



Ministry  
of Justice

# Ministry of Justice Annual Report and Accounts 2016-17

HC 22

Protecting and advancing the principles of justice



# **Ministry of Justice Annual Report and Accounts 2016-17**

(For the year ended 31 March 2017)

Accounts presented to the House of Commons pursuant to Section 6(4)  
of the Government Resources and Accounts Act 2000

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Her Majesty

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# Performance

# Performance

## Overview

### Who we are and what we do

We believe justice is the foundation of a safe, fair and prosperous society. It enables people to plan their futures, do business with confidence and go about their lives in safety. We are proud of our country's reputation for justice.

The Ministry of Justice (MoJ) delivers some of the most fundamental services to the public, with the Department working directly with victims of crime, witnesses, people in trouble, and offenders. We are responsible for a number of different parts of the justice system - the courts, tribunals, prisons, legal services and access to justice, youth justice and probation services. Our work transforms the lives of offenders and puts victims at the heart of the justice system, helping to create a safer and better society.

We work closely with our wider partners to deliver our vision, developing interventions jointly with partners to tackle the underlying causes of offending and family breakdown. Our partners include Department for Health, Department for Education, Department for Work and Pensions, Home Office, NHS England, Local Authorities, Community Rehabilitation Companies (CRCs), employers and the voluntary sector.

Our work spans criminal, civil, family, and administrative justice. We are committed to protecting the public, reducing reoffending and providing an effective, transparent and responsive criminal justice system, while upholding the rule of law and providing open and accessible justice.

### Our structure

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

In 2016-17 we had five Executive Agencies responsible for the delivery of the majority of our services to the public: HM Courts & Tribunals Service (HMCTS), the National Offender Management Service (NOMS), the Legal Aid Agency (LAA), Office of the Public Guardian (OPG) and the Criminal Injuries Compensation Authority (CICA). We provide services across England and Wales, and certain non-devolved tribunals in Scotland and Northern Ireland.

In February 2017 it was announced that Her Majesty's Prison and Probation Service was to replace NOMS from 1 April 2017. The Agency is referred to as NOMS throughout the Annual Report and Accounts.

### Our vision and objectives

During 2016-17 the Secretary of State and Permanent Secretary launched the new Ministry of Justice strategy, outlining our vision to deliver a world class justice system that works for everyone in our society. Our vision supports the Department in protecting and advancing the principles of justice through:

- Upholding the rule of law and the independence of the judiciary;
- Standing up for victims;
- Protecting the vulnerable;
- Providing open and accessible justice;

- Protecting the public and keeping our communities safe; and
- Reforming offenders.

We have four strategic objectives to deliver our vision.

**1. A prison and probation service that reforms offenders. We will:**

- Maintain the highest level of public protection;
- Keep prisons safe and secure;
- Reform offenders; and
- Reduce reoffending.



**2. A modern courts and justice system. We will:**

- Upgrade the best justice system in the world using technology and modern ways of working;
- Put the citizen at the centre of the justice system;
- Protect vulnerable victims, witnesses and children; and
- Support the independent judiciary and their ability to attract the best and widest range of talent.



**3. A Global Britain that promotes the rule of law. We will:**

- Make the most of opportunities presented by exiting the EU to expand the reach of our world leading legal services;
- Promote our world class legal sector and judiciary; and
- Protect our common law traditions and strengthen our human rights framework.



**4. A transformed department. We will:**

- Deliver excellent services to the public through a diverse, engaged and capable workforce;
- Be a unified and responsive department, collaborating with partners across the justice system and government;
- Put data, information, technology and innovation at the heart of our work to improve our services; and
- Deliver value and drive efficiency in all we do.



The Department has developed a 10 year strategy as part of the natural progression from our Single Departmental Plan published in February 2016, which tells the justice story. The justice story is our belief in a safe, fair and prosperous society.

We believe the principles of justice are pivotal and we are steadfast in our shared commitment to uphold them in our role as the guardians of the justice system. We continue to build on the justice system's global reputation for being fair, open and dynamic, and as an integral part of the wider justice system we create the circumstances for our country to prosper and for our citizens to thrive. We know that advances and innovations can help us make justice more accessible and resilient, to make sure justice works for everyone today and in the future.

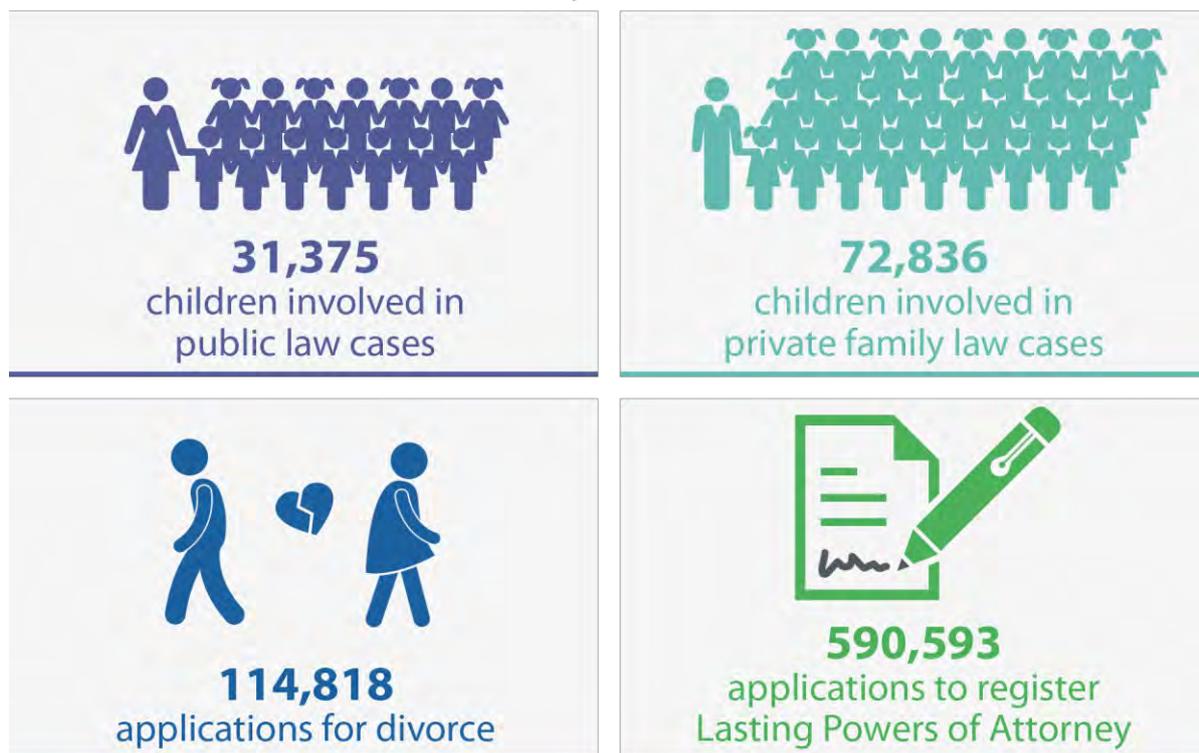
## Our year in numbers

In this report we outline our performance during 2016-17. Here is a snapshot of the services we provide for the public.

### Criminal Justice



### Family Justice



## Civil and Administrative Justice



**1.8 million**  
claims to county courts



**459,620**  
cases received in tribunals

## Legal Aid



**1.6 million**  
instances of legal aid provision



**£1.6 billion**  
legal aid funding provided

## Corporate



Total staffing down by  
**21%**  
since 2013



**£7.4 billion**  
total comprehensive  
net spend during the year



**79%**  
staff have a clear understanding  
of the MoJ objectives



**90%**  
of staff feel trusted to  
carry out their job effectively

# By the Lord Chancellor and Secretary of State for Justice

The Right Honourable David Lidington MP



I am honoured to have been appointed Lord Chancellor and Secretary of State for Justice. It is with some humility that I introduce the Annual Report and Accounts for the past year; there is a great deal of excellent work reported here, the credit for which lies entirely with my predecessors and with the Department's talented staff.

The Department focused on four strategic priorities in the past year: a prison and probation service that reforms offenders; a modern courts and justice system; a global Britain that promotes the rule of law; and a transformed Department that delivers efficiency, value for money and excellent public service.

Broadly speaking, that strategic framework will serve us well in the year ahead. It is clear to me that we must restore stability and decency to our prisons, after a period of turbulence. Prisons may be out of sight for most of our citizens, but what happens within them is of vital importance in a civilised society. Modernising the way in which our courts and tribunals work offers the prospect of quicker and more accessible justice. And I am determined, with the judiciary and the legal profession, to ensure that the United Kingdom remains the pre-eminent provider of legal services.

Freedom needs the rule of law. That is a truth I have observed in nations emerging from totalitarianism, in our continent and beyond. An independent judiciary and a functioning legal system are among the most important building blocks for any new democracy. In a democracy as old as ours, they are vital and continuing constitutional principles.

I look forward to working with the Lord Chief Justice and his fellow judges in the months ahead, to ensure that justice is fairly administered and robustly defended.

**The Right Honourable David Lidington MP**  
**Lord Chancellor and Secretary of State for Justice**

## By the Permanent Secretary



I am pleased to be introducing the Ministry of Justice Annual Report and Accounts for 2016-17, as Permanent Secretary and Accounting Officer for the Department.

In March, we articulated the Department's priorities in 'MoJ Strategy: our next 10 years' which we launched in March this year. Underpinning this is a delivery plan showing the projects, programmes and activity we will complete in order to achieve our objectives.

We are a large operational department. In our prisons, much inspiring work is done – by our staff, by our partners, by volunteers, and by offenders themselves. But we also face serious issues of violence, self-harm and instability. Tackling those issues has been a major focus for the Department in the past year.

In our courts and tribunals, we have seen an increase in the numbers of family cases, which has put additional pressure on the system. There continues to be a significant backlog in immigration and asylum cases, but the work we have been undertaking is having an effect and the backlog is reducing.

In both courts and prisons, we are investing heavily in the future with comprehensive reform programmes. They are improving our physical estate and transforming the way these critical public services work.

We have played our part in developing the UK's negotiating position on EU Exit. We have been determined to ensure that the justice system and our legal services sector are able to manage the consequences of EU Exit, and to take the opportunities presented by a new relationship with the EU.

I am proud of the work of the Department in this past year, and of all of our public bodies and delivery partners. No organisation gets everything right, and this report details some of the difficulties we have faced during the year and how we have addressed them. We have always looked for ways to improve, to strengthen our capabilities, and to manage risk better. I am looking forward to continued collaboration and innovation, in pursuit of justice and the rule of law, in the year ahead.

**Richard Heaton**  
Permanent Secretary

## By the Lead Non-Executive Board Member



The past year has seen our Department continue to address significant challenges to achieve its operational and strategic objectives. A projected budget deficit at the start of 2016-17; safety and security related incidents in prisons; recruitment of prison officers and increased demand in the justice system, particularly within Family Justice.

To help tackle this and bring better focus, the Department has developed a Medium Term Financial Plan and related strategy. This is now improving the in-year forecasting, providing discipline on expenditure control and enabling better prioritisation of business.

To provide further focus on driving greater efficiency, I initiated the Performance Committee in May 2016 as a Departmental Board sub-committee, supporting the delivery of Departmental priorities by providing constructive challenge to delivery plans and their progress. This additional level of scrutiny, and advice on a broad range of Departmental business has been recognised as a welcome addition to Departmental Board assurance.

Similarly, the Audit and Risk Committee has provided greater clarity on what constitutes best practice with regard to risk management and governance. The Non-Executive Board Member (NEBM) Chair, Liz Doherty has made a valuable contribution to the HMCTS Board, and sat as a panel member to appoint key public appointments within the Department.

The NEBMs provide a vital 'critical friend' role to the Department's senior teams. Lizzie Noel worked closely with the Electronic Monitoring Programme, and provided a steer to enhance capability across the workforce. The Department benefitted from Sir Michael Barber's guidance to decipher data to make informed decisions. Sir Martin Narey continued to provide his support to the Criminal Justice Board and Prison Safety and Reform Programme. Across the wider Department senior officials recognised, and positively engaged with the support provided.

The Rt Hon Elizabeth Truss MP assumed the role of Chair of the Departmental Board when she was appointed Lord Chancellor and Secretary of State for the Ministry of Justice on 14 July 2016 with a new junior Ministerial team. Following the General Election in June 2017, Rt Hon David Lidington MP was appointed as Lord Chancellor and Secretary of State and we saw the return of junior Ministers Sam Gyimah MP, Dr Phillip Lee MP and Lord Keen of Elie QC to the Ministry of Justice Departmental Board. We also welcomed a new Minister of State, Dominic Raab MP (who had served as a Minister previously under a former SoS). The NEBMs provided continuity in support of the Department and the Board during this time of change.

The Secretary of State initiated fresh strategic objectives, and agreed the Single Departmental Plan that put them into effect. The NEBM Team played a helpful role in testing deliverability, and provided ongoing support as the Plan was developed. This support will continue by way of regular meetings reviewing cross cutting issues, risks and dependencies related to delivery.

I have continued to challenge officials to ensure improvements in business accountability and budgetary responsibility, become embedded in the culture of the Department. Following the outcome of the General Election, it is crucial that a clear emphasis is maintained on advancing the positive changes we have put in place.

**Sir Theodore Agnew**  
**Lead Non-Executive Board Member**

# Chief Financial Officer's Review of the Year

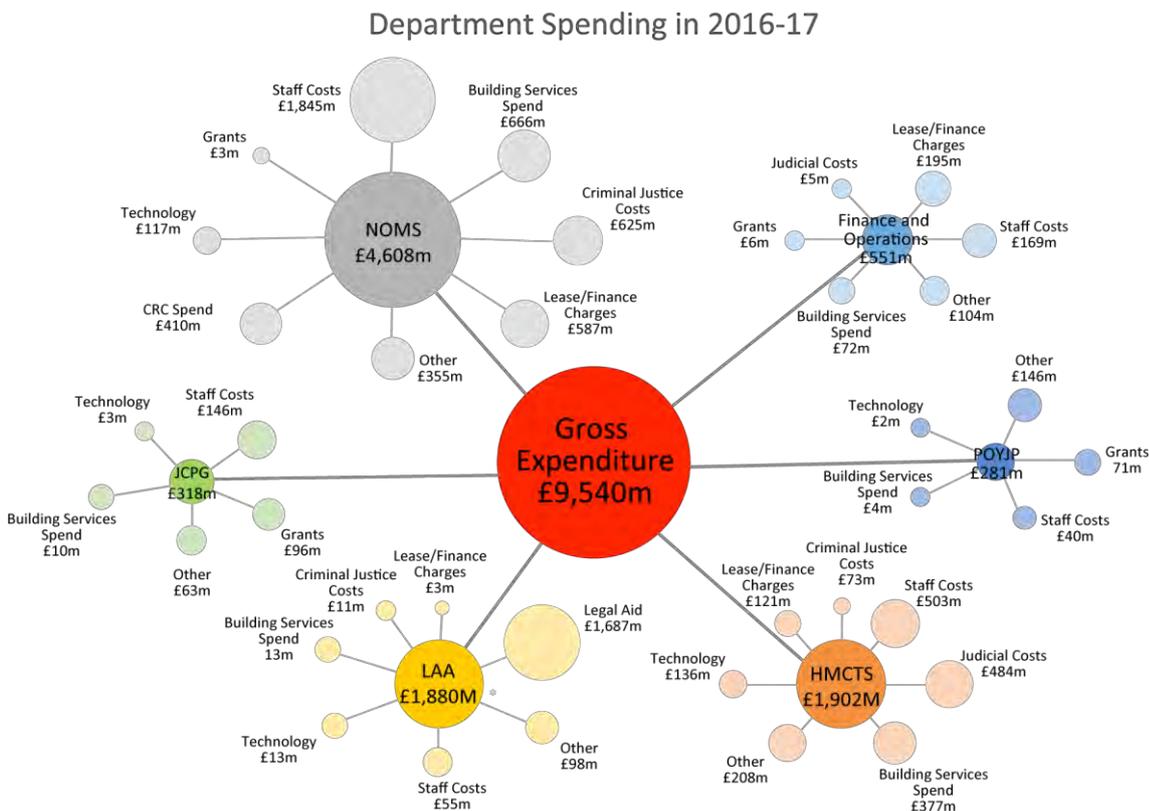


This financial year was my first year as Chief Financial Officer for the Department. Overall it has been a challenging year but a year in which I believe we have made significant progress.

We have managed our resources across the year in a way that has enabled us to meet all of our Parliamentary control totals. This is a great achievement; however, we are not complacent and recognise the significant financial challenges ahead. This is why we have focused our efforts on increasing finance capability across the whole Department with a particular focus on senior budget holders and embedding a strong culture of financial ownership.

## Where we spent our money in 2016-17

The majority of our expenditure is on the delivery of our frontline services. Prisons, probation, youth justice, HMCTS and the Legal Aid Fund account for over 80% of our overall budget. This can be seen in the following chart:



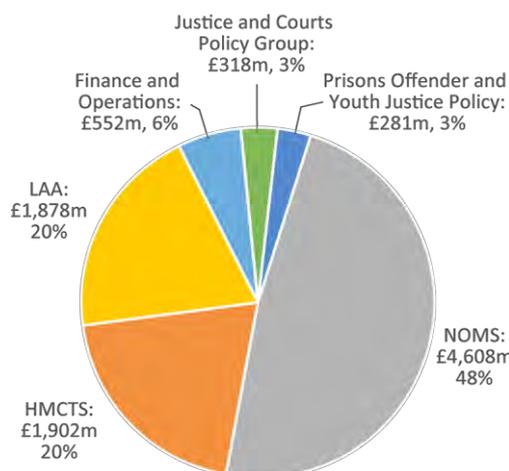
**Notes to the chart:**

Gross expenditure analysis is based on the material items of expenditure figures disclosed in Note 2: Statement of Operating Expenditure by Operating Segment. Additional analysis of spend categories has been taken from Notes 5 to 13 which are supporting expenditure notes and provide further breakdown of spend categories which have been grouped into the ten categories included in the chart.

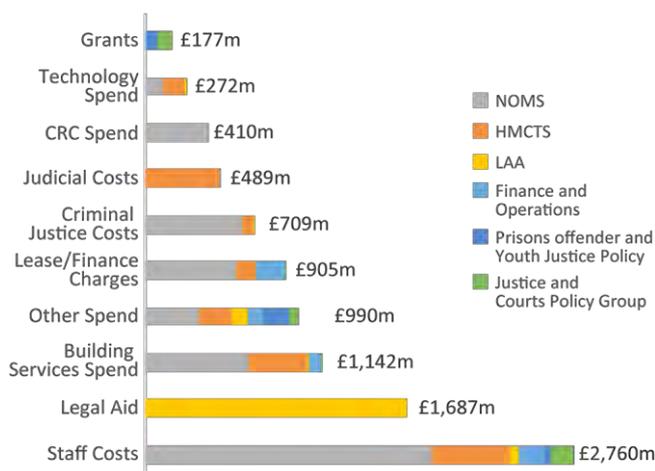
The 'Other' balance disclosed which totals £990m across the Department includes £304m Grant in Aid spending and £312m Provisions (excluding LAA). Building Services Spend includes accommodation, maintenance, depreciation and other associated building services costs.

The Department is largely an operational business with a high level of fixed or semi-fixed costs. The following chart illustrates the areas on which we currently spend our resource budget. Staffing is our largest spend area (29%) with the most significant proportion spent in the delivery agencies.

## Spend by Operating Segment



## Spend by Category



### Notes to the chart:

Spend by operating segment is based on the gross expenditure figures disclosed in Note 2: Statement of Operating Expenditure by Operating Segment. Due to its value the LAA spend has been disclosed separately to the Finance and Operations spend. Spend by category has been calculated on the same basis as that disclosed in the gross expenditure analysis on page 9.

## Where are we investing?

2016-17 has been a year where we have been able to prioritise investment funding, investing over £200m Resource DEL and over £250m in capital in funding change programmes, most notably in prison and courts reform.

Fundamental to the success of our reforms in prisons is reducing the levels of violence, self-harm and self-inflicted deaths, by increasing the time spent rehabilitating the offenders in our care and reducing access to illicit psychoactive drugs. The goal is to achieve this through the recruitment of more staff, improving measures to combat the use of drugs, drones and mobile phones, and through the digitalisation of prisons. We are also exploring the introduction of new Separation Centres to tackle rising levels of terrorist and extremist offenders across the prison estate.

We are also investing in the HMCTS Reform Portfolio with the aim of building a world class service. This will enable to Department to meet the needs of users while putting in place cost-effective court and judicial functions.

In addition to these key reform programmes, we continue to focus hard on cost efficiency and effectiveness across our corporate functions. This is one of our key objectives, transforming the Department to be unified, simpler and smarter. To do this, we have been investing in our people, building skills and capability. Another key focus area of our transformation programme is our technology. This includes an upgrade to our technology, collaborative software, and video conferencing. We are continually developing a more digital workplace and strengthening our digital infrastructure to improve reliability, resilience, and user experience.

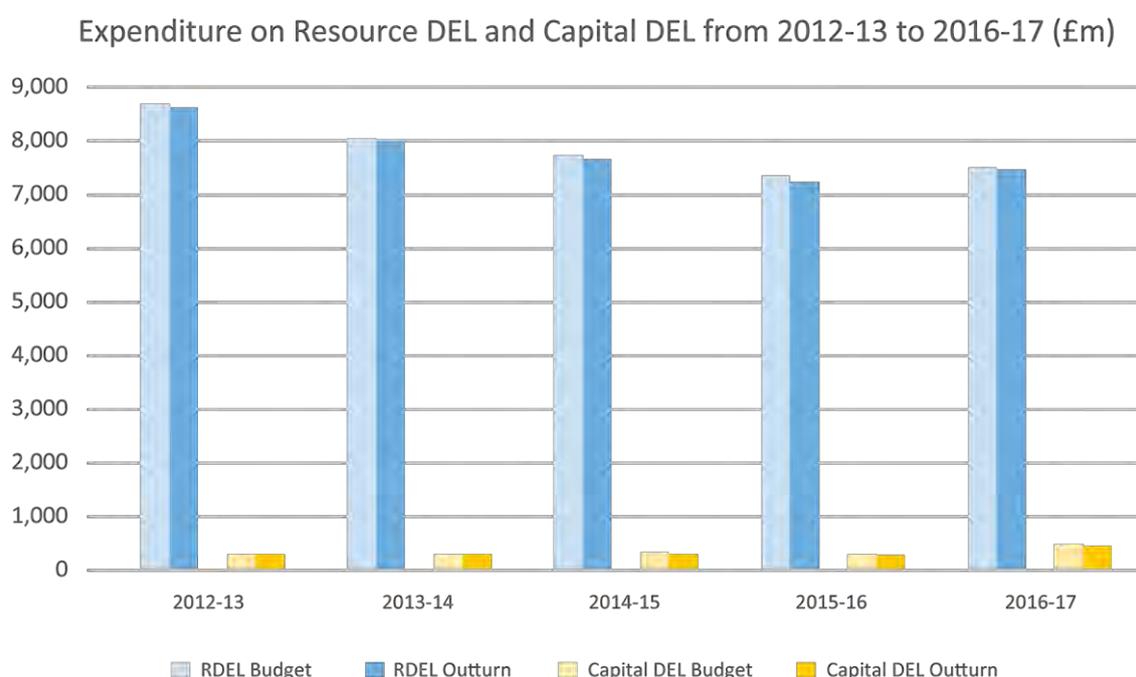
## Financial outturn

In 2016-17 our total resource Departmental Expenditure Limit (DEL) budget was £7,470 million and our total resource Annually Managed Expenditure (AME) budget was £653 million.

The table below shows performance against our 2016-17 control totals as agreed by Parliament in the 2016-17 Supplementary Estimate. A further breakdown of these figures by agency/area can be seen in table SoPS 1.1 on page 73.

	Supplementary Estimate provision £m	Outturn £m	Variance £m
Resource DEL	7,470	7,406	64
<i>Of which administration</i>	557	510	47
Capital	459	417	42
Resource AME	653	259	394
Net Cash	7,653	7,458	195

The following diagram shows the Department's Resource and Capital DEL expenditure since 2012-13, tracking our performance in managing our services within our delegated budgets.



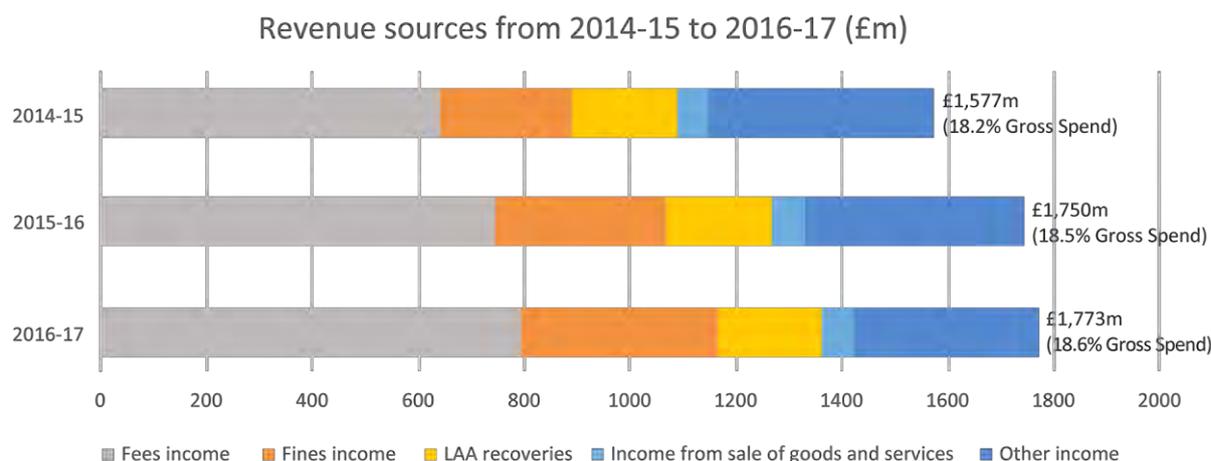
**Notes to the chart:**

Resource DEL and Capital DEL expenditure is disclosed in the Statement of Parliamentary Supply on page 73.

### Sources of revenue

The Department's income is a combination of fees, fines and recoveries from other government departments. Our reliance on income has increased significantly since 2010, with income making up 13% of our budget in 2010-11 and c. 21% (c. £2bn) in 2017-18. The use of income as a means of funding services needs to be balanced with the impact fee levels have on access to justice, and a good understanding of existing and potential income is of critical importance to delivery within our budget.

The following analysis provides a summary of the main income sources excluding Parliamentary funding.



**Notes to the chart:**

Revenue spend per year is based on the figures disclosed in Note 3: Income from sale of goods and services, and Note 4: Other operating income.

As the graph above illustrates, Departmental income from fees and charges over the three year period has steadily increased. Fees are set in line with *Managing Public Money*, which sets out the parameters within which fees can be charged, and in line with relevant legislation. In certain circumstances the Department has legislation in place to charge enhanced fees, which enables fees to be charged in excess of costs.

A wide-ranging review of fees was instigated by the Department in 2016-17. Aimed at providing assurance on the cost base linked to each fee and established governance arrangements, to ensure that fees are within the set cost recovery parameters. Further details on cause and scope of the review are included on page 47.

**Capital investment**

The most significant capital spend during the year was attributed to HM Courts and Tribunals Service, National Offender Management Service, and Corporate Services (within Operations Group). Across these areas there has been huge development in driving the efficiency of our estate and improving IT infrastructure. These are seen as essential to support the Department’s frontline delivery.

The table below shows the breakdown of the capital spend by agency/area.

	Budget £m	Outturn £m
Finance Group	0	0
Justice and Courts Policy	1	1
Prisons, Offender and Youth Justice Policy	5	5
HM Courts and Tribunals Service	142	131
National Offender Management Service	103	72
Operations Group	208	207
<b>Total Capital DEL</b>	<b>459</b>	<b>417</b>

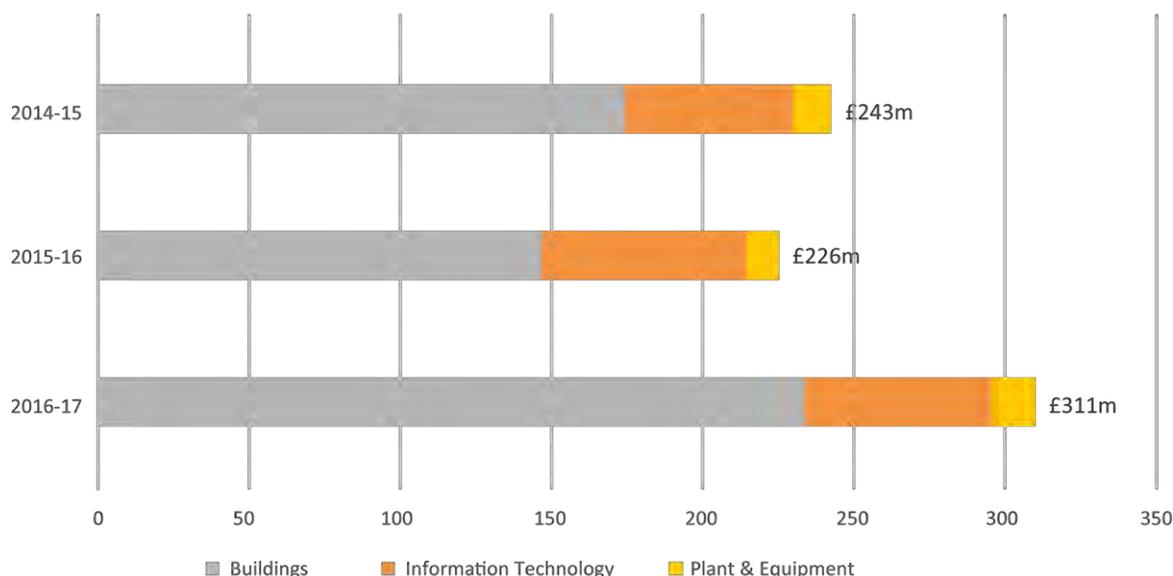
In 2016-17 we have seen some changes to our estate portfolio with the closure of 64 courts, and the recent construction of HMP Berwyn. The Department recently outlined our intention to further modernise our prison estate with the announcement in February 2017 for four new

prisons. This forms part of the Department’s commitment to build up to 10,000 modern prison places spending £1.3 billion to transform the estate.

I firmly believe that investing in our estates will help the Department to deliver a modern and responsive service, allowing us to replace old and overcrowded establishments with new, fit for purpose buildings.

The table below analyses our capital expenditure over the past three years, and underlines the Department’s commitment to continued capital investment and improvement.

Capital spend (additions) from 2014-15 to 2016-17 (£m)



**Notes to the chart:**

Capital spend per year is based on the figures disclosed in Note 13: Property, Plant and Equipment. Assets under construction from Note 13 have been included within Buildings and Information Technology spend.

**Financial management**

The Department receives authority to incur expenditure via the Supply Estimates process. The Estimate is published twice in each financial year. The Main Estimate is published at the beginning of the financial year and the Supplementary Estimate is published towards the end of the third quarter of the financial year, and provides an opportunity for the Department to reflect changes in the budgets internally and any movements of funding with other government departments.

At the start of the financial year, budgets are delegated from the Principal Accounting Officer to Senior Budget Holders who may then make sub delegations to other budget holders within their areas. Budget holders are required to meet the conditions of their delegation letters and the requirements of the Department’s Financial Control Framework.

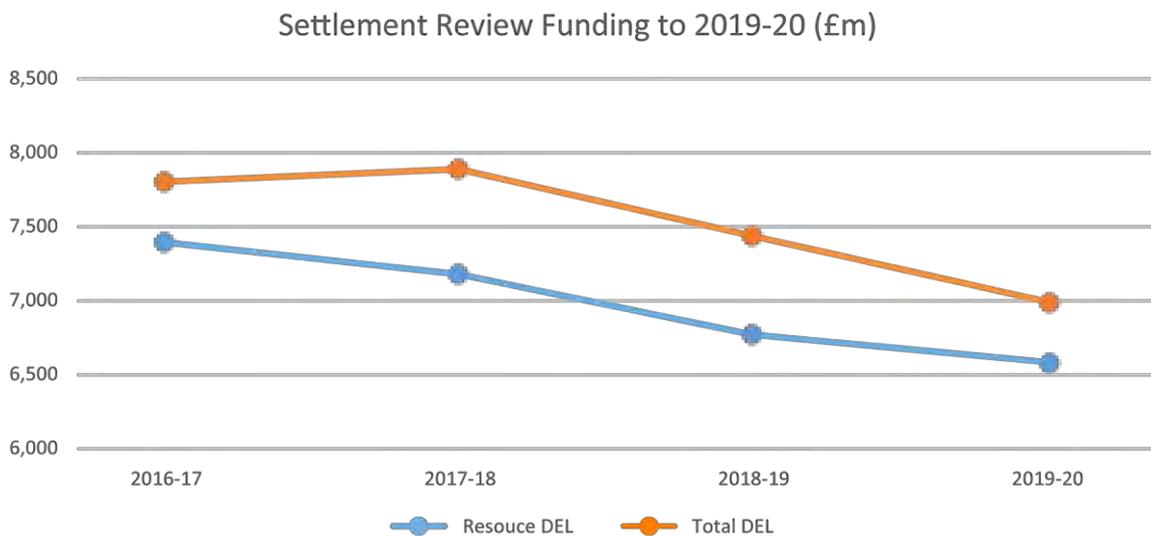
Over the course of 2016-17, we have made a significant progress in upskilling our budget holders. This has included a redraft of the delegation letters to ensure the requirements are clearly set out and increased provision of training, including rolling out the licence to operate scheme whereby budget holders must have completed the training in order to continue as a budget holder.

**Going forward**

The Department has secured additional funding over the next three years for the ongoing reform of the justice system and to continue to transform the Department to enable efficiency

savings to be delivered. These efficiency savings are linked to future years as benefits are delivered.

The chart below tracks the reduction in the Department's settlements going forward.



**Notes to the chart:**

The difference between the Total DEL line and Resource DEL line is Capital DEL, with the 2016-17 figure representing the outturn position and future year based on the Department's settlement review funding. The detailed figures are disclosed in Annex B: Public expenditure core financial tables.

We remain focused on creating a unified, smarter and simpler Department through the MoJ Transformation Programme which will see us reduce our reliance on expensive properties, upgrade technology, and develop staff so that they have the skills and capability to deliver professional excellence. Success in delivering this will embed a culture of continuous improvement throughout the Department.

We are also moving to a functional leadership model during 2017-18. This means that corporate and professional functions will become more joined up, bringing together specialists and professionals into single, unified teams. Functional leadership brings a number of anticipated benefits – helping the Department to realise its existing savings commitments, providing clear and consistent roles, responsibilities and accountabilities; and giving individuals more attractive careers and enhanced skills.

We will maintain focus and discipline in delivering our financial strategy, improving financial capability, governance, control and a cost conscious culture to put us in a good position to deliver our priorities.

**Mike Driver**  
**Chief Financial Officer**

# Our performance analysis

## Introduction

To monitor delivery against our strategic objectives we have aligned a set of performance metrics to each objective, and have set out in this section an assessment of goals achieved and performance against these targets.

The Department strongly believes in assessing and challenging our performance to drive improvement in delivery of the services we provide, and we continually measure our performance using a range of indicators and data captured throughout the year. These are published at [www.gov.uk/government/organisations/ministry-of-justice/about/statistics](http://www.gov.uk/government/organisations/ministry-of-justice/about/statistics).

The key performance indicators included in the Annual Report are the key metrics aligned to our strategic goals, but these only provide a snapshot of our performance. We have included within each objective below the links to performance metrics reported across the Departmental Group.



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

### What we are trying to achieve

- Operate secure, safe prisons that protect the public;
- Reform offenders by tackling the underlying factors that increase the likelihood of offending;
- Provide a continuous path to reform by integrating the prisons system more closely with services in the community and making better use of early intervention; and
- Deliver more effective and tailored interventions for offenders who are vulnerable or have distinct needs – such as women and young offenders.

### How we will achieve it

- Equipping the prison, youth justice and probation system with the right framework of accountability, scrutiny and support;
- Setting tough standards for our leaders on what we expect them to achieve, such as supporting offenders with drug and alcohol dependencies in prison and helping them find work;
- Empowering governors and probation leaders to have the resources, levers and decision-making authority to make the difference in reforming offenders;
- Tackling the behaviours that we know make people more likely to commit crimes;
- Developing our leaders and staff by providing them with the right kind of training;
- Taking decisive action in areas that need a national response, such as recruiting an extra 2,500 officers so that every offender has a dedicated officer to supervise and prepare them for life after prison;

- Building the right estate for safety and reform; and
- Using community penalties and earlier interventions that have the confidence of the public and reduce reoffending.

### How we performed in 2016-17

We measure how well we are doing through the following seven headline indicators:

- The number of escapes from prison and prison escorts;
- The number of escapes from contractor escorts;
- Assaults on prisoners and assaults on prison staff (rate per 1,000 prisoners);
- Rate of drug misuse in prisons as reflected by those testing positive in mandatory drug tests.
- One-year proven reoffending rate for adult offenders discharged from prison or commencing a court order;
- CRC % completion of community orders & suspended sentence orders; and
- NPS % completion of community orders & suspended sentence orders.

Performance Area	Type of indicator	Previous Performance		Current Period	Performance Analysis
		2014-15	2015-16	2016-17	
Public protection – prison and prison escorts escapes	Number of escapes from prison and prison escorts	1	5	7	<p>Following an escape incident the Department has set procedures to review the cause for the incident and circulate lessons learnt across the prison estate.</p> <p>Prisoner escapes continue to be extremely rare occurrences, and there have been no category A prison escapes during the period.</p> <p>The Department works together with the Home Office to ensure that prisoners are apprehended swiftly and delivered to justice.</p>
Public protection – contractor escorts escapes	Number of escapes from contractor escorts.	12	8	8	<p>The eight escapes produce a ratio of one escape per 81,981 prisoner movements.</p> <p>Contractors are held accountable for escape incidents that occur during prisoner escorts and are required to provide assurances to the Department over the processes in place to transport prisoners safely and securely.</p>
		<b>Jan-Dec 2014</b>	<b>Jan-Dec 2015</b>	<b>Jan-Dec 2016</b>	
Prisoner on prisoner assaults	Rate per 1,000 prisoners	147	181	224	<p>There were 19,088 prisoner-on-prisoner assaults, in the 12 months to December 2016 (a rate of 224 per 1,000 prisoners), up 23% on previous year.</p> <p>The Department continues to work on reducing the violence in prisons and improving our understanding of the drivers of violence. Measures taken in response are outlined below.</p>

Performance Area	Type of indicator	Previous Performance		Current Period	Performance Analysis
		2014-15	2015-16	2016-17	
Assaults on staff	Rate per 1,000 prisoners	43	58	80	<p>There were 6,844 assaults on staff in the 12 months to December 2016 (a rate of 80 per 1,000 prisoners), up 38% on the previous year.</p> <p>The Department is committed to protecting the safety of its staff and following the rise in incidents of assaults on prison staff has taken an active approach to address the issue, as outlined below.</p>
<p>We have undertaken a wide range of safety related activities in 2016-17, which include:</p> <ul style="list-style-type: none"> <li>▪ Undertaking a range of pilots specifically targeted at reducing violence and improving safety. These were evaluated and research was completed with the aim of identifying the drivers and potential solutions to violence;</li> <li>▪ Commitment to the national roll out of Five Minute Intervention alongside the implementation of Body Worn Video Cameras;</li> <li>▪ Introducing countermeasures to the threat arising from psychoactive substances;</li> <li>▪ Use of the Violence Diagnostic Tool prisons, which provide data on risks and informs the development of local violence reduction strategies; and</li> <li>▪ Establishing a Violence Reduction task force to provide consultancy and support to establishments with the most problematic rates of violence to understand and start to reverse the upward trend and to identify best practice.</li> </ul>					
		2014-15	2015-16	2016-17	
Drug testing – rate of drug misuse within prisons	% of prisoners testing positive for drug use from all randomly tested prisoners	6.9	7.7	9.3	<p>We know that prisoners are more likely to suffer from problems relating to substance misuse than the general population and that we must do more to tackle this problem and the increased safety and security risks that are associated with it. We continue to work closely with our colleagues in NHS England (NHSE) and local health boards in Wales to improve access to treatment and reduce supply of illicit substances into prisons. Since the introduction of co-commissioning in April 2017, our governors are beginning to have more involvement in decision-making about treatments offered in their prisons. We are also working with NHSE to pilot new methods to treat substance misuse and to tackle the supply of drugs into prisons.</p> <p>To tackle the use of drones to traffic drugs into prisons, we have created a new 'drones' category in the incident reporting system that will inform the counter-drone programme, and we have trialled drone detection technology. We have developed an educational package to raise awareness of the drone threat across the estate, and worked with the police to pursue and prosecute those who traffic contraband into prisons.</p>
		July 2012-June 2013	July 2013-June 2014	July 2014-June 2015	
Adults reoffending rate – one year proven reoffending rate for adult offenders discharged from prison or commencing a court order	% of offenders	35.6	35.2	33.2	<p>The key reoffending statistic for NOMS is the one-year proven reoffending rate for adult offenders discharged from prison or commencing a court order. Between July 2014 and June 2015, the proven reoffending rate was 33.2%, a fall of 6.6 percentage points since 2004, and a fall of 2.0 percentage points compared to the previous 12 months.</p>

Performance Area	Type of indicator	Previous Performance		Current Period	Performance Analysis
		2014-15	2015-16	2016-17	
<p>A proven reoffence is defined as any offence committed in a one year follow-up period that leads to a court conviction, caution, reprimand or warning in the one year follow-up or within a further six month waiting period to allow the offence to be proven in court.</p> <p>Generally, offenders with a large number of previous offences have a higher rate of proven reoffending than those with fewer previous offences.</p> <p>The rate for those released from short sentences has been consistently higher compared to those released from longer sentences. Adults who served sentences of less than 12 months reoffended at a higher rate compared to those who served determinate sentences of 12 months or more. The trends for those released from short and long sentences have both remained broadly flat since 2005 and are consistent with the overall trend.</p>					
CRC completion of community orders and suspended sentence orders	% completion rate	76.6	78.7	78.0	The recorded figure for 2016-17 is taken up to December 2016, with the final figure for the full period due for publication in July 2017.
NPS (National Probation Service) completion of community orders and suspended sentence orders	% completion rate	n/a	70.9	71.5	

Further performance indicators capturing our performance against this metric have been reported in the NOMS, the Youth Justice Board (YJB), and the Parole Board Annual Report and Accounts which are available at [www.gov.uk](http://www.gov.uk).



## 2. Strategic objective: A modern courts and justice system

### What we are trying to achieve

- Provide a system which is just, proportionate and accessible – and will continue to lead and inspire the world;
- Put the citizen at its heart, recognising that most people only touch the justice system at times of greatest need – whether in criminal, civil, family or tribunal cases – and we can make it easier and better for them;
- Transform how justice is administered using technology and the most efficient ways of working, through the biggest and most ambitious court reform programme in the world;
- Give people the highest levels of confidence in the justice system – whether they experience it in court or tribunal buildings, virtually, or online;
- Support the most vulnerable, including victims of crime, intimidated witnesses and people experiencing family breakdown; and
- Support our world-class independent judiciary and their ability to attract the best and widest range of talent.

## How we will achieve it

- Simpler processes for simpler cases will free up time for more complex ones, allowing better access to justice for all;
- Easy-to-use digital ways to resolve straightforward matters – such as probate and uncontested divorce – entirely online;
- New online court will also allow many disputes to be settled without setting foot in a courtroom;
- More virtual hearings;
- Fewer, better, more flexible court buildings will be used more efficiently and work better for users;
- World-class digital systems will manage cases seamlessly from police and the Crown Prosecution Service (CPS) through the criminal courts; they will underpin our civil and family courts and tribunals;
- Wherever possible we will spare vulnerable victims and witnesses the ordeal of being cross-examined in criminal and family courts;
- Family justice will work better for children and families, victims of domestic abuse and other vulnerable people; and
- We will work with the independent judiciary to ensure they have the right facilities, support and resources for the future, and the recognition needed to attract the best lawyers to judicial office.

## How we performed in 2016-17

In 2016-17 we have invested in the justice system to build a modern system that works for everyone – from victims, witnesses and applicants to judges, legal professionals and Departmental staff. This wholesale transformation programme has been about more than upgrading our technology and our buildings – we are revisiting our fundamental assumptions about how justice can best be delivered to those that need it in a modern era.

During the year we have made progress in delivering a better customer experience, we enabled 137,495 cases to be heard via video-link (a 10% increase from 2015-16), the number of outstanding trial cases in the Crown Court has reduced by 20% in the 12 month period to the end of December 2016, and performance in civil courts remains positive despite the number of claims issued rising from last year.

By Interim State one we will have laid the foundations of our future operating model and will be starting to work differently, with changes to key services such as Divorce and Probate supporting online applications. A key priority moving forward will be the development and setting of robust indicators to support measurement of our progress as the change programme takes effect. For 2016-17 we have selected performance metrics that support the new Departmental strategy, these cover a range of indicators across the justice system.

We measure how well we are doing using a wide range of measures, including the following five indicators:

- Timeliness of public law cases;
- Percentage of civil bills, crime bills and civil applications cleared in 15 days;

- Average clearance time of new CICA applications;
- Average actual clearance time for Powers of Attorney; and
- First listing to completion for cases dealt with at the Crown Court.

Performance Area	Type of indicator	Previous Performance		Current Period	Performance Analysis
		2014-15	2015-16	2016-17	
Timeliness of public law cases	Weeks to complete (target 24-26 weeks)	29.2	28.0	26.7 (April-December 2016)	Successive annual increases in receipts of 7% and 19% mean that the timeliness of care and supervision cases remains a significant cause for concern. A capacity action plan to help address the increase in receipts, including providing an additional 8,000 sitting days for judges and increasing the number and capacity of magistrates dealing with this work, has been agreed with the President of the Family Division (PFD).
Percentage of civil bills, crime bills and civil applications cleared in 15 days	% of bills and applications	n/a	n/a	96.0	<p>For the period 2014-15 and 2015-16 the target set by the Department was to clear 90% of applications within 20 days. This was met in both years with % rate of 98.3% and 97.7% respectively.</p> <p>In 2016-17 the Department has set a more challenging target to clear 90% of applications within 15 days.</p> <p>We have continued to enhance controls and give a better customer service by making significant progress in digitising our services. In April 2016 we mandated the use of the Client and Cost Management System (CCMS) with over 90% of civil applications now going through the system.</p> <p>This year we saw the rollout of Crime Billing Online, a new digital service for billing crown court work, as well as the successful release of Representation Orders for criminal cases which are now being sent electronically and printed centrally for clients. This will improve the service for providers, clients and caseworkers over time.</p>
Average clearance time of new CICA applications	% of new applications cleared within 12 months	n/a	51.0	52.0	<p>Historically the oldest case/task was worked on first so there was an inbuilt delay in getting cases moving at initial enquiries stage. We have revised how we manage workflow to ensure that new cases/tasks are actioned as a priority (within 5 to 10 days). Through smarter working and improved resource and skills we are also able to target the older cases/tasks to continue reducing any backlog as part of a two year plan to achieve steady state.</p> <p>Going forward we are setting ourselves a challenging target percentage of 85% of new applications cleared within 12 months, to be achieved by end year. In addition we aim to clear 35% of</p>

Performance Area	Type of indicator	Previous Performance		Current Period	Performance Analysis
		2014-15	2015-16	2016-17	
					<p>new applications within 6 months and 85% of review cases received within 6 months.</p> <p>These goals are being recorded and monitored using a monthly cohort report. We have set quarterly milestones to build towards these targets and are currently on track for the first part of 2017-18.</p>
Average actual clearance time for Powers of Attorney	Average number of days	42.0	39.0	38.0	<p>The Department has set a target to clear applications within 40 days by March 2018.</p> <p>The Department has achieved its target for clearance time for Powers of Attorney for the second year in a row. A target of 40 days has been maintained for the year ahead.</p> <p>Workload continues to increase year on year but efficiencies built into the clearance process have meant staffing has not been required to rise at the same rate.</p>
		<b>Jan-Dec 2014</b>	<b>Jan-Dec 2015</b>	<b>Jan-Dec 2016</b>	
First listing to completion for cases dealt with at the Crown Court	Number of days	172	196	194	<p>The increase in the number of days from first listing in the magistrates' courts to completion for cases dealt with at the Crown Court in 2015 was due in part to a significant rise in receipts in the calendar years of 2013, 2014 and 2015 at 14%, 17% and 8% higher than in 2012.</p> <p>This led to a rise in outstanding cases that peaked at 47.6k in December 2014.</p> <p>The reduction in receipts from 2015 has led to a drop in outstanding trial cases to 34.6k at December 2016. As the older cases go through the system this will negatively impact the number of days taken and performance will be liable to fluctuation. A sustained, improving trend is anticipated.</p> <p>In prior years this metric reported 'charge to completion' figures. Following changes to the methodology instructed by the Office of National Statistics (ONS) the prior year figures have been restated to meet the revised first listing to completion metric.</p>

Further performance indicators capturing our performance against this metric have been reported in the HMCTS, the LAA, the OPG and the CICA Annual Report and Accounts which are available at [www.gov.uk](http://www.gov.uk).



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

#### What we are trying to achieve

- Put legal services at the heart of the Government's plans for enhancing the UK's competitive position and seize opportunities to grow the UK's legal services sector in Europe and globally;
- Continue to be unrivalled around the world in having judges who are independent, impartial and incorruptible;
- Secure the best outcome for the UK in leaving the EU, in relation to civil, criminal and family law, and minimise the role of the Charter of Fundamental Rights and Court of Justice of the European Union; and
- A human rights framework for the UK which protects common law traditions, respects the role of Parliament and the courts, and commands public confidence.

#### How we will achieve it

- Promote the rule of law around the world;
- Ensure that English law and English jurisdiction remain the leading choice for global business;
- Promote the integrity and impartiality of our world-leading judiciary;
- Maintain access to the EU legal services market and improving access to other markets globally;
- Secure agreement on an effective and predictable cross-border framework for commercial, civil and family disputes; and
- Coordination of domestic and Strasbourg litigation, and consideration of proposals for a Bill of Rights, as well as reform of the European Court of Human Rights in partnership with the Foreign and Commonwealth Office.

#### How we performed in 2016-17

Following the EU referendum, we have been working closely with the Department for Exiting the European Union and other government departments to establish priorities for negotiations and to develop the framework we'll need in place to support EU withdrawal and future arrangements. Throughout, engagement with the Devolved Administrations, legal sector and business representatives has informed our understanding of the opportunities and impacts associated with leaving the EU.

Important milestones have included publication of the Government's White paper 'The United Kingdom's exit from and new partnership with the European Union' (February 2017); Article 50 being triggered (March 2017); and 'The Great Repeal Bill' White paper (March 2017).

UK legal services are renowned across the globe and the Department has worked with the judiciary and legal sector to promote the rule of law and UK legal services overseas. We've

delivered an ongoing programme of activity to support this – including a January roundtable with city firms and legal and business representative bodies; continued delivery of international projects which support rule of law capability-building and engagement with a range of international partners.

We will consider further the Bill of Rights once we know the arrangements for our EU exit. Reform of the European Court of Human Rights has continued, with a strong focus in Strasbourg on the election of judges to the Court and the Convention's relationship with the wider framework of international law.

We led participation in the UK's Universal Periodic Review at the United Nations discussing the UK's record on human rights. We submitted the UK's National Report to the United Nations in February 2017, and engaged fully in the dialogue in Geneva in May. We expect to respond to the recommendations received at the United Nations in Autumn 2017.

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



## 4. Strategic objective: A transformed Department that delivers excellent services

### What we are trying to achieve

- A smarter, simpler and unified Department with a clear focus on serving and reforming the justice system;
- A flexible and responsive Department that delivers at pace, focuses on emerging priorities and is resilient to external shocks;
- An integrated Department that takes a whole system approach to decision making, working with our partners in an open and outward facing way; and
- A positive and engaged workforce who are empowered to deliver excellent services and achieve better outcomes.

### How we will achieve it

- Deliver at pace without being hindered by bureaucracy or governance. Be known as an organisation that continuously innovates and improves its services;
- Develop interventions jointly with other parts of government, the private and third sectors;
- Develop our people so that they have the skills and capability to deliver professional excellence and reflect the best of Civil Service talent;
- Foster an inclusive culture that is supportive and draws from a diverse pool of talent;
- Put evidence at the heart of the justice system, opening up our data, analysis and research, and improving our information management;

- Implement a functional leadership model to provide excellence in corporate functions and the best possible support to frontline services;
- Use digital services to join up the justice system and put the user first;
- Relentlessly look for efficiency and value for money; and
- Prioritise our resources and efforts towards delivering these outcomes.

### How we performed in 2016-17

We measure how well we are doing through the following three headline indicators:

- Ministerial correspondence answered within 15 days; and
- Parliamentary Questions answered on time.
- Freedom of Information requests answered on time;

Performance Area	Type of indicator	Previous Performance		Current Period	Performance Analysis
		Jan-Dec 2014	Jan-Dec 2015	Jan-Dec 2016	
Ministerial correspondence answered within 15 days	% of correspondence received	64	64	82	The Department has learnt from good practice in other departments and has put in place measures to improve performance during the period. This has focused on increasing the quality and timeliness of responses, which has been reflected in our improved performance.
Parliamentary Questions answered on time (MoJ HQ)	% of PQs	74	88	77	<p>Parliamentary Questions (PQs) are tabled in both Houses of Parliament, but the vast majority are tabled in the House of Commons. During 2016-17 the Department received 1,936 PQs.</p> <p>In the last session, performance dropped to 77% for the full session, below the requirement of 80% (79% Commons Ordinary, 71% Commons Named Day and 81% for Lords Ordinary). This drop in performance was as a result of process changes. Under this system, PQs were used to gauge wider parliamentary interest in Justice. We have now put in place new parliamentary monitoring capabilities in Parliamentary Branch so that parliamentary interest can be monitored through means other than PQs alone.</p> <p>We have made further improvements to the process over the period, adding additional quality assurance steps. We are confident that this, along with improved internal daily monitoring, additional resources in Private Office, and increased engagement with the Department to help provide high quality and timely drafts, will help to improve our performance and meet Parliamentary deadlines.</p>

Performance Area	Type of indicator	Previous Performance		Current Period	Performance Analysis
		Jan-Dec 2014	Jan-Dec 2015	Jan-Dec 2016	
Freedom of Information (Fol) requests answered on time	% of requests	83	74	84	The Department receives one of the highest volumes of requests across government and this volume has increased noticeably in recent years. The nature of our business also means we hold sensitive information which needs to be managed carefully, making consideration of material under the Freedom of Information Act complex and time consuming. However, we recognises the importance of the Fol, and have recently made improvements to our processes to improve performance.

# Sustainable Development

## Introduction and scope

The Department supports the UK Strategy for Sustainable Development and the commitment to create a more resilient business and environment within the public sector. We have outlined the progress made by the Department in its commitment to sustainable development – into the way it makes its policies, runs its buildings, and buys its goods and services. The Department concentrates on our efforts to ensure that environmental issues are considered at the most appropriate stage of the decision making process.

During 2016-17 the Department’s sustainability objectives were:

- Delivery of the Greening Government Commitments; and
- Ensuring compliance with mandatory Government Buying Standards.

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

We have linked the aims of our sustainable development to three categories.

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

## Sustainability performance

Our sustainability activity in 2016-17 is detailed here:

Initiative	Activity in 2016-17 includes
<b>Sustainable Procurement</b> 	<p>We have an in-house procurement team who ensure sustainability clauses are embedded within the Department’s facilities management and ICT contracts. New contracts require that suppliers meet the Government Buying Standards (GBS). New procurement staff are provided with training on sustainable procurement. Due to its historic performance in managing spend with Small and Medium sized Enterprises against the Government target of 33%, the Department has set a more challenging target of 38% by 2020.</p> <p>All food supplied is produced to UK or equivalent standards. Menus are designed to reflect in season produce and purchased locally where feasible to do so to reduce food miles and to assist in supporting our local suppliers. The 2016 HM Prison Service contract incorporated GBS and the balanced scorecard in the tender documentation. In 2017 similar provisions were incorporated into the MoJ Future Facilities Management contract specification.</p>

## Biodiversity



The Department has embedded its strategy and policy for biodiversity across the whole of its diverse estate, including its Executive Agencies and ALBs, and more recently its Estates Cluster.

The MoJ has also been working closely with its facilities management providers to disseminate this strategy and policy through local Biodiversity Action Plans (BAPs) and Site Management Agreements (SMAs) at its designated sites and local biodiversity significant sites. The MoJ has also implemented a partnership with the National Biodiversity Network (NBN), so that all data records of species including protected species are registered; and to this end over 47 species have now been documented through a Species Action Plan structure as part of a National BAP initiative.

MoJ has 10 nationally important Sites of Special Scientific Interest (SSSI), two of which are internationally important and one of these globally important for wading birds. The MoJ Ecology network and the Sustainable Operations Team are engaged in driving forward a programme of actions that will monitor both their biological status for species and broad habitats, as well as their landscape scale ecosystem-services. The MoJ Pollinator Strategy launched in 2016 along with our Biodiversity and Bio-security strategies.

## Rural Proofing



A check list of specific impact tests now forms part of the policy impact assessment guide, giving greater assurance that due consideration will be given to impacts often seen as peripheral such as sustainability and rural proofing.

The Department's estate Sustainable Operations Team provides guidance to the operational estates, whilst developing a robust programme to respond to important planning issues, such as; transport plans, ecological impact assessments and social and community plans.

## Climate Change Adaptation



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

## Sustainable Construction



Where minor refurbishment work has been carried out, complete Site Waste Management Plans are produced to detail all waste removed and recycled. The Department is committed to the BREEAM standard of "excellence" for new builds and "very good" for refurbishments over stated minimum threshold values.

## Independent reviews

This year the Department was subject to an Environmental Audit Committee (EAC) Inquiry into sustainability. This is expected to conclude in 2017-18.



## Greening Government Commitments

The Department agreed new Greening Government Commitments (GGC) for 2016-2020. The data below shows our present position for the financial year ending 2016-17 against a 2009-10 baseline, unless otherwise stated.

## Overall GGC Performance 2016-17

Overall GGC Performance 2016-17			
Requirement	2016-17 performance	Achievement against target	Explanation where target not achieved
Reduce greenhouse gas (GHG) emissions by 22%	28%	↑	
Reduce domestic business flights by 30%	12%	↓	Each business area has increased its domestic flights for operational reasons
Continue to reduce overall waste	30%	↑	
Reduce paper use by 50%	33%	↓	The Department is improving its digital systems to enable a reduction in its reliance on paper
Continue to reduce total estate water consumption	3%	↑	

The Department has achieved savings from improved sustainability performance since the commencement of the GGC in 2009-10, including from its energy expenditure due to investment in energy efficiency projects and estate rationalisation.

## Greenhouse gases



### Greenhouse gases and financial costs 2016-17

Greenhouse gas (GHG) emissions		2016-17	2015-16	2014-15
<b>Non-financial indicators (tCO<sub>2</sub>e)</b>	Total Gross Scope 1 (Direct) GHG emissions	195,971	195,591	206,749
	Total Gross Scope 2 (Energy indirect) emissions	178,950	224,224	238,317
	Total Gross Scope 3 (Official business travel) emissions	30,218	39,679	37,659
	<b>Total emissions - Scope 1, 2 &amp; 3</b>	<b>405,139</b>	<b>459,494</b>	<b>482,725</b>
<b>Non-financial indicators (MWh)</b>	Electricity: non-renewable	350,095	335,636	361,061
	Electricity: renewable	83,316	111,515	119,653
	Gas	921,913	903,080	951,013
	Other energy sources	53,839	84,267	88,608
	<b>Total energy</b>	<b>1,409,163</b>	<b>1,434,498</b>	<b>1,520,335</b>
<b>Financial indicators (£'000)</b>	Expenditure on energy	97	97	103
	CRC Expenditure	7	7	7
	Expenditure on official business travel	28	25	27
	Expenditure on domestic air travel	297	n/a	n/a
	<b>Total expenditure on energy and business travel</b>	<b>429</b>	<b>129</b>	<b>137</b>

The Department has continued to reduce its overall carbon emissions through its 'The Way We Work' programme, NOMS and HMCTS estate rationalisations, investment of £1.9 million in energy efficiency projects on the custodial estate and working with facilities management companies to identify opportunities to re-engineer building facilities to reduce energy consumption.

The Department has achieved a 28% reduction on its overall carbon emissions from estate and business travel. The custodial estate has recorded a 20% reduction in its carbon emissions. The non-custodial estate has recorded a 43% reduction in its carbon emissions. Energy use at our HQ buildings can be viewed [online](#).

## Travel



### Domestic flights 2016-17

Domestic air travel	2016-17	2015-16	2014-15
Number of flights	4,034	3,319	3,976

The Department has reduced its overall business related travel emissions, increasing the use of video conferencing, upgrading IT, and the introduction of [Smart Working](#).

## Waste



### Waste production and financial costs 2016-17

Waste		2016-17	2015-16	2014-15	
<b>Non-financial indicators (tonnes)</b>	Hazardous waste	132	n/a	n/a	
	Non-hazardous waste	Landfill	7,223	10,807	14,625
		Reused/recycled	26,907	25,846	27,065
	Incinerated with energy from waste	13,616	9,297	8,466	
	Incinerated without energy recovery	76	109	167	
<b>Total waste</b>		<b>47,954</b>	<b>46,059</b>	<b>50,323</b>	
<b>Financial indicators (£'000)</b>	<b>Total disposal cost</b>	<b>7.4</b>	<b>7.0</b>	<b>8.3</b>	

This year we report against the three GGC targets: overall waste, landfill avoidance, and recycled waste. The Department has achieved a 30% reduction against the overall waste reduction target, based on the 2009-10 baseline. Our landfill avoidance rate stands at 15% against the <10% target but we are working closely with our facilities management companies to increase the amount of waste diverted from landfill. Recycling rates stand at 54% and we are working with our facilities management companies to improve these. The data relates to buildings where waste is collected by our contractors and not where the service is provided by a landlord and re-charged through a service charge. The data provides actual waste collected.

The Department has recorded a 33% decrease in paper consumption since 2009-10. This has been achieved through our Digital transformation programme within HMCTS, and MoJ's Transformation programme which introduced more mobile IT devices, thereby reducing reliance on paper. The use of the [Crown Court Digital Case System](#) has saved us from printing over 12 million pages of information, reducing the amount of classified waste produced.

## Water



### Water consumption and financial costs 2016-17

Water		2016-17	2015-16	2014-15
Non-financial indicators	Total water consumption (m <sup>3</sup> '000)	8,682	8,356	8,796
Financial indicators	Total water supply costs (£'000)	25.2	24.3	24.7

The Department has reported a 3% reduction in water consumption compared to the 2014-15 baseline. This has been achieved through a combination of awareness campaigns, installation of controllable devices and aerated shower heads. Rainwater harvesting and borehole extraction is used where feasible and cost effective. Further improvements will be delivered by incorporating water efficiency into project specifications and our facilities management contracts.

**Richard Heaton**  
**Accounting Officer**

**7 July 2017**

# Accountability

# Accountability

## Corporate Governance Report

The purpose of the Corporate Governance Report is to explain the composition and organisation of the Department and how these arrangements have supported the achievement of its objectives during 2016-17.

### Directors' Report

The table below sets out names and titles of all Ministers and members of the Departmental Board who have had responsibility for the Department during 2016-17.

Departmental Board, Audit and Risk Committee and Nominations Committee Member Attendance 1 April 2016 to 31 March 2017			
Members	Meetings attended per member out of those eligible to attend		
	Departmental Board	Audit & Risk Committee <sup>1</sup>	Nominations Committee
<b>Ministers</b>			
The Rt Hon Elizabeth Truss MP, Lord Chancellor and Secretary of State for Justice (from 15 July 2016)	4 of 4	-	-
The Rt Hon Michael Gove MP, Lord Chancellor and Secretary of State for Justice (to 14 July 2016)	1 of 1	-	-
The Rt Hon Sir Oliver Heald QC, MP, Minister of State at the Ministry of Justice (from 15 July 2016)	4 of 4	-	-
Lord Keen of Elie QC, Lords Spokesperson for Ministry of Justice (from 17 July 2016)	2 of 4	-	-
Dr Phillip Lee MP, Parliamentary Under Secretary of State for Youth Justice, Victims, Female Offenders and Offender Health (from 16 July 2016)	3 of 4	-	-
Sam Gyimah MP, Parliamentary Under Secretary of State at the Ministry of Justice (from 16 July 2016)	3 of 4	-	-
The Rt Hon Mike Penning MP, Minister of State for Policing, Fire, Criminal Justice and Victims (to 16 July 2016)	1 of 1	-	-
Lord Faulks QC, Minister of State for Civil Justice and Legal Policy (to 14 July 2016)	1 of 1	-	-
Shailesh Vara MP, Parliamentary Under-Secretary of State, Minister for the Courts and Legal Aid (to 15 July 2016)	1 of 1	-	-
Andrew Selous MP, Parliamentary Under Secretary of State for Prisons, Probation, Rehabilitation and Sentencing (to 17 July 2016)	1 of 1	-	-
Caroline Dinenage MP, Parliamentary Under Secretary of State for Women, Equalities and Family Justice (to 15 July 2016)	0 of 1	-	-

<sup>1</sup> Permanent Secretary and Chief Financial Officer attend the Audit and Risk Committee meetings in the capacity of additional attendees.

Departmental Board, Audit and Risk Committee and Nominations Committee Member Attendance 1 April 2016 to 31 March 2017			
Members	Meetings attended per member out of those eligible to attend		
	Departmental Board	Audit & Risk Committee <sup>1</sup>	Nominations Committee
Dominic Raab MP, Parliamentary Under Secretary of State, Minister for Human Rights (to 15 July 2016)	1 of 1	-	-
<b>Executive Management</b>			
Richard Heaton CB, Permanent Secretary	5 of 5	5 of 6	1 of 1
Catherine Lee CBE, Director General, Justice and Courts Policy Group	3 of 5	-	-
Indra Morris, Director General, Prisons, Offender and Youth Justice Policy Group (until 20 May 2016)	0 of 1	-	-
Darren Tierney, Interim Director General, Prisons, Offender and Youth Justice Policy Group (from 16 May 2016 to 14 October 2016)	3 of 3	-	-
Justin Russell, Director General, Prisons, Offender and Youth Justice Policy Group (from 17 October 2016)	2 of 2	-	-
Mike Driver, Chief Financial Officer (from 1 April 2016)	5 of 5	6 of 6	-
Matthew Coats, Chief Operating Officer (from 1 April 2016)	5 of 5	-	-
Michael Spurr CB, Chief Executive, National Offender Management Service	5 of 5	-	-
Natalie Ceeney CBE, Chief Executive, HM Courts & Tribunals Service (until 31 May 2016)	0 of 1	-	-
Kevin Sadler, Interim Chief Executive, HM Courts & Tribunals Service (from 30 May 2016 to 20 November 2016)	3 of 3	-	-
Susan Acland-Hood, Chief Executive, HM Courts & Tribunals Service (from 21 November 2016)	2 of 2	-	-
<b>Non-Executive or Independent Member</b>			
Sir Theodore Agnew, Lead Non-Executive Director	5 of 5	-	1 of 1
Sir Martin Narey, Non-Executive Director	3 of 5	-	-
Lizzie Noel, Non-Executive Director	4 of 5	-	1 of 1
Liz Doherty, Departmental Audit & Risk Committee Chair and Non-Executive Director	3 of 5	6 of 6	-
Sir Michael Barber, Non-Executive Director	1 of 5	-	-
Peter Conway, Independent member of Audit & Risk Committee	-	6 of 6	-
Kathryn Ayton, Independent member of Audit & Risk Committee	-	5 of 6	-

## Personal data related incidents

The following gives a summary report of significant personal data related incidents reported to the Information Commissioner's Office (ICO) in 2016-17. The disclosure of these incidents which would in itself create an unacceptable risk of harm, may be excluded in accordance with exemptions contained in the Freedom of Information Act 2000 or may be subject to limitations of other UK information legislation.

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
January 2016	The address of a domestic violence victim's new partner was inadvertently included in a summons document posted to the defendant.	The address of a victim and their new partner.	Five people were affected.	ICO notified in May 2016. The affected individuals were also notified. The ICO closed its investigation taking no action, noting the policies and guidance the Department has in place and preventative action taken.
May 2016	Documentation held by a provider of escort services for young people in secure training establishments was removed from the provider's depot.	Names, offences, young persons' background and risk assessments.	Files relating to 40 young people went missing. Seven files have been recovered.	The police, ICO and young people affected were notified. The ICO closed its investigation taking no action, noting a robust contract was in place and that the provider's sites had been inspected.
March 2015	Discovery of parole hearing file on roadside near the prison where hearing had taken place.	Data relating to an offender's offence history and their rehabilitation activity.	The exact number is not known but is believed to be fewer than 40.	ICO was notified by Parole Board in March 2015. In September 2016 ICO contacted the Department as it took the view the Department was the data controller. The ICO closed its investigation taking no action, noting the remediation steps the Department had taken.
February 2016	Minutes of a Multi-Agency Public Protection Arrangements (MAPPA) meeting emailed to an incorrect email address in NHS.	Data relating to an offender, their victim and victim's family members, members of MAPPA core panel and NPS staff.	31 individuals.	ICO notified in April 2016. The ICO closed its investigation taking no action and were satisfied with the improvement plans the Department had in place.
June 2016	Names and address of prospective adoptive parents inadvertently included in a hearing notification sent to birth parents.	Names and addresses of prospective adoptive parents.	Three individuals.	ICO notified in November 2016. The affected individuals were notified. The ICO closed their investigation taking no further action, noting the incident was due to human error and not a lack of organisational controls.

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
September 2016	Assault victim's new name and address inadvertently included in an amended restraining order sent to the perpetrator.	New name and address.	One individual.	ICO notified in January 2017. The affected individual was notified. The ICO investigation is continuing.
January 2017	The address of harassment victim's parents was inadvertently included in restraining order sent to offenders.	Name and address of victim's parents.	Five.	ICO notified in February 2017. The affected individuals were notified. The ICO closed their investigation taking no further action, noting the incident was due to human error and not a lack of organisational controls.

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

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

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	502
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	1,305
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	11
IV	Unauthorised disclosure	2,079
V	Other	81
<b>Total</b>		<b>3,978</b>

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

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

## Complaints to the Parliamentary and Health Service Ombudsman

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

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

In the Parliamentary and Health Service Ombudsman's most recent report published in December 2016 on complaint handling by government, the Department's performance for the year 2015-16 was as follows:

Number of completed investigations*	Investigations upheld or partly upheld		Investigations not upheld		Investigations resolved without a finding or discontinued	
	Number	%	Number	%	Number	%
214	78	36	114	53	24	11

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

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

## Department spending

	2016-17	2015-16
Publicity and advertising	£320,664	£929,639
Sponsorship spend over £5,000	nil	nil
Political donations and expenditure	nil	nil
Research and development charged to Consolidated Statement of Comprehensive Net Expenditure	£5,439,873	£1,698,119

## Audit

The notional cost of the statutory audit for the Core Department was £517,500 (2015-16: £537,000) which also includes the statutory audit of the Consolidated Accounts, Official Solicitor and Public Trustee, Office of the Accountant General and the Judicial Pension Scheme.

The total cost of statutory audits across the Departmental Group was £1,620,000, of which £227,500 was cash and £1,392,500 notional cost (2015-16: £1,693,500 comprising £234,000 cash and £1,459,000 notional cost). The notional audit cost includes the cost of the HMCTS Trust Statement which is not consolidated as part of these Accounts.

## Health & Safety

The Department is fully committed, so far as is reasonably practicable, to ensure the Health, Safety and Wellbeing of its employees, the judiciary, detainees, visitors, contractors and all others who may be affected by its activities. We recognise that occupational health and safety plays an important and integral role in the delivery of our corporate objectives. The annually updated corporate strategy and plan for fire, health and safety continues to provide an

overarching framework for continuous improvement, and a targeted approach for monitoring our performance.

## Ministerial correspondence

Correspondence from Members of the House of Commons and the House of Lords is given a high priority by Department staff and Ministers.

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

During calendar year 2016 Ministers and Chief Executives on their behalf, replied to 4,493 items of correspondence (compared to 6,240 in calendar year 2015). The Department has learnt from good practice in other departments and has put in place measures to improve performance during 2016, focusing on increasing the quality and timeliness of responses.

## Ministerial correspondence from Members of Parliament and peers 1 January 2016 to 31 December 2016<sup>2</sup>

	2016-17		2015-16	
	Number of letters received	% of replies (where reply required) within targets	Number of letters received	% of replies (where reply required) within targets
Ministry of Justice Headquarters <sup>3</sup>	2,073	82%	4,025	64%
HM Courts & Tribunals Service (where CEO replied)	311	95%	252	93%
HM Courts & Tribunals Service (where Ministers replied)	672	90%	692	57%
Official Solicitor & Public Trustee (where CEO replied)	12	100%	18	94%
Official Solicitor & Public Trustee (where Ministers replied)	6	100%	20	45%
OPG (where CEO replied)	31	97%	55	94%
OPG (where Ministers replied)	37	86%	46	74%
NOMS (where CEO replied)	302	92%	310	96%
NOMS (where Ministers replied)	1,049	71%	822	65%

<sup>2</sup> Figures are given for the calendar year rather than financial year, to be consistent with previous Annual Reports and the method in which this data is presented to Parliament

<sup>3</sup> Includes LAA correspondence

## Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the Ministry of Justice to prepare, for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of, and the use of resources, during the year by the Department (inclusive of its executive agencies) and its sponsored non-departmental and other arms length public bodies (ALBs) designated by order made under the GRAA by Statutory Instrument 2016 No 1243 (together known as the 'Departmental group', consisting of the Department and sponsored bodies listed at Note 29 to the Accounts). The Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and the Departmental group and of the net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing the Accounts, the Accounting Officer of the Department is required to comply with the requirements of the *Government Financial Reporting Manual (FReM)* and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ensure that the Department has in place appropriate and reliable systems and procedures to carry out the consolidation process;
- make judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by non-departmental and other arm's length public bodies;
- state whether applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures in the Accounts;
- ensure that there is no relevant audit information of which the entity's auditors are unaware of, and take all steps that ought to have been taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information;
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable, and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable; and
- prepare the Accounts on a going concern basis.

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

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

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the Department or non-departmental and other ALBs for which the Accounting Officer is responsible, are set out in *Managing Public Money* published by HM Treasury.

# The Governance Statement

## Introduction

The Department is required to prepare an annual Governance Statement to describe the organisation's system of internal control, record the assurances received, and provide a risk assessment of the organisation's risk profile and its effectiveness in managing those risks.

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

- Insight into the Department's performance from Internal Audit, including an audit opinion on the quality of the systems of governance, management and risk control;
- Feedback from senior management with delegated responsibility within the Department about the business, our use of resources, responses to risks, and the extent to which in year budgets and other targets have been met;
- The Departmental Board's annual review of our processes and practices, informed by the views of the Audit and Risk Committee on the Department's assurance arrangements; and
- Information from the Department's arms length bodies (ALBs) on the performance of the organisations and their relevant boards.

The Department has made significant improvements to the control environment, the way in which we identify and manage strategic risk, our governance, and the assurances we obtain on how these core frameworks are operating. On the other hand, we have faced continuing operational challenges in the delivery of public services, in particular significant increases in violence, self-harm and self-inflicted deaths in our prisons.

Internal Audit has provided an overall assurance opinion of **Moderate assurance** which takes into account the improvements made to our control environment.

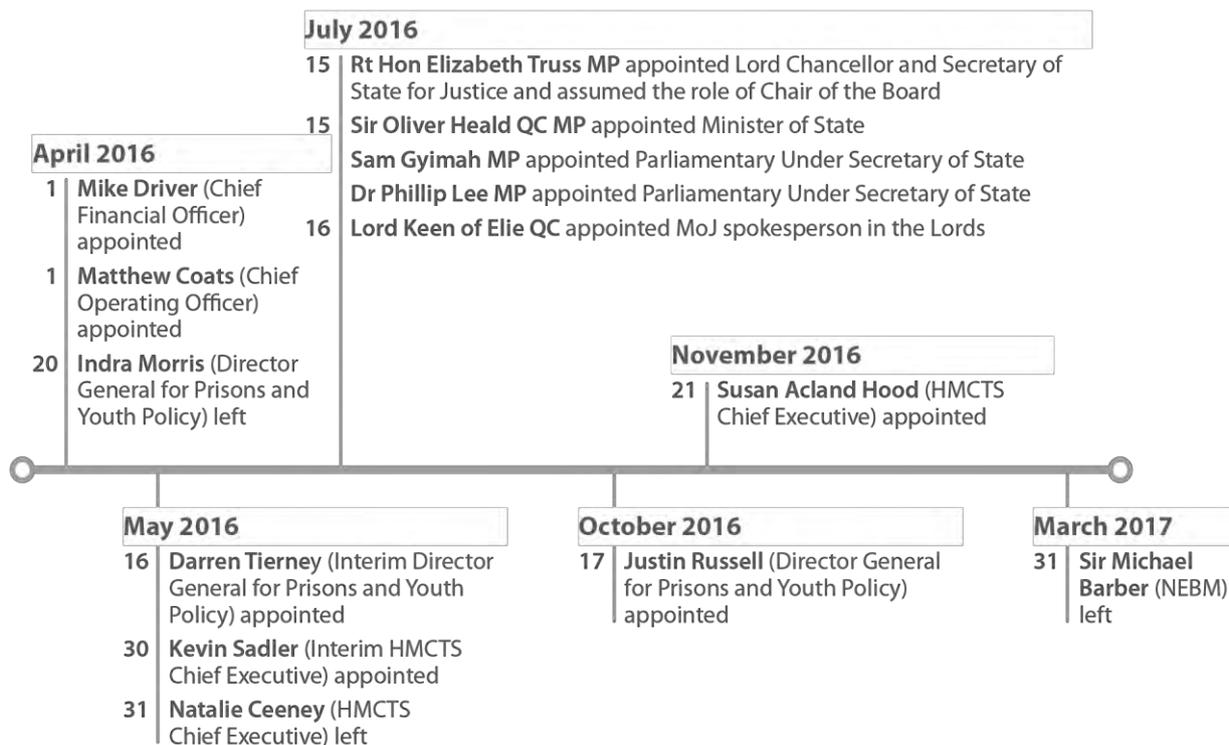
I believe that while we have made considerable progress in some areas, including in some critical corporate functions, there is still much to do to achieve consistent, sustainable performance against a backdrop of significant operational risk.

This statement sets out my personal view of why this is the case, and the collective steps which I and my senior team are taking to address gaps in our control environment. It also sets out in more detail how we have continued to develop our governance frameworks.

## Governance Framework

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

There were a number of changes to membership during 2016-17, with the Rt Hon Elizabeth Truss MP assuming the role of Chair of the Board when she was appointed Lord Chancellor and Secretary of State for Justice. The in-year changes are reflected in this timeline:



The Departmental Board met five times during the year. The standing agenda included:

- Departmental performance and risk;
- Finance;
- Assurance reports from committees.

Key areas of operations discussed through the year included:

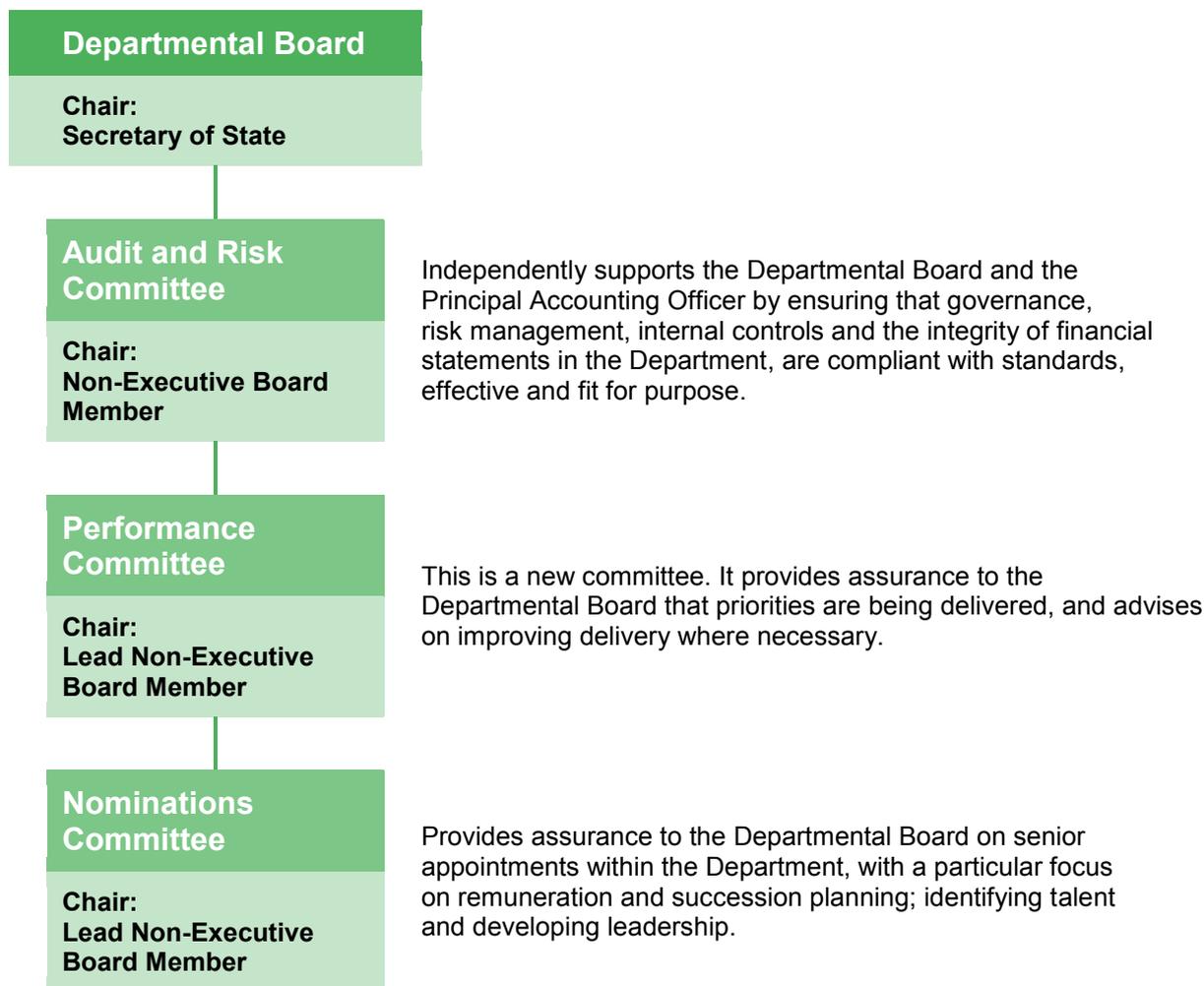
- Financial sustainability;
- Prison safety and reform;
- Court reform;
- MoJ Transformation;
- Departmental strategy and planning.

The Departmental Board is supported by three committees. These committees are the Audit and Risk Committee, the Performance Committee and the Nominations Committee.

Departmental Board attendance has been reported on pages 32 to 33.

## Board Committee structure

The roles and responsibilities of the three committees supporting the Departmental Board are as follows:



Key items discussed at the Departmental Board committees through the year were as follows:

Committee	Topic	Detail
Audit and Risk Committee	Risk management	Considering and challenging the Department's overall approach to risk management.
	Contract management	Considering and challenging the Department's approach to third party risk management and overall commercial capability.
	General capability	Considering and challenging whether the MoJ is building the capability needed to meet future challenges.
	Project capability	Considering the Department's capability and capacity to deliver a challenging investment agenda.
	Cyber security risk	Considering and challenging the Department's overall approach and progress against plans to mitigate cyber security risk.
Performance Committee	Security in prisons	Challenging how the Department is tackling safety and security issues in prisons.
	Public family law	Advising on devising a narrative for change in this area and the need to continue engaging with stakeholders.

Committee	Topic	Detail
	Health in prisons	Considering the levers available to improve the delivery of health services in custody.
	Extremism	Promoting cross government (Police and Crown Prosecution Service) working to tackle the proliferation of extremism in custody.
	Youth justice	Discussing the various options for reforming youth justice in light of a number of pressures.
Nominations Committee	Remuneration	Discussing and agreeing the Departmental strategy for pay awards.
	SCS succession	Discussing performance and talent, and agreed succession planning strategy.

## Executive Committee structure

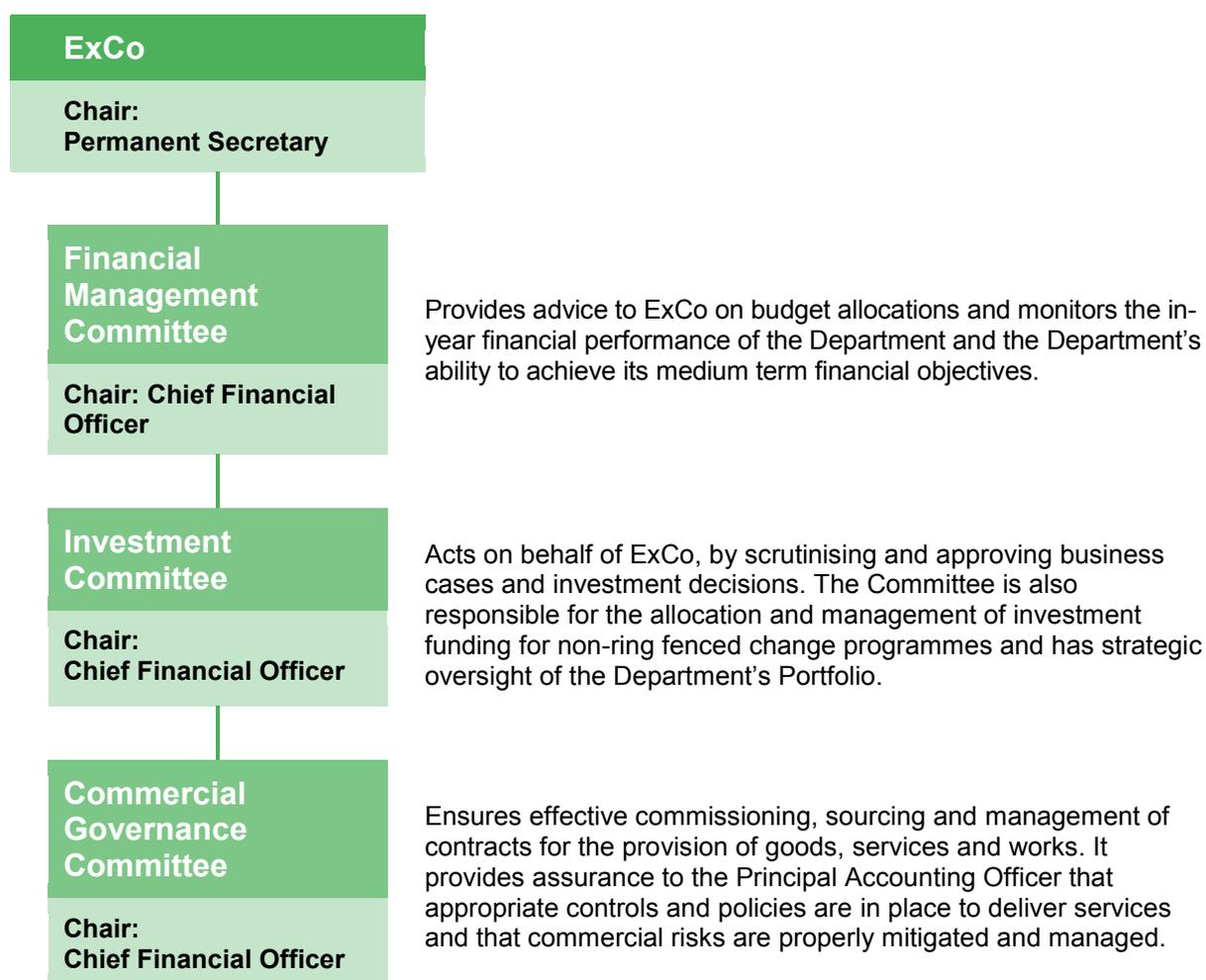
The Executive Committee (ExCo) takes overall leadership and management responsibility for the Department, which includes: setting a strong strategic narrative for staff, stakeholders and the public; performance, planning and prioritisation; delivery of Departmental priorities; and managing in-year and longer-term financial stability. In May 2016, it was agreed to fold 'ExCo Workforce' meetings into regular ExCo to ensure the Department manages and develops talent, capability and workforce planning on a more regular and integrated basis.

ExCo met 47 times during the year. Key areas of business discussed through the year included:

Theme	Topic	Detail
Strategy	Departmental strategy and planning	Workshop on developing a strategy and narrative for the Department that reaches public, staff and other stakeholders.
	Strategic risks	Developing a new strategic risk register and conducted risk deep dives on: legal risks, cyber and Brexit.
	Delivery Plan/Business Plan	Setting out how we deliver our strategic objectives and what we need in order to do this.
	HR strategy	Developing principles which outline the vision for the Department workforce and offer to staff.
Delivery	Medium Term Financial Plan (MTFP)	Introducing a discipline and approach to how we plan our finances in the longer term against our strategic objectives.
	Finance contingency workshop	Identifying ways to make financial savings across the Department and implementing plans to put these in place.
	Departmental performance and risk	Regularly scrutinising Departmental performance and provide support
	Quarterly Criminal Justice System demand	Looking at key levers of demand and solutions to mitigating these with other partners across government.
	ALB strategy and Engagement Impact Analysis	Inviting several ALBs to ExCo to discuss their success stories, share best practice and approve the Impact Analysis of all our ALBs based on various factors.
People	Capability plan for business groups	Reviewing capability across the Department and how best to improve this.
	Diversity and Inclusion	Setting a strategy, narrative and opportunity for the Department to be fully inclusive and diverse, including social mobility outreach schemes.

Theme	Topic	Detail
	Fast Stream and apprenticeship schemes	Investing in our fast stream and apprentice cohort to develop entrants to the civil service.
	Workforce planning	Discussing and developing plans to manage our workforce in financial and development terms.

The diagram below sets out the role and responsibilities of the three sub-committees supporting ExCo in delivering its function:



Key areas discussed at ExCo sub-committees through the year included:

Committee	Topic	Detail
Financial Management Committee	In year finance management	Discussing the Department and its Executive Agencies' in-year finances
	Medium Term Financial Planning	Considering, advising and agreeing the Departmental MTFP
	Various thematic reviews	Asset disposal, stabilising the prison environment, and out of court disposals
	Licence to Operate	Agreeing and monitoring licence to operate training programme for budget holders

Committee	Topic	Detail
	Gated release	Released gated funds after reviewing progress of programmes/projects
Investment Committee	Business cases	Scrutiny and approval of business cases of £30 million and above
	Departmental portfolio	Considering and challenging the Departmental portfolio on its delivery confidence
	Change funding	Agreeing and monitoring Departmental Change programmes funding
	Contract scorecard	Regularly reviewing the gold contracts to agree their path to green
Commercial Governance Committee	Procurement Strategies	Agreeing various procurement strategies during the year for business cases before the Investment Committee approval
	Attestations	Inviting various senior responsible officers to seek assurance of the overall contact management throughout the year

## Year end governance assurance process

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

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

- Completion of annual Director Assurance Statements to summarise the objectives, controls and risks within each Director's operations and provide an assessment of the level of assurance within business processes;
- Outputs from holding to account meetings held with the Accounting Officers of each of the Department's agencies and Director Generals throughout the year; and
- Content of Agency and ALB governance statements to ensure consistency and completeness of this statement.

## Improving governance

The Lead Non-Executive Board Member initiated the Board Effectiveness Evaluation in January 2017, and obtained feedback from the Departmental Board members on governance arrangements; the work of the Departmental Board; composition and culture; and support and organisation. The overall performance of the Departmental Board was found to be satisfactory, but the evaluation demonstrated areas needing improvement. An action plan has been formed to address points raised from the feedback. It was the sixth board evaluation for the Department and following Cabinet Office guidelines we sought an external review by the Chair of the Environment Agency. The findings mirrored the outcomes of the Board Effectiveness Evaluation.

Additionally, Internal Audit conducted a review of corporate governance which included the workings of the Departmental Board. The review concluded that further work is required to advance the momentum of the Departmental Board; including reviewing length and frequency of Departmental Board meetings. However, the review also noted that there had been a good level of engagement from the NEBMs and Ministers in Department business, and that the Department had complied with the Corporate Code of Good Practice 2011. They have provided an internal audit opinion of Moderate assurance from their review, recognising that there have been

improvements in the design and operational effectiveness of both the Departmental Board and ExCo together with their respective committees

Work is now underway to streamline commercial governance by integrating decisions on commercial approaches (including contract awards) into the broader business case approvals process overseen by the Investment Committee. The assurance of in-flight contracts will be strengthened, and performance will be monitored alongside the routine Departmental reports. Once these changes have been embedded the Commercial Governance Committee will be disbanded but in the interim it is a sub-committee to Investment Committee. These changes reflect the enhancements made to the control and assurance processes across commercial arrangements and the need to simplify and clarify the governance routes for users of commercial services.

## Risk management

The Department promotes a supportive risk culture which encourages openness and considers risks to delivery in each business area through a comprehensive framework of risk reporting across business groups, Executive Agencies and ALBs; with a clear route to escalate significant risks to ExCo. We have made significant improvements in the way the Department identifies and manages risks within this financial year.

We have recruited a Chief Risk Officer, in recognition of the importance of improving the way we manage our risks.

We have refreshed the Risk Management Policy which articulates our cross Departmental risk management processes and protocols, supporting stronger, deeper and more structured engagement. This will lead to a clearer risk management culture, with every member of the Department has a view of the risks they manage and the impact their decisions will have, empowered to operate within agreed boundaries.

During this accounting period, Cabinet Office published guidance on Management of Risk in Government which we have incorporated into our Risk Management Policy and used as the basis to enhance our approach to risk identification by considering risk in four ways:

- **Internal risks:** Risks arising from within the organisation, over which the Department has some control; we seek to minimise these risks using internal controls as we get no strategic benefit from taking them on, indeed we are exposed to reputational damage when they materialise. For us, they include recruitment and retention of key staff, in particular prison officers; commercial contract management;
- **External risks:** We recognise that some risks arise from events outside our organisation that are beyond our direct influence or control, but we should be ready to respond when required. For us, they include relationships across the judicial community and with unions; cyber risk and data protection; spikes in demand for services specifically asylum seekers and immigration related; public and prisoner safekeeping;
- **Strategic risk:** This concerns the Department's enduring purpose and the objectives set out in our Single Departmental Plan. Identifying the principal risks to the achievement of our goals requires us to look forward and improve the ability of the Department to manage or contain risk events should they occur. We accept that to deliver the Department's ambitious strategy we will need to take some risk. Strategic risks are not, in themselves, inherently undesirable. For us, they include policy setting; estate capacity; management of finances within budgetary constraints; a growing UK digital agenda; and
- **Major project risks:** Successful delivery of major projects forms a critical part of our plans for the future - recognising this criticality highlights a requirement to report and manage major project risks as a category in their own right. For us, they include skills bandwidth to deliver

the large and diverse portfolio of change on time and within budget while maintaining the business as usual agenda.

This year, we refreshed our strategic risk register. This, alongside our strengthened channels of communication and escalation is a positive move away from a purely mechanical escalation of risks, towards a process that provides insight to risks that need to be managed at ExCo level, with other risks being actively managed within our day to day operations. Each strategic risk is assigned to a Director General plus a corresponding Risk Owner to produce clear accountability and ownership.

The Department reviews the strategic risk register alongside divisional and functional risk registers, lessons learned from incidents and issues arising in conjunction with performance scorecards and Portfolio reporting at ExCo, the Departmental Board and Executive Agency Boards on a regular basis. A significant part of ExCo's agenda is devoted to managing the key risk areas of resources, people, contracts and reform.

## Significant challenges and issues in 2016-17

The table below sets out further detail on a number of our risk areas where we have been dealing with challenges and issues which warrant further disclosure.

Operational challenges	Detail
Prison Safety and Stability	The level of violence, self-inflicted deaths and self-harm in prisons remains an area of serious concern, particularly as the position has deteriorated further in 2016-17 despite efforts to improve the situation through increased staffing and security measures. Following publication of the Prison Safety and Reform White Paper in November 2016, the Prison Safety and Reform Programme was established to oversee the changes needed to make prisons places of safety and reform. Further detail on these issues and mitigating actions can be found in the NOMS Annual Report and Accounts.
Prison Capacity	In 2016-17 the demand for custodial places initially followed the population projection. The situation changed dramatically in September when the population increased sharply and in October was around 900 places higher than projected. The initial impact of this was contained but the position was made worse by the serious disturbances which led to the temporary loss of around 1,000 places. A range of measures, including establishing a Population and Capacity Task Force and introducing daily population reporting, contained the worst of the pressures. The population continued to exceed projections during early 2017 necessitating the continued use of contingency places.  We know that the current estate is crowded, out of date and that prisoners are held in prisons that do not best meet their needs. Reform under the Prison Estate Transformation Programme (PETP) will tackle this, creating an estate that is less crowded, better organised, more effective and comprises modern, fit for purpose accommodation.
Prison Officer Recruitment and Retention	The Department has continued to face difficulties in recruiting and retaining prison officers, particularly in London and the South East where labour market competition is highest. There was a significant rise in the number of officers leaving the service so that recruitment efforts during 2016 did little more than replace turnover. Ministers have announced that the overall staffing level for prison officers should rise by 2,500 and plans have been laid to recruit an additional 8,000 new officers in total by the end of 2018 to fill all existing vacancies, account for projected turnover and raise staffing levels as required.
Probation System Review	The Department established a dedicated multi-disciplinary team in 2016 to lead the probation system review. The review was set up in response to the NAO's report on Transforming Rehabilitation. This acknowledged that the probation landscape had been successfully restructured, but recommended that there were operational issues that needed to be addressed, such as weakness in ICT systems, as well as the need to have a deeper understanding of risks associated with reduced business volumes for Community Rehabilitation Companies (CRCs).

Operational challenges	Detail
Breach of Pay Controls within NOMS	<p>Because of the reduced volumes flowing into the CRCs there is a risk that CRCs will be under-resourced to deliver the service innovation expected under the contract. The review is undertaking detailed analysis to understand the financial position of CRCs as a result of changes in volumes, particularly looking at how the contractual payment mechanism is operating and considering where services can be improved.</p> <p>The review team have worked closely with suppliers to understand how their costs and income are impacted by changes in the volume and mix of cases. We have varied contracts to reduce the proportion of cost that is considered variable. A report on the conclusions of the Review will be published in due course.</p> <p>In seeking to deal with the recruitment and retention issues that have arisen in year, NOMS put in place specific measures which have led to a breach of the Civil Service pay controls. Further detail on these measures can be found in the NOMS Annual Report and Accounts published at <a href="http://www.gov.uk">www.gov.uk</a>.</p> <p>In line with the Civil Service pay guidelines for 2016-17, public sector pay awards should be limited to 1% of the total pay bill for each of the 4 years from 2015-16 to 2019-20 and adhere to HMT guidance on Civil Service pay. The Department commissioned the Government Internal Audit Agency (GIAA) to undertake a review of the circumstances surrounding the breach of pay controls and the findings have been shared with HMT, and will be used to strengthen the Department's existing internal controls and review mechanism.</p> <p>Following the GIAA review the Department submitted a business case seeking retrospective approval to HMT in respect of the 2016-17 breach of pay policy. Having considered the business case HMT declined retrospective approval.</p>
OPG Fees	<p>Many more people have been registering for lasting powers of attorney in recent years. Increased volumes coupled with greater efficiencies in processing applications have resulted in fees being charged above the operational cost of delivering the service, without our having exercised the power provided by legislation to allow us to do this.</p> <p>Using that power, we have from 1 April 2017 set the fees for applying to register lasting powers of attorney and enduring powers of attorney, at a reduced level. Alongside this reduction in fees, we will also introduce a scheme for refunding a portion of the fee to customers who may have paid more than they should have during the last four years. Full details of the scheme will be announced in due course but we are committed to taking such steps as are necessary to make sure that people are made aware of, and receive, the refunds to which they are entitled. This was made clear publicly to Parliament on 21 March 2017.</p> <p>The Department is undertaking a review of lessons learnt which has led to the creation of a new income strategy unit which will oversee the standards and controls set for all income streams. There have also been a number of improvements to the way in which we forecast and monitor fees to ensure compliance with requirements set by HM Treasury.</p>
Shared Services and the Introduction of the Single Operating Platform (SOP)	<p>At the end of January 2017, the Department successfully moved its HR, finance, payroll and procurement services from the Phoenix platform to a new IT system called SOP. This is part of Cabinet Office's next generation Shared Services Strategy which sets out a new model to share HR, procurement, finance and payroll functions and join up ways of working across government.</p> <p>As with any system migration there are a number of defects in reporting and controls which are being urgently resolved with the Shared Service provider; whilst none of these issues are deemed to be significant there are multiple issues which when combined have hampered the Department's ability to report accurately on a timely basis across HR and Finance activities. Additional assurance procedures and control assessment work have been implemented as part of the production of the financial statements, this will form the focus for controls and systems optimisation in the coming financial year.</p>
Technology and Cyber	<p>The Department holds a large amount of sensitive personal data and has a responsibility to ensure that our systems are robust and fit for purpose, securing our data and information systems from the threat of malicious or criminal intent,</p>

Operational challenges	Detail
Contract Management	<p>and accidental breach. The Department faces a range of threats, from organised crime through to individual hackers.</p> <p>The Department has hundreds of complex software systems. These vary from websites and digital services through to case management and analytical systems.</p> <p>We continuously review our cyber security resilience to provide confidence in our ability to address cyber risk. Our review assesses, amongst other things, risk scenarios, vulnerability and root causes of cyber risk. While the challenge we face to be resilient to cyber attack is significant, the Department has a highly capable team, and a comprehensive and forward thinking plan in place.</p> <p>Our new cyber security strategy will be led by a Chief Information Security Officer (Deputy Director), leading teams such as security engineering, operational security and risk analysis. In addition to this, we will have a new portfolio function, with a new framework, which will include robust checks to ensure the appropriate level of assurance is in place.</p> <p>The Department is committed to delivering consistently high-quality contract management and has embedded improvements in processes and controls to support this.</p> <p>A new framework was established in February 2017 to manage third party contracts, to support effective commissioning and subsequent contract management. We are revising the Department's Sourcing and Contract Management Guidance and developing strategic supplier relationship management guidance and tools. To understand and improve the Department's relationship with third party suppliers we will conduct a 'State of the Supplier' survey, an internal stakeholder survey and a supplier segmentation exercise.</p> <p>Contracts (in excess of 3,000 LAA and 1,000 MoJ) have been uploaded onto the 'Bravo' system. This system captures critical contract information, acts as a central repository for documents and serves as an auditable record of activity. The aim is for all MoJ Group contracts to be held on the system by December 2017. HMPPS contracts are currently being transferred over to Bravo.</p> <p>Progress on improvements in contract management is regularly reported to the Audit and Risk Committee. The most recent review by internal audit concluded that the Committee were happy with the progress made to date but recognised that there was still scope for improvement.</p>
Department Capacity	<p>The ambitious scale of Department's reform agenda, covering both Courts and Prisons simultaneously, puts pressure on the Department's project delivery capacity at a time when the Department is also undergoing structural reform through MoJ Transformation.</p> <p>During 2016-17 we developed a Department-wide delivery plan to ensure that activities and resources across the Department align to our strategic objectives, and that we have a clear view of our priorities at a departmental level. This has been commended by the Cabinet Office and will be updated in light of the recent election. We also moved to a functional model for eight key professions within the Department to focus on the development of professional skills and capability, and improve the supply of resources to our priorities.</p> <p>Our Investment Committee oversees the Departmental change portfolio to ensure that it remains strategically aligned, affordable and deliverable. The Committee uses a Change Scorecard to identify investment priorities in the portfolio and pipeline, and considers cross cutting risks and issues affecting the performance of the portfolio. The Committee also considers delivery confidence for individual programmes, as assessed by our second line assurance, and instigates action to improve confidence where necessary.</p>

## Business continuity planning

All Departmental business units have trained business continuity practitioners. They also have resilience plans designed to provide an effective response to disruptive events and a structured return to business as normal. There are inevitably events which test plans in live conditions, such as the response to the disorder at HMP Birmingham in December 2016. We learn and

respond to these events. A schedule of desktop training exercises is in place to test planning assumptions, both internally and at a national level with other government departments.

## Information assurance

The MoJ Senior Information Risk Owner (SIRO), HQ business group and Executive Agency SIROs met quarterly as a SIRO Board enabling active senior monitoring of the Department's key and cross-cutting information risks. The SIRO Board is supported by Information Assurance leads from HQ business groups and Executive Agencies, and Corporate Security and Cyber Security teams. The Board agreed to be restructured in February 2017 along functional lines in order to ensure that it has improved comprehensive oversight of the information risks that the Department faces going forward.

The Department processes large volumes of data stored across extensive IT and paper systems. We are committed to understanding and analysing all our information risks including the increased threat of cyber-attack. In recognition of these risks and of the challenges set out in a recent cross government security review and a recent Internal Audit report, the Department has included an information loss and cyber security risk on the Departmental Strategic Risk Register. A Security Improvement Plan and Cyber Security Strategy have been developed to mitigate these risks. A review of information governance roles and training and guidance materials has begun and will be completed later in 2017.

A summary of incidents involving personal data reported to the ICO during 2016-17 is contained in the Annual Report.

## Counter Fraud activity

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

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

Common fraud risks identified by the Department include false claims and documentation. In addition specific risks have been identified across the Department's Agencies covering potential risks around corruption of Prison Officers, misappropriation of fund/payments, and procurement of solicitor contracts.

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

## Whistleblowing

The Department's whistleblowing policy encourages employees to raise concerns about wrongdoing, advises on the protection afforded to whistle blowers, and provides reassurance that concerns will be investigated responsibly and professionally. The policy, accessible on the Department intranet, was reviewed when the Department published additional guidance for Nominated Officers on the Public Interest Disclosure Act 1998.

There are eight whistleblowing Nominated Officers across the Department, including six at SCS grade and one Non-Executive Board Member. While the number of whistleblowing cases remains low, during the period April 2016 to March 2017 the Department reported almost twice the number of cases than in previous years.

An internal article on *The Civil Service Code* and how to raise a whistleblowing concern was published in September 2016, and in October 2016 the Department participated in the Civil Service whistleblowing awareness week. The Departmental staff survey results provide a measure of the effectiveness of the whistleblowing policy. Employees are asked to respond to questions including awareness of how to raise a concern and confidence in the investigation process. While People Survey figures for 2016 show that these numbers are unchanged since last year, the Department continues to report a positive outcome in awareness and confidence in these areas. The data is analysed each year and was discussed at the 2016 annual review with the MoJ Nominated Officers.

## Quality Assurance of Analysis (Modelling)

We have moved to a more flexible approach to analytical quality assurance. We have a small core assurance team, whose responsibilities are to:

- Conduct the analytical quality assurance keyholder reviews of business cases, to improve the quality of the analysis behind these cases;
- Act as a central resource to advise on analytical quality activities, and develop tools and processes to improve analytical quality activities; and
- Manage a flexible resourcing approach, where specific model analytical quality assurance reviews are resourced from teams across the Analytical Services Directorate.

The business critical model list for the Department and all Executive Agencies has been updated and more detailed analytical quality assurance activity has been carried out for a number of new and existing models. To ensure consistent standards across models, we are using a tool which helps ensure that we are approaching analytical quality assurance in a consistent and proportionate way. The use of this tool is mandated for all new models and any business critical models still in use.

Over recent years the Department has taken a leading role on the cross government quality assurance working group to deliver the recommendations of the MacPherson Review of quality assurance of business critical models. In particular, the Department has led on the development of the Analytical Quality Assurance book published on [www.gov.uk](http://www.gov.uk).

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

## Independent oversight of assurance arrangements

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

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

## Assurances from Internal Audit

One of the key sources of independent assurance within the Department comes from the activities of the Internal Audit function which has been strengthened by becoming part of the GIAA and now provides me and the Audit and Risk Committee with a clearer view on themes emerging from Internal Audit work.

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

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

In giving her opinion the Group Chief Internal Auditor has concluded that there has been an improvement in financial controls supported by investing in building capability within the team. The Department has taken proactive steps to manage its financial position through the development of the MTFP to address the funding shortfall to 2020. Internal Audit consider that the MTFP provides an effective assessment of the cost to deliver the Department's activities with greater transparency of the data and the underlying assumptions.

Internal Audit has also noted improvements in the governance and risk management arrangements within the Department. The establishment of an Investment Committee and the continuing work of the Commercial Governance Committee have brought more challenge and rigour to commercial management and the approval of material business cases. The Department appointed a Chief Risk Officer during 2016-17 and a series of regular deep dives on strategic risks are discussed at ExCo to support effective risk management. The risk policy has been revised and a comprehensive plan of action put in place to improve risk management.

There are however, some areas where limitations in control have been highlighted, including:

- A deterioration in the overall control framework with an increase in the number of audits where Internal Audit have concluded with either a 'Limited' or 'Unsatisfactory' assurance opinion. The proportion of reports where controls were reported as being unacceptable in managing risks, increased from 26% in 2015-16 to 32% during 2016-17. Internal Audit have however reported that management have made good progress in implementing high priority audit recommendations to improve the control environment and address the weaknesses previously identified.
- The Department is aware that more work is required to strengthen the IT control framework to provide more robust assurance over IT system resilience and security. Internal Audit reported on control weaknesses over the protection of IT Information, Contract Management Information Assurance and Information Security Incident Management. Internal Audit also followed up in year on a cyber security review completed in December 2015, in which good progress has been made to implement some of the recommendations but, further work is required to strengthen the Department's resilience to either external or internal cyber threats. The Chief Technology Officer is implementing a program of measures, which should strengthen the current controls around IT.
- Internal Audit reported a Limited Assurance annual opinion for NOMS where more than half of the reports issued concluded with Limited or Unsatisfactory assurance. There was also evidence from the work carried out within prison establishments that compliance against standards had fallen this year, noticeably for self-inflicted deaths and self-harm. These results reflect the challenges that the Agency has faced over the past year, which have impacted upon the capacity of NOMS to operate within a "business as usual" environment.

Other sources of internal assurance from which the Board also draws include:

- Head of Security's Annual Security Report;
- Security Policy Framework & Information Risk: Annual Report to the Cabinet Office;
- Head of MoJ Corporate Health and Safety Annual Report; and

- Reports from the Chairs of Nominations and Audit and Risk Committee following each of the respective sub-committee meetings.

## Assurances over Shared Services

The cross Government shared service operation is subject to a range of independent assurance activity summarised below:

- An ISAE3402 report from PWC (covering the service organisations controls framework and assurance);
- The programme of internal audit work specified by the Cabinet Office and delivered by SSCL's internal auditors (BDO); and
- Other assurance activity at the Cabinet Office level, including work by the GIAA and a security accreditation report.

Work by the Cabinet Office during the year has strengthened the governance arrangements and seen a number of customers successfully migrated on to the Single Operating Platform.

The ISAE3402 report for 2016-17 has confirmed the vast majority of key controls are operating as designed. However, the report was qualified by PwC because of exceptions found in the operation of 29 controls (of which, 16 relate to the Department). The Department and GIAA has reviewed these exceptions and concluded that, while of concern none are fundamental to the Department's financial statements or governance statement.

Other assurance activity, while not reporting any material weaknesses, continues to highlight areas of improvement needed by SSCL.

## Assurances covering Arm's Length Bodies (ALBs)

Assurance about the extent to which our ALBs, statutory office holders and Associated Offices comply with their respective Framework Document and Financial Memoranda is provided primarily by the ALB Governance Division working in collaboration with the relevant policy sponsorship units and the Finance Business Partners. The arrangements for providing assurance to the Principal Accounting Officer about the ALBs are finalised for each organisation following an annual Impact and Support Analysis (ISA) process which is led by the ALB Governance Division:

- January - March: ISA process conducted with ALBs; moderated by ALB Governance Division, Internal Audit, Finance Business Partners and the results are reported to ExCo;
- On-going partnership relationship: Regular on-going contact, as required, and proportionate, informed by impact assessment;
- Quarterly: Holding to account meetings between Finance Business Partner teams and ALBs on basis of impact assessment, with relevant risks escalated as appropriate to the business group risk register or Department;
- Quarterly update to senior Departmental officials about the oversight of ALBs within their business Groups;
- Bi-Monthly: Performance update to ExCo on all high impact ALBs and others by exception; and
- Year end: Governance Statements are completed by Directors General and Directors provide assurance on the sponsorship they provide to ALBs.

ALB Governance Division is also leading the work to ensure that the principles of the NAO study 'Departments' oversight of arm's length bodies: a comparative study' (published July 2016), which underpins the new 'Partnership between departments and arm's length bodies:

code of good practice' (published February 2017) are demonstrated and delivered in the relationships between the Department and its ALBs.

## Spending by grant recipients

The Cabinet Office published its Grant Standards in December 2016 seeking to promote effective grant applications across all government departments, in response to the Government review into the award of grants following the Public Accounts Committee hearing on Kids Company. The review concluded that there was a need for improved and more accountable governance, and for the introduction of clear minimum standards, to be applied across departments awarding grant funding.

As Accounting Officer I welcomed the review and believe embedding the recommendations across the Department will support our assurance process to determine whether resources made available to locally governed organisations are used for the purpose intended, and that the expenditure represents value for money.

Within the Department we already operate a number of the grant standards, and use the Government Grants Information System (GGIS) to record detail of grant programmes, schemes and awards. For 2016-17 we have recorded all Department grants in GGIS.

During the year the Department has provided funding to the following programmes:

- £68.9 million to Youth Justice Good Practice;
- £63.2 million to Local Commissioning of Victims Service via Police and Crime Commissioners; and
- £12.0 million to Witness Service.

There are a number of other smaller grants administered by the Department and assurance mechanisms are in place for these.

## Overall conclusions

This year the Department has continued to deliver significant reforms across a number of core services, and to improve our controls, assurance and risk frameworks in the context of significant operational challenges. Many of the themes identified in this statement will continue to engage us over the coming year.

**Richard Heaton**  
**Accounting Officer**

**7 July 2017**

## Remuneration and staff report

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

### Remuneration policy

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

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

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

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

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the Review Body can be found at: [www.gov.uk/government/organisations/review-body-on-senior-salaries](http://www.gov.uk/government/organisations/review-body-on-senior-salaries).

### Board members and senior civil servants remuneration

The salaries of MoJ Departmental Board members (excluding the ministerial and non-executive members) are determined in line with the Cabinet Office SCS Reward policy. Non-consolidated performance-related payments for senior civil servants are determined by the Departmental ExCo (SCS Pay Band 1 and 2) and the Nominations Committee (SCS Pay Band 3). Details of the Nominations Committee are provided in the Governance Statement on page 41.

### Service contracts

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

Unless otherwise stated below, the officials covered by this report hold appointments which are open ended and to which a notice period of three months would usually apply. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Further information about the work of the Civil Service Commission can be found at: [www.civilservicecommission.org.uk](http://www.civilservicecommission.org.uk).

## Remuneration and pension entitlements

This section has been subject to audit.

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

### Remuneration (salary and payments in kind)

Remuneration	2016-17					2015-16			
	Total amount of salary and fees	All taxable benefits (nearest £100)	Pension related benefits (nearest £1,000)^	Severance payments	Total (nearest £1,000)	Total amount of salary and fees	All taxable benefits (nearest £100)	Pension related benefits (nearest £1,000)^	Total (nearest £1,000)
Ministers	£	£	£	£	£	£	£	£	£
The Rt Hon Michael Gove MP, Lord Chancellor and Secretary of State for Justice (until 14 July 2016)	19,417 (67,505 FYE)	-	6,000	16,877	42,000	59,339 (67,505 FYE)	-	29,000	88,000
The Rt Hon Elizabeth Truss MP, Lord Chancellor and Secretary of State for Justice (from 15 July 2016)	48,088 (67,505 FYE)	-	13,000	-	61,000	n/a	n/a	n/a	n/a
Lord Faulks QC, Minister of State for Civil Justice (until 14 July 2016)	23,773 (FYE 82,651)	-	-	-	24,000	73,319 (FYE 82,651)	-	-	73,000
Dominic Raab MP, Parliamentary Under Secretary of State for Human Rights (until 15 July 2016)	6,496 (22,375 FYE)	-	-	5,594	12,000	19,849 (22,375 FYE)	-	-	20,000
Caroline Dinenage MP, Parliamentary Under Secretary of State for Women, Equalities and Family Justice (until 15 July 2016)	7,458 (22,375 FYE)	-	1,000	-	9,000	19,849 (22,375 FYE)	-	5,000	25,000
Shailesh Vara MP, Parliamentary Under Secretary of State for Courts and Legal Aid (until 15 July 2016)	6,496 (22,375 FYE)	-	2,000	5,594	14,000	22,375	-	10,000	32,000

Remuneration	2016-17					2015-16			
	Total amount of salary and fees	All taxable benefits (nearest £100)	Pension related benefits (nearest £1,000)^	Severance payments	Total (nearest £1,000)	Total amount of salary and fees	All taxable benefits (nearest £100)	Pension related benefits (nearest £1,000)^	Total (nearest £1,000)
Ministers	£	£	£	£	£	£	£	£	£
The Rt Hon Sir Oliver Heald QC MP, Minister of State (from 15 July 2016)	22,568 (31,860 FYE)	-	6,000	-	29,000	n/a	n/a	n/a	n/a
Sam Gyimah MP, Parliamentary Under Secretary of State (from 16 July 2016)	15,879 (22,375 FYE)	-	4,000	-	20,000	n/a	n/a	n/a	n/a
Dr Phillip Lee MP, Parliamentary Under Secretary of State (from 16 July 2016)	15,879 (22,375 FYE)	-	4,000	-	20,000	n/a	n/a	n/a	n/a

**Notes to the table:**

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

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

Until 14 July 2016 the post of Minister of State for Policing, Fire, Criminal Justice and Victims was held by the Rt Hon Mike Penning MP. The post was responsible for criminal justice strategy and reported jointly to the Secretary of State for Justice and the Home Secretary. His emoluments were borne by the Home Office and are disclosed in the Home Office Accounts.

Until 14 July 2016 the post of Parliamentary Under Secretary of State for Prisons, Probation and Rehabilitation was held by Andrew Selous MP. The role reported jointly to the Secretary of State for Justice and the Chief Whip. His emoluments were borne by HM Treasury and are disclosed in the HM Treasury Accounts.

Remuneration	2016-17					2015-16				
	Total amount of salary and fees £000	All taxable benefits (nearest £100) £000	Bonuses paid £000	Pension related benefits (nearest £1,000) £000	Total £000	Total amount of salary and fees £000	All taxable benefits (nearest £100) £000	Bonuses paid £000	Pension related benefits (nearest £1,000) £000	Total £000
Richard Heaton CB, Permanent Secretary <sup>1</sup>	180-185	-	-	-	180-185	105-110 (175-180 FYE)	-	-	79	185-190
Mike Driver, Chief Financial Officer (from 1 April 2016)	160-165	-	-	224	385-390	n/a	n/a	n/a	n/a	n/a
Indra Morris, Director General of Prisons, Offender and Youth Justice Policy Group (until 20 May 2016) <sup>2</sup>	15-20 (130-135 FYE)	-	-	-	15-20	130-135	-	-	58	190-195
Catherine Lee CBE, Director General, Justice and Courts Policy Group	110-115	-	-	22	135-140	110-115	-	-	115	225-230
Matthew Coats, Chief Operating Officer, MoJ (from 1 April 2016) <sup>3</sup>	140-145	-	10-15	54	215-220	140-145	-	-	77	220-225
Darren Tierney, Interim Director General of Prisons, Offender and Youth Justice Policy Group (from 16 May until 14 October 2016)	40-45 (105-110 FYE)	-	-	31	70-75	n/a	n/a	n/a	n/a	n/a
Justin Russell, Director General of Prisons, Offender and Youth Justice Policy Group (from 17 October 2016)	55-60 (120-125 FYE)	-	-	51	105-110	n/a	n/a	n/a	n/a	n/a
Michael Spurr CB, Chief Executive, NOMS	145-150	-	15-20	25	185-190	140-145	-	-	37	180-185
Natalie Ceeney CBE, Chief Executive, HM Courts & Tribunals Service (until 31 May 2016) <sup>4</sup>	65-70 (175-180 FYE)	-	-	40	105-110	175-180	-	-	69	245-250
Kevin Sadler, Interim Chief Executive, HM Courts & Tribunals Service (from 30 May until 20 November 2016)	50-55 (110-115 FYE)	-	10-15	53	115-120	n/a	n/a	n/a	n/a	n/a
Susan Acland Hood, Chief Executive, HM Courts & Tribunals Service (from 21 November 2016)	45-50 (120-125 FYE)	-	-	76	120-125	n/a	n/a	n/a	n/a	n/a

**Notes to the table:**

1. Richard Heaton chose not to be covered by the Civil Service pension arrangements during the reporting year.
2. Indra Morris chose not to be covered by the Civil Service pension arrangements during the reporting year.
3. Matthew Coats remuneration disclosure for 2015-16 is in relation to his role as Director General, Legal Aid Agency & Corporate Services Group which he held prior to his appointment as Chief Operating Officer from 1 April 2016.
4. Natalie Ceeney received a payment in lieu of notice of £36k and untaken annual leave of £3k. These amounts are included in total salary and fees.

Remuneration	2016-17			2015-16		
	Fees (excluding performance related remuneration)	All taxable benefits (nearest £100)	Bonuses paid	Fees (excluding performance related remuneration)	All taxable benefits (nearest £100)	Bonuses paid
	£000	£000	£000	£000	£000	£000
Sir Theodore Agnew <sup>^</sup> , Lead Non-Executive Director	-	-	-	-	-	-
Liz Doherty <sup>+</sup> , Audit and Risk Committee Chair and Non-Executive Director	15-20	-	-	10-15 (15-20 FYE)	-	-
Lizzie Noel, Non-Executive Director	10-15	-	-	5-10 (10-15 FYE)	-	-
Sir Martin Narey <sup>#</sup> , Non-Executive Director	10-15	3	-	5-10 (10-15 FYE)	-	-
Sir Michael Barber <sup>^</sup> , Non-Executive Director	-	-	-	-	-	-

#### Notes to the table:

<sup>^</sup> Sir Theodore Agnew and Sir Michael Barber waived their fees for 2016-17.

<sup>+</sup> Liz Doherty is also the MoJ representative on the HMCTS Board. Her remuneration for that role is disclosed in the HMCTS Annual Report and Accounts.

<sup>#</sup> Sir Martin Narey has also completed work on a consultant basis for the Department in addition to his work as a Non-Executive Director. The cost of this work in 2016-17 was £5,250.

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

Since 20 April 2011 all appointed Non-Executive Board Members were entitled to an annual honorarium of £15k. Liz Doherty was entitled to an additional £5k for her duties as Chair of the Audit Committee and Sir Theodore Agnew was entitled to an additional £5k for his duties as Lead Non-Executive Board Member. Sir Theodore Agnew has declined his annual honorarium entitlement for 2016-17. None of the Non-Executive Board Members have pension entitlements with the Department.

## Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Department and thus recorded in these Accounts. In respect of Ministers in the House of Commons, departments bear only the cost of the additional Ministerial remuneration; the salary for their services as an MP was £74,962 from 1 April 2016, and various allowances to which they are entitled are borne centrally. However, the arrangement for Ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their Ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures above.

## All taxable benefits

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

## Bonuses

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

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

The bonuses reported in 2016-17 relate to performance in 2015-16 and the comparative bonuses reported for 2015-16 relate to the performance in 2014-15.

## Pension entitlements

### Ministerial pensions

#### Pension Benefits

Ministers	Accrued pension at age 65 as at 31 March 2017 £000	Real increase in pension at age 65 £000	CETV at 31 March 2017 £000	CETV at 31 March 2016 £000	Real increase/ (decrease) in CETV £000
The Rt Hon Michael Gove MP, Lord Chancellor and Secretary of State for Justice (until 14 July 2016)	5-10	0-2.5	126	121	2
The Rt Hon Elizabeth Truss MP, Lord Chancellor and Secretary of State for Justice (from 15 July 2016)	5-10	0-2.5	51	41	3
Lord Faulks QC, Minister of State for Civil Justice (until 14 July 2016)	n/a	n/a	n/a	n/a	n/a
Dominic Raab MP, Parliamentary Under Secretary of State for Human Rights (until 15 July 2016)	n/a	n/a	n/a	n/a	n/a
Caroline Dinenage MP, MP, Parliamentary Under Secretary of State for Women, Equalities and Family Justice (until 15 July 2016)	0-5	0-2.5	5	4	1
Shailesh Vara MP, Parliamentary Under Secretary of State for Courts and Legal Aid (until 15 July 2016)	0-5	0-2.5	46	44	1
The Rt Hon Sir Oliver Heald QC MP, Minister of State (from 15 July 2016)	0-5	0-2.5	90	80	5
Sam Gyimah MP, Parliamentary Under Secretary of State (from 16 July 2016)	0-5	0-2.5	15	12	1
Dr Phillip Lee MP, Parliamentary Under Secretary of State (from 16 July 2016)	0-5	0-2.5	3	0	1

#### Notes to the table:

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

## Ministerial pension benefits

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

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

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

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

## Cash Equivalent Transfer Value of ministerial pensions

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A 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 pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total Ministerial service, not just their current appointment as a Minister. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

## Real increase in Cash Equivalent Transfer Value on ministerial pensions

This is the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the Minister. It is worked out using common market valuation factors for the start and end of the period.

## Civil Service pensions

Pension Benefits					
Senior Managers	Accrued pension and related lump sum at pension age as at 31 March 2017 £000	Real increase in pension and related lump sum at pension age £000	CETV at 31 March 2017 £000	CETV at 31 March 2016 £000	Real increase/ (decrease) in CETV £000
Richard Heaton CB, Permanent Secretary <sup>1</sup>	n/a	n/a	n/a	n/a	n/a
Mike Driver, Chief Financial Officer (from 1 April 2016)	75 - 80 plus a lump sum of 225 - 230	10 - 12.5 plus a lump sum of 30 - 32.5	1,575	1,310	202
Indra Morris, Director General, Prisons Offender and Youth Justice Policy Group <sup>1</sup> (until 20 May 2016)	n/a	n/a	n/a	n/a	n/a
Catherine Lee CBE, Director General, Justice and Courts Policy Group	40 - 45 plus a lump sum of 130 - 135	0 - 2.5 plus a lump sum of 5 - 7.5	1,037	955	22
Matthew Coats, Chief Operating Officer, MoJ (from 1 April 2016)	55 - 60	2.5 - 5	922	854	26
Darren Tierney, Interim Director General of Prisons Offender and Youth Justice Policy Group (from 16 May until 14 October 2016)	20 - 25	0 - 2.5	247	228	16
Justin Russell, Director General of Prisons Offender and Youth Justice Policy Group (from 17 October 2016)	20 - 25	2.5 - 5	325	285	34
Michael Spurr CB, Chief Executive, NOMS	60 - 65 plus a lump sum of 190 - 195	0 - 2.5 plus a lump sum of 2.5 - 5	1,340	1,258	21
Natalie Ceeney CBE, Chief Executive, HM Courts & Tribunals Service (until 27 May 2016)	5 - 10	0 - 2.5	90	66	23
Kevin Sadler, Interim Chief Executive, HM Courts & Tribunals Service (from 30 May until 20 November 2016)	40 - 45 plus a lump sum of 125 - 130	0 - 2.5 plus a lump sum of 5 - 7.5	864	810	46
Susan Acland Hood, Chief Executive, HM Courts & Tribunals Service (from 21 November 2016)	30 - 35	2.5 - 5	352	308	40

### Notes to the table:

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

## Civil Service pension benefits

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (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 3% and 8.05% of pensionable earnings for members of **classic** (and members of **alpha** who were members of **classic** immediately before joining **alpha**) and between 4.6% and 8.05% for members of **premium**, **classic plus**, **nuvos** and all other members of **alpha**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 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](http://www.civilservicepensionscheme.org.uk).

## Cash Equivalent Transfer Value (CETV) of Civil Service pensions

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 Cash Equivalent Transfer Value on Civil Service pensions

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

## Pay multiples (as at 31 March 2017)

This section has been subject to audit.

	2016-17	2015-16
Band of highest paid director's total remuneration (£000)	180-185	180-185
Median total remuneration (£)	25,258	25,007
Ratio	7.2:1	7.3:1

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

The banded remuneration of the highest-paid director in the Department in the financial year 2016-17 was £180-185k (2015-16: £180-185k). This was 7.2 times (2015-16: 7.3) the median remuneration of the workforce, which was £25,258 (2015-16: £25,007).

In 2016-17, 12 (2015-16: five) members of the workforce received remuneration in excess of the highest-paid director. Remuneration ranged from £10-15k to £235-240k (2015-16: £10-15k to £210-215k). These figures exclude any severance pay in respect of compulsory redundancies and voluntary early departures disclosed on page 67.

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

## Compensation for loss of office

Ann Beasley CBE (Director General Finance, Assurance and Commercial) left under voluntary exit terms on 30 September 2016. She received a compensation payment of £140,000-145,000 (2015-16: nil).

## Staff numbers and composition

This section has been subject to audit.

### Staff costs

#### Departmental Group

	2016-17				2015-16	
	Permanently employed staff	Other	Ministers	Special advisors	Total	
	£000	£000	£000	£000	£000	
Wages and salaries	1,977,235	163,369	194	210	2,141,008	2,160,630
Social security costs	193,236	1,475	17	24	194,752	146,683
Other pension costs	403,356	579	-	32	403,967	432,450
<b>Sub Total</b>	<b>2,573,827</b>	<b>165,423</b>	<b>211</b>	<b>266</b>	<b>2,739,727</b>	<b>2,739,763</b>
Early departure costs	19,809	-	-	-	19,809	42,264
Early departure provisions	(524)	-	-	-	(524)	(8,497)
Add inward secondments	6,118	3,920	-	-	10,038	5,656
Less recoveries in respect of outward secondments	(9,272)	(7)	-	-	(9,279)	(12,323)
<b>Total Net Costs</b>	<b>2,589,958</b>	<b>169,336</b>	<b>211</b>	<b>266</b>	<b>2,759,771</b>	<b>2,766,863</b>
<i>Of which:</i>						
<b>Core Department and Agencies</b>	2,480,169	148,253	211	266	2,628,899	2,632,983
<b>NDPBs</b>	109,789	21,083	-	-	130,872	133,880
	<b>2,589,958</b>	<b>169,336</b>	<b>211</b>	<b>266</b>	<b>2,759,771</b>	<b>2,766,863</b>

During the period ended 31 March 2017, £6.0 million of staff costs (2015-16: £9.9 million) have been capitalised.

Under the Ministerial and Other Salaries Act 1975, the salary and social security costs of the Lord Chancellor, included under Ministers above, are paid from the Consolidated Fund. In 2016-17 the Lord Chancellors' full year equivalent salary was £67,505 (2015-16: £67,505) and the associated combined social security costs were £8,103 (2015-16: £6,878).

The PCSPS and the Civil Servant and Other Pension Scheme (CSOPS) – known as “alpha”, are unfunded multi-employer defined benefit schemes where MoJ is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2016. Details can be found in the Accounts of the Cabinet Office: Civil Superannuation at: <https://www.gov.uk/government/publications/cabinet-office-civil-superannuation-accounts-2015-to-2016>.

For 2016-17, employers' contributions of £312.5 million were payable to the PCSPS (2015-16: £321.2 million) at one of four rates which ranged from 20% to 24.5% (2015-16: 20.0% to 24.5%) of pensionable pay, based on salary bands (27.9% for prison officer grades with reserved rights). The Scheme Actuary reviews employer contributions approximately every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

In addition, employer pension contributions equivalent to 0.5% (2015-16: 0.5%) of pensionable pay were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of employees in the PCSPS.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions to partnership pension accounts were £429k (2015-16: £464k) and were paid to one or more of the panel of three appointed stakeholder

pension providers. Employer contributions, which are age-related, ranged from 8.00% to 14.75% (2015-16: 8.00% to 14.75%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay.

For 2016-17 employers' pension contributions and contribution rates for the LSC, Cafcass and Probation pension schemes, refer to Note 25.

120 persons (2015-16: 166 persons) retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to £483k (2015-16: £386k).

## Judicial costs

### Departmental Group

	2016-17			2015-16
	Senior judicial salaries	Other judicial salaries	Fee paid judiciary	Total
	£000	£000	£000	£000
Wages and salaries	126,152	96,957	123,899	347,008
Social security costs	16,370	12,601	13,141	42,112
Other pension costs	48,909	36,298	14,658	99,865
<b>Total Net Costs</b>	<b>191,431</b>	<b>145,856</b>	<b>151,698</b>	<b>488,985</b>

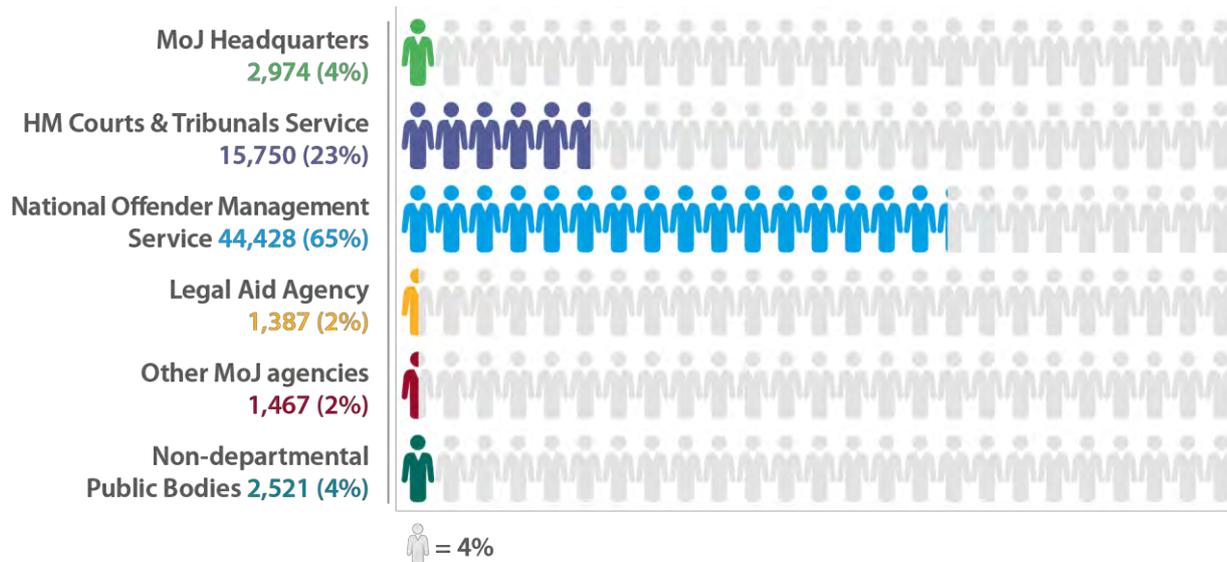
The Judicial Pension Scheme (JPS) is an unfunded multi-employer defined benefit scheme which prepares its own Accounts, but for which the Department (through HMCTS) is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation is being carried out as of 31 March 2016. Details of the most recent completed valuation (as at March 2012) are available at [www.gov.uk](http://www.gov.uk).

Judicial pensions are paid out of the Consolidated Fund where the judicial office holder's salary was paid from that Fund, or the JPS where the salary has been paid from the Department's supply estimate. Contributions to the JPS have been made at a rate of 38.45% (2015-16: 38.45%).

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

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

## Average number of staff employed



## Departmental Group

	2016-17				Restated 2015-16	
	Permanently employed staff	Other	Ministers	Special advisers	Total	
<b>MoJ Headquarters and Associated Offices</b>						
Corporate Services	1,017.2	225.5	0.1	0.4	1,243.2	1,318.1
Law and Access to Justice	574.9	0.6	1.4	0.4	577.3	686.6
Criminal Justice	278.8	1.0	1.0	0.4	281.2	270.8
Finance, Assurance & Commercial	821.2	49.9	0.3	0.4	871.8	972.5
<b>Agencies</b>						
HM Courts & Tribunals Service	14,269.0	1,480.0	0.4	0.4	15,749.8	16,287.0
Office of the Public Guardian	1,027.0	179.0	0.2	0.1	1,206.3	1,071.5
National Offender Management Service	43,224.0	1,203.0	0.8	0.4	44,428.2	44,969.3
Legal Aid Agency	1,242.0	144.0	0.4	0.4	1,386.8	1,585.0
Criminal Injuries Compensation Authority	260.0	-	0.1	0.1	260.2	273.2
<b>Non-Departmental Public Bodies</b>						
Non-Departmental Public Bodies	2,200.6	320.0	-	-	2,520.6	2,563.0
<b>Capital Projects</b>						
Staff engaged on capital projects	54.0	72.0	-	-	126.0	193.0
<b>Total</b>	<b>64,968.7</b>	<b>3,675.0</b>	<b>4.7</b>	<b>3.0</b>	<b>68,651.4</b>	<b>70,190.0</b>
<i>Of which:</i>						
<b>Core Department and Agencies</b>	62,768.1	3,355.0	4.7	3.0	66,130.8	67,627.0
<b>NDPBs</b>	2,200.6	320.0	-	-	2,520.6	2,563.0
	<b>64,968.7</b>	<b>3,675.0</b>	<b>4.7</b>	<b>3.0</b>	<b>68,651.4</b>	<b>70,190.0</b>

The prior year staff numbers have been restated to reflect the changes to the reportable operating segments, as detailed in Note 2 of the Financial Statements.

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

## Average number of judiciary in post

### Departmental Group

	2016-17			2015-16
	Senior judicial salaried	Other judicial salaried	Fee paid judiciary	Total
Core Department and Agencies	905	881	1,077	2,863
<b>Total</b>	<b>905</b>	<b>881</b>	<b>1,077</b>	<b>2,863</b>

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

## Civil Service and other compensation schemes - exit packages

This section has been subject to audit.

### Departmental Group

	2016-17			2015-16		
	Compulsory redundancies	Other departures	Total exit packages	Compulsory redundancies	Other departures	Total exit packages
	<b>Number</b>	<b>Number</b>	<b>Total number</b>	<b>Number</b>	<b>Number</b>	<b>Total number</b>
<b>Exit package cost band</b>						
< £10,000	2	42	44	38	82	120
£10,000 - £25,000	1	246	247	7	435	442
£25,001 - £50,000	1	161	162	-	371	371
£50,001 - £100,000	-	105	105	-	340	340
£100,001 - £150,000	-	1	1	-	8	8
£150,001 - £200,000	-	-	-	-	-	-
£200,001 - £250,000	-	-	-	-	1	1
£250,001 - £300,000	-	-	-	-	-	-
<b>Total number of exit packages by type</b>	<b>4</b>	<b>555</b>	<b>559</b>	<b>45</b>	<b>1,237</b>	<b>1,282</b>
<b>Total cost of exit packages by type (£000)</b>	<b>80</b>	<b>18,239</b>	<b>18,319</b>	<b>249</b>	<b>46,719</b>	<b>46,968</b>
<b>Number of exit packages</b>						
<i>Of which:</i>						
Core Department and Agencies	-	551	551	-	1,236	1,236
NDPBs	4	4	8	45	1	46
	<b>4</b>	<b>555</b>	<b>559</b>	<b>45</b>	<b>1,237</b>	<b>1,282</b>
<b>Cost of exit packages (£000)</b>						
<i>Of which:</i>						
Core Department and Agencies	3	18,177	18,180	-	46,558	46,558
NDPBs	77	62	139	249	161	410
	<b>80</b>	<b>18,239</b>	<b>18,319</b>	<b>249</b>	<b>46,719</b>	<b>46,968</b>

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in accordance with *IAS19 Employee Benefits* within the financial statements. The table above discloses exit packages in the year the exit package is confirmed, in accordance with the FReM. Where the Department has agreed early retirements, the additional costs are met by the Department and not by the PCSPS. Ill health retirement costs are met by the pension scheme and are not included in the table above.

Other departure exit costs include 459 medical inefficiency dismissal exit packages at an average value of £31,155 (2015-16: 472 at an average of £29,609) within payment bands not exceeding £100k (2015-16: £150k).

## Spend on consultancy and temporary staff

	2016-17			2015-16		
	Core and Agencies	NDPBs	Total	Core and Agencies	NDPBs	Total
	£000	£000	£000	£000	£000	£000
Consultancy	15,148	8	15,156	11,255	6	11,261
Temporary staff	138,602	7,663	146,265	152,797	6,500	159,297
<b>Total</b>	<b>153,750</b>	<b>7,671</b>	<b>161,421</b>	<b>164,052</b>	<b>6,506</b>	<b>170,558</b>

## Our staff

### Recruitment

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

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

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

### Employment and employee involvement

The Department continues to attach importance to ensuring the fullest involvement of employees in delivering its aims and objectives. Staff involvement is actively encouraged as part of the day-to-day process of line management and we regularly engage with our constituent Trade Unions at all levels of the organisation. A variety of media is used to keep staff up-to-date with the challenges that the Department faces, the Board's vision for transforming and modernising our services, and the progress we are making.

The Department participated in the Civil Service People Survey in October 2016. Our overall Engagement Index, a measure that reflects the extent to which employees contribute through their effort and enthusiasm to the success and performance of their organisation, increased to 54 (from 53). This is five points below the Civil Service benchmark of 59, and placed MoJ third out of the five largest departments.

### Employment of disabled persons

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

The Department is accredited to Disability Confident Employer Level 2 and participates in the Guaranteed Interview Scheme for candidates with a disability who meet the minimum criteria. Disabled staff have access to targeted career development support and advice including the Coaching Squared programme and the Civil Service Learning 'Positive Action Pathway'. All staff have access to Disability Awareness, Mental Health Awareness and Unconscious Bias training.

## Diversity and inclusion

The Department's aim is for a workplace that is inclusive and flexible and where everyone is treated with respect and a workforce that reflects our diverse society at all grades.

We have developed an Inclusion and Diversity (I & D) Strategy relating to staff and service users to drive action across business groups. The I & D Strategy includes key staff-related actions aimed at:

- Improving the diversity of staff representation in the Senior Civil Service, and its feeder grades to ensure a strong and diverse 'pipeline' of talented staff.
- Supporting under-represented staff to build skills to support their development and potential progression, including through targeted training such as the Positive Action Pathway and Coaching Squared programmes.
- Continuing to drive up diversity data recording rates to enable better quality analysis of policies and processes, and also to enable more effective use of evidence to positively support action.

We publish diversity information annually in our MoJ Workforce Monitoring Report at:

<https://www.gov.uk/government/publications/moj-workforce-monitoring-report-2015-to-2016>

The Department recently launched a Mental Health Strategy and Action Plan bringing together initiatives taking place across the Department, providing a consistent framework. We continue to promote awareness as well as eliminate discrimination and stigma around mental ill health.

## Sickness absence data

The Average Number of Working Days Lost (AWDL) due to sickness for staff across the Department was 9.6 for civil servants (1 April 2016 to 31 December 2016) and 9.3 for public servants (1 April 2016 to 31 December 2016). The average number of working days lost for the year 1 April 2015 to 31 March 2016 was 9.5 for civil servants and 7.1 for public servants.

Data for the period January 2017 to March 2017 is not included in the current year figure as work on collating that information is ongoing. Civil Servants are comprised of those who work for Government departments and executive agencies which report to Ministers. Public Servants are those who work for the wider public sector.

The Department's wellbeing strategy continues to support managers to address the primary causes of sickness absence. Throughout 2016, the Department has encouraged early intervention and promoted wellbeing support options to all employees to encourage a preventative approach to reducing sickness absence. This approach is consistent with the wider Civil Service strategy. The Departmental attendance management policy is based on the cross government Civil Service Employee Policy and is regularly refreshed to include the latest support tools for managers. Reducing AWDL continues to be a priority for all senior leaders. Progress is monitored regularly by ExCo and other senior committees.

## Workforce composition

### The number of staff split between male and female as at 31 March 2017

	Male	Female
Board Members	62	41
Senior Civil Service equivalent *	144	144
MoJ employees (excluding Senior Civil Service equivalent)	31,671	37,666

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

### Senior Civil Service (SCS) equivalent staff by band

Salary Band	SCS or equivalent within band as at 31 March 2017		SCS or equivalent within band as at 31 March 2016	
	Number	Percentage	Number	Percentage
£60,000-£70,000	73	23%	63	21%
£70,000-£80,000	61	19%	54	18%
£80,000-£90,000	52	16%	71	24%
£90,000-£100,000	80	25%	59	20%
£100,000-£110,000	23	7%	16	5%
£110,000-£120,000	9	3%	1	0%
£120,000-£130,000	8	2%	15	5%
£130,000-£140,000	4	1%	6	2%
£140,000-£150,000	5	2%	6	2%
£150,000-£160,000	-	-	-	-
£160,000-£170,000	4	1%	3	1%
£170,000-£180,000	-	-	-	-
£180,000-£190,000	2	1%	3	1%
£190,000-£200,000	-	-	-	-
£200,000-£210,000	1	0%	-	-
<b>Total</b>	<b>322</b>	<b>100%</b>	<b>297</b>	<b>100%</b>

## Off-payroll engagements

As part of the 'Review of Tax Arrangements of Public Sector Appointees' published by the Chief Secretary to the Treasury on 23 May 2012, departments and their ALBs published information in relation to the number of off-payroll engagements. As at 31 March 2017 the Department has produced three tables providing data on off-payroll engagements for the Core Department, Executive Agencies and its NDPBs. The tables are shown in Annex C and form part of the Accountability report.

## Parliamentary Accountability

### Statement of Parliamentary Supply

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

The outturn for 2015-16 has been restated as a result of a Machinery of Government change which is explained in Note 31 of the Financial Statements.

### Summary of Resource and Capital Outturn 2016-17

Note	2016-17						2016-17	Restated
	Estimate			Outturn			Voted	2015-16
	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Outturn	Outturn
	£000	£000	£000	£000	£000	£000	compared with Estimate: saving/ (excess) £000	Total £000
<b>Departmental Expenditure Limit</b>								
- Resource	7,341,466	129,021	7,470,487	7,267,863	138,082	7,405,945	73,603	7,348,123
- Capital	459,047	-	459,047	417,200	-	417,200	41,847	266,007
<b>Annually Managed Expenditure</b>								
- Resource	652,941	-	652,941	259,354	-	259,354	393,587	258,037
- Capital	-	-	-	-	-	-	-	-
<b>Total Budget</b>	<b>8,453,454</b>	<b>129,021</b>	<b>8,582,475</b>	<b>7,944,417</b>	<b>138,082</b>	<b>8,082,499</b>	<b>509,037</b>	<b>7,872,167</b>
Total Resource	7,994,407	129,021	8,123,428	7,527,217	138,082	7,665,299	467,190	7,606,160
Total Capital	459,047	-	459,047	417,200	-	417,200	41,847	266,007
<b>Total</b>	<b>8,453,454</b>	<b>129,021</b>	<b>8,582,475</b>	<b>7,944,417</b>	<b>138,082</b>	<b>8,082,499</b>	<b>509,037</b>	<b>7,872,167</b>

### Net Cash Requirement 2016-17

Note	2016-17			2015-16
	Estimate	Outturn	Outturn	Outturn
	£000	£000	compared with Estimate: saving/ (excess) £000	£000
Net cash requirement	7,652,513	7,458,318	194,195	6,964,146

## Administration Costs 2016-17

	<b>2016-17</b>		<b>2015-16</b>
	<b>Estimate</b>	<b>Outturn</b>	<b>Outturn</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Administration costs	557,011	510,050	570,498

Figures in the areas outlined in bold are voted totals subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the administration budget will also result in an excess vote. A summary of the Estimate and outturn position over a five year period are given in the Chief Financial Officer's Review of the Year section on page 11. Due to its size the AME Estimate to outturn variance has been explained below:

AME spend is defined as exceptionally volatile expenditure. The Department has a relatively small AME budget and therefore large variances are not unusual. In 2016-17 the Department budgeted for £653m of AME and the final outturn was £259m. The main reason for this underspend was that the budgeted figure made assumptions about the level of AME required which included prudent assumptions about the valuation of the estate, the level of prison and court closures announced in year and the provision needed in respect of the actuarial valuation of our pension scheme liabilities. All of these areas are highly uncertain and the actual requirement was significantly lower.

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

## SoPS 1. Net outturn

### SoPS 1.1 Analysis of net resource outturn by section

							2016-17 Outturn			2016-17 Estimate	Restated 2015-16 Outturn
	Administration			Programme							
	Gross £000	Income £000	Net £000	Gross £000	Income £000	Net £000	Net Total £000	Net Total £000	Net Total compared to Estimate £000	Estimate adjusted for virements £000	Net Total £000
<b>Spending in Departmental Expenditure Limits (DEL)</b>											
<b>Voted expenditure</b>											
A Policy, Corporate Services and Associated Offices	263,046	(22,693)	240,353	850,887	(1,191,694)	(340,807)	(100,454)	(96,877)	3,577	44,655	666,999
B National Offender Management Service	135,795	(4,399)	131,396	3,850,911	(259,443)	3,591,468	3,722,864	3,736,973	14,109	17,137	3,660,493
C HM Courts & Tribunals Service	24,847	(81)	24,766	1,603,197	(62,899)	1,540,298	1,565,064	1,614,690	49,626	-	833,483
D Office of the Public Guardian	52	-	52	51,736	(49,696)	2,040	2,092	(21,806)	(23,898)	-	(17,241)
E Youth Justice Board (net)	4,977	-	4,977	144,455	-	144,455	149,432	209,442	60,010	6,029	164,546
F Parole Board (net)	2,655	-	2,655	14,098	-	14,098	16,753	14,764	(1,989)	-	14,182
G Criminal Cases Review Commission (net)	1,139	-	1,139	4,210	-	4,210	5,349	5,338	(11)	62	5,298
H Judicial Appointments Commission (net)	219	-	219	3,403	-	3,403	3,622	4,115	493	493	3,832
I Office for Legal Complaints (net)	-	-	-	11,855	-	11,855	11,855	13,727	1,872	1,872	13,214
J Legal Services Board (net)	-	-	-	3,525	-	3,525	3,525	3,998	473	473	3,364
K Legal Aid Agency	85,134	(682)	84,452	1,750,123	(195,190)	1,554,933	1,639,385	1,627,269	(12,116)	2,119	1,611,142
L Criminal Injuries Compensation Authority	12,753	-	12,753	145,100	(22,624)	122,476	135,229	115,923	(19,306)	-	139,789
M Children and Family Court Advisory and Support Service (net)	7,288	-	7,288	105,859	-	105,859	113,147	113,910	763	763	114,493
<b>Total Voted expenditure in DEL</b>	<b>537,905</b>	<b>(27,855)</b>	<b>510,050</b>	<b>8,539,359</b>	<b>(1,781,546)</b>	<b>6,757,813</b>	<b>7,267,863</b>	<b>7,341,466</b>	<b>73,603</b>	<b>73,603</b>	<b>7,213,594</b>
<b>Non-Voted expenditure</b>											
N Higher Judiciary Judicial Salaries	94	-	94	152,071	-	152,071	152,165	145,369	(6,796)	(6,796)	149,465
O Levy Income - Legal Services Board and Office for Legal Complaints (CFER)	-	-	-	-	(14,083)	(14,083)	(14,083)	(16,348)	(2,265)	(2,265)	(14,936)
<b>Total Non-voted expenditure in DEL</b>	<b>94</b>	<b>-</b>	<b>94</b>	<b>152,071</b>	<b>(14,083)</b>	<b>137,988</b>	<b>138,082</b>	<b>129,021</b>	<b>(9,061)</b>	<b>(9,061)</b>	<b>134,529</b>
<b>Total Resource DEL Spending</b>	<b>537,999</b>	<b>(27,855)</b>	<b>510,144</b>	<b>8,691,430</b>	<b>(1,795,629)</b>	<b>6,895,801</b>	<b>7,405,945</b>	<b>7,470,487</b>	<b>64,542</b>	<b>64,542</b>	<b>7,348,123</b>

							2016-17 Outturn			2016-17 Estimate	2015-16 Outturn	
Administration			Programme									
									Net Total compared to Estimate adjusted for			
									virements		Net Total	
Gross	Income	Net	Gross	Income	Net	Net Total	Net Total	to Estimate	virements	Net Total		
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000		
<b>Spending in Annually Managed Expenditure Limits (AME)</b>												
<b>Voted expenditure</b>												
P	Policy, Corporate Services and Associated Offices	-	-	-	153,139	-	153,139	153,139	476,611	323,472	299,281	1,108
Q	National Offender Management Service	-	-	-	47,036	-	47,036	47,036	140,000	92,964	92,964	68,881
R	Youth Justice Board (net)	-	-	-	-	-	-	-	17	17	17	1
S	Parole Board (net)	-	-	-	1,052	-	1,052	1,052	7	(1,045)	-	133
T	Criminal Cases Review Commission (net)	-	-	-	343	-	343	343	258	(85)	-	231
U	Legal Aid Agency	-	-	-	37,414	-	37,414	37,414	24,568	(12,846)	-	55,476
V	Criminal Injuries Compensation Authority	-	-	-	4,601	-	4,601	4,601	4,680	79	79	26,882
W	Children and Family Court Advisory and Support Service (net)	-	-	-	5,554	-	5,554	5,554	6,800	1,246	1,246	6,913
	HM Courts & Tribunals Service	-	-	-	9,644	-	9,644	9,644	-	(9,644)	-	98,355
	Office of the Public Guardian	-	-	-	504	-	504	504	-	(504)	-	-
	Office for Legal Complaints (net)	-	-	-	67	-	67	67	-	(67)	-	57
<b>Total Resource AME Spending</b>		-	-	-	<b>259,354</b>	-	<b>259,354</b>	<b>259,354</b>	<b>652,941</b>	<b>393,587</b>	<b>393,587</b>	<b>258,037</b>

## SoPS 1.2 Analysis of net capital outturn by section

	2016-17				2016-17	2015-16	
	Outturn			Net Total compared to Estimate	2016-17 Estimate	Outturn	
	Gross	Income	Net Total				Net Total compared to Estimate
	£000	£000	£000	£000	adjusted for virements	Net Total	
					£000	£000	
<b>Spending in Departmental Expenditure Limits (DEL)</b>							
<b>Voted expenditure</b>							
A Policy, Corporate Services and Associated Offices	210,620	(13,326)	197,294	192,392	(4,902)	-	225,306
B National Offender Management Service	84,992	(13,165)	71,827	103,092	31,265	26,325	11,679
C HM Courts & Tribunals Service	153,574	(22,576)	130,998	141,928	10,930	10,930	15,861
D Office of the Public Guardian	1,524	-	1,524	4,305	2,781	2,781	3,152
E Youth Justice Board (net)	3,666	-	3,666	3,871	205	205	844
F Parole Board (net)	877	-	877	843	(34)	-	46
G Criminal Cases Review Commission (net)	247	-	247	310	63	63	47
H Judicial Appointments Commission (net)	-	-	-	-	-	-	-
I Office for Legal Complaints (net)	407	-	407	431	24	24	34
J Legal Services Board (net)	-	-	-	-	-	-	-
K Legal Aid Agency	9,182	(14)	9,168	10,687	1,519	1,519	8,552
L Criminal Injuries Compensation Authority	1,192	-	1,192	1,188	(4)	-	486
M Children and Family Court Advisory and Support Service (net)	-	-	-	-	-	-	-
<b>Total Voted expenditure in DEL</b>	<b>466,281</b>	<b>(49,081)</b>	<b>417,200</b>	<b>459,047</b>	<b>41,847</b>	<b>41,847</b>	<b>266,007</b>
<b>Non-voted expenditure</b>							
N Higher Judiciary Judicial Salaries	-	-	-	-	-	-	-
O Levy Income - Legal Services Board and Office for Legal Complaints (CFER)	-	-	-	-	-	-	-
<b>Total Non-voted expenditure in DEL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital DEL Spending</b>	<b>466,281</b>	<b>(49,081)</b>	<b>417,200</b>	<b>459,047</b>	<b>41,847</b>	<b>41,847</b>	<b>266,007</b>
<b>Spending in Annually Managed Expenditure Limits (AME)</b>							
<b>Voted expenditure</b>							
P Policy, Corporate Services and Associated Offices	-	-	-	-	-	-	-
Q National Offender Management Service	-	-	-	-	-	-	-
R Youth Justice Board (net)	-	-	-	-	-	-	-
S Parole Board (net)	-	-	-	-	-	-	-
T Criminal Cases Review Commission (net)	-	-	-	-	-	-	-
U Legal Aid Agency	-	-	-	-	-	-	-
V Criminal Injuries Compensation Authority	-	-	-	-	-	-	-
W Children and Family Court Advisory and Support Service (net)	-	-	-	-	-	-	-
HM Courts & Tribunals Service	-	-	-	-	-	-	-
Office of the Public Guardian	-	-	-	-	-	-	-
Office for Legal Complaints (net)	-	-	-	-	-	-	-
<b>Total Capital AME Spending</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## SoPS 2 Reconciliation of outturn to net operating expenditure

### SoPS 2.1 Reconciliation of net resource outturn to net operating expenditure

		<b>2016-17</b>	<b>Restated 2015-16</b>
		<b>Outturn</b>	<b>Outturn</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>
<b>Total resource outturn in SoPS</b>			
Voted DEL	SoPS 1.1	7,267,863	7,213,594
Non-voted DEL	SoPS 1.1	138,082	134,529
Total DEL		7,405,945	7,348,123
Total AME	SoPS 1.1	259,354	258,037
		<b>7,665,299</b>	<b>7,606,160</b>
<b>Add:</b>			
Capital grants (net of European Union contributions)		14,367	(59)
Other			
Research costs classified as capital under ESA 10		18,173	-
Adjustment for other capital expenditure in CSoCNE		(17)	(4,934)
		<b>32,523</b>	<b>(4,993)</b>
<b>Less:</b>			
Income payable to the Consolidated Fund (excluding non-voted levy income)		(25,809)	(1,380)
Other			
Private Finance Initiatives adjustments		750	(10,368)
		<b>(25,059)</b>	<b>(11,748)</b>
<b>Net Operating Expenditure in CSoCNE</b>		<b>7,672,763</b>	<b>7,589,419</b>

## Regularity of expenditure

### Losses and special payments

This section has been subject to audit.

#### Losses statement

Values	31 March 2017		31 March 2016	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Cash losses	1,470	1,470	776	776
Claims abandoned	63	63	136	136
Administrative write-offs	7,019	7,024	9,344	9,346
Fruitless payments	802	873	5,939	5,985
Store losses	2,079	2,079	1,881	1,881
Constructive losses	5,316	5,788	18,330	18,330
<b>Total value of losses</b>	<b>16,749</b>	<b>17,297</b>	<b>36,406</b>	<b>36,454</b>

Numbers	31 March 2017		31 March 2016	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	Cash losses	2,044	2,044	2,850
Claims abandoned	46	46	16	16
Administrative write-offs	4,338	4,341	4,387	4,390
Fruitless payments	35	63	41	88
Store losses	9,808	9,808	10,208	10,208
Constructive losses	5	6	7	7
<b>Total number of losses</b>	<b>16,276</b>	<b>16,308</b>	<b>17,509</b>	<b>17,559</b>

In 2016-17 there were six losses (2015-16: six) over £300k as follows:

HMCTS incurred fruitless payments totalling £471k for two lease terminations. £411k of this related to the termination of the lease on Swansea Crown Court.

LAA wrote-off a provider debt balance of £633k after the legal aid solicitor firm became insolvent.

The Core Department, NOMS and Parole Board incurred a constructive loss of £1.3 million for a project to build a new case management system after an announcement in March 2017 that the project would not go ahead. The decision was made on the basis of the level of additional investment required to continue the project, which no longer made the project a viable solution.

A loss of £1 million was recognised in respect of the impairment of servers configured for a project to Focus on Offender Management National Infrastructure (FOMNI). The FOMNI solution was intended as an interim solution to ensure minimum disruption to IT services following the commencement of a new IT services agreement. However, following delays in the delivery of the service the MoJ issued a notice to suspend all FOMNI activities. The majority of the hardware and associated configuration costs have been re-purposed across the Department, with the exception of the £1 million loss reported during 2016-17.

The Department recognised a loss of £2.7 million in respect of costs incurred for the settlement of all claims due to the reduction in scope of an IT network services contract and WAN/LAN services contract with a service provider. Following the Department's decision to reduce the number of sites supplied by this service provider an agreement was reached to address the reduction in service volumes.

A loss of £0.7 million has been recognised in relation to the final settlement with an IT services provider to cover all claims due to the termination of the Application Maintenance and Support tender.

## Special payments

Values	31 March 2017		31 March 2016	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Compensation payments	35,481	36,454	57,497	58,056
Ex gratia	1,168	1,168	1,397	1,397
Extra-contractual payments	499	542	81	81
Extra-statutory and extra-regulatory payments	-	-	-	-
Special severance payments	-	-	-	-
<b>Total value of special payments</b>	<b>37,148</b>	<b>38,164</b>	<b>58,975</b>	<b>59,534</b>

Numbers	31 March 2017		31 March 2016	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	Compensation payments	7,642	8,222	10,253
Ex gratia	1,651	1,651	1,834	1,834
Extra-contractual payments	387	388	462	462
Extra-statutory and extra-regulatory payments	-	-	-	-
Special severance payments	-	-	-	-
<b>Total number of special payments</b>	<b>9,680</b>	<b>10,261</b>	<b>12,549</b>	<b>12,858</b>

In 2016-17 there were two (2015-16: 27) special payments over £300k. These were in respect of two compensation payments to operational members of NOMS staff injured in the course of their duties, of £300,500 and £692,978.

Compensation payments include 581 cases totalling £13 million relating to interim pension and pay claims arising from Fee Paid Judicial litigation.

## Fees and charges

This section has been subject to audit.

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

	2016-17					2015-16
	Gross income	Full cost	Surplus/ (deficit)	Fee recovery actual	Fee recovery target	Fee recovery actual
	£000	£000	£000	%	%	%
Office of the Accountant General	1,794	6,129	(4,335)	29%	100%	58%
Official Solicitor and Public Trustee						
Litigation	1,931	5,264	(3,333)	37%	11%	28%
Trust and Estates	543	861	(318)	63%	39%	76%
HM Courts & Tribunals Service						
Family	185,657	184,787	870	100%	n/a	79%
Civil	602,224	436,765	165,459	138%	n/a	129%
Asylum & Immigration	12,041	105,473	(93,432)	11%	n/a	13%
Employment Tribunals	11,679	59,295	(47,616)	20%	n/a	19%
Other Tribunals	1,350	15,855	(14,505)	9%	n/a	8%
Office of the Public Guardian	85,155	57,715	27,440	148%	100%	136%
Legal Services Board	3,525	3,525	-	100%	100%	100%
Office for Legal Complaints	10,865	10,865	-	100%	100%	100%
	<b>916,764</b>	<b>886,534</b>	<b>30,230</b>			

### Office of the Accountant General

The Office of the Accountant General (OAG) invests money on behalf of its clients in the Court Funds Investment Account (CFIA), which earns interest at the Bank of England Base Rate, or in the Equity Index Tracker Fund for long term investments. Clients do not pay fees for investment services but the operational costs of OAG are paid out of the surplus interest earned on their funds. OAG is therefore intended to run at nil net cost to the MoJ Vote and in terms of the principles of cost recovery should be 100% self-funding. Due to the reduction of the Bank of England base rate to 0.25% in 2016-17, interest earned on client funds in the CFIA was not sufficient to cover client interest payable and the administrative costs of OAG. OAG therefore called on MoJ, as its parent department, to provide funding to ensure a breakeven position. The long term funding model is currently being reviewed by OAG as part of a Strategic Review of the Court Funds Office.

### Official Solicitor and the Public Trustee

The Official Solicitor's litigation services continue to be largely publicly funded due to the nature of the cases dealt with. However, where appropriate to do so, the Official Solicitor charges clients at full cost for services provided.

The Official Solicitor and the Public Trustee (OSPT) charge for their work in administering their Trusts and Estates (T&E) cases. The T&E caseload continues to diminish as cases are only now accepted on the basis of 'last resort'. As at 31 March 2017 the caseload was 173 (2015-16: 199). The fee income associated with Public Trustee cases is capped by a Fees Order and there are some cases for which the OSPT is not empowered to charge fees.

The budget allocation to the Official Solicitor and the Public Trustee also covers the cost of the Lord Chancellor's Reciprocal Enforcement & Maintenance Orders team and the International Child Abduction and Contact Unit. This service is public funded in full.

### HM Courts & Tribunals Service

HMCTS collects and reports upon fee charges, at rates that appear in statutory instrument fees orders. Section 180 of the Anti-social Behaviour, Crime and Policing Act 2014 gives the Lord Chancellor, with consent of the Treasury, the statutory power to set certain court and tribunal fees above cost recovery levels. The income generated must be reinvested back into the courts and tribunals service.

Government introduced cost recovery fee reform on 22 April 2014, enhanced fee charging for money claims on 9 March 2015, and further enhanced fees including divorce and possession on 21 March 2016. The system of help with fees (fee remissions) exists to ensure that individuals are not denied access to the courts if they genuinely cannot afford the fee. Only the Civil and Tribunal businesses have systems for charging fees.

HMCTS reports on both the civil and tribunal business segments. Civil business contains two business streams: family (including non-contentious probate and court of protection) and civil (including civil business in county courts, higher courts and magistrates' courts); whilst tribunal business contains three business streams: asylum and immigration, employment and other fee charging tribunals (including lands, residential property, gambling and gender recognition).

Further detail regarding current fees orders can be found within the HMCTS Annual Report and Accounts.

### Office of the Public Guardian

The financial objective agreed with HM Treasury, for OPG to achieve full cost recovery (excluding fee exemptions and remissions), was met and exceeded, achieving 148% in 2016-17, an increase from 136% achieved in 2015-16.

During 2016-17, an analysis performed internally identified that the OPG was charging fees in excess of costs. To ensure compliance with *Managing Public Money* a full review of the Power of Attorney fee was performed to investigate the level of historic over-recovery, which concluded excess fees of £89 million had been charged.

The Department will surrender to the Consolidated Fund the over-recovered fees for the financial year 2016-17 to HM Treasury. This has been calculated at £25 million net of remissions and exemptions.

In 2017-18, the Department will be establishing a repayment scheme to make remedy to those customers that have been overcharged.

### Legal Services Board and Office for Legal Complaints

Legal Services Board (LSB) and Office for Legal Complaints (OLC) income relates to levies received from approved regulators. This income is surrendered to the Consolidated Fund in line with the Legal Services Act 2007. In return, LSB and OLC receive Grant in Aid (GiA) funding from the MoJ Core Department equal to the income surrendered.

### Remote contingent Liabilities

Contingent liabilities not required to be disclosed under *IAS 37 Provisions, Contingent Liabilities and Contingent Assets* but included for Parliamentary reporting and accountability purposes are detailed below. This section has been subject to audit.

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

The assurance covers the following amounts:

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

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

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

The responsibility for funding the past service liabilities associated with the original employees who are deferred or pensioner members of the LGPS was transferred to NOMS.

**Richard Heaton**  
**Accounting Officer**

**7 July 2017**

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

I certify that I have audited the financial statements of the Ministry of Justice and of its Departmental Group for the year ended 31 March 2017 under the Government Resources and Accounts Act 2000. The Department consists of the core Department and its agencies. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2016. The financial statements comprise: the Department's and Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Remuneration and Staff Report and the Parliamentary Accountability disclosures within the Accountability Report that is described in those reports and disclosures as having been audited.

## Respective responsibilities of the Accounting Officer and auditor

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

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's and the Departmental Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2017 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's and the Departmental Group's affairs as at 31 March 2017 and of the Department's net expenditure and Departmental Group's net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

## Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Parliamentary Accountability 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 Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

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

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

## Report

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**  
**18 July 2017**

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

# Financial Statements

# Financial Statements

## Consolidated Statement of Comprehensive Net Expenditure

for the year ended 31 March 2017

	Note	2016-17		Restated 2015-16	
		Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
		£000	£000	£000	£000
Income from sale of goods and services	3	(62,360)	(62,360)	(64,954)	(64,954)
Other operating income	4	(1,770,028)	(1,750,799)	(1,719,002)	(1,701,404)
<b>Total Operating Income</b>		<b>(1,832,388)</b>	<b>(1,813,159)</b>	<b>(1,783,956)</b>	<b>(1,766,358)</b>
Staff costs	5	2,628,899	2,759,771	2,632,983	2,766,863
Judicial costs	5	488,985	488,985	468,772	468,772
Purchase of goods and services	6	2,073,608	2,089,392	1,926,449	1,942,108
Depreciation, amortisation and impairment charges	7	671,073	675,916	624,524	628,157
Provision expense	8	2,018,399	2,019,933	2,010,192	2,010,372
Net (gain)/loss on disposal of assets	9	(1,602)	(1,589)	(2,916)	(2,871)
Revaluation of non-current and financial assets	10	(56,962)	(56,962)	(115,017)	(115,017)
Other operating expenditure	11	1,585,307	1,417,635	1,715,064	1,552,652
<b>Total Operating Expenditure</b>		<b>9,407,707</b>	<b>9,393,081</b>	<b>9,260,051</b>	<b>9,251,036</b>
<b>Net Operating Expenditure before financing</b>		<b>7,575,319</b>	<b>7,579,922</b>	<b>7,476,095</b>	<b>7,484,678</b>
Finance expense	12	75,765	81,430	84,943	90,565
Borrowing cost on provisions		11,390	11,407	14,099	14,169
<b>Net Operating Expenditure before tax</b>		<b>7,662,474</b>	<b>7,672,759</b>	<b>7,575,137</b>	<b>7,589,412</b>
Taxation		-	4	-	7
<b>Net Operating Expenditure</b>		<b>7,662,474</b>	<b>7,672,763</b>	<b>7,575,137</b>	<b>7,589,419</b>
<b>Net Expenditure for the year ended 31 March 2017</b>		<b>7,662,474</b>	<b>7,672,763</b>	<b>7,575,137</b>	<b>7,589,419</b>
<b>Other Comprehensive Net Expenditure</b>					
<i>Items that will not be reclassified to operating expenditure:</i>					
Net (gain)/loss on revaluation of:					
Property, plant and equipment		(591,999)	(593,310)	(706,822)	(710,734)
Intangible assets		(14,087)	(14,790)	(1,906)	(1,943)
Assets held for sale		399	399	-	-
Remeasurement of pension schemes:					
Cafcass pension scheme		-	20,057	-	(15,817)
LSC pension scheme		(5,592)	(5,592)	(22,501)	(22,501)
By-analogy pension schemes		623	973	(58)	(153)
Probation pension schemes		341,287	341,287	(313,700)	(313,700)
<b>Total Comprehensive Net Expenditure for the year ended 31 March 2017</b>		<b>7,393,105</b>	<b>7,421,787</b>	<b>6,530,150</b>	<b>6,524,571</b>

Other operating expenditure has been restated to reflect the Machinery of Government change as detailed in Note 31.

The notes on pages 89 to 138 form part of these Accounts.

# Consolidated Statement of Financial Position

as at 31 March 2017

Note	31 March 2017		31 March 2016		
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group	
	£000	£000	£000	£000	
<b>Non-current assets</b>					
Property, plant and equipment	13	10,629,192	10,701,144	10,315,783	10,384,122
Intangible assets	14	388,425	393,467	338,116	344,340
Investments		467	467	465	465
LSC pension asset	25	76,652	76,652	68,964	68,964
Trade and other receivables	16	2,953	2,954	3,714	3,715
<b>Total non-current assets</b>		<b>11,097,689</b>	<b>11,174,684</b>	<b>10,727,042</b>	<b>10,801,606</b>
<b>Current assets</b>					
Assets held for sale	15	33,960	33,960	15,399	15,399
Inventories		42,471	42,471	38,770	38,770
Trade and other receivables	16	563,531	542,529	436,768	427,192
Cash and cash equivalents	17	232,658	276,928	183,058	212,404
<b>Total current assets</b>		<b>872,620</b>	<b>895,888</b>	<b>673,995</b>	<b>693,765</b>
<b>Total assets</b>		<b>11,970,309</b>	<b>12,070,572</b>	<b>11,401,037</b>	<b>11,495,371</b>
<b>Current liabilities</b>					
Trade and other payables	18	(1,482,072)	(1,500,745)	(1,482,206)	(1,484,707)
Bank overdraft	17	-	-	(12,605)	(12,605)
Provisions	19	(848,885)	(852,134)	(844,477)	(846,716)
<b>Total current liabilities</b>		<b>(2,330,957)</b>	<b>(2,352,879)</b>	<b>(2,339,288)</b>	<b>(2,344,028)</b>
<b>Total assets less current liabilities</b>		<b>9,639,352</b>	<b>9,717,693</b>	<b>9,061,749</b>	<b>9,151,343</b>
<b>Non-current liabilities</b>					
Trade and other payables	18	(745,805)	(757,540)	(829,707)	(842,179)
Provisions	19	(734,068)	(734,833)	(645,310)	(646,039)
Cafcass pension liability	25	-	(191,853)	-	(166,069)
By-analogy pension liabilities		(5,820)	(12,746)	(5,031)	(11,642)
Probation pension liability	25	(1,578,376)	(1,578,376)	(1,193,400)	(1,193,400)
<b>Total non-current liabilities</b>		<b>(3,064,069)</b>	<b>(3,275,348)</b>	<b>(2,673,448)</b>	<b>(2,859,329)</b>
<b>Assets less liabilities</b>		<b>6,575,283</b>	<b>6,442,345</b>	<b>6,388,301</b>	<b>6,292,014</b>
<b>Taxpayers' equity</b>					
General Fund		3,439,304	3,280,772	3,666,624	3,545,881
Revaluation Reserve		3,135,979	3,161,573	2,721,677	2,746,133
<b>Total taxpayers' equity</b>		<b>6,575,283</b>	<b>6,442,345</b>	<b>6,388,301</b>	<b>6,292,014</b>

The notes on pages 89 to 138 form part of these Accounts.

**Richard Heaton**  
Accounting Officer

7 July 2017

# Consolidated Statement of Cash Flows

for the year ended 31 March 2017

	Note	2016-17		Restated 2015-16	
		Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
		£000	£000	£000	£000
<b>Cash flows from operating activities</b>					
Net operating expenditure	CSoCNE	(7,662,474)	(7,672,763)	(7,575,137)	(7,589,419)
Adjustments for non-cash transactions		2,689,391	2,722,721	2,597,588	2,630,662
Finance costs/(income)		18,851	18,851	19,970	19,970
Movements in pensions		1,701	1,728	18,691	20,218
(Increase)/decrease in trade and other receivables	16	(126,002)	(114,576)	(10,826)	(4,693)
<i>Less: Movements in receivables not passing through the CSoCNE and receivable impairments</i>		(15,951)	(15,952)	(8,817)	(8,431)
(Increase)/decrease in inventories		(3,701)	(3,701)	(1,039)	(1,039)
(Decrease)/increase in trade and other payables	18	(84,036)	(68,601)	(30,413)	(44,611)
<i>Less: Movements in payables relating to items not passing through the CSoCNE</i>		(36,348)	(49,885)	11,296	(2,901)
Utilisation of provisions	19	(1,936,099)	(1,936,604)	(1,904,849)	(1,905,062)
<b>Net cash outflow from operating activities</b>		<b>(7,154,668)</b>	<b>(7,118,782)</b>	<b>(6,883,536)</b>	<b>(6,885,306)</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(262,491)	(266,460)	(224,087)	(224,125)
Purchase of intangible assets		(116,074)	(117,017)	(88,545)	(89,254)
Proceeds on disposal of property, plant and equipment		14,800	14,800	109	109
Proceeds on disposal of assets held for sale		23,336	23,336	31,998	31,998
<b>Net cash outflow from investing activities</b>		<b>(340,429)</b>	<b>(345,341)</b>	<b>(280,525)</b>	<b>(281,272)</b>
<b>Cash flows from financing activities</b>					
From the Consolidated Fund (Supply)		7,496,100	7,496,100	7,014,950	7,014,950
From the Consolidated Fund (Non-Supply)		152,163	152,163	149,465	149,465
Advances from the Contingencies Fund		-	-	460,000	460,000
Repayments to the Contingencies Fund		-	-	(460,000)	(460,000)
Machinery of Government transfers	CSoCITE	-	-	143,435	143,435
Capital element of finance leases and on-balance sheet Private Finance Initiative (PFI) contracts		(54,662)	(70,712)	(54,906)	(72,076)
Repayment of local authority loans		(1,970)	(1,970)	(2,093)	(2,093)
Movement in third party balances		(1)	(1)	(14)	(14)
Interest paid		(18,851)	(18,851)	(19,970)	(19,970)
<b>Net cash inflow from financing activities</b>		<b>7,572,779</b>	<b>7,556,729</b>	<b>7,230,867</b>	<b>7,213,697</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>					
		<b>77,682</b>	<b>92,606</b>	<b>66,806</b>	<b>47,119</b>
Payments of amounts due to the Consolidated Fund		(15,477)	(15,477)	(21,730)	(21,730)
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>					
		<b>62,205</b>	<b>77,129</b>	<b>45,076</b>	<b>25,389</b>
<b>Cash and cash equivalents at the beginning of the period</b>					
	17	170,453	199,799	125,073	174,106
Transfer out of boundary		-	-	304	304
<b>Cash and cash equivalents at the end of the period</b>					
	17	<b>232,658</b>	<b>276,928</b>	<b>170,453</b>	<b>199,799</b>

The notes on pages 89 to 138 form part of these Accounts.

# Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2017

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

# Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2016

	Note	Restated Core Department & Agencies			Restated Departmental Group		
		General fund	Revaluation reserve	Total reserves	General fund	Revaluation reserve	Total reserves
		£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2015</b>		<b>3,536,947</b>	<b>2,129,960</b>	<b>5,666,907</b>	<b>3,421,683</b>	<b>2,150,944</b>	<b>5,572,627</b>
Net Parliamentary Funding - drawn down		7,014,950	-	7,014,950	7,014,950	-	7,014,950
Net Parliamentary Funding - deemed		104,642	-	104,642	104,642	-	104,642
Machinery of Government transfer		143,435	-	143,435	143,435	-	143,435
Unspent Supply drawn down repayable to the Consolidated Fund		(155,446)	-	(155,446)	(155,446)	-	(155,446)
Consolidated Fund Standing Services							
- Judicial salaries		141,943	-	141,943	141,943	-	141,943
- Lord Chancellor's salary		74	-	74	74	-	74
- Utilisation of Judicial Service Award		7,448	-	7,448	7,448	-	7,448
CFERs payable to the Consolidated Fund		(1,380)	-	(1,380)	(16,316)	-	(16,316)
Net expenditure for the year	CSoCNE	(7,575,137)	-	(7,575,137)	(7,589,419)	-	(7,589,419)
<b>Net gain/(loss) on revaluation of</b>							
- Property, plant and equipment		-	706,822	706,822	-	710,734	710,734
- Intangible assets		-	1,906	1,906	-	1,943	1,943
<b>Remeasurement of pension schemes</b>							
- Cafcass pension scheme	25	-	-	-	15,817	-	15,817
- LSC pension scheme	25	22,501	-	22,501	22,501	-	22,501
- By-analogy pension schemes		58	-	58	153	-	153
- Probation pension schemes	25	313,700	-	313,700	313,700	-	313,700
<b>Non-cash adjustment</b>							
- Auditors' remuneration	6	1,459	-	1,459	1,459	-	1,459
- Corporate overhead charges	11	(7,018)	-	(7,018)	-	-	-
<b>Movements in reserves</b>							
- Transfers from Revaluation Reserve		117,011	(117,011)	-	117,488	(117,488)	-
Adjustment in respect of prior periods		1,351	-	1,351	1,351	-	1,351
Other		86	-	86	418	-	418
<b>Balance at 31 March 2016</b>		<b>3,666,624</b>	<b>2,721,677</b>	<b>6,388,301</b>	<b>3,545,881</b>	<b>2,746,133</b>	<b>6,292,014</b>

The notes on pages 89 to 138 form part of these Accounts.

# Notes to the Accounts for the year ended 31 March 2017

## 1a) Statement of accounting policies

### 1.1 Basis of preparation

These Accounts have been prepared in accordance with the *Government Financial Reporting Manual (FReM) 2016-17* issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

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

### 1.2 Accounting convention

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

### 1.3 Basis of consolidation

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

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

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

### 1.4 Changes in accounting policy and disclosures

#### a) Changes in accounting policies

There have been no changes in accounting policies for the period ended 31 March 2017.

#### b) New and amended standards adopted

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

#### c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2016 and not early adopted

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

*IFRS 9 Financial Instruments* may have an impact on the impairment methodology used by the LAA to value its outstanding debt however these are not expected to have a material impact on the Departmental Group's future Accounts.

*IFRS 16 Leases* will change the way MoJ recognises, measures, presents and discloses leases that it holds. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The full impact of *IFRS 16 Leases* on the Department will not be determined until it has been adopted for use in the public sector by the FReM.

#### **d) Changes in presentation and reclassifications**

The split reported for segmental reporting purposes has been updated to reflect the revised structure as reported to the Executive Committee (ExCo) of the Board from 1 April 2016.

Government receivable balances within trade and other receivables have been reclassified to more accurately reflect the nature of the underlying transaction. There has been no impact on the trade and other receivables balance overall.

Prior year figures for LAA provision expenses have been reclassified as described in Note 31.

### **1.5 Machinery of Government changes and restatement of comparatives**

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

#### **MoG transfer of detained adult education and training**

On 15 September 2016 the Prime Minister announced that policy responsibility for education and training provision for those subject to adult detention in England would transfer from the Department for Education to the Ministry of Justice on 1 October 2016 and would be overseen by NOMS. Prison education includes the Offender Learning and Skills Service (OLASS) contracts and the national grant funding. The impact of the transfer is shown in the 2015-16 Consolidated Statement of Changes in Taxpayers' Equity.

### **1.6 Property, plant and equipment**

#### **Initial recognition and capitalisation threshold**

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

Where significant purchases of individual assets which are separately below the capitalisation threshold arise in connection with a single project, they are treated as a grouped asset. The Core Department's capitalisation threshold for grouped assets is £1m. The thresholds across the Departmental Group range from £500 to £1m. Where an item costs less than the prescribed limit, but forms an integral part of a package whose total value is greater than the capitalisation level, then the item is capitalised. All thresholds include irrecoverable VAT.

#### **Subsequent valuation method**

Subsequent to initial recognition, land and buildings (including dwellings) are recorded at fair value, as interpreted by the FReM, on the basis of professional valuations, which are

conducted for each property at least once every five years. In between professional valuations, carrying values are adjusted by the application of indices or through desktop valuations.

Criminal courts, prisons and some parts of the probation estate are mostly classified as specialised buildings which cannot be sold on the open market. Specialised properties are valued at Depreciated Replacement Cost (DRC) to a modern equivalent basis in accordance with the 'Red Book', taking into account the functional obsolescence of the property. Leasehold improvements are fair valued using the Building Cost Information Service Tender Price Index, compiled by the Royal Institute of Chartered Surveyors.

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

In determining whether a non-operational asset is surplus, MoJ assesses whether there is a clear plan to bring the asset back into future use as an operational asset. Where there is a clear plan, the asset is not considered as surplus and is maintained at current value in existing use. Otherwise, the asset is assessed as being surplus and valued at fair value under *IFRS 13 Fair Value Measurement*.

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

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

### **Revaluation**

Gains arising on revaluation are credited to the Revaluation Reserve and shown in Other Comprehensive Net Expenditure, unless they reverse a revaluation decrease on the same asset. Reversals are credited to the Consolidated Statement of Comprehensive Net Expenditure (CSoCNE) to the extent of the previous amount expensed, and any excess is credited to the Revaluation Reserve.

A revaluation decrease (other than as a result of a permanent diminution) is reversed against any existing amount held in the Revaluation Reserve in respect of that same asset, with any residual decrease taken to net operating costs in the CSoCNE.

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

### **Depreciation**

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

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

Estimated useful asset lives are within the following ranges:

Freehold land	Not depreciated
Leasehold land	Shorter of remaining life or remaining lease period
Freehold buildings (including dwellings)	Shorter of remaining life or 60 years
Leasehold buildings (including dwellings)	Shortest of remaining life, remaining lease period or 60 years
Grouped assets	Various depending on individual asset types
Information technology	Shorter of remaining lease period or 3 to 15 years
Furniture, fixtures and fittings	Shorter of remaining lease period or 3 to 20 years

### Assets under construction

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

Expenditure is capitalised where it is directly attributable to bringing an asset into working condition, such as external consultant costs, relevant employee costs and an appropriate portion of relevant overheads.

### Disposal of non-current assets

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

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

## 1.7 Intangible assets

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

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

Other expenditure that does not meet this criteria is recognised as an expense as incurred. Costs previously recognised as an expense are not recognised as an asset in a subsequent period.

The useful lives of internally developed software range from three to 15 years.

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

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

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

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

## 1.8 Impairment

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

When an asset's carrying value decreases as a result of a permanent diminution in the value of the asset due to a clear consumption of economic benefit or service potential, the decrease is charged directly to net operating costs in the CSoCNE, with any remaining Revaluation Reserve balance released to the General Fund. In contrary, reversal of an impairment loss is then recognised in the CSoCNE to the extent that the original charge, adjusted for subsequent depreciation, was previously recognised, with any remaining amount recognised in the Revaluation Reserve.

## 1.9 Leases

### Finance leases

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

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

### Operating leases

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

## 1.10 Service Concession Arrangements

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

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

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

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

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

### **1.11 Non-current assets held for sale**

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

### **1.12 Employee benefits**

#### **Employee leave accrual**

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

#### **Defined benefit pension schemes**

##### *Principal Civil Service Pension Scheme and Judicial Pension Scheme*

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

MoJ is responsible for the administration of the JPS that provides for the pension entitlements of salaried judicial office holders of five participating departments across government. The JPS is not consolidated within these Accounts.

In February 2013, the UK Supreme Court ruled that a retired fee paid judicial office holder is entitled to a pension on terms equivalent to those of a salaried judicial office holder. This lead case set the precedent for other stayed cases.

Consistent with the accounting for salaried judicial office holders, and in accordance with FReM, MoJ accounts for employer contributions payable to the JPS for eligible fee paid judicial office holders as they are incurred, but does not recognise a liability in respect of back payments or the pension liability arising pursuant to the claim. Accordingly, provision for the fee paid judicial pension entitlement is recognised in the JPS Accounts.

However, provisions have been recognised in these Accounts for both the liability to fee paid judicial office holders in respect of the Judicial Service Award, and a separate element of the pension liability relating to retired fee paid judges, as neither of these is a liability covered by the JPS and its governing Acts. Additionally, further claims that relate to fee paid judicial office holders' employment terms and conditions that historically have not matched salaried comparators have also been provided. Further information about these provisions is set out in Note 19.

### *Funded pension schemes*

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

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

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

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

### *Other defined benefit pension schemes*

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

### **Early departure and injury benefit costs**

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

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

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

### **1.13 Operating income**

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

Operating income is stated net of VAT and comprises mainly fees and charges for services which are set on a full cost recovery basis, refer to the Fees and Charges note within the

Accountability section. Details regarding the treatment of operating income by individual bodies within the Departmental Group can be found in the Annual Report of each consolidated body.

In accounting for levy income of the Office of Legal Complaints (OLC) and Legal Services Board (LSB), the Legal Services Act 2007 requires all levy income collected by OLC and LSB to be surrendered to the Consolidated Fund. In return, OLC and LSB receive Grant in Aid (GiA) funding from the MoJ Core Department (MoJ Core) equal to the income surrendered.

The LSB, in conjunction with the MoJ and HMT, are seeking to identify a suitable legislative vehicle to make an amendment to s175 of the 2007 Act. This is to confirm the current practice whereby the LSB retains all amounts received through the levy and any prescribed fees rather than passing this over to the Consolidated Fund and then having the same amounts returned to it by the MoJ. The LSB believes that this was the intention of Parliament when debating the Bill setting up the LSB although some of the drafting of s175 does not capture this intent correctly.

To comply with the strict requirements of s175 for the year ended 31 March 2017 the MoJ will be responsible for making a payment on behalf of the LSB to the Consolidated Fund equivalent to the income received by the LSB for the year from the levy and prescribed fees. Accordingly, a notional transfer to the Consolidated Fund has been shown in the Statement of Changes to Taxpayers' Equity. An equal amount is shown as a notional receipt from the sponsoring department.

#### **1.14 Grants payable and paid**

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

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

#### **1.15 Costs borne by the Consolidated Fund**

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

#### **1.16 Notional costs**

Notional costs comprise statutory auditors' remuneration, which represents the National Audit Office's cost for the audit of MoJ and Executive Agencies' Accounts, and notional costs for corporate overheads which are recharged to business areas. Such notional costs are credited directly to the General Fund.

#### **1.17 Provisions**

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

Where the effect of discounting is material, provisions are measured at their present value using the below current discount rates set by HM Treasury based on the underlying cash

flows. Where future cash flows related to the obligation are forecast in monetary amounts, rather than on the basis of current cost, these discount rates are adjusted upwards based on HM Treasury's forecasts for inflation in the relevant time period. Early departure and injury benefit provisions are discounted using the HM Treasury post-employment benefits real discount rate of 0.24%.

	<b>Real rate</b>
Short-Term (due within 5 years)	-2.70%
Medium-Term (due between 6-10 years)	-1.95%
Long-Term (due after 10 years)	-0.80%

### **1.18 Contingent liabilities**

A contingent liability is disclosed when the likelihood of a payment 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 Provisions, Contingent Liabilities and Contingent Assets* are stated at discounted amounts.

### **1.19 Value Added Tax**

Most of the activities of MoJ are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase costs of non-current assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

### **1.20 Third party assets**

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

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

### **1.21 Financial instruments**

#### **Recognition**

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

#### **De-recognition**

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

## **Classification and measurement of financial assets**

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

### *Loans and receivables*

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

### *Financial Assets at fair value through profit and loss*

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

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

## **Impairment of financial assets**

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

## **Classification and measurement - financial liabilities**

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

## **1.22 Cash and cash equivalents**

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

## **1b) Critical accounting estimates and judgements**

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

### **Critical accounting estimates and assumptions**

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

*Valuation of non-current assets*

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

*Net pension assets and liabilities*

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

*Provisions for liabilities and charges*

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

**Critical judgements in applying MoJ's accounting policies***Lease accounting*

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

*Service Concession Arrangements*

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

*Accounting for receivables impairment*

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

*Valuation of court buildings and prisons earmarked for closure*

As part of an ongoing justice transformation strategy, Ministers have identified a number of under-utilised court buildings and prisons no longer fit for purpose, for closure over the next few years.

At present these are considered specialised assets and are valued at DRC. The reduction in the remaining estimated useful life of these assets represents an impairment indicator. All impairment expenses are taken directly to the CSoCNE, with the balance of any Revaluation Reserve taken to the General Fund. The valuation method will be altered from DRC to the appropriate valuation methodology when the asset is transferred to held for sale or when it becomes surplus.

## 2. Statement of Operating Expenditure by Operating Segment

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

The Department is split into four business groups plus two Executive Agencies. These segments are: Finance Group, Prisons Offender and Youth Justice Policy (POYJP), Justice and Courts Policy Group (JCPG), Operations Group, HM Courts & Tribunals Service (HMCTS), and National Offender Management Service (NOMS). Since the 1 April 2016, the operating segments reported to the ExCo of the Board changed as explained below:

- Finance, Assurance and Commercial Group (FACG) has been renamed Finance Group and no longer includes Criminal Injuries Compensation Authority (CICA);
- Criminal Justice Group (CJG) has been renamed to POYJP and no longer includes CCRC;
- Law & Access to Justice Group (LAJG) has been renamed JCPG. JCPG now also includes Criminal Cases Review Commission (CCRC) (previously reported in CJG as noted above) but excludes the results of Office of the Public Guardian (OPG) (reported within LAJG in 2015-16 but now included in Operations Group); and
- Operations Group has taken on the responsibilities of Corporate Services. It also includes the results of three Executive Agencies, being CICA, OPG and LAA (LAA had previously been reported as a standalone segment in 2015-16).

As of 1 April 2016 policy responsibility for offender learning was transferred to MoJ, and has been included within NOMS on a Machinery of Government change basis. Further details are provided in Note 31.

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

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

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

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

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

The ExCo of the Board does not receive a CSoFP analysed by operating segment and therefore such an analysis is not presented here. Instead, they receive a summary CSoFP that excludes the NDPBs. This analysis equates to the amounts shown in the Core Department & Agencies column in the CSoFP reported on page 85.

There are no reconciling items between individual operating segments' net expenditure and their share of the Departmental Group's net expenditure as reported in the CSoCNE.

The prior year figures have been restated to reflect the revised structure as reported to the ExCo of the Board from 1 April 2016.

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

	Finance	POYJP	JCPG	Operations	HM Courts & Tribunals Service	NOMS	Gross Total	Elimination	Restated 2015-16 Net Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross expenditure	119,878	301,153	337,423	2,295,783	1,919,752	4,441,121	9,415,110	(59,333)	9,355,777
Income	(353,734)	(23,748)	(76,146)	(292,932)	(741,224)	(337,907)	(1,825,691)	59,333	(1,766,358)
<b>Net expenditure</b>	<b>(233,856)</b>	<b>277,405</b>	<b>261,277</b>	<b>2,002,851</b>	<b>1,178,528</b>	<b>4,103,214</b>	<b>7,589,419</b>	<b>-</b>	<b>7,589,419</b>

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

	2016-17						
	Finance	POYJP	JCPG	Operations	HM Courts & Tribunals Service	NOMS	Gross Total (pre-eliminations)
	£000	£000	£000	£000	£000	£000	£000
<b>Income</b>							
Revenues from external customers	(367,324)	(19,426)	(91,869)	(300,755)	(62,980)	(214,020)	(1,056,374)
Revenues from transactions with other operating segments of the Department	-	-	-	-	-	(55,509)	(55,509)
Interest revenue	-	-	(26)	-	-	-	(26)
<b>Material items of income</b>							
EU Grant	-	-	-	-	-	(20,194)	(20,194)
CFERs	(640)	-	7,033	-	-	-	6,393
Fee income	-	-	-	-	(741,946)	-	(741,946)
<b>Total income</b>	<b>(367,964)</b>	<b>(19,426)</b>	<b>(84,862)</b>	<b>(300,755)</b>	<b>(804,926)</b>	<b>(289,723)</b>	<b>(1,867,656)</b>
<b>Individual items of expenditure</b>							
Depreciation	-	1,518	1,575	34,213	124,476	255,029	416,811
Amortisation	-	1,756	771	29,199	11,105	31,211	74,042
<b>Material items of expenditure</b>							
Accommodation, maintenance and utilities	274	73	7,856	21,947	241,508	383,880	655,538
Offender related costs	-	-	-	-	-	546,681	546,681
Service concession charges	160,102	-	-	2,175	34,698	565,466	762,441
IT services and telecommunications (non-SCAs)	(158,719)	1,687	3,351	144,783	136,248	117,336	244,686
Payments of GiA to NDPBs which eliminate with receipts of GiA by NDPBs	-	153,333	138,206	-	-	-	291,539
Cost of legal services and disbursements (crime)	-	-	-	3,844	-	-	3,844
Cost of legal services and disbursements (civil)	-	-	-	7,487	-	-	7,487
Provisions provided for in year	94,251	1,389	(2,381)	1,868,312	(829)	58,667	2,019,409
Corporation Tax	-	-	4	-	-	-	4
Rentals under operating leases	694	18	280	23,661	78,828	2,684	106,165
Finance charges on leases and SCAs	(55)	-	-	10,566	7,143	18,602	36,256
Current Grants	5,931	71,193	96,234	-	40	3,354	176,752

Restated 2015-16

	Finance £000	POYJP £000	JCPG £000	Operations £000	HM Courts & Tribunals Service £000	NOMS £000	Gross Total (pre-eliminations) £000
<b>Income</b>							
Revenues from external customers	(352,354)	(23,749)	(61,179)	(292,932)	(68,185)	(261,701)	(1,060,100)
Revenues from transactions with other operating segments of the Department	-	-	-	-	-	(54,910)	(54,910)
Interest revenue	-	1	(31)	-	-	-	(30)
<b>Material items of income</b>							
EU Grant	-	-	-	-	-	(21,296)	(21,296)
CFERs	(1,380)	-	(14,936)	-	-	-	(16,316)
Fee income	-	-	-	-	(673,039)	-	(673,039)
<b>Total income</b>	<b>(353,734)</b>	<b>(23,748)</b>	<b>(76,146)</b>	<b>(292,932)</b>	<b>(741,224)</b>	<b>(337,907)</b>	<b>(1,825,691)</b>
<b>Individual items of expenditure</b>							
Depreciation	-	2,215	1,687	28,940	116,230	239,491	388,563
Amortisation	-	364	761	27,962	8,317	27,679	65,083
<b>Material items of expenditure</b>							
Accommodation, maintenance and utilities	2	6	7,498	23,909	226,052	345,136	602,603
Offender related costs	-	-	-	-	-	532,905	532,905
Service concession charges	117,908	-	85	(8,210)	33,401	559,822	703,006
IT services and telecommunications (non-SCAs)	(113,915)	1,597	4,205	140,155	111,426	80,210	223,678
Payments of GiA to NDPBs which eliminate with receipts of GiA by NDPBs	-	162,904	140,737	-	-	-	303,641
Cost of legal services and disbursements (crime)*	-	-	-	4,003	-	-	4,003
Cost of legal services and disbursements (civil)*	-	-	-	2,374	-	-	2,374
Provisions provided for in year*	13,300	82	20,931	1,923,588	13,391	30,583	2,001,875
Corporation tax	-	1	6	-	-	-	7
Rentals under operating leases	27	47	570	24,391	78,712	2,112	105,859
Finance charges on leases and SCAs	(1,006)	3	-	11,964	7,722	20,927	39,610
Current Grants	5,657	76,236	90,158	-	19	-	172,070

\*Prior year figures for LAA provision expenses have been reclassified as described in Note 31.

### 3. Income from sale of goods and services

	2016-17		2015-16	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
External sales of prison industries	9,884	9,884	10,285	10,285
Retail prison shop income	50,594	50,594	52,739	52,739
In-cell TV income	1,882	1,882	1,930	1,930
<b>Total income from sale of goods and services</b>	<b>62,360</b>	<b>62,360</b>	<b>64,954</b>	<b>64,954</b>

Income has been generated within NOMS from the sale of goods and services in prisons.

### 4. Other operating income

	2016-17		2015-16	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Fines income	373,556	373,556	325,506	325,506
Fee income*	795,910	795,910	744,979	745,202
Victims surcharge	31,197	31,197	28,587	28,587
Legal Aid Agency - Civil Representation recoveries	162,084	162,084	169,050	169,050
Legal Aid Agency - Criminal cases recoveries	33,106	33,106	30,151	30,151
Youth Justice Board remand income	-	18,164	-	21,920
Income from NHS and other healthcare providers	56,268	56,268	54,725	54,725
Income from Communities Rehabilitation Companies	27,541	27,541	60,815	60,815
Recoveries from other government departments	143,997	143,656	156,030	156,030
European Social Fund and other European funding	20,194	20,194	21,296	21,296
Miscellaneous income	100,366	49,231	126,483	71,806
<b>Other operating income within the Department's ambit</b>	<b>1,744,219</b>	<b>1,710,907</b>	<b>1,717,622</b>	<b>1,685,088</b>
Consolidated Fund Extra Receipts**	25,809	39,892	1,380	16,316
<b>Total other operating income</b>	<b>1,770,028</b>	<b>1,750,799</b>	<b>1,719,002</b>	<b>1,701,404</b>

\*The majority of fee income consists of amounts for services rendered to civil, family court and tribunal users. Further details can be found within the HMCTS Annual Report and Accounts, which are available at [www.gov.uk](http://www.gov.uk).

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

## 5. Staff and Judiciary costs

### Staff costs

	2016-17				2015-16	
	Permanently employed staff	Other	Ministers	Special advisors	Total	Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	1,977,235	163,369	194	210	2,141,008	2,160,630
Social security costs	193,236	1,475	17	24	194,752	146,683
Other pension costs	403,356	579	-	32	403,967	432,450
<b>Sub Total</b>	<b>2,573,827</b>	<b>165,423</b>	<b>211</b>	<b>266</b>	<b>2,739,727</b>	<b>2,739,763</b>
Early departure costs	19,809	-	-	-	19,809	42,264
Early departure provisions	(524)	-	-	-	(524)	(8,497)
Add inward secondments	6,118	3,920	-	-	10,038	5,656
Less recoveries in respect of outward secondments	(9,272)	(7)	-	-	(9,279)	(12,323)
<b>Total Net Costs</b>	<b>2,589,958</b>	<b>169,336</b>	<b>211</b>	<b>266</b>	<b>2,759,771</b>	<b>2,766,863</b>
<i>Of which:</i>						
<b>Core Department and Agencies NDPBs</b>	2,480,169	148,253	211	266	2,628,899	2,632,983
	109,789	21,083	-	-	130,872	133,880
	<b>2,589,958</b>	<b>169,336</b>	<b>211</b>	<b>266</b>	<b>2,759,771</b>	<b>2,766,863</b>

### Judiciary costs

	2016-17			2015-16	
	Senior judicial salaries	Other judicial salaries	Fee paid judiciary	Total	Total
	£000	£000	£000	£000	£000
Wages and salaries	126,152	96,957	123,899	347,008	333,499
Social security costs	16,370	12,601	13,141	42,112	37,481
Other pension costs	48,909	36,298	14,658	99,865	97,792
<b>Total Net Costs</b>	<b>191,431</b>	<b>145,856</b>	<b>151,698</b>	<b>488,985</b>	<b>468,772</b>
<i>Of which:</i>					
<b>Core Department and Agencies NDPBs</b>	191,431	145,856	151,698	488,985	468,772
	-	-	-	-	-
	<b>191,431</b>	<b>145,856</b>	<b>151,698</b>	<b>488,985</b>	<b>468,772</b>

For detail on costs and numbers for staff, judiciary and exit packages refer to the Staff numbers and composition section in the Remuneration and Staff Report within the Accountability section.

## 6. Purchase of goods and services

	2016-17		2015-16	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Lease/service concession charges:				
PFI service charges	701,770	685,720	637,222	620,052
Other service concession service charges (non-PFI)	76,721	76,721	82,954	82,954
Rentals under operating leases	105,980	106,165	105,643	105,859
Other services:				
Accommodation, maintenance and utilities	648,668	655,538	595,580	602,603
Communications, office supplies and services	46,250	48,819	40,403	42,762
Travel, subsistence and hospitality	46,318	50,551	42,656	47,313
Training and other staff related costs	50,682	51,974	43,868	45,191
IT services and telecommunications (non-service concession arrangements)	240,901	244,686	219,434	223,678
Professional services	58,278	61,050	55,012	57,393
Other contracted out services	96,273	106,076	102,193	112,333
Auditor's remuneration and expenses	374	699	25	511
Non-cash services:				
Auditor's remuneration*	1,393	1,393	1,459	1,459
<b>Total purchase of goods and services</b>	<b>2,073,608</b>	<b>2,089,392</b>	<b>1,926,449</b>	<b>1,942,108</b>

\* Non-cash auditors' remuneration represents the statutory audit fees of the Core Department and Agencies. Refer to page 36 in the Directors' Report, for detail of total statutory audit fees.

## 7. Depreciation, amortisation and impairment charges

	2016-17		2015-16	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Depreciation	414,967	416,811	386,055	388,563
Amortisation	71,515	74,042	63,958	65,083
Impairment charge on non-current assets:				
Property, plant and equipment*	173,927	173,927	187,019	187,019
Intangible assets	(879)	(407)	2,487	2,487
Assets held for sale	136	136	(5,142)	(5,142)
Investments	(2)	(2)	22	22
Increase/(decrease) in receivables impairment	11,409	11,409	(9,875)	(9,875)
<b>Total depreciation, amortisation and impairment charges</b>	<b>671,073</b>	<b>675,916</b>	<b>624,524</b>	<b>628,157</b>

\* As part of the ongoing review of the Prison Estate, Ministers have announced the closure of six prisons (none of which are classified as assets held for sale as at 31 March 2017). Given these prisons will no longer form part of the prison estate, their value has been decreased to reflect the reduction in remaining useful life. The total prison closure impairment for 2016-17 was £126.0m.

In February 2016, as part of an ongoing court rationalisation review, Ministers earmarked a total of 86 underutilised court buildings for closure (eight of which are classified as assets held for sale as at 31 March 2017) over the following two years. Given these courts are no longer expected to form part of HMCTS's operational estate in the future, their valuation has been decreased to reflect the reduction in the remaining useful life. The total court closure impairment for 2016-17 was £35.3m (2015-16: £150.4m).

## 8. Provision expense

	2016-17		Restated 2015-16	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Provisions provided in year net of release	310,861	312,395	310,861	311,041
Civil legal help and representation – solicitors' charges, counsel fees and disbursements	780,524	780,524	819,067	819,067
Criminal cases – solicitors' charges, counsel fees and disbursements	927,014	927,014	880,264	880,264
<b>Total provision expense</b>	<b>2,018,399</b>	<b>2,019,933</b>	<b>2,010,192</b>	<b>2,010,372</b>

Prior year figures for LAA provision expenses have been reclassified as described in Note 31.

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

	2016-17		2015-16	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Net (gain)/loss on disposal of:				
Property, plant and equipment	990	1,001	1,278	1,313
Intangible assets	22	24	233	243
Assets held for sale	(2,614)	(2,614)	(4,427)	(4,427)
<b>Total net (gain)/loss on disposal of assets</b>	<b>(1,602)</b>	<b>(1,589)</b>	<b>(2,916)</b>	<b>(2,871)</b>

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

	2016-17		2015-16	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
(Increase)/decrease in the valuation of:				
Property, plant and equipment	(58,723)	(58,723)	(115,918)	(115,918)
Intangible assets	-	-	568	568
Assets held for sale	1,761	1,761	453	453
Investments	-	-	(120)	(120)
<b>Total revaluation of non-current and financial assets</b>	<b>(56,962)</b>	<b>(56,962)</b>	<b>(115,017)</b>	<b>(115,017)</b>

## 11. Other operating expenditure

	2016-17		Restated 2015-16	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Grants:				
Current	105,559	176,752	96,034	172,070
Capital	14,367	14,367	1,013	1,013
Criminal justice costs:				
Offender related costs	546,681	546,681	532,905	532,905
Youth Offender costs	54,022	78,184	58,599	87,365
Judicial and Juror costs	72,143	72,143	88,191	88,191
Compensation payments	903	903	385	385
Cost of legal services and disbursements (Civil)	7,487	7,487	2,374	2,374
Cost of legal services and disbursements (Crime)	3,844	3,844	4,003	4,003
Cost from Central Funds	10,910	10,910	10,938	10,938
Other administration expenditure	15,249	15,724	15,818	16,197
Other programme costs	45,975	52,754	47,684	60,209
Grant in aid to NDPBs	291,539	-	303,641	-
Contracted probation services (CRCs)	410,110	410,110	526,297	526,297
Non-cash operating expense:				
Notional charges	-	15,349	-	16,505
Corporate (MoJ) notional overhead charge	(5,908)	-	(7,018)	-
Other pension costs	5,257	5,257	13,058	13,058
Other non-cash	7,169	7,170	21,142	21,142
<b>Total other operating expenditure</b>	<b>1,585,307</b>	<b>1,417,635</b>	<b>1,715,064</b>	<b>1,552,652</b>

Other operating expenditure has been restated to reflect the Machinery of Government change and LAA provision expense reclassification as detailed in Note 31.

## 12. Finance expense

	2016-17		2015-16	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Finance charges on leases and service concession arrangements	36,256	36,256	39,610	39,610
Non-cash finance expense:				
Net interest on pension	39,509	45,174	45,333	50,955
<b>Total finance expense</b>	<b>75,765</b>	<b>81,430</b>	<b>84,943</b>	<b>90,565</b>

## 13. Property, plant and equipment

### Departmental Group 2016-17

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

## Departmental Group 2015-16

	Land	Buildings	Dwellings	Information technology	Plant and equipment	Furniture, fixtures and fittings	Payments on account and assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>								
<b>At 1 April 2015</b>	<b>1,281,279</b>	<b>8,501,416</b>	<b>61,607</b>	<b>371,123</b>	<b>325,273</b>	<b>60,065</b>	<b>172,117</b>	<b>10,772,880</b>
Additions	-	5,811	-	36,127	10,761	42	172,790	225,531
Disposals	-	(4,830)	-	(1,074)	(8,421)	(4,018)	(72)	(18,415)
Reclassifications	(8,352)	144,107	(4,679)	(1,959)	(687)	682	(140,555)	(11,443)
Revaluations	107,160	460,721	489	3,303	2,974	129	-	574,776
Transfers	-	26	-	16,158	3,570	(1)	(19,911)	(158)
Impairments	4,100	(197,399)	-	(3,222)	(3,836)	-	(4,862)	(205,219)
<b>At 31 March 2016</b>	<b>1,384,187</b>	<b>8,909,852</b>	<b>57,417</b>	<b>420,456</b>	<b>329,634</b>	<b>56,899</b>	<b>179,507</b>	<b>11,337,952</b>
<b>Depreciation</b>								
<b>At 1 April 2015</b>	-	<b>(333,506)</b>	<b>(2,642)</b>	<b>(265,589)</b>	<b>(201,025)</b>	<b>(48,035)</b>	-	<b>(850,797)</b>
Charged in year	(518)	(311,781)	(1,313)	(41,502)	(28,234)	(5,215)	-	(388,563)
Disposals	-	3,330	-	876	7,908	3,867	-	15,981
Reclassifications	(20)	19	74	(391)	-	(208)	-	(526)
Revaluations	480	254,251	709	(1,514)	(1,919)	(131)	-	251,876
Transfers	-	-	-	(1)	(1)	1	-	(1)
Impairments	58	13,718	1	2,148	2,275	-	-	18,200
<b>At 31 March 2016</b>	-	<b>(373,969)</b>	<b>(3,171)</b>	<b>(305,973)</b>	<b>(220,996)</b>	<b>(49,721)</b>	-	<b>(953,830)</b>
<b>Carrying amount at 31 March 2016</b>	<b>1,384,187</b>	<b>8,535,883</b>	<b>54,246</b>	<b>114,483</b>	<b>108,638</b>	<b>7,178</b>	<b>179,507</b>	<b>10,384,122</b>
<b>Carrying amount at 1 April 2015</b>	<b>1,281,279</b>	<b>8,167,910</b>	<b>58,965</b>	<b>105,534</b>	<b>124,248</b>	<b>12,030</b>	<b>172,117</b>	<b>9,922,083</b>
<b>Asset financing</b>								
Owned	1,307,001	7,244,004	49,547	67,726	91,316	7,178	179,507	8,946,279
Finance leased	55,611	407,818	4,699	9,549	17,322	-	-	494,999
On-balance sheet PFI and other SCAs	21,575	884,061	-	37,208	-	-	-	942,844
<b>Carrying amount at 31 March 2016</b>	<b>1,384,187</b>	<b>8,535,883</b>	<b>54,246</b>	<b>114,483</b>	<b>108,638</b>	<b>7,178</b>	<b>179,507</b>	<b>10,384,122</b>
<b>Of the total</b>								
Core Department and Agencies	1,374,782	8,477,670	54,246	114,115	108,616	6,847	179,507	10,315,783
NDPBs	9,405	58,213	-	368	22	331	-	68,339
<b>Carrying amount at 31 March 2016</b>	<b>1,384,187</b>	<b>8,535,883</b>	<b>54,246</b>	<b>114,483</b>	<b>108,638</b>	<b>7,178</b>	<b>179,507</b>	<b>10,384,122</b>

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

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

Included in the carrying values above are 27 non-operational sites with a combined value of £103.8m (2015-16: 57 with a combined value of £27.4m). These sites are now vacant, but do not yet meet the criteria for classification as assets held for sale.

## 14. Intangible assets

### Departmental Group 2016-17

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

## Departmental Group 2015-16

	Software licences	Information technology	Internally generated software	Payments on account and assets under construction	Total
	£000	£000	£000	£000	£000
<b>Cost or valuation</b>					
<b>At 1 April 2015</b>	<b>58,024</b>	<b>327,438</b>	<b>213,058</b>	<b>80,959</b>	<b>679,479</b>
Additions	878	344	1,211	83,908	86,341
Disposals	(1,250)	(2,158)	(114)	(192)	(3,714)
Reclassifications	(821)	4,911	28,230	(35,010)	(2,690)
Revaluations	537	754	3,599	(575)	4,315
Transfers	(4,858)	11,574	7,095	(13,634)	177
Impairments	-	-	-	(2,487)	(2,487)
<b>At 31 March 2016</b>	<b>52,510</b>	<b>342,863</b>	<b>253,079</b>	<b>112,969</b>	<b>761,421</b>
<b>Amortisation</b>					
<b>At 1 April 2015</b>	<b>(30,765)</b>	<b>(164,980)</b>	<b>(157,162)</b>	-	<b>(352,907)</b>
Charged in year	(5,815)	(35,958)	(23,310)	-	(65,083)
Disposals	1,235	2,158	78	-	3,471
Reclassifications	385	-	-	-	385
Revaluations	(1,335)	(200)	(1,405)	-	(2,940)
Transfers	36	(47)	4	-	(7)
<b>At 31 March 2016</b>	<b>(36,259)</b>	<b>(199,027)</b>	<b>(181,795)</b>	-	<b>(417,081)</b>
<b>Carrying amount at 31 March 2016</b>	<b>16,251</b>	<b>143,836</b>	<b>71,284</b>	<b>112,969</b>	<b>344,340</b>
<b>Carrying amount at 1 April 2015</b>	<b>27,259</b>	<b>162,458</b>	<b>55,896</b>	<b>80,959</b>	<b>326,572</b>
<b>Asset financing</b>					
Owned	16,251	143,836	71,284	112,969	344,340
<b>Carrying amount at 31 March 2016</b>	<b>16,251</b>	<b>143,836</b>	<b>71,284</b>	<b>112,969</b>	<b>344,340</b>
<b>Of the total</b>					
Core Department and Agencies	16,027	142,259	67,124	112,706	338,116
NDPBs	224	1,577	4,160	263	6,224
<b>Carrying amount at 31 March 2016</b>	<b>16,251</b>	<b>143,836</b>	<b>71,284</b>	<b>112,969</b>	<b>344,340</b>

## 15. Assets held for sale

	2016-17		2015-16	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
<b>Balance at 1 April</b>	<b>15,399</b>	<b>15,399</b>	<b>22,010</b>	<b>22,010</b>
Reclassifications	40,579	40,579	14,274	14,274
Disposals	(19,722)	(19,722)	(25,574)	(25,574)
Revaluations	(2,160)	(2,160)	(453)	(453)
Impairments	(136)	(136)	5,142	5,142
<b>Balance at 31 March</b>	<b>33,960</b>	<b>33,960</b>	<b>15,399</b>	<b>15,399</b>

The Department has committed to a plan to sell surplus non-operational properties (mainly consisting of prison sites and court buildings) which are to be sold for commercial use or housing.

An active programme to locate buyers and complete the sale of each property has commenced and estate agents are actively marketing the properties. The properties are available for sale in their present condition and the sales are highly probable to occur within one year from the date of reclassification as assets held for sale.

## 16. Trade and other receivables

	31 March 2017		Restated 31 March 2016	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
<b>Amounts falling due within one year</b>				
Trade receivables	57,694	61,052	60,367	60,622
Other receivables	144,965	145,168	62,600	69,879
Capital receivables	-	-	1,000	1,000
Contributions due from funded clients	7,090	7,090	6,634	6,634
Statutory charge and interest	77,167	77,167	79,442	79,442
Amounts due from service providers	17,311	17,311	20,161	20,161
VAT receivables	83,472	83,472	36,488	36,488
Deposits and advances	687	726	773	866
Prepayments and accrued income	142,965	150,537	149,997	152,092
Intra-departmental receivables	32,174	-	19,298	-
Receivables related to CFERs	6	6	8	8
	<b>563,531</b>	<b>542,529</b>	<b>436,768</b>	<b>427,192</b>
<b>Amounts falling due after more than one year</b>				
Other receivables	40	40	1,048	1,048
Prepayments and accrued income	2,913	2,914	2,666	2,667
	<b>2,953</b>	<b>2,954</b>	<b>3,714</b>	<b>3,715</b>

The above includes a receivables impairment provision of £206.0m (2015-16: £202.9m) for LAA. For further detail regarding the LAA impairment provision refer to Note 24.

Other receivables includes £58.9m (2015-16: £17.7m) from the HMCTS Trust Statement.

Government receivable balances of £60.7m at 31 March 2016 have been reclassified to other balances within trade and other receivables to more accurately reflect the nature of the underlying transactions.

## 17. Cash and cash equivalents

	31 March 2017		31 March 2016	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
<b>Balance at 1 April</b>	<b>170,453</b>	<b>199,799</b>	<b>125,073</b>	<b>174,106</b>
Transfers in/out of boundary	-	-	304	304
Net change in cash and cash equivalents	62,205	77,129	45,076	25,389
<b>Balance at 31 March</b>	<b>232,658</b>	<b>276,928</b>	<b>170,453</b>	<b>199,799</b>
<i>Of which:</i>				
Government Banking Service (GBS)	196,958	241,224	134,050	163,395
Commercial banks and cash in hand	35,700	35,704	49,008	49,009
	<b>232,658</b>	<b>276,928</b>	<b>183,058</b>	<b>212,404</b>
Overdraft (GBS)	-	-	(12,605)	(12,605)
	<b>232,658</b>	<b>276,928</b>	<b>170,453</b>	<b>199,799</b>

## 18. Trade and other payables

	31 March 2017		Restated 31 March 2016	
	Core Department & Agencies £000	Departmental Group £000	Core Department & Agencies £000	Departmental Group £000
<b>Amounts falling due within one year</b>				
Trade payables	111,808	115,422	83,143	86,022
Taxation and social security	54,643	55,616	73,752	74,575
Capital payables	113,303	113,597	68,742	68,742
Other payables	59,626	59,923	104,132	104,591
Accruals and deferred income	755,894	770,204	774,844	786,575
Amounts due to solicitors, counsel and advice agencies	71,796	71,796	104,214	104,214
Contribution refunds to funded clients	1,572	1,572	2,671	2,671
Creditor for pension transfer deficit: amounts payable to LGPS	32,687	32,687	32,687	32,687
Finance lease creditors	7,706	7,708	8,056	8,056
Imputed finance lease element of on-balance sheet PFI contracts	38,823	39,563	45,412	46,113
Amounts issued from the Consolidated Fund for supply but not spent at year end	193,228	193,228	155,446	155,446
CFERs due to be paid to the Consolidated Fund:				
- received	39,423	39,423	15,006	15,006
- receivable	6	6	8	8
Intra-departmental payables	1,557	-	14,092	-
Third party monies	-	-	1	1
	<b>1,482,072</b>	<b>1,500,745</b>	<b>1,482,206</b>	<b>1,484,707</b>
<b>Amounts falling due after more than one year</b>				
Local Authority loan balances	26,105	26,105	28,075	28,075
Lease incentive creditors	16,395	16,395	16,839	16,839
Straight lining creditors	123,279	123,279	118,286	118,286
Creditor for pension transfer deficit: amounts payable to LGPS	104,933	104,933	132,710	132,710
Finance lease creditors	124,383	124,386	132,859	132,859
Imputed finance lease element of on-balance sheet PFI contracts	320,588	332,320	359,835	372,307
Other payables	30,122	30,122	41,103	41,103
	<b>745,805</b>	<b>757,540</b>	<b>829,707</b>	<b>842,179</b>

## 19. Provisions for liabilities and charges

	2016-17		Restated 2015-16	
	Core Department & Agencies £000	Departmental Group £000	Core Department & Agencies £000	Departmental Group £000
<b>Balance at 1 April</b>	<b>1,489,787</b>	<b>1,492,755</b>	<b>1,378,842</b>	<b>1,381,635</b>
Provided in the year	2,093,406	2,095,196	2,056,303	2,056,824
Provisions not required written back	(75,531)	(75,787)	(54,608)	(54,949)
Provisions utilised in the year	(1,936,099)	(1,936,604)	(1,904,849)	(1,905,062)
Borrowing costs (unwinding of discount)	11,390	11,407	14,099	14,169
Reclassifications (to)/from trade and other payables	-	-	-	138
<b>Balance at 31 March</b>	<b>1,582,953</b>	<b>1,586,967</b>	<b>1,489,787</b>	<b>1,492,755</b>
<b>Analysis of expected timing of discounted cash flows</b>				
Not later than one year	848,885	852,134	844,477	846,716
Later than one year but not later than five years	389,395	389,822	344,027	344,445
Later than five years	344,673	345,011	301,283	301,594
<b>Balance at 31 March</b>	<b>1,582,953</b>	<b>1,586,967</b>	<b>1,489,787</b>	<b>1,492,755</b>

## Provisions by type

	2016-17										
	Judicial Service Award	Injury benefit scheme	Early departure costs	Costs from Central Funds	Legal claims	CICA Pre-tariff Scheme	CICA Tariff Scheme	Leasehold dilapidations	LAA outstanding balances on funded cases	Other	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2016</b>	<b>161,724</b>	<b>108,379</b>	<b>116,756</b>	<b>5,194</b>	<b>105,072</b>	<b>4,545</b>	<b>285,129</b>	<b>69,942</b>	<b>585,208</b>	<b>50,806</b>	<b>1,492,755</b>
Provided in the year	7,466	30,442	3,800	37,074	50,307	2,121	142,910	21,652	1,707,538	91,886	2,095,196
Provisions not required written back	-	(3,321)	(4,324)	-	(46,285)	(46)	-	(10,676)	-	(11,135)	(75,787)
Provisions utilised in the year	(22,377)	(5,009)	(13,366)	(34,213)	(28,173)	(2,029)	(139,911)	(1,988)	(1,675,533)	(14,005)	(1,936,604)
Borrowing costs (unwinding of discount)	1,500	-	3,554	-	930	-	1,996	3,426	-	1	11,407
<b>Balance at 31 March 2017</b>	<b>148,313</b>	<b>130,491</b>	<b>106,420</b>	<b>8,055</b>	<b>81,851</b>	<b>4,591</b>	<b>290,124</b>	<b>82,356</b>	<b>617,213</b>	<b>117,553</b>	<b>1,586,967</b>
<b>Analysis of expected timing of discounted cash flows</b>											
Not later than one year	14,420	4,738	8,442	8,055	30,011	4,591	122,562	20,021	617,213	22,081	852,134
Later than one year but not later than five years	54,479	18,315	26,084	-	40,568	-	158,162	17,563	-	74,651	389,822
Later than five years	79,414	107,438	71,894	-	11,272	-	9,400	44,772	-	20,821	345,011
<b>Balance at 31 March 2017</b>	<b>148,313</b>	<b>130,491</b>	<b>106,420</b>	<b>8,055</b>	<b>81,851</b>	<b>4,591</b>	<b>290,124</b>	<b>82,356</b>	<b>617,213</b>	<b>117,553</b>	<b>1,586,967</b>

## Judicial Service Award and Fee Paid Judicial Claims

The Judicial Service Award (JSA) was created to equalise the tax position of judicial pensions affected by the provisions of the Finance Act 2004. In the case of salaried members of the judiciary, the liability has been estimated by the Government Actuary's Department, taking into account the number of reckonable years served by the existing judiciary and an estimate of the projected final salaries of existing members.

Following a ruling by the UK Supreme Court on 6 February 2013 that a retired fee paid judicial office holder is entitled to a pension on terms equivalent to those of a salaried judicial office holder, a provision has been recognised in the MoJ in respect of JSA liabilities relating to fee paid judges.

Prior to the establishment of the Fee Paid Judicial Pension Scheme, provision was made in the MoJ Accounts for the payment of interim pension benefits to retired fee paid judiciary. The scheme came into effect on 1 April 2017 and the provision was fully utilised in 2016-17.

Provision was also made for claims in respect of fee paid judicial office holders' employment terms and conditions that historically have not matched salaried comparators claims; the majority of this has been utilised and the remaining balance relates to judges within the Northern Ireland devolved administration.

The following table summarises the liabilities arising from the fee paid judicial office holders' claims recognised in these Accounts:

	2016-17 £000	2015-16 £000
<b>Provision recognised - MoJ</b>		
Judicial Service Award (included within <i>JSA provisions</i> )	43,513	43,651
Employment Pay Related Claims (included within <i>Other provisions</i> )	4,035	25,500
<b>Total provisions recognised in relation to Fee Paid Judicial Office Holder litigation</b>	<b>47,548</b>	<b>69,151</b>

The provisions recognised have been calculated based on the following assumptions as determined by the latest judgements issued by appropriate tribunal:

- **Non-legal members:** Certain members of the judiciary (medical and lay members) have been found not to have salaried comparators. As such these have been excluded from the provision calculations.
- **Time limit:** The time limit to submit a claim to the Employment Tribunal is three months from the end of each fee paid appointment. A number of judiciary who have retired or had changed their appointment lodged claims outside this time limit. These claims have been excluded from the provision calculations. Judiciary who were still in service when moratoriums were announced have been included.
- **Compensation claims:** Several types of pay related claims have been made and only certain types of judicial office holders are eligible to make these claims. The provisions have been calculated on the latest judgements available at the date of signing of these Accounts.
- **Entitlement date:** Current judgements indicate the claimant's service period commences from the date the Part Time Workers Regulations came into force (7 April 2000). This is the date the calculation of the provisions have been based upon.
- **Transitional Protection:** Litigation is ongoing in respect of the transitional protection arrangements in the new judicial pension scheme 2015, which allow judges to remain in JUPRA rather than having to join the new 2015 scheme. The current arrangements of transitional protection have been used in the calculation of the Judicial Service Award provision.

The judgements upon which these assumptions have been based are considered lead cases which bind all related stayed cases. These judgements are subject to appeal and therefore the assumptions on which the provisions have been estimated are subject to a degree of uncertainty.

### **Injury benefits scheme**

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

### **Early departure costs**

MoJ meets the additional costs of benefits beyond normal PCSPS benefits for employees who retire early. This involves paying amounts determined by the pension administrator annually to PCSPS over the period between early departure and normal retirement date. The Department provides for this in full when the early retirement programme becomes binding on MoJ by establishing a provision for the estimated payments discounted at the Treasury rate of 0.24% (2015-16: 1.37%) in real terms.

Included in these costs are those that relate to the Voluntary Early Departure Scheme. The terms of the scheme offered were in accordance with the Civil Service Compensation scheme introduced by the government in December 2010.

### **Costs from Central Funds**

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

### **Legal claims**

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

### **CICA Pre-tariff scheme**

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

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

## **CICA Tariff scheme**

The tariff scheme provision, reflecting CICA's liabilities under the 1996, 2001, 2008 and 2012 Schemes, is made up of two components. Primarily, CICA recognises liabilities that are based upon an evaluation of total compensation applications that are currently known (discounted value £250m (2015-16: £245m)). The additional element relates to those compensation events, occurring on or before reporting period end, that CICA deems probable and, based upon historical evidence, provides for an estimation of the future liability (discounted value £40.1m (2015-16: £40.1m)).

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

## **Sensitivity for CICA Tariff Scheme**

In line with *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*, areas of uncertainty surrounding the tariff scheme provision have been noted. The valuation is based upon a financial analysis of the historical settlement averages and the assessed tariff banding attributed to cases in progress.

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

- The apportionment of cases received, but as yet unallocated to tariff bands. Of these 87.6% of all such cases are current year and will be assessed in due course.
- The likelihood of known cases received in the current year that will resolve at nil value based on historical averages. This estimation is only carried out for the lower tariff bands, as this is where nil value cases are likely to be expected.
- For those cases that are not yet reported the value and timing of applications likely to be received is based on prevailing demand and historical trends.

## **Leasehold dilapidations**

Dilapidation costs are an estimate of the expenditure required to return vacated leased buildings to their original condition as at the date of commencement of the lease. The movement in year is as a result of updated information relating to property vacations and new properties leased during the year.

## **LAA outstanding balances on funded cases**

LAA uses complex valuation models to estimate the value of unbilled amounts on live cases. These models utilise inputs for historical price, quantity profiles, forecast spend, and underlying business knowledge, to estimate work completed but not yet billed at the end of the reporting date. The reasonable alternative assumptions below have been arrived at by observing the maximum historical high and low points within the actual source data of the respective models. The impact of reasonable alternatives to these inputs has been quantified below.

**Assumptions tested:**

	Increase in provision		(Decrease) in provision	
	Assumption	£m	Assumption	£m
Price profiles	7.8%	4.1	(7.2)%	(3.8)
Quantity profiles	8.1%	29.1	(6.9)%	(24.6)
Forecast spend	3.8%	12.0	(10.4)%	(32.5)

Using these reasonable alternative assumptions, the fair value of the financial liabilities at 31 March 2017 could be higher by up to £45.2m (2015-16: £17.1m) or lower by up to £60.9m (2015-16: £24.6m).

The above assumptions exclude the model variables used in the calculation of the civil representation work in progress (WIP) provision of £305.1m (2015-16: £311.0m).

A reclassification of £1,697m has been made in 2015-16 between provisions provided for in year and provisions utilised in the year, to better reflect the flow of spend from an unbilled work in progress provision to cash outflow. There is nil net impact on the provision balance.

**Civil Representation WIP Provision**

The civil representation WIP provision is calculated on a case by case basis using past patterns of activity, with multiple potential duration and cost outcomes. The calculations are segmented between the different expenditure streams and between different milestones in a case's lifecycle. The model estimates activity to the next financial event in each expenditure stream, reflecting the business realities of billing timing.

The reasonable alternative assumptions below have been arrived at by observing the maximum historical high and low points within the actual source data of the respective models, adjusted for projected future trends. The impact of reasonable alternatives to these inputs has been quantified below.

**Civil representation assumptions tested:**

	Increase in provision		(Decrease) in provision	
	Assumption	£m	Assumption	£m
Transition cost and duration profile	March 2016 profiles	22.1	March 2016 profiles	(22.1)
Billing duration	1.8%	7.4	(1.3)%	(5.2)
Dormancy cut off	7.3%	30.3	n/a	n/a

The inputs are case data driven, with an overlay of management judgement, for example choosing the number of years of historical case data to use in creating historical profiles. It should be noted the inherent sensitivity of the civil representation WIP provision is such that relatively small percentage movements in the inputs could lead to the estimate crystallising at a materially different amount. Furthermore a significant proportion of certificated work does not operate on a fixed fee basis and as such, case costs can be subject to fluctuations. All assumptions are reviewed periodically and amended where sufficient evidence exists that such action is appropriate.

Using these reasonable alternative assumptions, the fair value of the financial liabilities at 31 March 2017 could be higher by up to £59.8m (2015-16: £36.1m) or lower by up to £27.3m (2015-16: £15.5m).

**Other provisions**

Other provisions includes £89m relating to over-recovery of OPG fees. Provision has been made for the estimated cost of repayment for Power of Attorney fees recovered in excess of costs. The estimated cost of refunds under the scheme is based on the volume of cases and value of surplus for each year from 1 April 2013 to 31 March 2017, with the refund scheme due

to commence in 2017-18. Following an internal review into the potential over-recovery of other OPG fees the Department has estimated the cost of over-recovery of Supervision fees, which have also been provided for and discussions are ongoing with HM Treasury to determine the most appropriate treatment of this provision.

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

## 20. Capital commitments

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

	31 March 2017		31 March 2016	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Property, plant and equipment	157,670	157,670	143,165	143,165
Intangible assets	52,681	52,681	31,790	31,790
<b>Total capital commitments</b>	<b>210,351</b>	<b>210,351</b>	<b>174,955</b>	<b>174,955</b>

## 21. Commitments under leases

### 21.1 Operating leases

MoJ leases various land and buildings, primarily comprised of court facilities, under non-cancellable operating lease agreements. The lease terms are between 2 and 50 years. MoJ do not have purchase options and no contingent rents are payable on operating leases; however some leases have escalation clauses and terms of renewal. Renewals are negotiated with the lessor in accordance with the provisions of the individual lease agreements.

MoJ also leases various equipment and cars under non-cancellable operating lease agreements. The lease terms are between 1 and 6 years.

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

	31 March 2017		31 March 2016	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
<b>Land and buildings</b>				
Not later than one year	112,757	141,579	113,274	197,756
Later than one year but not later than five years	389,813	395,239	400,253	431,652
Later than five years	1,109,717	1,110,100	1,187,213	1,188,162
<b>Total land and buildings</b>	<b>1,612,287</b>	<b>1,646,918</b>	<b>1,700,740</b>	<b>1,817,570</b>
<b>Other</b>				
Not later than one year	596	729	688	889
Later than one year but not later than five years	879	945	833	1,035
Later than five years	-	-	-	-
<b>Total other</b>	<b>1,475</b>	<b>1,674</b>	<b>1,521</b>	<b>1,924</b>
<b>Total obligations under operating leases</b>	<b>1,613,762</b>	<b>1,648,592</b>	<b>1,702,261</b>	<b>1,819,494</b>

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

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

## 21.2 Finance leases

Total future minimum lease payments under finance leases are given in the table below for each of the following periods:

	31 March 2017		31 March 2016	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
<b>Land and buildings</b>				
Not later than one year	17,554	17,554	17,295	17,295
Later than one year but not later than five years	74,446	74,446	72,912	72,912
Later than five years	111,419	111,419	134,966	134,966
	<b>203,419</b>	<b>203,419</b>	<b>225,173</b>	<b>225,173</b>
Less: interest element	(72,133)	(72,133)	(87,014)	(87,014)
<b>Present value of obligations</b>	<b>131,286</b>	<b>131,286</b>	<b>138,159</b>	<b>138,159</b>
<b>Other</b>				
Not later than one year	831	833	2,238	2,238
Later than one year but not later than five years	19	22	850	850
Later than five years	-	-	-	-
	<b>850</b>	<b>855</b>	<b>3,088</b>	<b>3,088</b>
Less: interest element	(47)	(47)	(332)	(332)
<b>Present value of obligations</b>	<b>803</b>	<b>808</b>	<b>2,756</b>	<b>2,756</b>
<b>Total present value of obligations</b>	<b>132,089</b>	<b>132,094</b>	<b>140,915</b>	<b>140,915</b>

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

	31 March 2017		31 March 2016	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
<b>Land and buildings</b>				
Not later than one year	6,921	6,921	6,102	6,102
Later than one year but not later than five years	39,038	39,038	34,263	34,263
Later than five years	85,327	85,327	97,794	97,794
<b>Present value of obligations</b>	<b>131,286</b>	<b>131,286</b>	<b>138,159</b>	<b>138,159</b>
<b>Other</b>				
Not later than one year	785	787	1,954	1,954
Later than one year but not later than five years	18	21	802	802
Later than five years	-	-	-	-
	<b>803</b>	<b>808</b>	<b>2,756</b>	<b>2,756</b>
<b>Present value of obligations</b>	<b>803</b>	<b>808</b>	<b>2,756</b>	<b>2,756</b>
<b>Total present value of obligations</b>	<b>132,089</b>	<b>132,094</b>	<b>140,915</b>	<b>140,915</b>

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

## 22. Commitments under PFI and Service Concession Arrangements

### 22.1 Arrangements not recognised on the Consolidated Statement of Financial Position

As at 31 March 2017 there are no off-balance sheet PFI commitments.

### 22.2 Arrangements recognised on the Consolidated Statement of Financial Position

Project name	Entity	Contract start date	Duration (years)	Description
Development, Innovation and Support Contracts (DISC)	Core Department	October 2006	11	Provision of infrastructure and application services to MoJ HQ and all Executive Agencies other than NOMS. The DISC contract was originally extended by three years to October 2016 and has now been extended by a further year to October 2017.
Services Integration and Management	Core Department	September 2013	5	Provision for ICT infrastructure and associated services to MoJ HQ and Executive Agencies.
Protective Monitoring	Core Department	November 2013	5	Provision of protective monitoring, cyber security detection and prevention, service to MoJ HQ and executive agencies.
Networks (Voice, Video and Integration)	Core Department	January 2014	5	Contract to deliver a range of network services including fully managed Voice, Video and Network Integration Services to MoJ HQ and Executive Agencies.
Hosting Services Contract	Core Department	May 2014	3	Provision of hosting service to MoJ HQ and Executive Agencies.
Print services contract	Core Department	May 2014	5	Provision of managed print service and bulk print service to MoJ HQ and Executive Agencies.
End User Computing Service	Core Department	October 2014	5	Provision of an end user computing service to MoJ HQ and Executive Agencies.
Networks (WAN and LAN)	Core Department	February 2015	5	Provision of WAN and LAN services as part of the MoJ Future IT Sourcing Programme.
Hereford & Worcester Magistrates' Courts	HM Courts & Tribunals Service	March 2000	25	Provision of serviced accommodation for Magistrates' Courts at Bromsgrove, Kidderminster, Worcester and Redditch. The contract term can be extended for another 10 years.
Humberside Magistrates' Courts	HM Courts & Tribunals Service	March 2000	25	Provision of serviced magistrates' courthouses in Hull, Beverley and Bridlington. On expiry, HMCTS has the option of taking the assets back for a nominal amount of £3m.
Manchester Magistrates Court	HM Courts & Tribunals Service	March 2001	25	Provision of an 18-courtroom courthouse.
Derbyshire Magistrates' Courts	HM Courts & Tribunals Service	August 2001	27	Provision of serviced accommodation for Magistrates' Courts at New Mills, Chesterfield and Derby. The contract term can be extended (subject to agreement of mutually acceptable terms) by up to five years.
East Anglia	HM Courts & Tribunals Service	October 2002	25	Provision of Crown Court centres in Ipswich (five criminal courtrooms) and Cambridge (three criminal courtrooms). At the end of the contract term the buildings in Ipswich and Cambridge will revert to HMCTS at no cost.
Exeter	HM Courts & Tribunals Service	November 2002	30	Provision of a courthouse comprising four Criminal Courts, one Civil Court and four District Judge hearing rooms. At the end of the contract term the building will revert to HMCTS at no cost.
Sheffield	HM Courts & Tribunals Service	November 2002	25	Provision of a Family Hearing Centre in Sheffield. At the end of the contract term HMCTS has the option of acquiring the under lease at the lower of its open market value or £2m.
Avon & Somerset Magistrates' Courts	HM Courts & Tribunals Service	August 2004	27	Provision of serviced accommodation for Magistrates' Courts and offices in Bristol, Weston-Super-Mare and Flax Bourton.
HM Prisons (HMP) Altcourse	NOMS	December 1995	25	Design, build, finance and operate an 800 place category B prison at HMP Altcourse, Liverpool.

Project name	Entity	Contract start date	Duration (years)	Description
HMP Parc	NOMS	January 1996	25	Design, build, finance and operate an 840 place category B prison near Bridgend, South Wales.
HMP Lowdham Grange	NOMS	November 1996	25	Design, build, finance and operate a 760 place category B prison at HMP Lowdham Grange, Nottingham.
HMP Ashfield	NOMS	July 1998	25	Design, build, finance and operate a 400 place young offenders and juveniles category B prison at Pucklechurch, near Bristol; converted in 2013 to hold adult offenders.
HMP Forest Bank	NOMS	July 1998	25	Design, build, finance and operate an 800 place category B prison HMP Forest Bank, on site of former Agcroft power station
HMP Rye Hill	NOMS	July 1999	25	Design, build, finance and operate a 600 place category B prison HMP Rye Hill at Onley, near Rugby.
HMP Dovegate	NOMS	September 1999	25	Design, build, finance and operate a 1060 place category B prison and therapeutic community facility at HMP Dovegate, Marchington.
HMP Bronzefield	NOMS	December 2002	25	Design, build, finance and operate a 500 place category B prison at Ashford in Middlesex.
HMP Peterborough	NOMS	February 2003	25	Design, build, finance and operate an 840 place category B prison at Peterborough in Cambridgeshire.
HMP Thameside	NOMS	June 2010	25	Design, build, finance and operate a 900 place category B prison at Woolwich in London.
Prisoner Escort and Custody Services	NOMS	August 2011	7	Supply and running of the prison vans and escorts.
IT and Telephony System	NOMS	January 2013	5	Supply and support IT and telephony systems.
Electronic Monitoring System	NOMS	July 2014	10	The supply and operation of electronic tagging and monitoring systems. A bridge contract is in place until service delivery begins under the new six year contracts in 2018.
Oakhill Secure Training Centre	YJB	May 2004	25	Design, construct and manage a secure training centre, located in Milton Keynes, Oakhill.

The total amount charged in the CSoCNE in respect of the service element of on-balance sheet (SoFP) PFI or other service concession transactions was £762.4m (2015-16: £703.0m). Details of the imputed finance lease charges under service concession arrangements recognised on the CSoFP are given in the table below for each of the following periods.

	31 March 2017		31 March 2016	
	Core Department & Agencies £000	Departmental Group £000	Core Department & Agencies £000	Departmental Group £000
Rentals due not later than one year	61,039	62,465	70,367	71,793
Rentals due later than one year but not later than five years	178,144	183,846	196,830	202,532
Rentals due later than five years	291,049	301,385	333,815	345,577
	<b>530,232</b>	<b>547,696</b>	<b>601,012</b>	<b>619,902</b>
Less: interest element	(170,821)	(175,813)	(195,765)	(201,482)
<b>Present value of obligations</b>	<b>359,411</b>	<b>371,883</b>	<b>405,247</b>	<b>418,420</b>

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

	31 March 2017		31 March 2016	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Rentals due not later than one year	38,823	39,563	45,412	46,113
Rentals due later than one year but not later than five years	108,604	111,993	119,818	123,030
Rentals due later than five years	211,984	220,327	240,017	249,277
<b>Present value of obligations</b>	<b>359,411</b>	<b>371,883</b>	<b>405,247</b>	<b>418,420</b>

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

	31 March 2017		31 March 2016	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Service charge due within one year	639,067	656,792	668,089	685,268
Service charge due later than one year but not later than five years	1,767,793	1,838,693	1,989,810	2,058,526
Service charge due later than five years	1,718,207	1,846,714	2,047,815	2,189,542
<b>Total</b>	<b>4,125,067</b>	<b>4,342,199</b>	<b>4,705,714</b>	<b>4,933,336</b>

## 23. Other financial commitments

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

	31 March 2017		31 March 2016	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£000	£000	£000	£000
Not later than one year	678,793	709,951	717,384	762,175
Later than one year but not later than five years	1,932,451	1,991,860	2,180,831	2,290,509
Later than five years	472,048	472,048	776,851	777,890
<b>Total other financial commitments</b>	<b>3,083,292</b>	<b>3,173,859</b>	<b>3,675,066</b>	<b>3,830,574</b>

NOMS has financial commitments of £1,567m (2015-16: £1,934m) and £19m (2015-16: £16m) relating to the Fee for Service (FfS) and Fee for Use (FfU) elements respectively of contracts with CRCs. The CRC contracts include a Payments by Results (PbR) element, under which additional amounts will be payable to the CRCs on a sliding scale upon the achievement of targeted reductions in reoffending. Estimated payments over the duration of the contracts based on the projected volume of offenders entering each cohort are £593m (2015-16 £874m). This additional value has not been disclosed in the table above, due to uncertainty of the amounts at this early stage of the contracts. Also, FfS and PbR are based on a predicted volume of offenders, changes in which will result in a corresponding increase or reduction in the amount payable to CRCs.

The YJB has entered into non-cancellable contracts, which are not leases or PFI contracts, for the management and operation of the Medway and Rainsbrook secure training centres, secure escort services, and education services.

## 24. Financial instruments

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

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

### **Credit risk**

Credit risk is the risk that counterparties to financial instruments will cause a financial loss to MoJ by failing to discharge their objectives.

### ***Legal Aid Agency receivables***

LAA has an inherent risk within trade receivables and other current assets, as LAA is not predisposed to straightforward cash collections. LAA recognises this risk and mitigates it in the case of statutory charge debts, where repayment of the debt may be deferred, by securing land charges and using active credit management policies to recover unsecured debts. In some cases the debt collection activities are outsourced to commercial debt collectors. The size of the risk is reflected in the receivables impairment provision which totals £206.0m (2015-16: £202.9m). Further details can be found within the LAA Annual Report and Accounts at [www.gov.uk](http://www.gov.uk).

### ***Other credit risks***

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

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

## 25. Pension costs

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

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

## Reconciliation of net pension (liability)/asset 2015-16:

	Cafcass Pension			LSC Pension			Probation Pension		
	Present value of obligation	Fair value of plan assets	Net (liability)/asset	Present value of obligation	Fair value of plan assets	Net (liability)/asset	Present value of obligation	Fair value of plan assets	Net (liability)/asset
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2015</b>	<b>(575,382)</b>	<b>400,555</b>	<b>(174,827)</b>	<b>(303,102)</b>	<b>348,124</b>	<b>45,022</b>	<b>(4,579,914)</b>	<b>3,137,919</b>	<b>(1,441,995)</b>
<i>Service costs</i>									
Current service cost	(14,542)	-	(14,542)	-	-	-	(129,086)	81	(129,005)
Past service cost	-	-	-	-	-	-	(1,900)	-	(1,900)
Net interest	(18,222)	12,832	(5,390)	(9,573)	11,014	1,441	(146,500)	99,900	(46,600)
<b>Total recognised in the CSocNE</b>	<b>(32,764)</b>	<b>12,832</b>	<b>(19,932)</b>	<b>(9,573)</b>	<b>11,014</b>	<b>1,441</b>	<b>(277,486)</b>	<b>99,981</b>	<b>(177,505)</b>
Scheme participant's contributions	(4,154)	4,154	-	-	-	-	(29,200)	29,200	-
Employer contributions	-	12,873	12,873	-	-	-	-	112,400	112,400
Benefits paid after net transfers	16,303	(16,303)	-	7,878	(7,878)	-	125,500	(125,500)	-
<b>Total cash flows</b>	<b>12,149</b>	<b>724</b>	<b>12,873</b>	<b>7,878</b>	<b>(7,878)</b>	<b>-</b>	<b>96,300</b>	<b>16,100</b>	<b>112,400</b>
<i>Actuarial gains/(losses)</i>									
Changes in financial assumptions	-	-	-	22,075	-	22,075	404,500	-	404,500
Experience gains/(losses)	25,334	-	25,334	5,324	-	5,324	56,000	-	56,000
Return on assets excluding amounts included in net interest	-	(9,517)	(9,517)	-	(4,898)	(4,898)	-	(146,800)	(146,800)
<b>Remeasurements through Other Comprehensive Net Expenditure</b>	<b>25,334</b>	<b>(9,517)</b>	<b>15,817</b>	<b>27,399</b>	<b>(4,898)</b>	<b>22,501</b>	<b>460,500</b>	<b>(146,800)</b>	<b>313,700</b>
<b>Balance at 31 March 2016</b>	<b>(570,663)</b>	<b>404,594</b>	<b>(166,069)</b>	<b>(277,398)</b>	<b>346,362</b>	<b>68,964</b>	<b>(4,300,600)</b>	<b>3,107,200</b>	<b>(1,193,400)</b>
<i>Of which</i>									
Core Department and Agencies NDPBs	-	-	-	(277,398)	346,362	68,964	(4,300,600)	3,107,200	(1,193,400)
	(570,663)	404,594	(166,069)	-	-	-	-	-	-
	<b>(570,663)</b>	<b>404,594</b>	<b>(166,069)</b>	<b>(277,398)</b>	<b>346,362</b>	<b>68,964</b>	<b>(4,300,600)</b>	<b>3,107,200</b>	<b>(1,193,400)</b>

**The key assumptions used by the actuaries were:**

	<b>Cafcass Pension</b>	<b>LSC Pension</b>	<b>Probation Pension</b>	<b>Cafcass Pension</b>	<b>LSC Pension</b>	<b>Probation Pension</b>
	<b>2016-17</b>	<b>2016-17</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2015-16</b>	<b>2015-16</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Inflation assumption	n/a	2.40	n/a	n/a	2.20	n/a
Rate of increase in salaries	3.10	n/a	2.80	2.90	n/a	3.45
Pension increase rate	2.00	2.45	2.40	1.80	2.30	2.20
Discount rate	2.50	2.60	2.60	3.40	3.60	3.50
Pension accounts revaluation rate	2.00	n/a	n/a	1.80	n/a	n/a

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

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

**The major categories of scheme assets for 2015-16 were:**

	<b>Cafcass Pension</b>		<b>LSC Pension</b>		<b>Probation Pension</b>	
	<b>Value at 2015-16</b>	<b>Value as a percentage of total scheme assets</b>	<b>Value at 2015-16</b>	<b>Value as a percentage of total scheme assets</b>	<b>Value at 2015-16</b>	<b>Value as a percentage of total scheme assets</b>
	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
Equities	305,873	75.6	59,344	17.1	2,151,100	69.2
Gilts	41,673	10.3	222,654	64.3	24,600	0.8
Corporate bonds	18,611	4.6	-	-	493,200	15.9
Property	19,825	4.9	-	-	97,800	3.2
Cash and cash equivalents	5,260	1.3	792	0.2	78,300	2.5
Other	13,352	3.3	63,572	18.4	262,200	8.4
<b>Total plan assets</b>	<b>404,594</b>	<b>100</b>	<b>346,362</b>	<b>100</b>	<b>3,107,200</b>	<b>100</b>

### Sensitivity analysis - change in assumptions relative to 31 March 2017 actuarial assumptions for Cafcass pension liabilities:

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

	Actuarial value of liabilities on 31 March 2017	Actuarial value of annuities on 31 March 2016
	£000	£000
0.1% decrease in discount rate	11,596	9,953
0.1% increase in the salary increase rate	2,222	2,125
1 year increase in life expectancy	20,521	14,708
0.1% increase to pension increase rate	9,353	7,808

### Sensitivity analysis - change in assumptions relative to 31 March 2017 actuarial assumptions for LSC pension liabilities:

	Actuarial value of liabilities on 31 March 2017	Actuarial value of annuities on 31 March 2016
	£000	£000
0.5% increase in discount rate	377,640	305,633
1 year increase in life expectancy	354,154	285,720
0.5% p.a. increase to pension increases and deferred pension increases	370,614	301,717

### Sensitivity analysis - change in assumptions relative to 31 March 2017 actuarial assumptions for Probation Pension liabilities:

	Approximate monetary amount 2016-17	Approximate increase to Employer Liability 2016-17	Approximate monetary amount 2015-16	Approximate increase to Employer Liability 2015-16
	£000	%	£000	%
0.5% decrease in real discount rate	519,750	10.0%	421,900	10.0%
0.5% increase in the salary increase rate	89,364	2.0%	124,900	3.0%
0.5% increase in the pension increase rate	421,964	7.0%	290,900	7.0%

## 25.1 Cafcass pension scheme

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

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

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

With effect from 1 April 2014, the scheme provides benefits on a career average revalued earnings basis. Benefits accrue at the rate of 1/49th of pensionable salary for each year of

service. In addition, a lump sum equivalent to 3/80ths of final pay for every year of total membership is payable on retirement.

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

## **25.2 LSC pension scheme (LSCPS) - closed**

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

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

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

### **Risks to which the LSCPS exposes MoJ**

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

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

### **Expected contributions over the next accounting period and future funding arrangements**

The MoJ does not expect to contribute to the LSCPS for the year to 31 March 2018. The Schedule of Contributions dated 2 November 2016 sets out the current contributions payable by MoJ to the Scheme. Future contributions depend on the Scheme's funding position at each formal valuation and are set out in the Scheme's funding framework.

## **25.3 Probation pension schemes**

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

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

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

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

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

## 26. Contingent assets and liabilities

### Contingent liabilities disclosed under IAS 37

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

#### Fee paid judicial office holders' claims:

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

The UK Supreme Court ruling on 6 February 2013 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.

There were two outstanding appeals in relation to the scope of retrospective remedies arising from this decision. The UK Supreme Court heard these cases in March 2017, and in July 2017 referred one of the appeals to the Court of Justice of the European Union (CJEU). Judgement on the remaining appeal is still pending.

In addition, the Employment Tribunal heard an appeal in November 2016 challenging the lawfulness, on grounds of discrimination, of transitional protection regulations. Judgement was delivered in January 2017 against the MoJ. MoJ are appealing this decision.

At this stage all these outstanding appeals are treated as contingent liabilities. It is not possible to accurately measure any potential financial liability to the Department.

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

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

**Headquarters legal claims:** There are a number of outstanding legal claims against MoJ Headquarters, some of which involve possible financial liabilities. Cases where it is probable

that MoJ will incur future costs have been included within provisions. These legal claims include Judicial Reviews challenging refusal to pay compensation for miscarriages of justice and legal aid funding.

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

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

**CICA Pre-tariff:** MoJ is currently defending a claim for the use of the discount rate set by the Lord Chancellor in the future loss calculations for the CICA pre tariff scheme. The estimated exposure should the case against CICA prevail is dependent on the outcome of this case but has been estimated to be between £51m and £91m.

**CICA Tariff:** The Court of Appeal rejected an appeal by an applicant against the decision of the Upper Tribunal in a Tariff case concerning Foetal Alcohol Spectrum Disorder. The applicant's representatives requested permission to appeal to the Supreme Court which was refused. The representatives have selected another test-case to be put before the First-tier Tribunal and this was won by CICA. The case is now pending the next stage of the legal process. There are 87 known cases. Any liability is uncertain but has been estimated between £26m and £43.5m (2015-16: £26m and £43.5m).

**HMCTS:** Is involved in a number of legal cases in relation to ex gratia, compensation and other claims. The estimated cost of settlement for HMCTS is £5.3m (2015-16: £5.9m).

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

**NOMS:** Claims against NOMS by staff, prisoners and third parties amount to £59.8m (2015-16: £79.6m), where the likelihood of a liability arising is deemed possible but not likely.

## 27. Related party transactions

### Associated departments and other central government bodies

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

In addition, MoJ has had a number of transactions with other government departments and central government bodies. The most significant of these transactions have been with the: HM Revenue & Customs; Home Office; PCS and HM Treasury.

### Key management personnel

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

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

Sir Martin Narey is a Non-Executive Board Member of Unilink Software Ltd, who are a supplier to NOMS and private sector prisons. NOMS made payments to Unilink Software Ltd totalling £0.9m in 2016-17 (2015-16: £0.5m).

Sir Martin Narey has also completed work on a consultant basis for MoJ in addition to his work as a Non-Executive Board Member. The cost of this work in 2016-17 was £5.3k.

A close relative of Simon Boddis, Interim Director of NOMS in Wales from 15 August 2016, is employed by NOMS on a permanent basis.

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

### Other

Registry Trust Limited is a private company limited by guarantee with no share capital. It maintains the Register of County Court judgements on behalf of the Lord Chancellor and the Secretary of State for Justice. Revenue received from the Registry Trust Limited in the year amounted to £0.5m (2015-16 £0.6m) with a total debtor balance due to HMCTS as at 31 March 2017 of £0.2m (2015-16: £0.2m).

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

## 28. Third party assets

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

### Funds in Court (as at 28 February 2017)

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

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

	28 Feb 2017	29 Feb 2016
	£000	£000
Cash at bank and on deposit	2,412,460	2,334,489
Securities	114,836	107,227
<b>Total</b>	<b>2,527,296</b>	<b>2,441,716</b>

Further information is available in the Funds in Court Part 'A' Accounts, which are audited by the Comptroller and Auditor General and laid before Parliament.

## Other third party assets (as at 31 March 2017)

	Official Solicitor and Public Trustee (OSPT)	Criminal Injuries Awards (CICA)	Pending legal aid amounts (LAA)	Bail monies (HM Courts & Tribunals Service)	Prisoner monies (NOMS)	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Cash	3,460	69,285	17,079	22,457	13,582	125,863
Investments	53,400	-	-	-	-	53,400
Non-cash assets	9,603	-	-	-	-	9,603
<b>At 31 March 2017</b>	<b>66,463</b>	<b>69,285</b>	<b>17,079</b>	<b>22,457</b>	<b>13,582</b>	<b>188,866</b>
<b>At 31 March 2016</b>	<b>59,843</b>	<b>66,901</b>	<b>18,605</b>	<b>21,759</b>	<b>12,605</b>	<b>179,713</b>

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

- The Official Solicitor administers estates and trusts as Administrator/Trustee of Last Resort. The Public Trustee acts as Executor or Trustee where they have been appointed under a will or a new settlement. The figures above represent the most up to date information available about assets managed by the OSPT on behalf of clients;
- CICA holds third party compensation awards to minors. The purpose of this action is to ensure that the victim will be the sole beneficiary of the award (including accrued interest) when they reach their maturity (18 years of age). Where appropriate, interim payments are made on an 'as needs' basis against an agreed framework;
- LAA also receives awarded damages awaiting the final settlement of a case and contribution monies from clients towards legal costs, including contributions towards costs awaiting the final judgement and calculation of the total costs of a case. The outcome of the case will determine whether the contribution monies from clients transfers to LAA or is returned to the third party;
- HMCTS holds bail monies and monies held on behalf of court users which are received and held while a criminal case progresses; and
- NOMS holds monies on behalf of prisoners.

## 29. The Departmental Boundary

### Entities within the Departmental Boundary

Entities within the Departmental Boundary comprise of supply financed agencies and those entities listed in the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2016, known as the Designation Order, and Amendment Orders and are set out below.

#### The Core Department

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

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

#### Supply financed Agencies

- Criminal Injuries Compensation Authority;
- HM Courts & Tribunals Service;
- Legal Aid Agency;
- National Offender Management Service; and
- Office of the Public Guardian.

#### Other entities captured in the Departmental Group including Executive NDPBs

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

The Annual Report and Accounts for the individual entities can be found at: [www.gov.uk](http://www.gov.uk).

## 30. Events after the reporting period

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

From 1 April 2017 NOMS was renamed Her Majesty's Prison and Probation Service (HMPPS). This change was part of the wider reform of the MoJ. From 1 April, the MoJ will be responsible for policy development and strategic commissioning. HMPPS will specialise in operational delivery in custody and the community, the HMPPS headquarters function will focus on supporting prison and probation services. Corporate support functions to HMPPS, such as digital, finance and analytical services will be provided under a functional leadership model from the MoJ.

A general election was held on 8 June. This is a non-adjusting event and there is no significant impact on these financial statements.

## 31. Restatement of the Consolidated Statement of Comprehensive Net Expenditure

The CSocNE for 2015-16 has been restated to include:

### **Machinery of Government (MoG) changes**

On 15 September 2016 the Prime Minister announced that policy responsibility for education and training provision for those subject to adult detention in England would transfer from the Department for Education to the Ministry of Justice on 1 October 2016 and would be overseen by NOMS. Prison education includes the Offender Learning and Skills Service (OLASS) contracts and national grant funding.

Although the prior year CSocNE has been restated for the effect of the transfer, there is no effect on the Statement of Financial Position at 1 April 2015. In accordance with *IAS 1 Presentation of Financial Statements*, an additional CSocFP at this date is not required.

### **Reclassification of LAA provisions expense**

Costs of legal services and disbursements incurred by LAA, totalling £1,697m, have been reclassified from other operating expenditure to provision expense. This reclassification has been made to better reflect the flow of spend from an unbilled work in progress provision to cash outflow, and there is nil net impact on overall operating expenditure

The effect of these restatements on the CSocNE is shown on the next page.

## Restated Core Department & Agencies Consolidated Statement of Comprehensive Net Expenditure for the year ended 31 March 2016

	Published Core Department & Agencies	MoG changes	Reclassification	Restated Core Department & Agencies
	£000	£000	£000	£000
Income from sale of goods and services	(64,954)	-	-	(64,954)
Other operating income	(1,719,002)	-	-	(1,719,002)
<b>Total Operating Income</b>	<b>(1,783,956)</b>	-	-	<b>(1,783,956)</b>
Staff costs	2,632,983	-	-	2,632,983
Judicial costs	468,772	-	-	468,772
Purchase of goods and services	1,926,449	-	-	1,926,449
Depreciation, amortisation and impairment charges	624,524	-	-	624,524
Provision expense	312,939	-	1,697,253	2,010,192
Net (gain)/loss on disposal of assets	(2,916)	-	-	(2,916)
Revaluation of non-current and financial assets	(115,017)	-	-	(115,017)
Other operating expenditure	3,268,882	143,435	(1,697,253)	1,715,064
<b>Total Operating Expenditure</b>	<b>9,116,616</b>	<b>143,435</b>	-	<b>9,260,051</b>
<b>Net Operating Expenditure before financing</b>	<b>7,332,660</b>	<b>143,435</b>	-	<b>7,476,095</b>
Finance expense	84,943	-	-	84,943
Borrowing cost on provisions	14,099	-	-	14,099
<b>Net Operating Expenditure for the year ended 31 March 2016</b>	<b>7,431,702</b>	<b>143,435</b>	-	<b>7,575,137</b>
<b>Other Comprehensive Net Expenditure</b>				
<i>Items that will not be reclassified to operating expenditure:</i>				
Net (gain)/loss on revaluation of:				
Property, plant and equipment	(706,822)	-	-	(706,822)
Intangible assets	(1,906)	-	-	(1,906)
Remeasurement of pension schemes:				
Cafcass pension scheme	-	-	-	-
LSC pension scheme	(22,501)	-	-	(22,501)
By-analogy pension schemes	(58)	-	-	(58)
Probation pension schemes	(313,700)	-	-	(313,700)
<b>Total Comprehensive Net Expenditure for the year ended 31 March 2016</b>	<b>6,386,715</b>	<b>143,435</b>	-	<b>6,530,150</b>

## Restated Departmental Group Consolidated Statement of Comprehensive Net Expenditure for the year ended 31 March 2016

	Published Departmental Group	MoG changes	Reclassification	Restated Departmental Group
	£000	£000	£000	£000
Income from sale of goods and services	(64,954)	-	-	(64,954)
Other operating income	(1,701,404)	-	-	(1,701,404)
<b>Total Operating Income</b>	<b>(1,766,358)</b>	-	-	<b>(1,766,358)</b>
Staff costs	2,766,863	-	-	2,766,863
Judicial costs	468,772	-	-	468,772
Purchase of goods and services	1,942,108	-	-	1,942,108
Depreciation, amortisation and impairment charges	628,157	-	-	628,157
Provision expense	313,119	-	1,697,253	2,010,372
Net (gain)/loss on disposal of assets	(2,871)	-	-	(2,871)
Revaluation of non-current and financial assets	(115,017)	-	-	(115,017)
Other operating expenditure	3,106,470	143,435	(1,697,253)	1,552,652
<b>Total Operating Expenditure</b>	<b>9,107,601</b>	<b>143,435</b>	-	<b>9,251,036</b>
<b>Net Operating Expenditure before financing</b>	<b>7,341,243</b>	<b>143,435</b>	-	<b>7,484,678</b>
Finance expense	90,565	-	-	90,565
Borrowing cost on provisions	14,169	-	-	14,169
<b>Net Operating Expenditure before tax</b>	<b>7,445,977</b>	<b>143,435</b>	-	<b>7,589,412</b>
Taxation	7	-	-	7
<b>Net Expenditure for the year ended 31 March 2016</b>	<b>7,445,984</b>	<b>143,435</b>	-	<b>7,589,419</b>
<b>Other Comprehensive Net Expenditure</b>				
<i>Items that will not be reclassified to operating expenditure:</i>				
Net (gain)/loss on revaluation of:				
Property, plant and equipment	(710,734)	-	-	(710,734)
Intangible assets	(1,943)	-	-	(1,943)
Assets held for sale	-	-	-	-
Remeasurement of pension schemes:				
Cafcass pension scheme	(15,817)	-	-	(15,817)
LSC pension scheme	(22,501)	-	-	(22,501)
By-analogy pension schemes	(153)	-	-	(153)
Probation pension schemes	(313,700)	-	-	(313,700)
<b>Total Comprehensive Net Expenditure for the year ended 31 March 2016</b>	<b>6,381,136</b>	<b>143,435</b>	-	<b>6,524,571</b>

# Annexes

# Annexes

## Annex A: Other notes to the Statement of Parliamentary Supply

This section is subject to audit.

### SoPS 3. Reconciliation of Net Resource Outturn to Net Cash Requirement

		<b>2016-17</b>		
		<b>Estimate</b>	<b>Outturn</b>	<b>Net total outturn compared with Estimate: saving/(excess)</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Resource Outturn	SoPS 1.1	8,123,428	7,665,299	458,129
Capital Outturn	SoPS 1.2	459,047	417,200	41,847
<b>Accruals to cash adjustments:</b>				
<b>Adjustments to remove non-cash items:</b>				
Depreciation		(996,177)	(414,967)	(581,210)
New provisions and adjustments to previous provisions		(533,193)	(2,029,789)	1,496,596
Other non-cash items		-	(252,249)	252,249
<b>Adjustments for Non-Departmental Public Bodies (NDPBs):</b>				
Remove voted resource and capital		(377,831)	(315,896)	(61,935)
Add cash Grant in Aid		364,926	291,539	73,387
<b>Adjustments to reflect movements in working balances:</b>				
Increase / (decrease) in inventories		-	3,701	(3,701)
Increase / (decrease) in trade and other receivables		-	249,255	(249,255)
(Increase) / decrease in trade and other payables		434,000	46,544	387,456
Use of provisions		307,334	1,936,099	(1,628,765)
		<b>7,781,534</b>	<b>7,596,736</b>	<b>184,798</b>
<b>Removal of non-voted items:</b>				
Consolidated Fund Standing Services		(145,369)	(152,163)	6,794
OLC and LSB non-voted levy income		-	14,083	(14,083)
Other adjustments		16,348	3	16,345
<b>Other adjustments to outturn:</b>				
Capital proceeds adjustment on capital outturn		-	(1,792)	1,792
PFI and other adjustments not included in CSoCNE		-	1,451	(1,451)
<b>Net cash requirement</b>		<b>7,652,513</b>	<b>7,458,318</b>	<b>194,195</b>

The net cash requirement calculation only applies to Core Department and Executive Agencies.

## SoPS 4 Income payable to the Consolidated Fund

In addition to income retained by the Department, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics).

	Outturn 2016-17		Outturn 2015-16	
	Income	Receipts	Income	Receipts
	£000	£000	£000	£000
Operating income outside the ambit of the Estimate	25,809	25,811	1,380	1,383
Levy income of OLC and LSB within the ambit of the Estimate	14,083	14,083	14,936	14,936
<b>Total income payable to the Consolidated Fund</b>	<b>39,892</b>	<b>39,894</b>	<b>16,316</b>	<b>16,319</b>

The payment of excess Power of Attorney fees recovered in excess of costs, transferred to HM Treasury, has been included within 'operating income outside the ambit of the Estimate' above.

The Department also collects fines and penalties imposed by the judiciary and police; however, these are excluded from the income reported here and are reported separately in the HMCTS Trust Statement which can be found at: [www.gov.uk](http://www.gov.uk)

# Annex B: Public expenditure core financial tables

## Table 1 Total Departmental Spending (£000)

Section headings are based on 2016-17 Supplementary Estimate headings.

	2012-13 Restated Outturn <sup>1</sup>	2013-14 Restated Outturn <sup>1</sup>	2014-15 Restated Outturn <sup>1</sup>	2015-16 Restated Outturn <sup>1</sup>	2016-17 Outturn	2017-18 Plans <sup>6</sup>	2018-19 Plans <sup>6</sup>	2019-20 Plans <sup>6</sup>
<b>Resource DEL</b>								
Policy, Corporate Services and Associated Offices	880,333	766,505	905,470	666,999	(100,454)	(683,225)	6,754,109	6,572,709
National Offender Management Service	3,679,229	3,580,997	3,480,153	3,660,493	3,722,864	-	-	-
HM Courts and Tribunals Service	1,203,496	1,027,975	944,099	833,483	1,565,064	1,692,641	-	-
Office of The Public Guardian	(12,830)	(14,481)	(14,821)	(17,241)	2,092	(3,430)	-	-
Youth Justice Board (net)	326,766	224,345	191,467	164,546	149,432	223,197	-	-
Parole Board (net)	10,766	11,479	12,961	14,182	16,753	18,125	-	-
Criminal Cases Review Commission (net)	4,876	5,173	5,504	5,298	5,349	5,394	-	-
Judicial Appointments Commission (net)	4,921	4,202	4,032	3,832	3,622	4,581	-	-
Office of Legal Complaints (OLC) (net)	(5)	15,028	13,657	13,214	11,855	11,802	-	-
Legal Services Board (LSB) (net)	-	4,266	3,921	3,364	3,525	3,904	-	-
Legal Aid Agency <sup>2</sup>	-	-	-	-	1,639,385	1,624,330	-	-
Legal Aid Agency - Administration	100,596	97,377	99,306	100,495	-	-	-	-
Legal Aid Agency - Fund : Criminal	995,394	966,504	888,754	861,131	-	-	-	-
Legal Aid Agency - Funds : Civil	945,547	824,791	684,984	600,428	-	-	-	-
Legal Aid Agency - Central Funds	97,765	81,371	62,814	49,088	-	-	-	-
Criminal Injuries Compensation Authority Agency	345,651	262,109	194,650	139,789	135,229	140,980	-	-
Children and Family Court Advisory and Support Service (net)	134,653	123,531	119,418	114,493	113,147	116,974	-	-
Higher Judiciary Judicial Salaries	152,513	148,610	148,066	149,465	152,165	142,923	-	-
OLC/LSB Levy CFER	-	(19,687)	(16,398)	(14,936)	(14,083)	(15,707)	-	-
HM Prison and Probation Service	-	-	-	-	-	3,890,976	-	-
<b>Total Resource DEL</b>	<b>8,869,671</b>	<b>8,110,095</b>	<b>7,728,037</b>	<b>7,348,123</b>	<b>7,405,945</b>	<b>7,173,465</b>	<b>6,754,109</b>	<b>6,572,709</b>
<i>Of which:</i>								
Staff costs	3,634,299	3,466,929	3,138,941	3,112,721	3,162,144	3,202,619	2,921,008	2,872,978
Purchase of goods and services	6,012,949	5,526,713	4,959,926	4,608,399	4,497,753	4,410,146	4,309,116	4,240,638
Income from sales of goods and services	(1,491,079)	(1,475,737)	(1,599,719)	(742,765)	(720,038)	(771,058)	(852,096)	(879,696)
Current grants to persons and non-profit bodies (net)	176,911	164,835	212,221	172,070	176,752	242,419	289,847	290,074
Net public service pensions <sup>3</sup>	-	-	-	-	-	-	-	-
Rentals	5,187	-	658,051	826,030	884,831	825,146	759,533	756,975
Depreciation <sup>4</sup>	526,006	449,420	435,107	453,891	526,508	589,200	589,600	603,200
Take up of provisions	-	-	-	-	-	-	-	-
Change in pension scheme liabilities	-	-	-	-	-	-	-	-
Unwinding of the discount rate on pension scheme liabilities	-	-	-	-	-	-	-	-
Other resource	5,398	(22,065)	(76,490)	(1,082,223)	(1,122,005)	(1,325,007)	(1,262,899)	(1,311,460)
<b>Resource AME <sup>1</sup></b>								
Policy, Corporate Services and Associated Offices	96,179	135,959	(296,893)	1,108	153,139	143,376	261,000	261,000
National Offender Management Service	58,780	135,896	140,115	68,881	47,036	-	-	-
Office of the Public Guardian	156	(187)	15	-	504	-	-	-
Youth Justice Board (net)	22	-	8,467	1	-	-	-	-

	2012-13 Restated Outturn <sup>1</sup>	2013-14 Restated Outturn <sup>1</sup>	2014-15 Restated Outturn <sup>1</sup>	2015-16 Restated Outturn <sup>1</sup>	2016-17 Outturn	2017-18 Plans <sup>6</sup>	2018-19 Plans <sup>6</sup>	2019-20 Plans <sup>6</sup>
HM Courts and Tribunals Service	(202,256)	(16,508)	(89,709)	98,355	9,644	198,366	-	-
Parole Board (net)	(107)	27	(52)	133	1,052	-	-	-
Criminal Cases Review Commission (net)	568	438	261	231	343	258	-	-
Judicial Appointments Commission (net)	(29)	(29)	(6)	-	-	-	-	-
Office of Legal Complaints (OLC) (net)	5	393	(367)	57	67	-	-	-
Legal Aid Agency <sup>2</sup>	-	-	-	-	37,414	-	-	-
Legal Aid Agency - Administration	3,721	(698)	4	990	-	-	-	-
Legal Aid Agency - Fund : Criminal	(20,368)	(45,523)	30,282	3,908	-	-	-	-
Legal Aid Agency - Fund : Civil	(3,856)	(1,488)	(62,607)	51,607	-	-	-	-
Legal Aid Agency - Central Funds	-	7,699	(18,576)	(1,029)	-	-	-	-
Criminal Injuries Compensation Authority Agency	(154,326)	(103,392)	(10,541)	26,882	4,601	10,000	-	-
Children and Family Court Advisory and Support Service (net)	(1,004)	7,071	4,020	6,913	5,554	-	-	-
HM Prison and Probation Service	-	-	-	-	-	130,000	-	-
<b>Total Resource AME</b>	<b>(222,515)</b>	<b>119,658</b>	<b>(295,587)</b>	<b>258,037</b>	<b>259,354</b>	<b>482,000</b>	<b>261,000</b>	<b>261,000</b>
<i>Of which:</i>								
Staff costs	10,905	-	-	-	116,206	-	-	-
Net public service pensions <sup>3</sup>	-	-	-	-	-	-	-	-
Depreciation <sup>4</sup>	(27,580)	26,141	13,903	123,458	137,999	337,353	-	-
Take up of provisions	2,692,437	432,628	56,475	342,388	1,941,753	328,448	261,000	261,000
Release of provision	(2,898,277)	(339,111)	(365,965)	(207,809)	(1,936,604)	(183,801)	-	-
Change in pension scheme liabilities	-	-	-	-	-	-	-	-
Release of provisions covering payments of pension benefits	-	-	-	-	-	-	-	-
Other resource	-	-	-	-	-	-	-	-
<b>Total Resource</b>	<b>8,647,156</b>	<b>8,229,753</b>	<b>7,432,450</b>	<b>7,606,160</b>	<b>7,665,299</b>	<b>7,655,465</b>	<b>7,015,109</b>	<b>6,833,709</b>
<i>Of which:</i>								
Depreciation <sup>4</sup>	498,426	475,561	449,010	577,349	664,507	926,553	589,600	603,200
<b>Capital DEL</b>								
Policy, Corporate Services and Associated Offices <sup>5</sup>	184,028	228,964	242,428	225,306	197,294	359,640	692,150	417,150
National Offender Management Service	26,836	26,816	24,497	11,679	71,827	-	-	-
HM Courts and Tribunals Service	50,087	-	-	15,861	130,998	161,717	-	-
Office of The Public Guardian	1,067	4,288	4,298	3,152	1,524	3,920	-	-
Youth Justice Board (net)	1,654	924	2,250	844	3,666	2,600	-	-
Parole Board (net)	406	53	86	46	877	-	-	-
Criminal Cases Review Commission (net)	44	182	84	47	247	1,133	-	-
Judicial Appointments Commission (net)	-	134	553	-	-	205	-	-
Office of Legal Complaints (OLC) (net)	203	258	1,406	34	407	489	-	-
Legal Services Board (LSB) (net)	-	80	112	-	-	-	-	-
Legal Aid Agency <sup>2</sup>	-	-	-	-	9,168	12,000	-	-
Legal Aid Agency - Administration	16,180	9,745	11,806	8,552	-	-	-	-
Legal Aid Agency - Fund : Criminal	-	-	-	-	-	-	-	-
Legal Aid Agency - Fund : Civil	-	-	-	-	-	-	-	-
Criminal Injuries Compensation Authority Agency	608	853	1,457	486	1,192	888	-	-
Children and Family Court Advisory and Support Service (net)	(1,185)	1,863	-	-	-	-	-	-
HM Prison and Probation Service	-	-	-	-	-	199,558	-	-
<b>Total Capital DEL</b>	<b>279,928</b>	<b>274,160</b>	<b>288,977</b>	<b>266,007</b>	<b>417,200</b>	<b>742,150</b>	<b>692,150</b>	<b>417,150</b>

	2012-13 Restated Outturn <sup>1</sup>	2013-14 Restated Outturn <sup>1</sup>	2014-15 Restated Outturn <sup>1</sup>	2015-16 Restated Outturn <sup>1</sup>	2016-17 Outturn	2017-18 Plans <sup>6</sup>	2018-19 Plans <sup>6</sup>	2019-20 Plans <sup>6</sup>
<i>Of which:</i>								
Capital support for local government (net)	192	-	-	-	-	-	-	-
Capital grants to persons & non-profit bodies (net)	6,794	-	-	-	14,367	-	-	-
Purchase of assets	326,052	363,119	358,687	297,403	420,106	811,937	703,150	475,150
Income from sales of assets	(53,110)	(88,959)	(70,028)	(31,396)	(35,428)	-	-	-
Research and development expenditure	-	-	-	-	18,173	-	-	-
Other capital	-	-	318	-	(18)	(69,787)	(11,000)	(58,000)
<b>Total Capital</b>	<b>279,928</b>	<b>274,160</b>	<b>288,977</b>	<b>266,007</b>	<b>417,200</b>	<b>742,150</b>	<b>692,150</b>	<b>417,150</b>
<b>Total Departmental Spending<sup>5</sup></b>	<b>8,428,658</b>	<b>8,028,352</b>	<b>7,272,417</b>	<b>7,294,818</b>	<b>7,417,992</b>	<b>7,326,415</b>	<b>7,117,659</b>	<b>6,647,659</b>
<i>Of which:</i>								
Total DEL <sup>5</sup>	8,623,593	7,934,835	7,581,907	7,160,239	7,296,637	7,326,415	6,856,659	6,386,659
Total AME <sup>5</sup>	(194,935)	93,517	(309,490)	134,579	121,355	144,647	261,000	261,000

<sup>1</sup> Prior years have been restated to include policy responsibility for offender learning which was transferred from DfE to NOMS on 1 October 2016 as a result of a Machinery of Government change.

<sup>2</sup> From 2016-17, LAA is shown as one line in the Estimate.

<sup>3</sup> Pension schemes report under *IAS 19 Employee Benefits* accounting requirements. These figures therefore include cash payments made and contributions received, as well as certain non-cash items.

<sup>4</sup> Includes amortisation and impairments.

<sup>5</sup> Total Departmental spending is the sum of the Resource and the Capital outturn less depreciation. Similarly, total DEL is the sum of the Resource DEL and Capital DEL less depreciation in DEL, and total AME is the sum of Resource AME and Capital AME less depreciation in AME.

<sup>6</sup> Future plans for years 2017-18, 2018-19 and 2019-20 by Supplementary Estimate headings have not been finalised at the date of publication. Total planned spend for the Department has been included in the Policy, Corporate Services and Associated Offices heading.

## Table 2 Administration costs (£000)

Section headings are based on 2015-16 Supplementary Estimate headings.

	2012-13 Outturn	2013-14 Outturn	2014-15 Outturn	2015-16 Outturn	2016-17 Outturn	2017-18 Plans <sup>2</sup>	2018-19 Plans <sup>2</sup>	2019-20 Plans <sup>2</sup>
Policy, Corporate Services and Associated Offices	301,047	266,086	270,117	276,907	240,353	309,353	392,388	317,388
National Offender Management Service	107,758	97,232	123,395	139,166	131,396	-	-	-
HM Courts and Tribunals Service	31,823	26,932	24,979	22,971	24,766	15,556	-	-
Office of the Public Guardian	-	-	-	52	52	-	-	-
Youth Justice Board (net)	16,855	13,532	6,810	6,705	4,977	4,240	-	-
Parole Board (net)	1,076	862	1,021	1,444	2,655	1,206	-	-
Criminal Cases Review Commission (net)	1,071	990	1,111	1,137	1,139	1,082	-	-
Judicial Appointments Commission (net)	743	570	444	248	219	262	-	-
Legal Aid Agency - Administration	99,892	97,230	99,306	100,431	84,452	88,447	-	-
Criminal Injuries Compensation Authority Agency	16,646	15,871	16,090	12,151	12,753	12,305	-	-
Children and Family Court Advisory and Support Service (net)	12,708	10,594	9,132	9,286	7,288	5,703	-	-
Higher Judiciary Judicial Salaries	267	265	75	74	94	-	-	-
HM Prison and Probation Service	-	-	-	-	-	117,234	-	-
<b>Total Administration</b>	<b>589,886</b>	<b>530,164</b>	<b>552,480</b>	<b>570,572</b>	<b>510,144</b>	<b>555,388</b>	<b>392,388</b>	<b>317,388</b>
<i>Of which:</i>								
Staff costs	331,035	323,941	342,125	385,079	325,399	300,496	242,670	191,045
Purchase of goods and services	260,506	204,485	204,371	167,405	162,824	214,111	113,286	89,150
Income from sales of goods and services	(25,228)	(22,092)	(24,756)	(30,174)	(27,855)	(19,219)	(20,536)	(16,161)
Rentals	(353)	-	7,381	24,927	24,163	20,000	16,965	13,351
Depreciation <sup>1</sup>	23,926	23,830	27,617	23,330	24,131	40,000	40,000	40,000
Change in pension scheme liabilities	-	-	-	-	-	-	-	-
Unwinding of the discount rate on pension scheme liabilities	-	-	-	-	-	-	-	-
Other resource	-	-	(4,258)	5	1,482	-	3	3

<sup>1</sup> Includes amortisation and impairments.

<sup>2</sup> Future plans for years 2017-18, 2018-19 and 2019-20 by Supplementary Estimate headings have not been finalised at the date of publication. Total planned spend for the Department has been included in the Policy, Corporate Services and Associated Offices heading.

## Annex C: Off-payroll engagements

All off-payroll engagements as of 31 March 2017, for more than £220 per day and that last for longer than six months

	HQ	NOMS	HMCTS	LAA	OPG	CICA	Cafcass	OLC	Parole Board	CCRC	JAC	LSB	YJB	Total
<b>Number of existing engagements as of 31 March 2017</b>	253	48	29	16	16	-	12	-	-	-	-	-	-	<b>374</b>
<i>Of which:</i>														
Number that have existed for less than one year at time of reporting	170	31	20	2	10	-	-	-	-	-	-	-	-	<b>233</b>
Number that have existed for between one and two years at time of reporting	45	5	6	1	4	-	-	-	-	-	-	-	-	<b>61</b>
Number that have existed for between two and three years at time of reporting	32	11	3	12	2	-	1	-	-	-	-	-	-	<b>61</b>
Number that have existed for between three and four years at time of reporting	6	1	-	1	-	-	1	-	-	-	-	-	-	<b>9</b>
Number that have existed for four or more years at time of reporting	-	-	-	-	-	-	10	-	-	-	-	-	-	<b>10</b>

All of the above appointments have been subject to a risk based assessment regarding the payment of correct tax.

All new off-payroll engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017, for more than £220 per day and that last for longer than six months

	HQ	NOMS	HMCTS	LAA	OPG	CICA	Cafcass	OLC	Parole Board	CCRC	JAC	LSB	YJB	Total
<b>Number of new engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017</b>	190	32	22	2	14	-	-	-	-	-	-	-	-	<b>260</b>
Number of the above which include contractual clauses giving the Department the right to request assurance in relation to income tax and National Insurance obligations	190	32	22	2	14	-	-	-	-	-	-	-	-	<b>260</b>
Number for whom assurance has been requested	190	32	22	2	14	-	-	-	-	-	-	-	-	<b>260</b>
<i>Of which:</i>														
Number for whom assurance has been received	187	31	20	2	14	-	-	-	-	-	-	-	-	<b>254</b>
Number for whom assurance has not been received*	3	1	2	-	-	-	-	-	-	-	-	-	-	<b>6</b>

	HQ	NOMS	HMCTS	LAA	OPG	CICA	Cafcass	OLC	Parole Board	CCRC	JAC	LSB	YJB	Total
Number that have been terminated as a result of assurance not being received	2	-	1	-	-	-	-	-	-	-	-	-	-	3

\* 3 of the contractors disclosed above as having not provided assurance have subsequently left MoJ. As assurance was not provided MoJ will refer all 6 individuals to HMRC.

### Off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2016 and 31 March 2017

	HQ	NOMS	HMCTS	LAA	OPG	CICA	Cafcass	OLC	Parole Board	CCRC	JAC	LSB	YJB	Total
Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Number of individuals that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year. This figure should include both off-payroll and on-payroll engagements	21*	17	10	11	6	6	15	7	13	3	18	10	17	154

\* includes three individuals who are also members of Agencies' Boards.





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