



HM Courts &
Tribunals Service

HM Courts & Tribunals Service Annual Report and Accounts

2017-18





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Annual Report and Accounts 2017-18

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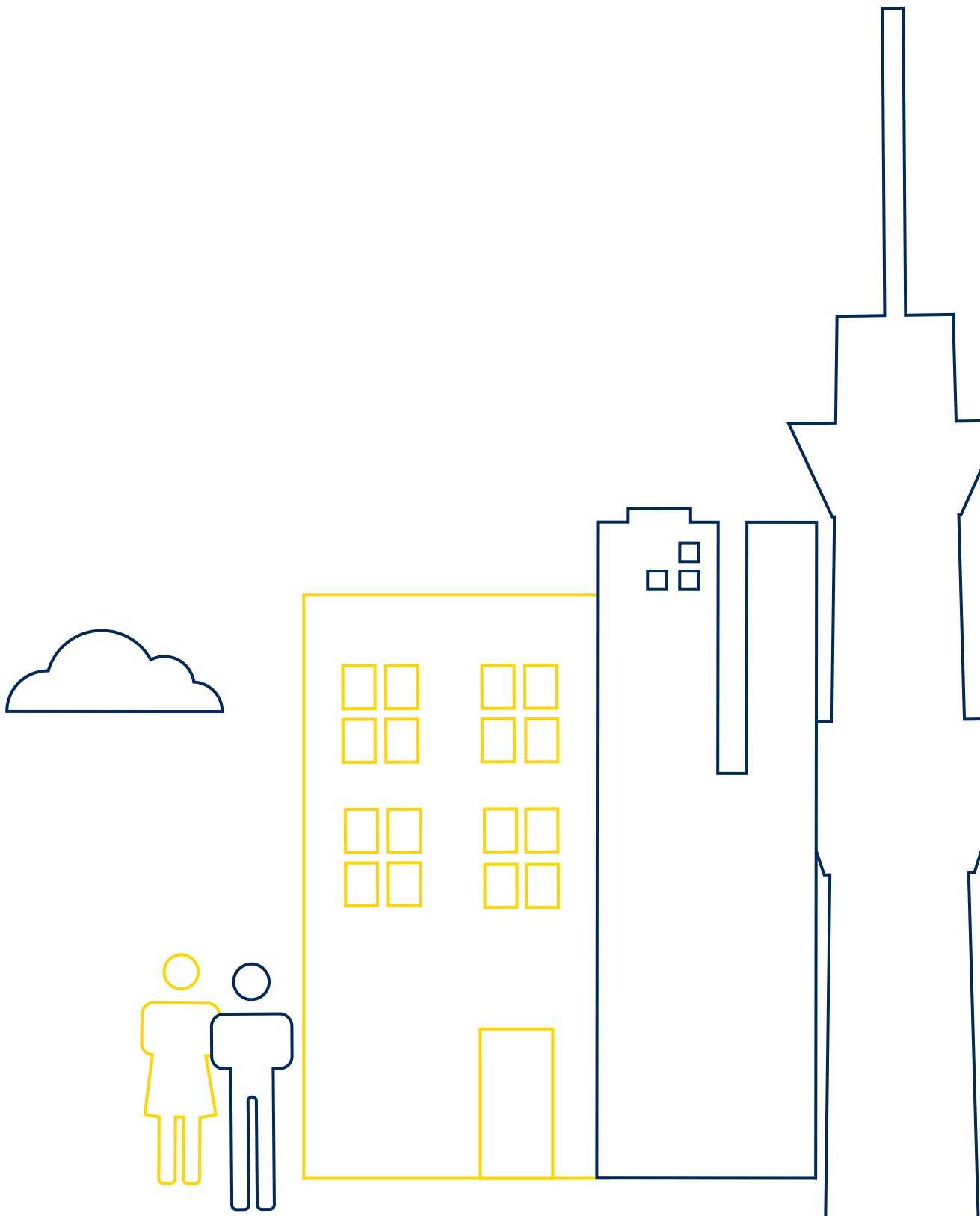
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Section 1: Introductions



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

HM Courts and Tribunal Service exists to enable the rule of law to be upheld and to deliver access to justice for all. It provides the administration for a fair, efficient and effective courts and tribunals system; and supports the independent judiciary in the administration of justice. It is no overstatement that its work – summarised in this annual report – is of fundamental importance to our society. This importance is reflected in everything the service does, and continues to do.

Together with the judiciary, HMCTS works to deliver access to justice for individuals, business and international litigants that choose to use this jurisdiction. Millions of claims and appeals are started in our courts and tribunals each year. Whilst proceedings are important to the individual parties in need of dispute resolution or determination, they have a far wider public importance.

The dedicated officials and the internationally-renowned independent judiciary whom they support have worked hard throughout the last year. This report provides many examples of how performance has continued to improve.

We recognise the hard work and commitment of HMCTS staff, as well as all members of the judiciary (from judges, to specialist members, to magistrates), over the course of the last year. Individually, their work is impressive; collectively it is invaluable. We also thank Robert Ayling, who in 2017-18 had his last full year as Chair of the HMCTS Board. Robert has been Chair since 2011 and has overseen the creation of HMCTS and been at the centre of driving the transformation programme over the last few years. His contribution to HMCTS and the journey it is on has been outstanding. He leaves a solid and dynamic foundation upon which much can and must now be achieved.

**The Rt. Hon.
David Gauke MP**
Lord Chancellor and
Secretary of State for Justice

**The Rt. Hon.
Sir Ian Burnett**
Lord Chief Justice of
England and Wales

**The Rt Hon
Sir Ernest Ryder**
Senior President of
Tribunals

1.2 Foreword and introduction by Susan Acland-Hood, Chief Executive

What we do in HMCTS could not matter more. Our founding aim is to run an efficient and effective courts and tribunals system, enabling the rule of law to be upheld and providing access to justice for all. Justice protects our safety, our family life and our prosperity. It is the cornerstone of our modern state, and underpins the lives of millions of people every year.

Last year, I wrote of my pride in having been appointed Chief Executive of HMCTS. That pride grows every time I see at first-hand the commitment and dedication of staff across HMCTS striving to offer the best possible service that they can to those who come into contact with our system. Often in difficult circumstances; usually dealing with people at a vulnerable point in their lives; but always doing everything that they can to ensure that the courts and tribunals service runs as well as it can for those who use it. I am pleased that this year's annual report shows HMCTS' performance reflecting the hard work of our staff, including in jurisdictions where caseloads have been rising rapidly.

But our systems, processes and ways of working have not always matched that commitment and dedication. Our reform programme responds to that challenge.

Working closely with the judiciary and the wider Ministry of Justice, we can and should take advantage of what technology can offer, and think differently about how we make justice accessible. And that is exactly what we have been doing this year. Through the new digital services that we have launched nationally,

we are removing difficult and unnecessary bureaucracy and paperwork from the process for getting a divorce and dealing with probate, and creating new, more user-friendly, digital ways to do these things – saving people time and making their lives easier. We have made it possible for people to keep track of their Social Security and Child Support appeals by providing email and text alerts, rather than expecting them to ring us and chase up what is happening with their case. And we have seen the first ever fully-video hearing successfully take place in the tax tribunal, allowing us to better understand the potential for the use of this technology more broadly.

These are just some of the new ways of working detailed in this year's annual report – some well-established, some recently launched, and others in development. Together, they will create a better, more straightforward, accessible and efficient justice system for all who use it – and to the benefit, too, of all those who do not use the system directly but still live under its vital protection.

This year has also seen us start to tackle some long-standing challenges. We know that many of our buildings are old and run down, making life difficult for those who work in and visit them; which is why this year we have worked hard to make best use of our maintenance budget (and indeed to add to it where we can), mending lifts and fixing boilers across the estate; but also setting aside an additional £5 million to address small but salient issues in over 200 locations.

We know that change on the scale we are undertaking is unsettling and can create uncertainty; which is why this year we have engaged more with those who work in and use the justice system, so that the services that we are building work as well as possible for everyone who uses them. There is more to be done here, as the National Audit Office told us in their recent report; and in the year to come we will broaden and deepen our engagement still further.

I should like to finish by paying tribute to the outgoing HMCTS Board Chairman, Robert Ayling. HMCTS, and the wider justice system, owes Bob a debt of gratitude for his outstanding service over the past seven years. He has led the Board with dedication, integrity and skill, and the fact that our ambitious programme of reform and modernisation is now well underway and delivering real benefits is in no small part thanks to him. I also owe him a personal debt, as a wise and trusted adviser, guide, support, and constructive critic, who has helped me immeasurably since I took up my role in 2016.

Susan Acland-Hood

Chief Executive and Accounting Officer

1.3 Foreword by Robert Ayling, Independent Chairman of the HM Courts & Tribunals Service

This report is the seventh since my appointment as the first independent chairman of HM Courts & Tribunals Service on 1 April 2011 and my last, as I am now retiring after my two terms. Our job at HMCTS has been to “run an efficient and effective courts and tribunals system, which enabled the rule of law to be upheld and provided access to justice for all”. But looking back over these seven years, I see a service that I am leaving changed beyond recognition from the one that I joined in 2011. Working with ministers, senior judges and the Ministry of Justice, we planned for the fundamental reform of how the courts would function, made the case for significant investment, and set about bringing us into the 21st century, to give a better experience for every court user. To see the reforms now coming into place, the new digital services now becoming available, the benefits that they are already bringing and the many improvements still to come, is enormously satisfying.

This year’s annual report once again reflects an enormous amount of hard work from staff across HMCTS as well as from our partners in the justice system, both in delivering consistently strong day-to-day performance across all jurisdictions but also in achieving significant progress in our ambitious programme of reform.

Until now, these things have largely been considered separately – the ‘business as usual’ job of running the courts and tribunals system today, and ‘reform’, a programme of change for the future. But this has been the year when the two have come together.

Our reform programme has been referred to as a ‘refit at sea’, and that has been a feature of this year more than most. The Board and I are well aware of the challenges that this can bring. When new technologies and ways of working are introduced, some do not always work as intended first time round, and yet our staff must continue to deal with legacy systems that feel increasingly out-of-date and unhelpful. A backdrop of change on this scale is never an easy thing to deal with, yet we see our staff continue to provide the highest levels of service to court users and practitioners.

But the progress being made is remarkable and is making people’s lives easier. In June 2017, the Board held a ‘change showcase’ event, attended by ministers and senior judiciary, at which new prototype services across a number of jurisdictions were demonstrated. Now, those prototypes have become a reality. People are now able to make small claims online, and 3,000 did so in the first month that we launched the service – reducing the time taken for someone to submit a claim from around 15 days using the old paper form, to just eight minutes using the online system. People can now apply for a divorce online, which has cut the error rate in applications from 40% to less than 1%, saving people time and trouble at a potentially difficult point in their lives. And grieving families now have access to an online probate application, which has reduced the time to process applications by two-thirds.

All of these services, and all of our future services, are being designed, developed and improved on the basis of user feedback. And none of this would of course be possible without the continued support of the judiciary and the MoJ, for which the HMCTS Board and I are grateful.

I thank all of the six Lord Chancellors, three Lord Chief Justices and three Senior Presidents of Tribunals under whom I have served, as well as the four Senior Presiding Judges and four HMCTS Chief Executives I have worked with. I am grateful to all of the 25 members of the HMCTS Board that have served with me over the last seven years. But most of all, I thank the staff of HMCTS and the judiciary for their support and absolute commitment; nothing that we have achieved across HMCTS over this time would have been possible without their dedication to public service.

Tim Parker succeeds me as Chairman. He has the ideal skills and experience to continue this important work – work which means we all live in a just and civilised country.

Robert Ayling
Chairman

Section 2: Our performance



2.1 About us: who we are and what we do

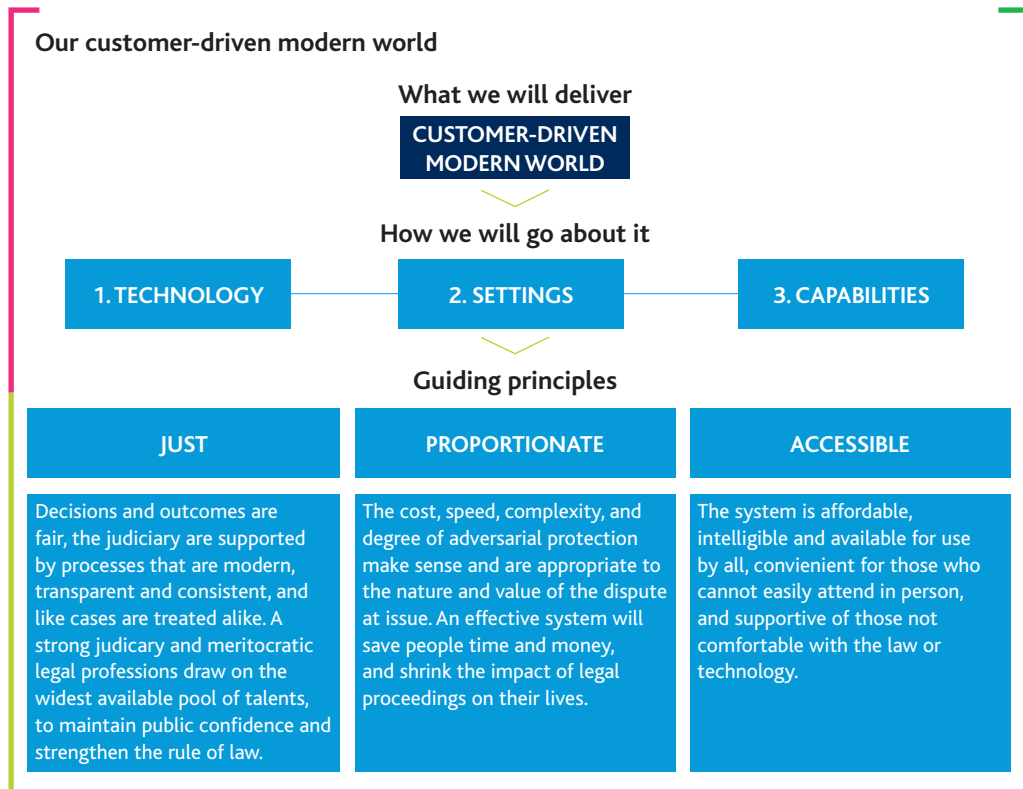
Her Majesty's Courts & Tribunal Service (HMCTS) is responsible for the administration of the criminal, civil and family courts in England and Wales, tribunals in England, and non-devolved tribunals in Wales, Scotland and Northern Ireland. We are run jointly by the Lord Chancellor, Lord Chief Justice and the Senior President of Tribunals, and are led by our independent Board to run an efficient and effective courts and tribunals system that enables the rule of law to be upheld and provides access to justice for all.

Our objectives are to:

- provide the supporting administration for a fair, efficient and accessible courts and tribunal system
- support an independent judiciary in the administration of justice

- drive continuous improvement of performance and efficiency across all aspects of the administration of the courts and tribunals
- collaborate effectively with other justice organisations and agencies, including the legal professions, to improve access to justice
- work with other government departments and agencies to improve the quality and timeliness of their decision making in order to reduce the number of cases coming before tribunals and courts

Our key priorities for 2017-18, detailed below, centred around providing a more focused and modern service with improved technology, settings and capabilities. Details on some of our notable achievements are in Section 2.2.





Over 4.4 million

criminal, civil, family and tribunal cases were handled in 2017

We managed an annual expenditure of

£1.8 billion

for 2017-18 with three main areas of expenditure: HMCTS employees, salaried and fee-paid judiciary, and estates



We operate from **345 court and tribunal buildings**

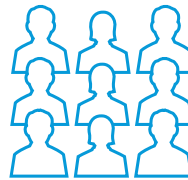
in England and Wales and tribunal buildings in Scotland



We employ approximately

16,320

full-time equivalent employees, 94% of whom are frontline employees



Our justice system has a world-class reputation. We have an outstanding independent judiciary. Our legal sector is globally recognised for excellence and contributes billions of pounds every year to the UK economy.

To maintain this unrivalled reputation, we are delivering a justice system that is more responsive to the needs of those who use it. That includes adapting to the way people want to access justice in a digital age. In this way, we can help make justice more accessible too. The government and the judiciary have a shared commitment to a long-term programme of reform to introduce modern technology and new ways of working to provide a more responsive, more accessible and more efficient justice system for all.

Our central principles are enduring. But modern technology brings new opportunities to administer our system better, and to provide more convenient, swifter routes to justice. We are two years

into our £1 billion reform programme which will modernise our justice system. It will provide:

- **modern technology** – we are developing new online routes to justice and developing new digital systems to improve the efficiency of how justice is administered
- **modern settings** – we are investing in fewer, better court and tribunal buildings to ensure they are better suited to the needs of witnesses, victims and all who need and use them
- **modern capabilities and skills** – we are changing how we deliver our service with fewer, better-trained people working in courts, tribunals and new national centres providing active support to all those needing access to justice.

Our strategic priorities are based on the vision for Transforming Our Justice System as set out by the Lord Chancellor, the Lord Chief Justice and the Senior President

We're transforming the way we deliver justice because **justice matters**



Our guiding principles

- **Just** – the independent judiciary are supported by processes that are modern, transparent and consistent
- **Proportionate** – the cost, speed and complexity are appropriate to the nature of the case
- **Accessible** – affordable, intelligible, and available for use by all

The system will provide **targeted and supportive care** to those who need it, reducing unnecessary stress for victims and the most vulnerable.



A straightforward system

In the **modern world**, services need to take advantage of technology, and be designed around the people who use them
We need a justice system to match.

Justice is often seen as a long and complicated process. We have old court buildings, a lot of paper, and it can be hard for people to find the support they may need to access justice today. We're changing all of that.



Investing for change

We're radically and permanently improving the way we deliver justice in the UK. This means **large-scale investment** in better systems and processes, and thinking again about the ways we've always done things. How will our £1bn investment be used?

- Building a digital system for criminal justice - linking police, prosecutors and courts - putting an end to slow paper processes
- Bringing digital technology to civil and family courts and tribunals, including developing a new online court for fast resolution of simple matters
- Training and developing people, including in digital skills and excellent customer service



Modern technology

Services will be consistent, predictable and easy to understand.

- Online**, people will be able to:
- Find information and guidance about the justice system
 - Start and progress their case
 - Access information about their case
 - Resolve disputes through the online court

Support will be available for users who need help with digital services.



Modern settings

In our modern world, justice can and should be delivered where it's most appropriate, and that may not always be in person.

- We will deliver justice online and via video-links, so that for a boundary dispute or a small money claim there's usually no need to go to a physical court
- We will have fewer, better court buildings for those cases that do need to be heard in person - buildings will be more flexible, and we will use them more efficiently
- Our customer service centre staff will be available by telephone and webchat, and will help people book face-to-face assisted digital support if they need it


We want to make the justice system easier to use and more efficient for everyone.


The result will be a more effective service, focused on what customers need.


of Tribunals in September 2016. The vision and strategy for transforming the services we provide were described to our employees in Justice Matters.


Our people and values

We employ 18,718 people (covering 16,320 full-time equivalent roles) to support those who use our courts and tribunals. As public servants carrying out a vital role, we are proud of the work we do for the people we serve. We strive to be an organisation that demonstrates our **core values** of working together with purpose, humanity and openness.

 **Purpose** – Justice matters. We are proud to make a difference for the public we serve.

 **Humanity** – We treat others as we would like to be treated. We value everyone, supporting and encouraging them to be the best they can be.

 **Openness** – We innovate, share and learn. We are courageous and curious, relentlessly pursuing ideas to improve the services we deliver.

 **Together** – We listen, collaborate and contribute, acting together for our common purpose.

In January 2018 we launched a campaign to highlight our values and raise awareness of what they mean to our people, as well as to celebrate examples of where they are demonstrated in what we do and how we do it. Our 2018 HMCTS Awards have also been re-aligned to our values to further embed them. To support teams in having a conversation about what the values mean to them, we developed the Values Climate Tool, which has been implemented across all of Ministry of Justice (MoJ).

As we adapt to the changing needs of society, the nature of our work and

how we do it will also change. But the principles that underpin the system will not change; they are enduring. We will retain those fundamental principles while becoming more responsive, and ensuring that the people we serve are always put at the heart of what we do. You can find out more about our employees at Section 3.

Our estate

Our estate is complex and challenging, with some buildings uncomfortable to use, and the location of courts and tribunals a result of legacy organisations. The nature of our buildings varies significantly, from the 17th-century Derby Magistrates' Court (one of our oldest courts in use) to the 21st-century Rolls Building in London. We are aware of the challenges, and we are doing everything we can with the resources available to us to improve the situation now and in the longer term. Last autumn, we received an additional £5 million to invest in improving courts and tribunals buildings by the end of March 2018. This one-off fund was supplementary to our annual capital maintenance of £46.6 million during 2017-18, and gave us the opportunity to carry out a wide range of relatively small 'fixes' which we believe have started to make a difference to people who work in and visit our buildings. Overall, nearly 250 sites benefitted from the funding, which saw around 300 projects completed. These ranged from new carpets and chairs in waiting rooms to refurbished receptions, plastering and painting, and mending broken fixtures and fittings. From small fixes that improve the working environment, enhancements that make the court experience more comfortable for the most vulnerable, and major renovations that are designing courts of the future, we are doing all we can to improve our physical court

buildings. As we transform our services, introducing new technology and moving cases out of the court room that do not need to be there, we will need fewer buildings.

Our services

Many people find the justice system difficult to navigate, slow, and restrictive. We want to make it work better by building it around the needs of the public. Being able to do things more flexibly, more often online, and at a convenient time matters to everyone using the justice system, and particularly to many vulnerable users – all the things you would expect from a modern service. We are bringing forward changes to provide a more open and accessible justice system that is quicker, easier and more efficient for those who use it, those who work in it and those who pay for it. These include moving from paper-based to digital systems to streamlined case management, moving some existing court and tribunal activity online, and introducing full video and video-enabled hearings so that, where appropriate, people can give evidence and engage with the legal system without having to travel to the court or tribunal itself. These and other changes are already being introduced – and are beginning to make a positive impact.

We are working with a wide range of people - the judiciary, partners, legal professionals and the people that use courts and tribunals - to design a modern justice system that meets the needs of the people that use it.

You can find out more about what we have delivered this year against our key priorities at Section 2.2.



2.2 Our performance: progress against our 2017-18 key priorities

We have delivered some significant products and improvements in the last year as part of our continuing and ambitious programme of transforming our justice system. We are not just reforming our service but we are also running it at the same time, focused on building performance today while securing improved performance for tomorrow. Increasingly during 2017-18, our 'change' and 'business as usual' activities have become more closely aligned, reflecting the work we all do every day.

Our core priorities during 2017-18 supported our overall purpose to support justice, drive modernisation and improvements and simplify services. They were focused around the key themes of **technology**, **settings** and **capability** and how all impact on those who use the services we provide. Examples of what we have delivered against each of these are below.

Examples of how we have made a difference to people who use our courts and tribunals are at pages 31-33.



Our strategic priorities – notable achievements during 2017-18



Modern technology



Our plans will bring modern technology and innovation to all our courts to better meet the needs of everyone who uses our services. We need to make the best use of technology. This means the right service needs to be in place, including the correct assisted digital support.

Kevin Gallagher, Digital Change Director



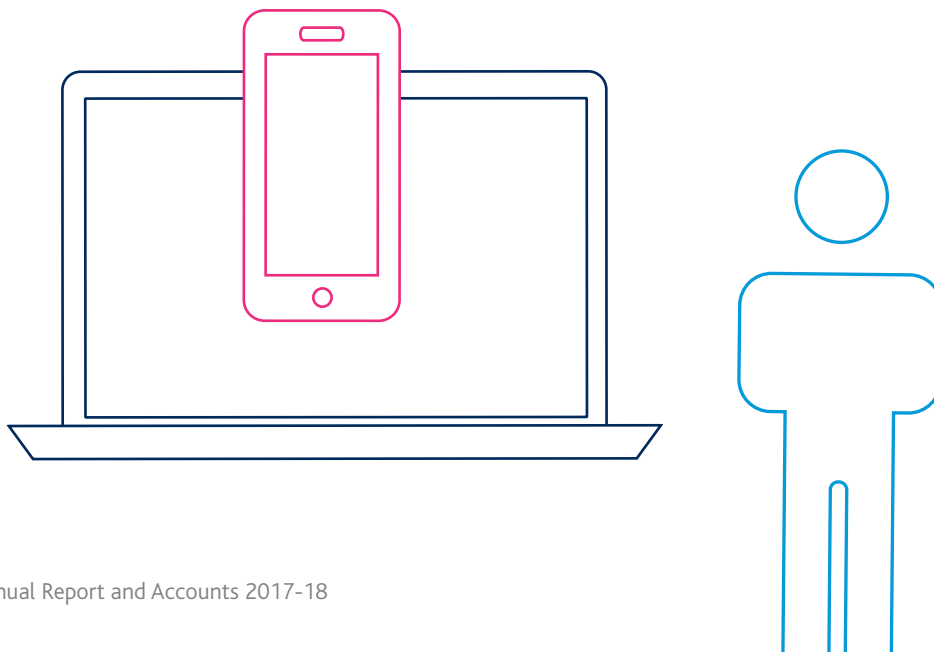
Guiding principles

Services will be consistent, predictable and easy to understand.

1. Build from new and build what the user needs
2. Make small adjustments at frequent intervals
3. There is never a 'finished' product

Benefits for those who use our services

- Processes that are consistent, predictable and easy to understand
- Guidance and support when and how people need it
- Ability to pay, plead and submit applications online and access the right information when and where people need it



What we've done	What we plan to do next
<p>Automated Track Case Management (ATCM) – new end-to-end digital service that went live for Transport for London (TfL) cases. ATCM processes Guilty and Proof in Absence for summary-only non-imprisonable cases from receipt of case in the magistrates' court through to a decision; and provides data for subsequent fine and fee collection. This includes capability for TfL defendants to plead online in a similar way to the make a plea online service for traffic cases.</p>	<p>Extend ACTM to TV Licensing and DVLA cases in 2018-19. Includes capability for TV Licensing and DVLA defendants to plead online as well.</p>
<p>Charge to Initial Details of the Prosecution Case (IDPC) – launched a pilot in Liverpool Crown Court to test the digital process for the initial charging decision and selection of material to form the IDPC bundle.</p>	<p>Building on feedback gathered during the pilot, we will continually build, develop and improve the new software through small and regular updates, allowing the Crown Prosecution Service to publish IDPC to defence solicitors on the system.</p>
<p>Civil Money Claims online – in March 2018 we launched a new digital service for litigants in person, enabling them to issue, respond and settle specified claims up to a value of £10,000 online. A paper claim on average takes 15 days from receipt to issue, whereas the digital application takes seven to eight minutes to complete and is issued instantly.</p>	<p>Expand the service, and the solicitors' version of it, so it can be used by anyone. Build and test a digital service that supports the next stage of proceedings, namely case management, mediation and online dispute resolution.</p>
<p>Digital Mark-Up (DMU) – rolled out a new end-to-end process to record and transmit the results of the judicial decision makers in magistrates' courts to the case management system in real time and shared with other Criminal Justice Agencies.</p>	<p>Continue to improve the functionality and monitor performance of DMU and how it is being used both at a national and local level.</p>

What we've done	What we plan to do next
<p>Divorce online – developed a new digital service enabling people to apply for an uncontested divorce online. The time to complete an online divorce application is 30 minutes quicker than on paper.</p>	<p>Make the digital service available to everyone and extend it to cover the entire divorce process, including financial remedy and have a dedicated version for solicitors allowing them to manage multiple cases.</p>
<p>Juror online – trialled a digital process with a limited number of people, giving them the ability to reply to a jury summons online.</p>	<p>Following a successful pilot, it is expected that national rollout of the digital reply to the summons for jury service will commence early in 2018-19.</p>
<p>Probate online – developed a new online service allowing users to submit their application online for cases with only one named executor and where a will is present. The online service saves time and stress for grieving families.</p>	<p>Continue to develop the online application form for personal applicants to allow more complex cases, such as applications where there are multiple executors named. Provide a digital case management system for legal professionals.</p>
<p>Tax online – successfully launched the national HMCTS Tax online service, allowing people to submit their appeal online against certain decisions made by HMRC on their tax affairs and any penalties incurred.</p>	<p>Going forward we will use trend analysis to identify any potential changes to enhance the system further.</p>
<p>Track your appeal – allows people appealing Personal Independence Payment (PIP) decisions with the Social Security and Child Support Tribunal to check progress of their appeal via email, text or online.</p>	<p>Extend the system so it is available to other appeal types, allowing people to track the progress of their case digitally. Develop similar systems for other tribunals where appropriate.</p>
<p>Wifi – is now installed in all criminal courts and in 80% of civil, family and tribunal hearing centres. Over 80,000 public and professional users per week now access wifi in our courts and tribunals.</p>	<p>Wifi will be rolled out to the remaining hearing centres by spring 2018.</p>

Case study – Civil Money Claims

A new online service to make it quicker and easier for people to claim money owed, resolve disputes out of court and access mediation went live on 6 April 2018. The new service can be used to start a claim against anyone in England and Wales, and provides a quicker, more user-friendly way to start an action in the County Court for amounts up to £10,000. Rather than having to fill in and post a paper form, or use an outdated online system from 2002, the new pilot allows people to issue their County Court small claim more easily, settle the dispute online and recommends mediation services – which can save time, stress, and money.

More than 1,400 people have already used an earlier pilot of the system launched in August 2017. Over 80% of those early users, including individuals and small businesses, found the service very good and easy to use. Early evidence suggests that the online system has improved access to justice as engagement from defendants has improved.

Justice Minister Lucy Frazer said: *“We know that using the civil courts has been a daunting prospect for some. This innovative, quick and easy online system will enable people and small businesses to get back the money that is rightly owed to them.”*

“This is an excellent example of the work we are doing under our £1 billion plan to transform the courts system, allowing people to access justice online and around their busy lives.”

Justice Birss, who chairs the sub-committee of the Civil Procedure Rules Committee dealing with this Civil Money Claims pilot scheme, said: *“This is an important step in the modernisation of our courts and tribunals system.”*

“For too long the perceived delays and complexity of the system have put off too many people from using the civil courts to make a small claim. When it is complete this new online route will give members of the public and small businesses a more user-friendly way to access justice. The system now being made available to the public is the first stage in that new route.”

Laura Iron, head of service at the Personal Support Unit (PSU), a charity supporting people who choose to represent themselves in the civil and family justice system, said:

“PSU welcomes the new online system: it avoids most of the formal legal language of traditional court processes, and is much more intuitive for users. While traditional processes are still the norm, this is a clear step forward for people who are comfortable with online processes. It reflects the commitment of HMCTS to designing an improved range of services tailored to the different needs of all court-users.”



Modern settings



Our estate is complex and challenging, with some buildings uncomfortable, dated and difficult to use. But we're doing everything we can with the resources available to us to improve the situation now and in the longer term. From small fixes that improve the working environment, enhancements that make the court experience more comfortable for the most vulnerable, and major renovations that are designing courts of the future, such as the 12 new hearing rooms in Birmingham created in former office space. As we transform our services, introducing new technology, moving cases out of the court room that don't need to be there and consolidating our administration into modern service centres, we will need fewer buildings and can better focus our resources.

Lucy Garrod, Courts and Tribunals Service Centre Programme Director



Guiding principles

Justice will be delivered where it is most appropriate.

1. Proportionality – only apply the full force of a judge and courtroom for very difficult issues, not preliminary hearings to agree process or less serious crimes
2. Strip away unnecessary hearings, redundant paper forms, duplication and mistakes
3. Innovate with our buildings, both courts and Courts and Tribunals Service Centres

Benefits for those who use our services

- Online information and services which are clearly signposted and intuitive to use
- By simplifying the process and handling cases in a more appropriate setting, we can remove much of the confusion and anxiety that people experience when attending court
- Far less need to physically appear in court; if they must be in court, they will be fully informed about what is happening and will spend the minimum amount of time there
- A physical environment that enables people who use the justice system to present their case well

What we've done

What we plan to do next

Business and Property Courts – launched a single umbrella for courts specialising in business and property work, creating a super-highway between courts in London and elsewhere in England and Wales, ensuring that international businesses and domestic enterprises are equally supported in the resolution of their disputes.

An electronic case management and online issue IT system will be released to all the Business and Property Courts regional centres in 2018. Court users will be able to issue new cases, file documents and pay fees online; they will be able to choose the hearing centre in which they wish to issue their proceedings.

Civil mediation – launched year-long pilots for face-to-face mediation service, for moderate value disputes which are sufficiently complex or deep-seated to make face-to-face resolution potentially more effective than telephone mediation and remove the need for a hearing in court.

A six-month interim evaluation of the mediation pilots will take place by the end of May 2018 which will include evaluating quantitative data as well as gathering feedback from the mediation providers. Any lessons learnt from this will be taken forward for the next six months of the pilots. A mediation pilot for suitable cases in the Humber areas is also due to start in 2018.

Courts and tribunals design guide – pilot studies in three sites have been completed and the results will be used to inform the design of courts and tribunals in the future.

The pilots have been evaluated and the lessons will be incorporated into the new Design Guide which will be published in 2018. We are also looking to incorporate the principles and standards into work currently being undertaken across the estate.



What we've done	What we plan to do next
<p>Courts and Tribunals Service Centres (CTSCs) – we announced that our first two CTSCs will be opened in Birmingham and Stoke-on-Trent. They will bring together expertise in managing court and tribunal cases as they transform from traditional paper-based processes to modern digital systems. We have brought together our probate service and divorce processing centres into our National Business Centres. This is an important step on the journey to further centralisation and is already improving consistency and efficiency.</p>	<p>The first CTSCs will be opened from January 2019. As more and more of our services are developed online, we will centralise our expertise and resource in managing court and tribunal cases to provide a more efficient, consistent, prompt and high-quality support to those who use the justice system. We will identify and develop plans to deliver the next CTSCs in the planned network of centres to meet demand as it arises. We will procure the right technology to best support our people to deliver excellent service to all users.</p>
<p>GOV.UK/Notify – Many of the calls handled by HMCTS are for simple queries – such as asking for directions, or to be signposted to information online. Making it easier to answer these calls will reduce the time callers need to spend on hold or on the phone with us, providing a better experience for them, and free up time for our employees. We launched GOV.UK notify across the business in January 2018, with over 17 service lines within HMCTS now using the service.</p>	<p>Next steps include using GOV.UK to enable parties to a case to be updated on its progress.</p>
<p>Transforming the courts and tribunals estate – between January and March 2018 we consulted on the proposed future strategy and approach to courts and tribunals estate reform in England and Wales, as well as the on the closure of eight specific courts.</p>	<p>The consultation closed on 29 March 2018 and we received over 900 responses. These are being considered and will be taken into account in finalising and publishing our future estates principles, and making a decision about court closures. Following this we will develop our view of our expected size and location of the estate in 2022 and our plan for transition.</p>

What we've done

Family and children's rooms – design proposals for a model children's room were agreed for East London Family Court and work completed by the end of the April 2018. We have also delivered ten mobile toy boxes to sites across the country offering a range of age appropriate toys to improve the experience of children and young people coming to court.

What we plan to do next

While the East London project is showcasing the benefits that a dedicated children's room offers, Birmingham Civil Justice Centre will be transformed during 2018 by offering a range of improvements to the facilities for children across the civil, family and tribunals services in the building.

Victim and witness rooms – we have developed five model rooms to provide the best environment for victims and witnesses, to improve their court experience and raise standards across our estate. We have completed a detailed facilities audit of all criminal courts in England and Wales, providing the most detailed view of standards ever compiled.

The victim and witness rooms we have transformed will be used as 'models' for the future transformation of our estate. The results of the facilities audit will be used to focus improvements we will make during 2018-19. We also plan to replicate the audit to look at the facilities offered to jurors during 2018-19.

Mobile protective screens for vulnerable witnesses – we procured 391 mobile screens to improve the in-court experience of vulnerable witnesses.

Ensure that HMCTS has clear and consistent training on how to meet the needs of vulnerable users and ensure those users are fully aware of what facilities are available to help them.

Case study – Investment in Birmingham Civil Justice Centre



The Birmingham Estates Rationalisation (BER) project was initiated in July 2014 as part of the wider reform of the HMCTS estate. This has enabled HMCTS to surrender leases on other buildings in Birmingham.

HMCTS has invested £8.12 million in Birmingham Civil Justice Centre (CJC). Twelve 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 government's £1 billion reform and modernisation of the justice system – ensuring Britain's courts and tribunals are fit for the 21st century. Birmingham CJC was unveiled by Sir Ernest Ryder on 22 January 2018.

Regional Tribunal Judge Rhead said: "Myself and my colleagues are delighted to relocate to the refurbished fourth floor at Birmingham Civil Justice Centre. The refurbishment is the result of the determination and hard work of HMCTS employees and all associated with the project. It provides 12 multi-jurisdictional hearing rooms suitable to hear a range of tribunal hearings including social security and child support appeals with appropriate facilities for tribunal users. The hearing rooms and judicial accommodation are an excellent example of a modern 'fit for purpose' justice centre."

The project, which supports the HMCTS Reform Programme by modernising the court and tribunals estate, transformed the fourth floor of Birmingham CJC to create new, improved waiting areas with new signage. This has helped ensure the Birmingham CJC is fit for purpose and resilient to future change.

One court user from the Home Office commented "A fantastic, modern facility and brilliant upgrade. The signage and decorations have made it clear and easy to find the new rooms and the huge range of consultation rooms has made it easy to have private conversations before going into court."

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.



Modern capability



Our people are critical to achieving our vision. We are developing their skills, knowledge and experience – as well as providing the right tools for them to do their jobs – so that they can perform at their best and improve the experience of using our courts, our systems and processes. New ways of working will mean that the size and shape of our workforce will continue to change. This presents both challenges and opportunities. Through our employee engagement and communications, notably our One Conversation programme, we are keeping people in HMCTS updated about how we are changing and their role in this.

Kevin Sadler, Deputy Chief Executive and Director of Courts and Tribunals Development



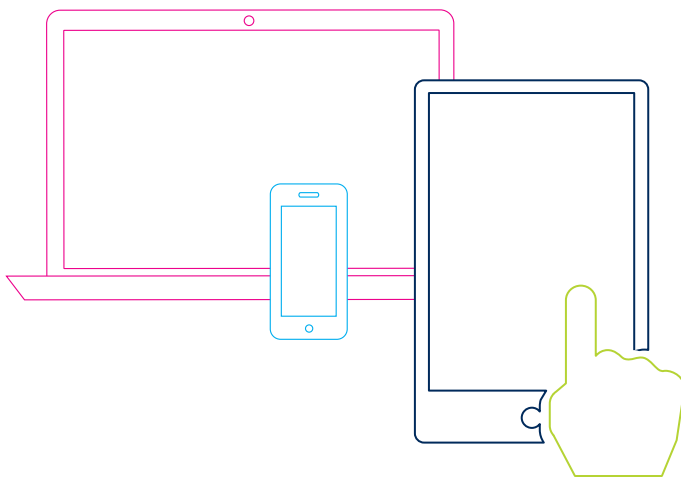
Guiding principles

The focus of the work our people do will shift to support those who use our services in new and better ways.

1. We will equip our people with the skills and knowledge to do well in the modern, digital world
2. We will always act with fairness and respect, giving people the opportunity to influence things

Benefits for those who use our services

- A consistent service, more focused on those who use our services
- Employees who are trained and empowered to deliver the services needed
- Highly professional Courts and Tribunals Service Centres providing support to any user of our services who needs it



What we've done	What we plan to do next
<p>Apprenticeships – 114 applications from our employees were accepted to undertake Operational Delivery Apprenticeships this year as well as two applications for the HMCTS Digital Apprenticeships. In February 2018, the Apprenticeship Strategy was agreed.</p> <p>See section 3.1.1 Our employees.</p>	<p>Apprenticeships in eight core areas will be offered to employees from April 2018. In addition, we have provided 15 places on the new Paralegal and Chartered Legal Executive Apprenticeships which will start in September 2018. We will focus on ensuring we have access to the right apprenticeships to support our business areas; and drive up the take up of apprenticeships right across HMCTS.</p>
<p>Assisted digital services – appointed Good Things Foundation as delivery partner for our face to face assisted digital services and begun work with the foundation to build on the design and user testing of our face-to-face service before launching our first live services in early 2018.</p>	<p>We will run a number of early adopter trials to test and refine the service while helping users to engage with the digital processes for the following projects: Divorce, Probate, Civil Money Claims, Social Security and Child Support and Single Justice Service. From mid-2018 we will expand the face-to-face assisted digital service across more locations as demand grows and as more digital functionality is released.</p>
<p>County Court Legal Adviser Pilot – following the successful pilot of legal advisers dealing with elements of civil jurisdiction box work, which ended in April 2017, the pilot became a business-as-usual process within the National Business Centre.</p>	<p>The Civil Procedure Rule Committee (CPRC) has approved a further delegation of power to legal advisers to consider the making of final unopposed charging orders. Ministers have given their approval to this pilot and the CPRC have agreed the pilot can commence from August 2018 with legal advisers making unopposed orders from October 2018. The pilot will run for a maximum of 20 months and will be closely evaluated prior to any further decisions being made.</p>

What we've done

Digital Support Officers (DSO) – launched DSO recruitment and training programme in January 2018 for operational employees to ensure local digital equipment is kept in full working order and support the development of IT capability.

Growing Ideas That Matter (GITM) – use GITM to pose challenges and encourage employees from across the organisation to find and share solutions. We launched four challenges this year and as a result, for example, we have amended all our generic templates to set expectations around provision of legal advice. This is now standard and avoids the need for people who use our services to make unnecessary calls. We have also produced posters and videos so those coming to court have a better idea of what to expect. The GITM scheme has been held up as an exemplar across government.

Interpreters – we provided interpreters for around 151,000 people involved in court and tribunal proceedings in over 229 languages. The Welsh Language Unit arranges Welsh interpreters for court hearings and trials in accordance with the Welsh Language Act 1993.

What we plan to do next

Complete the DSO recruitment and training programme nationally, deploying DSOs in each site to manage local IT issues and courtroom set up.

Aim to make Growing Ideas that Matter the engagement tool of choice for HMCTS and consider how to maximise its potential as a transformational tool. We are also pursuing a number of ideas suggested in the challenges to date including: using technology to capture customer feedback; smart working tools; improvements to the information available online; and communication timing and methods for jurors. Following a challenge on the People Proposition where our employees were asked to share what working in HMCTS meant to them, we will be launching a challenge led by the employee engagement team to ask for ideas on a collective identity and name for HMCTS employees.

Continue to work with our language service suppliers to improve fulfilling requests for interpreter services, and ensure the service we offer remains of the highest quality. We will implement a number of initiatives to address key challenges in fulfilling requests and increase the use of technological solutions in appropriate settings/ locations (such as video remote interpreting). We will explore gathering feedback from recipients of interpreter services and work with our supplier to improve the quality, including the promotion and development of the Linguist Trainee Scheme.

What we've done	What we plan to do next
<p>iTransform leadership development programme – we designed and developed iTransform HMCTS for all our leaders and launched the first phase of the programme, 'Developing our Emotional Intelligence,' in September 2017.</p> <p>See section 3.1.1 Our employees.</p>	<p>iTransform was formally launched across HMCTS from May 2018 to support and equip our leaders with the skills and behaviours required to lead our people through the transformation of our organisation.</p>
<p>One Conversation (OC) – following OC1 in 2016-17, we rolled out OC2 and OC3 - an employee engagement exercise that engages everyone in the organisation in a common exercise to consider how reform is affecting them - to all employees, providing an opportunity for teams to talk openly about our change journey and share their thoughts and ideas.</p> <p>See section 3.1.1 Our employees.</p>	<p>Feedback from our employees on One Conversation 3 will be evaluated and the findings used to help shape One Conversation 4 which will be rolled out in autumn 2018.</p>
<p>Talent and performance management – a new integrated approach to talent and performance management was trialled with a new Personal Impact and Development (PID) Scheme. The scheme was evaluated in March 2018.</p> <p>See section 3.1.1 Our employees.</p>	<p>HMCTS and Ministry of Justice will launch a new performance management framework in May 2018 which will include many of the attributes of the HMCTS pilot scheme, such as a focus on strengths and aspirations of our people. We will also roll out use of the 9-box grid talent tool which provides a visual perspective of looking at the relationship between an employee's contribution, their aspirations and potential for the future.</p>
<p>Telephony system – launched a new web-based telephony system to support divorce, probate and the Single Justice Service to make it easier and quicker for people to reach us.</p>	<p>Following the implementation of this system we are using the information it provides to refine our service and further improve. This is providing valuable learning and insight for the launch of our Courts and Tribunals Service Centres in 2019.</p>

Case study – New telephone system to support online services



Providing comprehensive guidance and support to the people who use our services will be central to how our modernised justice system can be accessed. As more services become available online, we have deployed a hi-tech telephony system to help

us answer calls quickly, to help callers get the help they need more easily, and to track call handling to make sure we have sufficient employees to meet demand.

In October 2017, HMCTS launched telephony systems to support divorce, probate and the Single Justice Service (SJS). The new web-based telephony solution is a modern, automated service which offers a call routing system to make it easier and quicker for people to reach us. And because the system is web-based, it can be used by our colleagues anywhere there is internet access.

The new telephony solution has successfully been rolled out at the Oxford Probate Registry, at the North Staffordshire Justice Centre, located in Newcastle-under-Lyme (for SJS calls) and at Loughborough (for divorce calls).

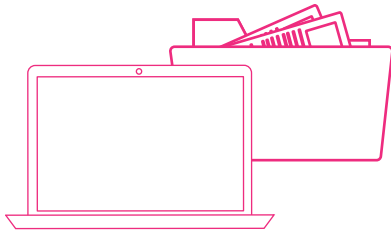
The Programme Director said, "The telephone solution was delivered successfully and on time – thank you to our excellent technical, project teams and the probate team in Oxford."

The Team Leader said, "It's remarkably straightforward to use and the staff at North Staffordshire Justice Centre very quickly mastered the navigation and data input. Our training has included a high volume of new processes and procedures, but the telephony, which we were most nervous about, has been the least challenging so far."

Sidonie Kingsmill, Customer Director said, "Three services in three locations in three weeks, a testament to all the planning, effort and last-minute problem solving from the whole team".

We have made a difference to people who use our criminal courts

In 2017, we handled over **1.6 million** criminal cases



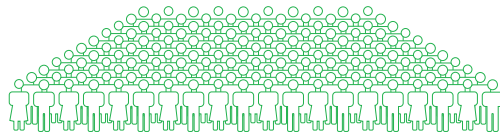
New **flagship waiting rooms** for witnesses and victims in five courts



We've installed wifi in **96%** of our courts and tribunals

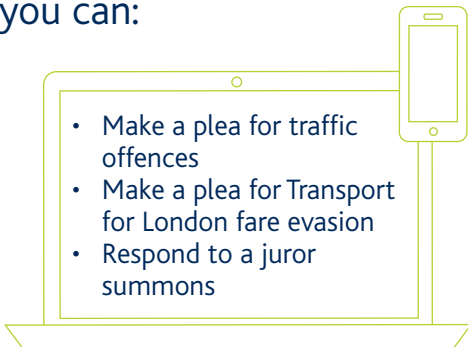


Nearly **3,000** people are using **digital mark-up** - our in-court resulting system - which is now available in all magistrates' courts and shares real-time information with other criminal justice agencies



New **online services** you can:

- Make a plea for traffic offences
- Make a plea for Transport for London fare evasion
- Respond to a juror summons

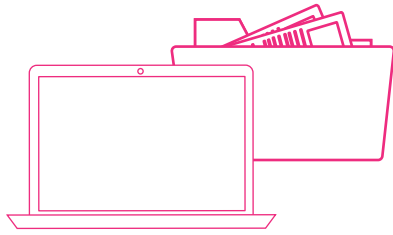


Our new **digital platform** for low level offences has allowed Transport for London to prosecute over **10,000** cases for fare evasion in the first year, reducing the need for physical transportation of files and double-keying of results, as well as giving rapid certainty to all those involved.

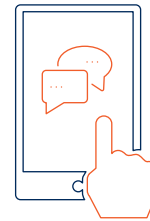


We have made a difference to people who use our civil and family courts

In 2017, we handled over **2 million civil claims** and over **250,000** family cases



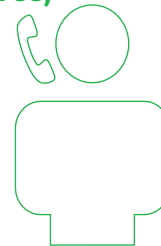
If you need help with our online services, **'Assisted Digital'** is available by phone, webchat and face-to-face



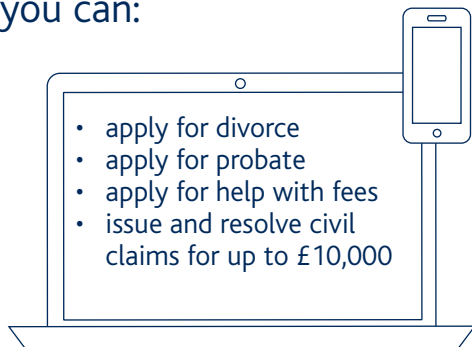
'Help with fees' service takes less than five minutes to complete, with a **user satisfaction rate of 88%**



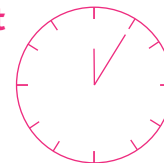
A new phone system makes it quicker and easier to contact us about **online divorce, online probate and the single justice system**



New **online services** you can:

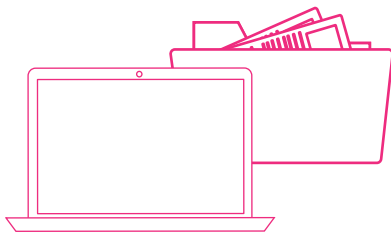


The time to complete an online **divorce application** is on average **35 minutes quicker** than on paper. **This saved users 300 hours in the first day of the new service**



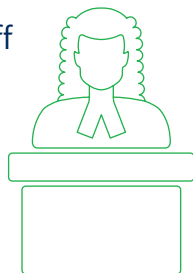
We have made a difference to people who use our tribunals

In 2017, we handled over **495,000 tribunal cases** including over **115,000 Employment Tribunal cases**



In three months over **700 appeals** have been successfully submitted online using our new online tax appeal service

We increased the **number of judges** and staff to respond to **increased Employment Tribunal claims**



In 2017-18 we completed nearly 300 small improvement projects thanks to additional funding of **£5 million** to make a difference to who work in our buildings

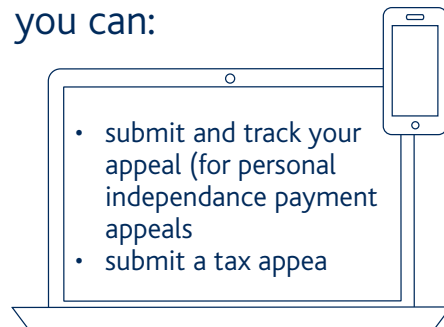


We are trialling **video hearings for tax appeals** - you can join from home



New **online services** you can:

- submit and track your appeal (for personal independence payment appeals)
- submit a tax appeal



Performance statistics

HMCTS measures performance across all jurisdictions against our operational Key Performance Indicators, as part of our commitment to improving the services that we provide.

In line with the wider government commitment to transparency, we publish national statistics on a quarterly basis about activity in the magistrates' courts, the Crown Court, the County Court, the Family Court, the High Court, Court of Appeal and tribunals in England and Wales and non-devolved tribunals in Scotland and Northern Ireland.

Crown Court

Figure 1: Receipts, disposals and outstanding cases in the Crown Court in England and Wales, 2015 to 2017

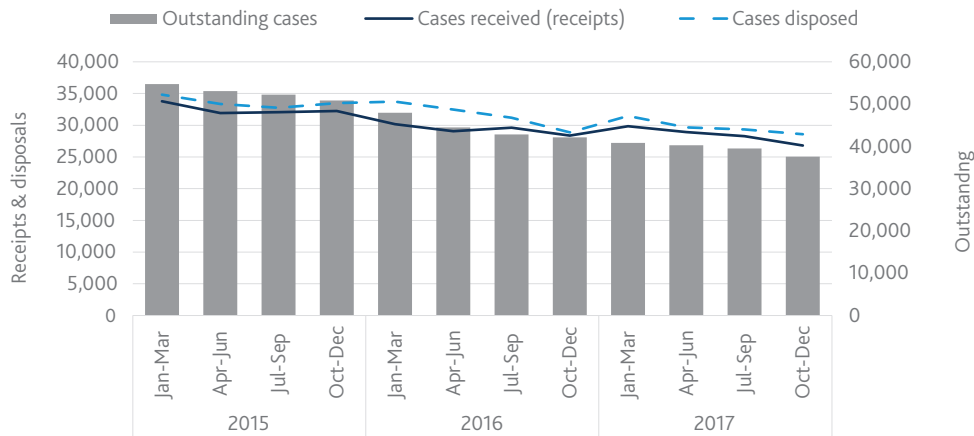
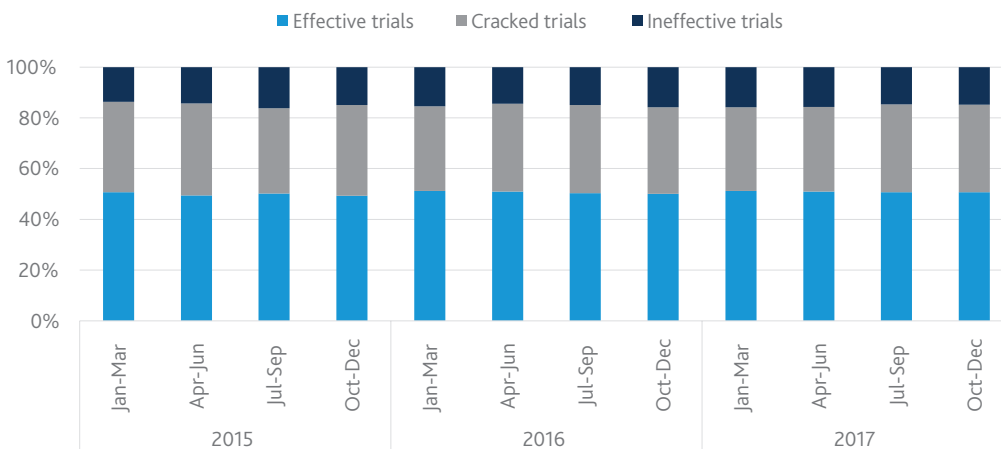


Figure 2: Effectiveness of Crown Court trials in England and Wales, 2015 to 2017



Magistrates' courts

Figure 3: Receipts, disposals and outstanding criminal cases in the magistrates' courts in England and Wales, 2015 to 2017

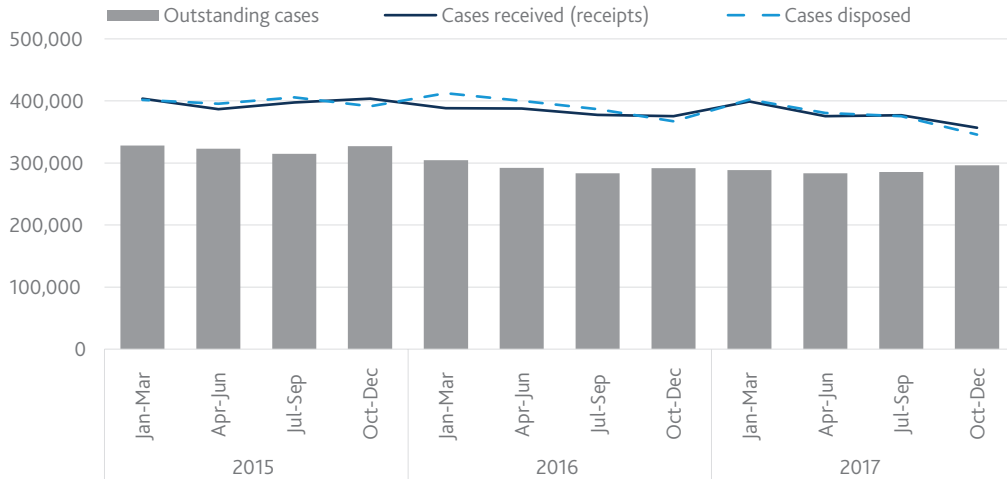


Figure 4: Effectiveness of magistrates' courts trials in England and Wales, 2015 to 2017

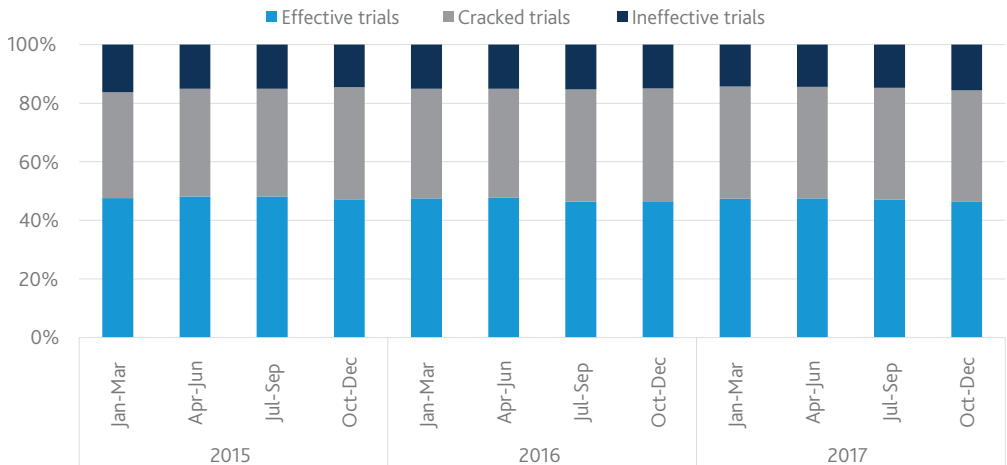
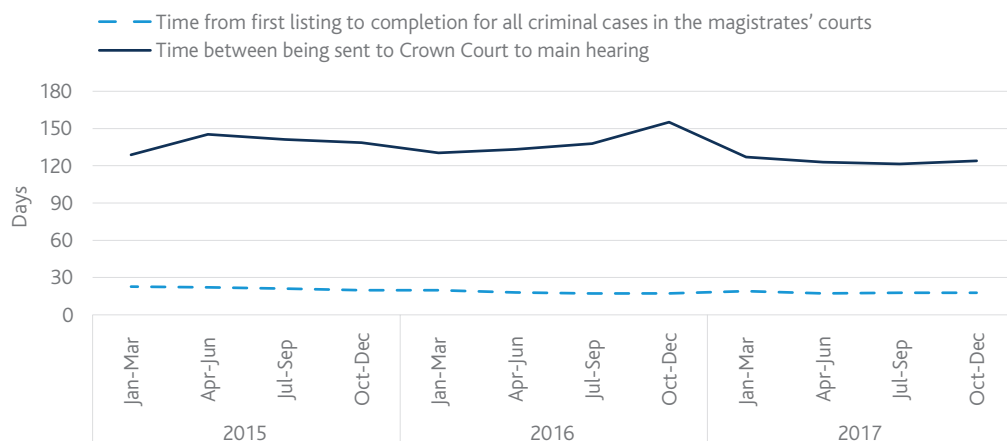


Figure 5: Average number of days taken from first listing to completion for all criminal cases at the magistrates' courts, and those being sent to the Crown Court to main hearing, England and Wales, 2015 to 2017



County Court

Figure 6: County Court activity¹, England and Wales, 2015 to 2017

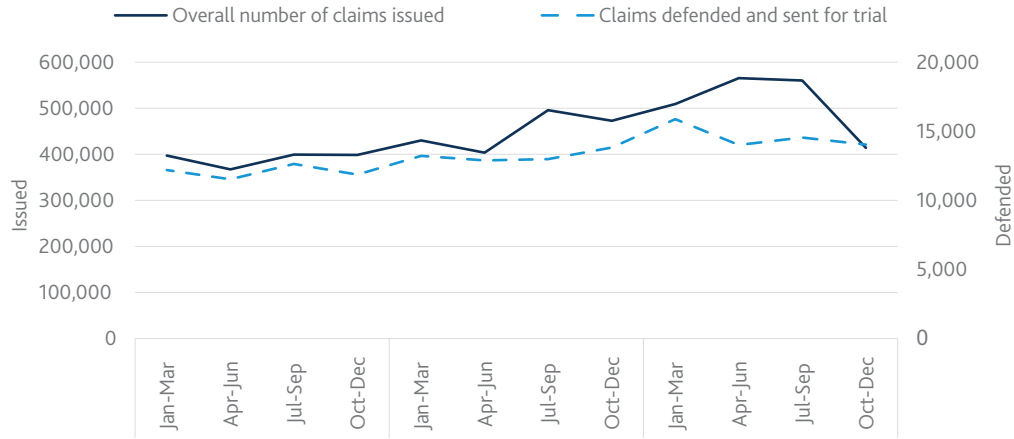
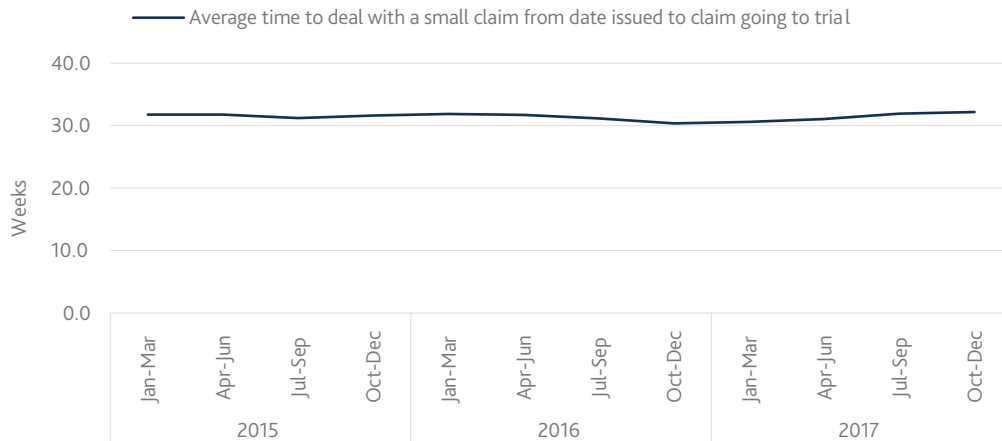


Figure 7: Average time to reach trial, England and Wales, 2015 to 2017



¹ The recent fall in total claims (particularly in specified money claims) was driven by the implementation of the Pre-Action Protocol for Debt claims (Debt PAP) in October 2017. Debt PAP was implemented with the intention of guiding parties to resolve their issues without the need to start court proceedings.

Family Court – Public and Private law

Figure 8: Number of children involved in Public law application receipts, disposals and outstanding² in England and Wales, 2015 to 2017

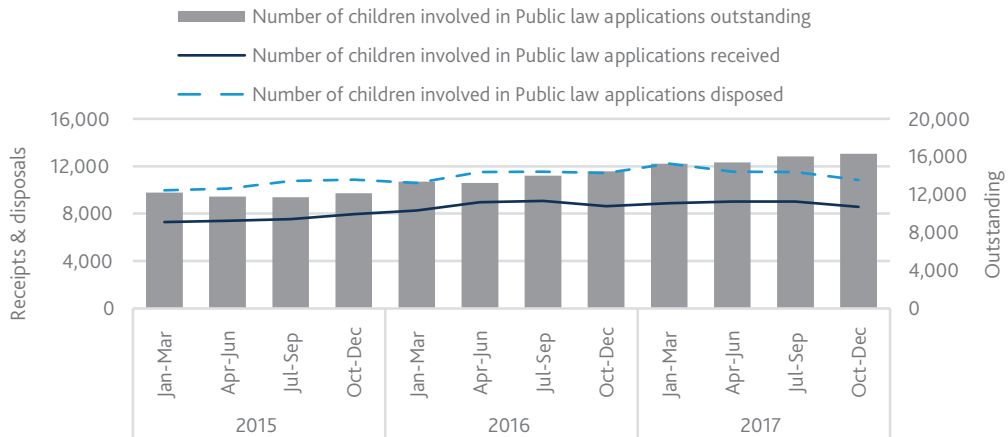
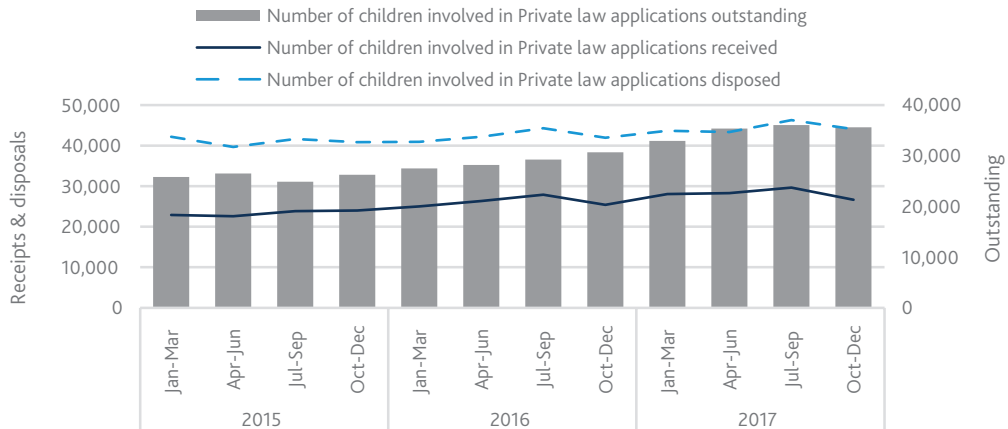


Figure 9: Number of children involved in Private law application receipts, disposals³ and outstanding⁴ in England and Wales, 2015 to 2017



² The family outstanding stock figures are sourced from HMCTS internal management information systems. As a result, figures are subject to change over time.

³ Public and Private law disposals count the number of orders made, orders refused or applications withdrawn. As each application can result in more than one order, disposals tend to be greater than receipts.

⁴ The family outstanding stock figures are sourced from HMCTS internal management information systems. As a result, figures are subject to change over time.

Figure 10: Public and Private law summary statistics on the timeliness in the Family Court of England and Wales, 2015 to 2017

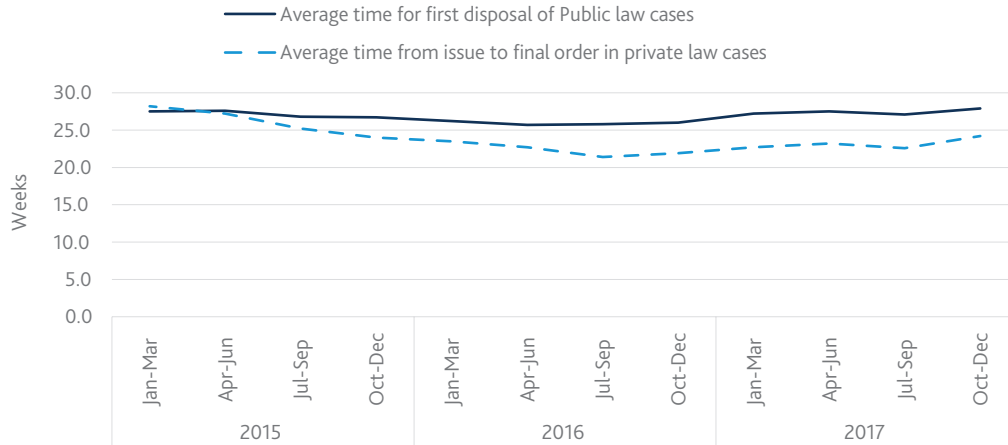
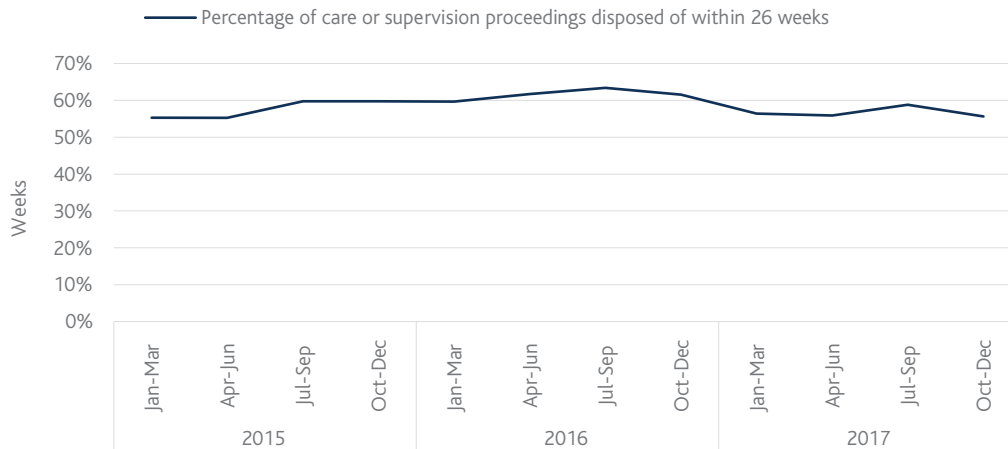


Figure 11: Percentage of care or supervision proceedings disposed of within 26 weeks, in England and Wales, 2015 to 2017



Tribunals - Public and Private law

Figure 12: Employment Tribunals' single claim receipts⁵, disposals and claims outstanding, 2015 to 2017

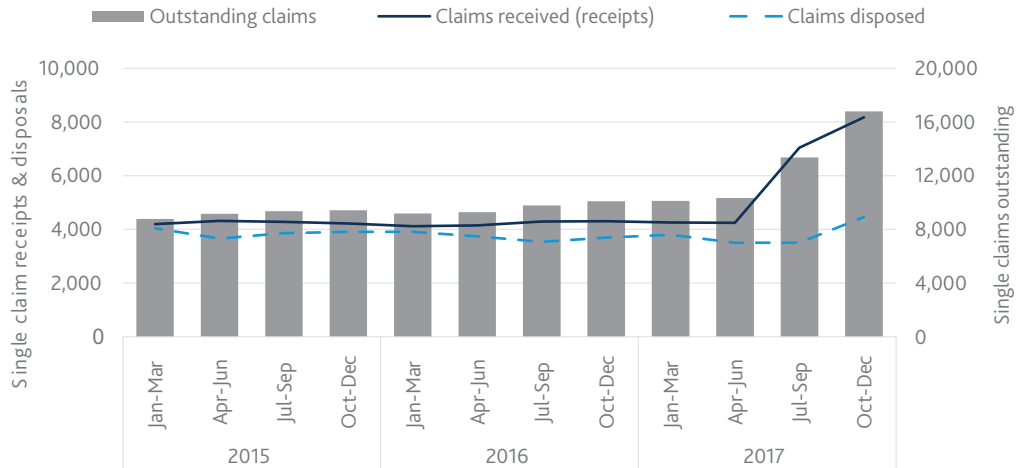
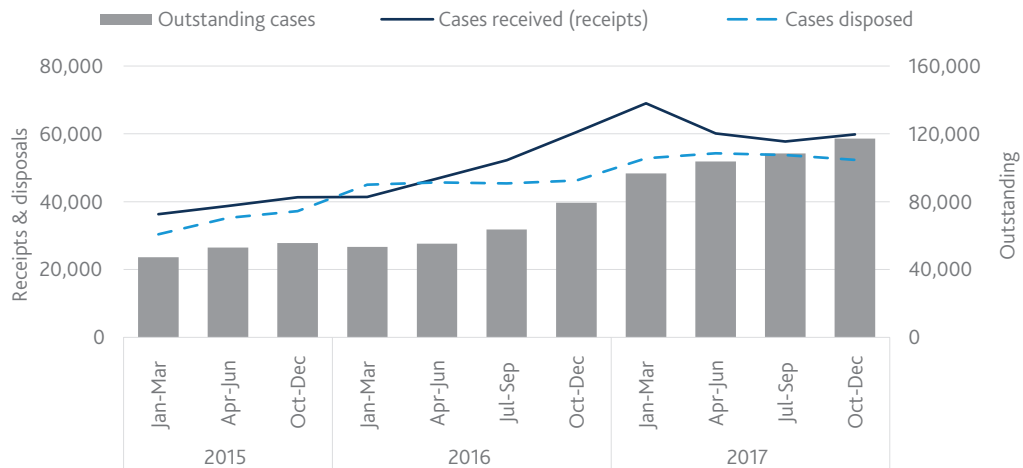
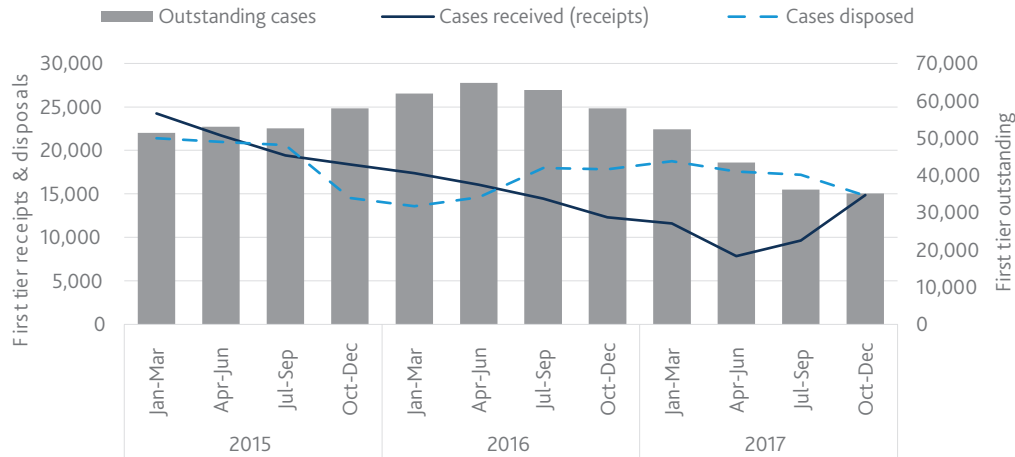


Figure 13: Social Security and Child Support receipts, disposals and caseload outstanding, 2015 to 2017



⁵ On 26 July 2017 the Supreme Court ruled that Employment Tribunal and Employment Appeal Tribunal Fees Order 2013, SI 2013/1893 ("the Fees order") which came into effect on 29 July 2013 was unlawful under both domestic and EU law. The subsequent removal of fees and invitations to claimants whose cases were closed due to non-payment of fees has increased the workload received at employment tribunals.

Figure 14: First-tier Tribunal, Immigration and Asylum Chamber receipts, disposals and caseload outstanding, 2015 to 2017



Latest statistical performance data and supporting narrative

For more information on the statistics included in the annual report, please visit our published statistics. This will provide further breakdowns of the data, definitions, limitations and supporting narrative. The latest available statistics can be found here:

Criminal Court statistics quarterly

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

Civil Justice statistics quarterly

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

Family Court statistics quarterly

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

Tribunals and Gender Recognition statistics quarterly

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

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

Details of financial impositions in the criminal courts can be found in the HMCTS Trust Statement at www.gov.uk/government/publications/hm-courts-tribunals-service-trust-statement-2017-to-2018

Glossary of terms

Further information on terms, focusing on concepts and definitions published in the HMCTS annual report, can be found here:

Civil justice and tribunals

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/569605/civil-administrative-justice-statistics-glossary.pdf

Family

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/694798/family-court-stats-guide.pdf

Criminal Court

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/695383/criminal-court-statistics-guide.pdf

2.3 Our vision and priorities for 2018-19

HMCTS is in the second year of our ambitious six-year programme to reform the courts and tribunals system. Together, we are changing how we work to ensure that our justice system continues to lead and inspire the world, and works better for everyone, from judges and legal professionals, to witnesses, litigants and the vulnerable victims of crime. Justice matters and delivering justice well needs all parts of the system to work together, sharing a common vision.

Our objectives for reform are to:

- upgrade the best justice system in the world using technology and modern ways of working
- put the citizen at the centre of the justice system
- protect vulnerable victims, witnesses and children
- support the independent judiciary and their ability to attract the best and widest range talent

We have already made good progress. The Reform Programme is split into four stages or "Interim states," as set out below:

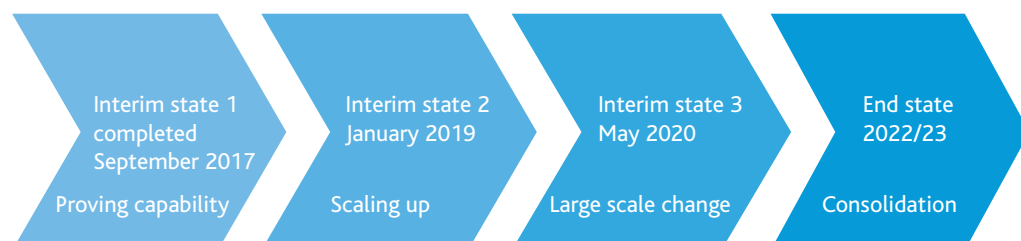
We successfully completed the first stage and reached **Interim state 1: Proving capabilities** by September 2017, during which we:

- conducted trials of **digital services** in divorce, probate, civil money claims,

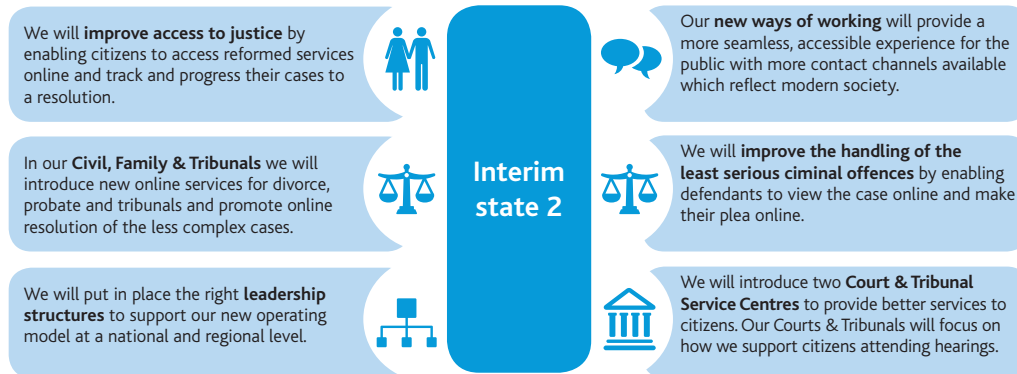
social security and child support

- started to roll out key **enabling technologies** such as wifi and screens
- started deploying the first parts of a **digital case management system** for dealing with summary non-imprisonable offences
- started to introduce changes in the process of **resulting cases** in the magistrates' courts
- established national teams to deliver a new telephony system to **support digitised services**
- established **assisted digital**, a service to support users, ensuring our online services are accessible to all
- reduced our property footprint, **generating proceeds** to reinvest in reform
- carried out **extensive engagement** with users and staff gaining valuable feedback on the development of our new services to drive continuous improvement

In summary, this first stage of our reform programme has seen us successfully lay the foundations for the significant changes to the system that are to follow. Our pilots mean we now have digital services available across every jurisdiction, and by **Interim State 2: Scaling up**, we will have scaled up these early services to deliver sustainable national change.



Interim State 2 is about putting in place the structure and capabilities for our new operating model



In working to deliver our ambition for Interim state 2, we have already:

- **built on the pilots of our digital services** conducted at Interim state 1 and launched our digital services at scale:
 - **Apply for divorce** service was launched into private beta and an additional release, allowing users to upload their marriage certificate, has been released
 - **Probate online** was launched into private beta, allowing people to submit applications online for certain probate cases
 - **Civil Money Claims** was deployed nationally - members of the public can now issue, respond to, and settle claims up to £10,000 online
 - **Social Security and Child Support tribunals** launched the 'track your appeal' and 'submit your appeal' service into private beta for Personal Independent Payment appellants
- rolled out **wifi** to all criminal courts and over 80% of Civil, Family and Tribunal Courts, with completion due in the spring
- rolled out a new online **make a plea** tool for traffic offences to 43 police forces
- completed the national roll-out of digital mark-up, an **in-court resulting system**, with 300,000 cases having been resulted on the system

- launched a small-scale pilot to further test fully **video hearings** with members of the public in the Tax tribunal. The project has successfully carried out its first pre-hearing call
- set up the **Single Justice Service (SJS)** team and equipped them to provide dedicated support to SJS users with more responsive and consistent service standards
- conducted a broad-ranging **consultation on the future of the court estate** - results are being analysed and consultation responses will be published

Our focus for the remainder of this stage is to continue to scale up our digital services, building on the strong foundations we have established and our successes to date. We are committed to improving our infrastructure and providing modernised facilities for our court users and judicial staff.

Beyond January 2019 and towards **Interim state 3** we will reform other services, restructure the estate to support the changes and we will be continually improving further.

Our HMCTS Business Plan 2018-19, sets out our overarching strategy and key priorities for the year ahead. It will be published in spring 2018 and available to view at www.gov.uk/government/organisations/hm-courts-and-tribunals-service.

2.4 Our performance against other required reporting

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

2.4.1 Finance

During 2017-18, we spent £87.6 million on change and reform projects, continuing our work to deliver a modernised and improved justice system. There was a further £81.1 million reform capital investment, including both investment in our physical estate and new digital assets. In addition, the sale of court properties has generated income that is being reinvested in the justice system. Our accounts show a net gain on disposals of property equipment and £51.3 million (note 6 to the accounts).

We have started to refund Employment Tribunal fees. Our accounts show that £6.6 million has already been refunded including interest, and describe the remaining liability for monies yet to be refunded (notes 17.3 and 22 to the accounts).

2.4.2 Sustainability

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

<https://www.gov.uk/government/publications/government-financial-reporting-manual-2017-to-2018>

This report matches the scope and details laid out in the Greening Government Commitments (GGC). GGC forms the

primary sustainable development driver across government and carries a series of improvement targets against areas such as carbon from energy, waste, water and biodiversity.

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

We have additionally witnessed a number of positive environmental benefits through the HMCTS Change Programme. Established to improve the efficiency of HMCTS, and provide a simpler, faster and convenient route to justice, the Change Programme has consequentially reported several positive environmental benefits through new digital technology.



Our digital case system has **saved us from printing over 68m pages** of paper. Stacked, that's higher than **Mount Fuji**

Scope exclusions and estimations

The data below shows our present position for the financial year 2017-18 against a 2009-10 baseline (unless otherwise stated). We do not report on shared occupations due to data limitations. This is consistent with the

wider government and with last year's report. We do not consider that the exclusion of these areas has a material impact on sustainability reporting.

Performance

Overall HMCTS achieved a reduction in greenhouse gases of 35% since 2009-10. There has been a 33% reduction in electricity consumption and a 21% decrease in gas consumption across the estate against the 2009-10 baseline.

Overall HMCTS has continued to reduce its overall carbon emissions through its Smarter Working programme, investment in energy efficiency projects, and digitalisation of court procedures. This has resulted in an £8 million saving on energy and travel since 2009-10.

HMCTS continues to reduce its estate, which has seen 32 court closures during 2017-18, with work transferred to other sites making them more efficient. This is part of a strategy to make better

Greenhouse gas (GHG) emissions		2009-10	2014-15	2015-16	2016-17	2017-18
Non-financial indicators (tCO ₂ e)	Scope 1 (direct) site-based emissions and owned transport	36,338	32,938	30,506	29,079	29,824
	Scope 2 (indirect) supplied energy (electricity and heat)	66,809	65,954	59,589	46,433	37,563
	Scope 3 (other indirect) business travel and transmission losses from supplied energy	5,268	8,558	8,373	3,793	3,508
	Total gross GHG emissions	108,415	107,450	98,468	79,305	70,895
Non-financial (MWh)	Electricity	159,811	132,163	118,111	103,341	106,571
	Gas	192,293	169,388	159,633	158,038	152,425
	Other energy sources	7,455	4,507	3,385	335	486
	Total energy	359,559	306,058	281,129	261,714	259,482
Financial indicators (£m)	Expenditure on energy	24	24	19	21	21
	Expenditure on official business travel	9	8	6	3	4
	Total expenditure on energy and business travel	33	32	25	24	25

Due to the availability of information, all non-financial indicator figures disclosed in the above table include an estimate for the period January 2018 to March 2018

use of our estate, reducing the amount of underused and unsuitable buildings we have, and investing in fewer and better buildings.

During 2017-18, the HMCTS estate produced a total of 9,156 tonnes of waste; a 70% reduction against 2009-10 baseline. Of the total waste generated,

79% (7,273 tonnes) was diverted away from landfill disposal with 65% (5,960 tonnes) directed to reuse and recycling and 14% (1,311 tonnes) to energy from waste incineration.

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

Waste			2009-10	2014-15	2015-16	2016-17	2017-18
Non-financial indicators (tonnes)	Non-hazardous waste	Landfill	23,028	2,517	1,784	3,074	1,883
		Reused/recycled	7,430	5,913	4,770	6,948	5,960
		Incinerated with energy from waste	0	963	1,541	2,506	1,311
		Incinerated without energy recovery	0	5	8	12	2
	Total waste	30,458	9,398	8,103	12,540	9,156	
Financial indicators (£m)	Total disposal costs	1.6	2.6	2.5	2.1	2.8	

Due to the availability of information, all non-financial indicator figures disclosed in the above table include an estimate for the period January 2018 to March 2018

HMCTS is committed to reducing water usage across the estate and continued engagement with contractors will look to

improve data collection methods and to further reduce water usage.

Water		2009-10	2014-15	2015-16	2016-17	2017-18
Non-financial Indicators (m ³)	Whole Estate ('000)'	722,887	734,613	507,895	651,404	858,234
Financial indicators (£m)	Water supply & sewage costs	2.3	2.6	2.4	2.6	2.7

Due to the availability of information, all non-financial indicator figures disclosed in the above table include an estimate for the period January 2018 to March 2018

Governance, responsibilities and internal assurance

Overall governance and assurance of sustainability is managed by the MoJ Estates Cluster sustainable operations team and performance is monitored by the MoJ Estates Cluster's Strategic Asset Management Board, and discussed at monthly senior management meetings.

During 2017-18 the MoJ was subject to an Environmental Audit Committee (EAC) Inquiry into sustainability. Overall the EAC found the MoJ 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. However, it had exhibited some weakness including governance, monitoring 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. MoJ has provided the committee with a full response and put in place a process to oversee the improvements required.

There are some limitations to the accuracy of our financial and non-financial sustainability data and we are committed to improving the quality of our internal controls, for example through internal audit, and through continuous engagement with both internal and external stakeholders. Limitations include estimated data from some utility companies and that we are unable to report data from locations where landlords do not provide data.

Sustainable operations policy

HMCTS data is gathered and validated by Arcadis and Carbon Smart, our external consultants employed to manage our data and final checks are undertaken by the British Research Establishment on behalf of the Department for Environment, Food and Rural Affairs (Defra). The greenhouse gas conversion factors can be found in the government environmental impact reporting requirements for business.⁶

Commercial policy

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

Defra provides details of Government Buying Standards (GBS) for a range of products. The minimum standards required by these GBS are mandated for use by MoJ and must be included as part of all tendering activity where they apply. All new contracts require that suppliers meet the GBS.

Carbon Reduction Commitment

Carbon Reduction Commitment (CRC) is a mandated energy reporting system for medium to large scale energy consumers. Participants must prepare detailed annual consumption reports and purchase sufficient allowances to cover their respective carbon impact. The MoJ sustainable operations team manages CRC on behalf of all its departments although accruals and budgets are managed at department level. The associated carbon allowances for 2017-18 are forecast to be £1.2 million.

⁶ <https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting>

Climate change adaptation

Sites located within flood risk areas are all registered with the Environment Agency for flood warnings in the event of any risk of flooding. Climate resilient designs are incorporated in retrofit projects and new builds. In addition, robust business continuity plans are in place to manage occurrences of extreme weather events.

Biodiversity

HMCTS has implemented the national MoJ biodiversity strategy and policy across its estate. We are implementing biodiversity awareness signs for the Site of Special Scientific Interest at Snaresbrook Crown Court to make staff aware of the site's statutory obligations. Additional signs for general habitat management interpretation for staff and the public have also been part of the communications strategy for the ecology of the site.

Rural proofing

HMCTS carefully considers the impact of our estates proposals on court users in rural areas. The DEFRA rural proofing checklist is followed to make sure that an appropriate assessment was made before proposals are published as part of public consultation. In some rural areas, concerns regarding maintaining appropriate levels of access to the courts can be mitigated by the use of supplementary provision arrangements, for example through video-link facilities.

Sustainable construction

Major refurbishments and new builds are required to be Building Research Establishment Environmental Assessment Method (BREEAM) assessed to a standard of 'very good' for refurbishments and 'excellent' for new builds. In addition, the department is committed to reducing construction waste to landfill and ensures that all major refurbishment and new build projects have clauses requiring details on waste streams. There were no new builds in 2017-18 and while there was a major refurbishment approved at Newcastle Civic Court, which will see the creation of a centralised Civil, Family and Tribunals venue in Newcastle upon Tyne, an exemption was granted given the constraints arising from the buildings listed classification. However, the principles of BREEAM are embedded in the MoJ Framework arrangements.



2.4.3 Complaints to the Parliamentary and Health Service Ombudsman in 2017-18

Complaints are received and dealt with at three levels:

- **first contact** – at the point where the problem arose
- **review** – by a senior manager within the relevant business unit
- **appeal** – by the HMCTS customer investigations team

Most complaints are resolved at levels one and two. Complainants who remain dissatisfied after the appeal stage can take their complaint to the Parliamentary and Health Service Ombudsman (PHSO). PHSO investigates complaints from individuals who believe they have received poor service from government departments, other public organisations and the NHS in England. It has the power, in law, to investigate and make the final decision on complaints about public services for individuals. It can also recommend how mistakes can be put right – this can include explanations, apologies and recommendations for the service to learn and improve - and ask organisations to produce action plans to show how they will be implemented.

We responded to **20,408** complaints, of which **88.9%** were resolved at first contact. We also received **2,800** compliments.



The PHSO investigated 15 complaints against HMCTS in 2017-18 which represents less than 0.07% of all complaints received. We complied with all four recommendations (100%).

The data below shows that the volume of HMCTS complaints investigated by PHSO has fallen since 2014-15.

We take recommendations from PHSO seriously and we are committed to continually improving how customer complaints are handled as we move to become a customer-driven organisation.

HMCTS is committed to continually improving how customer complaints are handled. We have been working with a company called The First Word to make improvements to our written communications and our tone of voice as we know this has a big impact on customer experience. We want our

	2013-14	2014-15	2015-16	2016-17	2017-18
Investigations completed by PHSO	39 100%	68 100%	48 100%	18 100%	15 100%
Upheld complaints against HMCTS	11 28.2%	14 20.6%	5 10.4%	1 5.5%	0 0%
Partly upheld complaints	8 20.5%	24 35.3%	15 31.2%	9 50%	3 20%
Complaints not upheld against HMCTS	20 51.3%	30 44.1%	28 58.3%	8 44.5%	12 80%

people to feel comfortable to say sorry when we could have done better, for our communications to have empathy and be easy to understand, and for our customers to feel they have been dealt with fairly and with respect. Following an audit of complaints correspondence, including fact finding with managers and staff, a new writing guide has been developed to support managers and staff in providing 'the human voice of justice', with the following guiding principles for our communications to our customers:

- we will listen to you
- we will explain everything clearly
- we will guide you

We are developing tools, training and resources to improve our writing and keep standards high across the business. Initial training is being provided to nearly 100 key managers and staff as part of a pilot and we are looking to develop a robust implementation, training and communications plan going forward.

Susan Acland-Hood

Chief Executive and Accounting Officer
4 July 2018



Section 3: Our controls, governance and accountability report



3.1 How we were structured in 2017-18

HMCTS is a geographically dispersed organisation with an annual expenditure of around £1.8 billion and income of £788.8 million in 2017-18. We have three broadly equal areas of expenditure: HMCTS employees, salaried and fee-paid judiciary, and estates.

Our employees and the judiciary

We currently employ 16,320 full-time equivalent (FTE) employees, who work out of 345 courts, tribunals and offices. The number of employees permanently employed by HMCTS has reduced by 260 FTE from 2016-17. These figures do not include the judiciary. Information on judiciary costs and numbers can be found on page 121.

A number of capable agency, contractors and fixed-term contract employees make up part of our workforce, equivalent to 3,121 FTEs, fulfilling roles across the front

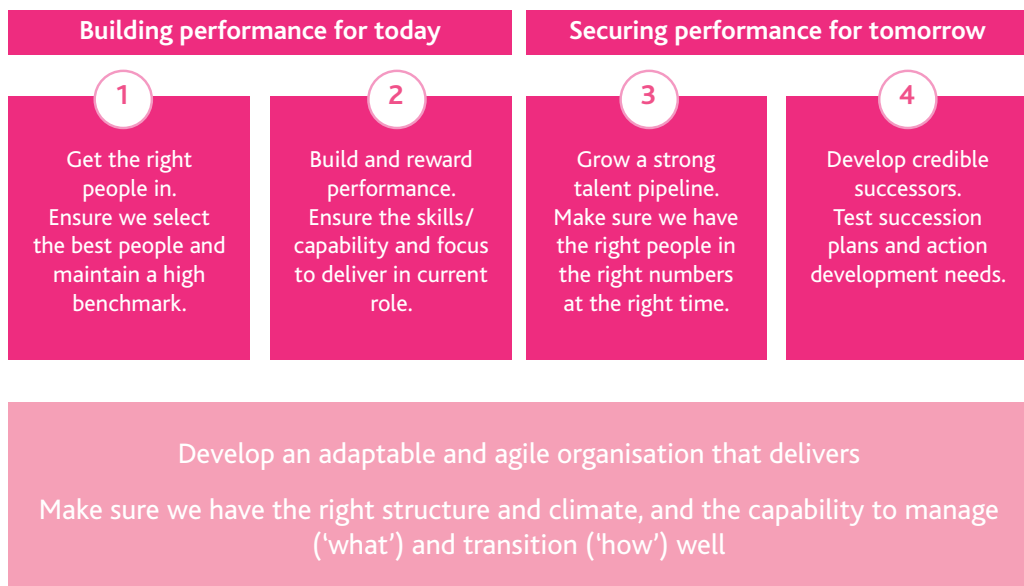
line as well as specialist corporate roles to support the change portfolio. As our transformation journey continues, we have deliberately recruited employees to roles on a temporary or fixed-term basis to minimise the risk of redundancy to our permanent workforce, and reduce long-term redundancy costs incurred by employing those we know we cannot offer a long-term role to.

Our people and organisation strategy

We have a strategy to create the right capability, capacity and culture to deliver now while also changing for the future.

A key element of the people and organisation strategy is the **people change strategy**. The strategy focuses on how we ensure HMCTS is transformed into an organisation which has the right structure, with a smaller, more efficient

To deliver the leaders and leadership HMCTS needs now and in the future...



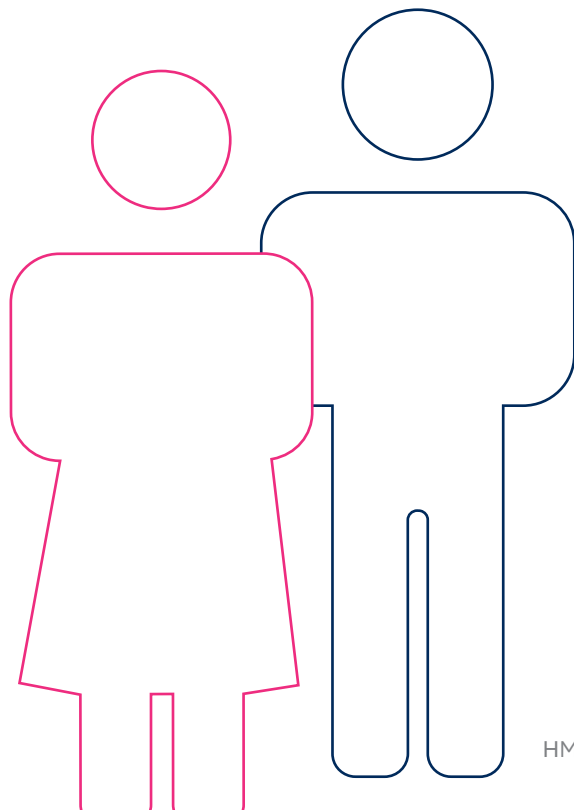
workforce who are highly skilled, engaged by their work and rewarded appropriately. It also outlines the key principles by which we will support our employees as we transform and they transition to new ways of working.

To support the delivery of the people change strategy, a **People and Culture Transformation Programme** was established in 2017. The programme supports our employees and leaders in transforming the way HMCTS operates at local, regional and national levels. We are developing an integrated approach to designing future organisational structures and roles, building technical skills and knowledge, growing leadership capability. This will support the transition of our people into new roles, which may be in different locations and aid in crafting a new employee proposition which delivers recognition and growth for our people and reinforces our cultural aspirations. In doing so, the programme will help the organisation achieve its vision of delivering better, more efficient, accessible and consistent justice services that meet the needs and expectations of court users.

3.1.1 Our employees

Our employees are fundamental to our success. The nature and scale of modernisation we are undertaking is changing the way we operate and places new demands on our people. Our leadership challenge is to maintain service to our customers while we develop, deliver and embed a radically transformed service and, at the same time, support people to cope with the ambiguity and uncertainty that the change brings.

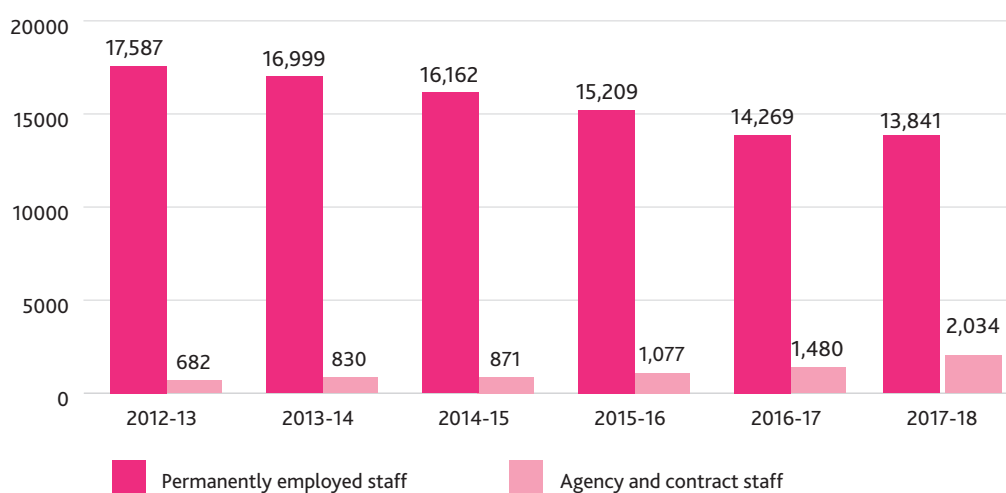
We have developed principles to guide how we engage with our people; we will involve our people in change to provide them with the opportunity to influence, and have a stake in, the future as well as to make the right decisions about their careers and we will treat people as adults through an honest,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



Our employees in numbers

The average number of FTE employees, paid during the year was 15,875 compared to 15,749 in 2016-17, comprising of the following:

Average number of employees



Employee costs⁷

	2017-18 £000	2016-17 £000
Wages and salaries	350,673	353,557
Social security	32,913	30,137
Employer's pension contributions	68,475	69,326
Agency staff costs	75,820	50,598
Voluntary early departures	(4,194)	683
	523,687	504,301
Add: inward secondments	374	276
	524,061	504,577
Less: recoveries in respect of outward secondments	(251)	(614)
Total employee costs	523,810	503,963

⁷ This section is subject to audit

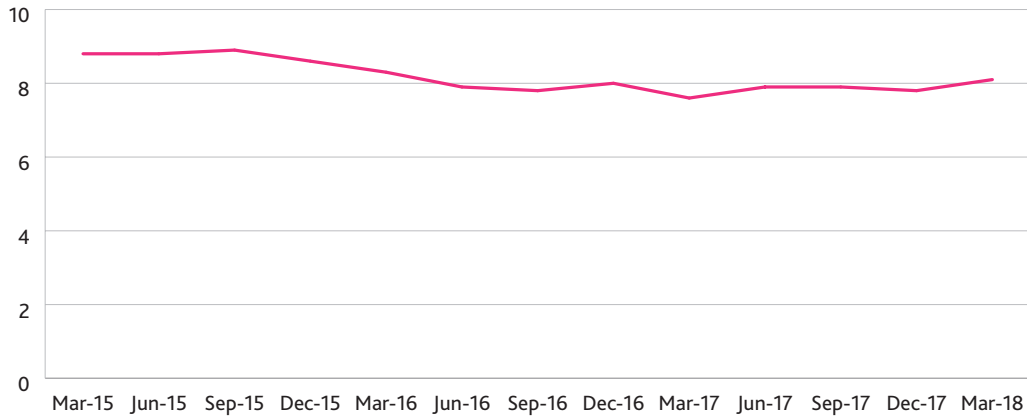
Sickness absence

The number of average working days lost (AWDL) due to sickness has reduced this year when compared to the previous two years.

For the rolling 12 months to the end of March 2018, the AWDL per person (including leavers – those that have left HMCTS) was 8.1 days, an increase from 7.6 days at the end of 2016-17. The AWDL per person excluding leavers at March 2018 was 7.5 days.

We have created a diversity, inclusion and wellbeing strategy to replace the separate agendas of health, wellbeing, attendance, diversity, inclusion, mobility and equality which focuses on how we will work to improve the capability of all our people, to manage and lead our change journey.

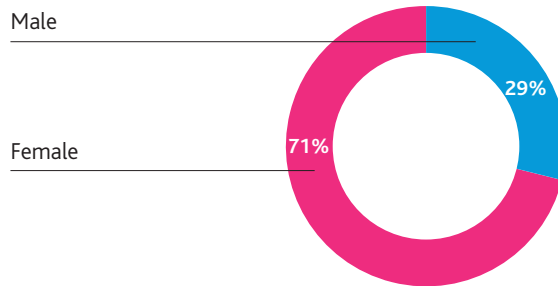
Average working days lost due to sick absence (AWDL) (with leavers)



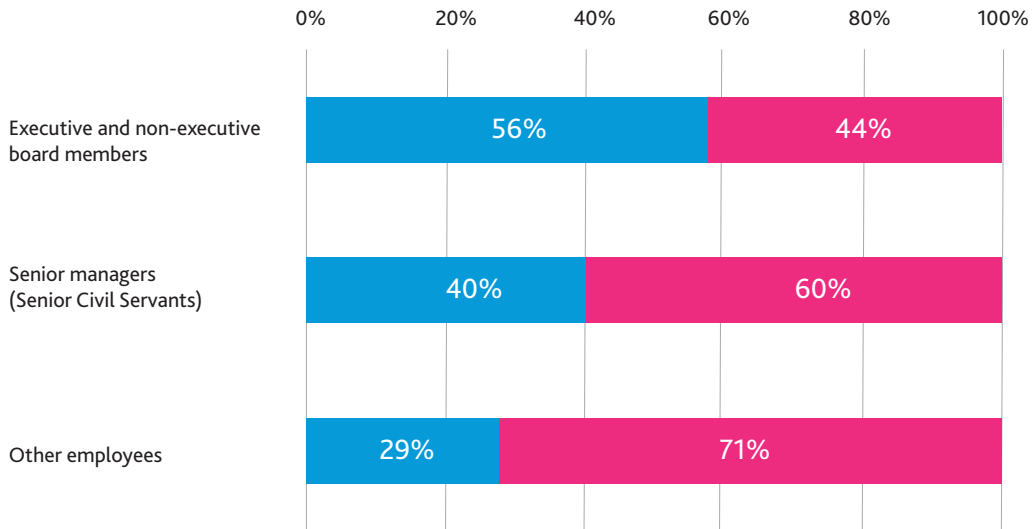
⁸This section is subject to audit

Breakdown of employees by gender and ethnicity

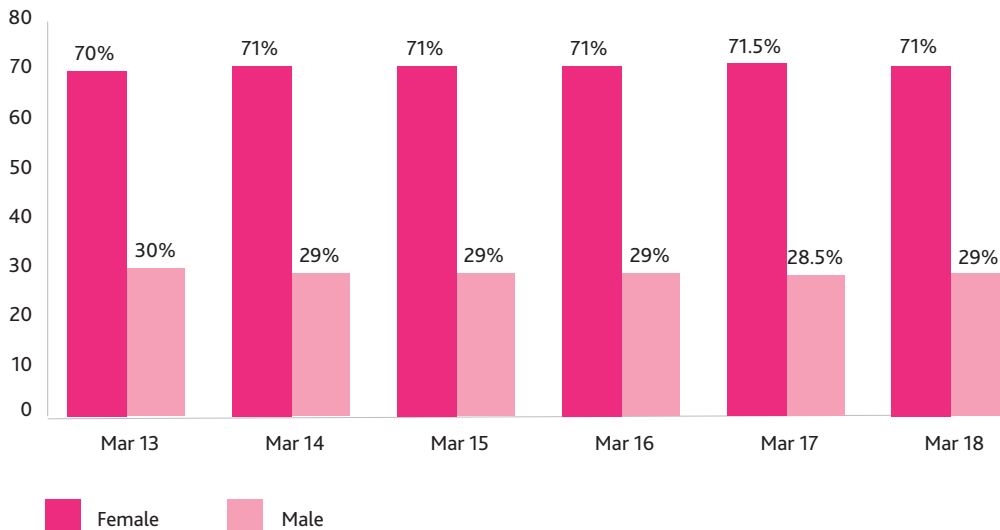
Overall male and female employees (below Senior Civil Service)



Breakdown of employees by gender



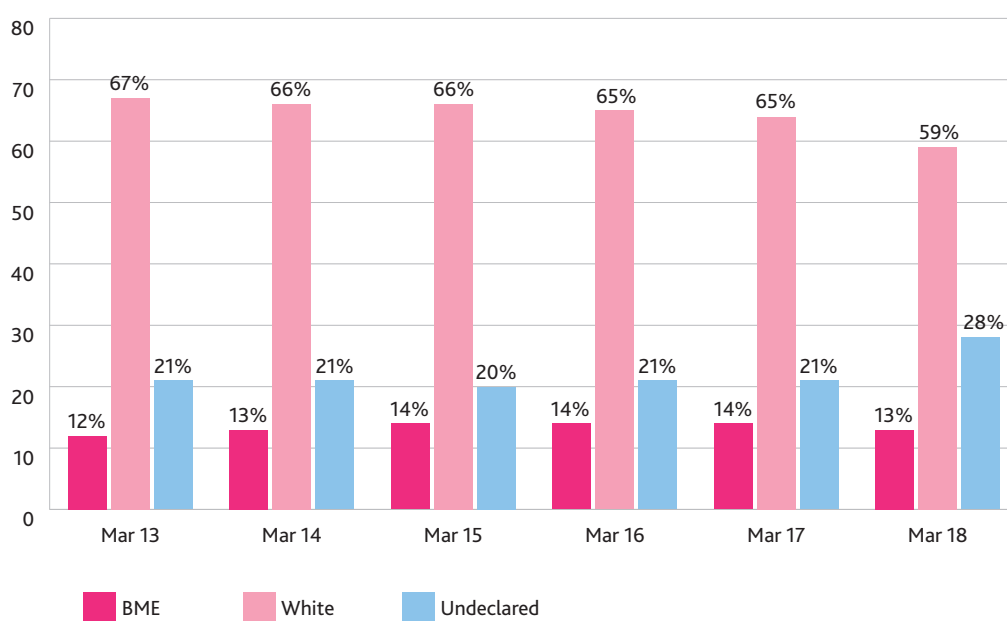
Male and female comparison based on headcount



At 31 March 2018, the breakdown of employees by gender was as follows:

	Male	Female	Total
Executive and non-executive board members	5 (56%)	4 (44%)	9
Senior managers (Senior Civil Service)	25 (40%)	38 (60%)	63
Other employees	4,514 (29%)	11,289 (71%)	15,803
Total	4,544 (29%)	11,331 (71%)	15,875

Ethnicity comparison based on headcount



Building performance for today

As we go through the transformation journey, we will ensure HMCTS continues to develop and nurture its employees. We strive to have a diverse and inclusive environment for our workforce, where our people are supported in the work they do. We have embedded a new approach to managing performance and introduced new ways to upskill our staff to ensure our people develop as HMCTS transforms.

We have established a simple 'business as usual' learning operating model, with a more structured learning community

and a streamlined process for managing capability requirements within HMCTS. This model has been embedded since January 2018 and the HR, HQ and operational teams are working closely to finalise the future approach for the delivery of HMCTS business skills learning. As part of this work we have re-developed the HMCTS People Capability intranet pages so that they provide a simple, effective and structured area to access learning.

We have been working in collaboration with MoJ and Shared Services Connected Ltd (SSCL) to procure a learning management system (LMS) for HMCTS.

This will provide a single point of access to all HMCTS learning products and comprehensive learning management information.

Accelerated development placement programme

An accelerated development placement programme was launched as a pilot in April 2017 for black, Asian and minority ethnic employees. The programme provided an opportunity to develop leadership capability and confidence among band Bs and band Cs, broadening their understanding of the role of a senior leader in HMCTS and the Civil Service. Sixteen employees attended the programme, leading to four of the candidates being promoted within HMCTS and the wider Civil Service. This pilot concluded in October 2017 and we are conducting a lessons learned exercise to apply in the future.

Apprenticeships

An apprenticeship is a learning programme that is predominantly work-based, allowing the learner to build new skills, translate

them to the working environment and develop academically and practically. They are delivered by professional training organisations with a structured programme and tutors/assessors on hand to support the learning.

As part of our commitment to learning and development in HMCTS, we have a wide range of apprenticeships designed to provide learning and qualifications for all employees, from GCSE-level equivalent to Master's level (NVQ Level 2-7). Since the Civil Service apprenticeship scheme was launched in December 2017, HMCTS approved 114 apprenticeship applications during 2017-18.

As part of National Apprenticeship Week 2018, we announced the launch of a pilot legal apprenticeship scheme that will start in September 2018.

HMCTS are working with MoJ and across the Civil Service to promote the benefits of apprenticeships and encourage an increase in the uptake. The intention is to achieve the government target of 2.3% by end 2018-19.



Case study – Apprenticeships

Michelle, Delivery Manager at a County Court, is completing a level 5 diploma in leadership and management.

"I chose to leave school at 15 and start work in the real world – I took time off to sit my GCSEs! Learning in a classroom environment was not for me, so I went for work placement qualifications and have done NVQs in customer service, business admin and IT up to level 3, so when I saw level 5, it appealed to me straight away. I discussed it with my manager as there would be a lot of days out of the office. Also, I needed to give a massive personal commitment. She was really encouraging so I applied and was thrilled when accepted. My level 5 has already started giving me confidence and new tools to help me and my team. The possibility of achieving a degree is amazing to me and if I can do that at this time of life I will be so proud of myself. I would describe the apprenticeship experience as challenging, interesting and rewarding"

Welsh language

HMCTS has adopted the principle that in the conduct of public business and the administration of justice in Wales, we will treat the Welsh and English languages equally. The Welsh Language Unit (WLU) provides a Welsh language service (translation, arranging Welsh interpreters, policy, telephony support, guidance on learning Welsh and bilingual design) to the whole of HMCTS and selected services to other agencies both within the MoJ and the wider justice sector. During the reporting year, HMCTS agreed the formal design principles for the programme of change and the WLU has been actively involved with all the main projects to ensure they will provide Welsh functionality. As part of this work, we held research sessions with Welsh users to understand the correct language style to use. A consultation on the revised Welsh Language Scheme was also undertaken and the new scheme will be published in May 2018.

Securing performance and inclusivity for tomorrow

We will ensure HMCTS develops into an adaptable organisation that has the right people with the right skills to deliver and support modern and accessible justice for all. We continue to create a wide range of tools and programmes to develop our people capability.

People capability

During 2017 we worked across HMCTS to identify the capabilities we have in place now and have used that to better understand what we will need for our future roles. We have identified three strategic areas in which we need to build capability: **leadership, digital and customer skills.**

To develop our change **leadership** capability, we have designed and developed iTransform HMCTS, a leadership development programme. This is for every leader within HMCTS, to support and equip them with the skills and behaviours required to lead in the future. iTransform HMCTS modules also include Emotional Intelligence (EI) profiling with an exploratory coaching session with an accredited, internal EI coach. Since piloting this from September 2017, 550 managers have so far received this coaching. iTransform HMCTS will be formally launched across the organisation from May 2018. iTransform HMCTS is complemented by some cross-department leadership interventions for our Senior Civil Servants and the existing Civil Service Learning offer, which is available to all employees.

To develop our **digital** capability we are working with a market-leading supplier to pilot a bite-sized, interactive learning approach that will build digital confidence across HMCTS employees. The approach involves our Digital Support Officers facilitating 15-minute learning sessions around a segment of learning content that is delivered, for example, via a video and this will be piloted between May and August 2018. Alongside this approach, a guide of recommended free resources to build digital skills has been made available to all employees as well as a monthly campaign of digital hints and tips. These interventions are a joint approach between the digital change teams and the HR teams.

To develop our **customer** capability we are designing a high-quality, interactive piece of e-learning and face-to-face behavioural training that will support employees in public-facing roles to deliver exceptional customer service. These interventions are a joint approach between the customer and HR teams and will be finalised in 2018-19.

We have worked closely with the reform projects and programmes in order to design, develop and deliver digital learning products that have supported operational employees in adopting the new technology and processes that result from the work of the reform projects and programmes. An example of this work has been the successful delivery of learning products for the video hearings pilot and the tranche one Civil, Family and Tribunals programme public beta launches.

Equality, diversity and inclusion

We are committed to improving knowledge and awareness across the organisation about how important equality, diversity and inclusion is when dealing with people who use our services, and our employees. Our vision and aims are closely linked to the MoJ inclusion and diversity strategy but also reflects our unique environment at HMCTS. In January 2018 we launched the, **HMCTS Diversity, Inclusion and Wellbeing Strategy**, Susan Acland-Hood, our Chief Executive, has taken on the role of Senior Health and Wellbeing Champion for the MoJ in addition to her existing role of Disability Champion. Our Change Director, Richard Goodman, is the lesbian, gay, bisexual, transgender, queer and intersex (LGBTQI) HMCTS Champion.



HMCTS is a place where we want our staff to be at their best, and including diverse identities and orientations across our organisation is a big part of that. We are focused on increased engagement and support for LGB, trans and non-binary staff extending pillars of support, role modelling and allies, drawing on excellent cross-departmental inclusion work as we expand communication surrounding the LGBTQI network.

Richard Goodman, Change Director and LGBTQI HMCTS Champion



The strategy is built around four key themes:

- fair and accessible services, promoting fair treatment and equal access for all those who use our services
- an inclusive organisation that is flexible and inclusive both to employees and court and tribunal users, where everyone is treated fairly and with respect, regardless of background



As Health and Wellbeing Champion, I am determined that we continue to build on the support and resources already available to MoJ staff. There are more than 400 wellbeing champions working across MoJ, and the trick we have to pull off is giving plenty of room for local initiative and creativity while helping with best practice and cross-cutting support. I am also the MoJ Disability Champion, and there are many ways in which my two roles complement each other - for example, the excellent work that has been done to start to roll out and train Mental Health Allies supports all our wellbeing while also tackling the stigma and misunderstandings that often surround mental health.

Susan Acland-Hood, HMCTS Chief Executive



- a diverse workforce that is reflective of our diverse society at all levels
- prioritisation of health and wellbeing, maintaining a culture that promotes good mental, physical and emotional health for all colleagues

Performance management

We trialled a new integrated approach to talent and performance management from May 2017. The new personal impact and development (PID) scheme trial underpinned more effective and transparent performance and talent management for employees in bands A to F. The feedback on the overall impression of the PID scheme was that it was overwhelmingly preferred to the previous performance management review process. This was based on: less form filling; frequency of PID chats rather than meeting twice a year; person-centred conversations; PID chats being more informal; future focus; and the opportunity to discuss strengths and aspirations. The process has been endorsed by the Civil Service Employee Policy who are sharing HMCTS learning from PID across the Civil Service. A joint evaluation of employees across MoJ and HMCTS has been conducted and HMCTS

has collaborated with MoJ colleagues to develop the aligned performance management framework based on the PID scheme developed by HMCTS and launched across all of MoJ (with the exception of HMPPS) in May 2018.

Employee engagement

The annual people survey was launched in October 2017, providing an opportunity for our employees to have their say on a variety of topics which impact them. 11,024 HMCTS people took part which represented a 63% response rate (the same as last year), compared to 67% overall for the Civil Service. The engagement index (EI) is the average positive responses for five questions reflecting people's personal attachment to HMCTS, striving in the work they do, and speaking positively about working here. The EI was 53% this year, which is up two percentage points on 2016 – something that we take positively given the significant change programme. This is two percentage points lower than the Civil Service benchmark for operations with over 2,500 staff and eight percentage points lower than the entire Civil Service benchmark.



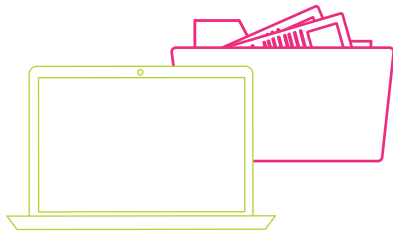
Our increased engagement levels in the context of such a significant period of change is testament to the work we're doing to engage more frequently and meaningfully with our people. Whether it be through our programme of one conversations or CEO stand ups, I believe we have seen a shift in approach that makes it easier for staff to have a clearer line of sight to the thinking at the top of the organisation

Guy Tompkins, Director of Operations and HMCTS Employee Engagement Champion



Further highlights from the 2017 results

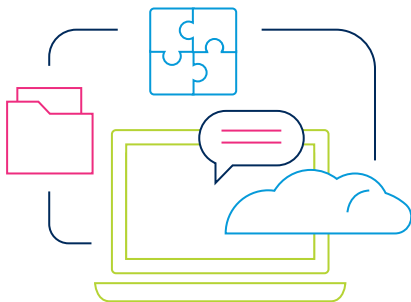
My work remained high at **71%**, particularly people's interest in their work (**87%**) and being challenged by their work (**78%**)



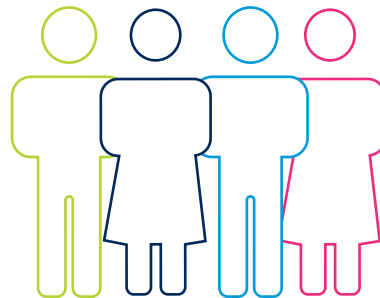
I am trusted to carry out my job effectively (**91%**)



I have the skills I need to do my job effectively (**87%**)



I am treated with respect by the people I work with (**83%**)



HMCTS will continue to align our engagement actions with our business planning, rather than separating them, thereby fostering a culture of action. This reflects the way HMCTS has always responded to the people survey.

A number of corporate actions were implemented in 2017, and many of these continue into 2018, including:

1. Maintain a focus on learning and development, particularly leadership capability by continuing to:

- follow through with our plans on learning and capability, including investing in our leadership development approach (iTransform)
- embed the PID scheme and a coaching-style development conversation between managers at all levels and colleagues (including evaluation of the PID process in March 2018)

- promote the many ways that colleagues can undertake learning and development, such as beyond classroom learning
 - embed our values, including setting this behavioural expectation with potential applicants, and reflect them in our corporate initiatives.
 - promote self-awareness by supporting our Emotional intelligence coaches
- 2. Build on and expand opportunities for employees to contribute to decision making and understanding of our strategic direction (relevant to leadership and managing change), for example, through:**
- One Conversation events
 - frontline collaboration in development of reform products and services
 - sponsorship of Growing Ideas that Matter projects
- 3. Pursue our plans for a modern employment proposition and rewarding careers in HMCTS through:**
- modern employment proposition (MEP)
 - developing a HMCTS specific people proposition
 - job and organisational design in support of reform including career pathways and job architecture
- 4. Grow our reputation as an organisation to be proud of by:**
- driving forward our communications strategy to give coherence to our organisational image internally and externally
 - raising our profile with stakeholders
 - following through with plans to tackle consistent under performance through the PID scheme
- 5. Develop an 'engagement confident organisation' by:**
- building awareness of what drives employee engagement and sharing best practice across HMCTS
 - connecting and developing our network of Employee Engagement Champions

Further, every HMCTS region and headquarters directorate has a Lead Employee Engagement Champion whose role is to support engagement and drive activity locally. Results into action workshops were held and local plans produced for implementation during 2018. They have been extremely proactive in developing meaningful, local action plans. These have been collated and are regularly reviewed by the champion community to share best practice and challenge progress.



Case study – One Conversation within the HMCTS reform programme

HMCTS cannot successfully transform without the input, support, and energy of those who work here. One Conversation (OC) is our engagement initiative designed to bring everyone on the reform journey. It is locally-delivered workshops following a single design with high levels of participation and discussion using mixed formats from videos, posters, and group activities. The events allow for a genuine dialogue with colleagues where we share honestly what we are doing in reform, what we know and don't yet know, and what the impact is. Social support is one of the key factors that influence wellbeing at work and it is best given by people who know you well – your team and your local leaders. Giving space and tools for such support will better enable colleagues to succeed through reform and build their resilience.

- There were two OC sessions in this reporting year: OC2 July to September 2017 and OC3 November 2017 to February 2018. From the start to the end of the sessions the percentage of attendees who agreed that their . . .
 - understanding of what the Reform Programme means for them and HMCTS increased by 15%.
 - positivity about the Reform Programme and what it means for them increased by 13%.

The 2017 people survey showed that:

- the number of people who were positive about 'leadership and managing change' went up by 5 percentage points on the previous year, indicating the combined efforts in this space are having an impact
- 75% of respondents were positive that they regularly receive information about the changes ahead in HMCTS (up four percentage points)

Some illustrative quotes from attendees:

"Good to have a conversation – no matter what the content."

"OC3 has been much more effective in its format than OC1 or OC2."

"Please continue the sessions as they provide a forum to talk about my concerns even if all the Qs couldn't be fully answered."

"It was useful to go through... what has been delivered [by] recapping... whilst some thought they understood [our] direction, others would have appreciated more detail."

Our commitment to the Operational Delivery Profession

The Operational Delivery Profession (ODP) is the largest profession in the Civil Service. It is made up of people who work in all areas of government and agencies, and provides services to support or protect citizens in the UK and abroad.

The surge and rapid response team (SRRT) was created in 2015 as a result of the challenge proposed by the Cabinet Office and Head of the Civil Service, to find alternative ways to improve operational resilience across the Civil Service. Sponsored by the Civil Service People Board, the then head of the ODP created the SRRT and it is hosted by HMRC. In short the SRRT supports any government department or agency to manage peaks in operational demand and respond to unexpected crises within the remit of the profession.

HMCTS first had cause to use SRRT in March 2017 when a team was sent to Cardiff, to assist with a significant workload increase in the SSCS Tribunals jurisdiction. The term of the agreement was initially for three months, but HMCTS Wales was able to negotiate an extension of six months and the support provided has been invaluable. Following a short period of intense training, the SRRT was able to become fully integrated into the office and had a major effect not only on the production of work and the reduction of arrears, but also the overall morale of existing HMCTS staff as it has allowed them to concentrate on more complex areas of work and provide training and development for HMCTS staff, in a less pressurised environment.

Due to the success of this initial placement in Wales further operational support has been provided to other HMCTS regions at offices in the North East, Midlands and South West during 2017-18, to good effect.

Furthermore, in Wales, we are also part of the ODP Wales talent management forum, working jointly with HR representatives in the Welsh Government and other government departments that have bases in Wales. The over-arching role of the forum is to identify, find solutions, and bridge capability gaps across the grade 6 and 7 cadre, in order to support their development needs and potential advancement to Senior Civil Service.

Organisational wide learning and development

Learning at Work Week in May 2017 was highly successful and saw the highest level of engagement since HMCTS started to support the campaign in 2011. HMCTS employees across England, Wales and Scotland participated in and facilitated a variety of activities across a range of subject matters including dementia workshops, recognition and reward, PID scheme training sessions, One Conversation, the stroke association, cancer support, conduct and discipline training, understanding the self-assessment tool, mental health awareness, work shadowing activities, epilepsy awareness, time management, health and wellbeing, as well as e-learning exercises for software training on Word, Excel and PowerPoint and team building activities. As a result, Sheffield Combined Court won a Campaign for Learning award for inspiring curiosity and creativity and the HMCTS London Region received a commendation.

Other employee disclosures

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

Number of Senior Civil Service employees

Our executive directors are all Senior Civil Service (SCS) staff. As at 31 March 2018, there were 67 SCS in HMCTS (compared to 56 at 31 March 2017). The table below is not subject to audit.

Salary band (£)	Number of senior civil service staff	
	2017-18	2016-17
60,000 – 70,000	23	23
70,000 – 80,000	8	5
80,000 – 90,000	9	7
90,000 – 100,000	16	10
100,000 – 110,000	5	6
110,000 – 120,000	-	-
120,000 – 130,000	3	3
130,000 – 140,000	1	-
140,000 – 150,000	1	1
150,000 – 160,000	-	-
160,000 – 170,000	1	1
170,000 – 180,000	-	-
180,000 – 190,000	-	-
Total number of SCS staff	67	56

Reporting of Civil Service and other compensation schemes – exit packages

A summary of the exits is shown below:

Exit package cost	2017-18			2016-17		
	Number of compulsory redundancies	Number of other departures	Total number of exit packages	Number of compulsory redundancies	Number of other departures	Total number of exit packages
< £10,000	–	11	11	–	4	4
£10,000 - £25,000	–	19	19	–	16	16
£25,001 - £50,000	–	17	17	–	11	11
£50,001 - £100,000	–	5	5	–	3	3
£100,001 - £150,000	–	4	4	–	-	-
£150,001 - £200,000	–	-	-	–	-	-
£200,001 - £250,000	–	-	-	–	-	-
£250,001 - £300,000	–	-	-	–	-	-
Total number of exit packages by type	–	56	56	–	34	34
Total cost of exit packages by type (£000)	–	£1,840	£1,840	–	£965	£965

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year the exit package is confirmed. Where the department has agreed early retirements, the additional costs are met by the department and not by the Principal Civil Service Pension Scheme. Ill health retirement costs are met by the pension scheme and are not included in the table above.

Review of tax arrangements of public sector appointees

During the financial year 2017-18, HMCTS has reviewed all off-payroll engagements HMRC guidance and online 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.

Further details of off-payroll engagements in HMCTS can be found in the MoJ departmental resource accounts.

Pension scheme

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) - known as 'alpha' are unfunded multi-employer defined benefit schemes but HMCTS is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the PCSPS as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (<http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/>).

For 2017-18, employers' contributions of £68.5 million were payable to the PCSPS (2016-17 £68.9 million) at one of four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands. The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2017-18 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

24 persons (2016-17: 15 persons) retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to £74,000 (2016-17: £37,000).

Consultancy costs

Expenditure on consultancy in 2017-18 was £22.2 million (2016-17: £9.8 million).

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

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

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

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

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

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

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

3.1.3 Our Board and Senior Management Team

As at 31 March 2018, there were 12 members of the HMCTS Board, comprising non-executive, executive and judicial members.

Non-executive members



Robert Ayling was the independent Chairman of HMCTS until end April 2018. He was Chairman of Welsh Water until Summer 2016 and was previously the Chairman of Dyson Ltd and the Chairman of the International Dispute Resolution Centre Ltd. Robert is a solicitor by profession, with 20 years practice in the City as a senior government legal advisor at the Department of Trade and Industry. He was Managing Director and Chief Executive of British Airways plc from 1993 to 2000. Robert's tenure as independent Chairman ended on 27 April 2018 and his successor, Tim Parker, took up appointment from this date.



Victoria Cochrane, Chair of HMCTS Audit and Risk Assurance Committee. She is a non-executive director of Perpetual Income and Growth Investment Trust PLC and Euroclear Bank SA/NV and chairs the Audit Committees of both companies. Victoria was previously a non-executive director of Bowater Industries. She qualified as a solicitor and spent more than 20 years as a litigator, first in private practice and then as General Counsel to Ernst & Young. She later took on responsibility for Quality, Compliance and Risk at Ernst & Young in 2003 and spent the last five years of her time there as a member of the Global Executive Board heading up Risk worldwide.



Rachel Osborne is the Chief Financial Officer for Domino Pizza Group PLC and is Director at DP Capital Ltd, DP Group Developments Ltd, DP Realty Ltd and DPG Holdings Ltd. She was formerly the Finance Director, Group Enterprise at Vodafone Group PLC and before that, the Finance and Strategy Director at John Lewis Partnership. She previously held a number of senior strategic and finance roles at Kingfisher plc and PepsiCo. Rachel has a wealth of expertise in finance control, risk management, developing performance and commercial strategies, as well as in delivering major IT transformational programmes. Rachel stepped down as a non-executive on the HMCTS Board from 28 March 2018 and her successor is being recruited.



Ian Playford is the Director of Onboard Executive Limited and a Board advisor to Kingsbridge Estates. From April 2018 he became the strategic advisor to the Government Property Agency. Previously he was the interim Chief Executive of the Cabinet Office Shadow Government Property Unit and before that, the Group Property Director of Kingfisher plc, overseeing the strategy, management and investment of Group capital across Europe, Russia and China. Ian has held senior executive roles at Parkridge Holdings and Aviva and has worked across different sectors and disciplines in real estate business throughout Europe and Asia.

Other members



Liz Doherty was appointed by MoJ as the department's representative on the HMCTS Board and is also a non-executive member of the MoJ Departmental Board. She recently held non-executive director (NED) posts at Nokia and Delhaize and is currently a NED at Corbion NV, Dunelm PLC, and Novartis AG as well as an advisor on the boards of two subsidiary companies of Agolimen. Liz chairs the Audit Committees of all the companies with the exception of Corbion, of which she is a member. Liz is a senior finance executive with 30 years' broad-based, international finance experience in a number of large multi-national organisations across a range of industries. She spent over 20 years in a range of director level financial roles at Unilever.

Judicial members



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



Dame Julia Macur was appointed Senior Presiding Judge (SPJ) for England and Wales on 3 April 2017, following her appointment as Deputy SPJ from January 2016. She was called to the Bar in 1979 and in 1998 she was appointed Queen's Counsel. In 2005 she was appointed Judge of the High Court of Justice (Family Division) and in November 2012, she was appointed by the Secretary of State for Justice and the Secretary of State for Wales to the North Wales Child abuse inquiry. She was appointed as a Lady Justice of Appeal on 31 July 2013.



District Judge Tim Jenkins was appointed as a member of the HMCTS Board and the Audit and Risk Assurance Committee in October 2016. He sits at the West London Family Court and the County Court in Brentford. Tim became a solicitor in 1980 and was appointed as a district judge in 1998, having been a deputy district judge since 1994. He was the Honorary Secretary of the Association of Her Majesty's District Judges from 2011 until March 2016 and is a member of the Judges' Council. He has been a member of a number of standing committees. In 2016 he was invited to be an England and Wales representative on the European Network of Councils for the Judiciary.

Executive members – biographies below:

The executive members are all members of the Senior Management Team

Susan Acland-Hood, Chief Executive

Kevin Sadler, Deputy Chief Executive and Director of Courts and Tribunals Development

Lynne Hamilton, Chief Financial Officer (until 26 May 2017)

Andrew Baigent, Chief Financial Officer (from 14 August 2017)

Guy Tompkins, Director of Operations

Our Senior Management Team

There are eight members of the Senior Management Team; four of whom are also executive members of the HMCTS Board.



Susan Acland-Hood joined HMCTS as Chief Executive in November 2016. She is responsible for the day-to-day operations and administration of the agency and for the leadership of its staff. As Chief Executive, she works under the general direction of the HMCTS Board and is the Accounting Officer for the organisation.

Susan was previously the Director of Enterprise and Growth at HM Treasury where she was responsible for policies on productivity, growth, business, infrastructure, exports, competition and markets, and for energy and transport spending. Prior to that, she spent two years as Director of Education Funding at the Department for Education, overseeing the comprehensive reform of the capital programme. Susan has also worked extensively on home affairs and justice policy, both at Number 10 and in the Home Office. She has also had senior roles in the London Borough of Tower Hamlets, and in the Social Exclusion Unit.



Kevin Sadler was appointed as Deputy Chief Executive in November 2016 and continues in his role as Director of Courts and Tribunals Development.

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

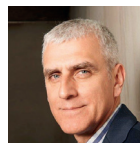
Kevin has had a varied early career in operational, policy and private office posts in the Department of Social Security, Cabinet Office and Department of Work and Pensions leading on to roles in the Department for Constitutional Affairs where he oversaw change and restructuring across the department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



Andrew Baigent was appointed as Chief Financial Officer from 14 August 2017. He is responsible for the financial plans for day-to-day operations, strategic

objectives and financial management, governance and controls.

Andrew joined from the Department of Health where, in his role as Finance Director, he led a team of 200 people responsible for financial budgeting and strategy for the department and wider health and social care system. Prior to that, as Director General for Financial Audit at the National Audit Office, he was accountable for the delivery of the NAO's financial audit portfolio of more than 400 audits.



Kevin Gallagher is the Digital Change Director and is responsible for IT and digital strategy, which includes designing the infrastructure to support reforms to the service.

Kevin was previously the Chief Information Officer at Channel 4, where he brought digital to the forefront of the organisation's business model. He has worked in private and public sector organisations including the Legal Aid Board.



Richard Goodman is the Change Director. He is responsible for delivery of the HMCTS change programme to time, quality and cost.

Richard started his career in tourism. On joining the civil service he worked in policy. He later took up operational case working roles and led work on strategy and workforce reform. In 2011 Richard joined the UK Border Agency as director of international operations, leading the agency's overseas security work and visa operations. After a spell in the Middle East he left the civil service to become policy director at the Financial Ombudsman Service.



Lynne Hamilton was the Director of Finance, Governance and Performance and was responsible for ensuring HMCTS has strong financial management,

governance and controls, as well as chairing the Finance and Performance Committee and Change and Investment Committee.

Lynne has previously been the Director of Finance and Commercial at the Welsh Government. She has experience in senior policy, delivery and finance roles in which she managed large teams, large complex budgets and big performance improvement programmes. Lynne left her role on 26 May 2017 and Andrew Baigent was appointed her successor.



Faran Johnson is the Human Resources Director and is responsible for the HMCTS People and Organisation Strategy which exists to build performance for today and secure performance for tomorrow. She is also responsible for ensuring we have the right workforce strategy to manage the change that will be delivered through the transformation of HMCTS.

Faran has over 20 years of global HR experience leading organisational transformation to drive the right leadership and behaviours to enable change. She has worked in the finance, retail, services, technology and media sectors including Clear Channel, Reed Elsevier, Axa and First Data. Faran will be taking up a secondment opportunity outside HMCTS from May 2018.



Sidonie Kingsmill is the Customer Director. She is responsible for helping HMCTS become a customer-driven organisation.

Sidonie has a wealth of experience in using customer insight and user-led service design to change organisations and make services better for users. Prior to joining HMCTS she was Group Brands Director at Tesco, and has also worked for companies such as Protector & Gamble and Metro International Newspapers.



Ed Owens is Director of Communications.

Ed joined HMCTS following six months as communications adviser to the Medicines Discovery Catapult, and was chief executive of the Cystic Fibrosis Trust for four years until October 2016. He was formerly a local newspaper journalist and ran two communications agencies, Apex Communications and Maitland Political, between 2006 and 2012. He also served as a special advisor to Jack Straw, first at the Home Office and then at the Foreign Office from 1997 until 2005.



Guy Tompkins is the Director of Operations and his primary responsibility is leading over 15,500 people in the delivery of all business as usual activity, including ensuring the successful delivery of reform change into the business.

Guy started his career in the Civil Service as a clerical officer in the Department of Employment. He has since held a wide variety of posts including operational delivery posts for Job Centre Plus, the Tribunals Service and HMCTS.

Other attendees at Senior Management Team meetings

The senior MoJ commercial specialist for HMCTS has a standing invite to attend the Senior Management Team (SMT) meetings.

The SMT meet fortnightly with the Transformation Directors and Property Director to discuss change activity. The additional directors are:



Tim James,
Property Director



Paul Harris,
Transformation Director
for Midlands and South West



Gemma Hewison,
Transformation Director for
London and the South East



Jonathan Wood
National Services Director



Marie-Claire Uhart,
Transformation Director for the
North East and North West

3.2 Remuneration report

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

Board members remuneration report

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

The Prime Minister sets the remuneration policy of senior civil servants following independent advice from the Senior

Salaries Review Body. The salaries of HMCTS Board members were set following discussions between the Permanent Secretary of the MoJ and his Director Generals in accordance with the rules of the Civil Service Management Code. HMCTS does not have a Remuneration Committee. The key functions of this Committee are dealt with through the MoJ Workforce Committee.

The following sections provide details of the remuneration and pension interests of HMCTS Board members who served during 2017–18.

Table 1 – Remuneration payments to HM Courts & Tribunals Service Board members during the period 1 April 2017 to 31 March 2018

	2017-18					2016-17				
	Total amount of salary and fees	All taxable benefits (to nearest £100)	Bonuses paid	Pension related benefits (to nearest £1000)	Total	Total amount of salary and fees	All taxable benefits (to nearest £100)	Bonuses paid	Pension related benefits (to nearest £1000)	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Robert Ayling, Independent Chairman	15 – 20	Nil	Nil	Nil	15 -20	15 – 20	Nil	Nil	Nil	15 -20
Susan Acland-Hood, Chief Executive	125-130	Nil	Nil	157	285-300	45-50 (120-125 FYE) ²	Nil	Nil	76	120-125
Kevin Sadler, Deputy Chief Executive	105-110	Nil	10-15	3	120-125	105-110	Nil	10-15	88	205-210
Lynne Hamilton, Director, Finance, Governance and Performance ⁴ (until 26 May 2017)	15-20 (105-110 FYE) ²	4.3	Nil	3	20-25	105-110	26.8	10-15	42	185-190

	2017-18					2016-17				
	Total amount of salary and fees	All taxable benefits (to nearest £100)	Bonuses paid	Pension related benefits (to nearest £1000)	Total	Total amount of salary and fees	All taxable benefits (to nearest £100)	Bonuses paid	Pension related benefits (to nearest £1000)	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Andrew Baigent, Chief Financial Officer (from 14 August 2017)	60-65 (125-130 FYE) ²	Nil	Nil	0	60-65	Nil	Nil	Nil	Nil	Nil
Guy Tompkins, Operations Director	95-100	16.3	0-5	0	110-115	95-100	13.4	0-5	60	170-175
Rachel Osborne, Non-Executive Director	10-15 (10-15 FYE) ²	Nil	Nil	Nil	10-15	10-15	Nil	Nil	Nil	10-15
Ian Playford, Non-Executive Director	10-15	0.1 ¹	Nil	Nil	10-15	10-15	0.8 ¹	Nil	Nil	10-15
Victoria Cochrane, Non-Executive Director	10-15	0.2 ¹	Nil	Nil	10-15	10-15	Nil	Nil	Nil	10-15
Liz Doherty, Non-Executive Director	5-10	Nil	Nil	Nil	5-10	5-10	Nil	Nil	Nil	5-10

¹ Comprises of reimbursements for travel expenses to required business meetings

² Full year equivalent

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

⁴ Kevin Sadler acted as Interim Director of Finance, Governance and Performance between 26 May 2017 and 14 August 2017.

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

- Sir Ernest Ryder, Senior President of Tribunals
- Lord Justice Fulford, Senior Presiding Judge (Until 2 April 2017)
- Lady Justice Macur, Senior Presiding Judge (From 3 April 2017)
- District Judge Tim Jenkins, Judicial Representative (from 01 October 2016)

Salary

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

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual.

Benefits in kind

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

Pay multiples

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

Table 2 – Pay multiples

	2017-18	2016-17
Band of highest paid director's total remuneration (£000)	125-130	175-180
Median total remuneration (£)	21,903	19,746
Ratio	6:1	9:1

Remuneration ranged from £10,000-15,000 to £205,000-£210,000 (2016-17: £10,000-15,000 to £195,000-£200,000).

In 2017-18, 6 employees received remuneration in excess of the highest paid director (2016-17: 1).

Total remuneration includes salary, non-consolidated performance-related pay, benefit-in-kind allowances as well as

severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

The pay multiple ratio has decreased compared to 2016-17 due to the former highest paid director having left HMCTS in 2016-17, with their replacement, who became the highest paid director in 2017-18, joining on a lower salary.

Service contracts

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

The officials covered by this report hold appointments which are open-ended, with the exception of non-executive directors who are appointed for a term of three years. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk

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

Name	Contract start date	Unexpired term	Notice period
Robert Ayling	1 April 2011 (renewed on 1st April 2015)	1 month	1 month
Susan Acland Hood	21 November 2016	To retirement	3 months
Andrew Baigent	14 August 2017	To retirement	3 months
Guy Tompkins	7 November 2005	To retirement	3 months
Kevin Sadler	10 September 1984	To retirement	3 months
Rachel Osborne ²	1 August 2014 (renewed on 17 July 2017)	0 months	1 month
Ian Playford	1 August 2014 (renewed on 17 July 2017)	2 years 4 months	1 month
Victoria Cochrane	1 November 2014 (renewed on 17 July 2017)	2 year 7 months	1 month
Liz Doherty	18 January 2016	5 months	1 month

Notes:

¹ Judicial members do not operate under contracts

² Rachel Osborne stepped down as a non-executive on the HMCTS Board from 28 March 2018

Pension benefits

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

	Accrued pension at pension age as at 31/3/18 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/18	CETV at 31/03/17	Real increase in CETV
	£000	£000	£000	£000	£000
Robert Ayling Independent Chairman	N/A	N/A	N/A	N/A	N/A
Susan Acland-Hood Chief Executive	40-45	7.5-10	461	352	81
Kevin Sadler, Deputy Chief Executive	45-50 plus a lump sum of 135-140	0-2.5 plus a lump sum of 0-2.5	985	922	2
Lynne Hamilton Director, Finance, Governance and Performance (until 26 May 2017)	45-50 plus a lump sum of 50-55	0-2.5 plus a lump sum of 0	840	811	1
Andrew Baigent, Chief Financial Officer (from 14 August 2017)	50-55	0	730	727	-14
Guy Tompkins Operations Director	40-45 plus a lump sum of 125-130	0-2.5 plus a lump sum of 0-2.5	892	839	-3
Rachel Osborne Non-Executive Director (until 28 March)	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Ian Playford Non-Executive Director	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Victoria Cochrane Non-Executive Director	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Liz Doherty Non-Executive Director	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹

Notes:

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

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 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 is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 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 the website www.civilservicepensionscheme.org.uk

Cash equivalent transfer values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses

to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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 CETV

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.

3.3 Statement of Accounting Officer's responsibilities

Under section 7(2) of the Government Resources and Accounts Act 2000, HM Treasury has directed HMCTS to prepare for each financial year a statement of accounts (the Accounts) in the form and on the basis set out in the Accounts Direction issued by HM Treasury on 20 December 2017. The Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the agency and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing HMCTS's accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgments and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the accounts

- have taken all steps that ought to have been taken to make herself aware of any relevant audit information and to establish that the entity's auditors are aware of that information, and that they are not aware of any relevant audit information of which the entity's auditors are unaware of
- prepare the accounts on a going concern basis
- 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 judgments required for determining that it is fair, balanced and understandable.

The principal Accounting Officer for the MoJ has designated the HMCTS Chief Executive as HMCTS Accounting Officer. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding HMCTS assets and for preparing HMCTS accounts, are set out in the Accounting Officer's Memorandum issued by HM Treasury and published in, managing public money.

3.4 Governance Statement

Introduction

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

As Chief Executive I am responsible for the day-to-day operations and administration of the agency and leadership of its employees. I work under the general direction of the HMCTS Board. As Chief Executive and Accounting Officer I am accountable to the MoJ Permanent Secretary and Principal Accounting Officer and ultimately to Parliament.

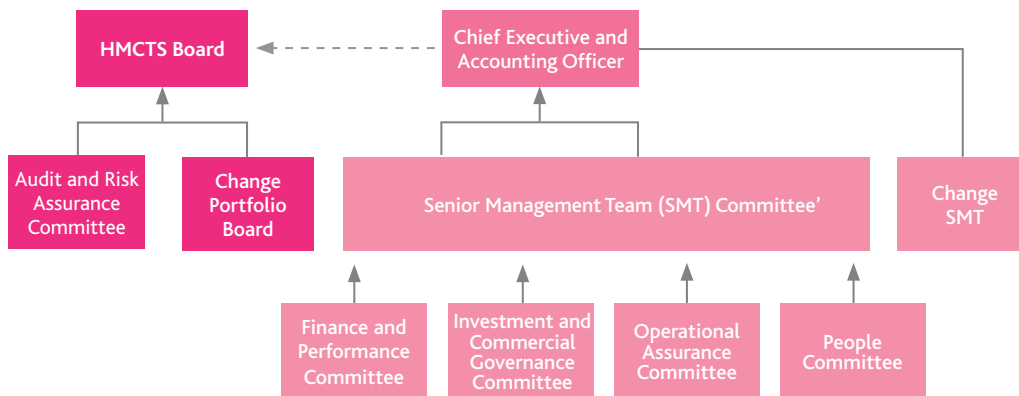
As Accounting Officer, and working together with my directors, I have responsibility for maintaining effective

governance and a sound system of internal control that supports the achievement of HMCTS policies, aims and objectives, while safeguarding the public funds and assets for which I am personally accountable. Overall, I am satisfied that HMCTS has had effective governance, risk management and internal controls in place during 2017-18. I take personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

Governance framework and management structure 2017-18

Governance within HMCTS is delivered through a robust board and executive team as set out in the Delegation of Authority Policy. In 2017-18, this was as shown in the chart below.

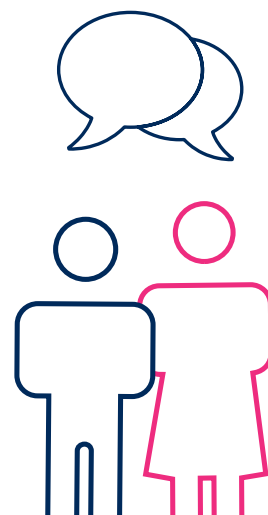
The Customer and Stakeholder Engagement Committee was defined during 2017-18 as a sub-committee of the Senior Management Team, and will have its first meeting in early 2018-19.



Corporate governance in central government departments – code of good practice

This code applies to MoJ directly and HMCTS has adopted key principles as best practice. We remain compliant with material requirements with the exception of the Nominations Committee as reported in previous years. We have a People Committee with responsibility

for considering talent and succession planning within the organisation. In addition the HMCTS Board discussed performance and talent management for our senior executives at their May 2018 meeting. Governance arrangements for the organisation are overseen by the Audit and Risk Assurance Committee and the HMCTS Board as well as by the executive team on a day-to-day basis.



HMCTS Board and its sub-committees

	HMCTS Board	Audit and Risk Assurance Committee	Change Portfolio Board
Terms of reference	These were reviewed and agreed in July 2017	These were reviewed and agreed in May 2018	These were reviewed and agreed in March 2018
Roles and responsibilities	<p>Has responsibility for overseeing the leadership and direction of HMCTS in delivering the aim and objectives of the agency.</p> <p>It also advises, provides scrutiny and where necessary gives direction to the Chief Executive in relation to the strategy of the agency, the overall delivery and the key roles relating to the operation of HMCTS.</p>	This is an advisory body supporting the Chief Executive as Accounting Officer and the HMCTS Board in its responsibilities for risk management, control and governance and production of the annual report and accounts.	Has delegated authority from the HMCTS Board to make decisions about the prioritisation of the programmes and projects within the change portfolio.
Chair	Robert Ayling, Independent Chairman	Victoria Cochrane, senior non-executive director	Susan Acland-Hood, HMCTS Chief Executive
Issues covered	<ul style="list-style-type: none"> discussed performance at each meeting, including the new interactive performance dashboard, and had regular deep-dives on operational performance discussed the financial position monthly and the quarterly review of demand across all jurisdictions as well as approving the annual budget 	<ul style="list-style-type: none"> substantive discussion on all corporate risks to challenge management controls and effectiveness of mitigation regular deep-dives of corporate risks substantive discussions on the findings and implementation of recommendations from internal audit reports; discussed contract and commercial management and the continued development of the Third-Party Risk Framework substantive discussions around fraud and investigations, including consideration of new fraud delivery model 	<ul style="list-style-type: none"> reviewed and discussed progress against the portfolio performance plans providing input to and direction on overarching portfolio direction reviewed the portfolio's financial position monthly discussed and reviewed cross cutting work to identify interdependencies between programmes and oversaw the development of a strengthened portfolio implementation plan reviewed and approved the overarching reform business case 4

	HMCTS Board	Audit and Risk Assurance Committee	Change Portfolio Board
Issues covered	<ul style="list-style-type: none"> discussed the transformational courts and tribunals change programme, showcasing new services being developed and introduced discussed current and future estate priorities discussed and agreed the risk tolerance for the agency 	<ul style="list-style-type: none"> discussed adequacy of management response to issues identified by audit activity, including external audit's management letter and National Audit Office value for money audits acted on the delegated authority of the HMCTS Board to approve the annual report and accounts and trust statement (2016-17) 	<ul style="list-style-type: none"> reviewed and discussed the findings and implementation of recommendations from internal and external assurance reviews agreed and reviewed regularly the portfolio risks and issues and mitigation for them
Effectiveness reviews	<ul style="list-style-type: none"> discussed findings of annual self-assessment of performance in April 2017 had good results overall and identified key actions including: <ul style="list-style-type: none"> to continue to ensure that the Board balances its time between business as usual and other strategic issues to continue to focus on good stakeholder relations ensuring the Board has a robust system for post-implementation review ensuring that the Board is forward thinking and able to influence the future shape of HMCTS beyond reform there was a substantive discussion at the meeting in December 2017 on progress in respect of the key themes identified following the 2016-17 HMCTS Board effectiveness evaluation the 2017-18 evaluation was carried out in February 2018 and the results were analysed and discussed at the May meeting - a continuous improvement action plan will be progressed during 2018-19 	<ul style="list-style-type: none"> discussed findings of annual self-assessment of performance in April 2017 had good results overall and identified key actions including: <ul style="list-style-type: none"> regular updates to take place on the organisation's counter-fraud processes the National Audit Office to continue to work with Internal Audit the 2017-18 evaluation was carried out in February 2018 and the results were analysed and discussed at the May meeting - a continuous improvement action plan will be progressed during 2018-19 	<ul style="list-style-type: none"> discussed the findings of the annual self-assessment of performance in March 2017 <p>Key actions included:</p> <ul style="list-style-type: none"> communication issued to ensure papers coming to the Board were short, succinct and to the point circulation of papers was moved from 4 days in advance to 1 week to allow sufficient time for members to read the content the 2017-18 evaluation was carried out in January 2018 and the results were analysed and discussed at the April meeting - a continuous improvement action plan will be progressed during 2018-19

The attendance schedule for the HMCTS Board and its sub-committees

	HMCTS Board	Audit and Risk Assurance Committee	Change Portfolio Board
	Attendance at meetings – expressed as number of meetings attended out of number eligible to attend		
Robert Ayling – Independent Chairman	11/12		
Victoria Cochrane – Non-Executive Board Member	10/12	6/6	
Rachel Osborne – Non-Executive Board Member	8/12		
Ian Playford – Non-Executive Board Member	10/12		
Liz Doherty – Non-Executive Board Member MoJ	7/12		
Sir Ernest Ryder – Senior President of Tribunals	12/12		9/11
Dame Julia Macur – Senior Presiding Judge	11/12		8/8 (Member until Jan 2018)
Lady Justice Thirlwall – Deputy Senior Presiding Judge			2/2 (Member from Feb 2018)
District Judge Tim Jenkins – Judicial member	12/12	6/6	
Susan Acland-Hood – Chief Executive	12/12	3/5*	10/11
Kevin Sadler – Deputy Chief Executive and Director of Courts and Tribunals Development	11/12		10/11
Lynne Hamilton – Chief Financial Officer (until 26 May 2017)	2/2	2/2*	1/1
Andrew Baigent – Chief Financial Officer (from 17 August 2017)	8/8	3/3*	6/7
Guy Tompkins – Director of Operations	11/12		11/11
Judge Brian Doyle – Judicial member		6/6	
Tom Taylor – Independent Non-Executive		6/6	
Faran Johnson			6/11
Kevin Gallagher			9/11
Richard Goodman			10/11
James McEwen			5/7
Sidonie Kingsmill			9/11
Matthew Coats			2/7
Stephanie Hill			5/7
Jennie Cronin			9/10
Tim Britten			1/1
Jan Gower			11/11
Andy Lison			9/10
John Michalski			8/9
Representative from MoJ Policy			6/6

* Regular attendee as opposed to a substantive member from the Committee

HMCTS Senior Management Team and its sub-committees

Committee and Chair	Key responsibilities
<p>Senior Management Team – business as usual and change</p> <p>Chaired by Chief Executive</p>	<ul style="list-style-type: none"> • set the leadership and direction • be visible to and within the organisation • be accountable for delivering aims and objectives • agree and make recommendations to the HMCTS Board, via the Chief Executive and executive board members on matters not excluding: <ul style="list-style-type: none"> • budget allocations and in year variations • strategic objectives, performance and risk, including continuous improvement • MoJ policies and the impact on the administration of the courts and tribunals • monitor performance of HMCTS and performance of the MoJ and Shared Services • establish and maintain a strong working relationship between employees and the judiciary • create and maintain the corporate governance framework and controls • develop strategic plans for the service • ensure all matters reserved for the HMCTS Board are considered in an open and timely fashion
<p>Change Portfolio Senior Management Team</p> <p>Chaired by Chief Executive</p>	<ul style="list-style-type: none"> • acts on behalf of the Portfolio Board to provide frequent oversight of change activity and acts as a filter for escalations from programmes to the Portfolio Board • review progress against the portfolio plan to ensure delivery within agreed tolerances • agree portfolio tolerances with regard to scope, schedule, resources, costs and benefits • manage strategic risks, issues and dependencies across the portfolio together with proposed and actual mitigating actions • govern benefits realisation management across the portfolio • ensure that emerging and current legislative, policy and strategy issues are captured and assigned to owners in the appropriate programme(s) or resolved at a strategic level
<p>Finance and Performance Committee</p> <p>Chaired by Chief Financial Officer</p>	<ul style="list-style-type: none"> • oversee and govern all performance reporting in HMCTS • examine and understand the leading indicators of HMCTS financial and non-financial performance to identify risk and opportunity, and appropriate action • annual budget setting and resource allocation process • oversee and make recommendations to SMT on the annual budget setting and resource allocation process • review and oversee income and debt management, and the relationships that HMCTS has with other government departments which underpins those income streams

Committee and Chair	Key responsibilities
<p>Investment and Commercial Governance Committee Chaired by Chief Financial Officer</p>	<ul style="list-style-type: none"> • scrutinise and review investment business cases for all those projects, identified as needing the committee's oversight, and approve cases in accordance with their delegated limits and otherwise provide a short report to the approving authority • review the commercial dashboard and metrics to provide assurance that both are appropriately managed, including the commissioning of new contractual arrangements • review exit plans for managing the successful ending of contracts • scrutinise the sourcing and contract management provision for HMCTS • ensure robust arrangements are in place and operating effectively to ensure all suppliers providing services to HMCTS (including the change programme) are held to account on behalf of the executive
<p>Operational Assurance Committee Chaired by Operations Director</p>	<ul style="list-style-type: none"> • oversee the implementation and operation of the operations directorate service assurance framework, and the service standards and assurance team • monitor quality of service issues/risks escalated to it, where local/regional routes have been exhausted and it is of sufficient severity as to threaten the reputation of HMCTS or is illustrative of a more widespread service assurance issue • ensure that appropriate action is in place to address potential failures and remedy actual failures, in service delivery, commission/sponsor such activity where not already in place or being progressed and assure that such action is progressing to agreed timeframes • ensure lessons learned from significant service failure/business continuity incidents are being shared effectively and promptly • ensure that thematic service/compliance deficiencies, including recurring deficiencies highlighted across reporting deficiencies, are robustly and rapidly addressed
<p>People Committee Chaired by Chief Executive</p>	<ul style="list-style-type: none"> • drive our people strategy including diversity and induction, health and wellbeing and capability • proactively engage on talent management and succession planning (current and future) • make workforce decisions on people • provide an annual report to the HMCTS Board

Risk management

We introduced our risk policy in May 2017 by way of the HMCTS risk strategy. The strategy sets out how HMCTS should manage the risks associated with the delivery of our strategic priorities as well as providing new tools and robust guidance to support the management of risk on a day-to-day basis.

The strategy was embedded throughout HMCTS during the summer of 2017, with each business area using the new Risk Register and tolerance levels to manage and escalate risks more appropriately. For 2018-19 the strategy will be renewed, taking into account any lessons learned and supporting HMCTS to embed a more mature risk management process.

Risk assessment 2017-18

In line with the HMCTS risk strategy, the Senior Management Team (SMT) held a risk workshop at the beginning of the year to identify the risks to the delivery of our priorities. Risks were defined with agreed controls and mitigation before being approved by the HMCTS Board. SMT held formal reviews each month throughout the year where the corporate risks were considered as well as any emerging issues. This approach enabled us to ensure that the most significant risks were proportionately monitored and steps taken at an early stage should the risk change.

Key successes as a result of this proactive approach include:

- Significant updates to our people and communications risks enabled a greater focus on the causes and effects, which in turn allowed us to focus our risk management activity more effectively. Separating our people risk to look at current recruitment and attrition, and end state capability has enabled us to identify and manage the causes which represent the greatest impact/likelihood. This targeted approach has

meant that we were able to bring forward mitigation which would make a real difference, such as the accelerated development programme (May 2017) and improvements around recruitment and the support given. This led to some decisive steps within the business and supported operational delivery.

- The identification and addition of new risks which warranted escalation to the HMCTS corporate risk register including risks relating to the maintenance of our estate in September 2017 and relating to the new General Data Protection Regulations in January 2018.
- The risk of disruption resulting from the implementation of the Technology Transition Programme, reported in this statement last year reduced to the extent that we were able to close this risk on the register at the end of 2017-18. This is as a result of collaborative working across the Ministry and an effective and engaged approach to project management to ensure delivery of the programme to within tolerance.

A key element of the risk strategy is a requirement to review all risks at year end, identify risks and issues to carry forward into 2018-19 and formally close the year's risk register. This took place through a workshop in March 2018 with all open risks being carried over.

Top risks

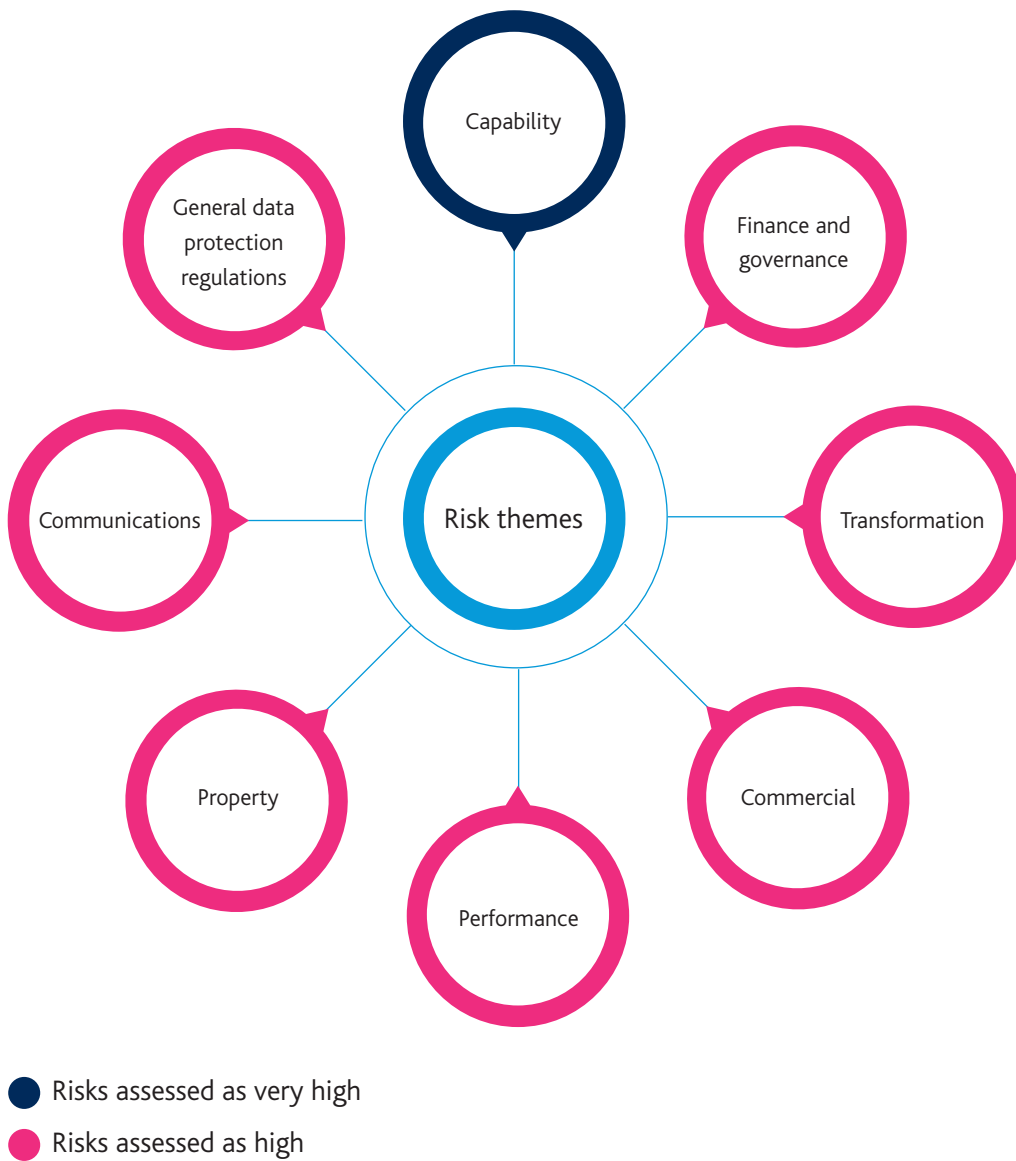
We have continued to manage our top risks during the 2017-18, through regular checking and challenging.

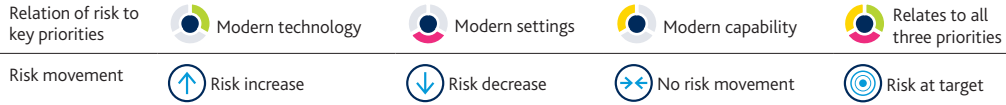
At the start of the financial year there were no 'very high' risks and nine 'high' risks. At the end of the year one risk had moved to 'very high' while the number of 'high' risks remained the same. Although this represents an increase in most significant risks, this was against the backdrop of an overall reduction in risks being managed at a corporate level from 18 to 14.

During the year six risks were closed and removed from the register, and eight new risks added as they were identified during the course of the year, including separating out of our 'high' risks to enable more focus on the individual elements of the risk and the addition of a new risk relating to the implementation of the











General Data Protection Regulations (GDPR).

Whilst risks were managed individually, they reflected the key priorities and cross cutting activities which took place throughout HMCTS and have therefore been grouped into the following headline themes:





Risk themes	Risk movement	Key activities to manage our risks
Capability (two risks) HMCTS struggle to maintain a capable workforce leading up to and following delivery of the transformation programme	Risks have stayed as 'very high' since being added in December 2017	<ul style="list-style-type: none"> • By ensuring effective focus on business as usual and change activities to deal with current and end state capabilities. • By having regular engagement with the business through the delivery of One Conversation 3. • By delivering key products such as a recruitment hub, to support operational delivery. • We expect to meet their 'medium' target score in 2018-19.
Finance and governance (two risks) HMCTS must be fully compliant with financial and security standards	Risks have increased from 'medium' to 'high' in September 2017	<ul style="list-style-type: none"> • A focus on benefits realisation has helped to secure our transformation goal and a new accounting system has created a more stable financial solution to ensure compliance with the standards. • Effective delivery of security and safety is a specific risk and managed at all levels of the business but continues to be a concern. • This year we have introduced more streamlined policies and arrangements, appointed a third party security company to work with us and our providers to improve search on entry procedures and bolstered the security and safety compliance capability through the National Security and Safety Committee.
Transformation (one risk) HMCTS does not deliver transformation programme to cost/time schedule	Risk fluctuated between 'high' in June 2017 and 'very high' in January 2018.	<ul style="list-style-type: none"> • Risk increased through the year from a 'medium' risk to a 'very high' risk to ensure it more accurately reflects the level of exposure as more reform projects are active. The risk will continue to be managed at 'very high' in 2018-19, with particular focus on the transition of individual projects and programmes into business as usual activity. • This is overseen by the Change Portfolio Board chaired by the Chief Executive, to ensure risks and opportunities are identified appropriately.

Risk themes	Risk movement	Key activities to manage our risks
<p> Commercial (one risk) HMCTS does not conduct commercial and inter-government activity in line with internal/external policy to enable effective and lawful commercial activity</p>	<p> Risk has remained at its target throughout.</p>	<ul style="list-style-type: none"> • Detailed testing to confirm supplier failure contingency measures have ensured this risk has remained at its target score of 'high'. • Targeted action around third party risks has been subject to specific scrutiny by the executive, ARAC and across MoJ to ensure requirements are met. • Implemented an Investment and Commercial Governance Committee to ensure contract compliance and hold business owners to account. • This risk will be closed and replaced with a new commercial risk focussing on market place failures.
<p> Performance (one risk) HMCTS does not deliver satisfactory performance across all jurisdictions</p>	<p> Risk has remained at 'high' all year</p>	<ul style="list-style-type: none"> • Strengthened our analytical capability. • We have in place a quarterly review process to ensure supply and demand is closely monitored. • We continue to work with the judiciary to ensure a clear understanding of jurisdictional requirements. • Introduced the Operational Assurance Committee to support and challenge operations to drive continuous improvement.
<p> Property (one risk) HMCTS fails to maintain our estate for the benefit of employees and citizens.</p>	<p> Risk has remained at 'high' since being added in December 17</p>	<ul style="list-style-type: none"> • The condition of our court rooms is key to maintaining a positive user experience. Improved financial planning allowed us to prioritise improvements and spend our budget with the greatest effect.
<p> Communications (one risk) HMCTS fails to properly engage with internal and external stakeholders</p>	<p> Risk has remained at 'medium' since being added in February 2018</p>	<ul style="list-style-type: none"> • A refocus of the risk took place to ensure it embraced business as usual and transformation. • Delivered a series of legal professional roadshows. • Put in place a stakeholder focused engagement plan.
<p> GDPR (one risk) HMCTS does not effectively manage the introduction of the GDPR regulations</p>	<p> Risk has remained at 'high' since being added in February 2018</p>	<ul style="list-style-type: none"> • Risk added in February 2018 to ensure we achieve a level of compliance, consistent with MoJ. We have worked to raise awareness, and taken steps to improve the way we handle performance information in collaboration with MoJ to ensure the risk is effectively managed.

Managing the risk of fraud, bribery and corruption

Moj has zero tolerance on fraud, bribery and corruption, whether involving its own employees, or other external individuals or bodies. We have clear policies which set out responsibilities for the prevention, detection and reporting of fraud, bribery and corruption, and applies to all staff within Moj.

HMCTS has a dedicated fraud and investigations team who proactively and reactively work with the business to manage the risk of fraud, bribery and corruption. HMCTS received three reports of bribery and corruption during 2017-18, of which two were referred to the Police for consideration of criminal prosecution. A full thematic review of the process relating to the third referral is being undertaken. This area of criminal activity will be a focus for 2018-19.

A new delivery model was introduced in HMCTS in April 2017 which focuses on an intelligence led, risk based approach. This ensures the function is responsive to emerging themes and vulnerabilities. Working more closely with governance, risk and operational colleagues, root cause analysis of incidents is central to all investigations, and mitigation is put in place with operations to safeguard against similar incidents and to learn lessons. Significant improvements in evidence gathering and reporting have also been embedded within the function. Investigation reports now align with defined Cabinet Office fraud approach, whilst intelligence gathered internally identifies hotspots of referrals and investigations.

HMCTS has strengthened our ability to meet the Cabinet Office cross-government fraud functional standards assessment, which measures an organisation's readiness to combat fraud and criminality against 11 specific standards. The inaugural assessment in March 2018 revealed

readiness against nine standards for HMCTS. In 2018-19 we will work to strengthen the remaining standards.

To ensure we manage the risk of fraud, bribery and corruption, HMCTS delivered a programme of fraud awareness sessions and bespoke process assessments with project teams within reform. This has helped reduce the threat of fraud and criminality by building in controls early during programme builds, rather than undertake difficult, retrospective fixes.

For the forthcoming year, HMCTS will build on foundation work to further support change and reform projects. Priorities include the revision of the counter fraud strategy, build on Cabinet Office directives, and a focus on fraud awareness and staff integrity issues.

Our approach to 'whistleblowing'

Moj'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. There are currently six whistleblowing Nominated Officers across the department and all are of senior management grade. There were five whistleblowing cases reported by HMCTS during 2017-18. Complaints of harassment, bullying and discrimination are reported separately under the department's grievance policy.

It is within the terms of reference for the HMCTS Audit and Risk Assurance Committee to oversee and hold HMCTS to account on its effectiveness and adherence to the whistleblowing policy.

Our approach to information security

HMCTS deal with sensitive personal information on behalf of people involved in hearings and we take our responsibility very seriously to ensure this information is appropriately protected. Our policy is

to self-refer all significant data incidents to the Information Commissioner's Office (ICO) and we continue to work closely with the ICO and other agencies to further improve our systems and learn lessons. Compliance with the new GDPR has led to the formation of a dedicated GDPR project team working alongside the information assurance (IA) function. The team are working closely with MoJ colleagues and the ICO on common issues as well as sharing best practice with other government departments.

The annual mandatory IA training was completed in March 2018 with a completion rate of 92% across HMCTS employees. The outstanding 8% were either on career break, maternity or long term sick. In addition to this, over 50 hours of face-to-face data security training was delivered during reporting year 2017-18 to approximately 750 employees, to ensure that HMCTS employees build upon the great strides that have been made to proactively combat data incidents. The security training focuses on how to identify an incident and how to report it. We report on all incidents and we have a culture that understands the importance of information assurance and security, which has prepared us well for GDPR. IA returns during 2017-18 indicated that there was further improvement in the level of IA maturity overall, proportionate to the level of data HMCTS handles. A reduction in reported data incidents of 23%, should be noted and is attributable to the increase in digital services, increased IA awareness and training.

There were 2,239 data incidents during 2017-18, of which 7 were reported to the ICO. Of the 7 reported, no action was taken against HMCTS and the remaining incidents were all low impact. HMCTS is one of the few departments that is still 'paper-based' particularly in the tribunals. 44% (983) of closed incidents were identified, through root cause analysis, as

'not at fault' incidents but external events such as incorrect information supplied to HMCTS and of these incidents 80% (786) are the loss of driving licences (by Royal Mail). 56% (1,254) of 'at fault' incidents are in respect of unauthorised disclosures caused by staff errors, for example, enclosing two pieces of data in the same envelope or issuing data to the wrong address.

HMCTS now has a technical architecture team, supported by '6point6', a specialist cyber security consultancy, to manage the technical risks and issues associated with our systems and applications and establish improved processes and procedures in support of the transition to becoming a fully digital business.

Governance and risk assurance oversight arrangements

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of my executive managers. They have the responsibility for the development, maintenance and reporting of the internal control framework. This, combined with observations and recommendations made by internal and external auditors in their management letters and other reports has shaped the HMCTS approach to governance and assurance.

The organisation has in place control processes to provide executive management with assurance over financial and operational risks. These processes are subject to continuous improvement and review to ensure they remain current, effective and relevant.

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

In addition the HMCTS Board and I gain assurance through:

- up-to-date and comprehensive reports on performance and finance at all board meetings by the executive
- financial and administrative procedures which includes delegations of financial authority and segregation of duties on key financial processes
- assurances from MoJ for the provision of shared services
- Audit and Risk Assurance Committee (ARAC) overseeing the adequacy and effectiveness of the risk management processes and the system of internal control for the organisation (the committee regularly reviews governance and assurance reports, the corporate risk register, undertakes deep dives on our key risks and oversees the production of our annual report and accounts, as does the executive and HMCTS Board)
- regular reviews of the risk profile and effectiveness of the systems of internal control through the receipt of minutes from ARAC, through review of performance reports and through direct feedback from the chair of the committee
- internal audit reports (see below)
- value for money and other reports produced by the National Audit Office

Internal audit and annual audit opinion

One of the key sources of independent assurance comes from the activities of the internal audit service provided by the Government Internal Audit Agency (GIAA). The internal audit programme is closely linked to the key risks for HMCTS and 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 Group Head of Internal Audit provided an annual overall opinion of 'moderate' for 2017-18, highlighting that some improvements are required to further enhance the adequacy and effectiveness of the framework of governance, risk management and control. A number of areas of concern have been highlighted, including controlling access to information and data security.

GIAA have also considered the delivery confidence level for the HMCTS reform programme which has improved to Amber, acknowledging the complexity of the delivery landscape and associated dependencies.

National Audit Office (NAO) reports

No new reports on HMCTS have been received during 2017-18. However, NAO have undertaken a review into our progress in transforming courts and tribunals during the year and published their report in May 2018. We welcomed all the recommendations and are committed to implementing them. Our response to the report can be viewed at <https://www.gov.uk/government/news/hmcts-response-to-national-audit-office-report-on-court-reform-programme>

Conclusion

I am satisfied that we have effective governance, risk management and assurance arrangements in place as set out in this statement. Arrangements are kept under continuous review to adapt to our changing risk environment.

I am satisfied that the significant control issue identified within this statement, and in relation to the lawfulness of fees charged in the Employment Tribunal and Employment Appeals Tribunal, as set out in our current control challenges, has been subject to rigorous review and continues to be managed through appropriate, effective and proportionate mitigating activity.

3.5 Current control challenges

Throughout 2017-18 HMCTS had appropriate governance in place to mitigate control challenges and issues. A number of operational security incidents and information management breaches were reported during the year which were quickly and appropriately managed to mitigate their impact.

An issue arose which was of a level of significance to warrant disclosure; relating to the Supreme Court Judgment of R (on the application of Unison) -v- the Lord Chancellor on the 26 July which found that fees charged in the Employment Tribunal and Employment Appeals Tribunal are unlawful under domestic law. This required HMCTS to implement and manage an effective process of refunding the fees previously paid to Employment Tribunal claimants, including making contact with all individuals who were potentially affected by the ruling.

At the end of March 2018 refund applications had been received from approximately 9,000 individuals and organisations, and 7,800 individual refund payments have been made. Additional work including mailshots have also been used to ensure any claimants eligible for a refund are proactively contacted and given the necessary information to aid their application.

During the year we undertook a review of the courts and tribunals fees charged by HMCTS against the unit costs of those services. The review identified that some fees had been unintentionally set at a level above the unit costs of the service. The fees were prescribed in secondary legislation with the intention that they were set up to full cost but in fact, they were set above full cost recovery levels. 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 was issued in March 2018.

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 both cases. To minimise the risk of this issue re-occurring in the future we have put in place more robust arrangements, including the more regular review of fees against cost, and more senior oversight of the income programme.

While not yet a significant control weakness across the whole of HMCTS, we have been monitoring areas of non-compliance with HMCTS policy and arrangements. In particular, this relates to adhering to our own security and safety management system and ensuring that the right level of control, accountability and responsibility is in place to meet our statutory and moral obligations. I am aware of the overarching duties of care we have to all employees, the judiciary and those who use our premises and services, so ensuring compliance is a priority. Furthermore, as reflected above, throughout the year we have been managing a specific security and safety risk which relates to the effective management of security and safety across HMCTS. To address this we have refined and reviewed the processes in place to monitor and mitigate the risks we may face and they

have been adapted to take into account key local or jurisdictional factors. However, it has come to our attention that these processes have not consistently been followed in all locations. Joint working between security and safety, operations and property commenced in early 2017-18 to identify areas of non-compliance and support where necessary those locations identified. In addition, work with the Government Internal Audit Agency has enabled us to have a more rounded understanding of

some of the failings to ensure proportionate controls are put in place. The HMCTS Audit and Risk Assurance Committee has also raised this as a concern and during 2018-19 will work with HMCTS to ensure that the control challenge is mitigated effectively.

Susan Acland-Hood

Chief Executive and Accounting Officer
4 July 2018

3.6 Parliamentary accountability report

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

Losses

	2017-18		2016-17	
	Number of cases	£000	Number of cases	£000
Cash losses	1,030	286	932	282
Administrative write-offs	126	63	100	30
Fruitless payments	14	1,053	8	798
Constructive losses	-	-	-	-
Total losses	1,170	1,402	1,040	1,110

In 2017-18 there are no (2016-17: one) losses over £300,000.

Special payments:

	2017-18		2016-17	
	Number of cases	£000	Number of cases	£000
Compensation payment	101	837	154	1,351
Ex gratia	9,804	1,388	1,398	1,018
Extra-statutory and extra-regulatory payments	396	33	377	46
Special severance payments	-	-	-	-
Loans	-	-	-	-
Gifts	-	-	-	-
Total special payments	10,301	2,258	1,929	2,415

Charitable donations

HMCTS made charitable donations totalling £10,000 in 2017-18 (2016-17: £15,000). These donations were made to organisations to support activities related to HMCTS's operations.

Fee income

HMCTS is required to disclose performance results for the areas of its activities where fees and charges are made. The analysis is not intended to meet the requirements of IFRS 8 Operating Segments which is not applicable to HMCTS under the requirements of the FRoM.

HMCTS covers the following business areas: civil and family courts, tribunal, criminal courts and other. HMCTS collects and reports upon fee charges that have been set by Ministry of Justice policy and which appear in statutory instrument fees orders. 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 fee-charging business segments. Civil business contains two business streams: family (including probate and court of protection) and civil (including civil business in county courts, higher courts and magistrates' courts). While tribunal business contains two business streams: immigration and asylum, and other fee charging special tribunals (including lands, residential property, gambling and gender recognition). The table on page 99 shows the operating expenditure of those jurisdictions which are funded by fee income (after remissions) and the extent to which fee income funds them.

The most current fees orders can be found in Annex A on page 145.

On July 26, 2017 the UK Supreme Court handed down a judgment that quashed 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 £9.2 million and a contingent liability of £16.5 million in respect of these fee refunds, including an estimate of the interest payable. At the reporting date £6.6 million of fees had been refunded and £0.5 million of refunds were accrued. The provision and refunds are shown separately in the fee and charges table.

The table below also contains a provision for refunds of incorrectly other charged. Please see Current control challenges on page 96 for more details.

More details about the provisions and contingent liabilities can be found in note 17.3 and note 22 to the accounts.

Fees and Charges

	Value of fee charges	Fees remitted	Income collected	Expenditure	Income charge surplus/ (deficit)
	£000	£000	£000	£000	£000
Civil business					
Family	180,308	(14,866)	165,442	(200,988)	(35,546)
Civil	630,753	(64,712)	566,041	(449,836)	116,205
Total civil business	811,061	(79,578)	731,483	(650,824)	80,659
Tribunal business					
Asylum and Immigration	11,143	(3,815)	7,328	(110,098)	(102,770)
Other tribunals	1,470	(32)	1,438	(15,000)	(13,562)
Total tribunal business	12,613	(3,847)	8,766	(125,098)	(116,322)
Employment Tribunals (ET)	3,601	(1,241)	2,360	(63,159)	(60,799)
ET fee refunds provision (net)			(9,199)		
ET fee refunds and accruals			(7,143)		
Other fee refund provisions			(16,620)		
2017-18 Total HMCTS business	827,275	(84,666)	709,647	(839,081)	(96,472)
2016-17 Total HMCTS business	812,951	(71,005)	741,946	(802,175)	(60,229)

Susan Acland-Hood

Chief Executive and Accounting Officer

4 July 2018

Section 4: External scrutiny



4.1 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 HM Courts and Tribunals Service (HMCTS) for the year ended 31st March 2018 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report, Our Staff and the Parliamentary Accountability Disclosures that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the affairs of HMCTS as at 31st March 2018 and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder

Opinion on regularity

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

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 HMCTS 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 Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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 the internal controls at HMCTS.
- 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 ability of HMCTS 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.

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 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 Chief Executive as Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Remuneration Report, Our Staff and the Parliamentary Accountability Disclosures 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 Remuneration Report, Our Staff and the Parliamentary Accountability Disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report and Accountability Report; and
- the information given in the Performance Report and Accountability Report or the financial year for which the financial statements are prepared is consistent with the financial statements and have been prepared in accordance with the applicable legal requirements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General
5 July 2018

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

Section 5: Our expenditure



5.1 Accounts

Statement of Comprehensive Net Expenditure for the period ended 31 March 2018

	Notes	2017-18 £000	2016-17 £000
Operating income	8	(788,811)	(804,926)
Total operating income		(788,811)	(804,926)
Staff costs	3	523,810	503,963
Judiciary costs	3	503,845	483,997
Purchase of goods and services	4	665,172	633,820
Depreciation and impairment charges	5	93,759	148,515
Other non-cash expenditure	6	49,063	117,393
Total operating expenditure		1,835,649	1,887,688
Net operating expenditure		1,046,838	1,082,762
Finance costs	7	14,277	16,908
Net expenditure for the year		1,061,115	1,099,670

Other Comprehensive Expenditure

	Notes	2017-18 £000	2016-17 £000
Net costs		1,061,115	1,099,670
Net (gain)/loss on revaluation of property and equipment		(309,661)	(153,086)
Net (gain)/loss on revaluation of intangible assets		(1,143)	(3,891)
Actuarial (gain)/loss on pension scheme liabilities	17.2	(158)	623
Total Comprehensive expenditure		750,153	943,316

The notes on pages 109 to 144 form part of these accounts.

Statement of Financial Position as at 31 March 2018

	Notes	2017-18 £000	2016-17 £000
Non-current assets			
Property and equipment	9	3,561,614	3,293,784
Intangible assets	11	236,364	169,060
Trade and other receivables	13	1	5
Total non-current assets		3,797,979	3,462,849
Current assets			
Assets held for sale	10	5,133	23,360
Trade and other receivables	13	95,140	91,909
Cash and cash equivalents	14	28,461	1,579
Total current assets		128,734	116,848
Total assets		3,926,713	3,579,697
Current liabilities			
Trade and other payables	15	(302,469)	(316,405)
Provisions for liabilities and charges	17	(19,653)	(12,496)
Total current liabilities		(322,122)	(328,901)
Total assets less current liabilities		3,604,591	3,250,796
Non-current liabilities			
Trade and other payables	15	(298,881)	(335,693)
Provisions for liabilities and charges		(158,153)	(142,717)
Total non-current liabilities		(457,034)	(478,410)
Total assets less total liabilities		3,147,557	2,772,386
Taxpayers' equity			
General fund		1,989,522	1,879,257
Revaluation reserve		1,158,035	893,129
Total taxpayers' equity		3,147,557	2,772,386

Susan Acland-Hood

Chief Executive and Accounting Officer
4 July 2018

The notes on pages 109 to 144 form part of these accounts.

Statement of Cash Flows for the period ended 31 March 2018

	Notes	2017-18 £000	2016-17 £000
Cash flows from operating activities			
Net expenditure for the year		(1,061,115)	(1,099,670)
Adjustments for notional and non-cash costs	16	311,272	406,453
Adjustments for finance costs	7	14,277	16,908
(Increase)/decrease in trade and other receivables		(91,919)	(97,318)
Increase/(decrease) in trade and other payables		110,336	168,009
Utilisation of provisions	17	(13,403)	(6,155)
Net cash outflow from operating activities		(730,552)	(611,773)
Cash flows from investing activities			
Purchases of property and equipment	16.1	(65,897)	(40,948)
Proceeds from disposal of property and equipment and assets held for sale		95,739	8,265
Purchases of intangible assets	11	(84,269)	(60,930)
Net cash outflow from investing activities		(54,427)	(93,613)
Cash flow from financing activities			
Funding from MoJ		830,500	712,700
Capital element of Private Finance Initiative (PFI) contracts		(8,926)	(8,925)
Capital element of finance leases		(78)	(915)
Repayments of Local Authority loans		(1,969)	(1,970)
Interest paid		(7,666)	(8,339)
Net cash inflow from financing activities		811,861	692,551
Net increase/(decrease) in cash and cash equivalents in the period	14	26,882	(12,835)
Cash and cash equivalents as at the beginning of the period	14	1,579	14,414
Cash and cash equivalents as of the end of the period	14	28,461	1,579

The notes on pages 109 to 144 form part of these accounts.

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

	Notes	General fund £000	Reservation reserve £000	Total £000
Balance as at 31 March 2016		1,840,120	791,376	2,631,496
Funding from the MoJ		712,700	-	712,700
Intercompany settlement with MoJ		131,972	-	131,972
Net operating expenditure		(1,099,670)	-	(1,099,670)
Notional expenditure:				
Consolidated fund judicial salaries		142,515	-	142,515
External auditors' remuneration	16	280	-	280
Intra-departmental recharges	16	96,739	-	96,739
Revaluation of property and equipment		-	153,086	153,086
Revaluation of intangible assets		-	3,891	3,891
Reclassification from revaluation reserve		55,224	(55,224)	-
Actuarial loss on pension scheme liabilities	17.2	(623)	-	(623)
Balance as at 31 March 2017		1,879,257	893,129	2,772,386
Funding from the MoJ		830,500	-	830,500
Intercompany settlement with MoJ		66,839	-	66,839
Net operating expenditure		(1,061,115)	-	(1,061,115)
Notional expenditure:				
Consolidated fund judicial salaries		139,304	-	139,304
External auditors' remuneration	16	280	-	280
Intra-departmental recharges	16	88,401	-	88,401
Revaluation of property and equipment		-	309,661	309,661
Revaluation of intangible assets		-	1,143	1,143
Reclassification from revaluation reserve		45,898	(45,898)	-
Actuarial gain on pension scheme liabilities	17.2	158	-	158
Balance as at 31 March 2018		1,989,522	1,158,035	3,147,557

The notes on pages 109 to 144 form part of these accounts.

5.2 Notes to the accounts for period ended 31 March 2018

1 Statement of accounting policies

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 interpreted for the public sector.

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

1.1 Basis of preparation

The HMCTS accounts have been prepared under the historical cost convention modified to account for the revaluation of property and equipment and intangible assets and certain financial assets and liabilities.

The preparation of the accounts in conformity with IFRS requires the use of certain critical accounting estimates (see note 1.19). It also requires management to exercise its judgment in the process of applying the accounting policies.

1.2 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

The new standards IFRS 5 Non-Current Assets held for sale and Discontinued Operations: Changes in methods of disposal and IFRS 7 Financial Instruments Disclosures: Servicing Contracts have been adopted and do not have a material impact on the HMCTS accounts.

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

IFRS 15 Revenue from Contracts with Customers, IFRS 9 Financial Instruments and IFRS 16 Leases are not yet effective for public sector reporting.

IFRS 15 and IFRS 9 are not expected to have a material impact on HMCTS' future accounts.

IFRS 16 will change the way HMCTS 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 12 months or less or the underlying asset has a low value. The full impact of IFRS 16 on HMCTS has yet to be determined and will not be until it has been adopted for use in the public sector by the FReM.

1.3 Operating income

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

Operating income is stated net of VAT.

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

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

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

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

1.4 HMCTS Trust Statement

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

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

1.5 Notional expenditure

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

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

1.6 Operating segments

Operating segments are analysed in accordance with IFRS 8 'Operating Segments' along with the lines of information presented to the chief operating decision maker who for the purpose of these accounts is determined to be the Board.

1.7 Property and equipment

Initial recognition and capitalisation threshold

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

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

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

Professional valuations are primarily undertaken by the Valuation Office Agency (VOA) using the Royal Institution of Chartered Surveyors (RICS) appraisal and valuation manual, known as the 'Red Book'.

Criminal courts are mostly classified as specialised buildings which cannot be sold on the open market. Specialised properties are valued on depreciated replacement cost (DRC) to a modern equivalent basis in accordance with the FReM, taking into account the functional obsolescence of the property. Leasehold improvements are fair valued using the building cost information service tender price index compiled by RICS.

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

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

Fair value hierarchy and inputs

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

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

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

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

Revaluation

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

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

A revaluation decrease (other than as a result of a permanent diminution) is reversed against any existing amount held in the revaluation reserve in respect of the same asset, with any residual decrease taken to operating expenditure in the SoCNE.

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

Depreciation

Depreciation is charged on a straight-line basis at rates calculated to write-off the value of assets less estimated residual value over the estimated useful lives. The useful lives of asset categories are reviewed annually. Where a change in asset life is determined, the asset is depreciated on a straight-line basis over its remaining assessed life. Depreciation commences in the month following the acquisition of a non-current asset for land, buildings and dwellings and in-month for all other non-current assets.

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

Estimated useful asset lives are within the following ranges:

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

Assets under construction

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

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

Disposals

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

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

1.8 Intangible assets

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

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

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

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

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

Subsequent to initial recognition, intangible assets are measured at fair value. As no active market exists for the intangible assets of HMCTS, fair value is assessed as replacement cost less any accumulated amortisation and impairment losses (i.e. depreciated replacement cost).

Intangible assets in service are re-measured at the end of each reporting period using the producer price index issued by the Office for National Statistics (ONS).

1.9 Impairment

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

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

The recoverable amount of an asset is the higher of its 'fair value less costs to sell' and 'value in use' (defined under 'Valuation Method'). Any impairment loss is charged directly to operating expenditure in the SoCNE. If the asset has previously been revalued, any balance in the revaluation reserve (up to the level of the impairment loss) is transferred to the General Fund.

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

1.10 Assets held for sale

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

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

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

1.11 Leases

Finance leases

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

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

Operating leases

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

1.12 Service concession arrangements

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

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

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

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

1.13 Third party assets

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

These balances do not include amounts held following the collection of fines and penalties on behalf of other bodies; these amounts are reported in a Trust Statement (see note 1.4).

1.14 Value added tax (VAT)

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

1.15 Provisions and contingent liabilities

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

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

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

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

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

1.16 General Fund

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

1.17 Employee benefits

Short term benefits such as salaries and wages or post-employment benefits resulting from employment and long-term benefits such as long service awards, including termination benefits (for example early departure costs) and pension benefits are recognised at the cost of providing the benefit in the period in which it is earned by the employee, rather than when it is paid or becomes payable.

IAS 19 ('Employee Benefits') requires HMCTS to recognise the expected cost of the annual leave entitlement of its employees that is accrued at the end of each financial year.

1.18 Pensions

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

Members of the judiciary are covered by the Judicial Pension Scheme (JPS). Further details of this scheme can be found in note 3.

1.19 Critical accounting estimates and judgments

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

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

Valuation of property and equipment

Land and buildings (including dwellings) comprise mainly court facilities. Land and buildings are valued based on professional valuations. The value of land and buildings fluctuates with changes in construction costs and the current market conditions.

Valuation of court buildings earmarked for closure

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

Prior to the announcement of closure these court 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 SoCNE, with the balance of any revaluation reserve taken to the General Fund. The valuation method will be altered from DRC to the appropriate valuation methodology when the asset is transferred to held for sale or when it becomes surplus.

2 Statement of operating costs by operating segments

For financial reporting purposes, the segmental reporting format is determined by the way in which the chief operating decision maker monitors the operating results of segments for the purpose of making decisions and allocating resources. The reporting format for 2017-18 includes the following reportable operating segments:

- Business as usual
- Change and Reform

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

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

2.1 Segment results

A description of the services from which the reportable segments derive income is provided in note 8. There were no inter-segment transactions in the year (2016-17: nil).

The following table presents the net expenditure for the year by reportable operating Segments for the period ended 31 March 2018:

	2017-18			2016-17		
	Business as usual £000	Change and Reform £000	Total £000	Business as usual £000	Change and Reform £000	Total £000
Operating income	(788,467)	(344)	(788,811)	(804,296)	-	(804,926)
Total operating income	(788,467)	(344)	(788,811)	(804,296)	-	(804,926)
Staff costs	495,625	28,185	523,810	484,784	19,179	503,963
Judiciary costs	503,844	1	503,845	483,988	9	483,997
Purchase of goods and services	605,785	59,387	665,172	593,337	40,483	633,820
Depreciation and impairment charges	93,759	-	93,759	147,270	1,245	148,515
Other non-cash expenditure	100,667	(51,604)	49,063	117,393	-	117,393
Total operating expenditure	1,799,680	35,969	1,835,649	1,826,772	60,916	1,887,688
Net operating expenditure	1,011,213	35,625	1,046,838	1,021,846	60,916	1,082,762
Finance costs	14,277	-	14,277	16,908	-	16,908
Net expenditure for the year	1,025,490	35,625	1,061,115	1,038,754	60,916	1,099,670

3 Staff and judiciary costs and numbers

Staff costs comprise:

	2017-18 £000	2016-17 £000
Wages and salaries	350,673	353,557
Social security costs	32,913	30,137
Employer's pension contributions	68,475	69,326
Agency staff costs	75,820	50,598
Voluntary early departures	(4,194)	683
	523,687	504,301
Add: inward secondments	374	276
	524,061	504,577
Less: recoveries in respect of outward secondments	(251)	(614)
Total staff costs	523,810	503,963

Further information on staff costs and numbers can be found in the Our employees section of the annual report on pages 52 to 67.

3.1 Judiciary costs and numbers

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

	2017-18				2016-17			
	Senior judiciary £000	Other judiciary £000	Fee paid £000	Total £000	Senior judiciary £000	Other judiciary £000	Fee paid £000	Total £000
Wages and salaries	122,919	91,555	129,980	344,454	126,151	96,874	119,382	342,407
Social security costs	16,631	12,448	14,050	43,129	16,370	12,601	12,754	41,725
Employer's pension contributions	45,392	35,701	35,169	116,262	48,909	36,298	14,658	99,865
Judicial Agency Staff	-	-	-	-	-	-	-	-
Total payroll costs of the judiciary	184,942	139,704	179,199	503,845	191,430	145,773	146,794	483,997

3.2 Average number of judiciary

The amounts above include salary costs for an average 847 (2016-17: 881) judicial officers and fees for 1,220 full-time equivalent fee paid judiciary (2016-17: 1,077). The salary costs of a further 877 members (2016-17: 905 members) of the senior judiciary were met from the Consolidated Fund.

Judicial Pension Scheme (JPS)

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

Judicial pensions are paid out of the Consolidated Fund where the judicial office holder's salary was paid from that fund or the JPS where the salary has been paid from the department's supply estimate. Contributions to the JPS have been made at a rate of 38.45% (2016-17: 38.45%). The amount of these contributions is included in the table in note 3.1 shown above.

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

Although the JPS is a defined benefit scheme, in accordance with FReM 6.2, HMCTS accounts for the scheme as a defined contribution scheme and recognises employer contributions payable as an expense in the year they are incurred.

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

A UK Supreme Court hearing on 6 February 2013 ruled that a retired fee paid judicial office holder is entitled to a pension on terms equivalent to those of a salaried judicial office holder. This lead case set the precedent for other stayed cases. Consistent with the accounting for salaried judicial office holders, and in accordance with FReM 6.2, HMCTS accounts for employer contributions payable to the JPS for eligible fee paid judicial office holders as they are incurred, but does not recognise a liability in respect of back payments or the pension liability arising pursuant to the claim. Accordingly, provision for the fee paid pension entitlement is recognised in the JPS Accounts.

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

4 Purchase of goods and services

	2017-18 £000	2016-17 £000
Lease/other service concession charges:		
Rentals under operating leases	81,768	78,828
PFI service charges	26,050	24,834
Other service concession charges	10,856	9,864
Other services:		
Accommodation, maintenance and utilities	253,011	241,508
IT Services	137,523	136,248
Juror costs	39,227	42,549
Communications, office supplies and services	26,817	24,555
Contracted service costs	21,326	21,886
Consultancy costs	22,183	9,843
Non-pay staff costs	11,116	10,125
Non-pay judicial costs	7,105	6,675
Magistrates' costs	9,827	10,093
Bank charges	4,263	4,832
Other costs	14,065	11,940
Other grants	35	40
Total purchase of goods and services	665,172	633,820

5 Depreciation and impairment charges

	2017-18 £000	2016-17 £000
Depreciation of property and equipment	119,125	124,476
Amortisation of intangible assets	17,685	11,105
Impairment of property and equipment	2,868	35,326
Impairment (reversal) of property and equipment	(41,958)	(23,652)
Impairment (reversal) of intangible assets	-	-
Impairment (reversal) of assets held for sale	(3,706)	1,761
Impairment (reversal) of capital receivable	(300)	(681)
Increase/(decrease) in receivables impairment	45	180
Total depreciation and impairment charges	93,759	148,515

6 Other non-cash expenditure

	2017-18 £000	2016-17 £000
Intra-departmental recharges	88,401	96,739
Increase/(decrease) in provisions	4,280	1,340
Capital grant in kind	4,180	14,367
Straight-lining of operating lease payments	3,209	5,406
Amortisation of operating lease prepayment	-	-
Net (gain)/loss on disposal of non-current assets	(51,287)	(739)
External auditors' remuneration	280	280
Total other non-cash expenditure	49,063	117,393

Intra-departmental recharge

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

External auditors' remuneration

The costs of the audit performed by the NAO on behalf of the Comptroller and Auditor General are recognised as a non-cash charge. During the year HMCTS did not purchase any non-audit services. The cost comprises £180,000 (2016-17: £180,000) for the audit of the HMCTS Annual Report and Accounts and £100,000 (2016-17: £100,000) for the audit of the HMCTS Trust Statement.

Capital grant in kind

Capital grant in kind is recognised in relation to the transfer of property from HMCTS to Homes England (formerly Homes and Communities Agency), in accordance with the Consolidated Budgeting Guidance.

7 Finance costs

	2017-18 £000	2016-17 £000
Finance charge on pension transfer deficit payable	3,883	4,910
Interest on by-analogy pension scheme liability	69	182
Unwinding of discount on provisions	2,659	3,477
Total non-cash finance costs	6,611	8,569
Local authority loan interest	1,106	1,196
Finance charges on PFI and leased assets	6,560	7,143
Total cash finance costs	7,666	8,339
Total finance costs	14,277	16,908

8 Operating income

	2017-18 £000	2016-17 £000
Fee income	709,647	741,946
Recoveries from other government bodies	75,001	55,841
Miscellaneous income	4,163	7,139
Total operating income	788,811	804,926

Fee income

Information on fee income can be found in the Parliamentary accountability report on page 97.

Fee income includes:

£16.6 million provision for refunds of incorrectly charged fees.

£16.3 million gross provision (£9.2 million net of refunds paid and accruals) for the refund of Employment Tribunals fees, and includes £6.6 million of Employment Tribunals fees which have been refunded at the reporting date, including interest and accruals for refunds of £0.5 million.

Please see Note 17.3 and Current control challenges on page 96 for further details.

8.1 Consolidated Fund income

Total income does not include amounts collected by HMCTS where it was acting as agent of the Consolidated Fund rather than as principal. Full details of income collected as agent for the Consolidated Fund can be found in the HMCTS Trust Statement published separately from these financial statements.

9 Property and equipment

	Land excluding dwellings £000	Buildings excluding dwellings £000	Dwellings £000	Information technology £000	Equipment £000	Furniture, fixtures and fittings £000	Assets under construction £000	Total £000
Cost or valuation								
At 1 April 2017	586,820	2,585,718	16,883	53,003	68,964	32,702	63,906	3,407,996
Additions	-	6,569	-	3,948	2,675	20	50,968	64,180
Disposals	(10,750)	(113)	-	-	(348)	-	-	(11,211)
Scrap PE	-	(22)	-	-	(3,000)	(338)	(151)	(3,511)
Reclassification	(17,552)	14,248	-	4,478	312	-	(16,204)	(14,718)
Revaluation	70,561	172,314	298	1,148	682	279	-	245,282
Impairment	(1,643)	(1,225)	-	-	-	-	-	(2,868)
Transfers from MoJ	-	-	-	-	-	-	-	-
At 31 March 2018	627,436	2,777,489	17,181	62,577	69,285	32,663	98,519	3,685,150
Depreciation								
At 1 April 2017	-	-	-	(26,603)	(57,538)	(30,071)	-	(114,212)
Charged in year	(670)	(107,005)	(298)	(7,066)	(3,392)	(694)	-	(119,125)
Disposals	-	86	-	-	308	-	-	394
Scrap PE	-	-	-	-	2,773	297	-	3,070
Reclassifications	1	(1)	-	-	-	-	-	-
Revaluations	670	106,919	298	(676)	(619)	(255)	-	106,337
Impairment	-	-	-	-	-	-	-	-
Transfers from MoJ	-	-	-	-	-	-	-	-
At 31 March 2018	1	(1)	-	(34,345)	(58,468)	(30,723)	-	(123,536)
Carrying amount at 31 March 2018	627,437	2,777,488	17,181	28,232	10,817	1,940	98,519	3,561,614
Carrying amount at 31 March 2017	586,820	2,585,718	16,883	26,400	11,426	2,631	63,906	3,293,784
Asset financing:								
Owned	608,528	2,542,132	17,181	28,232	10,817	1,940	98,519	3,307,349
Finance leased	-	30,819	-	-	-	-	-	30,819
On-balance sheet PFI contracts	18,909	204,537	-	-	-	-	-	223,446
Carrying amount at 31 March 2018	627,437	2,777,488	17,181	28,232	10,817	1,940	98,519	3,561,614

Land excluding dwellings and buildings excluding dwellings includes surplus assets with a net book value of £7.1 million (2016-17: £6.0 million)

	Land excluding dwellings £000	Buildings excluding dwellings £000	Dwellings £000	Information technology £000	Equipment £000	Furniture, fixtures and fittings £000	Assets under construction £000	Total £000
Cost or valuation								
At 1 April 2016	575,178	2,571,431	16,491	48,368	71,858	32,755	33,647	3,349,728
Additions	-	1,839	-	259	1,344	21	63,184	66,647
Disposals	(14,797)	(1,866)	(42)	-	(18)	-	-	(16,723)
Scrap PE	-	(87)	-	(310)	(4,645)	(172)	(141)	(5,355)
Reclassification	(19,738)	29,310	313	1,702	(221)	-	(35,143)	(23,777)
Revaluation	46,177	21,737	121	2,922	677	98	-	71,732
Impairment	-	(36,614)	-	-	-	-	-	(36,614)
Transfers from MoJ	-	(32)	-	62	(31)	-	2,359	2,358
At 31 March 2017	586,820	2,585,718	16,883	53,003	68,964	32,702	63,906	3,407,996
Depreciation								
At 1 April 2016	-	-	-	(18,008)	(55,719)	(29,115)	-	(102,842)
Charged in year	(729)	(108,830)	(322)	(7,834)	(5,708)	(1,053)	-	(124,476)
Disposals	-	1,865	42	-	14	-	-	1,921
Scrap PE	-	7	-	293	4,380	172	-	4,852
Reclassifications	-	-	-	-	-	-	-	-
Revaluations	729	105,662	280	(1,054)	(536)	(75)	-	105,006
Impairment	-	1,288	-	-	-	-	-	1,288
Transfers from MoJ	-	8	-	-	31	-	-	39
At 31 March 2017	-	-	-	(26,603)	(57,538)	(30,071)	-	(114,212)
Carrying amount at 31 March 2017	586,820	2,585,718	16,883	26,400	11,426	2,631	63,906	3,293,784
Carrying amount at 31 March 2016	575,178	2,571,431	16,491	30,360	16,139	3,640	33,647	3,246,886
Asset financing:								
Owned	514,852	2,089,947	12,785	26,400	11,426	2,631	63,906	2,721,947
Finance leased	53,958	307,551	4,098	-	-	-	-	365,607
On-balance sheet PFI contracts	18,010	188,220	-	-	-	-	-	206,230
Carrying amount at 31 March 2017	586,820	2,585,718	16,883	26,400	11,426	2,631	63,906	3,293,784

10 Assets held for sale

	Notes	2017-18 £000	2016-17 £000
As at 1 April 2017		23,360	8,717
Assets reclassified to held for sale from Property and equipment		14,980	22,986
Increase/(Decrease) in fair value of assets held for sale	5	3,706	(1,761)
Disposals		(36,913)	(6,582)
Total operating income		5,133	23,360

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

A net profit on disposal of assets held for sale of £51.3 million (2016-17: £1 million) is included within the overall net gain on disposal of property and equipment within other non-cash expenditure which is disclosed in Note 6.

11 Intangible assets

	Information technology £000	Software licences £000	Assets under construction £000	Total £000
Cost or valuation				
At 1 April 2017	165,708	7,800	110,155	283,663
Additions	1,502	-	82,767	84,269
Disposals	-	-	-	-
Scrap IA	-	-	(161)	(161)
Revaluations	3,714	-	-	3,714
Impairment	-	-	-	-
Reclassifications	34,114	-	(34,376)	(262)
Transfers from the MoJ	-	-	-	-
At 31 March 2018	205,038	7,800	158,385	371,223
Amortisation				
At 1 April 2017	(114,603)	-	-	(114,603)
Charged in year	(16,125)	(1,560)	-	(17,685)
Disposals	-	-	-	-
Revaluation	(2,571)	-	-	(2,571)
Reclassification	-	-	-	-
Transfers from the MoJ	-	-	-	-
At 31 March 2018	(133,299)	(1,560)	-	(134,859)
Carrying amount at 31 March 2018	71,739	6,240	158,385	236,364
Carrying amount at 31 March 2017	51,105	7,800	110,155	169,060

All intangible assets are owned by HMCTS. Assets under construction contains £82.9 million in relation to the Common Platform Programme and £14.5 million in relation to Criminal Direct Support Services.

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

Asset Description	Net Book Value £000	Remaining Amortisation Period (years)	Net Book Value £000	Remaining Amortisation Period (years)
Software upgrade to case management system	5,502	3	7,196	4
CJS efficiency	9,013	6	10,422	7
Common Platform - Identity Access Management	10,525	6	-	-

Asset Description	Information technology £000	Software licences £000	Assets under construction £000	Total £000
Cost or valuation				
At 1 April 2016	141,139	-	12,147	153,286
Additions	-	7,800	53,130	60,930
Disposals	-	-	-	-
Scrap IA	-	-	(8)	(8)
Revaluations	9,166	-	-	9,166
Impairment	-	-	-	-
Reclassifications	15,403	-	(14,612)	791
Transfers from the MoJ	-	-	59,498	59,498
At 31 March 2017	165,708	7,800	110,155	283,663
Amortisation				
At 1 April 2016	(98,223)	-	-	(98,223)
Charged in year	(11,105)	-	-	(11,105)
Disposals	-	-	-	-
Revaluation	(5,275)	-	-	(5,275)
Reclassification	-	-	-	-
Transfers from the MoJ	-	-	-	-
At 31 March 2017	(114,603)	-	-	(114,603)
Carrying amount at 31 March 2017	51,105	7,800	110,155	169,060
Carrying amount at 31 March 2016	42,916	-	12,147	55,063

All intangible assets are owned by HMCTS.

12 Financial instruments

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

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

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

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

Fair values

The fair values of HMCTS's financial assets and liabilities as at 31 March 2018 and 31 March 2017 approximate their book values.

13 Trade and other receivables

Amounts falling due within one year:

	2017-18 £000	2016-17 £000
Trade receivables	11,247	16,094
Other receivables:		
VAT recoverable	16,365	9,411
Intra-departmental receivables	28,740	33,105
Prepayments and accrued income	31,918	29,604
Other receivables	6,870	3,695
Total amounts falling due within one year	95,140	91,909

Amounts falling due after more than one year:

	2017-18 £000	2016-17 £000
Other receivables	-	-
Prepayments	1	5
Total amounts falling due after more than one year	1	5

14 Cash and cash equivalents

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

	2017-18 £000	2016-17 £000
As of the beginning of the period	1,579	14,414
Net increase/(decrease) in cash balances	26,882	(12,835)
As at the end of the period	28,461	1,579

The following balances as at 31 March held at:

Government Banking Service	28,381	1,496
Cash in hand	69	71
Imprests	11	12
Total cash and cash equivalents	28,461	1,579

15 Trade and other payables

Amounts falling due within one year:

	2017-18 £000	2016-17 £000
Taxation and social security	15,475	15,823
Trade payables	21,174	22,821
Other payables	24,839	13,340
Intra-departmental payables	62,318	59,953
Accruals and deferred income	169,667	162,774
Cash balances payable to other government departments	-	3
Current part of payable for pension transfer deficit	-	32,687
Current part of finance leases	70	78
Current part of imputed finance lease element of on balance sheet PFI contracts	8,926	8,926
Total amounts falling due within one year	302,469	316,405

Amounts falling due after more than one year:

	2017-18 £000	2016-17 £000
Imputed finance lease element of on balance sheet PFI contracts	86,533	95,459
Local Authority loan balances	24,136	26,105
Lease incentive creditors	14,929	16,395
Straight lining creditors	88,174	83,751
Payable for pension transfer deficit	76,129	104,933
Finance leases	8,980	9,050
Total amounts falling due after more than one year	298,881	335,693

16 Notes to the Statement of Cash Flows

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

	2017-18 £000	2016-17 £000
Notional costs		
Consolidated Fund judicial salaries - wages and salaries	122,673	126,145
Consolidated Fund judicial salaries - social security costs	16,631	16,370
External auditor's remuneration	280	280
Departmental recharge	88,401	96,739
Total notional costs	227,985	239,534
Non-cash costs		
(Profit)/loss on disposal of property and equipment	(51,287)	(739)
(Increase)/decrease in fair value of property and equipment	(41,958)	(23,652)
Impairment of property and equipment	2,868	35,326
Reduction in fair value of Assets Held for Sale	(3,706)	1,761
Impairment (reversal) of capital receivable	(300)	(681)
Capital grants	4,180	14,367
Straight-lining of operating lease payments	3,209	5,406
Movement in provisions	33,426	(630)
Movement in receivables impairment	45	180
Depreciation	119,125	124,476
Amortisation	17,685	11,105
Total non-cash costs	83,287	166,919
Total amounts falling due after more than one year	311,272	406,453

16.1 Reconciliation of property and equipment

	Notes	2017-18 £000	2016-17 £000
Additions			
Property and equipment	9	64,180	66,647
Plus:			
Movement in capital accrual		1,717	(25,699)
Total purchases per statement of cash flows		65,897	40,948

17 Provision for liabilities and charges

	Early departure costs	By-analogy pension schemes	Dilapidations	Other Provisions	Fee Refunds	Total	2016-17 Total
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2017	100,761	5,820	28,530	20,102	-	155,213	157,716
Provided in the year	733	-	71	10,017	32,962	43,783	5,729
Provisions not required written back	(6,003)	(3,280)	(467)	(71)	(536)	(10,357)	(5,736)
Provisions utilised in the year	(5,927)	(216)	(257)	(396)	(6,607)	(13,403)	(6,155)
Unwinding of discount	2,659	(89)	-	-	-	2,570	3,659
Balance at 31 March 2018	92,223	2,235	27,877	29,652	25,819	177,806	155,213

Analysis of expected timings of discounted flows

Not later than one year	3,742	86	6,923	616	8,286	19,653	12,496
Later than one year but not later than five years	18,222	449	5,503	1,273	16,702	42,149	33,354
Later than five years	70,259	1,700	15,451	27,763	831	116,004	109,363
Balance at 31 March 2018	92,223	2,235	27,877	29,652	25,819	177,806	155,213

17.1 Provision for early departure costs

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

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

An interest rate of 2.55% (2016-17: 2.80%) has been used to assess the interest costs of the scheme liability and future estimated payments have been discounted at a rate of 0.10% (2016-17: 0.24%).

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

17.2 By-analogy pension schemes

The by-analogy pension schemes provision relates to three pension schemes for the Criminal Injuries Compensation (CIC) Tribunal, the Immigration and Asylum Chamber (IAC) and the Residential Property Tribunal (RPT). These schemes have two members, 12 members and 23 members respectively.

The schemes' liabilities were valued by the Government Actuary's Department (GAD) as at 31 March 2018 and the associated interest and current service costs have been charged to the SoCNE.

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

The aggregate actuarial gain on the scheme liabilities in 2017-18 was £158,000 (2016-17 was an actuarial loss of £623,000).

17.3 Fee Refunds

The balance at reporting date comprises two provisions, the balances for each are shown below:

Employment Tribunals and Employments Appeal Tribunal fee refunds: £9.2 million.
Other fee refunds: £16.6 million.

Employment Tribunals and Employment Appeal Tribunal

On July 26, 2017 the UK Supreme Court handed down a judgment that quashed the Employment Tribunals and 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, £32.2 million 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.

It is unlikely that all users who could make a claim for a refund will do so, therefore HMCTS is required to make an accounting estimate of the probable amount that will be refunded, and the interest payable on those refunds. This estimate is not intended to reflect the total amount that could be repayable should all claims be successfully made. This accounting estimate does not affect the Lord Chancellor's undertaking to repay fees to those who paid them, anyone who has paid a fee and qualifies for a refund, will receive it.

In arriving at a valuation of the likely liability, HMCTS has taken into account the quality of the contact details that it holds for individuals who may have paid fees to the Tribunals, and made an assessment of the likely rates of response to direct approaches to individuals to advise them to make a claim. 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 £16.5 million 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. Please see note 22 for further information about the contingent liability.

Other fee refund schemes

HMCTS recognises a provision of £16.6 million in respect of other fees which have been incorrectly charged.

HMCTS recognises a contingent liability of £1.8 million in respect of other fees which have been incorrectly charged, please see note 22 for more information.

18 Capital commitments

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

	2017-18	2016-17
	£000	£000
Property developments	44,817	48,084
Intangible assets	79,491	46,091
Total capital commitments	124,308	94,175

19 Operating leases

HMCTS leases various land and buildings under non-cancellable operating lease agreements. The land and buildings comprise mainly court facilities and have lease terms ranging from 3 to 40 years. The operating leases do not have purchase options, although some have escalation clauses and terms of renewal. Renewals are negotiated with the lessor in accordance with the provisions of the individual lease agreements.

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

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

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

	2017-18			2016-17		
	Land and buildings	Other	Total	Land and buildings	Other	Total
	£000	£000	£000	£000	£000	£000
Not later than one year	77,976	542	78,518	76,517	545	77,062
Later than one year but not more than five years	270,401	542	270,943	267,548	826	268,374
Later than five years	900,497	-	900,497	932,386	-	932,386
Total commitments under operating leases	1,248,874	1,084	1,249,958	1,276,451	1,371	1,277,822

20 Finance leases

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

The total future minimum lease payments under non-cancellable finance leases for each of the following periods are as follows as at 31 March 2018:

	2017-18 £000	2016-17 £000
Not later than one year	653	696
Later than one year but not more than five years	2,768	2,705
Later than five years	16,547	17,262
Minimum future lease payments	19,968	20,663
Future interest expense	(10,918)	(11,535)
Total present value of obligations	9,050	9,128

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

	2017-18 £000	2016-17 £000
Not later than one year	70	78
Later than one year but not more than five years	503	411
Later than five years	8,477	8,639
Total present value of obligations	9,050	9,128

HMCTS leases various buildings under non-cancellable finance lease agreements. The buildings comprise mainly court facilities and have lease terms ranging from 20 to 999 years. The finance leases do not have purchase options, although some have escalation clauses and terms of renewal. Renewals are negotiated with the lessor in accordance with the provisions of the individual lease agreements.

21 Private finance initiative

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

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

21.1 On balance sheet contracts

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

	2017-18 £000	2016-17 £000
Rentals due not later than one year	14,363	14,899
Rentals due later than one year and not later than five years	52,097	54,239
Rentals due later than five years	62,718	74,939
Minimum future lease payments	129,178	144,077
Future interest expense	(33,719)	(39,692)
Present value of minimum lease payments	95,459	104,385

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

	2017-18 £000	2016-17 £000
Service charge due within one year	26,457	24,857
Service charge due later than one year and not later than five years	105,828	99,426
Service charge due later than five years	140,604	158,489
Total	272,889	282,772

21.2 Charge to the Statement of Comprehensive Net Expenditure

The total amount charged in the SoCNE in respect of the service element of PFI contracts and other service concession arrangements recognised on the SoFP was £36.9 million (2016-17: £34.7 million).

22 Contingent liabilities

Fee paid judicial office holder 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 all these outstanding appeals are treated as contingent liabilities, due to the uncertainty over the outcome of the appeals.

Fee refunds:

On July 26, 2017 the UK Supreme Court handed down a judgment that quashed the Employment Tribunals and the Employment Appeal Tribunal Fees Order 2013/1893. HMCTS is making refunds of £32.2 million 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 recognises a net carried forward provision of £9.2 million 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 £16.5 million. Please see note 17.3 for further information about the provision.

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.

More information about incorrectly charged fees can be found in Current control challenges on page 96.

Other contingent liabilities:

HMCTS is involved in several legal cases dealing with ex gratia, compensation and other claims. The estimated cost of settlement for HMCTS is £4.5 million (2016-17: £5.3 million).

23 Related party transactions

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

Registry Trust Limited is a private company limited by guarantee with no share capital. It maintains the Register of County Court judgments on behalf of the Lord Chancellor and the Secretary of State for Justice. Revenue recognised from the Registry Trust Limited in the year amounted to £0.6 million (2016-17 £0.5 million) with a total debtor balance due to HMCTS as at 31 March 2018 of £0.2 million (2016-17: £0.2 million).

In November 2016 Ian Playford, was appointed as interim CEO 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.

No Board Members or related parties have undertaken any material transactions with HMCTS during 2017-18 and 2016-17.

HMCTS also has a number of arrangements with the Ministry of Justice and its departmental bodies which are classified as intra-departmental recharges. These payments are for the use of assets and other services, and are expensed in the SoCNE each year as they are incurred. It is impractical to separate the payments reliably between those relating to assets and those relating to other services. These arrangements contain no defined end date. The payments also include payments for non-lease elements in the arrangements.

24 Third party balances

HMCTS holds a number of cash balances on behalf of third parties. These consist of bail monies and monies held on behalf of court users which are received and held while the case progresses. At 31 March 2018 these amounted to £26.1 million (2016-17: £22.5 million) and have not been recognised in the accounts in accordance with FReM requirements.

25 Events after the reporting period

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

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. These changes 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. HMCTS estimate the refunds due to be £40.5 million. The statement announced an intent to refund overcharged fees after the reporting date, therefore these refunds have not been recognised in these accounts.

Annex A – Fees and charges legislation

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

- **The Civil Procedure (Amendment) Rules 2017 2017/95**
 - amends The Civil Proceedings Fees Order 2008/1053 – note the 2008 Fees Order was also amended by 2008/2853, 2009/1498; 2011/586, 2013/1410 & 2014/874, 2014/2059, 2015/576, 2016/402, 2016/434, 2016/807 & 2016/1191
- **Civil Proceedings and Tribunals Fees (Amendment 2016) 2016/807**
 - amends The Upper Tribunal (Immigration and Asylum Chamber) (Judicial Review) (England & Wales) Fees Order 2011/2344 – note the 2011 Fees Order was also amended by 2013/2069 & 2014/878, 2016/402
 - and amends The Magistrates' Courts Fees Order 2008/1052 – note the 2008 Fees Order was also amended by 2008/2855, 2009/1496, 2010/731, 2010/1917, 2013/1409 & 2014/875
 - and amends The First –tier (Property Chamber) Fees Order 2013/1179 – note the 2013 Fees Order was also amended by 2014/1182
- **The Civil Proceedings, Family Proceedings and Upper Tribunal Fees (Amendment) Order 2016/402** amends The Family Proceedings Order 2008/1054 – note the 2008 Fees Order was also amended by 2008/2856, 2008/316, 2009/1499, 2010/1916, 2011/587, 2013/1407, 2014/877, 2015/687, 2015/1419 & 2016/211
- **The Non-Contentious Probate Fees (Amendment) Orders 2014 No.876** amends The Non Contentious Probate Fees Order 2004/3210 – note the 2004 Fees Orders was also amended by 2007/2174, 2008/2854, 2009/1497, 2011/588 & 2013/1408
- **The Court of Protection Fees (Amendment) Order 2009/513** which amends The Court of Protection Fees Order 2007/1745
- **The First-tier Tribunal (Immigration and Asylum Chamber) Fees Order 2011/2841**
- **The Court of Appeal & Upper Tribunal (Lands Chamber) Fees (Amendment) Order 2016/434** amends: the Lands Chamber Fees Order 2009/1114 – note the 2009 Fees Order was also amended by 2010/2601 & 2013/1199
- **The First Tier Tribunal (Gambling) Fees (Amendment) Order 2010 No.633**, which amends the First Tier Tribunal (Gambling) Fees Order 2010 No.42
- **The Gender Recognition (Application Fees) (Amendment) Order 2012/920** which amends the Gender Recognition (Application Fees) Orders 2006/758 - note the 2006 Fees Order was also amended by 2007/839, 2008/715, 2009/489, 2011/628
- **The Employment Tribunals and the Employment Appeal Tribunal Fees (Amendment) Order 2015 /414** which amends The Employment Tribunals and the Employment Appeal Tribunal Fees Order 2013 No.1893 to July 25, 2017.

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