



HM Courts &
Tribunals Service

HM Courts & Tribunals Service

Annual Report and Accounts 2020-21

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Accounts presented to the House of Commons pursuant to section 7 of the Government Resources and Accounts Act 2000 and to the House of Lords by Command of her Majesty.

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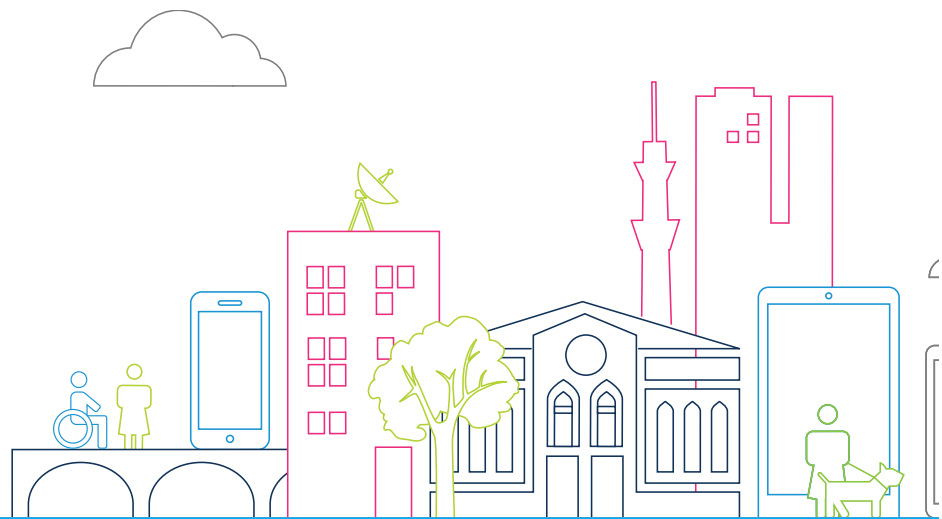
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Joint foreword



2020-21 has been a year dominated by the COVID-19 pandemic and its impact on almost all aspects of our lives. The justice system has had to adapt to an ever-changing backdrop throughout the year. From the arrangements in place during the summer of 2020, through to a regionally based tiered approach, and then the renewed periods of national restrictions both before and, more significantly, after Christmas; at each turn, just as society has had to adapt more widely, so we have had to revisit and update our plans to ensure that access to justice can continue to be maintained safely and securely.

As this year's annual report sets out, those dual priorities of keeping the justice system open while protecting the safety of all of those who use our courts and tribunals, have driven everything that we have done over the past 12 months.

After the immediate response to the onset of the pandemic, the focus this year has turned to recovery, as we have worked side-by-side with the judiciary, partners across the justice system and colleagues across the Ministry and government to do all that we can to minimise the impact of the pandemic on the courts and tribunals service.

The key to driving improved performance, and therefore keeping waiting times as low as possible across the system, has been unlocking, maximising and adding to our capacity. This has meant safely opening as much of our estate as possible; making use of technology and maximising the efficient use of our buildings; and expanding our capacity through our Nightingale courts programme.

Through often bespoke room-by-room modifications, including the installation of more than 10,000 plexiglass screens across our estate, our buildings have been reconfigured to ensure that they have consistently met Public Health safety standards. In the Crown Courts, where we were among the first internationally to restart jury trials, we were therefore able to meet our commitment to open 250 Crown Court jury trial rooms, enabling us to dispose of more than 300 jury trials per week by the end of October.

We opened 62 additional courtrooms through 32 new Nightingale venues, often set up from scratch as part of our efforts to increase the number of hearings we have been able to hold. These additional courtrooms will continue to enable more work to progress through our courts and tribunals every day and help progress recovery across the whole service and in all jurisdictions.



Physical changes have been accompanied by digital innovation. We have been carrying out more than 20,000 hearings using audio or video technology each week; something that would have been simply unthinkable before the pandemic. Thanks to staff, the judiciary and legal professionals fundamentally changing their ways of working and thinking about how justice can be administered and delivered, between May 2020 and February 2021 alone, more than a quarter of a million hearings were held this way in the civil, family and tribunals jurisdictions.

We have faced performance challenges across all jurisdictions but are in a strong position now to begin to make significant in-roads to the number of outstanding cases and therefore limit the time it takes for disputes to be resolved and for claimants, victims, witnesses and defendants to have their case heard. In the Crown Court, there will unusually be no limit this coming year on the number of days that judges can sit, as we look to unleash all available capacity within the system to deliver the best performance possible.

Against an operational backdrop like the one we have experienced in the past year, the progress that we have been able to make with our ambitious Reform Programme has been nothing short of remarkable. Without the foundations put in place over recent years through reform, our efforts in the face of the pandemic would have been exponentially more difficult.

Although some of our reform deadlines and milestones have inevitably been affected by the pandemic, the overall vision and scope of delivering a reformed courts and tribunals service by the end of 2023 remains unchanged. For example, although the opening of our fourth Courts and Tribunals Service Centre (CTSC) in Salford has had to be delayed slightly, our network of CTSCs has played a fundamental part in our COVID-19 recovery efforts, and we have introduced a new strategic technology platform that allows staff to provide the best possible support to our users to ensure that their queries are dealt with right first time.

The Common Platform, which is delivering ground-breaking improvements to the systems through which cases are administered across the whole of the criminal justice system, has continued to be rolled out, even in the face of the pandemic's impact on our criminal court system. As per our rollout plan by the end of the 2020-21 financial year, 14 courts were using the system for all new cases.

Whether learning on the job how best to manage remote hearings, helping with the rollout of new services and systems, or providing reassurance to those accessing our buildings of the safety measures in place, the people in HMCTS have again delivered above and beyond expectations. And they are not alone, the judiciary, legal professionals and our many justice system partners have all had to almost constantly adapt and react throughout the year to make sure that justice can continue to be administered and delivered. We also applaud the professionalism, commitment and dedication shown by so many when faced with so much challenge in their personal lives.

The classification of 'key workers' was attached to all of those working in the justice system in recognition of their important role in upholding this fundamental pillar of society. This goes only part of the way of acknowledging the heroic efforts of all of those who not only kept justice going in the immediate aftermath of the pandemic, but who this year have done so much not only to try to return our justice system to where it was, but to strive to improve it yet further.

It is clear that neither the pandemic, nor the challenges of administering justice in its face, have gone away. But nor has the commitment of every one of us who works in the justice system to delivering this vital service to those who need it most.

Kevin Sadler
Acting Chief Executive and
Accounting Officer

Tim Parker
Independent Chairman
HMCTS Board

Section 1: Performance section

1.1 Overview

HM Courts and Tribunals Service (HMCTS) is an executive agency of the Ministry of Justice (MoJ), responsible for administering courts and tribunals. We work with an independent judiciary to provide a fair, efficient and effective justice system. We have a unique governance structure, reflecting the constitutional settlement safeguarding the independence of the judiciary.

Through a partnership agreement between the Lord Chancellor, the Lord Chief Justice and the Senior President of Tribunals, day-to-day operational management is delegated to our Chief Executive, under the general direction and strategic leadership of the Board, which has an independent chair.

This report reflects our focus on responding to the impact of COVID-19 and continuing to keep the justice system functioning whilst protecting our staff, judiciary and all those who use our courts and tribunals.

Our recovery plans

During this reporting year, we focused our resources and efforts on rapidly recovering our operations to stem our outstanding caseload. In July 2020, we published our response to the impact of COVID-19 on our services, setting out our general approach to recovery, which required continued collaboration and flexibility in the face of an unpredictable operating environment.

The plan ensures we consider any unintended effects on vulnerable users and that they can engage with our new ways of working. We published a further update on our response to COVID-19 in the criminal courts in England and Wales (magistrates' and Crown Courts) on 7 September 2020 and an update on our response to COVID-19 in the civil and family courts and tribunals on 9 November 2020. These documents were published at www.gov.uk/government/publications/court-and-tribunal-recovery-update-in-response-to-coronavirus. We report regularly to the Cabinet Office on our recovery plans and were categorised as a Tier 1 cross-government project (the highest level). We received positive feedback from the Cabinet Office on the robustness of our plans.

As outlined in our publications on COVID-19, our initial response

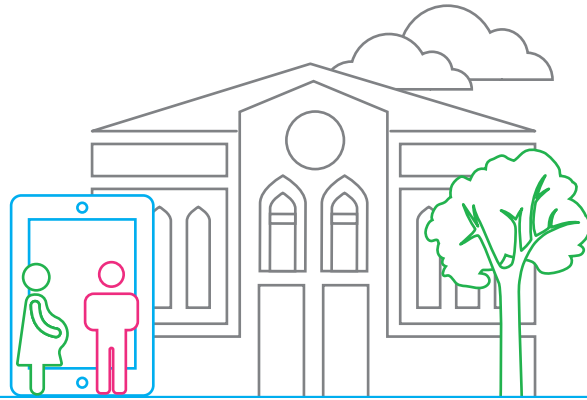
is not the end of the journey. We will make sure that we continue to adapt and learn lessons from what has happened in our response to the pandemic to build in additional resilience to our operating model. We are conducting an evaluation of the use of remote hearings during COVID-19 and expect the study to complete by summer 2021. A research report summarising the findings will be published following a peer review process.

The pandemic has reinforced the importance of reform and modernisation of the courts and tribunals system, as those services which have already been modernised proved more resilient to the challenges we faced. As always, providing access to justice lies at the heart of our approach.

Reforming our services

Launched in 2016, our ambitious multi-year Reform Programme is a £1.2 billion investment into courts and tribunals. Our Reform Programme business case was discussed by the Major Projects Review Group in February 2021 and further information regarding our reform priorities and challenges for 2021-22 can be found in Section 1.6 Our priorities for the year ahead.

Reform is a necessity, and is already adding value. Without it, the justice system will not be able to recover from the impacts of COVID-19. We need modern, efficient services to help us get through the outstanding caseload that has built up during the pandemic. Neither will we be able to cope with the rising demand for courts and tribunals services caused by, amongst other things, the recruitment of 20,000 police officers and more employment tribunal hearings in the wake of COVID-19. Reform is already delivering and having a significant impact. Over half a million people have used our online services, and these reformed services were far more resilient to the pandemic



challenges than those that are unreformed. Online divorce and probate, for example, managed to keep waiting times broadly the same, whereas the broader civil jurisdiction, which is still heavily reliant on paper, suffered delays. Online and remote work also reduced the need for staff and users to attend court, helping to keep people safer during the pandemic.

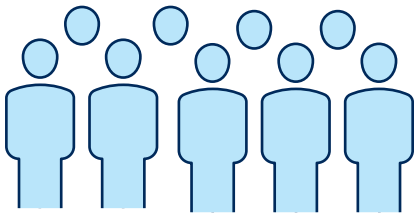
Our recovery response is aligned with our Reform Programme. We have now re-planned the portfolio to take account of delays suffered, and have learned lessons from implementation during the pandemic that will help us rollout new services successfully across the rest of the programme. And, despite the pandemic,

we successfully:

- began the rollout of the Common Platform to the criminal courts
- introduced our family public law service to local authorities nationally
- opened a third courts and tribunals service centre

Additional information on our Reform Programme is available at www.gov.uk/guidance/the-hmcts-reform-programme.

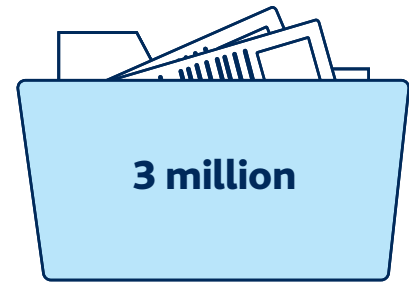
1.2 HMCTS at a glance



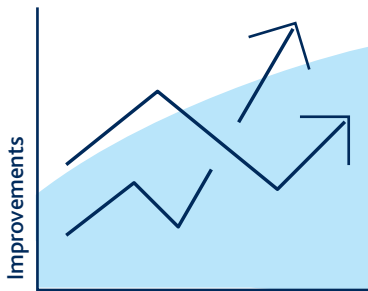
We have around **20,000 members of staff** across HMCTS



We operate from **340 buildings and 21 admin buildings**



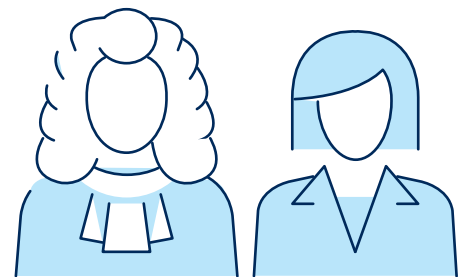
Over **3 million** cases handled in 2020



Our net expenditure was **£1.5 billion** (including **£105 million** of additional resource funding to support COVID-19 recovery)

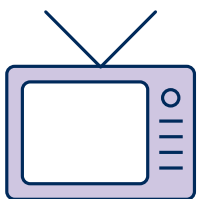


Our employee engagement index increased to **56%** (up from 54%)

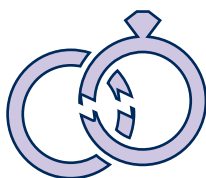


We support over **22,000 judicial office holders**, including over **13,000 magistrates**

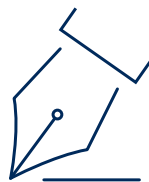
We provide services in the criminal, civil and family courts and tribunals, and a number of these have been transformed so they are accessible online, including:



Make a plea for traffic offences and TV licenses



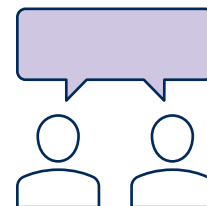
Apply for a divorce



Apply for probate



Submit a tax appeal



Issue and resolve civil claims



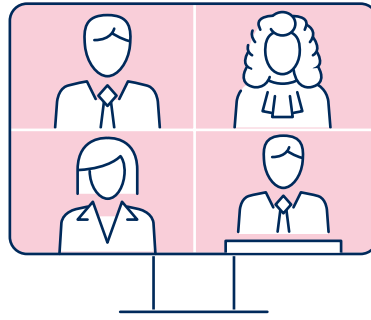
Submit applications for care and supervision orders

Section 1: Performance report

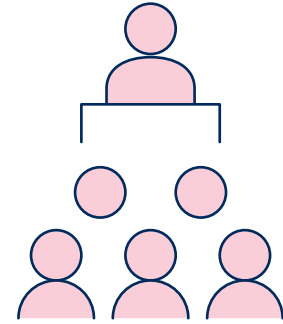
To help us continue to deliver our services during the pandemic, we...



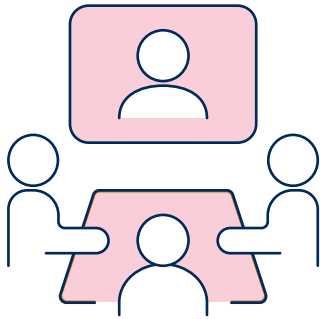
Unlocked vital capacity by opening **32 Nightingale** venues which provided **extra courtrooms**¹



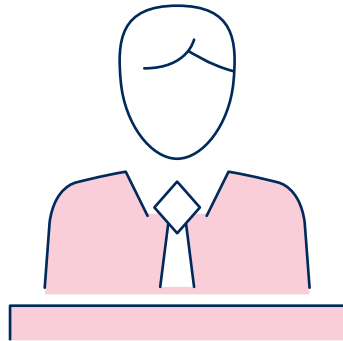
Held over **990,000** hearings using audio or video technology



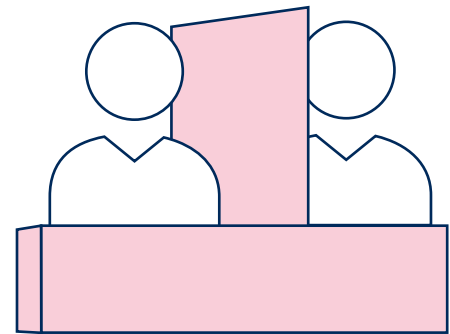
Held **630,000** face to face hearings



An additional **782 courtrooms** have been digitally enabled to support remote attendance at hearings

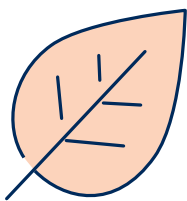


Over **290 Crown Court jury rooms** available on the court estate



Over **10,000 individual screens** were installed in courtrooms and supporting rooms across our estate

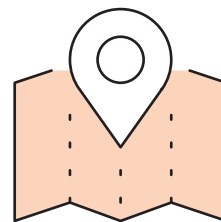
Thanks to extra capital funding we invested in addition to our scheduled spend:



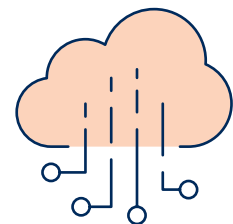
£40 million on sustainability



£55 million on critical maintenance in our estate



£10 million on regional projects



£27 million on digital projects

¹ The number of courtrooms opened at any one point will fluctuate as our needs, and those of the venues, change

1.3 Who we are and what we do

Our role and responsibilities

Courts and tribunals are a bedrock of our society. They enable the rule of law to be upheld and provide access to justice. They provide stability, security and safety for individuals and businesses; and support the cohesion necessary for the proper functioning of our national economy and wider society.

Those who directly rely on our services include victims and witnesses of crime as well as those charged with criminal wrongdoing; children and other vulnerable people who need protection; families affected by relationship breakdown; citizens challenging decisions of the state; and people and businesses needing to assert their rights in civil or commercial disputes.

We are responsible for the management and administration of the justice system. Our courts, across the criminal, civil and family jurisdictions, run throughout England and Wales. Our tribunals are based throughout the United Kingdom, and include the non-devolved jurisdictions in Wales, Scotland and Northern Ireland.

Together, we are responsible for:



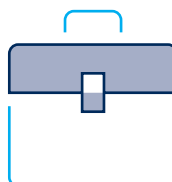
providing the supporting administration for a fair, efficient and accessible courts and tribunal system



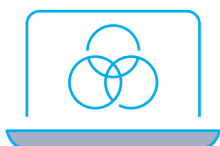
collaborating effectively with other justice organisations and agencies, including the legal professions, to improve access to justice



supporting an independent judiciary in the administration of justice



working with government departments and agencies to improve the quality and timeliness of their decision-making, which will reduce the number of cases coming before courts and tribunals

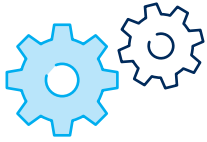


making improvements across all aspects of the administration of courts and tribunals

You can find out more about our work at www.gov.uk/government/organisations/hm-courts-and-tribunals-service.

Our vision and strategy

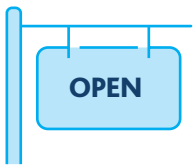
Our vision is a justice system with people’s needs and expectations at its heart, underpinned by the guiding principles below.



A just system that is built in partnership with and around the needs of those who use it. Citizens, judiciary, business users, victims, witnesses and state users



A system that is transparent, accountable and continually reviewed – in its approach overall, and use of digital technology



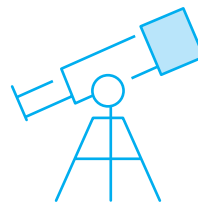
A system that is accessible – easy to use, digital by design and default, and well supported for non-digital users



A system that is financially viable - operating at low cost for much of the system, and securely funded



A system that is proportionate and segmented with the 'majesty of the court' when needed and low cost, low burden (mostly digital) channels, where speed and simplicity is what users want most



A system that is future proofed, designed for 2050 not 2015. With a flexible infrastructure to keep it relevant and accessible to our users

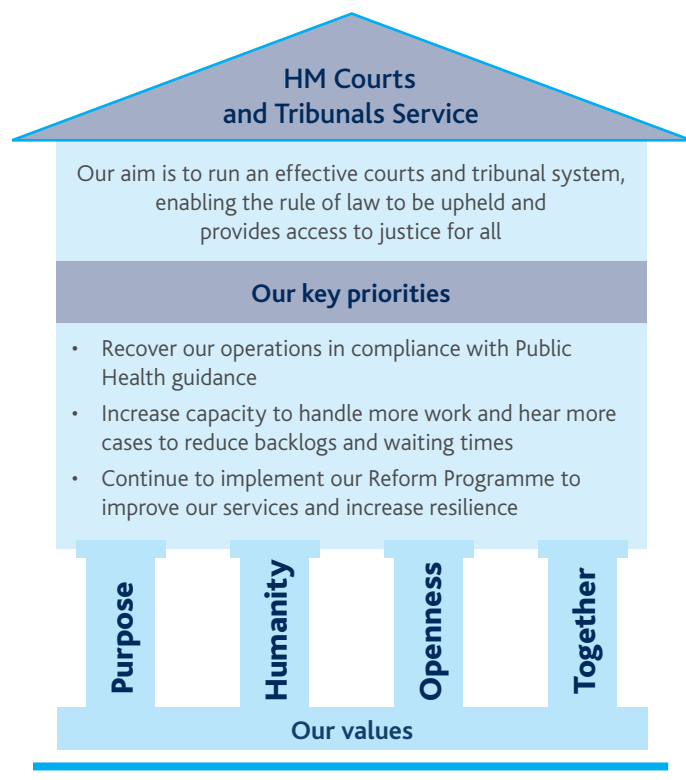


A system that builds on our strong, independent and trusted justice brand but with different channels and experiences for different cases – all consistent with this brand



A system with our people and our users at its heart. A smaller and smarter workforce who are there for users where they need us most across a number of platforms

We contribute to the delivery of MoJ priority outcomes on ensuring access to justice in a way that best meets people’s needs and provide a transparent and efficient court and tribunal system.



Our organisational strategy for 2020-21 was driven by our response to COVID-19 and the related restrictions. Our original plan at the start of the pandemic had two broad themes:

Deliver justice in new ways

- support judicial decisions to use our estate only for hearings which need to be in person
- stem or stagger demand (e.g. through alternative dispute resolution)
- amend processes and procedures (e.g. smaller tribunal panels, promoting digital applications)

Increase capacity so we can do more

- expand audio and video technology so remote hearings can be used wherever appropriate
- re-open all courts and tribunals currently closed to the public, and safely increase listings
- extend court and tribunal operating hours (including evenings and weekends) to make more use of our space
- source and set up temporary additional estate capacity
- support staff to work effectively in alternative ways

Our priorities were, and continue to be, supporting access to justice whilst protecting the safety of all those who work in or attend our buildings. Throughout the year we planned and implemented a range of measures, across jurisdictions, to enable more hearings to take place whilst social distancing restrictions remain in place and further options will be kept under review. Our recovery measures were published in July 2020 as part of our COVID-19: Update on recovery in courts and tribunals on GOV.UK¹. Alongside this, and underpinning our recovery, is our programme of reform.

Our key measures for 2020-21 are below and our performance analysis section summarises the progress we have made.

Deliver justice in new ways

- Rapidly expand and increase the use of **audio and video technology** for more and new types of hearings, subject to the interests of justice
- Support **alternative dispute resolution** for cases where it is appropriate
- Explore options for extended operating hours to increase capacity
- Introduce a **digital family public law system** to local authorities to progress care and supervision cases online
- Begin the rollout of the **Common Platform**, a digital case management system designed to enable HMCTS staff, the judiciary, and professional court users, including defence and the Crown Prosecution Service, to use, manage and share criminal case information more effectively

Increase capacity so we can do more

- **Reopen all courts and tribunals** which have been closed to the public, in compliance with Public Health guidance and ensuring that we have sufficient staff to support all physical and remote hearings
- Review and implement measures to ensure we **support vulnerable users** during COVID-19
- Use **other buildings as courts** to increase capacity
- **Install protective screens and other physical modifications** in our existing estate
- Further rollout of **Cloud Video Platform** and new hardware to improve quality of video hearings
- Find new, increasingly efficient ways of organising **video lists**
- Deploy **laptops** to all our staff so that they can work flexibly to support case activity
- Support judges to **list in in a manner that make full use of the space** we can safely use and maximise use of fee paid judiciary
- **Expand our digital reforms** with mandatory online probate applications that are made by legal professionals
- Introduce a **new online case management system** replacing Ethos system for **Employment Tribunals** to support staff in processing casework more efficiently

¹ www.gov.uk/government/publications/court-and-tribunal-recovery-update-in-response-to-coronavirus

Challenges during the year

As important as our immediate response to the pandemic, was our recovery in the short and medium-term. The challenges in doing so this year were great, and our ability to adapt and manage work throughout the COVID-19 period made a real difference to people's lives across the country who had cases that needed to be heard so that they could secure justice.

With social distancing restrictions in place, we were unable to accommodate the usual number of people in our buildings and we explored alternative methods of holding hearings with some or all of the attendees taking part remotely using Cloud Video Platform (CVP) and alternative remote hearing tools. This meant we had to work at pace and from a standing start to ensure the technology equipment and capability was in place to ensure success.

Challenges emerged throughout the year, for example:

1. The rollout of CVP and other supported audio and video platforms, and the drive to set up remote hearings meant that HMCTS was supporting multiple technology platforms and tactical ways of working. This placed additional pressure on resources and so we have developed an ongoing improvement plan to improve their functionality and support. We have learnt that although multiple platforms have provided us with more service continuity options, in the event of failure, they have tended to cost more to host, created challenges in reporting and in managing user personal preferences. As a result, and as part of our Reform Programme, we are launching a Video Hearings Service which will provide a technology that retains the majesty of the court, as well as move the business to one technology platform for video.
2. Centrally managing and coordinating a recruitment campaign for 1,600 new posts to meet the resourcing needs and additional capacity required across all the COVID-19 recovery projects proved challenging. Understanding the resource requirements at local level while coordinating a national campaign proved difficult as managers had to balance their time between assisting the recruitment campaign and adapting our buildings to be COVID-19 secure in line with government and Public Health guidance.
3. Throughout the year we developed a schema of learning products that supported the new ways of working under social distancing restrictions in the workplace including induction packages for our additional workforce, and guidance on how we apply new and changing people policies throughout the year. The products were rapidly introduced and we will review these in the coming year to ensure they meet the requirement to ensure our people are upskilled and confident using the technology rolled out this year.

4. Where it was necessary for our people, members of the judiciary and visitors to attend our premises in person, the demand for COVID-19 safety precautions was high. These included securing access to Personal Protective Equipment (PPE), cleaning products, plexiglass, floor markings, ventilation filters and Lateral Flow Device home testing kits. We needed to ensure measures were taken to protect health, safety and security whilst continuing to provide access to justice. We achieved this by working closely with the Cabinet Office and Public Health authorities, as well as taking the decision to bulk purchase safety related products and equipment to ensure operational resilience.

Even with these measures in place, we recognised that we were dealing with significant outstanding caseloads that continue to cause delays to justice. As a result, we increased capacity through the opening of Nightingale courts and piloted COVID-19 operating hours as a potential viable option for reducing the backlog. Throughout all these plans there was a dependency on other criminal justice service (CJS) agencies, for example, the Crown Prosecution Service, Prisoner Escort and Custody Service, and Probation also having capacity to support them. We mitigated this risk through ongoing engagement with HM Treasury, MoJ and other CJS agencies.

We managed a considerable number of risks this year, primarily ones focused on our response to COVID-19, delivering our operational services and the health and wellbeing of our people. Management of our risks are set out in our Governance Statement at Section 2.1.3 of this report. We have learned that as an organisation we need to retain the capability to respond to any potential further waves of COVID-19, or other variants, and have invested in our business continuity planning to retain corporate knowledge of sustaining operations so we do not return to a scenario where courts must be closed.

1.4 Performance analysis

The pandemic affected both how we were planning to work for the year, but also the demand for our services. We have seen declines in incoming work for crime, reflecting lower levels of charges brought before the magistrates' court, and decisions by the Department of Work and Pensions to pause face-to-face assessments for Personal Independence Payments (PIP), and Employment Support Allowance (ESA), impacted cases that are heard in the Social Security and Child Support Tribunal. The need to avoid in person hearings and move to remote working has affected the amount of work we have been able to do. Where we have been able to hear cases, the time taken per case has increased – reflecting issues relating to the safety precautions we have had to take.

In most jurisdictions we have been unable to hold as many hearings as we had planned. We have therefore supported judicial decisions about prioritisation of cases and case-types to make sure the most urgent cases could be heard to ensure public safety, protect the vulnerable and safeguard children. Our increased use of audio and video technology has enabled judges to conduct far higher numbers of remote hearings than was previously possible, with clear public health benefits to allow people to stay at home and minimise the number of people coming into our buildings. However, remote hearings on their own are not the answer. It is the decision of the judge, made on a case-by-case basis, on whether a remote hearing is appropriate.

Having responded effectively to the immediate crisis, we focused on recovering our operations to increase courts and tribunals capacity to deal both with normal workloads across jurisdictions and outstanding cases, within the constraints imposed by social distancing. Our arrangements are kept under constant review to ensure that they continually reflect changing circumstances, as well as current Public Health advice and guidance.

Our performance data and trend analysis are set out under Section 1.5 Our performance section of this report.

Criminal courts

As a result of the emerging pandemic, the Lord Chief Justice suspended jury trials on 23 March 2020 and a judicial-led Jury Trials Working Group was established. Partners from across the criminal justice system, in consultation with Public Health England, worked collaboratively to establish ways in which jury trials could be recommenced under special arrangements to maintain the safety of all participants, including the jury, in line with Public Health guidance. Jury trials gradually resumed from May 2020 and more than 7,100 trials have since been disposed of.

Rapid changes were required to ensure urgent work continued and our focus was to enable the continued operation of the criminal justice system, albeit at a reduced scale, whilst ensuring the safety of court users, judges and our people. Priority was given to hearings related to custody time limits, decisions on detention and bail, and urgent applications for matters such as terrorism and domestic violence. Wherever possible, we also

gave priority throughout the pandemic to serious and time-sensitive youth cases (for example, where delay might mean a relevant age-threshold was crossed).

Recovery work was swiftly introduced, and we maximised the use of our existing estate by taking measures such as installing plexiglass screens within jury boxes in more than 450 courtrooms and jury deliberation rooms and secured additional capacity through Nightingale courts (venues used on a temporary basis to ensure as many hearings as possible continue to take place during the pandemic).

Creating a COVID-19 secure environment was harder to achieve in cases which featured multiple defendants, or 'multi-handers', which brought their own set of social distancing challenges. A greater number of defendants and legal professionals in a trial puts more pressure on the custody suite and on courtroom space, especially where a secure dock is needed. We overcame this by listing these trials across more than one courtroom or using video-link until the point at which evidence was given.

As previously reported the expansion in use of audio and video technology enabled judges and magistrates to conduct many cases remotely and accelerated the rollout of the Cloud Video Platform (CVP) for use in Crown Court hearings and overnight remand cases heard by magistrates. Although this technology was not used for jury trials to be held remotely, we still heard 41,000 non-trial hearings in April and May 2020. With a significant proportion of work being completed virtually, this has helped to prevent the overall backlog figure from rising as high as it could have.

In March 2021 we began the rollout of our new digital case management system, Common Platform, which will be used in criminal hearings in all Crown and magistrates' courts. It has been designed to transform the way the criminal justice system shares case information by allowing participants in a criminal case – including the police, judiciary, court staff, defence and prosecution, probation and witness services – to access the most up to date case details and documents appropriate to them. It will make the criminal justice system more robust and flexible, cutting down on unnecessary duplication and making it more straightforward for different organisations to work together more effectively.

Our magistrates' courts continued to provide a vital service, and this would not have been possible without the people who volunteer to become magistrates and dedicate their time to this crucial public service. Many magistrates successfully worked from home, reducing the footfall in court buildings when it was required. They sat, and continue to sit, additional Saturday sessions and they also ran remote Single Justice Procedure sessions, helping to clear thousands of cases. In some areas, they were running them successfully as weekday evening sessions.

The combined efforts of our people, the judiciary, our criminal justice partners and legal professionals has meant that we have made significant progress. Despite our work to date, social distancing is still significantly limiting our ability to hear cases and more radical action will be needed to get back to pre-COVID-19 capacity and start reducing the number of outstanding cases.

Our recovery plan

Our criminal courts recovery plan was published at www.gov.uk/government/publications/court-and-tribunal-recovery-update-in-response-to-coronavirus and set out our four pillars of recovery as shown below.

Pillar of recovery	Our progress
Maximising the use of our existing estate, for instance through introducing screens to separate members of the jury to enable safe use of more courtrooms	<ul style="list-style-type: none"> • Focused on facilitating remote hearings where appropriate so people only attended our buildings when absolutely necessary • Installed plexiglass screens into over 450 courtrooms and jury deliberation rooms, increasing the ability to list trials • Installed 14 Portacabins enabling 27 more courtrooms within our existing estate to be made available • Installed screens and reconfigured docks/wells in 70 courtrooms to increase capacity to hold trials with multiple defendants
Providing additional capacity through Nightingale courts	<ul style="list-style-type: none"> • During the course of the Nightingale programme, opened 32 Nightingale courts which provided an additional 62 rooms including 30 jury trial rooms
Using technology and providing support to users so that we can continue to enable remote video hearings where appropriate	<ul style="list-style-type: none"> • Rapidly expanded the use of audio and video capability • Installed video-link equipment into 782 courtrooms (around 70% coverage of our estate) • Accelerated the rollout of the CVP, allowing for more remote hearings
Considering adopting different operating hours as part of maximising our own estate	<ul style="list-style-type: none"> • Piloted COVID operating hours (COH) at 7 Crown Court sites and in December we consulted on the assessment findings of the pilot and proposed next steps. Ministers are considering when would be the best time to implement COH to have the most beneficial impact on recovery in addition to other measures, should it be rolled out. • Additional Saturday operating hours in the magistrates' courts since August 2020

Civil and Family Courts, and Tribunals

As with other jurisdictions the pandemic brought unprecedented challenges for our civil and family courts and tribunals. Again, we have made extensive use of remote audio and video hearings as well as supporting the judiciary who prioritised and triaged cases. Those services that have been digitally reformed increased our resilience and put us in a stronger position to make quick progress by enabling both our operational staff and our users to work and access our services remotely. Although disposal of cases has continued to improve, reducing the outstanding caseload remains challenging. We continue to manage significant interdependencies between jurisdictions and our capacity to operate across them collectively, especially between the civil and family courts.

Protecting the most vulnerable, including children and those at risk of domestic violence, has been a key priority, and there has been little reduction in demand on the **Family Court** since the pandemic began. In recent years there has been a significant year-on-year increase in the number of people looking to use the family justice system and, as a result we have expanded our capacity with the introduction of online services in probate and divorce, and introduced, to local authorities, a digital family public law system to progress care and supervision cases online. These have helped to modernise our services and improve efficiency. This year, where suitable and directed by the judiciary, whilst many hearings were heard remotely using audio and video technology, we have not been able to sustain the same level of throughput of hearings as we had previously from face-to-face hearings. We have taken measures to improve performance through greater standardisation, training and additional administrative support, and as more courtrooms became available, we increased the number of face-to-face hearings. We recognise that the levels of demand in the family justice system also put strain on other agencies including local authorities, Cafcass /Cafcass Cymru and we continue to work closely with these organisations to align our planning assumptions.

The period before the pandemic was a challenging one for the **civil courts** with a sustained increase in caseload over several years putting a strain on judicial, staff and courtroom capacity. We identified the need to modernise processes and working practices, which remained heavily paper-based, and therefore worked to support the judiciary to implement measures designed to enable the court to provide a service to protect the most vulnerable during the early stages of the pandemic, including a pause on possession cases and on enforcement activity. Working closely with the judiciary we examined other efficiency measures including increasing the capacity of the small claims mediation service to accommodate 90% (an increase from 40%) of parties who wanted to attempt mediation.

Our **tribunals** responded quickly to the pandemic, adopting new ways of working, making extensive use of remote audio and video hearings, and making determinations on the consideration of documents alone, to sustain high levels of throughput and manage caseloads. For example, our reforms in the Immigration and Asylum Chamber, allowed all parties to work online and by using our Cloud Video Platform (CVP), 702 virtual 'rooms' were made available in the First-Tier and Upper Tribunals. Use of this platform enabled the Special Educational and Disability and Mental Health tribunals to operate at close to normal capacity and the outstanding caseload in these tribunals is at pre-COVID-19 levels.

Looking to the future, some of these changes will be retained, providing us with additional resilience going forward. While all tribunals made significant use of technology to progress preliminary and substantive hearings, face-to-face hearings were introduced, where appropriate, and when it was safe to do so. These supplemented remote hearings and ensured that all types of claims and appeals could be heard quickly.

A main challenge has been – and will continue to be – in the employment tribunals, where the high levels of claims before the pandemic and an initial reduction in capacity has seen our outstanding caseload increase. The employment tribunals have transformed into the largest user of CVP hearings across all our tribunals to help manage the caseload, but we know more is required to address the outstanding case backlog. We introduced a new employment case management system from March 2021 which will support more efficient processing of casework. We are also taking measures to manage disputes more effectively, and are working with MoJ and ACAS (Advisory, Conciliation and Arbitration Service) to explore whether more can be done to resolve cases before they reach the tribunal.

Our recovery plan

Our recovery plan was published at www.gov.uk/government/publications/court-and-tribunal-recovery-update-in-response-to-coronavirus and set out our five pillars of recovery as shown below.

Pillar of recovery	Our progress
Maximising the capacity of the judiciary to sit as many sitting days as possible	<ul style="list-style-type: none"> Overall we utilised 132,000 judicial sitting days (4% above the annual allocation) Surveyed the national deputy district judge (DDJ) pool to implement a DDJ pool to enable DDJs to sit outside their regional boundaries to help increase capacity 1,500 laptops were deployed to fee-paid judiciary to enable remote working
Re-opening our courtroom capacity where it is safe to do so as quickly as possible and reinforce this capacity with COVID operating hours and Nightingale courts where required	<ul style="list-style-type: none"> Re-opened 639 courtrooms for the Family and civil courts, and 204 hearing rooms for tribunals. We also have a further 270 courtrooms and 100 hearing rooms available for remote hearings. Utilised 32 Nightingale courts providing an additional 62 rooms of which 26 are for hearing civil, family and tribunal cases Relaunched 12-month extended opening hours pilot in Birmingham, Stoke-on-Trent and Loughborough Service Centres COVID operating hours – in civil courts we piloted sitting on Saturdays to reduce small claims track cases
Ensuring remote hearings continue to be effectively supported with increased staff support and guidance for users	<ul style="list-style-type: none"> Made extensive use of audio and video technology to enable many more hearings - new technology used in up to 80% of hearings Online training was an essential service for the business and we created and delivered online training courses on new audio and video solutions. In addition, technical advice and support was provided for the jurisdictional leads to support adoption of new ways of working, helping over 16,000 HMCTS staff and members of the judiciary. Published guidance on GOV.UK¹ on what to expect when attending a telephone or video hearing Our bespoke video hearings service for remote hearings has functionality that replicates the experience of users in courts is in use in the property, employment and tax tribunals, and we are expanding its use to more tribunal jurisdictions and planning for bringing it into use in the civil and family jurisdictions
Increasing our staff capacity to support delivery as we adapt to new ways of working	<ul style="list-style-type: none"> Over 1,600 new posts were filled
Continuing to reduce the time it takes to process cases	<ul style="list-style-type: none"> We extended the use of online civil money claims service, a digital service that allows members of the public and small businesses to issue small claims online. We piloted judges giving case directions in defended cases up to £1,000 and increased this limit to £10,000. The national rollout of the new online family public law service (to process care and supervision applications) was extended to give Local Authorities that have been impacted by COVID-19 more time for training From November 2020 it was made mandatory for solicitors to use the online version of the probate service, which reduced the need for paper applications and physical trips to court. This means the process is more efficient and safer in the current pandemic

¹ www.gov.uk/guidance/what-to-expect-when-joining-a-telephone-or-video-hearing

1.5 Our performance

We measure our performance across all jurisdictions using a range of key performance indicators and data captured throughout the year, enabling us to understand the trends, with the aim of driving improvement.

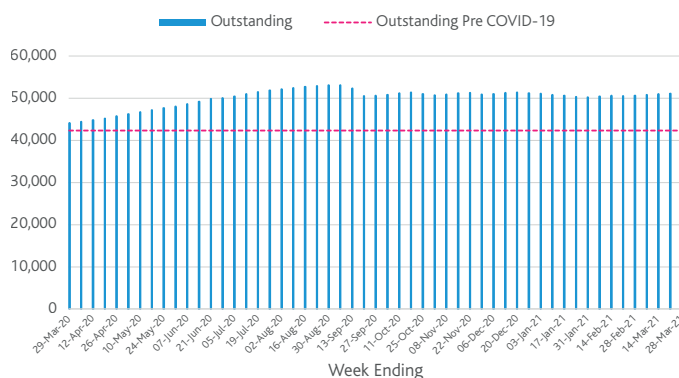
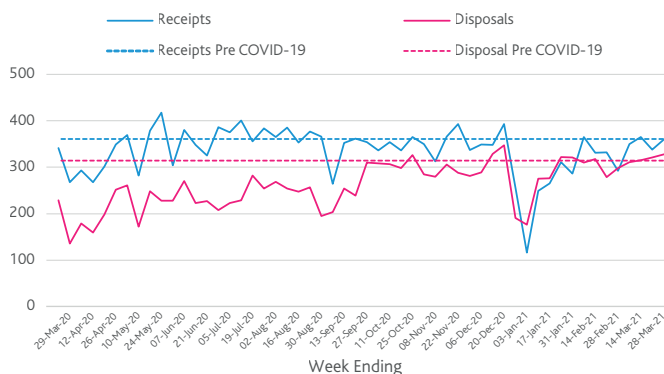
In line with the wider government commitment to transparency, we publish national statistics on a quarterly basis about activity in the magistrates’ courts, the Crown Court, the County Court, the Family Court, the High Court, Court of Appeal and tribunals in England and Wales and non-devolved tribunals in Scotland and Northern Ireland. We also publish our summary management information monthly. All of this can be found at www.gov.uk/government/organisations/hm-courts-and-tribunals-service/about/statistics.

In addition, this year we also published weekly management information we used for understanding the impact of COVID-19 on workload volumes and activity at a national level. This was published at www.gov.uk/government/collections/hmcts-weekly-management-information-during-coronavirus-outbreak.

The data for the performance measures in the table below are based on official statistics and the volume of receipts, disposals and outstanding cases shown in the graphs are based on management information published on 12 May 2021, to provide context. Data are subject to revision each publication. The revisions are minor and do not usually change the overall picture of performance.

Performance metric <i>(data based on official statistics)</i>	Measure	2016-17	2017-18	2018-19	2019-20	2020-21
Family Court timeliness – public law	Average time taken for disposal of a care or supervision application in the Family Court	28 weeks	30 weeks	33 weeks	35 weeks	42 weeks

Volume of receipts, disposals and outstanding cases during 2020-21



Trend: During 2020-21 record levels of sitting days were sat in the Family Court to support recovery from the impact of COVID-19. This has kept levels of outstanding caseload stable since August 2020, with case disposals matching case receipts, with a small reduction in caseload towards the end of the year. As the Family Court continues to recover, the age of the caseload means average waiting times will continue to increase into 2021-22.

Section 1: Performance report

Performance metric

(data based on official statistics)

Measure

2016-17 2017-18 2018-19 2019-20 2020-21

Family Court timeliness – private law

Average time taken for disposal of a section 8 private law application in the Family Court

23 weeks

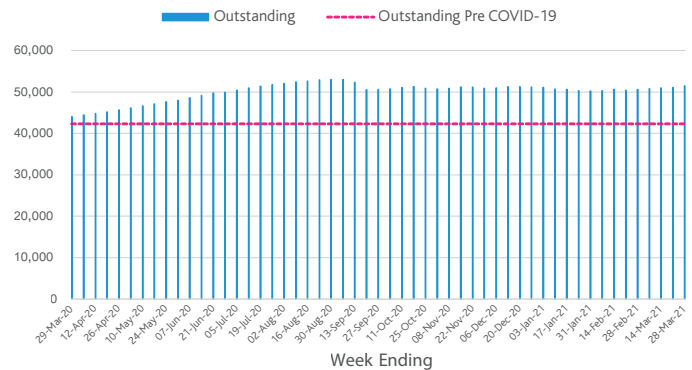
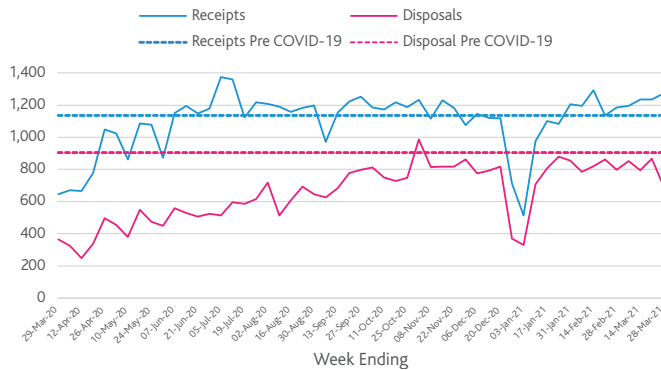
25 weeks

27 weeks

30 weeks

40 weeks

Volume of receipts, disposals and outstanding cases during 2020-21



Trend: Record levels of sitting days were sat in the Family Court to support recovery from the impact of COVID-19. This has helped stabilise the levels of outstanding caseload since October 2020. Towards the end of the year case receipts have exceeded case disposals with a slight increase in caseloads. As the Family Court continue to recover, the age of the caseload means average waiting times will continue to increase into 2021-22.

Performance metric

(data based on official statistics)

Measure

2016-17 2017-18 2018-19 2019-20 2020-21

First tier tribunal (immigration and asylum chamber) timeliness

Mean average age of case at clearance

46 weeks

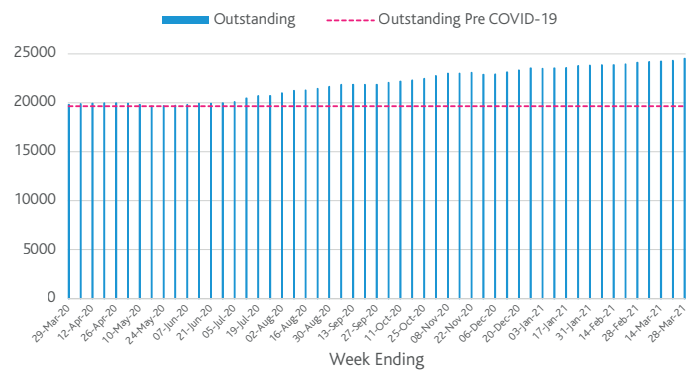
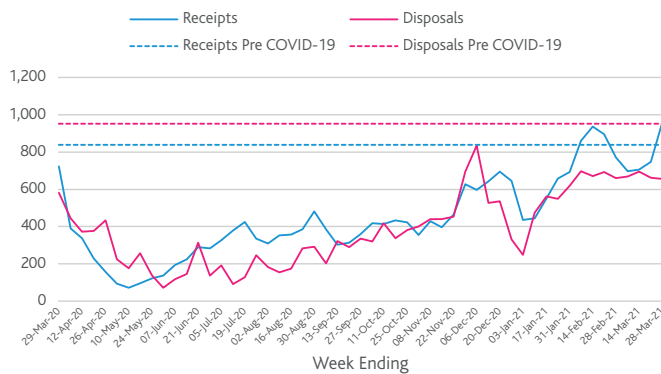
50 weeks

40 weeks

32 weeks

43 weeks

Volume of receipts, disposals and outstanding cases during 2020-21



Trend: The outstanding caseload has increased during 2020-21 with the impacts of COVID-19. There was a significant fall in case receipt and disposal levels during the spring of 2020, which have risen across the remainder of the year. There were higher levels of receipts in February and March. Changes were introduced at the start of 2020-21 to enable hearings to take place remotely and the launch of the reformed digital service will enable increased efficiency and ongoing reductions in caseloads and waiting times.

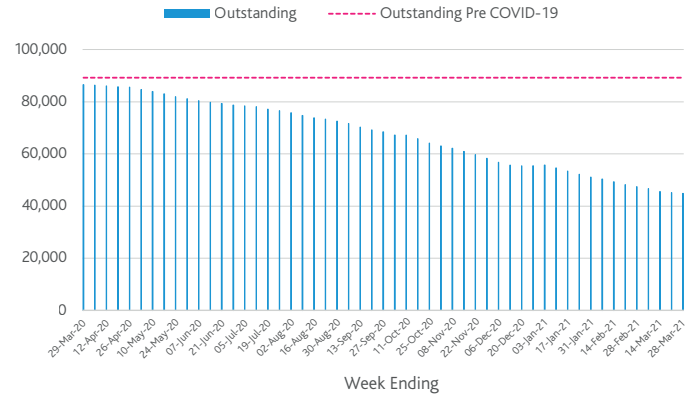
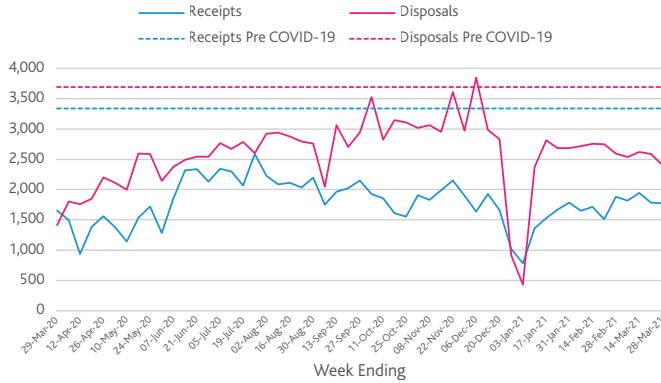
Performance metric

(data based on official statistics)

Measure

		2016-17	2017-18	2018-19	2019-20	2020-21
Social Security and Child Support (SSCS) timeliness	Mean average age of case at clearance	16 weeks	23 weeks	29 weeks	31 weeks	32 weeks

Volume of receipts, disposals and outstanding cases during 2020-21²



Trend: Outstanding workload halved during 2020-21 as levels of appeal remained low during COVID-19. Levels of case disposals have exceeded appeals receipts throughout the year. We expect waiting times to reduce during 2021-22 given lower levels of caseloads within the tribunal.

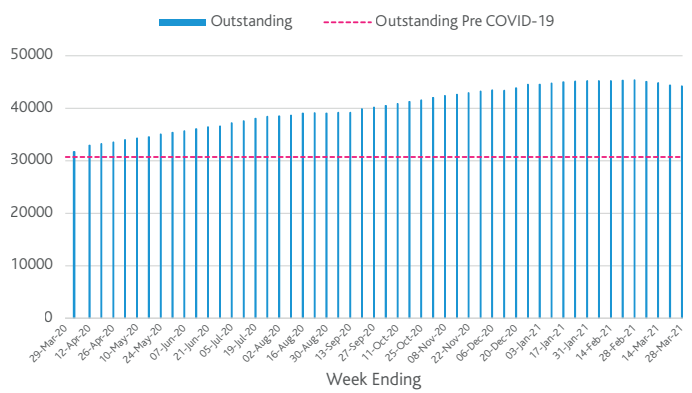
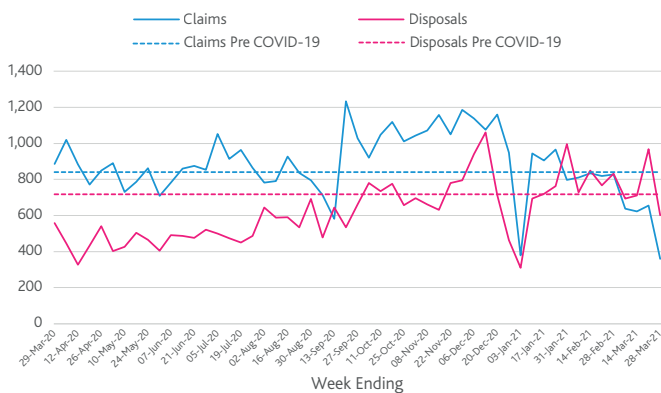
Performance metric

(data based on official statistics)

Measure

		2016-17	2017-18	2018-19	2019-20	2020-21
Employment Tribunal timeliness (single cases)	Mean average age of case at clearance	27 weeks	25 weeks	29 weeks	35 weeks	42 weeks

Volume of receipts, disposals and outstanding cases during 2020-21



Trend: Levels of new cases remained high with outstanding caseloads continuing to increase. A ministerial taskforce has been established by MoJ and the Department for Business, Energy and Industrial Strategy to improve capacity, efficiency and productivity of the Employment Tribunal. The Tribunal introduced a new case management system from March 2021 to enable more flexible working. HMCTS is working to incorporate the new data from this system alongside longer-established data sources. While this work is ongoing, figures may show declining trends but this could reflect incomplete data.

² The SSCS data included in the table are provisional MI. SSCS has moved over to a new case management system and over recent months we have undertaken quality assurance checks so that we publish these MI with confidence. Whilst there are still some issues outstanding, these affect a small number of cases, so the MI was published with a provisional marking.

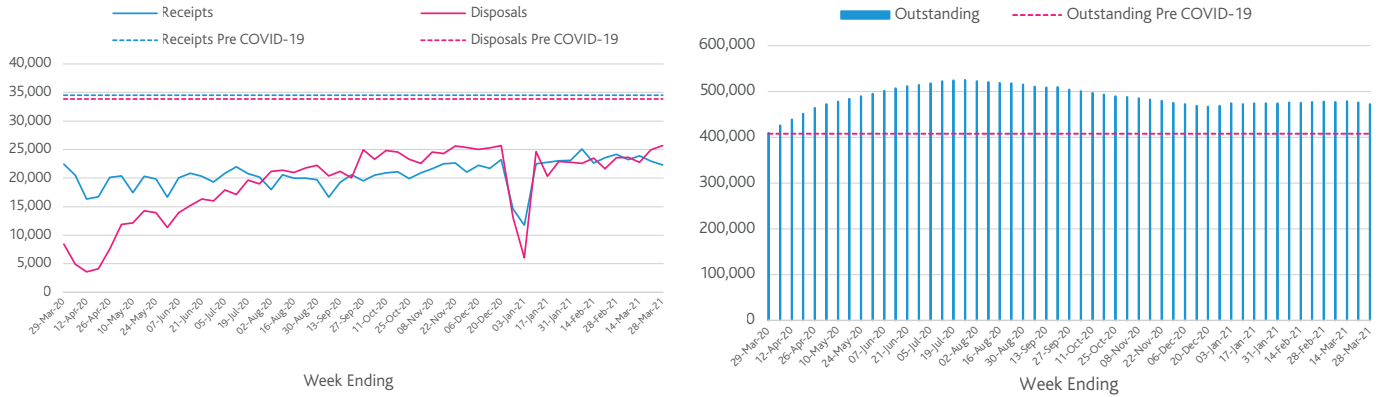
Performance metric

(data based on official statistics)

Measure

		2016-17	2017-18	2018-19	2019-20	2020-21
Magistrates' courts cases outstanding	Outstanding criminal cases in the magistrates' courts in England and Wales (number of cases outstanding at end of period)	288,346	293,377	289,121	327,976	396,419

Volume of receipts, disposals and outstanding cases during 2020-21



Trend: In the first part of 2020-21 the magistrates' courts were significantly impacted by COVID-19 and could only hear urgent cases. Significant effort to reopen courts safely has helped recovery in the magistrates' courts with outstanding case volumes falling since the Autumn of 2020.

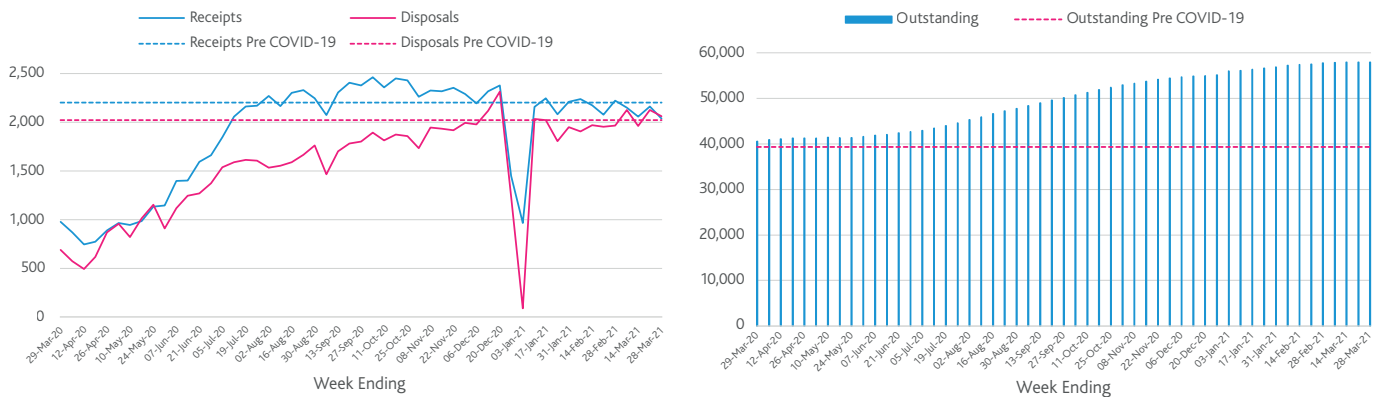
Performance metric

(data based on official statistics)

Measure

		2016-17	2017-18	2018-19	2019-20	2020-21
Crown Court cases outstanding	Outstanding criminal cases in the Crown Court in England and Wales (number of cases outstanding at end of period)	41,738	37,215	33,290	41,015	59,532

Volume of receipts, disposals and outstanding cases during 2020-21



Trend: In the first part of 2020-21 the Crown Court was significantly impacted by COVID-19 and could only hear urgent cases. Significant effort to reopen courts safely has helped recovery in the Crown Court. Outstanding case volumes stabilised at the end of this year and early data indicates outstanding cases are starting to reduce.

Performance metric

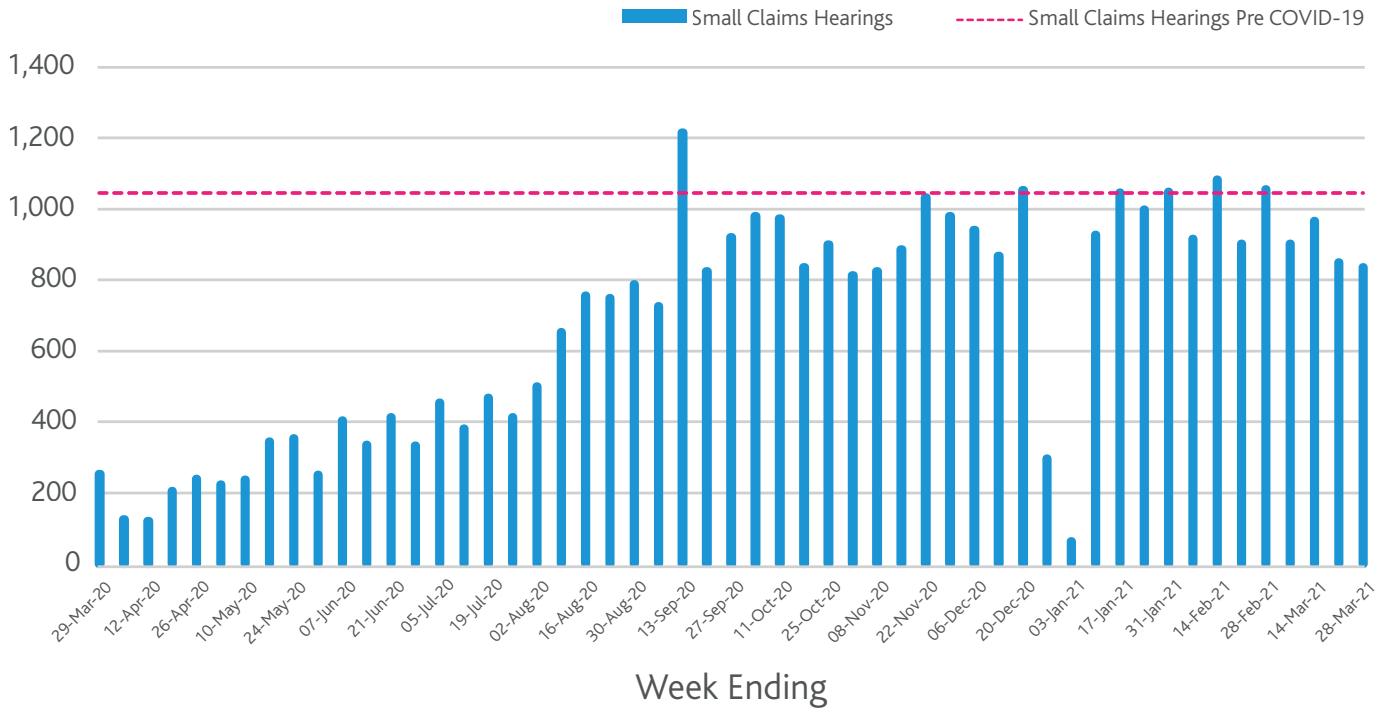
(data based on official statistics)

Measure

2016-17 2017-18 2018-19 2019-20 2020-21

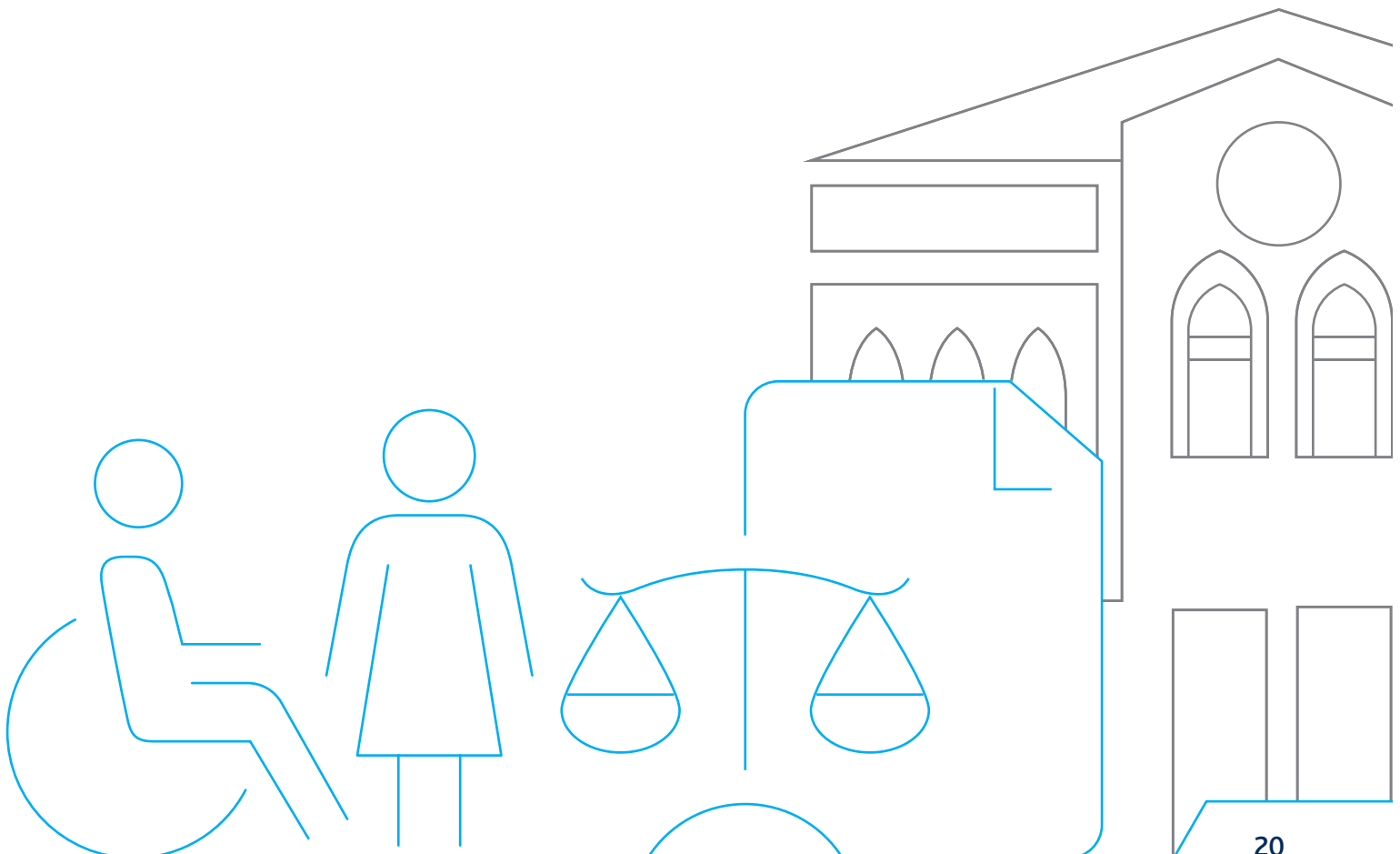
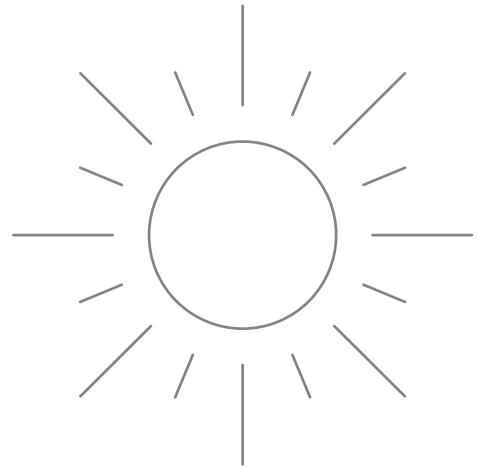
Civil courts cases outstanding	Average time to deal with a small claim (in weeks at the end of the period)	31 weeks	33 weeks	37 weeks	40 weeks	52 weeks
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Volume of small claims hearings during 2020-21



The nature of civil claims means that we are not able to measure the volume of outstanding and disposals. Civil cases are issued and progressed through the civil system based on the actions of the parties in the case. This means that cases can be sat in the system awaiting action, making it very difficult to measure the true volume of outstanding and disposed cases.

Trend: The number of small claim hearings significantly reduced during the first half of 2020-21 as a consequence of COVID-19. In the second half of the year the number of hearings greatly increased as the capacity for remote hearings were greatly increased, and safe courtroom capacity was made available. These efforts brought the volume of hearings to levels very close to pre-COVID-19 levels. The number of claims receiving defences have also returned close to pre-COVID-19 levels and reflects the wider resumption of parties issuing and progressing civil claims.



1.6 Our priorities for the year ahead

Our focus in 2021-22 is to recover from the ongoing effects of the COVID-19 pandemic and to continue with our Reform Programme.

The last 12 months have tested the resilience of our organisation but have also demonstrated our ability to work in different ways. As we move forward, the changes we will deliver through our Reform Programme are also vital to our recovery from the pandemic. Our digital, user-focused services, continue to safeguard and improve access. They also bring consistent and transparent management information capability, allowing us and the independent judiciary to ever more efficiently and effectively manage and prioritise workload flexibly across the country. This ensures systemic resilience and puts us in a better position to deal with future demand.

Our staff are the bedrock on which we build our business plan. Our People and Culture Strategy sets out a high-level overview of our people priorities for 2021-24 that support the organisation to meet its medium-term goals and strategic objectives as we move through the Reform Programme and recover from COVID-19.

Our priorities support the MoJ priority outcome of delivering swift access to justice and our areas for focus during 2021-22 are:

Activities/Outputs	Outcome
Recovery - Delivering services	
Manage the flow of demand through our system	
Maximise courtroom capacity and hearing capability across the courts and tribunals estate whilst ensuring that the appropriate COVID-19 safety measures are in operation	Effectively manage courts and tribunals to manage incoming demand and recovery
Optimise performance in the courts and tribunals to manage throughput	Effectively utilise increased capacity to hear trials in-line with organisational needs. Priority focus on key jurisdictions affected by COVID-19 response challenges while ensuring all jurisdictions to be managed effectively and efficiently
Ensure remote hearings continue to be effectively administered with guidance for users	Support an agile, flexible, responsive, and efficient operating model, facilitating judicial directions as to the need for remote hearings
Develop and embed better data and management information infrastructure	Improved management information to inform decisions about managing workflow, and ensure efficient throughput of cases

Recovery - Estate

Support the recovery of our services, utilising capital and resource funded programmes and contracts to enhance the provision of safe, well maintained and sustainable court and tribunal buildings. Minimising lost capacity while maintaining our services by acquiring new premises when required.

Deliver critical maintenance projects which incorporates a rolling programme of works to replace failing and inefficient mechanical and electrical equipment, superstructure or other items in pressing need of replacement	Ensure all our property assets are appropriately managed, with significant progress on the estate's maintenance backlog
Acquire new premises and replacement premises where current leases end	To deliver the re-provision of capacity following leasehold exits in Hull, Leeds, Dundee, Medway, and Watford, either by integration within the existing estate or re-provision
Deliver additional courts and tribunals temporary buildings to enable recovery	Supply of accommodation is managed in appropriate balance with workload demand
Manage our estate to relevant safety and security standards	Our estate remains a safe and secure operational environment, compliant with all statutory health and safety requirements
Establish and manage a delivery plan to reduce carbon emissions, water consumption and waste generation across our estate	Achieve Greening Government Commitments and net zero targets

Activities/Outputs

Outcome

Reform - Transformation

Modernise the procedures and infrastructure of our courts and tribunals through the Reform Programme

Rollout Common Platform nationally	National rollout of Common Platform in criminal courts enabling multi-agencies/organisations to input data onto a central system enabling quicker case progression The Common Platform will give professional court users a single platform to share and access case information, bringing greater consistency and efficiency to the way criminal cases are managed
Complete Divorce project	Transformed and efficient online divorce service, allowing users to opt to resolve disputes online. This will drive efficiency and effectiveness
Complete Family Public Law project	Local authorities will apply online to take children into care and users will be able to opt to resolve simple disputes online. This will save time for users, the judiciary and our staff, allowing more cases to be heard
Delivery of reform into operations and realising planned benefits	We drive efficiency benefits whilst maintaining sustainable operational delivery
Complete rollout of the Courts and Tribunals Service Centres (CTSC) Strategic Technology	Rollout of CTSC Strategic Technology programme to enable and support our people to work smarter. To balance safe, effective delivery of reform into operations whilst realising benefits

Recovery - Future Systems

Design the shape of our future technology estate, decommission legacy applications and mitigating the risks of the legacy landscape

Develop a plan for replacing systems which are not replaced by our Reform Programme	Clear understanding of the route to allow the decommissioning, replacement or enhancement of legacy systems not being replaced by reform
Define the hosting and application maintenance service (AMS) strategy to replace the current contract	Hosting and AMS plans in place

Reform/Recovery - Embed our People and Culture Strategy

A high-level overview of our people priorities that aim to deliver organisational change through reform and recover from COVID-19

Deliver and implement a new delegated pay award	A new pay deal for staff across the organisation
Develop implementation plans to deliver the strategic aims of the people strategy and a set of success metrics to measure progress	Deliver the five strategic outcomes in our People and Culture Strategy to: <ul style="list-style-type: none"> enable accountable, inclusive, diverse, confident and effective leadership develop our people, identify, attract, retain, nurture talent and leaders of the future enable and support our people to work smarter support an agile, flexible, responsive and efficient workforce provide a high-quality approach to our people services

Key challenges for 2021-22

Recovery and reform will continue to be our key challenges for the coming year.

Increasing courts and tribunals capacity safely

It is vital that we work to reduce the level of outstanding cases as quickly and safely as possible.

Our incident management and business continuity processes are robust and well established and help to minimise disruption. These will continue to operate for the rest of the financial year. We have taken several steps already this financial year which build on last financial year's innovations including:

- continued expansion of audio and video technology capacity to enable more remote hearings to take place, where suitable
- maintenance of plexiglass screens in courtrooms and deliberation rooms with continued review as restrictions ease
- enhanced cleaning and hygiene measures
- ensuring all our staff have access to home testing kits
- continuing to support the use of laptops to enable remote working where appropriate

But the credible risk of a third wave, variant strain or other emergent virus means social distancing or other non-pharmaceutical interventions could be implemented intermittently. This will present ongoing risk to the operation of our estate, ability to increase capacity to reduce outstanding caseloads, as well as cost implications depending on the control measures which need to be maintained.

We will observe and embed all relevant Public Health standards so as to ensure safety, and will operate as innovatively as possible to minimise ongoing service disruption.

Recovery challenges for crime

Expanding the Crown Court estate is central to our continued recovery both next year and beyond. The Lord Chancellor wants to sit a record number of sitting days, alongside extending court hours, continuing the current Crown Court Nightingales beyond June 2021 and potentially extending them further.

Our plans should increase overall Crown Court sitting day capacity. In 2020-21, 67,209 days were sat. We are looking to sit at least 105,000 in 2021-22, subject to social distancing requirements.

We will need to increase physical and judicial capacity to continue to recover in future years. We also need to ensure there is sufficient capacity elsewhere across the system. We are working with the MoJ, who as part of their criminal justice system modelling scenarios, are producing an updated set of court projections to inform how we respond to the recovery challenges across 2021-22.

Recovery challenges for civil, family and tribunals

COVID-19 has exacerbated pre-existing challenges in many of the civil, family and tribunals jurisdictions; however, regions and jurisdictions have been impacted in different ways given the wide variety of cases and public and professional users.

We face several challenges in returning to pre-pandemic levels of throughput. Outstanding caseloads have increased primarily due to reduced levels of disposals. We are forecasting a higher level of receipts during 2021-22 arising from economic and social changes taking effect. There will be challenges in ensuring that judicial capacity remains sufficient to sit the full allocation of sitting days across civil, family and tribunals.

We will ensure we can fully utilise the physical court estate, supported by appropriate levels of trained staff together with staff capable of delivering efficient and effective remote hearings, and focusing resources in the regions and jurisdictions which face the greater challenge in recovering from the impacts of COVID-19.

HMCTS Reform Programme

Overall, across our change portfolio, we are seeing confidence increase across individual programmes. This follows the latest iteration of the business case which was discussed by the Major Projects Review Group discussion in February 2021, who agreed our business cases proposals. Our overall delivery timetable remains unchanged from that reported in our annual report last year, with programme closure planned for December 2023.

As should be expected for a portfolio of this scale, we face a number of delivery challenges which require additional focus. The programme is entering the final two years of its lifecycle, which will see large scale rollouts of technology across court and tribunal services affecting every court and tribunal site in which we operate.

We will be experiencing a high amount of change being implemented into the business, technical integration between new IT systems, and high levels of inter-dependency between the programmes in reform. This also needs to be delivered in the context of a focus on recovery, and on supporting our staff through a period of dealing with the impacts of COVID-19. This requires us to focus on delivery against tight timescales, on effective business change and implementation functions, and effective dependency and risk management strategies.

1.7 Other reporting

1.7.1 Finance

COVID-19

HMCTS received two allocations of COVID-19 recovery funding, £83 million announced September 2020, followed by a supplementary allocation of £30 million. The £113 million was made up of £105 million in resource and £8 million in capital. In addition, a further £142 million of capital funding was allocated as part of the summer economic funding.

The recovery funding allowed for:

- the delivery of essential cleaning, the purchasing of Personal Protective Equipment (PPE) and for the increased costs of deploying and running audio and visual technology
- delivery of the Additional Court and Tribunal Capacity (ACTC) programme, including phase one, two and three Nightingale courts (62 courtrooms), 27 portacabins and 6 small venue hires providing jury deliberation space
- the recruitment of additional temporary staffing resource (1,600 Full-Time Equivalent)
- and finally, we utilised the funding to fit over 10,000 plexiglass screens in 254 courtrooms and 163 jury retiring rooms

Overall, this enabled 293 Crown courtrooms to be used for jury trials in a COVID-19 safe environment by December 2020.

The capital allocation enabled HMCTS to:

- deliver a programme of laptop distribution, with over 14,000 devices being distributed to staff and judiciary allowing a significant increase in home working and remote hearings
- enable audio-visual hardware to be deployed in an additional 782 courtrooms as well as Cloud Video Platform and BT MeetMe telephone conferencing licences, facilitating increased levels of remote hearings across all jurisdictions
- make an additional investment of £55 million for building maintenance to help address the backlog, increasing the capacity at over 100 court and tribunal sites
- utilise £40 million for environmentally sustainable projects across the HMCTS estates to reduce our carbon footprint
- fund £10 million for local economic regeneration projects, modernising the court estate in Newcastle, Wrexham and Leeds

The reduction in the number of sittings, and the suspension of enforcement activities resulted in a reduction in gross fee income of £197 million. The most significant reduction was seen in civil income, where fee charges were down by £162.5 million (26%) from £621.4 million in 2019-20 to £458.9

million in 2020-21. Income generated by both possessions and enforcement were lower because of the suspension of enforcement activity and protection given to renters during the pandemic. A reduction in recoveries from other government departments of £8.5 million is due to lower volumes of work through the Social Security and Child Support Tribunal. Details of fee income can be found on page 58, and in note 8 of the accounts.

EU exit

We received additional funding from MoJ to allow us to prepare for EU exit, covering both the pre-exit period and through to the end of the transition period on 31 December 2020.

This preparation included additional sitting days in affected jurisdictions, IT, form changes and recruitment where appropriate. An analysis of the funding and expenditure is in the table below.

£ million	2020-21	2019-20
Staff costs ¹	12.8	12.9
Non-staff costs ²	0.4	4.1
Total Spend	13.2	17.0
Returned to MoJ ³	11.4	14.9
HMCTS underspend ⁴	0.2	0.0
Total Allocation	24.8	31.9

1 Staff costs relate to payroll costs for EU Exit project team or staff and judiciary, for processing EU Exit cases in affected jurisdictions

2 Non-staff costs relate to expenditure on court costs, IT and maintenance required to maintain the courts and tribunals at the additional level of service

3 In 2020-21, the underspend was due to a downward revision in the forecast of expected number of EU Exit cases

4 The 2020-21 underspend was due to some project staff vacancies and a reduction in EU Exit related IT costs

Initial additional cases arising from the EU exit are, as expected, currently low in number. We will continue to monitor this closely, working with MoJ and other government departments and will update our modelling and revised plans where appropriate to manage changes to caseloads through our response and recovery programme.

During 2020-21 our accounts show that we disposed of buildings with a net book value of £10.2 million, with a net gain on disposals of property equipment of £6.3 million (note 6 to the accounts).

Throughout the year we have continued to develop and process fee refund schemes resulting from court decisions, reviews and policy changes. Details of the schemes are included in note 17.3.

1.7.2 Sustainability

As part of the MoJ, we are committed to achieving the Greening Government Commitments (GGC), which form the primary sustainability driver across government. We contribute to the overall MoJ GGC improvement targets against areas such as energy, waste, water and biodiversity, and we are committed to reducing our environmental impact and reducing costs. We also contribute to the MoJ's delivery of UN sustainable development goals. Further details on this, and reporting against the GGC framework, are published in the MoJ annual report and accounts at GOV.UK.

Sustainability objectives are embedded in our facilities management practice ensuring we run our buildings efficiently and we continually improve our waste management and recycling practices. We have replaced over 40 electric meters across the estate to improve energy consumption data and have established a database of half-hourly energy data enabling us to identify buildings that are using higher than expected energy to target improvements. Through our capital maintenance programme, we delivered additional projects to help improve the energy-efficiency of our buildings, including the replacement of roofs and windows to improve insulation at seven sites.

In July 2020, we successfully bid for additional capital funding to deliver projects designed to make a real difference to the sustainability of our buildings and reduce our carbon footprint. This included £40 million to be spent on projects that would reduce our annual carbon greenhouse gas emissions by 6,000 tonnes by March 2022.

To help achieve this, we have:



provided **solar electricity panels** for 49 buildings to generate our own energy and reduce our consumption of fossil fuels



provided **electric vehicle charging points** for 8 buildings across our estate



modernised our **building management system technology** in 88 buildings to ensure all heating, cooling and air conditioning is working efficiently



replaced old, energy-draining lighting systems with **modern LED lighting** in 31 of our buildings

1.7.3 Anti-corruption and anti-bribery

MoJ has zero tolerance of fraud, bribery and corruption, whether involving its own employees or other external individuals or bodies. There are clear policies which set out responsibilities for the prevention, detection and reporting of fraud, bribery and corruption, which apply to all staff across the MoJ family, including HMCTS. HMCTS has a dedicated counter fraud and investigations team and throughout 2020-21 we developed new ways of working to ensure that case referrals are investigated, and where appropriate, passed to the prosecuting authorities.

During 2020-21 HMCTS received 85 referrals specifically related to fraud (2019-20: 125). Of these, 23 were internal incidents and 62 were external. We continued to develop a promote/prevent approach to tackling fraud, and developed an awareness package for our staff, designed to increase the visibility of the fraud team and influence a change of behaviour by increasing fraud awareness – this was launched in May 2021. We conducted a fraud drive in an area of known risk which resulted in referrals to police and process improvement within the business.

In December 2020 we were assessed against the Cabinet Office fraud functional standards and met all the required 12 elements of the standard.

1.7.4 Our approach to whistleblowing

The MoJ policy and procedure for whistleblowing applies to all our staff. In February 2021, a new Raising A Concern Policy (and supporting toolkit and procedures) was introduced across MoJ, which includes whistleblowing, to better support individuals to raise a concern when they suspect wrongdoing. The processes for raising a concern remain unchanged. Complaints of harassment, bullying and discrimination are reported separately under our grievance policy.

The new and improved suite of policy products have been designed better to support individuals to raise a concern if they suspect wrongdoing and breaches of the Civil Service Code. The language has been made clearer and more supportive. The structure and formatting of each product has been reviewed to make it easier for users to navigate, in addition to better support managers, nominated officers and investigators handling such concerns.

There are currently twelve nominated officers across MoJ that our staff can access, and all are of senior management grade. There were no whistleblowing cases reported by HMCTS during 2020-21. We will continue to work closely with Civil Service Employment Policy, MoJ and with other key stakeholders to review the Raising A Concern Policy including whistleblowing procedure and ensure that guidance is regularly reviewed and updated appropriately. Our Audit and Risk Assurance Committee is responsible for overseeing the effectiveness of the whistleblowing policy in HMCTS.

1.7.5 Complaints to the Parliamentary and Health Service Ombudsman in 2020-21

Complaints we receive are 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 our 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.

PHSO investigated six complaints against us in 2020-21 which represents less than 0.03% of all complaints received. PHSO made five recommendations, all of which we complied with.

We are committed to continually improving how we handle complaints. We recognised the level of concern across society about the spread of the COVID-19 and wanted to reassure our users on the safety of our buildings. We listened to suggestions for improvements and routinely reviewed standards and implementation, supported by Public Health guidance. In addition to our existing online complaints form, we introduced another channel for users to escalate centrally any concerns they had about the safety of our estate using our 'Let us know' service on GOV.UK¹, so they could be followed up with the appropriate local court or tribunal.

We will be expanding this service next year as a channel for our users to provide comments more generally on how we are doing and will automatically record these on OPTIC (our case management system capturing feedback from users) so we can analyse the results alongside those for complaints to help us understand where we do things well and where we need to do better, to continually improve the experience of our users.

	2018-19	2019-20	2020-21
Investigations completed by PHSO	4 - 100%	4 - 100%	6 - 100%
Upheld complaints against HMCTS	0 - 0%	1 - 25%	2 - 33%
Partly upheld complaints	3 - 75%	3 - 75%	1 - 17%
Complaints not upheld against HMCTS	1 - 25%	0 - 0%	3 - 50%

Kevin Sadler

Acting Chief Executive and Accounting Officer

12 July 2021

¹ <https://let-us-know.form.service.justice.gov.uk/>

Section 2: Accountability report

2.1 Corporate governance report

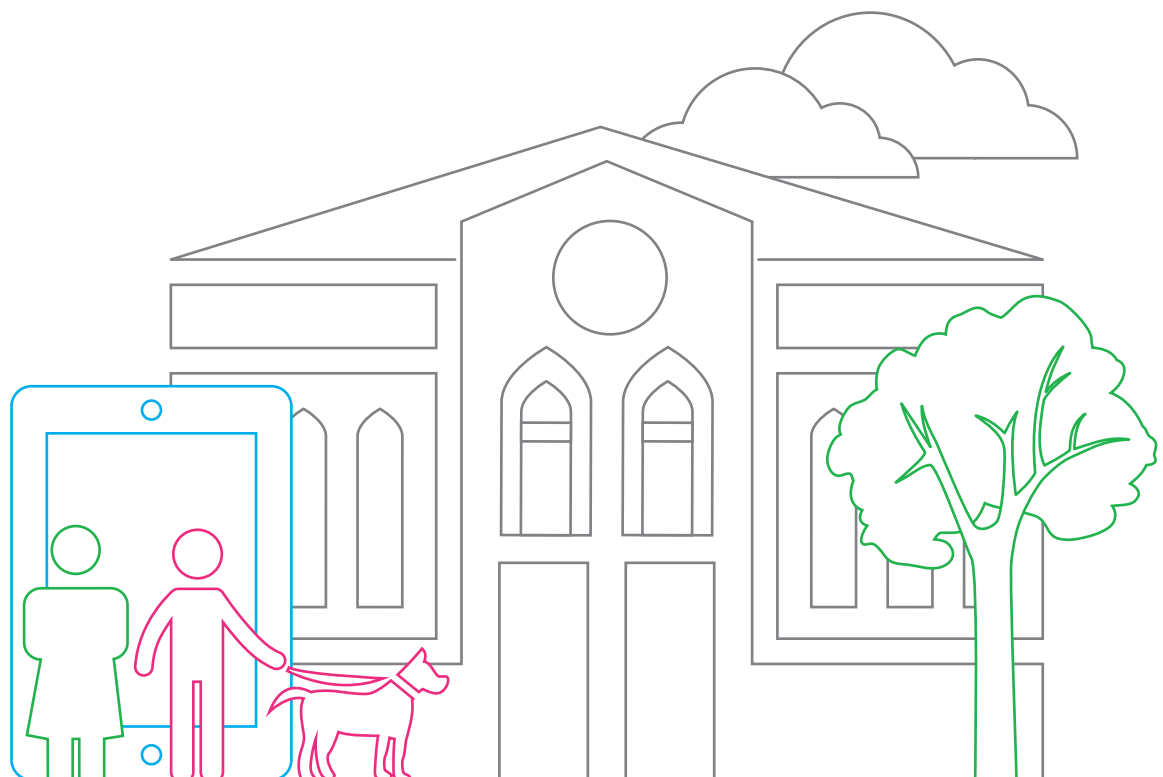
2.1.1 Directors' report

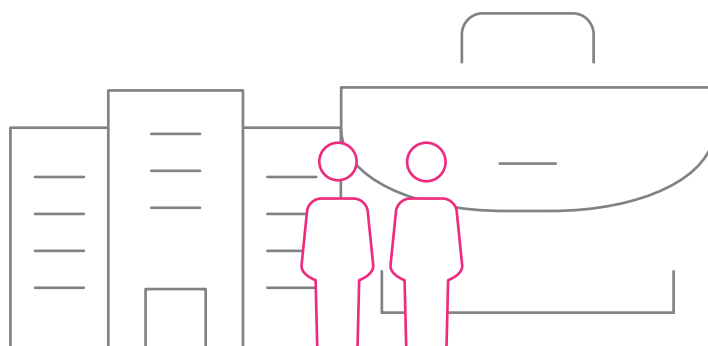
Introduction

HMCTS is an executive agency of MoJ. Our 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 (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/384922/hmcts-framework-document-2014.pdf) 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 acting 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 acting 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 we have had effective governance, risk management and internal controls in place during 2020-21. I take personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.





HMCTS Board composition

Our board and its members can be found at www.gov.uk/government/organisations/hm-courts-and-tribunals-service/about/our-governance#hmcts-board.

Register of interests

Details of company directorships and other significant interests can be found in note 23 of the accounts.

Our approach to information security

We handle a vast range of sensitive personal information through various avenues from people using our services 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.

Our annual mandatory information assurance training was postponed during the year due to the pressures on operational colleagues from the impact of the pandemic. It was rolled out in March 2021, for completion by mid-May 2021. Our Information Assurance Team continued to engage with operational colleagues during the pandemic, assisting with incident management and devising alternative methods of delivering information security awareness training while observing social distancing.

Data incidents are captured on OPTIC – the case management system used to capture feedback and report incidents – and these were analysed throughout the year. A Serious Incident Forum was established to review serious incidents reported, monitoring trends and ensuring appropriate remedial actions

are taken and lessons learned are shared across the organisation to mitigate any future similar incidents, and to understand where further improvements could be made. In the family jurisdiction we held a serious incident learning review to identify the root cause of incidents where confidential addresses had been disclosed in error and rolled out mandatory learning for staff on how to handle cases with confidential details.

There were 2,828 reported data incidents during 2020-21, representing a decrease of 30% from the previous year. The reduction was primarily due to the impact of the pandemic, such as the temporary closures of some of our courts and reduced volumes of hearings. Of the incidents reported, 12 were self-referred to the ICO (see following table for details). The ICO took no action against us and the remaining incidents were considered to be low impact. At the end of March 2021, 146 (5%) of the incidents were open and still undergoing investigation. Of the closed incidents, 671 (25%) have been confirmed through root cause analysis as 'not at fault' incidents but as external events, for example, incorrect information supplied to us. The remaining 2,011 (75%) of closed incidents were 'at fault' incidents, caused by internal staff errors, for example, enclosing two pieces of data in the same envelope or issuing data to the wrong address and checks not being completed.

Personal data related incidents

We are required to report personal data related incidents where these have been formally reported to the ICO. The following incidents were reported by us between 1 April 2020 and 31 March 2021.

Date of incident	Nature of incident	Nature of data involved	Number of people potentially affected	Notification
15 May 2020	Bulk Scanning of tribunal information and all scanned documents then sent to one individual	SSCS Tribunals data	62	Moj DPO ¹ referred to the ICO 28-05-2020
19 May 2020	Disclosure of confidential address of applicant via C100 and C1A forms to the respondent	Confidential address	4	Moj DPO referred to the ICO 03-06-2020
26 June 2020	Disclosure of confidential address of applicant in a child arrangement case to the respondent	Confidential address	2	Moj DPO referred to the ICO 26-06-2020
15 July 2020	Disclosure of confidential address of applicant via C8 form to the respondent	Confidential address	3	Moj DPO referred to the ICO 17-07-2020
21 September 2020	Respondent in an Interim Care Order case live streamed the Cloud Video Platform hearing via their Facebook account Although this was not technically a HMCTS data incident, as it was a respondent who disclosed the information, we felt it prudent to self-report the incident to the ICO, given the potential impact of the disclosure and the unusual circumstances	Breach of the Contempt of Court Act 1981	Unknown	Moj DPO referred to the ICO 24-09-2021
April 2020 to October 2020	A bulk amendment facility to update the cases of magistrates' hearing adjourned due to the impact of the pandemic, had plea data inaccurately changed on the court IT system	Plea data	5,286 (comprising 5,231 individuals and 55 companies)	Moj DPO referred to the ICO 19-11-2021
3 December 2020	Disclosure of confidential address – the address was on a letter attached to a statement from the victim, given to the defendant	Confidential address	1	Moj DPO referred to the ICO 10-12-2020
3 December 2020	Ransomware attack of Ubiquis, data processor for recording and transcription of court hearings	Court transcripts	None - this was not a HMCTS breach but a breach of the supplier who processes our data - no HMCTS data was compromised	Moj DPO referred to the ICO 11-12-2020
4 December 2020	Disclosure of confidential address of an applicant in a civil money claim case was sent to the respondent	Confidential address	1	Moj DPO referred to the ICO 11-12-2020
22 December 2020	Address of adoptive parents disclosed to birth parents in error	Confidential address	3	Moj DPO referred to the ICO 22-12-2020
11 January 2021	Address of adoptive parents disclosed to birth parents in error	Confidential address	3	Moj DPO referred to the ICO 14-01-2021
24 February 2021	Name and address of adoptive parents disclosed to the birth father in error	Confidential address	3	Moj DPO referred to the ICO 26-02-2021

¹ Data Protection Officer

2.1.2 Statement of Accounting Officer's responsibilities

Under section 7(2) of the Government Resources and Accounts Act 2000, HM Treasury has directed us to prepare, for each financial year, a statement of accounts in the form and on the basis set out in the Accounts Direction issued by HM Treasury on 23 December 2020. 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 expenditure and financial position.

In preparing the 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 themselves 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 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 our assets and for preparing the accounts, are set out in the Accounting Officer's Memorandum issued by HM Treasury and published in Managing Public Money.

2.1.3 Governance statement

Our assurance

Our assurance framework reflects the three-lines-of-defence model through which we manage our risks:

- the first line is the front-line business
- the second line is oversight and expert review, separate from the front-line delivery management chain
- the third line is an independent review

During 2020-21 in response to COVID-19 pressures, we introduced a proportionate contingency process focused on key risks, to balance the clear need for compliance and assurance against burdens on operational staff. Our planned operational assurance visits were curtailed, instead we developed new checklists and guidance for conducting virtual assurance visits at minimal disruption to the business. We completed virtual reviews on areas that were most pressing during the pandemic and the associated change of working practices, for example on digital access controls, and homeworking processes.

We also developed and implemented a schedule of 'second line of defence' audits on compliance with key health and safety requirements introduced under the COVID-19 secure ways of working in courts and tribunals. A number of external regulatory interventions provided a 'third line of defence' and the inspectors were satisfied with our policies and in most cases, that local implementation was appropriate. In October 2020 we received a Notice of Contravention following a Health and Safety Executive visit to Westminster Magistrates' Court and we rapidly took improvement action and reviewed our control framework. We undertook 30 audit visits across England and Wales during November 2020 and early December 2020, to assure risk assessments undertaken gave an accurate picture of what was in place in venues, and COVID-19 safety risks were being effectively managed to the defined standards and ways of working. We followed up with a smaller programme early in the New Year. We identified issues and worked with the business to address those and promoted local best practices we had discovered. Further details can be found in the health and safety section of this report.

The intelligence from these various reviews will inform our assurance program in 2021. We have supported the operational business ahead of 2021-22 by undertaking widespread refresher training and awareness sessions on our control framework for managers across the business. As well as improving compliance adherence in the business this will also mean we have better quality returns to interrogate that will highlight where future audit activity is required.

We have financial assurance processes in place as part of our second line of defence for ensuring the adequacy of the financial controls in operation across HMCTS. The necessary controls and assurance around finance and banking requirements are

monitored through financial key controls checks highlighting possible control weaknesses and rectifying those where possible. We are continually updating our finance guidance to keep up with procedural changes and ensuring it is clear and concise. The financial assurance process contributes towards the management of contracts in the interest of safeguarding public money.

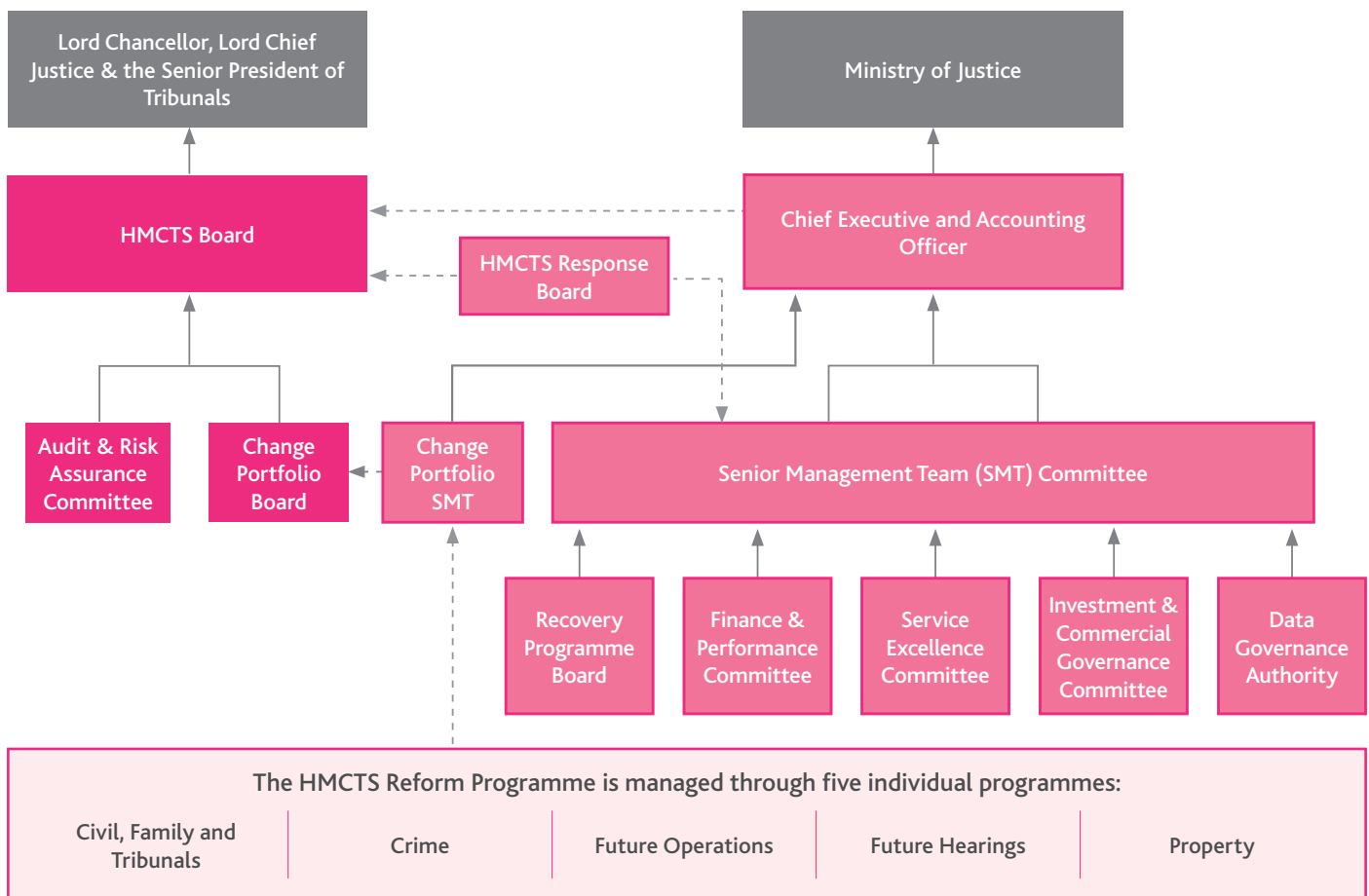
Further assurance activity can be seen in the health and safety section and our approach to information security section of this report.

In addition to the internal governance processes, we have a network of Business Continuity (BC) Co-ordinators based regionally by business unit who ensure that every site has an up to date, fit for purpose and tested BC Plan. This is co-ordinated centrally by the national Business Continuity team to ensure we can continue to operate where possible when faced with issues. During the pandemic, resources have naturally been focussed

on response and recovery activities, and during November/ December 2020 we prepared and ran a series of Reasonable Worst Case Scenario (RWCS) tests across HMCTS ensuring preparedness for a number of different scenarios and our contingency plans held up well. BC checks (beyond pandemic flu) were re-introduced in January 2021. Additional refresher training is being rolled out from May and a programme of BC events including further RWCS testing and individual regional and business unit training/testing will be carried out during summer of 2021.

Governance framework and management structure

Our governance is delivered through the HMCTS Board and executive senior management team forum and their sub-committees. The top-level governance structure as at 31 March 2021 is set out below.



During 2020-21, a number of changes were made to the governance structure, which include the establishment of new forums to support our response and recovery in relation to the COVID-19 pandemic. These revisions and additional changes as a result of a review of the governance structure will be reflected in the HMCTS Delegation of Authority for 2021-22.

At the start of the pandemic outbreak, a COVID-19 business contingency plan was put in place and a Gold Command structure managed our organisation’s response to the crisis. The Gold Command structure is supported by the HMCTS COVID-19

Response Team who support the business and engage with stakeholders including the MoJ Departmental Operations Centre and the Criminal Justice System Strategic Command. Our Gold-Silver-Bronze incident management structure ensures that issues are properly understood locally before being escalated, to gain uniformity across the organisation and maintain a clear line of accountability. The COVID-19 Gold Command and COVID-19 Response Board were subsequently replaced by the HMCTS Response Board in November 2020.

HM Treasury corporate governance in central government departments – code of good practice

This code applies to MoJ directly and we have adopted key principles as best practice. We remain compliant with material requirements with the exception of the Nominations Committee. Instead the HMCTS Board will annually be constituted as the HMCTS People Committee to consider the performance, talent, development and succession planning of the organisation’s senior leadership.

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 ²	Last reviewed and agreed in July 2019	Last reviewed and agreed in November 2019	Last reviewed and agreed in January 2020
Roles and responsibilities	Responsible for overseeing the leadership and direction in delivering the aim and objectives set by the Lord Chancellor, Lord Chief Justice and the Senior President of Tribunals.	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 govern and hold to account all reform programmes and projects, providing strategic direction and taking decisions on the prioritisation of those programmes and projects to ensure reform activities coalesce effectively
Chair	Tim Parker, Independent Chairman	Victoria Cochrane, Senior Non-Executive Director until 31 October 2020 Nicky Wilden, Non-Executive Director from 1 November 2020	Susan Acland-Hood, HMCTS Chief Executive until 21 August 2020 Kevin Sadler, Acting HMCTS Chief executive from 22 August 2020
Issues covered	<ul style="list-style-type: none"> reviewed and discussed our response to COVID-19 and considered our and COVID-19 recovery performance as a standing item discussed the financial position monthly and the quarterly review of demand across all jurisdictions as well as approving the annual budget regularly considered ongoing activity to the developing strategic performance management framework regularly discussed the Reform Programme, including consideration of the updated Reform Programme business case and regular demonstrations of new services being developed and introduced considered potential changes to the alternative dispute resolution provision for court users discussed people related activity and the proposed future People and Culture Strategy held a strategy awayday on 3 December 2020 	<ul style="list-style-type: none"> regular discussion on all corporate risks to challenge management controls and effectiveness of mitigation substantive discussions on the findings and implementation of recommendations from internal audit reports discussed adequacy of management response to issues identified by audit activity, including National Audit Office management letter and value for money audits acted on the delegated authority of the HMCTS Board to approve the annual report and accounts and trust statement (2019-20) substantive discussions in relation to: HMCTS business as usual business continuity and COVID-19 response; health, safety and security; and our commercial contracts 	<ul style="list-style-type: none"> discussed progress against the portfolio performance plans (including the impact of COVID-19) and the portfolio’s financial position, providing input on overarching portfolio direction discussed the position in respect of the benefits positions regularly reviewed the approach being taken in respect of the refreshed Reform Programme business case reviewed proposals regarding scope control within the programme and its change control framework undertook substantive discussions on a regular basis in relation to specific programmes and projects within the portfolio, including updates on the rollout of the Common Platform reviewed and discussed the proposed reform systems integration approach and reform portfolio dependency management reviewed the portfolio risks, issues and mitigation
Effectiveness reviews	Discussed findings of annual self-assessment of performance at the meeting on 5 June 2020. Key improvement activity included a focus on strategic performance and system-wide thinking including links to other government departments. In addition, it was proposed that there be continued focus on robust reviews of major projects and programmes.	Discussed findings of annual self-assessment of performance at the meetings on 1 and 17 July 2020. Key improvement activity included strengthening links and communication with the MoJ Audit and Risk Committee and the scheduling of additional substantive items, including on key supply chains.	Discussed findings of annual self-assessment of performance at the meeting on 26 May 2020. Key improvement activity included ensuring fuller discussions of the forward plan and enhancing the portfolio performance reporting in light of the Board’s feedback.

² Terms of Reference were not formally refreshed during 2020-21 as the organisation focussed on dealing with the impacts of the COVID-19 pandemic. The intention is that formal reviews will take place in 2021-22.

Our Senior Management Team

The members of the Senior Management Team meetings are listed below. Four are also executive members of the HMCTS Board (as indicated below). Details of our management can be found at www.gov.uk/government/organisations/hm-courts-and-tribunals-service.

Name	Dates in post, if not entire year
Chief Executive and Executive Board Member	
Susan Acland-Hood ³	<i>Until 21 August 2020</i>
Kevin Sadler (acting Chief Executive)	<i>From 22 August 2020</i>
Operations Director and Executive Board Member	
Kevin Sadler (and Deputy Chief Executive)	<i>Until 21 August 2020</i>
Nick Goodwin ⁴ (acting Operations Director)	<i>From 1 September 2020 to 13 November 2020</i>
Paul Harris (acting Operations Director)	<i>From 14 November 2020</i>
Chief Financial Officer and Executive Board Member	
Andrew Baigent	
Strategy and Change Director - Executive Board Member	
Richard Goodman ⁵	<i>Until 24 September 2020</i>
Marie Claire Uhart (formerly Transition Director)	
Gemma Hewison (formerly Crime Programme Director)	
Human Resources Director	
Louise Alexander	
Chief Digital and Information Officer	
John Laverick (Interim)	
Customer Director⁶	
Sidonie Kingsmill	<i>Until 4 September 2020</i>
HMCTS Director of Criminal Enforcement and Confiscation	
Guy Tompkins	<i>From 16 December 2020</i>
Head of Communications	
Ed Owen	<i>Until 31 July 2020</i>
Georgia Jerram	<i>From 1 August 2020</i>
National Business Centres Director	
Jonathan Berlusconi (interim)	<i>From 26 August 2020 to 13 January 2021</i>
Property Director	
Tim James ⁷	<i>Until 22 July 2020</i>

The Commercial Director, John Michalski also attends the SMT meetings, and Joe Gilonis, Change Portfolio Delivery Deputy Director, attended Change SMT.

³ Susan Acland-Hood seconded to Department for Education from 21 August 2020 and appointed DfE Permanent Secretary from 7 December 2020

⁴ Nick Goodwin was not a member of HMCTS Board while acting as Operations Director

⁵ From 21 March 2020, Richard Goodman was seconded to the role of COVID-19 (London) Director, Ministry of Housing, Local Government and Communities. Richard permanently left HMCTS on 24 November 2020. Marie-Claire Uhart and Gemma Hewison replaced Richard as joint Strategy and Change Director.

⁶ The Customer Directorate ceased to exist as a directorate from 28 September 2020

⁷ Tim James attended Change SMT and after his departure, Andrew Baigent represented the Property Directorate at the meetings

Section 2: Accountability Report

Attendance schedule for the HMCTS Board and its sub-committees

Member	HMCTS Board	Audit and Risk Assurance Committee	Change Portfolio Board
<i>Attendance at meetings – expressed as number of meetings attended out of number eligible to attend</i>			
Non-executive members			
Independent Chairman Tim Parker	13/13		
Chair of Audit and Risk Assurance Committee (ARAC) Victoria Cochrane <i>Until 31 October 2020</i> Nicky Wilden <i>From 1 November 2020</i>	7/7 6/6	5/5 2/2	
Victoria Cochrane - <i>after her tenure as ARAC Chair had expired on 31 October 2020</i>	6/6		
Ian Playford <i>Until 1 August 2020</i>	5/5		
Lakh Jemmett	11/13		
Jonathan Clear		5/6	
Critical Friend Jan Gower			11/11
Judicial members			
Senior President of Tribunals Sir Ernest Ryder <i>Until 19 September 2020</i> Sir Keith Lindblom <i>From 19 September 2020</i>	5/5 7/7		2/2 9/9
Senior Presiding Judge Lady Justice Thirlwall	12/13		8/11
District Judge Tim Jenkins	12/13	6/6	10/11
Judge Siobhan McGrath		6/6	
Executive members			
Chief Executive Susan Acland-Hood <i>Until 21 August 2020</i> Kevin Sadler (acting) <i>From 22 August 2020</i>	5/5 8/8	2/2 3/3	4/4 7/7
Operations Director Kevin Sadler (and Deputy Chief Executive) <i>Until 21 August 2020</i> Paul Harris ⁸ (acting) <i>From 14 November 2020</i>	5/5 8/8		4/4 6/7
Courts and Tribunals Director Paul Harris <i>From 22 August 2020 to 13 November 2020</i>			3/4

⁸ Paul Harris was appointed as acting Operations Director from 14 November 2020. Nick Goodwin, Chief Executive of the Office of the Public Guardian, acted an interim HMCTS Operations Director from 1 September 2020 to 13 November 2020 but did not attend the HMCTS Board. Paul Harris attended as the Operations Director representative from 22 August 2020.

Member	HMCTS Board	Audit and Risk Assurance Committee	Change Portfolio Board
<i>Attendance at meetings – expressed as number of meetings attended out of number eligible to attend</i>			
Chief Financial Officer Andrew Baigent	13/13	6/6	10/11
Strategy and Change Director Richard Goodman ⁹ Marie Claire Uhart (formerly Transition Director) <i>Until 24 September 2021</i> Gemma Hewison (formerly Crime Programme Director)	4/4 9/9		3/4 11/11
Customer Director ¹⁰ Sidonie Kingsmill <i>Until 4 September 2020</i>			3/4
Chief Digital and Information Officer John Laverick (Interim)			10/11
HR Director Louise Alexander			9/11
HMCTS Commercial Director John Michalski			10/11
Change Portfolio Delivery Deputy Director Joe Gilonis <i>From 1 April 2020</i>			11/11
Moj Representative Annabel Burns	13/13		
Representative from Moj Finance			8/11
Representative from Moj Policy			11/11
Representative from Infrastructure and Projects Authority			8/10
Representative from HMT			6/10

⁹ From 21 March 2020, Richard Goodman was seconded to the role of COVID-19 (London) Director, Ministry of Housing, Local Government and Communities. Richard permanently left HMCTS on 24 November 2020. Marie-Claire Uhart and Gemma Hewison replaced Richard as joint Strategy and Change Director.

¹⁰ The Customer Directorate ceased to exist as a directorate from 28 September 2020

HMCTS SMT and its sub-committees

You can find board meeting summaries at www.gov.uk/government/organisations/hm-courts-and-tribunals-service/about/our-governance#board-meetings.

Committee: Senior Management Team

Chair: Chief Executive

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

Committee: Change Portfolio Senior Management Team

Chair: Strategy and Change Director

Purpose: Responsible for acting on behalf of the Change Portfolio Board to provide executive oversight of portfolio, programme and project activity, and a filter for the Change Portfolio Board for escalations from programmes, workstreams and Design Authorities for issues that cannot be resolved at the sub-portfolio level.

Committee: Finance and Performance Committee

Chair: Chief Financial Officer

Purpose: To monitor and investigate the overall financial and non-financial performance of the agency, identify opportunity and risk and, where it identifies under-performance, determine what remedial action is needed and ensure it is addressed.

Committee: Investment and Commercial Governance Committee

Chair: Chief Financial Officer

Purpose: To ensure effective and robust oversight of all investment decisions, and assurance on commercial governance and contract management. Assure the processes put in place to ensure all contracts and services are sufficiently funded, sustainable and deliver value for money.

Committee: Recovery Board

Chair: Operations Director

Purpose: To initiate, identify, prioritise and monitor all recovery activity that has resulted from the COVID-19 pandemic, European Union Exit impacts and existing backlogs in line with the aims, objectives and decisions of the Lord Chancellor, the Lord Chief Justice and the Senior President of Tribunals.

Committee: Response Board (reports to SMT but not a formal sub-committee)

Chair: Operations Director

Purpose: To co-ordinate all response activities, including COVID-19, European Union transition, December 2020 Winter business continuity and, as yet unseen, emerging issues that may impact on HMCTS's operational capabilities to ensure new work is allocated and resourced and ensure a coherent response across the organisation.

Committee: Data Governance Authority

Chair: Chief Financial Officer

Purpose: Provide overall strategic governance of data and maintain a cross-cutting view over current and future data management, data capabilities and data strategy.

Committee: HMCTS Service Excellence Committee

Chair: Operations Director

Purpose: To ensure improved management and monitoring of the quality of the service provided to citizens, using evidence to drive decisions.

Dissolved SMT sub-committees

Committee: Operational Assurance and Improvement Committee (last meeting held 30 November 2020)

Chair: Operations Director

Purpose: Ensure improved management and monitoring of the quality of the service provided to citizens who use our services, including oversight of development and implementation of the operational service assurance framework and associated activity, and remediation of risks to operational performance and service failure root cause.

Committee: Customer and Stakeholder Performance Committee (last meeting held 24 September 2020)

Chair: Customer Director

Purpose: Ensure we are becoming a user-focused and evidence-driven organisation.

Quality of information

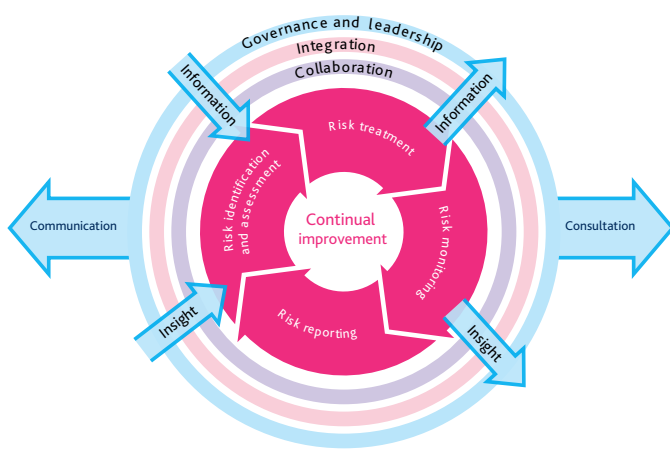
During the year professional teams provided specialist information to the HMCTS Board and its sub-committees to facilitate informed decision making. Members sponsored agenda items and ensured the papers met the agreed standards, ensuring reports were of a similar quality and supported focused discussion on key issues. The structured information highlighted risks and resource implications to ensure sufficient engagement and challenge during discussions.

Board papers were of sufficient quality that strategic direction was set. The HMCTS Board and its committees reviewed and obtained reports and assurances from a number of sources to enable them to perform their duties. The reports included updates in relation to key matters of focus.

Risk management

We refreshed our risk strategy this year and introduced the new HMCTS Risk Management Framework in November 2020. The Framework conforms to the key principles and concepts in the HM Government publication 'The Orange Book', and it brings together our overarching risk strategy and practical guidance on how risks and issues should be managed at all levels.

Our new framework reflects the maturity of risk management in HMCTS and enables us to focus on where there is more to do and to formalise the risk arrangements that would apply in the event of another emergency situation, and activation of our national Gold Command structure.



Risk assessment 2020-21

We use a 5x5 scoring methodology for impact and likelihood to determine the level of risk as set out in our Risk Management Framework. This provides a Very high, High, Medium and Low risk rating which ensures we assess our risks in a consistent way and focus resources on the most significant risks to the organisation. This methodology is in operation across all regions and directorates as well as at a corporate level.

Our contingency risk register

In March 2020, the HMCTS Gold Command Structure was stood up in response to COVID-19 and to facilitate rapid decision making. It was under this structure that we reviewed our risks in the context of the pandemic, to identify those strategic risks we would need to manage to take account of the extraordinary circumstances in which we were operating. These risks included (among others) the safety of our people, judiciary and our court and tribunal users, and how we needed to refocus our business to mitigate the substantial impact to performance and the potential impact on our suppliers. The contingency risk register was put in place as an emergency provision at the outset of the COVID-19 pandemic. At that time the risks we were dealing with were immediate and proximate and it was appropriate that we moved to the contingency register to reflect the risks with which we were dealing.

In addition, the HMCTS Audit and Risk Assurance Committee (ARAC) undertook a quarterly challenge and assurance review of the risk register. The HMCTS Board was provided with the risk dashboard each month, which outlined movements and updates. The risks which were managed through the business as usual register continue to be managed at directorate level and reported on as appropriate, through ARAC.

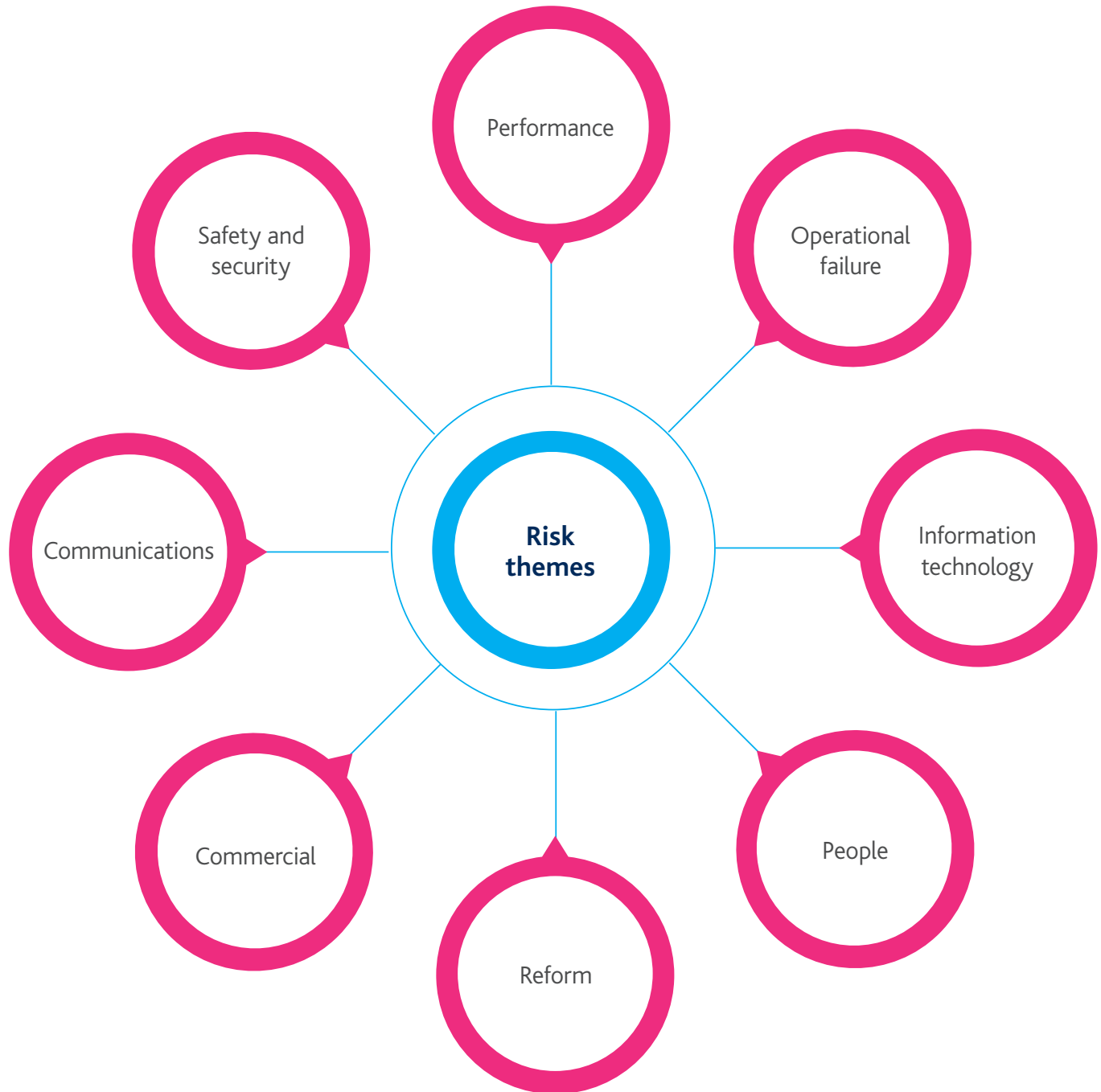
The Gold Command transitioned into a recovery phase from late May 2020 and was reactivated in January 2021. Throughout this period, the contingency risk register was maintained. In parallel to the development of this contingency risk register, we reviewed and simplified our well-established quarterly risk and assurance reporting processes across the organisation, in an effort to temporarily ease the burden on our front-line staff working hard to keep our justice system operational. A new contingency risk and assurance framework was developed that provided the necessary assurance on how risks were being managed, but in a more streamlined format to capture updates with as little resource impact as possible. This approach received such positive feedback that we have adopted a number of the changes permanently.

As at the end of March 2021 there were eleven strategic risks being managed, two of which were identified as 'Very High'. Eight of our risks had achieved their target by the end of March 2021. Three risks were 'retired' from the risk register during the year having achieved their target. Those risks related to fraud and compliance, access to justice for vulnerable users, and the impact of IR35 determinations (off-payroll working rules).


















The themes of our highest risks are outlined below, followed by details of those risks we managed during 2020-21 and remain in the risk register as at the end of March 2021.

Risk themes








The diagram below shows the summary of our highest risks as at end March 2021.



The table below sets out the strategic risks we managed throughout the year, the mitigating actions to manage them, their risk assessment and risk movement as at end March 2021.

Key	
Risk assessment as at end March 2021	 Very high  High  Medium  Low
Risk movement (<i>from date risk identified to end March 2021</i>)	 Risk increase  Risk decrease  No risk movement  At target score
Risk description	Key controls and activities to manage risks
Operational performance is substantially impeded thus HMCTS does not achieve its organisational outcomes ¹¹  	<ul style="list-style-type: none"> Gold, Silver and Bronze Commands were stood up to co-ordinate plans during the response period and weekly delivery director telekits continue. The Operational Delivery Board was in place (and continues to be in place) to drive operational recovery and performance. A weekly Response Board managed the immediate response to matters impacting recovery. This continues but is also supplemented by the monthly HMCTS Recovery Board which now oversees the progress and impact of national recovery activity and plans. We increased provision of audio and video hearings technology and ensured associated process was in place so as to be able to increase court and tribunal hearings across all jurisdictions wherever directed by the judiciary. We maximised the workforce through the provision of laptops to support remote working. In addition, plans were in place and implemented to resource up to 1,600 additional posts to support operational recovery. The Additional Court and Tribunal Capacity programme was established to increase operational capacity. There were circa 60 additional courtrooms (Nightingale courts) at the end of March 2021. Several jurisdictions and regions are now bringing backlogs down and performance is improved. However, the risk remains very high due to some areas remaining unable to meet demand. Rule changes expected on 21 June 2021 may improve the risk.
Reform is unable to secure sufficient funding to deliver its complete vision and scope  	<ul style="list-style-type: none"> Agreement to complete the Reform Programme was reached at the Major Projects Review Group in February 2021.
The HMCTS pay deal is delayed and fails to meet staff expectations  	<ul style="list-style-type: none"> Ongoing and regular engagement with MoJ, HM Treasury and the Cabinet Office on the pay business case. Regular updates on pay given to staff at a weekly chief executive led webinar. A Pay Working Group established with input from across HR and communications to consider and plan all workstream elements to successfully communicate and implement the pay award (when agreed).
HMCTS does not manage high profile service delivery failure in operations   	<ul style="list-style-type: none"> A Serious Incident Learning Review process was developed to examine serious operational failings and identify points of process failures. Any learning found would then be shared nationally to avoid repetition. It is also used to inform/trigger process/guidance/assurance improvement activity. Serious incidents are collated and reported to the Senior Management Team and all senior managers on a weekly basis for review, rectification and oversight purposes. Operational assurance checks are reported every quarter and a Service Assurance Framework is in place which provides regular scrutiny of the quality of operational service delivery. An incident reporting system (OPTIC) is in place to escalate serious operational failures to the Service Assurance Team. Governance mechanisms including the Operational Delivery Board and Service Excellence Committee ensure that high profile service failures or near misses receive senior attention.

¹¹ This risk assessment was reduced to Medium in April 2021 and is at target

Risk description	Key controls and activities to manage risks
<p>IT failure as a result of legacy systems</p> 	<ul style="list-style-type: none"> Digital and Technology Services has established its Future Systems programme to directly address the legacy frailties and data migration risks. The overarching aim of the programme is to decommission, replace or rehost the legacy applications and the corresponding data requirements.
<p>Staff, judiciary, stakeholders and users become gravely ill or die if we fail to provide a safe operating environment</p> 	<ul style="list-style-type: none"> We follow all Public Health (PH) and government COVID-19 secure guidelines and have put measures in place to keep all court and tribunal users safe. We have communications, processes and guidance signed off, that have been validated by PH and ensure compliance with PH advice, including social distancing and reviewed and (where necessary) updated security procedures to avoid unnecessary interaction and support socially distanced queuing. The HMCTS Organisational Risk Assessment has been produced to provide detailed information on risk, the controls already in place and further actions to be taken. Weekly local assessments provide details of all measures taken to make buildings COVID-19 secure and assurance against these is undertaken through an internal assurance team and independently through health and safety qualified consultants. Furthermore we engage with the Health and Safety Executive or local authority Environment Health Team visits, acting on any recommendations appropriately.
<p>Staff wellbeing deteriorates and / or a loss of goodwill and engagement</p> 	<ul style="list-style-type: none"> Frequent communications in line with Public Health organisations providing rolling updates to the organisation. A weekly webinar led by the chief executive and attended by all members of the senior management team provides opportunities for questions from staff. Staff are regularly signposted toward support and wellbeing intranet pages. A series of regular webinars are held to keep staff informed of developments across a range of issues each providing the opportunity for questions. A Workplace Standards Group is in place and a 'Hub' team has been set up to bring together all relevant health and safety guidance.
<p>We cannot meet stakeholder expectations about the information they want, need or expect</p> 	<ul style="list-style-type: none"> An external stakeholder engagement strategy, toolkit and approach has been embedded (and published) throughout 2020-21. We have hugely stepped-up engagement activity both internally and externally with regular bulletins, frequent meetings/forums and webinars. We have increased the reach of and engagement with representatives of legal professional groups, through our corporate channels (our stakeholder eBulletin has over 30,000 subscribers and we have almost 65,000 followers on social media which is a 230% increase since January 2020). Internally, improved channels are in place to communicate and engage with staff remotely. A weekly rhythm of internal communications ensures that our activities are frequent, targeted, timely and expected. A weekly webinar for all staff with the chief executive and senior management team has been very successfully used throughout the year and continues currently.
<p>We are unable to commercially support the HMCTS recovery plan</p> 	<ul style="list-style-type: none"> All MoJ 'Gold' contracts were reviewed giving assurance that suppliers had robust business continuity plans in place. A review was undertaken of all our contracts expiring within 18-24 months and a risk assessment carried out to determine which contracts may need to be extended. Logistics solutions were put in place and regularly monitored, particularly for consumable items including face coverings and hand sanitiser.
<p>Impact of COVID-19 on delivery and affordability of reform</p> 	<ul style="list-style-type: none"> The Portfolio Implementation Plan was re-baselined to ensure it accurately reflected movements across the portfolio. The portfolio plan is updated on a monthly rolling basis, and any changes to the baseline are subject to strict change control, with any impacts on risks, dependencies and benefits carefully monitored.
<p>Scale of change to new services presents a greater risk of IT failure/ disruption</p> 	<ul style="list-style-type: none"> Digital and Technology Services has developed plans for its Transformation Programme to implement and resource a Target Operating Model enabling greater ownership and coordination of services in-house, reducing reliance on external providers and improving coordination.

Current control challenges

Throughout 2020-21 HMCTS had appropriate governance in place to mitigate control challenges and issues, with the exception of:

Batch updates leading to 'guilty' pleas being recorded in error

A defendant awaiting trial on charges of domestic violence had their plea wrongly changed to 'Guilty' on the 'Libra' system and, in consequence, the Police National Computer (PNC). The error occurred in April 2020 after staff - not incorrectly - applied a bulk amendment facility to multiple cases being adjourned due to the COVID-19 pandemic. The error occurred when staff failed to notice the change on a summary sheet produced for checking purposes. We informed Ministers and following a full investigation, all data errors were corrected.

Health and safety

We are committed to protecting the health, safety, security and general wellbeing of our employees, members of the judiciary, contractors and all visitors to our premises. This was more important than ever during the pandemic, and we continue to follow government guidelines and have implemented safety controls. More information is published at www.gov.uk/guidance/coronavirus-covid-19-courts-and-tribunals-planning-and-preparation.

Occupational health and safety plays an important role in the delivery of our corporate objectives. Our National Committee for Health, Safety and Security, which also includes focus on fire safety, meets quarterly, and trade union leads attend in parallel with relevant operational and corporate managers. The annually reviewed corporate policy on fire, health, safety and security continues to provide a framework for continuous improvement and a targeted approach for monitoring our performance. We are fully committed to meeting our statutory health and safety obligations. Our health, safety and security policy is underpinned by a governance structure, enabling oversight and appropriate assurance.

Our response to COVID-19

In response to COVID-19, we comprehensively assessed the risk to staff and users to ensure the safety of anyone who came into our buildings by applying our court and tribunal coronavirus safety controls, published at www.gov.uk/guidance/keeping-court-and-tribunal-buildings-safe-secure-and-clean. These were endorsed by Public Health authorities, and we implemented a process for checking compliance at each site. To enable us to keep these measures under regular review, and to keep pace with changing circumstances and updated government guidance, we undertook an Organisational Risk Assessment with input from our trade unions and external stakeholders. This assessment enabled us to review our buildings safety regularly, allowing us to identify, mitigate and take action wherever necessary. Our building risk assessments are reviewed and updated at least weekly and after any incident or complaint, and copies are available to the public on request.

Risks within general office locations, where social distancing and other safety measures are in place, are assessed in line with government guidance for working safely in offices and contact centres as published at www.gov.uk/guidance/working-safely-during-coronavirus-covid-19/offices-and-contact-centres. A local COVID-19 assessment tool requires trained senior managers at each of our buildings to assess individual building safety for all users. We proactively publish information about our approach to safety and risk assessments and engage extensively with stakeholders to listen to their concerns, answer their questions, and provide them with the assurance they seek. We have a refined escalation route for complaints, allowing professional users to raise real-time concerns about the safety of our courts and tribunal buildings during the pandemic, in the most effective manner.

We had a number of external regulatory interventions to provide challenge and assurance on our health and safety, and fire safety measures, including site inspections carried out by the Crown Premises Fire Safety Inspectorate (CPFSI), the Health and Safety Executive (HSE) and local authority Environment Health Team visits. On fire safety, the CPFSI conducted 21 site visits in 2020. Nineteen of those 21 premises were issued with an informal 'Notice of Deficiencies' and two premises received no action at all and were found to be satisfactory. No formal CPFSI enforcement action has been taken against HMCTS and the issues identified have been addressed quickly and action taken to address concerns.

HSE inspectors were satisfied that our COVID-19 safety measures and policies were suitable and sufficient, and in the majority of cases were satisfied that the local implementation was appropriate. In a small number of cases, they found the local implementation lacking and made recommendations for improvement which have been acted on. Out of over 20 HSE site visits, we received three Notices of Contravention following HSE visits to Westminster Magistrates' Court, Isleworth Crown Court and Cardiff Social Security and Child Support Tribunal. The Notice of Contravention is the lowest form of intervention – a letter with requirements for improvement – and no formal enforcement action has been taken. The issues identified referred to the local implementation of the control measures. We rapidly reviewed and addressed the issues which were clearly lacking, and the enforcement authorities were satisfied there was not any systemic management or policy issues.

As a result of the external inspections and lessons learned, we developed and implemented a schedule of internal audits of compliance with key health and safety requirements introduced under the COVID-19 secure ways of working in courts and tribunals. We undertook 30 audit visits across England and Wales during November and early December 2020, to assure risk assessments undertaken across our estate gave an accurate picture of what was in place in venues, and COVID-19 safety risks were effectively managed to the defined standards and ways of working. We followed up with a smaller programme early in 2021. A limited number of low to medium risks were identified and addressed promptly with local management. Local identified best practice arrangements were also shared with the wider business areas.

In addition to our internal health and safety assurance control framework, we also commissioned qualified health and safety consultants to carry out a programme of COVID-19 safety audits to validate our internal findings. They carried out over 81 audits, both announced and unannounced, and no major failings in COVID-19 safety management were identified. The Government Internal Audit Agency (GIAA) also carried out a COVID-19 health and safety audit and provided an overall moderate scoring with positive feedback including our reporting on compliance.

We established effective arrangements, endorsed by Public Health authorities to manage/investigate incidents at facilities which have been visited by individuals with suspected and actual COVID-19. This involved promptly establishing a crisis management team structure if two or more positive cases of COVID-19 were identified at one site within 14 days. Public Health authorities have been and continue to be informed in accordance with their guidance (this is different in each nation and over time). Between 18 August 2020 and 31 March 2021, 7,551 COVID-19 incidents have been reported. Of those, 647 incidents were referred to Public Health England or Wales (in accordance with their guidance) which equates to 8.6% of incidents. Twelve Outbreak Control teams (involving 103 incidents) have been set up which means that 98.6% of incidents have not required a Public Health Authority led investigation.

Where any breaches were identified, remedial action was taken. The vast majority of such incidents related to individuals attending our premises with infection arising from community transmission. There has been only one RIDDOR¹² reported COVID-19 incident during the period of the pandemic. This related to seven staff contracting COVID-19 at Loughborough Magistrates' Court in November 2020. The local investigation established reasonable evidence of occupational exposure to the virus, due to a local breakdown in the cleaning regime. Action was promptly taken to address those local COVID-19 safety issues and ensure they are not more widespread across our estate.

We ensured there was considerable focus on delivering an effective COVID-19 cleaning regime, which met government standards and effective delivery was robustly managed and monitored – details on our cleanliness and hygiene measures were published at www.gov.uk/guidance/keeping-court-and-tribunal-buildings-safe-secure-and-clean#additional-cleanliness-and-hygiene-measures-for-coronavirus.

Facilities management

The contract for the provision of facilities management services was awarded to ENGIE Services Limited from 1 April 2020 and this coincided with the initial impact of the COVID-19 pandemic. The contractual services including planned preventative maintenance, cleaning services and the completion of specialist and statutory inspections. There was a transition period from April 2020 to October 2020 for the supplier to embed its services, processes and management teams. Engie self-reported during the transition phase, and they worked on historic issues with gaps in building asset/maintenance/certification records not being readily accessible.

From November 2020, a programme of external audits was delivered by a specialist external contractor and a plan with a roadmap of activity has been put in place to address the issues and is closely monitored by the HMCTS Property Board.

In March 2021, GIAA carried out an audit of the management of Engie's contract by HMCTS. They reported on the improvement plan developed by Engie and agreed by HMCTS and that monitoring of progress against this plan should allow Engie to demonstrate measurable improvements in performance.

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. 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', which means some improvements are required to enhance the adequacy and effectiveness of our framework of governance, risk management and control.

National Audit Office (NAO) reports

There were no HMCTS related NAO reports published during 2020-21. NAO will undertake a review of 'Managing the backlog in criminal courts' during autumn 2021 and details are available at www.nao.org.uk/work-in-progress/managing-the-backlog-in-criminal-courts/.

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, relating to batch updates leading to 'guilty' pleas being recorded in error has been subject to rigorous review and has been managed through appropriate effective and proportionate mitigating activity.

Kevin Sadler

Acting Chief Executive and Accounting Officer

12 July 2021

12 RIDDOR: Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013

2.2 Remuneration and staff report

2.2.1 Remuneration report

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

Board Members Remuneration Report

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

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

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

The following sections provide details of the remuneration and pension interests of HMCTS Board members who served during 2020–21.

Section 2: Accountability Report

Table 1 – Remuneration payments to HM Courts & Tribunals Service Board members during the period 1 April 2020 to 31 March 2021¹

	2020-21					2019-20				
	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
Tim Parker Independent Chairman	15-20	Nil	Nil	Nil	15-20	15-20	Nil	Nil	Nil	15-20
Susan Acland-Hood Chief Executive (until 21 August 2020) ⁴	50-55 130-135 FYE ³)	Nil	Nil	24	75-80	130-135	Nil	10-15	50	195-200
Kevin Sadler Acting Chief Executive (from 22 August 2020) Deputy Chief Executive (until 21 August 2020) ⁵	120-125	Nil	10-15	108	235-240	110-115	Nil	10-15	(4)	115-120
Andrew Baigent Chief Financial Officer	125-130	Nil	10-15	62	200-205	125-130	Nil	10-17	57	190-195
Paul Harris Acting Operations Director (from 14 November 2020) Courts and Tribunals Director (from 22 August 2020 until 13 November 2020) ⁶	60-65 (95-100 FYE ³)	Nil	0-5	47	110-115	Nil	Nil	Nil	Nil	Nil
Gemma Hewison Strategy and Change Director (from 22 March 2020) ⁷	105-110	4.1 ²	10-15	42	160-165	Nil	Nil	Nil	Nil	Nil
Marie-Claire Uhart Strategy and Change Director (from 22 March 2020 until 24 September 2020) ⁷	45-50 (100-105 FYE ³)	Nil	0-5	14	65-70	Nil	Nil	Nil	Nil	Nil
Guy Tompkins Operations Director (until 15 March 2020) ⁸	Nil	Nil	Nil	Nil	Nil	90-95 (95-100 FYE ³)	15.3 ²	Nil	22	130-135
Lakh Jemmett Non-Executive Director	10-15	Nil	Nil	Nil	10-15	10-15	1.1 ²	Nil	Nil	10-15
Ian Playford Non-Executive Director (until 1 August 2020) ⁹	0-5 (10-15 FYE ³)	Nil	Nil	Nil	0-5	10-15	Nil	Nil	Nil	10-15
Victoria Cochrane Non-Executive Director	10-15	Nil	Nil	Nil	10-15	10-15	Nil	Nil	Nil	10-15

	2020-21					2019-20				
	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
Liz Doherty Non-Executive Director (until 18 August 2019) ¹⁰	Nil	Nil	Nil	Nil	Nil	0-5 (5-10 FYE ³)	Nil	Nil	Nil	0-5
Annabel Burns Non-Executive Director (from 19 August 2019) ¹¹	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Nicky Wilden Non-Executive Director (from 1 November 2020) ¹²	0-5 (10-15 FYE ³)	Nil	Nil	Nil	0-5	Nil	Nil	Nil	Nil	Nil

- 1 Richard Goodman was appointed to the HMCTS Board from 25 March 2020. From 21 March 2020 he was seconded to the role of COVID-19 (London) Director, Ministry of Housing, Communities and Local Government. Richard permanently left HMCTS on 24 November 2020.
- 2 Comprises of reimbursements for travel expenses to required business meetings.
- 3 Full year equivalent
- 4 Susan Acland-Hood stepped down as Chief Executive on 21 August 2020.
- 5 Kevin Sadler took on the role of Acting Chief Executive from 22 August 2020.
- 6 Paul Harris became an executive board member from 22 August 2020 after Kevin Sadler took on the role of Acting Chief Executive. This was initially as Courts and Tribunals Director and then Acting Operations Director from 14 November 2020.
- 7 Gemma Hewison and Marie-Claire Uhart jointly undertook the role of Strategy and Change Director from 22 March 2020 following the departure of Richard Goodman. Marie Claire-Uhart stepped down from this role on 24 September 2020.
- 8 Guy Tompkins stepped down as Operations Director on 15 March 2020.
- 9 Ian Playford stepped down as a Non-Executive Director on 1 August 2020.
- 10 Liz Doherty stepped down as a Non-Executive Director on 18 August 2019. Liz Doherty was also a non-executive director on the MoJ board. Her remuneration for that role is disclosed in the MoJ annual report and accounts.
- 11 Annabel Burns is the MoJ representative on the HMCTS Board. Annabel is an MoJ employee and receives no remuneration for her role as a Non-Executive Director on the HMCTS Board. Her remuneration as an MoJ employee is included in the MoJ annual report and accounts.
- 12 Nicky Wilden was appointed as a Non-Executive Director from 1 November 2020.

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 (until 19 September 2020)
- Sir Keith Lindblom, Senior President of Tribunals (from 19 September 2020)
- Lady Justice Thirlwall, Senior Presiding Judge
- District Judge Tim Jenkins, Judicial Representative

Salary

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

Bonuses

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

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

	2020-21	2019-20
Band of highest paid director's total remuneration (£000)	135-140	145-150
Median total remuneration (£)	21,298	21,237
Ratio	6.5:1	6.9:1

The pay multiple ratio has decreased due to a reduction in the highest paid directors total remuneration in 2020-21, while there was a small increase in median total remuneration. The highest paid director in 2019-20 left HMCTS in 2020-21.

Remuneration ranged from £15,000-20,000 to £210,000-£215,000 (2019-20: £15,000-20,000 to £140,000-£145,000).

In 2020-21, 6 employees received remuneration in excess of the highest paid director (2019-20: 2).

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

Service contracts

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

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

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

Table 3 – HM Courts and Tribunals Service Board members' contracts¹

Name	Contract start date	Unexpired term	Notice period
Tim Parker	27 April 2018	1 year 6 months	1 month
Susan Acland-Hood ²	21 November 2016	To retirement	3 months
Kevin Sadler	10 September 1984	To retirement	3 months
Andrew Baigent	14 August 2017	To retirement	3 months
Paul Harris	22 August 2020	To retirement	3 months
Gemma Hewison	22 March 2020	To retirement	3 months
Marie-Claire Uhart ³	22 March 2020	0 months	3 months
Lakh Jemmett	27 July 2018	4 months	1 month
Victoria Cochrane	1 November 2014 (renewed on 17 July 2017 and 25 September 2020)	2 years 7 months	1 month
Ian Playford ⁴	1 August 2014 (renewed on 17 July 2017)	0 months	1 month
Annabel Burns	19 August 2019	To retirement	3 months
Nicky Wilden	1 November 2020	2 years 7 months	1 month

¹ Judicial members do not operate under contracts.

² Susan Acland-Hood stepped down as Chief Executive on 21 August 2020.

³ Marie-Claire Uhart stepped down as Strategy and Change Director on 24 September 2020.

⁴ Ian Playford stepped down as a Non-Executive Director on 1 August 2020.

Pension benefits

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

Name	Accrued pension at pension age as at 31 March 2021 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31 March 2021 £'000	CETV at 31 March 2020 £'000	Real increase in CETV £'000
Tim Parker Independent Chairman	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Susan Acland-Hood Chief Executive (<i>until 21 August 2020</i>)	50 - 55	0 - 2.5	656	624	11
Kevin Sadler Acting Chief Executive (<i>from 22 August 2020</i>) Deputy Chief Executive (<i>until 21 August 2020</i>)	50 - 55 plus a lump sum of 160 - 165	5 - 7.5 plus a lump sum of 15 - 17.5	1,311	1,156	113
Andrew Baigent Chief Financial Officer	65 - 70	2.5 - 5	1,041	967	35
Paul Harris Acting Operations Director (<i>from 14 November 2020</i>) Courts and Tribunals Director (<i>from 22 August 2020 until 13 November 2020</i>)	45 - 50 plus a lump sum of 105 - 110	0 - 2.5 plus a lump sum of 2.5 - 5	929	887	35
Gemma Hewison Strategy and Change Director (<i>from 22 March 2020</i>)	10 - 15	2.5 - 5	109	82	16
Marie-Claire Uhart Strategy and Change Director (<i>from 22 March 2020 until 24 September 2020</i>)	40 - 45 plus a lump sum of 125 - 130	0 - 2.5 plus a lump sum of 0 - 2.5	1,047	1,026	15
Lakh Jemmett Non-Executive Director	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Ian Playford Non-Executive Director (<i>until 1 August 2020</i>)	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
Annabel Burns Non-Executive Director	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Nicky Wilden Non-Executive Director (<i>from 1 November 2020</i>)	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 and 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 their 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 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.

2.2.2 Our people

This year has presented significant challenges for all our people. At the beginning of the reporting year, we made extraordinary efforts to adapt how we deliver our services. We made huge changes to how we work, so that we could continue to deliver justice safely. None of this would have been possible without the exceptional dedication, commitment and hard work of all our people.

Supporting our people through the pandemic

When social distancing measures were introduced on 23 March 2020, we paused several activities to prioritise our departmental response to COVID-19, to ensure the right activity and support was provided to, and for, the organisation. Examples of these include:

- providing access for all our people to health and wellbeing tools and key information to support them inside and outside work
- developing and updating guidance, policies, processes and tools to support people and managers through constantly changing times and situations
- provision of accurate and real time data on absence, workforce management and resourcing
- workforce planning and centrally managing and coordinating a recruitment campaign to meet the resourcing needs and additional capacity required across all the COVID-19 recovery projects, with over 1,600 new posts filled since the start of the pandemic. As at March 2021, the average time to hire was 56 working days which is below the Cabinet Office target of 60 working days. This is despite the decision to pause ongoing recruitment activity during the first quarter and the significant increase in the number of posts filled across the COVID-19 recovery projects.
- creating remote learning packages
- engagement, support and recognition activities to thank our people for continuing to deliver justice and to provide regular opportunities to raise questions or concerns such as through weekly Chief Executive and HR webinars

Health and wellbeing

Our people are our most valuable asset and we are committed to positively promoting health and wellbeing by providing accessible information, tools and initiatives; ensuring that we create a working environment that is conducive to good health enables us to provide an exceptional service to the public.

Throughout the year, supporting the health and wellbeing of our people has been a key priority and we have provided tools and key information on how to deal with loneliness, loss and grief, parental and carer support. Other examples include:

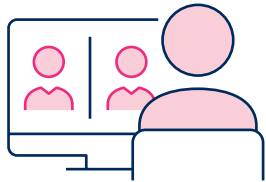
- free access to the **Headspace app** to practice meditation, and to PAM Assist (our Employee Assistance Programme provider with trained counsellors and therapists)
- supporting the **MoJ Health and Wellbeing Strategy "Be Well"**, through our network of Health and Wellbeing Champions which focussed on four areas: Healthy mind, lifestyle, finances and environment
- our **Mental Health Allies** is a staff-led group of volunteers and are vital source of information for our people. They offer peer to peer support to staff experiencing mental health difficulties, raise awareness of mental health, and signpost colleagues to professional support if needed.

Engaging with our people

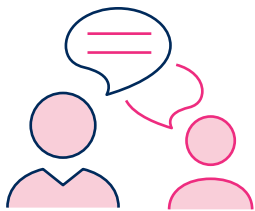
Civil Service Pulse Survey

During May 2020, we participated in the **Civil Service Pulse Survey**. The survey focused on health, wellbeing and the experiences of colleagues during the pandemic and reflected on how COVID-19 might affect our future ways of working. Nearly 2,400 of our colleagues took part, representing 13% of our workforce, achieving the highest number of returns within MoJ, and ranking 7th in overall responses received from 67 government organisations taking part in the survey. As a key government department running essential frontline services, 51% of our respondents worked on-site during this time compared to 37% across MoJ and just 9% of Civil Servants overall.

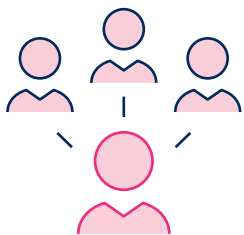
Pulse survey results on the impact of the COVID-19 outbreak



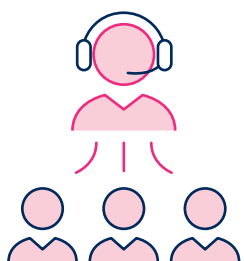
79% expressed at least moderate change to their work as a result of the pandemic
(compared with 70% across MoJ and 59% across the Civil Service)



78% felt supported by their manager
(compared with 81% in MoJ and 88% across the Civil Service)



87% felt supported by their team
(compared with 88% in MoJ and 90% across the Civil Service)

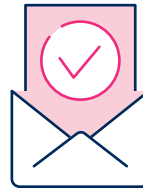


61% were confident in how senior leaders were handling the impact of the pandemic in the organisation
(compared with 73% in MoJ and 86% across the Civil Service)

Four key themes emerged from the survey: Health and safety; Visible leadership; Remote and flexible working; and Humanity and wellbeing. We worked with leaders across the organisation and our Employee Engagement Champions and Wellbeing Leads to respond to the key themes.

Civil Service People Survey

The annual **People Survey** was held in October 2020 and provided an opportunity for our people to have their say on a variety of topics which affect them.

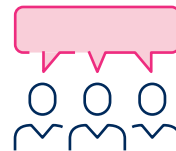


Response rate

55% compared to 61% in 2019

Compared with:

45% in MoJ **64%** across the Civil Service

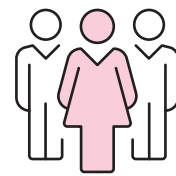


Employee Engagement Index

56% compared to 54% in 2019

Compared with:

61% in MoJ **66%** Civil Service benchmark



Highest score – My team

78% (no change from 2019)

Compared with:

79% in MoJ **84%** Civil Service benchmark



Lowest score – Pay and benefits

17% (no change from 2019)

Compared with:

27% in MoJ **40%** Civil Service benchmark

Our response rate was down by six percentage points from 2019 which was consistent with the decrease across the Civil Service, given the extraordinary circumstances in which we have been operating this year. The pandemic has caused significant changes in the way we work and has impacted the health and wellbeing of our people. In comparison to most other government departments, our people mainly continued coming into the workplace.

The Employee Engagement Index score increased by two percentage points to 56% in 2020 and remains the highest score since the creation of HMCTS in 2011. The increase is testament to the extraordinary resilience, dedication, and commitment of all our people.

Our highest scoring theme continues to be My Team, closely followed by Organisation Objectives and Purpose. Pay and Benefits remains our lowest scoring theme. In the context of the challenging year we have had, all the themes for the 2020 survey remained higher than they were in 2018. Some themes had reduced slightly from the 2019 survey but remained consistent, while the scores for Leadership and Managing Change had increased by five percentage points. However, we recognise there is more to do and will continue to focus on all areas, particularly Leadership and Managing Change and Pay and Benefits. Examples of how we engaged with our people include:

- the launch of **People Promise Support Wheel**, a bespoke tool bringing together and explaining the range of support available to colleagues from across HMCTS and the wider MoJ
- an e-Newsletter titled **Together whilst we're apart** as a new communications channel to engage and motivate those working from home to help combat feelings of isolation and loneliness and help people adapt to new ways of working
- a series of events called **One Conversation** that bring us all together to discuss progress towards our vision of a transformed justice system and provides an opportunity to share information, focus ideas and gain insight and feedback on reform

Skills and capability

Throughout the year we have identified, developed and adapted critical learning packages needed to support recovery and keep justice running during the pandemic. This includes:

- the development of over **190 learning products** to support reform and address other capability needs, including developing engaging short videos to explain social distancing in the workplace and an animation that was used to launch the HR Career Framework across the whole of the Civil Service
- a key learning package was developed in two months to deliver training to over 600 **Cloud Video Platform administrators** which has enabled our people to set up and manage court hearings using audio and video technology, a key element of our recovery work
- we have adapted **online induction package and learning materials** to ensure that all new recruits have access to essential learning on their first day
- our bespoke **iTransform** leadership programme was paused at the outset of the pandemic and the delivery model was adapted to enable the workshops to be facilitated virtually
- developing our **Customer Service Programme**, a key priority of the Reform Programme
- development of a series of **line manager practical application workshops**

Apprenticeships

We are committed to offering and actively promoting apprenticeship programmes to all our people whether they are new or existing employees.

We achieved 158 apprenticeship starts this year. We have supported colleagues already undertaking apprenticeships through this difficult time. As at 31 March 2021 we had 319 apprentices, which includes apprenticeships that started in previous years. The number of people successfully completing their apprenticeships increased to 55 in 2020-21 from 19 in 2019-20.

We have 35 apprenticeships available, designed to provide learning and qualifications for all our people irrespective of age, from GCSE-level equivalent to Masters' level (Levels 2-7). This year we launched:

- the **Senior Leader Masters' Degree Apprenticeship** – to help build our strategic leadership skills and resilience for the future, as well as deliver a diverse talent pipeline through our succession planning. This has generated 51 apprenticeship starts.
- **Facilities Management Level 3 Apprenticeship** – to develop and support colleagues keeping our estate function adaptable and secure throughout the pandemic and recovery. Nine colleagues who applied in January 2021 due to start in April 2021.
- we extended our **apprenticeship offer in Wales** by securing new funding from Welsh Government this year and 15 people started an apprenticeship in Wales in 2020-21, compared to 6 in 2019-20

Promoting equality, diversity and inclusion

We launched our Diversity and Inclusion Activity Plan which aligns with MoJ's strategy to promote equality, diversity, inclusion and wellbeing. Our approach will focus on engagement, creating our ambition as an organisation, gap analysis to establish and set benchmarks, and implementing our action plan which includes promoting and exploring ways to embed diversity and inclusion in our recruitment and talent management processes. Examples of activities include:

- Launching our **Disability Strategy** to help create an inclusive and accessible workplace where people with disabilities can access the correct support and adjustments to develop and thrive. We held a series of listening events to provide colleagues with an opportunity to share their own experiences, listen to others and learn. We launched our Disability Support Wheel as a tool to help our people quickly and easily navigate the disability support on offer.
- Established our **RISE** (Racial Inclusion and Striving for Equality) Network, following positive and constructive conversations during listening events which took place across the summer. The Network ensures the collective voices of our minority ethnic staff are heard, and to play a key role in positively influencing outcomes for our Black, Asian and Minority Ethnic staff across HMCTS, and wider MoJ.

In March 2021 we achieved Level 3 **Disability Confidence Leader Accreditation**, demonstrating that we are an organisation where staff with a disability or long-term illness have equal opportunity and access to support including workplace adjustments to ensure staff reach their full potential.

Our policies support our people with disabilities. Health and safety and risk assessment guidance is in place, under which all employees are required to complete workstation assessments periodically to ensure they are working in a safe environment and reviewed when their personal circumstances change. Support and guidance can be accessed by all employees through the health and wellbeing pages of our intranet and the Civil Service Workplace Adjustment Team provide additional support and advice about disability and how to get help, including workplace passports. Our Personal Impact Development scheme also enables us to put tailored interventions in place so that everyone has an opportunity to discuss their unique development, needs and career aspirations.

We promote equal opportunities for candidates when applying for jobs. Full information for people covered by the Equality Act can be found at www.hmctsjobs.co.uk/how-to-apply.

Talent

Throughout the pandemic we have utilised talent management tools to deploy our people to resource business critical roles. We continue to manage the performance and talent of our senior civil servants and this year the distribution of performance ratings was in line with Cabinet Office guidance and a strong talent pipeline was identified. We have supported our people throughout the application process of a number of Civil Service talent programmes.

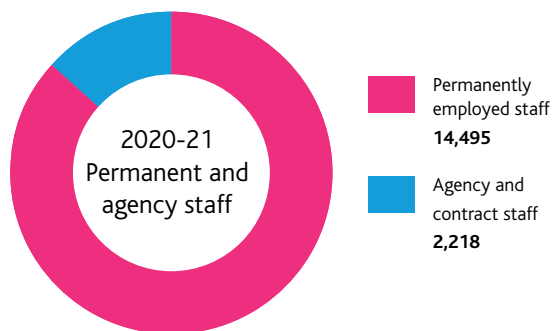
Other employee disclosures

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

Our employees in numbers

At 31 March 2020, the number of full-time equivalent (FTE) employees was 16,163 and as at 31 March 2021, the FTE was 17,623, an overall increase of 1,460.

We had a number of leavers during the year and the average number of FTE employees paid during 2020-21 was 16,713 (2019-20: 16,264), comprising the following:

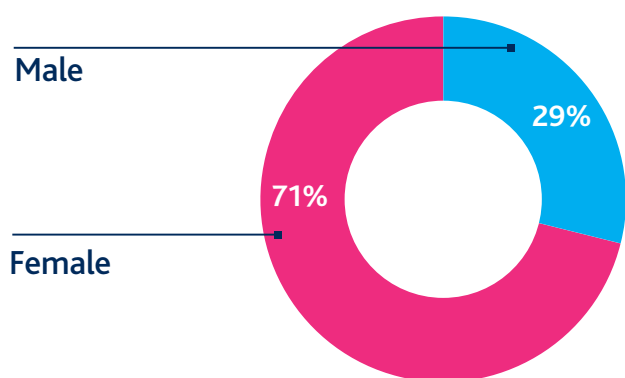


	2016-17	2017-18	2018-19	2019-20	2020-21
Permanently employed staff	14,269	13,841	14,177	14,041	14,495
Agency and contract staff	1,480	2,034	2,042	2,223	2,218
Total	15,749	15,875	16,219	16,264	16,713

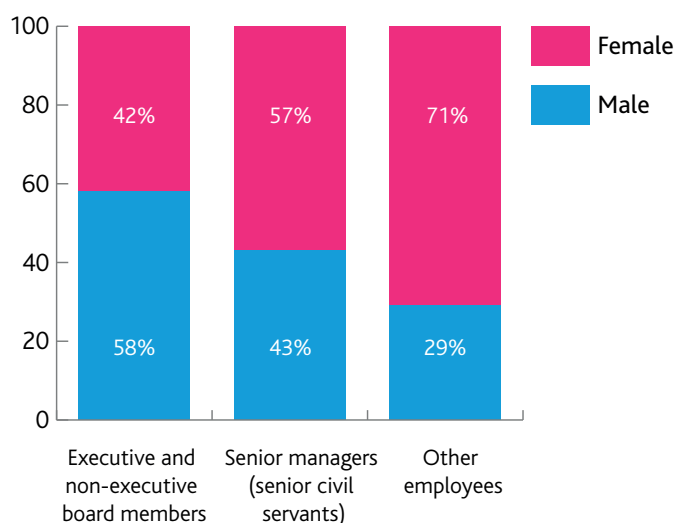
Our employee costs

	2020-21	2019-20
Wages and salaries	397,093	369,050
Social security costs	36,079	33,894
Employer pension contributions	100,477	93,884
Agency staff costs	91,010	78,421
Voluntary early departures	0	386
	624,659	575,635
Add: inward secondments	482	703
	625,141	576,338
Less: recoveries in respect of outward secondments	(77)	(96)
Total staff costs	625,064	576,242

Overall male and female employees



Breakdown of employees by gender

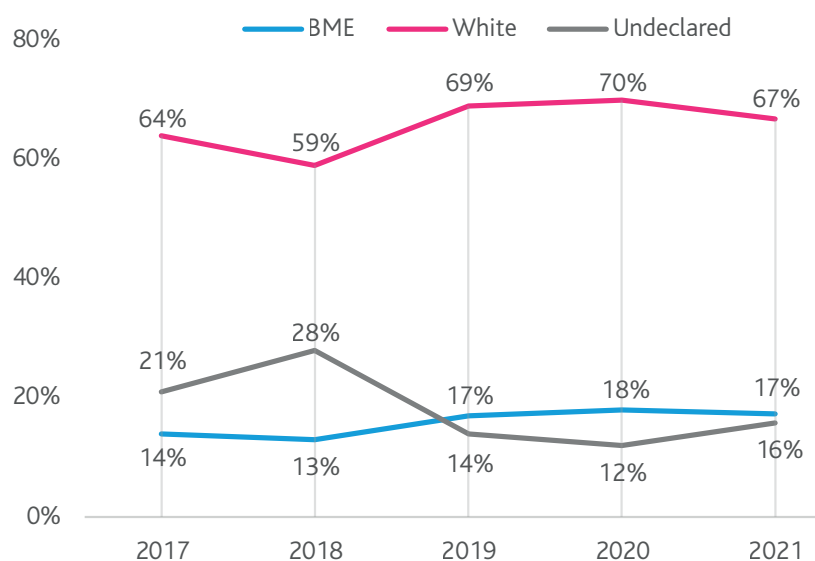


Section 2: Accountability Report

Ethnicity comparison based on headcount

	Headcount
BME	17%
White	67%
Undeclared	16%

Ethnicity comparison based on headcount



Number of senior Civil Service employees

Our executive director are all senior civil servants (SCS). As at 31 March 2021, there were 78 SCS in HMCTS (2020: 81). The table below is not subject to audit.

	2020-21	2019-20
60,000 to 70,000	-	-
70,000 to 80,000	43	41
80,000 to 90,000	9	13
90,000 to 100,000	16	14
100,000 to 110,000	3	5
110,000 to 120,000	2	3
120,000 to 130,000	4	2
130,000 to 140,000	-	2
140,000 to 150,000	1	1
150,000 to 160,000	-	-
160,000 to 170,000	-	-
170,000 to 180,000	-	-
180,000 to 190,000	-	-
Total	78	81

Review of tax arrangements of public sector appointees

During the financial year 2020-21, HMCTS has reviewed all off-payroll engagements using HMRC’s 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 annual report and accounts.

Pension scheme

PCSPS and alpha are unfunded multi-employer defined benefit schemes. HMCTS is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the PCSPS as at 31 March 2016. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation at www.civilservicepensionscheme.org.uk/about-us/resource-accounts/.

For 2020-21, employer contributions of £100.5 million were payable to the PCSPS (2019-20: £93.9 million) at one of four rates in the range of 26.6% to 30.3% (2019-20: 26.6% to 30.3%) 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 2020-21 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

22 persons (2019-20: 19 persons) retired early on ill health grounds. The total additional accrued pension liabilities in the year amounted to £57,000 (2019-20: £52,000).

Consultancy costs

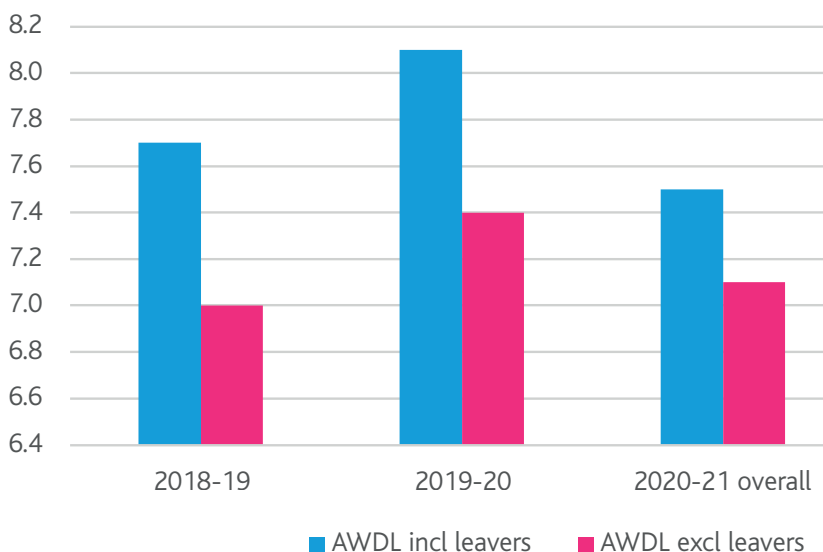
Expenditure on consultancy in 2020-21 was £4.3 million (2019-20: £7.8 million).

Sick absence

The number of average working days lost (AWDL) due to sickness has decreased this year when compared to the previous year. For the rolling 12 months to the end of March 2021 the AWDL lost (including those that have left HMCTS) was 7.5, a decrease from 8.1 days at the end of 2019-20. The AWDL per person excluding leavers at March 2021 was 7.1 days, also a decrease from 7.4 days at the end of 2019-20. One of the reasons that our figures are likely to have decreased is that we have had significant levels of staff working from home during the pandemic which has impacted normal sick absence. Paid special leave due to COVID-19 restrictions, which is not captured as sick absence, will also have had an impact.

As at the 31 March 2021 only 0.26% of our overall workforce were absent with COVID-19 related sickness compared to 2.5% of staff who were absent with non-COVID-19 sick absence (based on an overall headcount figure including all our staff, agency and contractors). We maintain a focus on supporting all aspects of the health and wellbeing agenda, covering all health issues both physical and mental.

Sick absence as a 3 year trend



Staff turnover

In 2020–21, staff turnover was 8.5% (2019–20: 9.1%) and department turnover was 10.8% (2019–20: 11.1%). Department turnover includes transfers of staff within the Civil Service. Transfers within the Civil Service are not included in staff turnover.

The department continues to monitor turnover rates and support initiatives to maintain a healthy level of turnover. The annual Civil Service People Survey, coupled with other research, helps us to understand our people's experience of working in MoJ and take appropriate action to improve effectiveness, including where turnover becomes problematic.

Reporting of Civil Service and other compensation schemes – exit packages

Subject to audit

Exit package cost	2020-21			Restated 2019-20		
	Number of compulsory redundancies	Number of other departures	Total number exit packages	Number of compulsory redundancies	Number of other departures	Total number exit packages
< £10,000	-	12	12	-	16	16
£10,000 - £25,000	-	11	11	-	31	31
£25,001 - £50,000	-	9	9	-	20	20
£50,001 - £100,000	-	2	2	-	4	4
£100,001 - £150,000	-	-	-	-	-	-
£150,001 - £200,000	-	-	-	-	-	-
£200,001 - £250,000	-	-	-	-	-	-
£250,001 - £300,000	-	-	-	-	-	-
Total number of exit packages by type	-	34	34	-	71	71
Total cost of exit packages by type (£000)	-	698	698	-	1,523	1,523

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 HMCTS has agreed early retirements, the additional costs are met by HMCTS and not by the PCSPS. Ill health retirement costs are met by the pension scheme and are not included in the table above.

2.3 Parliamentary accountability and audit report

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

Losses:	2020-21		2019-20	
	Number of cases	£000	Number of cases	£000
Cash losses	433	261	1,092	337
Administrative write-offs	98	85	151	56
Fruitless payments	33	12,716	55	363
Constructive losses	1	18,350	-	-
Total losses	565	31,412	1,298	756

In 2020-21, there were two losses over £300,000 as follows:

- £12.5 million payable to HMRC in relation to IR35 liabilities arising from incorrect assessments of the employment status of workers. In 2019, HMRC challenged the MoJ to revisit employment status determinations for off-payroll workers engaged between 6 April 2017 and 5 April 2020, where we had previously concluded workers were operating outside of the off-payroll working rules. This liability has crystallised and quantifies the contingent liability disclosed in the 2019-20 Annual Report and Accounts. As the department could have avoided these tax and NI payments if a different determination had originally been made, the liabilities are classified as fruitless.
- HMCTS and the Crown Prosecution Service (CPS) are developing a 'common platform' as a case management system for use by both organisations. This is being delivered using an agile methodology developing and testing functionality incrementally. The initial pilot tested the pre-charge functionality for CPS, which included building interfaces to link back into legacy systems. After a successful pilot, the programme reviewed the delivery approach and concluded that greater certainty was needed of CPS requirements prior to development and that all the CPS functionality should be launched together, to reduce the complexity of interaction with the existing systems. CPS therefore undertook a full review of their processes and completed the design work for Digital Case File (a joint CPS and Police initiative). This changed their detailed requirements meaning that elements of the functionality developed for the pilot, (as well as the interfaces) are not re-usable, leading to an £18.35 million impairment (constructive loss) of common platform assets in relation to functionality designed for use by the CPS.

Special payments:	2020-21		2019-20	
	Number of cases	£000	Number of cases	£000
Compensation payment	68	525	71	565
Ex gratia	2,439	6,424	5,673	1,680
Extra-contractual payments	349	7,111	277	30
Extra-statutory and extra-regulatory payments	-	-	-	-
Special severance payments	-	-	-	-
Loans	-	-	-	-
Gifts	-	-	-	-
Total special payments	2,856	14,060	6,021	2,275

Ex gratia payments include a £5.3 million out of court settlement with a supplier in relation to a dispute over a procurement contract.

Extra-contractual payments include £7 million pension liability for non-legal tribunal members (NLM). In 2016, several NLM complained to the Pensions Regulator that MoJ had failed to auto-enrol them into a workplace pension scheme. Their claim was that they were workers for the purposes of the Pensions Act 2008 and, having no other judicial pension provision, were eligible for auto-enrolment. Following litigation in *Gilham v MoJ*, HMCTS agreed the need to retrospectively auto-enrol a group of non-legal tribunal members into a workplace pension scheme. Exceptionally, this involves payment of backdated employee contributions.

Charitable donations

HMCTS made charitable donations totalling £25,000 in 2020-21 (2019-20: 10,000). 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 Government Financial Reporting Manual. HMCTS covers the following business areas: civil and family courts, tribunal and criminal courts. HMCTS collects and reports upon fee charges that have been set by MoJ 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). 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 below shows the operating expenditure of those jurisdictions which are funded by fee income (after remissions) and the extent to which fee income funds them.

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

On 26 July 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. To date HMCTS has refunded a total of £18.6 million in respect of fees and interest. During 2020-21 £0.4 million of fees were refunded including interest and accruals.

In November 2017 MoJ undertook a review of other fees for courts and tribunal proceedings charged by HMCTS. MoJ identified that in some cases fees have been incorrectly charged, and that some fees had inadvertently been set above cost without the legal authority to do so. In July 2018 a Written Ministerial Statement announced that a refund scheme will be established to reimburse people the amounts they have been over-charged. Our current estimate of the total value of the refunds likely to be claimed is £57.6 million.

The movements in the provisions and refunds are shown separately in the table below. More details about income, provisions and contingent liabilities can be found in notes 8, 17.3 and 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	176,914	(17,431)	159,483	(325,987)	(166,504)
Civil	458,862	(60,023)	398,839	(539,526)	(140,687)
Total civil business	635,776	(77,454)	558,322	(865,513)	(307,191)
Tribunal business					
Immigration and asylum	3,486	(711)	2,775	(89,899)	(87,124)
Other tribunals	1,114	(28)	1,086	(15,213)	(14,127)
Total tribunal business	4,600	(739)	3,861	(105,112)	(101,251)
Employment tribunals refunds	-	-	(384)	-	(384)
Other fee refunds	-	-	(20)	-	(20)
Movement in fee refunds provision	-	-	1,423	-	1,423
2020-21 total HMCTS business	640,376	(78,193)	563,202	(970,625)	(407,423)
2019-20 total HMCTS business	816,882	(92,714)	724,775	(921,415)	(196,640)

Kevin Sadler

Acting Chief Executive and Accounting Officer

12 July 2021

Section 3: External scrutiny

3.1 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 the HM Courts and Tribunals Service Agency (HMCTS) for the year ended 31 March 2021 under the Government Resources and Accounts Act 2000. The financial statements comprise: HMCTS's 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. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted by HM Treasury's Government Financial Reporting Manual.

I have also audited the information in the Accountability Report 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 HMCTS's affairs as at 31 March 2021 and of HMCTS's net operating expenditure for the year then ended; and
- 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 income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law 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 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of HMCTS in accordance with the ethical requirements that are relevant to my audit of 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.



Conclusions relating to going concern

In auditing the financial statements, I have concluded that HMCTS's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on HMCTS's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for HMCTS is adopted in consideration of the requirements set out in HM Treasury's Government Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Annual Report but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of HMCTS and its environment obtained in the course of the audit, I have not identified material misstatements in the performance and Accountability Report. I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made; 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.

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 in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Chief Executive as Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the HMCTS's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Executive as Accounting Officer anticipates that the services provided by HMCTS will not continue to be provided in the future.

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.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the Government Internal Audit Agency and those charged with governance, including obtaining and reviewing supporting documentation relating to HMCTS's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including HMCTS's controls relating to the Government Resources and Accounts Act 2000, Managing Public Money and the relevant pieces of legislation stipulating Court and Tribunal fees;
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals and potential bias in accounting estimates.

- obtaining an understanding of HMCTS's framework of authority as well as other legal and regulatory frameworks that HMCTS operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of HMCTS. The key laws and regulations I considered in this context included the Government Resources and Accounts Act 2000, Managing Public Money, General Data Protection Regulation, Employment Law, tax legislation and the relevant pieces of legislation stipulating Court and Tribunal fees; and
- using analytical procedures to identify any unusual or unexpected relationships and transactions.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the Audit and Risk Committee concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

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

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.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

14 July 2021

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

Section 4: Our expenditure

4.1 Accounts

Statement of comprehensive net expenditure for the period ended 31 March 2021

	Notes	2020-21 £000	2019-20 £000
Operating income	8	(625,263)	(818,776)
Total operating income		(625,263)	(818,776)
Staff costs	3	625,064	576,242
Judiciary costs	3	573,685	586,697
Purchase of goods and services	4	691,239	670,724
Depreciation and impairment charges	5	208,579	137,910
Other non-cash expenditure	6	84,601	74,225
Total operating expenditure		2,183,168	2,045,798
Net operating expenditure		1,557,905	1,227,022
Finance costs	7	8,833	10,399
Net expenditure for the year		1,566,738	1,237,421

Other comprehensive expenditure

	Notes	2020-21 £000	2019-20 £000
Net costs		1,566,738	1,237,421
Net (gain)/loss on revaluation of property and equipment		66,187	(139,118)
Net (gain) on revaluation of intangible assets		(1,932)	(325)
Actuarial loss on pension scheme liabilities	17.2	59	93
Total comprehensive expenditure		1,631,052	1,098,071

The gains or losses on revaluation of property and equipment arises mainly from valuation activity carried out annually by the Valuation Office Agency across our estate, as well the as application of indices and desktop valuations.

The notes on pages 67 to 94 form part of these accounts.

Statement of financial position as at 31 March 2021

	Notes	2020-21 £000	Restated 2019-20 £000
Non-current assets			
Property and equipment	9	3,510,590	3,549,000
Intangible assets	11	458,632	398,368
Trade and other receivables	13	2,943	548
Total non-current assets		3,972,165	3,947,916
Current assets			
Assets held for sale	10	606	7,346
Trade and other receivables	13	98,554	136,591
Cash and cash equivalents	14	45,545	17,235
Total current assets		144,705	161,172
Total assets		4,116,870	4,109,088
Current liabilities			
Trade and other payables	15	(416,647)	(362,578)
Financial liabilities	15.1	(12,601)	(11,883)
Provisions for liabilities and charges	17	(61,890)	(62,811)
Total current liabilities		(491,138)	(437,272)
Total assets less current liabilities		3,625,732	3,671,816
Non-current liabilities			
Trade and other payables	15	(25,642)	(37,986)
Financial liabilities	15.1	(176,792)	(183,749)
Provisions for liabilities and charges	17	(140,966)	(138,670)
Total non-current liabilities		(343,400)	(360,405)
Total assets less total liabilities		3,282,332	3,311,411
Taxpayers' equity			
General fund		2,196,678	2,106,397
Revaluation reserve		1,085,654	1,205,014
Total taxpayers' equity		3,282,332	3,311,411

Kevin Sadler

Chief Executive and Accounting Officer

12 July 2021

The notes on pages 67 to 94 form part of these accounts. Details of the restatement are in note 15.

Statement of cash flows for the period ended 31 March 2021

	Notes	2020-21 £000	2019-20 £000
Cash flows from operating activities			
Net expenditure for the year		(1,566,738)	(1,237,421)
Adjustments for notional and non-cash costs	16	447,287	363,722
Adjustments for finance costs	7	8,833	10,399
(Increase) in trade and other receivables		(105,466)	(121,289)
Increase in trade and other payables		153,979	82,370
Utilisation of provisions	17	(5,215)	(5,853)
Net cash outflow from operating activities		(1,067,320)	(908,072)
Cash flows from investing activities			
Purchases of property and equipment	16.1	(200,975)	(79,549)
Proceeds from disposal of property and equipment and assets held for sale		16,741	70,803
Purchases of intangible assets	11	(106,117)	(104,803)
Net cash outflow from investing activities		(290,351)	(113,549)
Cash flow from financing activities			
Funding from MoJ		1,402,000	1,031,000
Capital element of Private Finance Initiative (PFI) contracts		(8,925)	(8,925)
Capital element of finance leases		(90)	(113)
Repayments of local authority loans		(1,129)	(1,547)
Interest paid		(5,875)	(6,396)
Net cash inflow from financing activities		1,385,981	1,041,019
Net increase/(decrease) in cash and cash equivalents in the period	14	28,310	(7,602)
Cash and cash equivalents as at the beginning of the period	14	17,235	24,837
Cash and cash equivalents as of the end of the period	14	45,545	17,235

The notes on pages 67 to 94 form part of these accounts.

Section 4: Our Expenditure

Statement of changes in taxpayers' equity for the period ended 31 March 2021

	Notes	General fund £000	Revaluation reserve £000	Total £000
Balance as at 31 March 2019		2,041,055	1,126,945	3,168,000
Funding from MoJ		1,031,000	-	1,031,000
Intercompany settlement with MoJ		(30,711)	-	(30,711)
Net operating expenditure		(1,237,421)	-	(1,237,421)
Notional expenditure:				
Consolidated fund judicial salaries	16	152,786	-	152,786
External auditors' remuneration	16	310	-	310
Intra-departmental recharges	16	88,416	-	88,416
Revaluation of property and equipment		-	139,118	139,118
Revaluation of intangible assets		-	325	325
Reclassification from revaluation reserve		61,374	(61,374)	-
Actuarial gain on pension scheme liabilities	17.2	(93)	-	(93)
Other transfers to reserves		(319)	-	(319)
Restated balance as at 31 March 2020		2,106,397	1,205,014	3,311,411
Funding from MoJ		1,402,000	-	1,402,000
Intercompany settlement with MoJ		(38,367)	-	(38,367)
Net operating expenditure		(1,566,738)	-	(1,566,738)
Notional expenditure:				
Consolidated fund judicial salaries		155,693	-	155,693
External auditors' remuneration	16	310	-	310
Intra-departmental recharges	16	82,337	-	82,337
Revaluation of property and equipment		-	(66,187)	(66,187)
Revaluation of intangible assets		-	1,932	1,932
Reclassification from revaluation reserve		55,105	(55,105)	-
Actuarial loss on pension scheme liabilities	17.2	(59)	-	(59)
Other transfers to reserves		-	-	-
Balance as at 31 March 2021		2,196,678	1,085,654	3,282,332

The notes on pages 67 to 94 form part of these accounts.

4.2 Notes to the accounts for period ended 31 March 2021

1. Statement of accounting policies

These accounts have been prepared in accordance with the Government Financial Reporting Manual (FReM) 2020-21 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 our particular circumstances for the purpose of giving a true and fair view has been selected. The particular policies we adopt are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Basis of preparation

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

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

1.2 Changes in accounting policy and disclosures

a) Changes in accounting policies and new and amended standards adopted

There have been no changes in accounting policies for the period ended 31 March 2021 and there have been no new or amended standards adopted in the financial year beginning 1 April 2020.

b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2020 and not early adopted.

IFRS 16 Leases

HMCTS has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below.

IFRS 16 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 is of low value. The assets, to be described as "right of use" assets, will be presented under Property, Plant and Equipment. Under the FReM, the standard is effective from 1 April 2022, with the option to early adopt. HMCTS will early adopt IFRS 16 in the financial year commencing 1 April 2021.

IFRS 16 will be implemented using the cumulative catch-up method; as a result, comparatives will not be restated. On the date of transition to IFRS 16, HMCTS will recognise a lease liability and a right-of-use asset.

The lease liability will be measured at the value of the remaining lease payments, discounted either by the interest rate implicit in the lease, or where this is not readily determinable, the incremental rate of borrowing advised by HM Treasury. Where the lease includes extension or termination options, the lease payments will be for the non-cancellable period together with any extension options HMCTS is reasonably certain to exercise and any termination options HMCTS is reasonably certain not to exercise.

The right-of-use asset will initially be measured at the value of the lease liability, adjusted for: any lease payments made before the commencement date; any lease incentives received; any incremental costs of obtaining the lease; and any costs of removing the asset and restoring the site at the end of the lease. As a practical expedient for existing operating leases recognised on transition, the latter two elements will not be included in the asset value.

Where the lease requires nil or nominal consideration (usually referred to as a 'peppercorn' lease), the asset will instead be measured at its existing use value, with the difference between the carrying amount of the right-of-use asset and lease liability treated as notional income (or on transition, a credit to the General Fund).

HMCTS occupies three court buildings owned by Corporation of London at nil consideration under statutory arrangements. These arrangements did not constitute leases under the previous standard but have been assessed as leases under IFRS 16. The assets will be recognised at their fair value at the transition date. This has yet to be finalised, pending a full valuation of these buildings in 2021-22. An estimate of this fair value has been included in the increase in assets described below but is therefore subject to change.

See Note 1.11 for details of HMCTS's current leases policy. Those leases currently recognised as operating leases will be converted to right of use assets and liabilities on transition to IFRS 16, with those currently recognised as finance leases transferring at their existing values.

For the material arrangements within the scope of IFRS 16, the impact of implementation is currently considered to be an increase in assets and liabilities of approximately £1.09 billion and £1.14 billion respectively.

The standard is expected to increase total expenditure in 2021-22 by approximately £19.1 million, comprising an increase of £100.1 million in depreciation and interest costs, offset by a reduction of £81.0 million in operating lease rental expenses.

IFRS 17 Insurance Contracts requires a discounted cash flow approach to accounting for insurance contracts. Subject to UK adoption, it may come into effect for accounting periods commencing on, or after, 1 January 2023 and should be included in the 2023-24 FReM at the earliest. To assess the impact of the standard, we are reviewing contracts which meet the definition of insurance contracts.

We do not consider that any other new, or revised standard, or interpretation will have a material impact.

1.3 Operating income

The Agency's model of income recognition aligns our revenue recognition policy to IFRS 15, which requires that, when applying income recognition policies, legislation and regulations which enable an entity to receive cash or another financial asset from another entity should be assessed for performance obligations, to match revenue to the performance obligation.

The majority of fees paid to us are for an application to commence the administration of a process or, to a lesser extent a court process, or for a particular stage of the administration of the court process. The payment of a fee does not convey the right to a decision, or a particular outcome from the court, nor does it set out the timescale or process which will be followed by the court or tribunal, which is at the discretion of the judge. It is a fundamental principle of an independent judiciary that judges do not hold performance obligations to individuals or organisations in relation to court and tribunal activities.

The power to charge fees is conferred by Section 92 of The Courts Acts 2003, and the power to charge enhanced fees is conferred by Section 180 of The Anti-Social Behaviour Crime and Policing Act 2014. This is the legislation against which we assess our performance obligations. This legislation also provides for Statutory Instruments to set out a price list for the fees to be charged, listed in Annex A. These Statutory Instruments, determined in the FReM adaption as contracts under IFRS 15, are interpreted as the performance obligations on us in respect of the individual fees charged. This does not place a performance obligation on the judiciary.

Therefore, the income policy we adopt recognises that in the administration of the courts system, the Agency, whose role is to support the judiciary in their administration of justice, bears a responsibility to applicants to ensure their application is progressed upon receipt of the correct fee. In recognition of this obligation, we defer most of our revenue until the issue of an application is completed, or any other obligations are completed that are required as part of the Statutory Instrument.

Civil fees (see page 58) make up most of our income and can be disaggregated into broad jurisdictional categories. Within each category, there are three significant common performance recognition points: issue, hearing and enforcement.

These performance obligations are set out in the Statutory Instruments as described in Annex A.

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:

- a) Salaries and social security costs of senior judges funded from the Consolidated Fund
- b) NAO's remuneration for the audits of our accounts and Trust Statement
- c) Our 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 us 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.

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 us when the associated project is complete.

Subsequent valuation method

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

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

Criminal courts are mostly classified as specialised buildings which cannot be sold on the open market. Specialised properties are valued on depreciated replacement cost (DRC) to a modern equivalent basis in accordance with the FReM, taking into account the functional obsolescence of the property. Leasehold improvements are recognised at fair value 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 we can access the market, then the surplus asset is valued at fair value in accordance with IFRS 13.

In determining whether an asset which is not in use is surplus, we have 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 use 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.

HMCTS utilise an Agile development approach for capitalisation of assets developed by the Reform Programme. For each component, amortisation will begin when the component is brought into its intended use (eg when the minimum viable product is launched nationally). However, if a component is entirely dependent on the completion of other elements of functionality, amortisation shall begin when both that component and the other functions upon which it is dependent are ready for their intended use.

Purchased software licenses are recognised as assets when it is probable that future service potential will flow to us 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.

With effect from 1 April 2020, there was a reduction in the capitalisation threshold for Intangible assets (including software projects) from £1 million to £250,000 (including irrecoverable VAT). This change was required to provide consistency in accounting treatment across larger entities within MoJ, thus providing more relevant information about the effects of transactions and enabling the reader to make consistent comparisons. This has been applied prospectively and consequently, HMCTS has reported £500,000 of additional capital spend in 2020-21 that would not have been previously capitalised; this is one project, with a projected total spend of £900,000.

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 us when the associated project is complete.

Subsequent to initial recognition, intangible assets are measured at fair value. As no active market exists for our intangible assets, 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, we assess 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 we review 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 we retain 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 we are 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. We define 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.

We recognise 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

We hold 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 our activities 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 we have:

- 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 us 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. We recognise 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, we recognise the contributions payable for the year.

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

1.19 Critical accounting estimates and judgements

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

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

Valuation of property and equipment

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

Land, buildings and dwellings are shown at fair value based on professional valuations performed at 31 March each year by the Valuation Office Agency, who are independent of the Department, in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual. This year, all land, buildings and dwellings were valued on a desktop basis, except for six properties that had significant complex capital works completed. The majority of operational buildings are specialised and are therefore valued at DRC to a modern equivalent basis. This modern equivalent is assumed to be in the same location with the same internal area as the existing property. The split of property value on 31 March 2021 by valuation basis is detailed in note 9. All other buildings are measured at fair value determined from market-based evidence. All assets other than land and buildings and assets under construction are revalued at each reporting date using the Producer Price Index prepared by the ONS.

Deferred Income

Civil, family and hearing fees are received in advance and are deferred until the performance obligation is met to recognise the income. The year-end deferred income balance is calculated using performance data from the HMCTS Performance database. Deferred income represents fees received where the performance obligations for recognising income under IFRS15 has not been met.

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 2020-21 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 our Courts and Tribunals Reform Programme.

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 (2019-20: nil).

The following table presents the net expenditure for the year by reportable operating Segments for the period ended 31 March 2021:

	2020-21			2019-20		
	Business as usual £000	Change and reform £000	Total £000	Business as usual £000	Change and reform £000	Total £000
Operating income	(625,183)	(80)	(625,263)	(818,575)	(201)	(818,776)
Total operating income	(625,183)	(80)	(625,263)	(818,575)	(201)	(818,776)
Staff costs	587,377	37,687	625,064	538,743	37,499	576,242
Judiciary costs	573,648	37	573,685	586,697	-	586,697
Purchase of goods and services	682,142	9,097	691,239	645,151	25,573	670,724
Depreciation and impairment charges	208,579	-	208,579	137,910	-	137,910
Other non-cash expenditure	91,372	(6,771)	84,601	97,247	(23,022)	74,225
Total operating expenditure	2,143,118	40,050	2,183,168	2,005,748	40,050	2,045,798
Net operating expenditure	1,517,935	39,970	1,557,905	1,187,173	39,849	1,227,022
Finance costs	8,833	-	8,833	10,399	-	10,399
Net expenditure for the year	1,526,768	39,970	1,566,738	1,197,572	39,849	1,237,421

3. Staff and judiciary costs and numbers

Staff costs comprise:

	2020-21 £000	2019-20 £000
Wages and salaries	397,093	369,050
Social security costs	36,079	33,894
Employer's pension contributions	100,477	93,884
Agency staff costs	91,010	78,421
Voluntary early departures	-	386
	624,659	575,635
Add: inward secondments	482	703
	625,141	576,338
Less: recoveries in respect of outward secondments	(77)	(96)
Total staff costs	625,064	576,242

Further information on staff costs and numbers can be found in the "our people" section of the annual report on pages 49 to 56.

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 us for other judiciary. All costs are included within our 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.

	2020-21				2019-20			
	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	139,228	114,081	107,460	360,769	135,178	114,384	127,013	376,575
Social security costs	18,565	14,737	10,771	44,073	18,208	14,734	13,012	45,954
Employer's pensions contribution	69,386	56,383	43,074	168,843	68,001	51,609	44,558	164,168
Total payroll costs of the judiciary	227,179	185,201	161,305	573,685	221,387	180,727	184,583	586,697

3.2 Average number of judiciary

The amounts above include salary costs for an average 925 (2019-20: 878) judicial officers ("Other Judiciary") and fees for 941 full-time equivalent fee paid judiciary (2019-20: 1,170). The salary costs of a further 921 members (2019-20: 924 members) of the senior judiciary were met from the Consolidated Fund (see Note 16).

Judicial Pension Scheme (JPS)

The JPS is an unfunded multi-employer defined benefit scheme which prepares its own Accounts, but for which we are unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2016. 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 51.35%. 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, we account for the scheme as a defined contribution scheme and recognise 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, we account for employer contributions payable to the JPS for eligible fee paid judicial office holders as they are incurred but do 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

	2020-21 £000	Restated 2019-20 £000
Lease / other service concession charges:		
Rentals under operating leases	88,083	87,363
PFI service charges	30,133	28,280
Other service concession charges	(104)	(100)
Other services:		
Accommodation, maintenance and utilities	307,806	265,331
IT Services	156,042	132,046
Juror costs	12,900	31,054
Communications, office supplies and services	33,633	32,948
Contracted service costs	29,653	34,380
Consultancy costs	4,280	7,791
Non-pay staff costs	9,155	16,799
Non-pay judicial costs	3,657	15,858
Magistrates' costs	3,585	9,523
Bank charges	3,216	3,983
Other costs	9,175	5,458
Other grants	25	10
Total purchase of goods and services	691,239	670,724

In 2020-21 costs have been recategorised within the purchase of goods and services. The 2019-20 figures have been restated to reflect the updated categories. There has been no impact on the 2019-20 total.

5. Depreciation and impairment charges

	2020-21 £000	2019-20 £000
Depreciation of property and equipment	134,242	131,795
Amortisation of intangible assets	35,193	19,069
Impairment of property and equipment	25,173	10,411
Impairment (reversal) of property and equipment	(5,361)	(22,954)
Impairment of intangible assets	18,349	-
Impairment of assets held for sale	303	83
Impairment (reversal) of capital receivable	-	-
Increase in receivables impairment	680	(494)
Total depreciation and impairment charges	208,579	137,910

6. Other non-cash expenditure

	2020-21	2019-20
	£000	£000
Intra-departmental recharges	82,337	88,416
Increase in provisions	5,533	7,013
Straight-lining of operating lease payments	2,776	1,508
Net (gain) on disposal of non-current assets	(6,355)	(23,022)
External auditors' remuneration	310	310
Total other non-cash expenditure	84,601	74,225

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 we did not purchase any non-audit services. The cost comprises £200,000 (2019-20: £200,000) for the audit of the HMCTS Annual Report and Accounts and £110,000 (2019-20: £110,000) for the audit of the HMCTS Trust Statement.

7. Finance costs

	2020-21	2019-20
	£000	£000
Finance charge on pension transfer deficit payable	565	1,712
Interest on by-analogy pension scheme liability	27	44
Unwinding of discount on provisions	2,366	2,247
Total non-cash finance costs	2,958	4,003
Local authority loan interest	938	923
Finance charges on PFI and leased assets	4,937	5,473
Total cash finance costs	5,875	6,396
Total finance costs	8,833	10,399

8. Operating income

	2020-21	2019-20
	£000	£000
Gross fee income	562,183	724,173
Movement provisions for fee refund schemes	1,423	1,261
Refunds and interest paid under refund schemes	(404)	(659)
Total fee income	563,202	724,775
Recoveries from other government bodies	59,068	90,979
Miscellaneous income	2,993	3,022
Total operating income	625,263	818,776

Information on fee income can be found in the Parliamentary accountability report on page 58.

8.1 Fee refund schemes

The £1.4 million movement in fee refund scheme provisions represents reversals of the Council Tax Liability Order provisions. This is due to us being able to accurately calculate the total liabilities outstanding and adjusting the CTLO provision accordingly.

£0.4 million refunds are in relation to Employment Tribunal fees.

Please see Notes 17.3 and 22 for further details about the provisions and contingent liabilities for fee refund schemes.

8.2 Operating income payables and receivables

	Income	Receivables	Contract assets	Deferred income
	£000	£000	£000	£000
DWP	8,959	196	2,074	-
HMRC	38,582	844	-	-

We receive funding from DWP and HMRC in respect of the operations of the First Tier Tribunal (Social Security and Child Support). In 2020-21 we received a budget transfer of £23.5 million (via expenditure) from DWP which is reflected in the lower figure in the "Recoveries from other government bodies" line. The net decrease of £8.5 million (2019-20 £41 million; 2020-21 £32.5 million including the budget transfer) is due to lower volume of work through SSCS in 2020-21 than in 2019-20.

8.3 Consolidated Fund income

Total income does not include amounts collected by us 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	Buildings excluding dwellings	Dwellings	Information technology	Equipment	Furniture, fixtures and fittings	Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2020	618,572	2,776,169	17,371	72,553	64,673	15,166	103,977	3,668,481
Additions	4,392	19,639	-	150	690	(55)	165,173	189,989
Disposals	-	-	-	-	(1,183)	-	-	(1,183)
Scrap PE	-	-	-	2	(876)	(1)	(948)	(1,823)
Impairment	(1,512)	(23,661)	-	-	-	-	-	(25,173)
Revaluation	5,524	(191,004)	353	2,426	(4,416)	40	-	(187,077)
Reclassification	(1,889)	63,760	-	4,655	486	-	(73,970)	(6,958)
Transfers from MoJ	-	-	-	-	-	-	-	0
At 31 March 2021	625,087	2,644,903	17,724	79,786	59,374	15,150	194,232	3,636,256
Depreciation								
At 1 April 2020	-	1	-	(50,318)	(56,336)	(12,828)	-	(119,481)
Charged in year	(592)	(123,186)	(310)	(6,737)	(2,942)	(475)	-	(134,242)
Disposals	-	-	-	-	982	-	-	982
Scrap PE	-	-	-	-	824	-	-	824
Impairment	-	-	-	-	-	-	-	-
Revaluations	592	123,183	311	(1,789)	3,990	(36)	-	126,251
Reclassification	-	-	-	-	-	-	-	-
Transfers from MoJ	-	-	-	-	-	-	-	-
At 31 March 2021	-	(2)	1	(58,844)	(53,482)	(13,339)	-	(125,666)
Carrying amount at 31 March 2021	625,087	2,644,901	17,725	20,942	5,892	1,811	194,232	3,510,590
Carrying amount at 31 March 2020	618,572	2,776,170	17,371	22,235	8,337	2,338	103,977	3,549,000
Asset financing:								
Owned	547,201	2,123,959	13,370	20,942	5,892	1,811	194,232	2,907,407
Finance leased	57,550	315,386	4,355	-	-	-	-	377,291
On-balance sheet PFI contracts	20,336	205,556	-	-	-	-	-	225,892
Carrying amount at 31 March 2021	625,087	2,644,901	17,725	20,942	5,892	1,811	194,232	3,510,590

Section 4: Our Expenditure

9 Property and equipment (continued)

	Land excluding dwellings	Buildings excluding dwellings	Dwellings	Information technology	Equipment	Furniture, fixtures and fittings	Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2019	629,078	2,723,481	16,981	63,772	68,504	14,413	97,168	3,613,397
Additions	2,304	5,341	-	480	1,022	1,481	71,374	82,002
Disposals	(1,832)	(40)	-	-	(687)	-	-	(2,559)
Scrap PE	-	(662)	-	(296)	(7,727)	(566)	(79)	(9,330)
Impairment	(2,629)	(7,782)	-	-	-	-	-	(10,411)
Revaluation	17,644	23,628	390	472	1,265	(162)	-	43,237
Reclassification	(25,993)	32,203	-	8,175	2,296	-	(64,486)	(47,805)
Transfers from MoJ	-	-	-	(50)	-	-	-	(50)
At 31 March 2020	618,572	2,776,169	17,371	72,553	64,673	15,166	103,977	3,668,481
Depreciation								
At 1 April 2019	-	-	-	(41,997)	(59,911)	(12,891)	-	(114,799)
Charged in year	(575)	(118,635)	(304)	(8,411)	(3,231)	(639)	-	(131,795)
Disposals	-	40	-	-	576	-	-	616
Scrap PE	-	49	-	267	7,355	550	-	8,221
Impairment	-	-	-	-	-	-	-	-
Revaluations	575	119,254	304	(325)	(1,125)	152	-	118,835
Reclassifications	-	(707)	-	148	-	-	-	(559)
Transfers from MoJ	-	-	-	-	-	-	-	-
At 31 March 2020	-	1	-	(50,318)	(56,336)	(12,828)	-	(119,481)
Carrying amount at 31 March 2020	618,572	2,776,170	17,371	22,235	8,337	2,338	103,977	3,549,000
Carrying amount at 31 March 2019	629,078	2,723,481	16,981	21,775	8,593	1,522	97,168	3,498,598
Asset financing:								
Owned	540,835	2,232,189	12,999	22,235	8,337	2,338	103,977	2,922,910
Finance leased	57,530	329,933	4,372	-	-	-	-	391,835
On-balance sheet PFI contracts	20,207	214,048	-	-	-	-	-	234,255
Carrying amount at 31 March 2019	618,572	2,776,170	17,371	22,235	8,337	2,338	103,977	3,549,000

Land excluding dwellings and buildings excluding dwellings includes surplus assets with a net book value of £7.4 million (2019-20: £7.8 million)

Per note 1.19 the split of property value at 31 March 2021, by valuation basis is demonstrated in the below table.

HMCTS Property values at 31 March 2021	£000's
Property values at DRC	3,143,073
Property values at EUV	34,201
Total	3,177,274

The following asset groups are not valued using DRC or EUV therefore are not reported in the above numbers: Leasehold Improvements (£102.7 million) and properties classified as Surplus (£7.6 million).

10. Assets held for sale

	Notes	2020-21 £000	2019-20 £000
As at 1 April 2020		7,346	3,002
Assets reclassified to held for sale from Property and equipment		2,413	48,852
Increase in fair value of assets held for sale	5	(303)	(83)
Disposals		(8,850)	(44,425)
As at 31 March 2021		606	7,346

As part of an ongoing court rationalisation review, we have 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 £6.4 million (2019-20: £23 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 2020	219,616	8,044	345,063	572,723
Additions	-	-	106,117	106,117
Disposals	-	-	-	-
Scrap IA	-	-	(145)	(145)
Impairment	-	-	(18,349)	(18,349)
Revaluation	7,781	253	-	8,034
Reclassifications	107,852	24	(103,331)	4,545
Transfers from the MoJ	-	-	1,357	1,357
At 31 March 2021	335,249	8,321	330,712	674,282
Amortisation				
At 1 April 2020	(169,514)	(4,841)	-	(174,355)
Charged in year	(33,576)	(1,617)	-	(35,193)
Disposals	-	-	-	-
Revaluation	(5,900)	(202)	-	(6,102)
Reclassification	-	-	-	-
Transfers from the MoJ	-	-	-	-
At 31 March 2021	(208,990)	(6,660)	-	(215,650)
Carrying amount at 31 March 2021	126,259	1,661	330,712	458,632
Carrying amount at 31 March 2020	50,102	3,203	345,063	398,368

All intangible assets are owned by us. The largest 5 assets under construction added in year are User Interface (£23.7 million), Integrated Service Centre solution (£15 million), Family Public Law (£9 million), Video Hearings service (£8.6 million), Core Case data (£8.5 million).

	Information technology £000	Software licences £000	Assets under construction £000	Total £000
Cost or valuation				
At 1 April 2019	209,972	8,016	249,013	467,001
Additions	682	-	104,121	104,803
Disposals	-	-	-	-
Scrap IA	-	(24)	(18)	(42)
Impairment	-	-	-	-
Revaluations	1,397	52	-	1,449
Reclassifications	7,565	-	(8,053)	(488)
Transfers from the Moj	-	-	-	-
At 31 March 2020	219,616	8,044	345,063	572,723
Amortisation				
At 1 April 2019	(150,952)	(3,210)	-	(154,162)
Charged in year	(17,469)	(1,600)	-	(19,069)
Disposals	-	-	-	-
Revaluation	(1,093)	(31)	-	(1,124)
Reclassification	-	-	-	-
Transfers from the Moj	-	-	-	-
At 31 March 2020	(169,514)	(4,841)	-	(174,355)
Carrying amount at 31 March 2020	50,102	3,203	345,063	398,368
Carrying amount at 31 March 2019	59,020	4,806	249,013	312,839

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 we are funded via the Ministry of Justice, we are 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. We have no powers to borrow or invest surplus funds. Our financial assets and liabilities arise from day-to-day operational activities and are not held to hedge risks arising from these activities. We are therefore not exposed to significant liquidity, interest rate or foreign currency risk.

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

Credit risk associated with our 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 our financial assets and liabilities as at 31 March 2021 and 31 March 2020 approximate their book values.

13. Trade and other receivables

Amounts falling due within one year:

	2020-21	2019-20
	£000	£000
Trade receivables	15,322	18,961
Other receivables:		
VAT recoverable	15,174	16,674
Intra-departmental receivables	24,957	54,234
Prepayments and accrued income	35,551	39,499
Other receivables	7,550	7,223
Total amounts falling due within one year	98,554	136,591

Amounts falling due after more than one year:

	2020-21	2019-20
	£000	£000
Other receivables	2,943	548
Prepayments	-	-
Total amounts falling due after more than one year	2,943	548

14. Cash and cash equivalents

Cash and cash equivalents recorded in the statement of financial position 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

	2020-21 £000	2019-20 £000
As of the beginning of the period	17,235	24,837
Net increase/(decrease) in cash balances	28,310	(7,602)
As at the end of the period	45,545	17,235

The following balances as at 31 March held at:

Government Banking Service	45,481	17,173
Cash in hand	61	59
Imprests	3	3
Total cash and cash equivalents	45,545	17,235

15. Trade and other payables

Amounts falling due within one year:

	2020-21 £000	Restated 2019-20 £000
Taxation and social security	17,534	17,138
Trade payables	24,563	26,807
Other payables	25,805	25,150
Intra-departmental payables	81,886	88,178
Accruals and deferred income	229,066	150,006
Deferred fee income	26,012	22,612
Cash balances payable to other government departments	-	-
Current part of payable for pension transfer deficit	11,781	32,687
Total amounts falling due within one year	416,647	362,578

Amounts falling due after more than one year:

	2020-21 £000	Restated 2019-20 £000
Local Authority loan balances	21,574	22,703
Payable for pension transfer deficit	4,068	15,283
Total amounts falling due after more than one year	25,642	37,986

The 2019-20 figures have been restated to take account of an adjustment in the amounts due for Local Authority loan balances between those due within one year and those over one year. There has been no impact on the 2019-20 total.

15.1 Financial liabilities

Amounts falling due within one year:

	2020-21	2019-20
	£000	£000
Lease incentive payable	1,613	572
Straight lining payable	1,925	2,271
Finance leases	137	114
Imputed finance lease element of on balance sheet PFI contracts	8,926	8,926
Total amounts falling due within one year	12,601	11,883

Amounts falling due after more than one year:

	2020-21	2019-20
	£000	£000
Lease incentive payable	13,346	13,882
Straight lining payable	95,050	92,433
Finance leases	8,639	8,752
Imputed finance lease element of on balance sheet PFI contracts	59,757	68,682
Total amounts falling due after more than one year	176,792	183,749

16. Notes to the statement of cash flows

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

	2020-21	2019-20
	£000	£000
Notional costs		
Consolidated Fund judicial salaries - wages and salaries	136,937	134,368
Consolidated Fund judicial salaries - social security costs	18,565	18,208
External auditor's remuneration	310	310
Departmental recharge	82,337	88,416
Total notional costs	238,149	241,302
Non-cash costs		
(Profit) on disposal of property and equipment	(6,355)	(23,022)
(Increase) in fair value of property and equipment	(5,361)	(22,954)
Impairment of property and equipment	25,173	10,411
Impairment of intangible assets	18,349	-
Reduction in fair value of Assets Held for Sale	303	83
Straight-lining of operating lease payments	2,776	1,508
Movement in provisions	4,138	6,024
Movement in receivables impairment	680	(494)
Depreciation	134,242	131,795
Amortisation	35,193	19,069
Total non-cash costs	209,138	122,420
Total notional and non-cash costs	447,287	363,722

16.1 Reconciliation of property and equipment

		2020-21	2019-20
	Notes	£000	£000
Additions			
Property and equipment	9	189,989	82,002
Plus:			
Movement in capital accrual		10,986	(2,453)
Total purchases per statement of cash flows		200,975	79,549

16.2 Reconciliation of liabilities arising from financing activities 2020-21

	Notes	Opening balance 2020-21 £000	Cash flows 2020-21 £000	Closing balance 2020-21 £000
Repayments of local authority loans	15	22,703	(1,129)	21,574
Finance lease liabilities	15.1	8,866	(90)	8,776
PFI liabilities	15.1	77,608	(8,925)	68,683
Total amounts falling due within one year		109,177	(10,144)	99,033

17. Provision for liabilities and charges

	Early departure costs £000	By-analogy pension scheme £000	Dilapidations £000	Other provisions £000	Fee refunds £000	Total £000	2019-20 Total £000
Balance at 1 April 2020	85,483	1,573	24,261	31,136	59,028	201,481	198,926
Provided in the year	4,326	-	3,754	2,201	-	10,281	7,888
Provisions not required written back	-	-	(4,463)	(285)	(1,395)	(6,143)	(1,864)
Provisions utilised in the year	(4,472)	(172)	(270)	(273)	(28)	(5,215)	(5,853)
Unwinding of discount	2,366	86	-	-	-	2,452	2,384
Balance at 31 March 2021	87,703	1,487	23,282	32,779	57,605	202,856	201,481

Analysis of expected timings of discounted flows

Not later than one year	4,188	73	382	1,159	56,088	61,890	62,811
Later than one year but not later than five years	16,198	283	9,084	4,356	1,011	30,932	31,341
Later than five years	67,317	1,131	13,816	27,264	506	110,034	107,329
Balance at 31 March 2021	87,703	1,487	23,282	32,779	57,605	202,856	201,481

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

An interest rate, set by HM Treasury, of 2.22% (2019-20: 2.35%) has been used to assess the interest costs of the scheme liability and future estimated payments have been discounted at a rate of -0.95% (2019-20: -0.50%).

The provision was valued by GAD as at 31st March 2021.

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 scheme

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

The schemes' liabilities were valued by the Government Actuary's Department (GAD) as at 31 March 2021 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 loss on the scheme liabilities in 2020-21 was £59,000 (2019-20 was an actuarial loss of £93,000).

17.3 Fee refunds

Throughout the year HMCTS has developed and processed fee refunds for the following fees, the accounting for these fees is detailed in the table below.

Employment tribunals: Further to the July 2017 Supreme Court ruling HMCTS has continued to process these refunds. We identified £32.2 million in fees paid and to date have refunded £18.5 million including interest. We are not able to reliably estimate the probability that the remaining fees will be claimed and refunded, we have not created a provision but have recognised a contingent liability of £14 million.

In July 2018 The Court of Protection, Civil Proceedings and Magistrates Courts Fees (Amendment) Order 2018 became law. The statutory order reduced a small number of fees which were mistakenly set above cost. These changes affect fees charged for certain proceedings in the Court of Protection, particular fees relating to civil proceedings in the magistrates' courts (including Council Tax Liability Orders – CLTOs), fees for general applications in insolvency proceedings and the fees charged for High Court Judges sittings as arbitrators. The refund scheme applicable to these cases was launched by MoJ in January 2020.

The CTLO liability remained in the 2020-21 accounts as a provision due to uncertainty of timing to discharge the liability to each recipient.

Following an internal review of fees, it was determined that an incorrect fee for low value personal injury claims was charged, the error arose as a result of a single flat fee being charged for cases which should have been treated as money claims and had a sliding fee scale applied. This has resulted in an overcharge of £16.4 million for which a refund scheme was launched in October 2020.

The above are included in the accounts as follows:

Refund scheme	2020-21 Provision £000	2020-21 Contingent Labour £000	Total estimate of refund included in the 2020-21 accounts £000
Employment Tribunal	-	13,976	13,976
The Court of Protection, Civil Proceedings and Magistrates Courts Fees Order 2018:			
CLTOs	37,144	-	37,144
Other (COP, Insolvency, RCJ and other fees)	5,056	4,244	9,300
Personal injury claims (Dibbert)	15,405	995	16,400
Total	57,605	19,215	76,820

17.4 Other provisions

The 'other' category contains provisions totalling £6.2 million for claims against us, and a provision for an onerous lease of undeveloped land of £26.6 million.

17.5 Dilapidations

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

18. Capital commitments

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

	2020-21	2019-20
	£000	£000
Property developments	79,975	47,842
Intangible assets	30,194	55,368
Total capital commitments	110,169	103,210

19. Operating leases

We lease 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.

We also lease 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:

	2020-21			2019-20		
	Land and buildings	Other	Total	Land and buildings	Other	Total
	£000	£000	£000	£000	£000	£000
Not later than one year	89,301	424	89,725	87,497	446	87,943
Later than one year but not more than five years	304,712	588	305,300	294,240	662	294,902
Later than five years	872,820	-	872,820	868,839	-	868,839
Total commitments under operating leases	1,266,833	1,012	1,267,845	1,250,576	1,108	1,251,684

20. Finance leases

We lease 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 2021:

	2020-21	2019-20
	£000	£000
Not later than one year	700	684
Later than one year but not more than five years	2,965	2,897
Later than five years	14,297	15,042
Minimum future lease payments	17,962	18,623
Future interest expense	(9,186)	(9,757)
Total present value of obligations	8,776	8,866

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

	2020-21	2019-20
	£000	£000
Not later than one year	137	114
Later than one year but not more than five years	830	713
Later than five years	7,809	8,039
Total present value of obligations	8,776	8,866

We lease 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 (PFI)

We 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 us 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 us 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 we have 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 us 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 us at no cost.
Manchester Magistrates' Court	March 2001	25	On	32.9	Provision of serviced accommodation at Manchester Magistrates Court at Spinningfields in Manchester. The contract term can be extended by mutual agreement by up to ten years. At the end of the contract term the building shall revert to us at no cost.
Humberside Magistrates' Court	March 2000	25	On	21.6	Provision of serviced magistrates' courthouses in Hull, Beverley and Bridlington. On expiry, we have 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 us 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:

	2020-21	2019-20
	£000	£000
Rentals due not later than one year	12,757	13,292
Rentals due later than one year and not later than five years	43,214	47,695
Rentals due later than five years	31,725	40,000
Minimum future lease payments	87,696	100,987
Future interest expense	(19,013)	(23,379)
Present value of minimum lease payments	68,683	77,608

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

	2020-21	2019-20
	£000	£000
Service charge due within one year	30,133	28,863
Service charge due later than one year and not later than five years	111,932	114,970
Service charge due later than five years	81,062	95,843
Total	223,127	239,676

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 £30 million (2019-20: £28.2 million).

22. Contingent liabilities

Fee paid judicial office holder claims

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

The UK Supreme Court ruled on 6 February 2013 that the retired fee paid judicial office holder was entitled to a pension on terms equivalent to those applicable to salaried judicial office holder. This lead case set the precedent for other stayed cases, which in addition to pension entitlements, extended to non-pension entitlements relating to fee paid judicial office holders' employment terms and conditions. For example, holiday and sick pay, payments in respect of training and writing up fees, increases in daily fees and cancellation fees where bookings are not honoured. 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 (CJEU).

In November 2018, the CJEU ruled that, in calculating the pension the entitlement of eligible fee-paid judges, any continuous service prior to 7 April 2000 (the date that the Part-Time Worker Regulations should have been transposed into domestic law) must be taken into account. Judgment is awaited from the Supreme Court in Summer 2019 on a related case concerning the operation of time limits to make a claim: this may result in additional successful claims for a fee-paid pension.

In December 2018, the Court of Appeal upheld an Employment Appeal Tribunal decision that the transitional protection provisions in the Judicial Pension Scheme 2015 Regulations are unlawful on grounds of age discrimination. MoJ has sought permission to appeal this decision.

Following a legal challenge, the department has conceded that the current policy for sitting in retirement (where a judge may retire and draw a pension from their salaried office, and then to sit in a fee paid office), do not apply equally to fee paid-judges. We will consult on changes to rectify this. There is potential for affected judges to bring compensation claims in respect of this.

The department has undertaken to compensate fee paid judicial office holders who have suffered financial detriment compared to salaried equivalents, because the fee-paid pension scheme is not contracted out. There are also a number of other legal claims in relation to discrimination between fee-paid and salaried judges, which may give rise to further pay and pension claims. We are currently unable to estimate the extent of the potential liabilities.

At this stage all these outstanding matters are treated as contingent liabilities, it is not possible to accurately measure any potential financial liability to us.

Fee refunds

Our current estimate of the total value of the refunds likely to be due is £76.8 million, of which £57.6 million has been provided for, the balance of £19.2 million is held as a contingent liability. Note 17.3 provides an analysis of both the provisions and contingent liability by refund scheme.

Other contingent liabilities:

We are involved in several legal cases dealing with ex gratia, compensation and other claims. The estimated cost of settlement for us is £0.9 million (2019-20: £7.3 million).

23. Related party transactions

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

Registry Trust Limited is a private company limited by guarantee with no share capital. It maintains the Register of County Court judgements on behalf of the Lord Chancellor and the Secretary of State for Justice. Revenue recognised from the Registry Trust Limited in the year amounted to £0.6 million (2019-20 £0.6 million) with a total debtor balance due to us as at 31 March 2021 of £0.0 million (2019-20: £0.0 million).

On 16 July 2018 Andrew Baigent, was appointed by the Cabinet Office as a director of Integrated Debt Services Limited (trading as Indesser). Indesser is a joint venture between the Government and TDX Group Limited offering a single route for government bodies to use the private sector to recover debt. Andrew represents the Government as a non-executive director on the Board of Indesser. We use Indesser to provide information and analysis to assist with the recovery of debt. We paid £389,768 to Indesser for goods and services during 2020-21, with a total payable balance of £18,462 (all amounts shown include VAT).

No Board Members or related parties have undertaken any material transactions with us during 2020-21 and 2019-20.

We also have 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

We hold 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 2021 these amounted to £75 million (2019-20: £69 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.

There have been no adjustments made to the accounts.

Annex A – Fees and charges legislation

The most current fees orders are listed below and can also be viewed at www.legislation.gov.uk

- The Civil Proceedings Fees Order 2008 (S.I. 2008/1053) Relevant amendments are S.I. 2014/874, 2014/1834, 2015/576, 2016/402, 2016/434, 2016/807, 2016/1191, 2017/702, 2018/812 and 2019/1063
- The Family Proceedings Fees Order 2008 (S.I. 2008/1054) Relevant amendments are S.I. 2011/1045, 2014/877, 2015/576, 2015/687, 2015/1419, 2016/402 and 2019/1063
- The Magistrates' Courts Fees Order 2008 (S.I. 2008/1052) Relevant amendments are S.I. 2010/731, 2014/875, 2016/807, 2018/812 and 2019/1063
- The Court of Protection Fees Order 2007 (S.I. 2007/1745) Amended by S.I. 2009/513, 2018/812 and 2019/1063
- The Gender Recognition (Application Fees) Order 2006 (S.I. 2006/758)
- The Non-Contentious Probate Fees Order 2004 (S.I. 2004/3120) Amended by Schedule 11(1) paragraph 1(2) of the Constitutional Reform Act 2005 and S.I. 2007/2174, 2011/588, 2014/876 and 2019/1063
- The Upper Tribunal (Immigration and Asylum Chamber) (Judicial Review) (England and Wales) Fees Order 2011 (S.I. 2011/2344) Relevant amendments are S.I. 2013/2069, 2016/402 and 2016/807
- The Upper Tribunal (Lands Chamber) Fees Order 2009 (S.I. 2009/1114) Relevant amendments are S.I. 2010/2601, 2013/1199 and 2016/434
- The First-tier Tribunal (Gambling) Fees Order 2010 (S.I. 2010/42) Amended by S.I. 2010/633
- The First-tier Tribunal (Property Chamber) Fees Order 2013 (S.I. 2013/1179) Amended by S.I. 2016/807

In addition, the remissions schedule to each of the above fees orders (but not the fees order below) was substituted by The Courts and Tribunals Fee Remissions Order 2013 (S.I. 2013/2302) as amended by S.I. 2014/590, 2016/211 and 2017/422

- The First-tier Tribunal (Immigration and Asylum Chamber) Fees Order 2011 (S.I. 2011/2841)
- Relevant amendments are S.I. 2013/534, 2016/928, 2016/1149, 2017/515, 2018/330 and 2020/314

Annex B - Glossary and notes

The source for the data shown in this section is MoJ official statistics except where stated otherwise.

MoJ official statistics are published at www.gov.uk/government/organisations/ministry-of-justice/about/statistics

Further information on terms, concepts and definitions published in the HMCTS annual report

Civil justice and tribunals:

assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/564054/statement-of-administrative-sources.pdf

Family:

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

Criminal court:

assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/972799/A_Guide_to_Criminal_Court_Statistics.pdf

Published management information:

www.gov.uk/government/organisations/hm-courts-and-tribunals-service/about/statistics

Glossary of terms

CAFCASS	The Children and Family Court Advisory and Support Service	MoJ	Ministry of Justice
CETV	cash equivalent transfer values	OPTIC	Opinions, Praise, Treatment, Incidents and Complaints
CFT	civil, family and tribunals	SMT	HMCTS Senior Management Team
COVID-19	coronavirus 2019	SoCNE	statement of comprehensive net expenditure
CTSCs	Courts and Tribunals Service Centres	SoFP	statement of financial position
CVP	Cloud Video Platform	SSCS	Social Security and Child Support
DCS	Digital Case System		
DPO	Data Protection Officer		
FReM	HM Treasury financial reporting manual		
FVH	fully video hearings		
HMCTS	HM Courts and Tribunals Service		
ICO	Information Commissioner's Office		

