	-	-	-	7,487	-	-	7,487
Provisions provided for in year	92,632	1,389	(1,820)	1,869,370	(829)	58,667	2,019,409
Corporation tax	-	-	4	-	-	-	4
Rentals under operating leases	694	18	280	23,836	78,828	2,684	106,340
Finance charges on leases and service concession arrangements	(55)	-	-	10,566	7,143	18,602	36,256
Current Grants	5,931	71,193	96,234	-	40	3,354	176,752
Corporate Overhead recharge	(13,374)	4,660	1,249	(184,447)	96,739	95,173	-
SoCNE Impairments	-	617	-	1,021	35,326	136,690	173,654

3. Income from sale of goods and services

	2017-18		2016-17	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
External sales of prison industries	12,431	12,431	9,884	9,884
Retail prison shop income	53,092	53,092	50,594	50,594
In-cell TV income	1,855	1,855	1,882	1,882
Total income from sale of goods and services	**67,378**	**67,378**	**62,360**	**62,360**

Income has been generated in HMPPS from the sales of goods produced by prison industries, and sales to prisoners through the prison shop and incentives and earned privileges scheme.

4. Other operating income

	2017-18		2016-17	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Fines income	398,386	398,386	373,556	373,556
Fee income*	777,997	777,997	795,910	795,910
Victims surcharge	35,152	35,152	31,197	31,197
Legal Aid Agency - Civil Representation recoveries	136,565	136,565	162,084	162,084
Legal Aid Agency - Criminal cases recoveries	37,298	37,298	33,106	33,106
Youth Justice Board remand income	-	23,338	-	18,164
Income from NHS and other healthcare providers	56,381	56,381	56,268	56,268
Income from Communities Rehabilitation Companies	11,616	11,616	27,541	27,541
Recoveries from other government departments	148,220	148,197	143,997	143,656
European Social Fund and other European funding	22,777	22,777	20,194	20,194
Miscellaneous income	66,659	35,139	100,366	49,231
Other operating income within the Department's ambit	**1,691,051**	**1,682,846**	**1,744,219**	**1,710,907**
Consolidated Fund Extra Receipts**	1,013	15,493	25,809	39,892
Total other operating income	**1,692,064**	**1,698,339**	**1,770,028**	**1,750,799**

* The majority of fee income consists of amounts for services rendered to civil, family court and tribunal users and includes a £16.3m gross provision (2016-17: £0.0m) for the refund of Employment Tribunals fees (£9.2m net of refunds paid and accruals), in addition to a £16.6m provision (2016-17: £0.0m) for refunds of incorrectly charged Council Tax Liability Orders. Further details can be found within Note 19. Fee 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.

** Analysis of income payable to the Consolidated Fund is shown in Annex A, SoPS 4.

5. Staff and Judiciary costs

Staff costs

					2017-18	2016-17
	Permanently employed staff	Other	Ministers	Special advisors	Total	Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	2,046,688	225,228	153	84	2,272,153	2,141,008
Social security costs*	213,604	1,262	16	19	214,901	194,752
Other pension costs	476,284	32	-	12	476,328	403,967
Sub Total	**2,736,576**	**226,522**	**169**	**115**	**2,963,382**	**2,739,727**
Early departure costs	6,370	-	-	-	6,370	19,809
Early departure provisions	(5,311)	-	-	-	(5,311)	(524)
Add inward secondments	5,076	5,093	-	-	10,169	10,038
Less recoveries in respect of outward secondments	(9,260)	-	-	-	(9,260)	(9,279)
Total Net Costs	**2,733,451**	**231,615**	**169**	**115**	**2,965,350**	**2,759,771**
Of which:						
Core Department and Agencies	2,616,246	205,670	169	115	2,822,200	2,628,899
NDPBs	117,205	25,945	-	-	143,150	130,872
	2,733,451	**231,615**	**169**	**115**	**2,965,350**	**2,759,771**

Judiciary costs

				2017-18	2016-17
	Senior judicial salaries	Other judicial salaries	Fee paid judiciary	Total	Total
	£000	£000	£000	£000	£000
Wages and salaries	122,919	91,670	134,270	348,859	347,008
Social security costs*	16,664	12,500	14,604	43,768	42,112
Other pension costs	45,392	35,701	35,169	116,262	99,865
Total Net Costs	**184,975**	**139,871**	**184,043**	**508,889**	**488,985**
Of which:					
Core Department and Agencies	184,975	139,871	184,043	508,889	488,985
NDPBs	-	-	-	-	-
	184,975	**139,871**	**184,043**	**508,889**	**488,985**

Staff and judiciary numbers and further details of related costs, including exit packages, are reported in the Remuneration and Staff report within the Accountability section.

* The Apprenticeship Levy, implemented across England on 6 April 2017, is a new employment tax of 0.5% of the annual pay bill and these costs are included within social security costs. Further details of the Apprenticeship Levy can be found on the gov.uk website: www.gov.uk

6. Purchase of goods and services

	2017-18		2016-17	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Lease/service concession charges:				
PFI service charges	629,179	621,736	701,770	685,720
Other service concession service charges (non-PFI)	10,856	10,856	76,721	76,721
Rentals under operating leases	104,882	105,088	105,980	106,165
Other services:				
Accommodation, maintenance and utilities	692,568	698,794	648,668	655,538
Communications, office supplies and services	49,320	51,569	46,250	48,819
Travel, subsistence and hospitality	60,215	64,898	46,318	50,551
Training and other staff related costs	56,456	57,930	50,682	51,974
IT services and telecommunications (non-service concession arrangements)	320,585	324,443	240,901	244,686
Professional services	82,311	84,683	58,278	61,050
Other contracted out services	91,672	100,108	96,273	106,076
Auditor's remuneration and expenses	912	1,461	374	699
Non-cash services:				
Auditor's remuneration*	1,408	1,408	1,393	1,393
Total purchase of goods and services	**2,100,364**	**2,122,974**	**2,073,608**	**2,089,392**

* Non-cash auditors' remuneration represents the statutory audit fees of the Core Department and Agencies. Refer to page 39 in the Directors' Report, for details of total statutory audit fees for the Group.

7. Depreciation, amortisation and impairment charges

	2017-18		2016-17	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Depreciation	405,634	406,607	414,967	416,811
Amortisation	79,512	83,044	71,515	74,042
Impairment charge on non-current assets:				
Property, plant and equipment*	(66,098)	(66,098)	173,927	173,927
Intangible assets	3,284	3,284	(879)	(407)
Assets held for sale	128	128	136	136
Investments	(62)	(62)	(2)	(2)
Increase/(decrease) in receivables impairment	15,675	15,675	11,409	11,409
Total depreciation, amortisation and impairment charges	**438,073**	**442,578**	**671,073**	**675,916**

8. Provision expense

	2017-18		2016-17	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Provisions provided in year net of release	262,704	262,590	310,861	312,395
Civil legal help and representation – solicitors' charges, counsel fees and disbursements	791,272	791,272	780,524	780,524
Criminal cases – solicitors' charges, counsel fees and disbursements	940,470	940,470	927,014	927,014
Total provision expense	**1,994,446**	**1,994,332**	**2,018,399**	**2,019,933**

9. Net (gain)/loss on disposal of assets

	2017-18		2016-17	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Net (gain)/loss on disposal of:				
Property, plant and equipment	528	594	990	1,001
Intangible assets	163	218	22	24
Assets held for sale*	(52,658)	(52,658)	(2,614)	(2,614)
Total net (gain)/loss on disposal of assets	**(51,967)**	**(51,846)**	**(1,602)**	**(1,589)**

*Sixteen former courts were disposed of in 2017-18 with the most significant gains made on the London properties, including Hammersmith £32.4m, Greenwich £7.0m and Richmond £3.8m.

10. Revaluation of non-current and financial assets charged to CSoCNE

	2017-18		2016-17	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
(Increase)/decrease in the valuation of:				
Property, plant and equipment	(41,958)	(41,958)	(58,723)	(58,723)
Assets held for sale	(3,706)	(3,706)	1,761	1,761
Total revaluation of non-current and financial assets	**(45,664)**	**(45,664)**	**(56,962)**	**(56,962)**

11. Other operating expenditure

	2017-18		2016-17	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Grants:				
Current	108,707	180,230	105,559	176,752
Capital	4,180	4,180	14,367	14,367
Criminal justice costs:				
Offender related costs	619,767	619,767	546,681	546,681
Youth Offender costs	48,299	64,368	54,022	78,184
Judicial and Juror costs	68,525	68,525	72,143	72,143
Compensation payments	2,509	2,509	903	903
Cost of legal services and disbursements (Civil)	6,478	6,478	7,487	7,487
Cost of legal services and disbursements (Crime)	4,009	4,009	3,844	3,844
Cost from Central Funds	12,525	12,525	10,910	10,910
Other administration expenditure	10,485	11,174	15,249	15,724
Other programme costs	60,092	58,104	45,975	52,754
Grant in aid to NDPBs	293,629	-	291,539	-
Contracted probation services (CRCs)	388,623	388,623	410,110	410,110
Non-cash operating expense:				
Notional charges	-	7,135	-	15,349
Corporate (MoJ) notional overhead charge	(4,151)	-	(5,908)	-
Other pension costs	4,280	4,280	5,257	5,257
Other non-cash	4,453	4,454	7,169	7,170
Total other operating expenditure	**1,632,410**	**1,436,361**	**1,585,307**	**1,417,635**

12. Finance expense

	2017-18		2016-17	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Finance charges on leases and service concession arrangements	33,243	33,243	36,256	36,256
Non-cash finance expense:				
Net interest on pension	39,759	44,586	39,509	45,174
Total finance expense	73,002	77,829	75,765	81,430

13. Property, plant and equipment

Departmental Group 2017-18

	Land	Buildings	Dwellings	Information technology	Plant and equipment	Furniture, fixtures and fittings	Payments on account and assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2017	**1,523,218**	**8,655,997**	**54,838**	**455,568**	**336,081**	**57,020**	**272,951**	**11,355,673**
Additions	-	20,139	-	19,583	22,823	391	240,745	303,681
Disposals	(10,750)	(136)	-	(16,012)	(10,859)	(424)	(162)	(38,343)
Reclassifications	(110,646)	159,653	(815)	7,471	(1,066)	83	(173,003)	(118,323)
Revaluations	97,931	698,365	2,220	8,604	4,501	409	-	812,030
Transfers	-	1,063	-	(1)	-	184	(1,247)	(1)
Impairments	13	67,618	(143)	-	(45)	(3)	(2,784)	64,656
At 31 March 2018	**1,499,766**	**9,602,699**	**56,100**	**475,213**	**351,435**	**57,660**	**336,500**	**12,379,373**
Depreciation								
At 1 April 2017	**-**	**(2,275)**	**(1)**	**(358,640)**	**(241,006)**	**(52,607)**	**-**	**(654,529)**
Charged in year	(670)	(345,055)	(1,364)	(34,974)	(23,271)	(1,273)	-	(406,607)
Disposals	-	88	-	15,981	10,073	350	-	26,492
Reclassifications	1	1,142	9	-	-	-	-	1,152
Revaluations	670	116,129	298	(7,502)	(3,714)	(381)	-	105,500
Transfers	-	(3)	-	-	2	-	-	(1)
Impairments	-	1,423	2	5	12	-	-	1,442
At 31 March 2018	**1**	**(228,551)**	**(1,056)**	**(385,130)**	**(257,904)**	**(53,911)**	**-**	**(926,551)**
Carrying amount at 31 March 2018	**1,499,767**	**9,374,148**	**55,044**	**90,083**	**93,531**	**3,749**	**336,500**	**11,452,822**
Carrying amount at 1 April 2017	**1,523,218**	**8,653,722**	**54,837**	**96,928**	**95,075**	**4,413**	**272,951**	**10,701,144**
Asset financing								
Owned	1,478,827	8,241,845	54,244	84,296	86,940	3,749	336,500	10,286,401
Finance leased	2,031	144,797	800	551	6,591	-	-	154,770
On-balance sheet PFI and other SCAs	18,909	987,506	-	5,236	-	-	-	1,011,651
Carrying amount at 31 March 2018	**1,499,767**	**9,374,148**	**55,044**	**90,083**	**93,531**	**3,749**	**336,500**	**11,452,822**
Of the total								
Core Department and Agencies	1,499,767	9,372,767	55,044	88,040	93,515	3,593	336,500	11,449,226
NDPBs	-	1,381	-	2,043	16	156	-	3,596
Carrying amount at 31 March 2018	**1,499,767**	**9,374,148**	**55,044**	**90,083**	**93,531**	**3,749**	**336,500**	**11,452,822**

Departmental Group 2016-17

	Land	Buildings	Dwellings	Information technology	Plant and equipment	Furniture, fixtures and fittings	Payments on account and assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2016	**1,384,187**	**8,909,852**	**57,417**	**420,456**	**329,634**	**56,899**	**179,507**	**11,337,952**
Additions	-	10,661	-	12,264	14,500	129	273,418	310,972
Disposals	(14,797)	(3,202)	(42)	(12,645)	(9,623)	(245)	(143)	(40,697)
Reclassifications	(26,994)	156,136	(885)	9,932	(2,021)	137	(179,329)	(43,024)
Revaluations	183,839	(242,975)	(1,652)	23,879	3,719	99	-	(33,091)
Transfers	-	(6)	-	1,682	-	1	609	2,286
Impairments	(3,017)	(174,469)	-	-	(128)	-	(1,111)	(178,725)
At 31 March 2017	**1,523,218**	**8,655,997**	**54,838**	**455,568**	**336,081**	**57,020**	**272,951**	**11,355,673**
Depreciation								
At 1 April 2016	**-**	**(373,969)**	**(3,171)**	**(305,973)**	**(220,996)**	**(49,721)**	**-**	**(953,830)**
Charged in year	(729)	(337,169)	(1,352)	(48,005)	(26,291)	(3,265)	-	(416,811)
Disposals	-	3,121	42	12,389	9,099	245	-	24,896
Reclassifications	-	1,095	103	-	(208)	208	-	1,198
Revaluations	729	699,863	4,377	(17,145)	(2,625)	(75)	-	685,124
Transfers	-	8	-	87	-	1	-	96
Impairments	-	4,776	-	7	15	-	-	4,798
At 31 March 2017	**-**	**(2,275)**	**(1)**	**(358,640)**	**(241,006)**	**(52,607)**	**-**	**(654,529)**
Carrying amount at 31 March 2017	**1,523,218**	**8,653,722**	**54,837**	**96,928**	**95,075**	**4,413**	**272,951**	**10,701,144**
Carrying amount at 1 April 2016	**1,384,187**	**8,535,883**	**54,246**	**114,483**	**108,638**	**7,178**	**179,507**	**10,384,122**
Asset financing								
Owned	1,444,540	7,320,227	49,991	75,086	82,990	4,413	272,951	9,250,198
Finance leased	56,243	422,944	4,846	2,650	12,085	-	-	498,768
On-balance sheet PFI and other SCAs	22,435	910,551	-	19,192	-	-	-	952,178
Carrying amount at 31 March 2017	**1,523,218**	**8,653,722**	**54,837**	**96,928**	**95,075**	**4,413**	**272,951**	**10,701,144**
Of the total								
Core Department and Agencies	1,513,637	8,595,940	54,837	96,284	95,014	4,156	269,324	10,629,192
NDPBs	9,581	57,782	-	644	61	257	3,627	71,952
Carrying amount at 31 March 2017	**1,523,218**	**8,653,722**	**54,837**	**96,928**	**95,075**	**4,413**	**272,951**	**10,701,144**

Included in the carrying values above are 27 non-operational sites with a combined value of £20.6 million (2016-17: 27 non-operational sites with a combined value of £103.8 million). These sites are vacant, but do not yet meet the criteria for classification as assets held for sale.

Land, buildings and dwellings are shown at fair value based on professional valuations performed at 31 March each year by the Valuation Office Agency, who are independent of MoJ, in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual. Each year 20% of the land, buildings and dwellings are physically visited and valued. The remaining 80% are valued on a desktop basis. The majority of operational buildings are valued at DRC to a modern equivalent basis. All other buildings are measured at fair value determined from market based evidence.

All assets other than land and buildings and assets under construction are revalued at each reporting date using the Producer Price Index prepared by the ONS.

14. Intangible assets

Departmental Group 2017-18

	Software licences	Information technology	Internally generated software	Payments on account and assets under construction	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2017	**63,629**	**376,505**	**288,708**	**178,205**	**907,047**
Additions	948	348	11,145	130,067	142,508
Disposals	(591)	(472)	(21)	(161)	(1,245)
Reclassifications	482	32,724	55,199	(80,461)	7,944
Revaluations	1,079	7,727	6,951	-	15,757
Transfers	-	71	8,994	(9,038)	27
Impairments	-	-	-	(3,321)	(3,321)
At 31 March 2018	**65,547**	**416,903**	**370,976**	**215,291**	**1,068,717**
Amortisation					
At 1 April 2017	**(47,862)**	**(249,298)**	**(216,420)**	**-**	**(513,580)**
Charged in year	(8,340)	(41,858)	(32,846)	-	(83,044)
Disposals	591	436	-	-	1,027
Revaluations	(1,051)	(5,660)	(4,946)	-	(11,657)
Impairments	(1)	38	-	-	37
At 31 March 2018	**(56,663)**	**(296,342)**	**(254,212)**	**-**	**(607,217)**
Carrying amount at 31 March 2018	**8,884**	**120,561**	**116,764**	**215,291**	**461,500**
Carrying amount at 1 April 2017	**15,767**	**127,207**	**72,288**	**178,205**	**393,467**
Asset financing					
Owned	8,884	120,561	116,764	215,291	461,500
Carrying amount at 31 March 2018	**8,884**	**120,561**	**116,764**	**215,291**	**461,500**
Of the total					
Core Department and Agencies	8,432	119,887	106,341	214,475	449,135
NDPBs	452	674	10,423	816	12,365
Carrying amount at 31 March 2018	**8,884**	**120,561**	**116,764**	**215,291**	**461,500**

Departmental Group 2016-17

	Software licences	Information technology	Internally generated software	Payments on account and assets under construction	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2016	**52,510**	**342,863**	**253,079**	**112,969**	**761,421**
Additions	8,331	666	305	99,832	109,134
Disposals	(150)	(223)	(665)	(8)	(1,046)
Reclassifications	-	12,534	19,392	(30,679)	1,247
Revaluations	2,947	20,428	16,542	-	39,917
Transfers	(9)	237	55	(2,644)	(2,361)
Impairments	-	-	-	(1,265)	(1,265)
At 31 March 2017	**63,629**	**376,505**	**288,708**	**178,205**	**907,047**
Amortisation					
At 1 April 2016	**(36,259)**	**(199,027)**	**(181,795)**	**-**	**(417,081)**
Charged in year	(9,612)	(39,487)	(24,943)	-	(74,042)
Disposals	148	209	665	-	1,022
Reclassifications	-	-	-	-	-
Revaluations	(2,169)	(12,547)	(10,411)	-	(25,127)
Transfers	-	(88)	64	-	(24)
Impairments	30	1,642	-	-	1,672
At 31 March 2017	**(47,862)**	**(249,298)**	**(216,420)**	**-**	**(513,580)**
Carrying amount at 31 March 2017	**15,767**	**127,207**	**72,288**	**178,205**	**393,467**
Carrying amount at 1 April 2016	**16,251**	**143,836**	**71,284**	**112,969**	**344,340**
Asset financing					
Owned	15,767	127,207	72,288	178,205	393,467
Carrying amount at 31 March 2017	**15,767**	**127,207**	**72,288**	**178,205**	**393,467**
Of the total					
Core Department and Agencies	15,645	125,887	69,295	177,598	388,425
NDPBs	122	1,320	2,993	607	5,042
Carrying amount at 31 March 2017	**15,767**	**127,207**	**72,288**	**178,205**	**393,467**

At 31 March 2018 and 31 March 2017 there were no individually material intangible assets.

15. Assets held for sale

	31 March 2018		31 March 2017	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Balance at 1 April	33,960	33,960	15,399	15,399
Reclassifications	109,227	109,227	40,579	40,579
Disposals	(44,599)	(44,599)	(19,722)	(19,722)
Revaluations	3,706	3,706	(2,160)	(2,160)
Impairments	(128)	(128)	(136)	(136)
Balance at 31 March	**102,166**	**102,166**	**33,960**	**33,960**

As part of ongoing rationalisation, the Department has committed to a plan to sell a number of surplus non-operational properties (mainly consisting of prison sites and court buildings).

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 reclassification as assets held for sale.

16. Trade and other receivables

	31 March 2018		31 March 2017	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Amounts falling due within one year				
Trade receivables	36,171	39,505	57,694	61,052
Other receivables	188,255	188,844	144,965	145,168
Capital receivables	-	-	-	-
Contributions due from funded clients	7,366	7,366	7,090	7,090
Statutory charge and interest	74,283	74,283	77,167	77,167
Amounts due from service providers	21,798	21,798	17,311	17,311
VAT receivables	81,807	81,807	83,472	83,472
Deposits and advances	673	757	687	726
Government receivables	-	-	-	-
Prepayments and accrued income	148,727	153,195	142,965	150,537
Intra-departmental receivables	6,650	-	32,174	-
Receivables related to CFERs	-	-	6	6
	565,730	**567,555**	**563,531**	**542,529**
Amounts falling due after more than one year				
Other receivables	-	-	40	40
Prepayments and accrued income	1,280	1,281	2,913	2,914
	1,280	**1,281**	**2,953**	**2,954**

The above includes a receivables impairment provision of £212.4m (2016-17: £206.0m) for LAA. For further detail regarding the LAA impairment provision refer to Note 24.

Other receivables includes £93.6m (2016-17: £58.9m) from the HMCTS Trust Statement.

17. Cash and cash equivalents

	31 March 2018		31 March 2017	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Balance at 1 April	**232,658**	**276,928**	**170,453**	**199,799**
Transfers in/out of boundary	-	-	-	-
Net change in cash and cash equivalents	(42,126)	(54,178)	62,205	77,129
Balance at 31 March	**190,532**	**222,750**	**232,658**	**276,928**
Of which:				
Government Banking Service (GBS)	155,518	187,731	196,958	241,224
Commercial banks and cash in hand	35,014	35,019	35,700	35,704
	190,532	**222,750**	**232,658**	**276,928**
Overdraft (GBS)	-	-	-	-
	190,532	**222,750**	**232,658**	**276,928**

18. Trade and other payables

	31 March 2018		31 March 2017	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Amounts falling due within one year				
Trade payables	100,412	100,708	111,808	115,422
Taxation and social security	56,723	59,449	54,643	55,616
Capital payables	106,407	106,461	113,303	113,597
Other payables	71,142	72,917	59,626	59,923
Accruals and deferred income	739,393	747,691	755,894	770,204
Amounts due to solicitors, counsel and advice agencies	64,988	64,988	71,796	71,796
Contribution refunds to funded clients	1,373	1,373	1,572	1,572
Creditor for pension transfer deficit: amounts payable to LGPS	-	-	32,687	32,687
Finance lease creditors	7,953	7,953	7,706	7,708
Imputed finance lease element of on-balance sheet PFI contracts	28,812	28,812	38,823	39,563
Amounts issued from the Consolidated Fund for supply but not spent at year end	175,339	175,339	193,228	193,228
CFERs due to be paid to the Consolidated Fund:				
- received	15,193	15,193	39,423	39,423
- receivable	-	-	6	6
Intra-departmental payables	1,982	-	1,557	-
Third party monies	-	-	-	-
	1,369,717	**1,380,884**	**1,482,072**	**1,500,745**
Amounts falling due after more than one year				
Local Authority loan balances	26,051	26,051	26,105	26,105
Lease incentive creditors	14,929	14,929	16,395	16,395
Straight lining creditors	126,764	126,764	123,279	123,279
Creditor for pension transfer deficit: amounts payable to LGPS	76,129	76,129	104,933	104,933
Finance lease creditors	116,429	116,429	124,383	124,386
Imputed finance lease element of on-balance sheet PFI contracts	303,279	303,279	320,588	332,320
Other payables	26,454	26,454	30,122	30,122
	690,035	**690,035**	**745,805**	**757,540**

19. Provisions for liabilities and charges

	2017-18		2016-17	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Balance at 1 April	**1,582,953**	**1,586,967**	**1,489,787**	**1,492,755**
Provided in the year	2,075,479	2,076,474	2,093,406	2,095,196
Provisions not required written back	(54,042)	(55,153)	(75,531)	(75,787)
Provisions utilised in the year	(1,983,392)	(1,983,927)	(1,936,099)	(1,936,604)
Borrowing costs (unwinding of discount)	6,823	6,816	11,390	11,407
Balance at 31 March	**1,627,821**	**1,631,177**	**1,582,953**	**1,586,967**
Analysis of expected timing of discounted cash flows				
Not later than one year	837,917	840,731	848,885	852,134
Later than one year but not later than five years	445,022	445,267	389,395	389,822
Later than five years	344,882	345,179	344,673	345,011
Balance at 31 March	**1,627,821**	**1,631,177**	**1,582,953**	**1,586,967**

Provisions by type

												2017-18
	Judicial Service Award	Injury benefit scheme	Early departure costs	Costs from Central Funds	Legal claims	Repayment schemes (OPG and HMCTS)	CICA Pre-tariff Scheme	CICA Tariff Scheme	Leasehold dilapidations	LAA outstanding balances on funded cases	Other	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2017	**148,313**	**130,491**	**106,420**	**8,055**	**81,851**	**89,000**	**4,591**	**290,124**	**82,356**	**617,213**	**28,553**	**1,586,967**
Provided in the year	15,900	7,820	735	41,364	54,443	32,962	5,395	173,954	416	1,731,742	11,743	2,076,474
Provisions not required written back	(14,459)	(2,859)	(6,046)	-	(24,676)	(536)	(30)	-	(2,147)	-	(4,400)	(55,153)
Provisions utilised in the year	(16,547)	(5,129)	(8,877)	(36,923)	(29,278)	(13,489)	(66)	(151,529)	(1,324)	(1,719,009)	(1,756)	(1,983,927)
Borrowing costs (unwinding of discount)	1,400	-	2,677	-	2,250	-	-	5,254	(4,765)	-	-	6,816
Balance at 31 March 2018	**134,607**	**130,323**	**94,909**	**12,496**	**84,590**	**107,937**	**9,890**	**317,803**	**74,536**	**629,946**	**34,140**	**1,631,177**
Analysis of expected timing of discounted cash flows												
Not later than one year	16,600	4,935	4,933	12,496	27,417	13,404	9,890	98,422	20,473	629,946	2,215	840,731
Later than one year but not later than five years	52,400	19,094	18,964	-	43,601	93,702	-	201,377	14,197	-	1,932	445,267
Later than five years	65,607	106,294	71,012	-	13,572	831	-	18,004	39,866	-	29,993	345,179
Balance at 31 March 2018	**134,607**	**130,323**	**94,909**	**12,496**	**84,590**	**107,937**	**9,890**	**317,803**	**74,536**	**629,946**	**34,140**	**1,631,177**

Judicial Service Award and Fee Paid Judicial Claims

The Judicial Service Award (JSA) was created to equalise the tax position of judicial pensions affected by the provisions of the Finance Act 2004.

Following the introduction of the Fee Paid Judicial Pensions Scheme on 1 April 2017, the provision held for JSAs covers the liability to both salaried and fee paid judges. The provision is calculated by the Government Actuary's Department taking into account the number of reckonable years served by the existing judiciary and the projected final salaries or fee earnings of existing members.

In addition to the liabilities for existing scheme members, provision was made in prior years for claims in respect of fee-paid judicial office holders' service awards and employment terms and conditions that historically have not matched salaried comparators. The majority of this was utilised in 2016-17 and there is no remaining provision related to retrospective service awards to retired judges. The remaining balance related to judges within the Northern Ireland devolved administration but following the completion of the process of settling claims in 2017-18 it became clear the provision would not be required and it was released.

The following table summarises the liabilities arising from the fee paid judicial office holders' claims recognised in these Accounts. The remaining liability forms part of the JSA provision of £134.6m and now represents part of ongoing arrangements for the administration of the pensions of existing fee-paid judiciary, in line with the arrangements for salaried office holders.

	2017-18	2016-17
	£000	£000
Provision recognised		
Judicial Service Award (included within ***JSA provisions***)	33,900	43,513
Employment Pay Related Claims (included within ***Other provisions***)	-	4,035
Total provisions recognised in relation to Fee Paid Judicial Office Holder litigation	**33,900**	**47,548**

Injury benefits scheme

HMPPS meets the costs of the Civil Service Injury Benefit Scheme (CSIBS) for payments granted under the scheme after 1 April 1998. The scheme pays benefits to any PCSPS member who suffers disease or injury, which is wholly or partially attributable to the nature of their duty, or who suffers an attack or similar act which is directly attributable to employment within the service. Benefits are paid only in respect of loss of earning capacity and are designed to enhance a beneficiary's income up to a guaranteed minimum of 85%.

Early departure costs

MoJ meets the additional costs of benefits beyond normal PCSPS benefits for employees who retire early. This involves paying amounts determined by the pension administrator annually to PCSPS over the period between early departure and normal retirement date. The Department provides for this in full when the early retirement programme becomes binding on MoJ by establishing a provision for the estimated payments.

Costs from Central Funds

Under the terms of the Prosecution of Offences Act 1985, acquitted defendants who have applied for legal aid and been found ineligible may, in limited circumstances, obtain an order from the Crown Court to recover their costs. The LAA estimates the value of unbilled costs to arrive at the amount disclosed in the Accounts as a provision. The amount is an estimate of the expenditure required to settle any obligation at the reporting period end date. In estimating the provision, LAA has adopted prudent measurement techniques based on the latest data available.

Legal claims

Provision has been made for all known claims where legal advice indicates that it is more likely than not that the claim will be successful and the amount of the claim can be reliably estimated. The figures represent the best estimate of the amount payable. Legal claims which are likely to succeed with a lesser degree of certainty or cannot be estimated reliably are disclosed as contingent liabilities in Note 26.

CICA Pre-tariff scheme

The pre-tariff scheme provision reflects CICA's liabilities in respect of all outstanding compensation cases incurred prior to 1996 which remain to be settled in future years. In accordance with CICA's accounting policies, the provision is reviewed annually and reflects the likely settlement values at the year end based on the circumstances of each application at that time. CICA does not hold any assets in respect of these liabilities; compensation will be paid from supply funding in year of settlement.

The pre-tariff scheme provision has not been discounted. The total provision is composed of a small number of cases which reflect the best estimate, at reporting period end, required to settle these cases. Due to uncertainties surrounding both the final liability and settlement date it was not deemed appropriate to discount the provision or provide an analysis with regard to timing of cash flows.

CICA Tariff scheme

The tariff scheme provision, reflecting CICA's liabilities under the 1996, 2001, 2008 and 2012 Schemes, is made up of two components. Primarily, CICA recognises liabilities that are based upon an evaluation of total compensation applications that are currently known (discounted value £250.9m (2016-17: £250m)). The additional element relates to those compensation events, occurring on or before reporting period end, that CICA deems probable and, based upon historical evidence, provides for an estimation of the future liability (discounted value £66.9m (2016-17: £40.1m)).

CICA does not hold any assets in respect of these liabilities; compensation will be paid from supply funding in the year of settlement.

Sensitivity for CICA Tariff Scheme

The following are key assumptions that affect the valuation and are variables that reflect CICA's recent operational experience in processing tariff applications:

- average settlement value per case (plus or minus 5%);
- future changes in discount rate (plus or minus 0.25 percentage points from current rate points shown below);
- number of nil value cases in the 2012 scheme caseload (plus or minus 10%); and
- value of IBYNR (Cases which have been Incurred But Not Yet Received) (plus or minus 10%)

	Increase in provision		(Decrease) in provision	
	Assumption	£m	Assumption	£m
Average case value	+5%	14.9	-5%	(14.9)
Discount rate	+0.25%	(2.2)	-0.25%	2.2
Change in number of nil value cases in 2012 caseload	+10%	7.8	-10%	-7.8
Value of IBYNR	+10%	6.7	-10%	-6.7

Leasehold dilapidations

Dilapidation costs are an estimate of the expenditure required to return vacated leased buildings to their original condition as at the date of commencement of the lease. The movement in year is as a result of updated information relating to property vacations, new properties leased during the year, and changes in the cost per square metre of the properties leased due to the general market conditions' impact on prices.

LAA outstanding balances on funded cases

The LAA estimates the value of unbilled live cases and unbilled defence cost orders each year to arrive at the amounts disclosed within the financial statements as a provision. The amount is an estimate of the expenditure required to settle any obligation at the end of the reporting period.

In estimating the provision, the LAA uses complex valuation models to estimate the value of unbilled live cases based on prudent measurement techniques based on the latest data available. Each significant assumption within the provision models has been identified, a reasonable change identified and the impact on the final work in progress balance calculated. Assumptions have been flexed by a percentage that is considered appropriate by management to show the impact on the provision. For each assumption which is being analysed for sensitivity, only that assumption is changed.

Based on average historical case lengths and average delay data from defence cost order award date to bill payment date, substantially all of the costs for the amounts outstanding on unbilled cases and unbilled defence cost orders are expected to be incurred within the next 12 months and accordingly, no discounting has been used.

Civil representation and crime higher work in progress provisions are the significant work in progress provision balances. The civil representation work in progress (WIP) provision equals £284.1m (2016-17: £305.0m) and crime higher work in progress provision equals £303.4m (2016-17: £271.4m).

Civil Representation WIP Provision

The civil representation work in progress provision is calculated on a case by case basis using past patterns of activity, with multiple potential duration and cost outcomes. The calculations are segmented between the different expenditure streams and between different milestones in a case's lifecycle.

The impact of the following reasonable alternatives to these inputs has been quantified below:

- transition cost and duration profile using data to March 2017
- billing duration +15 days to -15 days
- dormancy assumption +180 days

Civil representation assumptions tested:

	Increase in provision		(Decrease) in provision	
	Assumption	£m	Assumption	£m
Transition cost and duration profile	March 2017 profiles	0.8	March 2017 profiles	(0.8)
Billing duration	15 days	5.8	15 days	(4.6)
Dormancy assumption	180 days	23.8	N/A	N/A

The reasonable alternative assumptions have been arrived at by observing the maximum historical high and low points within the actual source data of the respective models, adjusted for projected future trends.

The above inputs are case data driven, with an overlay of management judgement, for example choosing the number of year's historical case data to use in creating historical profiles. It should be noted the inherent sensitivity of the civil representation WIP provision is such that relatively small percentage movements in the above inputs could lead to the estimate crystallising at a materially different amount. All assumptions are reviewed periodically to ensure they remain appropriate.

Using these reasonable alternative assumptions, the fair value of the financial liabilities at 31 March 2018 could be higher by up to £30.4m (2016-17: £59.8m) or lower by up to £5.4m (2016-17: £27.3m).

Crime Higher Work in Progress Provision

The Crime Higher WIP estimate is calculated by considering case applications and modelling their progress through the legal aid system. A separate calculation is then done to estimate the amount that has already been paid on these cases reducing the work in progress balance.

The impact of the following reasonable alternatives to these inputs has been quantified below:

- Price profiles +10.0% to -10.0%
- Case duration profile +5.0% to -5.0%
- Completion rates +2.5% to -2.5%

Crime higher assumptions tested:

	Increase in provision		(Decrease) in provision	
	Assumption	£m	Assumption	£m
Price profiles	10.0%	26.6	-10.0%	(26.7)
Case duration	5.0%	18.9	-5.0%	(9.4)
Completion rates	2.5%	23.0	-2.5%	(25.4)

Relatively small changes in these inputs could lead to a material difference in the WIP realised. Assumptions are monitored and reviewed where data is available.

Using these reasonable alternative assumptions, the fair value of the financial liabilities at 31 March 2018 could be higher by up to £68.5m or lower by up to £61.5m.

Other provisions

OPG repayment scheme: Provision has been made for the estimated cost of repayment for Power of Attorney and Supervision fees recovered in excess of costs within OPG. The estimated cost of refunds under the scheme is based on the volume of cases and value of surplus for each year from 1 April 2013 to 31 March 2017. The scheme provision reflects the MoJ's liabilities in respect of all outstanding claimants, which remain to be settled in future years. In accordance with MoJ's accounting policies, the provision is reviewed annually and reflects the likely settlement values at the year-end. The refund scheme commenced in February 2018.

Employment Tribunals and Employment Appeal Tribunal Fee Repayment Scheme: On July 26, 2017 the UK Supreme Court handed down a judgment that quashed the Employment Appeal Tribunal Fees Order 2013/1893. In the course of proceedings against the order, the Lord Chancellor committed to making refunds to those that had paid them, if the order was deemed to be unlawful. Since the order became law in July 2013, £32.2m has been received in fees, less remissions. The Lord Chancellor undertakes to make a reasonable effort to refund all those who paid the fees under the quashed order.

A provision for £16.3 million has been recognised in respect of fee refunds likely to be claimed, including interest. At the reporting date £6.6 million had been refunded and utilised, a further £0.5 million was accrued, including interest. The net provision carried forward is £9.2 million of which £200,000 is the estimated interest payable on refunds. Simple interest is payable at 0.5% per annum. A contingent liability of £16.5m has been recognised for the difference between the provision and the total amount remaining to be refunded. Action is ongoing to contact users who may be able to claim a refund.

Other fee refund schemes: HMCTS recognises a provision of £16.6 million in respect of incorrect fees charged to Local Authorities for Council Tax Liability Orders.

Other provisions: The remaining balance of other provisions relates to the fee paid judicial office holder provision, onerous lease and miscellaneous provisions of the Department.

20. Capital commitments

Capital expenditure contracted for at the end of the reporting period but not included in these financial statements is as follows:

	31 March 2018		31 March 2017	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Property, plant and equipment	148,143	148,143	157,670	157,670
Intangible assets	79,806	79,806	52,681	52,681
Total capital commitments	**227,949**	**227,949**	**210,351**	**210,351**

21. Commitments under leases

21.1 Operating leases

MoJ leases various land and buildings, primarily comprised of court facilities, under non-cancellable operating lease agreements. The lease terms are between 2 and 54 years. The leases do not have purchase options and no contingent rents are payable on operating leases; however, some leases have escalation clauses and terms of renewal. Renewals are negotiated with the lessor in accordance with the provisions of the individual lease agreements.

MoJ also leases various equipment and cars under non-cancellable operating lease agreements. The lease terms are between one and six years.

Total future minimum lease payments under non-cancellable operating leases are given in the table below for each of the following periods:

	31 March 2018		31 March 2017	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Land and buildings				
Not later than one year	114,735	118,086	112,757	141,579
Later than one year but not later than five years	398,972	403,049	389,813	395,239
Later than five years	1,051,619	1,051,619	1,109,717	1,110,100
Total land and buildings	**1,565,326**	**1,572,754**	**1,612,287**	**1,646,918**
Other				
Not later than one year	590	696	596	729
Later than one year but not later than five years	563	651	879	945
Later than five years	-	-	-	-
Total other	**1,153**	**1,347**	**1,475**	**1,674**
Total obligations under operating leases	**1,566,479**	**1,574,101**	**1,613,762**	**1,648,592**

The minimum lease payments are determined from the relevant lease agreements and do not reflect possible increases as a result of market based reviews.

The lease expenditure charged to the CSoCNE during the year is disclosed in Note 6.

21.2 Finance leases

MoJ leases various buildings under non-cancellable finance lease agreements. The total future minimum lease payments under non-cancellable finance leases as at 31 March 2018 are given in the table below for each of the following periods:

	31 March 2018		31 March 2017	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Land and buildings				
Not later than one year	17,931	17,931	17,554	17,554
Later than one year but not later than five years	76,262	76,262	74,446	74,446
Later than five years	91,672	91,672	111,419	111,419
	185,865	185,865	203,419	203,419
Less: interest element	(61,501)	(61,501)	(72,133)	(72,133)
Present value of obligations	**124,364**	**124,364**	**131,286**	**131,286**
Other				
Not later than one year	19	19	831	833
Later than one year but not later than five years	-	-	19	22
Later than five years	-	-	-	-
	19	19	850	855
Less: interest element	(1)	(1)	(47)	(47)
Present value of obligations	**18**	**18**	**803**	**808**
Total present value of obligations	**124,382**	**124,382**	**132,089**	**132,094**

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

	31 March 2018		31 March 2017	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Land and buildings				
Not later than one year	7,935	7,935	6,921	6,921
Later than one year but not later than five years	44,264	44,264	39,038	39,038
Later than five years	72,165	72,165	85,327	85,327
Present value of obligations	124,364	124,364	131,286	131,286
Other				
Not later than one year	18	18	785	787
Later than one year but not later than five years	-	-	18	21
Later than five years	-	-	-	-
Present value of obligations	18	18	803	808
Total present value of obligations	124,382	124,382	132,089	132,094

The finance lease liability primarily relates to the refurbishment of MoJ Headquarter offices at 102 Petty France, London. The liability does not contain contingent rent.

Included in the table above are operating lease obligations for property and space which MoJ is currently sub-letting under non-cancellable contracts with other government departments. The majority of these leases relate to sublet space at two of MoJ's largest properties in Petty France, London, following economisation of space used by MoJ staff during 2017-18. The value of minimum lease receipts at 31 March 2018 under non-cancellable operating leases is:

	£000
Land and buildings	
Not later than one year	8,925
Later than one year but not later than five years	37,130
Later than five years	39,220
Present value of future income receivable	85,275

22. Commitments under PFI and Service Concession Arrangements

22.1 Arrangements not recognised on the Consolidated Statement of Financial Position

As at 31 March 2018 there are no off-balance sheet PFI commitments.

22.2 Arrangements recognised on the Consolidated Statement of Financial Position

Project name	Entity	Contract start date	Duration (years)	Description
Services Integration and Management	Core Department	September 2013	5	Provision for ICT infrastructure and associated services to MoJ HQ and Executive Agencies.
Protective Monitoring	Core Department	November 2013	5	Provision of protective monitoring, cyber security detection and prevention, service to MoJ HQ and executive agencies.
Networks (Voice, Video and Integration)	Core Department	January 2014	5	Contract to deliver a range of network services including fully managed Voice, Video and Network Integration Services to MoJ HQ and Executive Agencies.
Print services contract	Core Department	May 2014	5	Provision of managed print service and bulk print service to MoJ HQ and Executive Agencies.
End User Computing Service	Core Department	October 2014	5	Provision of an end user computing service to MoJ HQ and Executive Agencies.
Networks (WAN and LAN)	Core Department	February 2015	5	Provision of WAN and LAN services as part of the MoJ Future IT Sourcing Programme (FITS).
Hereford & Worcester Magistrates' Courts	HM Courts & Tribunals Service	March 2000	25	Provision of serviced accommodation for Magistrates' Courts at Bromsgrove, Kidderminster, Worcester and Redditch. The contract term can be extended for another 10 years. At the end of the contract term the buildings shall revert to HMCTS at no cost.
Humberside Magistrates' Courts	HM Courts & Tribunals Service	March 2000	25	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 £3m.
Manchester Magistrates Court	HM Courts & Tribunals Service	March 2001	25	Provision of serviced accommodation at Manchester Magistrates Court at Spinningfields in Manchester. The contract term can be extended by mutual agreement by up to ten years. At the end of the contract term the building shall revert to HMCTS at no cost.
Derbyshire Magistrates' Courts	HM Courts & Tribunals Service	August 2001	27	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. At the end of the contract term the buildings shall revert to HMCTS at no cost.
East Anglia	HM Courts & Tribunals Service	October 2002	25	Provision of Crown Court centres in Ipswich (five criminal courtrooms) and Cambridge (three criminal courtrooms). At the end of the contract term the buildings in Ipswich and Cambridge will revert to HMCTS at no cost.
Exeter	HM Courts & Tribunals Service	November 2002	30	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.
Sheffield	HM Courts & Tribunals Service	November 2002	25	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 £2m.
Avon & Somerset Magistrates' Courts	HM Courts & Tribunals Service	August 2004	27	Provision of serviced accommodation at Bristol Magistrates Court, North Somerset Magistrates Court and Avon & Somerset Probation HQ and Training Centre, both at Worle. The contract term can be extended by mutual agreement by up to five years. At the end of the contract term the buildings shall revert to HMCTS at no cost.
HM Prisons (HMP) Altcourse	HMPPS	December 1995	25	Design, build, finance and operate an 800 place category B prison at HMP Altcourse, Liverpool.
HMP Parc	HMPPS	January 1996	25	Design, build, finance and operate an 1,519 place category B prison near Bridgend, South Wales.

Project name	Entity	Contract start date	Duration (years)	Description
HMP Lowdham Grange	HMPPS	November 1996	25	Design, build, finance and operate a 760 place category B prison at HMP Lowdham Grange, Nottingham.
HMP Ashfield	HMPPS	July 1998	25	Design, build, finance and operate a 400 place young offenders and juveniles category B prison at Pucklechurch, near Bristol; converted in 2013 to hold adult offenders.
HMP Forest Bank	HMPPS	July 1998	25	Design, build, finance and operate an 800 place category B prison HMP Forest Bank, on site of former Agecroft power station
HMP Rye Hill	HMPPS	July 1999	25	Design, build, finance and operate a 600 place category B prison HMP Rye Hill at Onley, near Rugby.
HMP Dovegate	HMPPS	September 1999	25	Design, build, finance and operate a 1,060 place category B prison and therapeutic community facility at HMP Dovegate, Marchington.
HMP Bronzefield	HMPPS	December 2002	25	Design, build, finance and operate a 500 place category B prison at Ashford in Middlesex.
HMP Peterborough	HMPPS	February 2003	25	Design, build, finance and operate an 840 place category B prison at Peterborough in Cambridgeshire.
HMP Thameside	HMPPS	June 2010	25	Design, build, finance and operate a 900 place category B prison at Woolwich in London.
Prisoner Escort and Custody Services	HMPPS	August 2011	9	Supply and running of the prison vans and escorts.
Oakhill Secure Training Centre	HMPPS	May 2004	25	Design, construct and manage a secure training centre, located in Milton Keynes, Oakhill.

The total amount charged in the CSoCNE in respect of the service element of on-balance sheet (SoFP) PFI or other service concession transactions was £632.6m (2016-17: £762.4m). Details of the imputed finance lease charges under service concession arrangements recognised on the CSoFP are given in the table below for each of the following periods.

		31 March 2018		31 March 2017
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Rentals due not later than one year	49,424	49,424	61,039	62,465
Rentals due later than one year but not later than five years	175,736	175,736	178,144	183,846
Rentals due later than five years	259,835	259,835	291,049	301,385
	484,995	**484,995**	**530,232**	**547,696**
Less: interest element	(152,904)	(152,904)	(170,821)	(175,813)
Present value of obligations	**332,091**	**332,091**	**359,411**	**371,883**

The present value of liabilities under service concession arrangements recognised on the CSoFP are given in the table below for each of the following periods.

		31 March 2018		31 March 2017
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Rentals due not later than one year	28,812	28,812	38,823	39,563
Rentals due later than one year but not later than five years	111,198	111,198	108,604	111,993
Rentals due later than five years	192,081	192,081	211,984	220,327
Present value of obligations	**332,091**	**332,091**	**359,411**	**371,883**

Details of the minimum service charge under service concession arrangements recognised on the CSoFP are given in the table below for each of the following periods.

	31 March 2018		31 March 2017	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Service charge due within one year	564,514	564,514	639,067	656,792
Service charge due later than one year but not later than five years	1,740,683	1,740,683	1,767,793	1,838,693
Service charge due later than five years	1,343,747	1,343,747	1,718,207	1,846,714
Total	**3,648,944**	**3,648,944**	**4,125,067**	**4,342,199**

23. Other financial commitments

MoJ has entered into non-cancellable contracts (which are not leases or PFI contracts), for the provision of services including the management of prisons and other contracted out services. The payments to which MoJ is committed are as follows:

	31 March 2018		31 March 2017	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Not later than one year	850,671	852,246	678,793	709,951
Later than one year but not later than five years	1,670,770	1,670,770	1,932,451	1,991,860
Later than five years	391,605	391,605	472,048	472,048
Total other financial commitments	**2,913,046**	**2,914,621**	**3,083,292**	**3,173,859**

HMPPS has financial commitments of £1,259.1m (2016-17: £1,566.7m) and £18.3m (2016-17: £18.8m) relating to the Fee for Service (FfS) and Fee for Use (FfU) elements respectively of contracts with Community Rehabilitation Companies. The CRC contracts include a Payments by Results (PbR) element, under which additional amounts will be payable to the CRCs on a sliding scale upon the achievement of targeted reductions in reoffending.

The maximum amount payable over the duration of the contracts based on the projected volume of offenders is £524.1m. This additional value has not been disclosed in the table above, due to uncertainty of the amounts at this stage of the contracts. Also, FfS and PbR are based on a predicted volume of offenders, changes in which will result in a corresponding increase or reduction in the amount payable to CRCs.

24. 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 the cash requirements of the Department are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore exposed to minimal market, liquidity or interest rate risk. The Department's exposure to financial risk is mainly in respect of credit risk for LAA's activities.

The LAA's financial risk management process seeks to enable the early identification, evaluation and effective management of key risks. Systems have been established to review and reflect changes in the legal aid market and the LAA's activities.

Credit risk

Credit risk is the risk that counterparties to financial instruments do not perform according to the terms of the contract or instrument, causing a financial loss to MoJ by failing to discharge their objectives.

Legal Aid Agency receivables

LAA has an inherent risk within trade receivables and other current assets, as LAA is not predisposed to straightforward cash collections. LAA recognises this risk and mitigates it in the case of statutory charge debts, where repayment of the debt may be deferred, by securing land charges and using active credit management policies to recover unsecured debts. In some cases, the debt collection activities are outsourced to commercial debt collectors. The size of the risk is reflected in the receivables impairment provision which totals £212.4m (2016-17: £206.0m). The majority of the LAA's trade and other receivables are the result of a statutory charge, i.e. £74.3m (2016-17: £77.2m) out of a total receivables balance after impairment of £149.5m (2016-17: £135.9m).

The LAA's impairment model uses historical recovery profiles by debt category to estimate the provision required against debt balances. The impairment model is underpinned by specific assumptions including: the life of debt, income being received against debt evenly throughout the year, and the discount rate.

The impact of the following reasonable possible alternatives to these assumptions has been considered:

	Increase in provision		(Decrease) in provision	
	Assumption	**£m**	**Assumption**	**£m**
Timing of income received	Evenly throughout the year	1.1	N/A	-
Predicted cash receipts	+10%	10.1	-10%	(10.7)
Discount rate	-1%	6.1	+1%	(6.2)

Using these reasonably possible alternative assumptions, the fair value of the LAA financial assets as at 31 March 2018 could be higher by £17.3m (2016-17: £17.7m) or lower by £16.9m (2016-17: £15.5m).

Other credit risks

Credit risk related to fines and penalties collection activities is explained in the HMCTS Trust Statement.

MoJ is exposed to minimal credit risk in respect of other financial assets. The maximum exposure to credit risk is equal to the carrying amount of outstanding receivable balances. MoJ manages its credit risk by undertaking background and credit checks prior to establishing a debtor relationship.

25. Pension costs

Reconciliation of net pension (liability)/asset 2017-18:

	Cafcass Pension			LSC Pension			Probation Pension		
	Present value of obligation	Fair value of plan assets	Net (liability)/ asset	Present value of obligation	Fair value of plan assets	Net (liability)/ asset	Present value of obligation	Fair value of plan assets	Net (liability)/ asset
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2017	**(680,690)**	**488,837**	**(191,853)**	**(340,532)**	**417,184**	**76,652**	**(5,330,138)**	**3,751,762**	**(1,578,376)**
Service costs									
Current service cost	(18,216)	-	(18,216)	-	-	-	(155,484)	-	(155,484)
Past service cost	-	-	-	-	-	-	(1,602)	-	(1,602)
Administration costs	-	-	-	(397)	-	(397)	-	-	-
Net interest	(16,841)	12,205	(4,636)	(8,734)	10,722	1,988	(138,994)	97,316	(41,678)
Total recognised in the CSoCNE	**(35,057)**	**12,205**	**(22,852)**	**(9,131)**	**10,722**	**1,591**	**(296,080)**	**97,316**	**(198,764)**
Scheme participant's contributions	(4,429)	4,429	-	-	-	-	(25,043)	25,043	-
Employer contributions	-	12,868	12,868	-	-	-	-	105,249	105,249
Benefits paid after net transfers	19,332	(19,332)	-	8,750	(8,750)	-	142,865	(142,865)	-
Total cash flows	**14,903**	**(2,035)**	**12,868**	**8,750**	**(8,750)**	**-**	**117,822**	**(12,573)**	**105,249**
Actuarial gains/(losses)									
Changes in demographic assumptions	-	-	-	23,806	-	23,806	-	-	-
Changes in financial assumptions	1,727	-	1,727	5,920	-	5,920	154,423	-	154,423
Experience gains/(losses)	(3,695)	-	(3,695)	(970)	-	(970)	614	-	614
Return on assets excluding amounts included in net interest	-	11,569	11,569	-	(4,572)	(4,572)	-	16,455	16,455
Remeasurements through Other Comprehensive Net Expenditure	**(1,968)**	**11,569**	**9,601**	**28,756**	**(4,572)**	**24,184**	**155,037**	**16,455**	**171,492**
Balance at 31 March 2018	**(702,812)**	**510,576**	**(192,236)**	**(312,157)**	**414,584**	**102,427**	**(5,353,359)**	**3,852,960**	**(1,500,399)**
Of which									
Core Department and Agencies	-	-	-	(312,157)	414,584	102,427	(5,353,359)	3,852,960	(1,500,399)
NDPBs	(702,812)	510,576	(192,236)	-	-	-	-	-	-
	(702,812)	**510,576**	**(192,236)**	**(312,157)**	**414,584**	**102,427**	**(5,353,359)**	**3,852,960**	**(1,500,399)**

Reconciliation of net pension (liability)/asset 2016-17:

	Cafcass Pension			LSC Pension			Probation Pension		
	Present value of obligation	Fair value of plan assets	Net (liability)/ asset	Present value of obligation	Fair value of plan assets	Net (liability)/ asset	Present value of obligation	Fair value of plan assets	Net (liability)/ asset
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2016	**(570,663)**	**404,594**	**(166,069)**	**(277,398)**	**346,362**	**68,964**	**(4,300,600)**	**3,107,200**	**(1,193,400)**
Service costs									
Current service cost	(12,861)	-	(12,861)	-	-	-	(94,460)	-	(94,460)
Past service cost	(124)	-	(124)	-	-	-	(9,285)	-	(9,285)
Administration costs	-	-	-	(347)	-	(347)	-	-	-
Net interest	(19,199)	13,767	(5,432)	(9,696)	12,139	2,443	(150,132)	108,362	(41,770)
Total recognised in the CSoCNE	**(32,184)**	**13,767**	**(18,417)**	**(10,043)**	**12,139**	**2,096**	**(253,877)**	**108,362**	**(145,515)**
Scheme participant's contributions	(4,346)	4,346	-	-	-	-	(26,541)	26,541	-
Employer contributions	-	12,690	12,690	-	-	-	-	101,826	101,826
Benefits paid after net transfers	16,596	(16,596)	-	8,981	(8,981)	-	146,504	(146,504)	-
Total cash flows	**12,250**	**440**	**12,690**	**8,981**	**(8,981)**	**-**	**119,963**	**(18,137)**	**101,826**
Actuarial gains/(losses)									
Changes in demographic assumptions	10,937	-	10,937	6,694	-	6,694	(11,158)	-	(11,158)
Changes in financial assumptions	(126,512)	-	(126,512)	(66,187)	-	(66,187)	(834,747)	-	(834,747)
Experience gains/(losses)	25,482	-	25,482	(2,579)	-	(2,579)	(49,719)	-	(49,719)
Return on assets excluding amounts included in net interest	-	70,036	70,036	-	67,664	67,664	-	554,337	554,337
Remeasurements through Other Comprehensive Net Expenditure	**(90,093)**	**70,036**	**(20,057)**	**(62,072)**	**67,664**	**5,592**	**(895,624)**	**554,337**	**(341,287)**
Balance at 31 March 2017	**(680,690)**	**488,837**	**(191,853)**	**(340,532)**	**417,184**	**76,652**	**(5,330,138)**	**3,751,762**	**(1,578,376)**
Of which									
Core Department and Agencies	-	-	-	(340,532)	417,184	76,652	(5,330,138)	3,751,762	(1,578,376)
NDPBs	(680,690)	488,837	(191,853)	-	-	-	-	-	-
	(680,690)	**488,837**	**(191,853)**	**(340,532)**	**417,184**	**76,652**	**(5,330,138)**	**3,751,762**	**(1,578,376)**

The key assumptions used by the actuaries were:

	Cafcass Pension	LSC Pension	Probation Pension	Cafcass Pension	LSC Pension	Probation Pension
	2017-18 %	2017-18 %	2017-18 %	2016-17 %	2016-17 %	2016-17 %
Inflation assumption	n/a	2.35	n/a	n/a	2.40	n/a
Rate of increase in salaries	3.20	n/a	2.50	3.10	n/a	2.80
Pension increase rate	2.10	2.40	2.40	2.00	2.45	2.40
Discount rate	2.60	2.65	2.70	2.50	2.60	2.60
Pension accounts revaluation rate	2.10	n/a	n/a	2.00	n/a	n/a

The major categories of scheme assets for 2017-18 were:

	Cafcass Pension		LSC Pension		Probation Pension	
	Value at 2017-18	Value as a percentage of total scheme assets 2017-18	Value at 2017-18	Value as a percentage of total scheme assets 2017-18	Value at 2017-18	Value as a percentage of total scheme assets 2017-18
	£000	%	£000	%	£000	%
Equities	394,676	77.3	68,147	16.4	2,379,210	61.7
Gilts	47,994	9.4	292,838	70.7	33,386	0.9
Corporate bonds	18,891	3.7	-	-	749,620	19.5
Property	22,976	4.5	-	-	131,913	3.4
Cash and cash equivalents	9,190	1.8	1,391	0.3	140,927	3.7
Other	16,849	3.3	52,208	12.6	417,904	10.8
Total plan assets	**510,576**	**100**	**414,584**	**100**	**3,852,960**	**100**

The major categories of scheme assets for 2016-17 were:

	Cafcass Pension		LSC Pension		Probation Pension	
	Value at 2016-17	Value as a percentage of total scheme assets 2016-17	Value at 2016-17	Value as a percentage of total scheme assets 2016-17	Value at 2016-17	Value as a percentage of total scheme assets 2016-17
	£000	%	£000	%	£000	%
Equities	377,381	77.2	74,781	17.9	2,590,201	69.0
Gilts	49,373	10.1	277,310	66.5	49,362	1.3
Corporate bonds	19,065	3.9	-	-	564,300	15.0
Property	21,020	4.3	-	-	102,883	2.8
Cash and cash equivalents	5,866	1.2	752	0.2	104,246	2.8
Other	16,132	3.3	64,341	15.4	340,770	9.1
Total plan assets	**488,837**	**100**	**417,184**	**100**	**3,751,762**	**100**

Sensitivity analysis - change in assumptions relative to 31 March 2018 actuarial assumptions for Cafcass pension liabilities:

The sensitivity analysis is intended to provide an indication of the impact on the value of the Scheme's liabilities from the risks highlighted below.

	Actuarial value of liabilities on 31 March 2018	Actuarial value of annuities on 31 March 2017
	£000	£000
0.1% decrease in discount rate	11,772	11,596
0.1% increase in the salary increase rate	2,298	2,222
1 year increase in life expectancy*	21,289	20,521
0.1% increase to pension increase rate	9,654	9,353

*A rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is one year older than them.

Sensitivity analysis - change in assumptions relative to 31 March 2018 actuarial assumptions for LSC pension liabilities:

	Actuarial value of liabilities on 31 March 2018	Actuarial value of annuities on 31 March 2017
	£000	£000
0.5% decrease in discount rate	345,083	377,640
1 year increase in life expectancy	324,644	354,154
0.5% p.a. increase to pension increases and deferred pension increases	338,796	370,614

Sensitivity analysis - change in assumptions relative to 31 March 2018 actuarial assumptions for Probation Pension liabilities:

	Approximate monetary amount	Approximate increase to Employer Liability	Approximate monetary amount	Approximate increase to Employer Liability
	2017-18	2017-18	2016-17	2016-17
	£000	%	£000	%
0.5% decrease in real discount rate	527,062	10.0	519,750	10.0%
0.5% increase in the salary increase rate	86,971	2.0	89,364	2.0%
0.5% increase in the pension increase rate	433,376	8.0	421,964	7.0%

25.1 Cafcass pension scheme

Employees of Cafcass are members of the Local Government Pension Scheme (LGPS) through the West Yorkshire Pension Fund (WYPF). The scheme provides funded defined benefits based on pensionable salary. The assets of the scheme are held separately from those of Cafcass and are invested in managed funds. Employer contribution rates are determined by a qualified actuary and on the basis of triennial valuations.

The scheme assets are measured at realisable value. Scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability.

The LGPS provides benefits on a 'final salary' basis, up to 31 March 2014, at a normal retirement age of 65. Benefits accrued at the rate of 1/60th of pensionable salary for service from 1 April 2008 with no automatic lump sum. For pensionable service up to 31 March 2008, benefits accrued at the rate of 1/80th of pensionable salary for each year of service.

With effect from 1 April 2014, the scheme provides benefits on a career average revalued earnings basis. Benefits accrue at the rate of 1/49th of pensionable salary for each year of service. In addition, a lump sum equivalent to 3/80ths of final pay for every year of total membership is payable on retirement.

The pension scheme surplus (to the extent that it is considered recoverable) or deficit is recognised in full on the face of the Statement of Financial Position. The movement in the scheme surplus/deficit is split between operating charges (within staff costs) and reserves in the case of actuarial gains and losses.

Funding/governance arrangements of the LGPS

The funded nature of the LGPS requires participating employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in LGPS regulations 2013 and the Fund's Funding Strategy Statement. The last actuarial valuation was at 31 March 2016 and the contributions to be paid until 31 March 2020 resulting from that valuation are set out in the Fund's Rates and Adjustment Certificate.

The Fund Administering Authority, City of Bradford Metropolitan District Council, is responsible for the governance of the Fund.

25.2 LSC pension scheme (LSCPS) - closed

On 1 April 2013, under the Legal Aid, Sentencing and Punishment of Offenders Act, the LSC was abolished and replaced by an executive agency of the MoJ, the LAA.

Nature of benefits, regulatory framework, and other entity's responsibilities for governance of the LSCPS

The LSCPS is a registered defined benefit final salary scheme. It has a Crown Guarantee, with MoJ as the sponsoring employer, but in effect retains most of the UK regulatory framework for pensions including Scheme Specific Funding. The LSCPS is operated under trust and as such, the trustees of the Scheme are responsible for operating the Scheme and they have a statutory responsibility to act in accordance with the Scheme's Trust Deed and Rules, in the interests of the beneficiaries of the LSCPS, and UK legislation (including Trust Law). Any contributions that are paid to the LSCPS are defined by a funding arrangement between the trustees and MoJ.

Risks to which the LSCPS exposes MoJ

The nature of the LSCPS exposes MoJ to the risk of paying unanticipated contributions to the Scheme in times of adverse experience. The most financially significant risks are likely to be:

- Members living for longer than expected;
- Higher than expected actual inflation;
- Lower than expected investment returns; and
- The risk that movements in the value of the Scheme's liabilities are not met by corresponding movements in the value of the Scheme's assets.

Expected contributions over the next accounting period and future funding arrangements

The MoJ does not expect to contribute to the LSCPS for the year to 31 March 2019. The Schedule of Contributions dated 2 November 2016 sets out the current contributions payable by MoJ to the Scheme. Future contributions depend on the Scheme's funding position at each formal valuation and are set out in the Scheme's funding framework.

25.3 Probation pension schemes

HMPPS offers retirement benefits within the Local Government Pension Scheme (LGPS) to probation staff working within the National Probation Service. Past employees of the Probation Trusts, and staff who transferred from the Trusts to CRCs and HMPPS, are also covered by the provisions of LGPS via one pension fund which is with Greater Manchester Pension Fund (GMPF). The LGPS is a funded multi-employer defined benefit scheme. MoJ recognises an LGPS pension scheme liability in these Accounts.

The LGPS pension liability transferred from Probation Trusts to HMPPS on 1 June 2014. A liability arises as employees earn their future entitlement to payments when they retire. The pension fund is subject to an independent triennial actuarial valuation to determine each employer's contribution rate. The contribution rates reflect benefits as they are accrued, and reflect the past experience of the schemes.

The LGPS provides benefits on a 'final salary' basis, up to 31 March 2014, at a normal retirement age of 65. For pensionable service up to 31 March 2008, benefits accrued at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to 3/80ths of final pay for every year of total membership is payable on retirement. Benefits accrue at the rate of 1/60th of pensionable salary for service from 1 April 2008 to 31 March 2014 with no automatic lump sum.

From 1 April 2014, the scheme provides benefits on a career average revalued earnings (CARE) basis. Benefits accrue at the rate of 1/49th of pensionable salary for each year of service.

The scheme permits employees to take a lump sum payment on retirement in exchange for a reduction in their future annual pension. Members pay contributions of between 5.5% and 12.5% of pensionable earnings. Member contributions changed from 1 April 2014 and benefits accrued from this date are on a CARE basis, with protections in place for those members in the scheme before the changes took effect.

For the year to 31 March 2018, HMPPS paid employers' contributions of £75.9 million to GMPF, relating to current probation staff, at 29.6% (£73.9 million for 2016–17 at 29.6%).

26. Contingent assets and liabilities

Contingent liabilities disclosed under IAS 37

MoJ has contingent liabilities as defined within *IAS 37 Provisions, Contingent Liabilities and Contingent Assets.* Unless otherwise stated, the amount of each contingent liability cannot be determined with sufficient reliability or to quantify it would jeopardise the outcome of the legal case.

Fee paid judicial office holders' claims:

Pension entitlements are provided to salaried judges under the Judicial Pension Scheme (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. The Fee-Paid Judicial Pension Scheme was established in April 2017 to provide retrospective pensions for eligible fee paid judicial office holders.

There were outstanding appeals in relation to the scope of MoJ's liability arising from this decision. The UK Supreme Court in July 2017 decided to refer the question of pre-2000 liability to the Court of Justice of the European Union and there is a hearing on 13 June 2018. Once a judgment is delivered, the case will return to the UK Supreme Court for final judgment on the pre-2000 liability and the operation of time limits.

Should the Department lose the appeal, the combined cost of providing additional pension entitlement and providing it to additional claimants is estimated to be up to £750m.

Transitional protection claims:

In January 2018, the Employment Appeal Tribunal gave judgment on the lawfulness, on grounds of age discrimination, of transitional protection regulations in the JPS. The Tribunal found that the transitional protection arrangements are unlawful. MoJ is appealing this decision. It is not possible to accurately measure any financial liability to the MoJ, in relation to this claim.

At this stage the outstanding appeal is treated as a contingent liability, due to the uncertainty over the outcome of the appeal. Further detail on this case can be found in the Judicial Pension Scheme Annual Report and Accounts.

Employment Tribunals: MoJ is currently defending a number of Employment Tribunal claims.

Other European Court of Human Rights claims: MoJ is currently engaged in several cases at the European Court of Human Rights, some of which may involve possible financial liabilities and others which are unquantifiable.

Headquarters legal claims: There are a number of outstanding legal claims against MoJ Headquarters, some of which involve possible financial liabilities. Cases where it is probable that MoJ will incur future costs have been included within provisions. These legal claims include Judicial Reviews challenging refusal to pay compensation for miscarriages of justice and legal aid funding.

Data Protection Act: There are claims against MoJ for alleged failure to comply with the Data Protection Act. These cases are ongoing.

EU Exit: In 2016, the UK Government announced that the Government would guarantee a number of EU funded projects after the UK has left the EU. These included the payment of awards where UK organisations successfully bid directly to the European Commission on a competitive basis for EU funding projects while we remain in the EU.

The financial settlement has now been signed-off by both UK and EU Commission negotiators in a draft Withdrawal Agreement and welcomed by the EU-27 at the March European Council. The guarantee will therefore only be called in the event that the Withdrawal Agreement is not ratified. As a result, and due to the EU funding the Ministry of Justice provides in relation to the Rights, Equality and Citizenship Programme 2014-2020, an unquantifiable contingent liability is disclosed.

CICA judicial review cases: On occasion compensation cases go to judicial review. These could have an impact on the CICA's future liabilities. These cases are not included within the provision due to the fact that a possible obligation exists which will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the CICA.

CICA Tariff: The Court of Appeal rejected an appeal by an applicant against the decision of the Upper Tribunal in a Tariff case concerning Foetal Alcohol Spectrum Disorder. The applicant's representatives requested permission to appeal to the Supreme Court which was refused. The representatives have selected another test-case to be put before the First-tier Tribunal but the application was rejected. The case is now pending the next stage of the legal process. Any liability is uncertain but has been estimated between £26.0m and £43.5m (2016-17: £26.0m and £43.5m).

HMCTS: Is involved in a number of legal cases in relation to ex gratia, compensation and other claims. The estimated cost of settlement for HMCTS is £4.5m (2016-17: £5.3m).

Employment Tribunal Refunds: On July 26, 2017 the UK Supreme Court handed down a judgment that quashed that the Employment Tribunals and the Employment Appeal Tribunal Fees Order 2013/1893. HMCTS is making refunds of £32.2m in fees paid under the order to those who paid them. In 2017-18 HMCTS refunded £6.6 million of fees and accrued for a further £0.5 million, including interest. HMCTS has recognised a net carried forward provision of £9.2m in relation to the fees and interest that it expects will be claimed by individuals and organisations who paid fees under the order. HMCTS has not been able to reliably estimate the probability that the remaining fees will be claimed and refunded, and therefore recognises a contingent liability of £16.5m.

Other HMCTS fee refunds: We have also reviewed other fees for courts and tribunals proceedings charged by HMCTS and have identified that in some cases fees have been incorrectly charged. These fees will be refunded, and action is being taken to ensure that fees are charged correctly in the future. Our current estimate of the value of the refunds likely to be due is £18.4 million. HMCTS recognises a refund provision of £16.6 million in respect of these incorrectly charged fees. However, HMCTS is not able to reliably estimate the value of the fees that will be claimed and refunded, and therefore recognises a contingent liability of £1.8 million.

HMPPS: Claims against HMPPS by staff, prisoners and third parties amount to £102.1m (2016-17: £59.8m), where the likelihood of a liability arising is deemed possible but not likely, or not reliably measurable.

27. Related party transactions

Associated departments and other central government bodies

MoJ is the parent of the LAA, HMCTS, HMPPS, CICA and OPG agencies and the sponsor of NDPBs as listed in Note 29. All of these bodies are regarded as related parties with which MoJ has had various material transactions during the year.

In addition, MoJ has had a number of transactions with other government departments and central government bodies, as well as with local authorities. The most significant of these transactions have been with HM Revenue & Customs, Home Office, PCSPS and HM Treasury.

Key management personnel

Mike Driver, Chief Financial Officer of MoJ, is a Non-Executive Board Member of Shared Services Connected Ltd (SSCL), who are a supplier of HR, procurement, finance and payroll support functions to the MoJ. MoJ made payments to SSCL totalling £71.6m in 2017-18.

A close relative of Matthew Coats, Chief Operating Officer of MoJ, is a member of the Quality and Standards Committee of the Skills for Justice Enterprises Ltd. Justice Enterprises Ltd is a non-government organisation who bids for EU Funding for projects and delivers them for the Department.

A close relative of Amy Rees, Executive Director, HMPPS Wales, is employed by HMPPS on a permanent basis.

A close relative of Amy Rees, Executive Director, HMPPS Wales, is employed by PwC. PwC are providers of professional services to HMPPS.

A close relative of Simon Boddis, Executive Director Prison Estate Transformation Programme, is employed by HMPPS on a permanent basis.

Sir Martin Narey, who is a non-executive director of MoJ, is also a non-executive member of the board of Unilink Software Ltd, which is a supplier to HMPPS. HMPPS made payments to Unilink totalling £2.6m in 2016-17 (2016-17: £0.9m).

Two close relatives of Sir Martin Narey, Non-Executive Board Member, are employed by the MoJ. Both were already in post before Sir Martin Narey was appointed to the Board. The remuneration of these parties is in line with normal civil service terms and conditions.

In November 2016, Ian Playford, a Non-Executive Board Member of HMCTS was appointed as interim Chief Executive of the 'New Property Model', currently a department within the Cabinet Office, whose purpose is to centrally manage the Government's non-specialist property assets.

Other

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 £0.6m (2016-17: £0.6m) with a total debtor balance due to HMCTS as at 31 March 2018 of £0.2m (2016-17: £0.2m).

Other interests and related parties of Ministers which do not concern MoJ are disclosed at: www.gov.uk/government/publications/list-of-ministers-interests.

28. Third party assets

MoJ holds, as custodian or trustee, certain assets belonging to third parties. These assets are not recognised in the CSoFP and neither MoJ nor the Government has a direct beneficial interest in them. Third party assets over and above those monies disclosed in Note 18 are disclosed below. Due to differing accounting year ends for these monies, they are presented in two sections.

Funds in Court

The Department manages funds held in court on behalf of clients who may be involved in a civil legal action, patients who are under the Court of Protection because they are not able to manage their property and affairs, and children under the age of 18. Client assets held at year end comprised cash, an Equity Index Tracker Fund and securities.

Cash holdings represent funds invested by UK Debt Management Office on behalf of the Accountant General in the Court Funds Investment Account and foreign exchange balances held on behalf of clients.

	31 March 2018	Restated 31 March 2017
	£000	£000
Cash at bank and on deposit	2,493,551	2,246,920
Securities	91,365	113,023
Total	**2,584,916**	**2,359,943**

The Funds in Court have been restated to reflect the position as at 31 March 2017. Further information is available in the Funds in Court Part 'A' Accounts, which are audited by the Comptroller and Auditor General and laid before Parliament.

Other third party assets

	Official Solicitor and Public Trustee (OSPT)	Criminal Injuries Awards (CICA)	Pending legal aid amounts (LAA)	Bail monies (HM Courts & Tribunals Service)	Prisoner monies (HMPPS)	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Cash	2,270	74,234	17,454	26,067	13,865	133,890
Investments	53,350	-	-	-	-	53,350
Non-cash assets	8,185	-	-	-	-	8,185
At 31 March 2018	**63,805**	**74,234**	**17,454**	**26,067**	**13,865**	**195,425**
At 31 March 2017	**66,560**	**69,285**	**17,079**	**22,457**	**13,582**	**188,963**

The rationale for each principal holding of third party assets is as follows:

- The Official Solicitor administers estates and trusts as Administrator/Trustee of Last Resort. The OS acts as last resort litigation friend, and in some cases solicitor, for adults who lack mental capacity and children (other than those who are the subject of child welfare proceedings) in court proceedings because they lack decision making capacity in relation to the proceedings. The Public Trustee acts as Executor or Trustee where they have been appointed under a will or a new settlement with the aim of providing an effective executor and trustee service of last resort. The figures above represent the most up to date information available about assets managed by the OSPT on behalf of clients;

- CICA holds third party compensation awards to minors. The purpose of this action is to ensure that the victim will be the sole beneficiary of the award (including accrued interest) when they reach their maturity (18 years of age). Where appropriate, interim payments are made on an 'as needs' basis against an agreed framework;
- LAA receives awarded damages awaiting the final settlement of a case and contribution monies from clients towards legal costs, including contributions towards costs awaiting the final judgement and calculation of the total costs of a case. The outcome of the case will determine whether the contribution monies from clients transfers to LAA or is returned to the third party;
- HMCTS holds a number of cash balances consisting of bail monies and monies held on behalf of court users which are received and held while a criminal case progresses; and,
- HMPPS holds cash on behalf of offenders.

29. The Departmental Boundary

Entities within the Departmental Boundary

Entities within the Departmental Boundary comprise of supply financed agencies and those entities listed in the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2017, known as the Designation Order, and Amendment Orders and are set out below.

The Core Department

These are entities that are accounted for within the core accounting boundary. These entities are managed independently of the Department.

- Advisory Committees on Justices of the Peace in England and Wales;
- Assessor of Compensation for Miscarriages of Justice;
- Chief Coroner's Office;
- Civil Justice Council;
- Civil Procedure Rule Committee;
- Criminal Procedure Rule Committee;
- Family Justice Council;
- Family Procedure Rule Committee;
- Independent Advisory Panel on Deaths in Custody;
- Independent Monitoring Boards of Prisons, Immigration Removal Centres and Short Term Holding Facilities;
- Judicial Appointments and Conduct Ombudsman;
- Judicial College;
- Judicial Conduct and Investigations Office;
- Judicial Office;
- Law Commission;
- Office of the Commissioner for Victims and Witnesses;
- Office of HM Inspectorate of Prisons;
- Office of HM Inspectorate of Probation;
- Office of the Judge Advocate General;
- Office of the Official Solicitor;
- Office of the Prisons and Probation Ombudsman for England and Wales;
- Prison Service Pay Review Body;
- Public Trustee;
- Sentencing Council for England and Wales; and,
- Tribunal Procedure Committee.

Supply financed Agencies

- Criminal Injuries Compensation Authority;
- HM Courts & Tribunals Service;
- Legal Aid Agency;
- HM Prison and Probation Service; and,
- Office of the Public Guardian.

Other entities captured in the Departmental Group including Executive NDPBs

- Children and Family Court Advisory and Support Service;
- Criminal Cases Review Commission;
- Judicial Appointments Commission;
- Legal Services Board;
- Office for Legal Complaints;
- Parole Board for England and Wales; and,
- Youth Justice Board for England and Wales.

The Annual Report and Accounts for the individual entities can be found at: www.gov.uk.

30. Events after the reporting period

In accordance with the requirements of *IAS 10 Events After the Reporting Period*, events are considered up to the date on which the Accounts are authorised for issue. The date the Accounts are authorised for issue is interpreted as the same date the Accounts are certified by the Comptroller and Auditor General.

From 1 April 2018 the Press Recognition Panel has been designated as within the MoJ Departmental Boundary. The most recent results for the Press Recognition Panel (for the year to 31 March 2017) were total expenditure of £0.7m and net assets of £1.2m.

A Written Ministerial Statement announced that a statutory instrument had been laid before Parliament, which reduced those fees which had inadvertently been set above cost to their full cost recovery levels; and that a refund scheme will be established to reimburse the amounts overcharged in these cases. HMCTS estimate the refunds due to be £40.5m. The statement announced an intent to refund overcharged fees after the reporting date, therefore these refunds have not been recognised in the accounts.

31. Restructuring within the Department

31.1 NOMS renamed HMPPS

From 1 April 2017 NOMS was renamed Her Majesty's Prison and Probation Service (HMPPS). This change was part of the wider reform of the MoJ. From 1 April, the MoJ took over responsibility for policy development and strategic commissioning. Specialising in the operational delivery of offenders in custody and in the community, the HMPPS headquarters function now focuses on supporting prison and probation services.

31.2 YJB/HMPPS function transfer

On 1 September 2017 responsibility for day-to-day management of the youth custody service and young people's estate transferred from the Youth Justice Board for England and Wales (YJB) to HMPPS. This included administration of Young Offender Institutions (YOIs), Secure Training Centres (STCs) and Secure Children's Homes (SCHs). A total of 69 FTE staff transferred from the YJB to HMPPS from 1 September 2017.

YJB is an executive non-departmental public body (NDPB) within the MoJ departmental boundary and transfers of functions are accounted for on an absorption basis in accordance with the FReM. Therefore there is no impact on the Consolidated Group Accounts. The net assets relating to the transferred functions have been brought into the HMPPS financial statements at the date of transfer with no adjustment to carrying value. The analysis below shows the net assets that transferred from YJB to HMPPS on 1 September 2017.

	01 September 2017
	£000
Non-current assets	
Property, plant and equipment	68,943
Current liabilities	
Trade and other payables	(757)
Non-current liabilities	
Trade and other payables	(11,407)
Net gain on transfer by absorption	**56,779**

31.3 Functional Leadership

In November 2016, the Permanent Secretary, Richard Heaton, set out his plans to introduce functional leadership for eight areas of the business: Finance, Commercial, HR, Estates, Project Delivery, Analytical Services, Communications and Digital and Technology.

The functional leadership model joins up around 1,000 corporate and professional services and is about building teams with joint strategies and plans so they can better focus and prioritise resources across the Ministry of Justice.

Since 1 April 2017, the corporate support functions to four of the Department's Executive Agencies (HMPPS, LAA, CICA and OPG) have been provided under a functional leadership model by the MoJ with the aim of enabling corporate and professional functions to become more joined up, bringing together specialists and professions into single, unified teams. Staff delivering finance, analytical services, communications, and digital and technology services in HMPPS, LAA, OPG and CICA transferred into the Core Department in order to deliver smarter working, simplified systems and processes within more collaborative and unified teams.

This has driven a movement of funding and resources out of the agencies and into the areas where the functions sit within the Core Department. The costs of the services now provided through central teams under functional leadership are reflected as a notional corporate overhead recharge communicated from the Core Department in the individual Agency Accounts to reflect that the services are now provided from the Department centrally. There is no overall impact on the Consolidated Group Accounts. The increase to notional costs as a result of the re-organisation of the functional teams is £107.3m.

Annexes

Annex A: Other notes to the Statement of Parliamentary Supply

This section is subject to audit.

SoPS 3. Reconciliation of Net Resource Outturn to Net Cash Requirement

				2017-18
	Note	Estimate £000	Outturn £000	Net total outturn compared with Estimate: saving/(excess) £000
Resource Outturn	SoPS 1.1	8,234,544	7,672,291	562,253
Capital Outturn	SoPS 1.2	424,867	414,467	10,400
Accruals to cash adjustments:				
Adjustments to remove non-cash items:				
Depreciation		(694,851)	(485,146)	(209,705)
New provisions and adjustments to previous provisions		(547,980)	(2,021,437)	1,473,457
Other non-cash items		-	(108,320)	108,320
Adjustments for Non-Departmental Public Bodies (NDPBs):				
Remove voted resource and capital		(303,504)	(277,039)	(26,465)
Add cash Grant in Aid		290,229	293,629	(3,400)
Adjustments to reflect movements in working balances:				
Increase / (decrease) in inventories		-	6,733	(6,733)
Increase / (decrease) in trade and other receivables		-	16,224	(16,224)
(Increase) / decrease in trade and other payables		405,000	87,580	317,420
Use of provisions		185,236	1,983,392	(1,798,156)
		7,993,541	**7,799,014**	**194,527**
Removal of non-voted items:				
Consolidated Fund Standing Services		(139,000)	(148,407)	9,407
Other adjustments		15,650	(64,718)	80,368
Net cash requirement		**7,870,191**	**7,585,889**	**284,302**

The net cash requirement calculation only applies to the Core Department and executive agencies.

SoPS 4 Income payable to the Consolidated Fund

In addition to income retained by the Department, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics).

	Outturn 2017-18		Outturn 2016-17	
	Income £000	Receipts £000	Income £000	Receipts £000
Operating income outside the ambit of the Estimate	1,013	1,017	25,809	25,811
Levy income of OLC and LSB within the ambit of the Estimate	14,480	14,480	14,083	14,083
Total income payable to the Consolidated Fund	**15,493**	**15,497**	**39,892**	**39,894**

The payment of excess Power of Attorney fees recovered in excess of costs, transferred to HM Treasury in 2016-17, has been included within 'operating income outside the ambit of the Estimate' above.

The Department also collects fines and penalties imposed by the judiciary and police; however, these are excluded from the income reported here and are reported separately in the HMCTS Trust Statement which can be found at: www.gov.uk

Annex B: Public expenditure core financial tables

The Core Tables represent expenditure for resource and capital, set for each year in the Spending Review process (amended to incorporate transfers of functions to other government departments as they have arisen). These tables are not reported on the same basis as the financial statements disclosures, with differing categories and headings.

The Core Tables are produced automatically from the HM Treasury System (Online System for Central Accounting and Reporting (OSCAR)) which is used by all central government departments to record their spending and plans. At 31 March 2018, OSCAR reflects the position agreed at Budget 2017. This won't match the outturn in previous years' financial statements and some spending may also appear on different lines, this may frequently result in restatement of the previous years' Core Table figures.

Table 1 Total Departmental Spending (£000)

Section headings are based on 2017-18 Supplementary Estimate headings.

	2013-14 Restated Outturn[1]	2014-15 Restated Outturn[1]	2015-16 Restated Outturn[1]	2016-17 Restated Outturn[1]	2017-18 Outturn	2018-19 Plans[5]	2019-20 Plans[5]
Resource DEL							
Policy, Corporate Services and Associated Offices	766,491	905,456	666,985	(100,468)	123,413	(671,029)	6,422,881
National Offender Management Service	3,580,997	3,480,153	3,660,493	3,722,864	-	-	-
HM Courts & Tribunals Service	1,027,975	944,099	833,483	1,565,064	1,576,656	1,582,288	-
Office of The Public Guardian	(14,481)	(14,821)	(17,241)	2,092	(12,299)	(13,311)	-
Youth Justice Board (net)	224,345	191,467	164,546	149,432	104,755	82,592	-
Parole Board (net)	11,479	12,961	14,182	16,753	17,544	14,953	-
Criminal Cases Review Commission (net)	5,173	5,504	5,298	5,349	5,240	5,233	-
Judicial Appointments Commission (net)	4,202	4,032	3,832	3,622	4,852	5,917	-
Office of Legal Complaints (OLC) (net)	15,028	13,657	13,214	11,855	12,240	12,653	-
Legal Services Board (LSB) (net)	4,266	3,921	3,364	3,525	3,470	3,795	-
Legal Aid Agency	1,970,043	1,735,858	1,611,142	1,639,385	1,680,067	1,624,312	-
Criminal Injuries Compensation Authority Agency	262,109	194,650	139,789	135,229	148,812	112,420	-
Children and Family Court Advisory and Support Service (net)	123,531	119,418	114,493	113,147	119,414	119,788	-
Higher Judiciary Judicial Salaries	148,610	148,066	149,465	152,165	148,407	139,000	150,000
OLC/LSB Levy CFER	(19,687)	(16,398)	(14,936)	(14,083)	(14,480)	(16,448)	-
HM Prison and Probation Service	-	-	-	-	3,709,003	3,920,400	-
Total Resource DEL	**8,110,081**	**7,728,023**	**7,348,109**	**7,405,931**	**7,627,094**	**6,922,563**	**6,572,881**

	2013-14 Restated Outturn[1]	2014-15 Restated Outturn[1]	2015-16 Restated Outturn[1]	2016-17 Restated Outturn[1]	2017-18 Outturn	2018-19 Plans[5]	2019-20 Plans[5]
Of which:							
Staff costs	3,466,915	3,138,927	3,112,707	3,261,219	3,333,741	3,509,799	3,509,270
Purchase of goods and services	5,382,020	4,825,252	4,466,295	4,872,655	4,763,208	4,955,286	4,631,136
Income from sales of goods and services	(1,475,737)	(765,084)	(742,765)	(594,733)	(723,609)	(269,460)	(733,356)
Current grants to local government (net)	309,528	346,895	314,174	184,452	180,230	168,566	69,489
Current grants to persons and non-profit bodies (net)	-	-	-	-	-	18,427	117,813
Rentals	-	658,051	826,030	142,774	745,283	(139,725)	-
Depreciation[3]	449,420	435,107	453,891	491,328	492,519	589,600	603,200
Other resource	(22,065)	(911,125)	(1,082,223)	(951,764)	(1,164,278)	(1,909,930)	(1,624,671)
Resource AME[1]							
Policy, Corporate Services and Associated Offices	135,959	(296,893)	1,108	153,139	(55,692)	44,730	411,000
National Offender Management Service	135,896	140,115	68,881	47,036	-	-	-
Office of the Public Guardian	(187)	15	-	504	(64)	-	-
Youth Justice Board (net)	-	8,467	1	-	398	-	-
HM Courts & Tribunals Service	(16,508)	(89,709)	98,355	9,644	(44,498)	71,212	-
Parole Board (net)	27	(52)	133	1,052	(1,144)	-	-
Criminal Cases Review Commission (net)	438	261	231	343	186	258	-
Judicial Appointments Commission (net)	(29)	(6)	-	-	-	-	-
Office of Legal Complaints (OLC) (net)	393	(367)	57	67	30	-	-
Legal Aid Agency	(40,010)	(50,897)	55,476	37,414	18,401	-	-
Criminal Injuries Compensation Authority Agency	(103,392)	(10,541)	26,882	4,601	33,175	10,000	-
Children and Family Court Advisory and Support Service (net)	7,071	4,020	6,913	5,554	10,054	(200)	-
HM Prison and Probation Service	-	-	-	-	84,351	135,000	-
Total Resource AME	**119,658**	**(295,587)**	**258,037**	**259,354**	**45,197**	**261,000**	**411,000**
Of which:							
Staff costs	-	-	-	1,919	-	-	-
Net public service pensions[2]	-	-	-	-	-	-	-
Depreciation[3]	26,141	13,903	123,458	116,221	(65,616)	-	-
Take up of provisions	432,628	56,475	342,388	2,036,774	1,924,749	406,085	556,732
Release of provision	(339,111)	(365,965)	(207,809)	(1,936,251)	(1,983,927)	(145,085)	(145,732)
Change in pension scheme liabilities	-	-	-	182	-	-	-
Unwinding of the discount rate on pension scheme liabilities	-	-	-	-	-	-	-
Release of provisions covering payments of pension benefits	-	-	-	-	-	-	-
Other resource	-	-	-	40,509	169,991	-	-
Total Resource	**8,229,739**	**7,432,436**	**7,606,146**	**7,665,285**	**7,672,291**	**7,183,563**	**6,983,881**

	2013-14 Restated Outturn[1]	2014-15 Restated Outturn[1]	2015-16 Restated Outturn[1]	2016-17 Restated Outturn[1]	2017-18 Outturn	2018-19 Plans[5]	2019-20 Plans[5]
Of which:							
Depreciation[3]	475,561	449,010	577,349	607,549	426,903	589,600	603,200
Capital DEL							
Policy, Corporate Services and Associated Offices[4]	228,964	248,828	225,306	197,294	212,555	145,296	417,150
National Offender Management Service	26,816	24,497	11,679	71,827	-	-	-
HM Courts & Tribunals Service	-	-	15,861	130,998	111,322	227,199	-
Office of The Public Guardian	4,288	4,298	3,152	1,524	2,332	3,700	-
Youth Justice Board (net)	924	2,250	844	3,666	941	600	-
Parole Board (net)	53	86	46	877	915	257	-
Criminal Cases Review Commission (net)	182	84	47	247	122	125	-
Judicial Appointments Commission (net)	134	553	-	-	147	-	-
Office of Legal Complaints (OLC) (net)	258	1,406	34	407	371	250	-
Legal Services Board (LSB) (net)	80	112	-	-	-	100	-
Legal Aid Agency	9,745	11,806	8,552	9,168	265	800	-
Criminal Injuries Compensation Authority Agency	853	1,457	486	1,192	1,340	600	-
Children and Family Court Advisory and Support Service (net)	1,863	-	-	-	697	-	-
HM Prison and Probation Service	-	-	-	-	83,460	153,223	-
Total Capital DEL	**274,160**	**295,377**	**266,007**	**417,200**	**414,467**	**532,150**	**417,150**
Of which:							
Purchase of goods and services	-	4,500	-	16,168	-	8,000	9,000
Capital support for local government (net)	-	-	-	14,367	4,180	-	-
Capital grants to private sector companies (net)	-	-	-	-	-	-	-
Purchase of assets	363,119	358,687	297,403	420,290	446,189	620,273	475,150
Income from sales of assets	(88,959)	(70,028)	(31,396)	(35,666)	(56,345)	(96,123)	(67,000)
Other capital	-	6,718	-	2,041	20,443	-	-
Total Capital	**274,160**	**288,977**	**266,007**	**417,200**	**414,467**	**532,150**	**417,150**
Total Departmental Spending[4]	**8,028,338**	**7,278,803**	**7,294,804**	**7,474,936**	**7,659,855**	**7,126,113**	**6,797,831**
Of which:							
Total DEL[4]	7,934,821	7,588,293	7,160,225	7,331,803	7,549,042	6,885,113	6,386,831
Total AME[4]	93,517	(309,490)	134,579	143,133	110,813	261,000	411,000

[1] The figures for 2013-14 to 2016-17 have been restated to reflect the Machinery of Government transfer of commonhold law from MoJ to the Ministry for Housing, Communities and Local Government on 20 July 2017 (£14k). In addition the figures for 2016-17 have been restated to reflect the final outturn position on OSCAR for 2016-17, which was finalised after the publication of the 2016-17 Annual Report and Accounts.

[2] Pension schemes report under IAS 19 Employee Benefits accounting requirements. These figures therefore include cash payments made and contributions received, as well as certain non-cash items.

[3] Includes amortisation and impairments.

[4] Total Departmental spending is the sum of the Resource and the Capital outturn less depreciation. Similarly, total DEL is the sum of the Resource DEL and Capital DEL less depreciation in DEL, and total AME is the sum of Resource AME and Capital AME less depreciation in AME.

[5] Future plans for 2019-20 by Supplementary Estimate headings have not been finalised at the date of publication. Total planned spend for the Department has been included in the Policy, Corporate Services and Associated Offices heading.

Table 2 Administration costs (£000)

Section headings are based on 2017-18 Supplementary Estimate headings.

	2013-14 Restated Outturn[1]	2014-15 Restated Outturn[1]	2015-16 Restated Outturn[1]	2016-17 Restated Outturn[1]	2017-18 Outturn	2018-19 Plans[3]	2019-20 Plans[3]
Policy, Corporate Services and Associated Offices	266,072	270,103	276,893	240,339	289,215	228,011	317,560
National Offender Management Service	97,232	123,395	139,166	131,396	-	-	-
HM Courts & Tribunals Service	26,932	24,979	22,971	24,766	20,266	15,264	-
Office of the Public Guardian	-	-	52	52	56	-	-
Youth Justice Board (net)	13,532	6,810	6,705	4,977	4,244	2,734	-
Parole Board (net)	862	1,021	1,444	2,655	1,190	610	-
Criminal Cases Review Commission (net)	990	1,111	1,137	1,139	596	632	-
Judicial Appointments Commission (net)	570	444	248	219	354	225	-
Legal Aid Agency - Administration	97,230	99,306	100,431	84,452	24,465	60,386	-
Criminal Injuries Compensation Authority Agency	15,871	16,090	12,151	12,753	4,857	9,645	-
Children and Family Court Advisory and Support Service (net)	10,594	9,132	9,286	7,289	6,046	4,979	-
Higher Judiciary Judicial Salaries	265	75	74	94	75	-	-
HM Prison and Probation Service	-	-	-	-	98,388	69,68	-
Total Administration	**530,150**	**552,466**	**570,558**	**510,131**	**449,752**	**392,124**	**317,560**
Of which:							
Staff costs	323,927	342,111	381,065	321,685	295,467	267,817	242,972
Purchase of goods and services	204,485	204,371	171,405	136,371	129,388	123,262	79,692
Income from sales of goods and services	(22,092)	(24,756)	(30,174)	(12,615)	(14,714)	(3,764)	(41,889)
Current grants to local government (net)	-	-	-	25	-	-	-
Current grants to persons and non-profit bodies (net)	-	-	-	-	-	25	26
Rentals	-	7,381	24,927	21,985	18,704	(32,264)	
Depreciation[2]	23,830	27,617	23,330	23,728	19,512	40,000	40,000
Other resource	-	(4,258)	5	18,952	1,395	(2,952)	(3,241)

[1] The figures for 2013-14 to 2016-17 have been restated to reflect the Machinery of Government transfer of commonhold law from MoJ to the Ministry for Housing, Communities and Local Government on 20 July 2017 (£14k).

[2] Includes amortisation and impairments.

[3] Future plans for 2019-20 by Supplementary Estimate headings have not been finalised at the date of publication. Total planned spend for the Department has been included in the Policy, Corporate Services and Associated Offices heading.

Annex C: Off-payroll engagements

All off-payroll engagements as of 31 March 2018, for more than £245 per day and that last for longer than six months

	HQ	HMPPS	HMCTS	LAA	OPG	CICA	Cafcass	OLC	Parole Board	CCRC	JAC	LSB	YJB	Total
Number of existing engagements as of 31 March 2018	445	64	105	14	20	-	-	-	-	-	-	-	1	649
Of which:														
Number that have existed for less than one year at time of reporting	268	47	96	1	10	-	-	-	-	-	-	-	1	423
Number that have existed for between one and two years at time of reporting	141	12	8	2	8	-	-	-	-	-	-	-	-	171
Number that have existed for between two and three years at time of reporting	17	2	1	1	1	-	-	-	-	-	-	-	-	22
Number that have existed for between three and four years at time of reporting	16	3	-	10	1	-	-	-	-	-	-	-	-	30
Number that have existed for four or more years at time of reporting	3	-	-	-	-	-	-	-	-	-	-	-	-	3

All new off-payroll engagements, or those that reached six months in duration, between 1 April 2017 and 31 March 2018, for more than £245 per day and that last for longer than six months

	HQ	HMPPS	HMCTS	LAA	OPG	CICA	Cafcass	OLC	Parole Board	CCRC	JAC	LSB	YJB	Total
Number of new engagements, or those that reached six months in duration, between 1 April 2017 and 31 March 2018	406	63	139	1	20	-	-	-	-	-	-	-	1	630
Number assessed as caught by IR35	36	28	21	-	2	-	-	-	-	-	-	-	1	88
Number assessed as not caught by IR35	370	35	118	1	18	-	-	-	-	-	-	-	-	542
Number engaged directly (via PSC contracted to department) and are on the departmental payroll	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Number of engagements reassessed for consistency / assurance purposes during the year.	38	5	9	-	2	-	-	-	-	-	-	-	-	54
Number of engagements that saw a change to IR35 status following the consistency review	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2017 and 31 March 2018

	HQ	HMPPS	HMCTS	LAA	OPG	CICA	Cafcass	OLC	Parole Board	CCRC	JAC	LSB	YJB	Total
Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Number of individuals that have been deemed “board members, and/or, senior officials with significant financial responsibility”, during the financial year. This figure should include both off-payroll and on-payroll engagements	26	17	16	9	9	7	5	9	5	3	5	14	6	131

Annex D: Trade Union Facility Time

The Department is required, by the Trade Union (Facility Time Publication Requirements) Regulations 2017 which came into force on 1 April 2017, to disclosure the number of hours spent on facility time by employees who are a relevant union official during the reporting period, which are paid by the Department.

Facility time is recognised as the time an employee has spent on paid trade union activities where the employee has received wages from the Department.

Table 1 Relevant union officials

The total number of employees who were relevant union officials during 2017-18

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
636	200

Table 2 Percentage of time spent on facility time

The number of employees who were relevant union officials employed during 2017-18, who spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time.

Percentage of time	Number of employees
0%	19
1-50%	617
51-99%	0
100%	0

Table 3 Percentage of pay bill spent on facility time

The percentage of the total pay bill spent on paying employees who were relevant union officials for facility time during 2017-18.

Total cost of facility time (£000)	2,089
Total pay bill (£000)	2,735,424
Percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.08%

Table 4 Paid trade union activities

As a percentage of total paid facility time hours, the number of hours spent by employees who were relevant union officials during 2017-18 on paid trade union activities.

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100	33.74%

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