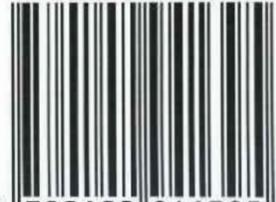


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ISBN 978-0-10-294139-5



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Northern Ireland Court Service

# Resource Accounts

2005-2006

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Presented pursuant to the Government Resources and Accounts Act 2000, c.20.s.6

Northern Ireland Court Service

# Resource Accounts

2005-2006 for the year ended 31 March 2006

ordered by the House of Commons to be printed 20 July 2006

HC1497

London: The Stationery Office

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## 29. Losses and special payments

During the year, there were no losses or special payments that required disclosure.

## 30. Related-party transactions

During the year the Department provided funding to the Northern Ireland Legal Services Commission (NILSC) and the Northern Ireland Judicial Appointments Commission (NIJAC). These bodies are regarded as related parties with which the Department has had various material transactions during the year.

In addition, the Department has had a small number of transactions with other government departments and other central government bodies.

No minister, board member, key manager or other related parties have undertaken any material transactions with the Department during the year.

## 31. Third-party assets

The Department holds as custodian or trustee certain assets belonging to third parties.

The Court Service, through the Court Funds Office, continues to provide a banking and investment service for funds that are deposited in court. Examples of the types of funds include monies held for minors until they attain the majority, certain assets of some mental health patients, payments into court in satisfaction of a claim as well as statutory deposits and unclaimed balances in court.

These are not departmental assets and are not included in the accounts. The assets held at the balance sheet date to which it was practical to ascribe monetary values, comprised monetary assets such as bank balances and monies on deposit, and listed securities. They are set out in the table immediately below.

	31 March 2005 £000	Net outflows £000	31 March 2006 £000
Monetary assets such as bank balances and monies on deposit	115,481	(2,502)	112,979
Listed securities	100,809		115,808

The Official Solicitor may be appointed to act as a financial controller for persons deemed by the courts to be incapable of managing their financial affairs and assets. In such capacity the Official Solicitor acts as custodian of a number of property assets. Title deeds for property may also be held by the court service as security or bails in relation to legal actions.

Other significant assets held at the balance sheet date to which it was not practical to ascribe monetary values comprised:

	31 March 2006 Number	31 March 2005 Number
Property assets	157	66
Motor vehicles, boats and caravans	-	3

## 32. Entities within the departmental boundary

The departmental boundary incorporates only the core department of the Northern Ireland Court Service.

During the year the Department held responsibility for the granting of funds to the Northern Ireland Legal Services Commission (NILSC) and the Northern Ireland Judicial Appointments Commission (NIJAC). As executive NDPB's the NILSC and NIJAC are outside the departmental boundary for the purposes of these resource accounts.

The funds invested by the Court Funds Office are specifically excluded from the departmental boundary, following HM Treasury guidance. Third party monies are similarly excluded.

The Northern Ireland Legal Services Commission, Northern Ireland Judicial Appointments Commission and Court Funds Office publish separate audited financial accounts.

05	Annual Report (including management commentary)
13	Remuneration Report
17	Statement of Accounting Officer's Responsibilities
18	Statement on Internal Control
21	The Certificate and Report of the Comptroller and Auditor General
23	Statement of Parliamentary Supply
24	Operating Cost Statement
25	Balance Sheet
26	Cash Flow Statement
27	Statement of Operating Costs by Departmental Aim and Objectives
28	Notes to the Departmental Resource Accounts

## 26. Other financial commitments

As in 2004-05, there are no contracted non-capital commitments at 31 March for which no provision has been made.

## 27. Financial instruments

FRS 13, *Derivatives and Other Financial Instruments*, requires disclosure of the role financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of the Department's activities and the way in which Government Departments are financed, the Court Service is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Department has very limited powers to borrow or invest surplus funds and except for relatively insignificant purchases of foreign currency, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Department in undertaking its activities.

As permitted by FRS 13, the Department has elected to exclude from disclosure all debtors and creditors which mature or become payable within 12 months from the balance sheet date.

### Liquidity risk

The Department's net revenue resource requirements are financed by resources voted annually by Parliament, as is its capital expenditure. It is not, therefore, exposed to significant liquidity risks.

### Interest rate risk

The Department's financial assets and its financial liabilities carry no rates of interest, and the Court Service is not therefore exposed to interest rate risks.

### Interest rate profile and currency profile

The Department's financial assets of £2,257,000 (2005: £2,557,000) are non-interest bearing financial assets and comprise of cash at bank and in hand. Cash at bank and in hand is held in sterling and is available on demand.

The Department's financial liabilities of £3,067,000 (2005: £1,107,000) are non-interest bearing financial liabilities and are sterling liabilities.

### Foreign Currency Risk

The department's exposure to foreign currency risk is not significant. Foreign currency income and expenditure is negligible.

### Fair values

Fair value is not significantly different from book value since, in the calculation of book value, the expected cash flows have been discounted by the Treasury discount rate of 2.2 per cent in real terms.

## 28. Contingent liabilities disclosed under FRS 12

There is an estimated contingent liability of £847,390.33.

	2005-06 £000
Legal cases pending	48
Criminal appeals	799
	<hr/> 847 <hr/>

The amount for criminal appeals represents the amount of claims before the Taxing Master pending judicial direction. The Taxing Master is a Supreme Court judge and has complete discretion in deciding how much should be paid out in respect of claims put before him. As each case is assessed on an individual basis, it is not possible to predict the financial outcome of these claims. The department has therefore treated these as contingent liabilities in accordance with FRS 12.

There are further contingent liabilities upon which it is not possible to put a value. In particular, claims have been made under past contracts. It is the Department's assertion that these claims are unsubstantiated.

- County Court Divorce - February 2005
- Wardship & Adoption - February 2005.

Implementation of the ICOS Criminal Module and the remaining elements of the Family Module will commence in May 2006 and will be fully completed by January 2007.

The scheme also includes the provision of hardware and software support services, training services, legacy support services and help desk support services.

The agreement provides for technology refresh between years 3 and 5 of the agreement. The technology refresh was completed in July 2005.

The PFI property is not an asset of the department. This contract is treated as a contract for services and the operating cost statement will be charged with the service costs in the period to which they relate.

The computer equipment assets held by the Department were transferred to the provider and therefore were treated as a disposal in the 1999-2000 financial statements.

## 25.2 On-balance sheet

### Laganside Complex

During February 1999, the Department entered into a Public Private Partnership (PPP) agreement with a private sector provider for the provision and maintenance of a high quality new court complex in Belfast.

In accordance with the agreement, service charges became payable with effect from February 2002 to December 2026 and these are charged to the operating cost statement. The new court complex has been accounted for as an asset of the Department.

The PFI property is included in the Department's accounts as a fixed asset. The liability to pay for the property is in substance a finance lease obligation. Contractual payments therefore comprise two elements, imputed finance lease charges and service charges. The imputed finance lease obligation is as follows:-

	2005-06 £000	2004-05 £000
<b>Imputed finance lease obligations under on-balance sheet PFI contracts comprises:</b>		
Rentals due within 1 year	2,503	2,510
Rentals due after 2 to 5 years	10,018	10,051
Rentals due thereafter	39,488	42,240
	<b>52,009</b>	<b>54,801</b>
Less interest element	(26,649)	(29,349)
	<b>25,360</b>	<b>25,452</b>

## 25.3 Charge to the Operating Cost Statement and future commitments

The total amount charged in the operating cost statement in respect of off-balance sheet PFI transactions and the service element of on-balance sheet PFI transactions was £8,858,755.30 (2004-05 £8,187,901.21); and the payments to which the Department is committed during 2006-07, analysed by the period during which the commitment expires, are as follows.

	2005-06 £000	2004-05 £000
Expiry within 1 year	-	-
Expiry within 2 to 5 years	6,200	5,921
Expiry within 6 to 10 years	-	-
Expiry within 11 to 15 years	-	-
Expiry within 16 to 20 years	-	-
Expiry within 21 to 25 years	3,737	3,787
	<b>9,937</b>	<b>9,708</b>

# Annual Report for the year ended 31 March 2006

## 1. Basis of Accounts

The Northern Ireland Court Service ("the Department") presents its accounts for the financial year ended 31 March 2006. The Accounts have been prepared in accordance with directions given by HM Treasury in pursuance of the Government Resources and Accounts Act 2000.

## 2. Establishment of the Northern Ireland Court Service

The Department was established by the Judicature (Northern Ireland) Act 1978 as a "unified and distinct Civil Service of the Crown" and is a department for which the Lord Chancellor has ministerial responsibility. Our core business is to provide administrative support for the Northern Ireland courts.

Further information about the Court Service can be found at [www.courtsni.gov.uk](http://www.courtsni.gov.uk)

## 3. Departmental Boundary

The departmental boundary incorporates only the core department of the Northern Ireland Court Service.

During the year the Department held responsibility for the granting of funds to the Northern Ireland Legal Services Commission (NILSC) and the Northern Ireland Judicial Appointments Commission (NIJAC). As executive NDPB's the NILSC and the NIJAC are outside the departmental boundary for the purposes of these resource accounts.

The funds invested by the Court Funds Office are specifically excluded from the departmental boundary, following HM Treasury guidance. Third party monies are similarly excluded.

The Northern Ireland Legal Services Commission, the Northern Ireland Judicial Appointments Commission and Court Funds Office publish audited financial accounts.

## 4. Departmental Reporting Cycle

The Department is required to prepare an Estimate for HM Treasury in January each year, which details the proposed spending of the Department for the coming financial year. Supplementary estimates are prepared in spring and winter, if required, to take account of any changes during the year.

The Department also publishes a separate Annual Review, which provides details that are additional to those shown in these accounts. The 2005-06 Annual Review will be published later in 2006.

## 5. Ministers and the Management Board

5.1 The following held ministerial office during the year:

The Lord Chancellor, The Right Honourable The Lord Falconer of Thoroton.

The Right Honourable Harriet Harman QC MP: Minister of State at the Department of Constitutional Affairs (appointed 9 May 2005).

Baroness Ashton of Upholland: Parliamentary Under-Secretary at the Department of Constitutional Affairs.

Bridget Prentice MP: Parliamentary Under-Secretary at the Department of Constitutional Affairs (appointed 9 May 2005).

5.2 The composition of the Departmental Management Board during the year was as follows:

D A Lavery	Director NI Court Service
G Keatley	Head of Operations Division
G Fee	Head of Policy and Legislation Division
A Carleton	Head of Corporate Services and Modernisation Division
L Devlin	Head of Publicly Funded Legal Services Division (Seconded from the Office of the First Minister and Deputy First Minister from 3 November 2003)
H A Hunter	Head of Judicial Services Division (Seconded to the Northern Ireland Judicial Appointments Commission from 15 June 2005)
J Durkin	Acting Head of Operations Division (from 19 August 2005)
K King	Non-executive Director

Executive members of the Management Board were appointed in accordance with the Civil Service Management Code.

#### 6. Remuneration of members of the Management Board

The remuneration of the Management Board is detailed in the Remuneration Report.

#### 7. Pensions and Early Departure Costs

Details about the Department's pensions and early departure costs policies are included in the notes to these accounts.

#### 8. Employment of Disabled Persons

The Department follows the Civil Service Code of Practice on the Employment of Disabled People that aims to ensure that there is no discrimination on the grounds of disability and that access to employment and career advancement in the Department is based solely on ability, qualifications and suitability for the post.

The Department has in place a Code of Practice on the Employment of People With Disabilities and a Good Practice Guide for Managers. A Disability Liaison Officer has been designated to support people with disabilities in their employment. The Department aims to ensure that people with disabilities have equality of opportunity and fair participation in all aspects of their employment, and that discrimination does not take place.

#### 9. Equal Opportunities and Diversity

The Department is an equal opportunities employer. Policies are in place to guard against discrimination, ensure compliance with legal requirements and aim to ensure that there are no unfair or illegal discriminatory barriers

### 23. Capital commitments

	2005-06 £000	2004-05 £000
Contracted capital commitments at 31 March 2006 for which no provision has been made	503	1,371

### 24. Commitments under leases

#### 24.1 Operating leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

	2005-06 £000	2004-05 £000
<b>Obligations under operating leases comprise:</b>		
Land and buildings:		
Expiry within 1 year	101	50
Expiry after 1 year but not more than 5 years	94	108
Expiry thereafter	752	595
	<b>947</b>	<b>753</b>
Other:		
Expiry within one year	–	–
Expiry after 1 year but not more than 5 years	36	39
Expiry thereafter	–	–
	<b>36</b>	<b>39</b>

#### 24.2 Finance leases

The Department had no finance leases operating during the year.

### 25. Commitments under PFI contracts

#### 25.1 Off-balance sheet

##### IS/IT Services

In January 2000, the Department entered into a 10 year IS/IT Service Provision Agreement with Fujitsu Services. The estimated capital value of the agreement is £8m at 1999 prices. The agreement is based on Private Finance Initiative and will enable the Court Service to develop modern information systems to support the administration of justice. To date the following services have been successfully delivered –

- a new IT network and infrastructure
- corporate desktop service with Internet and e-mail access to all user staff
- a Court Service Intranet
- the migration to the new infrastructure and continued support for 9 existing legacy systems
- the development of a static website
- application databases to support the operations of the Office of Care & Protection and the Enforcement of Judgments Office.

Significant progress has been made in the development of the Integrated Court Operations System (ICOS) that will support the business processes across all court tiers. The application is being rolled out in a modular and incremental manner; with the following modules becoming operational

- Small Claims- November 2002
- Jurors Notice - February 2003
- Jurors Management - July 2003
- County Court Civil - July 2004
- Fees Collection - July 2004
- High Court Queens Bench Division - July 2004
- Chancery Division - November 2004
- Probate Office - November 2004
- Matrimonial Office - January 2005

**21(e) Reconciliation of Net Cash Requirement to increase/(decrease) in cash**

	Note	2005-06 £000	2004-05 £000
Net cash requirement		(102,981)	(109,328)
From the Consolidated Fund (Supply) - current year	21(d)	104,355	108,948
From/(To) the Consolidated Fund Supply - prior year	21(d)	380	(330)
Amounts due to the Consolidated Fund - received in a prior year and paid over		(2,937)	(1,216)
Amounts due to the Consolidated Fund received and not paid over		883	3,516
Transitional adjustment		-	(502)
<b>Increase/(decrease) in cash</b>		<b>(300)</b>	<b>1,088</b>

**22. Notes to the Statement of Operating Costs by Departmental Aim and Objectives**

Resources per cost centre have been allocated to strategic objectives based on information obtained from managers within the Department. Common overheads have been apportioned to departmental cost centres on the basis of staff numbers.

Programme grants and other current expenditure have been allocated as follows:

	2005-06 £000	2004-05 £000
Objective 1	3,421	-
Objective 2	-	-
Objective 3	774	200
Objective 4	-	522
Objective 5	274	-
Objective 6	-	-
Objective 7	332	-
Objective 8	-	-
Objective 9	57,223	55,459
Objective 10	5,158	5,571
Objective 11	1,445	-
Objective 12	170	25
Objective 13	484	-
Objective 14	-	-
Publicly funded legal services	57,379	59,361
<b>Total</b>	<b>126,660</b>	<b>121,138</b>

**Capital Employed by Departmental Aim and Objectives at 31 March 2006**

	2005-06 £000	2004-05 £000
Objective 1	16,243	15,929
Objective 2	1,363	1,578
Objective 3	4,309	3,705
Objective 4	73	1,577
Objective 5	2,488	2,259
Objective 6	288	312
Objective 7	2,986	10,643
Objective 8	374	117
Objective 9	122,262	113,908
Objective 10	14,527	12,630
Objective 11	2,797	292
Objective 12	446	564
Objective 13	1,677	2,914
Objective 14	127	227
	<b>169,960</b>	<b>166,655</b>

to employment and advancement in the Department. The Department employs a designated Diversity Officer who has responsibility for promoting awareness of diversity and equality policies, monitoring the uptake of policies and conducting regular reviews of workforce composition. The role includes acting as an inter-departmental liaison officer with the Cabinet Office and the Northern Ireland Home Civil Service Network.

The Department has in place an Equal Opportunities Policy which guards against discrimination in employment, a Diversity Strategy, which values difference and an Equality Scheme which ensures that all 9 groups contained in Section 75 of the Northern Ireland Act 1998 are protected. An Employment Equality Plan has been put in place to draw together all the proposed activity, which will take place in relation to these policies within the life of the corporate plan. The Equal Opportunities policy states that there shall be no discrimination against staff on grounds of gender, marital status, race, colour, nationality, ethnic origin, religion, disability, age or background. Employment and promotion are based solely on merit. Staff who work reduced hours are assessed on exactly the same basis as those working full time. A Dignity and Harmony at Work policy is in place and provides systems and procedures to enable and support staff to challenge harassment and bullying.

**10. Employee Involvement**

The Department attaches considerable importance to ensuring the involvement of employees in delivering its aims and objectives. The Whitley Council within the Court Service provides the means for communication and negotiation with Trade Union Side. The Whitley Executive Committee meets quarterly and is chaired by the Head of Corporate Services and Modernisation. The vice-chairperson is appointed by Trade Union Side.

In addition to using the Whitley forum for communication with staff, a central focus of the development and review of policy within the department includes staff consultation. This is achieved through policy review focus groups to which staff may nominate themselves.

A Workplace Health Committee meets throughout the year to discuss health and safety matters of concern to staff and management.

The Court Service has a well established internal communications system, which meets the requirements of the Information and Consultation of Employees Regulations (NI) 2005, which includes for example team briefing sessions, focus groups, the staff handbook, staff notice board, intranet site, staff notices and staff attitude surveys. The departmental magazine of the Court Service, "Open Court" is circulated quarterly to all members of staff.

**11. Payment of Suppliers**

The Department is committed to the prompt payment of suppliers and has signed up to the Government's Prompt Payment Charter. A prompt payment survey for the financial year 2005-2006 shows that 95% (2004-2005: 95%) of invoices were paid in accordance with the terms of the Charter.

**12. Auditors**

The financial statements are audited by the Comptroller and Auditor General (C&AG) in accordance with the Government Resources and Accounts Act 2000. He is head of the National Audit Office. He and his staff are wholly independent of the Northern Ireland Court Service, and he reports his findings to Parliament.

The audit of the financial statements for 2005-2006 resulted in an audit fee of £58,500 (2004: £60,720). This fee is included in non staff administration costs, as disclosed in Note 8 to these accounts. The C&AG did not provide any non-audit services during the year.

### 13. Management Commentary

#### 13.1 Principal Aim and Objectives

The Department's vision is:

Serving the community through the administration of justice.

The Department's purpose is:

- to facilitate the conduct of the business of the Supreme Court, county courts, magistrates' courts, coroners' courts and certain tribunals;
- to give effect to judgments to which the Judgments Enforcement (Northern Ireland) Order 1981 applies; and
- to provide the Lord Chancellor with policy advice and legislative support relating to his ministerial responsibilities in Northern Ireland.

Three key strategic aims have been identified as:

- modernising court business
- improving access to justice
- promoting confidence in the justice system

#### 13.2 Operating Review

The year under review was one of continuous progress and achievements in terms of business performance and saw the Court Service consolidate and build upon the significant developments that had taken place in previous years. Full details of our performance against business targets will be provided in our Annual Review 2005-2006 which will be published later in 2006. This will be able to be viewed on our website at [www.courtsni.gov.uk/publications](http://www.courtsni.gov.uk/publications)

#### Modernising court business

The Court Service continues to support the Government's modernisation agenda and consider the use of private finance arrangements, where this represents best value in the delivery of services to the public. While we did not enter into any new public finance initiative (PFI) agreements this year, 2005-06 saw the seventh year of our 10-year PFI contract for Information Systems and Information Technology Services with Fujitsu. In line with the provisions of the PFI agreement, the ICT estate underwent a complete technology refresh between May and September 2005.

Within our Business Modernisation Strategy there are 4 major Programmes

- Integrated Court Operations System and Causeway
- Electronic Service Delivery Programme;
- Courtroom Technology Programme; and
- Electronic Documents and Record Management System.

Our Integrated Court Operations System (ICOS) is being developed to support civil, criminal and family court operations. ICOS will support the delivery of efficiencies in processing court business. During 2005-06 the ICOS Criminal Module and the remaining elements of the Family Module underwent extensive readiness for service trials. The ICOS Criminal Module entered live service in May 2006.

The Court Service is a partner in the Causeway Programme which will underpin electronic communication and information sharing between the criminal justice agencies in Northern Ireland when fully implemented.

### 21. Notes to the Cash Flow Statement

#### 21(a) Reconciliation of operating cost to operating cash flows

	Note	2005-06 £000	2004-05 £000
Net operating cost	11	122,093	120,174
Adjustments for non-cash transactions (Decrease)/Increase in Debtors		(17,912)	(15,123)
<i>Less movements in debtors relating to items not passing through the OCS</i>		(1,482)	1,135
Decrease/(Increase) in Creditors		380	–
<i>Less movements in creditors relating to items not passing through the OCS</i>		492	(1,080)
Use of provisions	17	(492)	1,468
		576	231
<b>Net cash outflow from operating activities</b>		<b>103,655</b>	<b>106,805</b>

#### 21(b) Analysis of capital expenditure and financial investment

	Note	2005-06 £000	2004-05 £000
Tangible fixed asset additions	12	6,246	7,435
Intangible fixed asset additions	13	2	253
Proceeds of disposal of fixed assets		–	(740)
<b>Net cash outflow from investing activities</b>		<b>6,248</b>	<b>6,948</b>

#### 21(c) Analysis of capital expenditure and financial investment by Request for Resources

	Capital expenditure £000	Loans etc £000	A in A £000	Net total £000
Request for resources 1	6,248	–	–	6,248
Net movement in debtors/creditors	–	–	–	–
<b>Total 2005-06</b>	<b>6,248</b>	<b>–</b>	<b>–</b>	<b>6,248</b>
<b>Total 2004-05</b>	<b>7,688</b>	<b>–</b>	<b>–</b>	<b>7,688</b>

#### 21(d) Analysis of financing

	Note	2005-06 £000	2004-05 £000
From the Consolidated Fund (Supply) - Current year	19	104,355	108,948
From/(To) the Consolidated Fund (Supply) - prior year		380	(330)
From the Consolidated Fund (non-Supply)	19	6,922	6,388
Capital element of payments in respect of Finance leases and on-balance sheet PFI contracts		–	–
<b>Net financing</b>		<b>111,657</b>	<b>115,006</b>

benefits accruing has been assessed as 30.5% of the relevant salary, comprising of 22.4% to the approved arrangement and 8.1% to the top up arrangement.

On 4 April 2006, the judicial office-holder transferred to the Judicial Pensions Scheme. Any liabilities as a result of this transfer will be recognised in the accounts for 2006-07.

## 19. General Fund

The General Fund represents the total assets less liabilities of the Department, to the extent that the total is not represented by other reserves and financing items.

	2005-06 £000	2004-05 £000
Balance at 1 April	88,934	89,606
Prior Period Adjustment	-	-
Adjusted Opening Balance	88,934	89,606
Net Parliamentary Funding		
Drawn Down	104,355	108,948
Consolidated Fund Standing Services	6,922	6,388
Transitional adjustment	-	502
Year end adjustment		
Supply (Creditor)/Debtor - current year	(1,374)	380
Net Transfer from Operating Activities		
Net Operating Cost	(122,093)	(120,174)
CFERS repayable to Consolidated Fund	-	(2,465)
Non Cash Charges		
Cost of Capital	5,924	5,619
Auditors' remuneration	58	61
Transfer from Revaluation Reserve	-	69
<b>Balance at 31 March</b>	<b>82,726</b>	<b>88,934</b>

## 20. Reserves

### 20(a) Revaluation Reserve

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments (excluding donated assets).

	2005-06 £000	2004-05 £000
Balance at 1 April	77,694	63,091
Arising on revaluation during the year (net)	9,518	14,672
Transferred to general fund in respect of realised element of revaluation reserve	-	(69)
Balance at 31 March	87,212	77,694

### 20(b) Donated Asset Reserve

The donated asset reserve reflects the net book value of assets donated to the Department.

	2005-06 £000	2004-05 £000
Balance at 1 April	27	30
Additions during the year	-	-
Revaluations	-	2
Release to the Operating Cost statement	(5)	(5)
Balance at 31 March	22	27

The Electronic Service Delivery Programme was progressed during the year. In October 2005, a Small Claims Online pilot programme was launched for a number of key customers. This entered full live service in May 2006.

A new Coroners Database entered live service in September 2005 in support of the modernisation of the Coroners Service. This was followed by the provision of a limited Coroners Technology Court in March 2006.

The Electronic Documents and Record Management System continued to be rolled out across the Court Service Estate during the period.

In August 2004 the Court Service became one of the few departments in the United Kingdom to achieve ISO 7799 Security of Information Accreditation. A critical element of this accreditation was the creation and testing of province wide Business Continuity and Disaster Recovery Plans.

### Improving access to justice

Continuous improvement in customer service is central to the delivery of our core business of running the courts. During 2005-06, the Court Funds Office and thirteen courthouses successfully achieved Charter Mark accreditation with best practice being recognised in many areas of customer service. All court venues now have Charter Mark accreditation. Also, the Enforcement of Judgments Office achieved a Gold Award in the EFQM Steps to Excellence Scheme. Only 12 organisations have been accredited with a Gold Award since the commencement of the scheme in 1994.

Her Majesty's Inspectorate of Court Administration undertook an inspection of all aspects of customer service within the Court Service during 2004-05. A final inspection report was published in June 2005 acknowledging the high standard of customer service delivered throughout the courts in Northern Ireland.

A Customer Service Board was established during 2004 to co-ordinate and drive forward the work on customer service improvement. A Customer Service Strategy was published in June 2005, setting out the standards which customers can expect to receive at all court venues. Also, during 2005-06, with the assistance of the NI Statistics and Research Agency, the Court Service carried out customer satisfaction surveys at all court venues. A report is due in 2006-07 and an action plan will be developed to address the findings. The Customer Service Board will oversee and monitor implementation.

Court visits by schools and colleges remain a popular element of our outreach programme with over 80 visits facilitated during 2005-06. Work experience placements also continued to be a popular element of our education programme with over 125 placements facilitated. The Court Service also attended over 15 local career events.

After winning an award in April 2005 at the BT Goldeneye e-business awards, our Education Online Facility went on to be selected as one of the top 50 business solutions, for Corporate Social Responsibility, by Business in the Community. The Education Online facility was presented at the Business in the Community All Ireland Conference in May 2006.

The effective and efficient daily management of court business across all of our court venues remains the cornerstone of our service delivery and each year challenging targets are set for the delivery of business across the criminal, civil and family courts. Performance to corporate targets is published in the Northern Ireland Court Service Annual Review, which will be available later in 2006.

### Promoting confidence in the justice system

The Court Service remains committed to promoting confidence in the criminal justice system through a range of reforms designed to respond to the needs of the wider community. Throughout the year we continued to work with other criminal justice agencies in Northern Ireland to deliver the modernisation of the criminal justice system as set out in the Government's Implementation Plan for the Northern Ireland Criminal Justice Review (2000).

The Northern Ireland Criminal Justice Review recommended the establishment of a new judicial office of Lay Magistrate, designed to facilitate greater community involvement in the courts. After a high-profile campaign during 2004-05, which attracted over 5,000 applications, approximately 300 new Lay Magistrates took up office in April 2005. Those appointed are reflective of the community in Northern Ireland in terms of gender, age and social and community background.

The Court Service collaborated with key stakeholders to secure the passage of the Justice (Northern Ireland) Act 2002 as amended which, amongst other things, provided for the establishment of a Northern Ireland Judicial Appointments Commission in June 2005. The Commission is chaired by the Lord Chief Justice of Northern Ireland and comprises five other members of the judiciary, five lay members, a barrister and a solicitor. It is responsible for administering all appointment schemes and making recommendations to the Lord Chancellor for listed judicial offices up to High Court Judge level. The Commission has a statutory duty to secure, as far as is reasonably practicable, a judiciary which is reflective of the community in Northern Ireland, thus enhancing public confidence in the justice system.

In 2004-05, the Court Service, in partnership with HM Treasury, initiated a Fundamental Legal Aid Review in Northern Ireland. As a result of this review, the Court Service has established a joint Strategic Planning Group with the Northern Ireland Legal Services Commission to oversee the development and implementation of a delivery plan to introduce new civil legal services by Autumn 2007.

In April 2005, the Court Service published a modernisation plan for the Coroners Service. The new Coroners Service was launched in June 2006 and provides a much improved service including a full-time coroners judiciary, the appointment of a High Court Judge as Presiding Judge for the Coroners Service, and improved administrative and IT support for the Coroners Service. Coroners Liaison Officers have also been appointed to liaise between bereaved families, the Coroners Service and other agencies.

Revised Youth Court Guidelines, taking account of recent changes to the legislation dealing with youth courts were published by the Court Service in December 2005. The guidelines address the particular needs of those who appear in the youth court and outline how the youth court is set up, who is involved, the responsibilities of those involved and the statutory arrangements for the working of the court. The revised Guidelines can be accessed on our website at [www.courtsni.gov.uk](http://www.courtsni.gov.uk).

On 21 March 2006, the Secretary of State announced that the responsibility for the administration of tribunals would pass to the rebranded 'Northern Ireland Courts and Tribunals Service'. Work has commenced to set up two new tribunals to be operative in 2006-07.

During the year, the Court Service continued to support the Secretary of State for Constitutional Affairs and Lord Chancellor in his programme of constitutional reform, most notably through the implementation of the Constitutional Reform Act 2005. With effect from 3 April 2006, the Lord Chief Justice of Northern Ireland became head of the judiciary of Northern Ireland and, as a consequence, the Lord Chancellor's judiciary related

### 17. Provisions for liabilities and charges

	Early departure costs £000	Legal claims £000	Other £000	Total £000
Balance at 1 April 2005	(511)	(74)	(522)	(1,107)
Provided in the year	(7)	(84)	(2,600)	(2,691)
Provisions not required written back	–	–	–	–
Payable within one year	188	–	–	188
Provisions utilised in the year	7	47	522	576
Unwinding of discount	(33)	–	–	(33)
<b>Balance at 31 March 2006</b>	<b>(356)</b>	<b>(111)</b>	<b>(2,600)</b>	<b>(3,067)</b>

#### 17.1 Early departure costs

The Department meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the 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 by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.2% in real terms.

#### 17.2 Legal claims

Provision has been made for various legal claims against the Department. The provision reflects all known claims where legal advice indicates that it is more than 50% probable that the claim will be successful and the amount of the claim can be reliably estimated. The amount provided is on a percentage expected probability basis. Expenditure is likely to be incurred over a period of 5 years. The provision is based on the estimated cash flow. No reimbursement will be received in respect of any of these claims. Legal claims, which may succeed but are less likely to do so or cannot be estimated reliably, are disclosed as contingent liabilities in Note 28.

#### 17.3 Other

In 2004-05, provision was made for coroners' severance arising from proposals outlined in the paper on "The Coroners Service of Northern Ireland: Proposals for Administrative Redesign". The provision was paid in full during 2005-06.

In 2005-06, provision was made for a long service award for members of the judicial pension scheme. The purpose of the long service award is that, subject to any future changes in legislation, the award will compensate for any tax or National Insurance charges on lump sums payable from the deregistered judicial pension schemes on retirement, whatever the personal circumstances of the judge or his other pension benefits.

### 18. Pension liability

	<b>2005-06</b>
	<b>£000</b>
Balance at 1 April 2005	(282)
Increase in provision	(85)
<b>Balance at 31 March 2006</b>	<b>(367)</b>

The Department is responsible for the administration of an individual personal pension determination in respect of one judicial office-holder. Defined benefits accrue in line with the PCSPS in an approved scheme. These benefits are then enhanced by one third through an unapproved scheme. The pension provision is unfunded and non-contributory, except in respect of dependants benefits.

An actuarial valuation of the determination was completed in April 2006 for the contribution rate and past service liability calculations as at 31 March 2006 by the Government Actuaries Department (GAD).

The value of the pension liability has been assessed assuming an inflation rate of 2.5%, increase in earnings of 1.5% in excess of inflation, an investment return rate of 1.3% per annum in excess of general earnings increases and has been discounted at a real rate of 2.8%. On this basis, the capitalised value of the liabilities is assessed at £367,180 comprising £275,390 for the approved scheme and £91,790 for the unapproved scheme. The employer contribution rate, calculated using the projected unit method, required to meet the cost of

**15. Cash at bank and in hand**

	2005-06 £000	2004-05 £000
Balance at 1 April	2,557	1,469
Net change in cash balances	(300)	1,088
<b>Balance at 31 March</b>	<b>2,257</b>	<b>2,557</b>

The following balances at 31 March were held at:

Office of HM Paymaster General	1,219	1,625
Commercial banks and cash in hand	1,038	932
<b>Balance at 31 March</b>	<b>2,257</b>	<b>2,557</b>

**16. Creditors****16(a) Analysis by type**

	2005-06 £000	2004-05 £000
<b>Amounts falling due within one year</b>		
Taxation and social security	(3)	(436)
Trade creditors	(2,759)	(2,803)
Other creditors	(721)	(365)
Early departure costs	(188)	(206)
Accruals and deferred income	(4,294)	(3,874)
Amounts issued from the Consolidated Fund for supply but not spent at year end	(1,374)	–
Consolidated Fund extra receipts due to be paid to the Consolidated Fund received	(883)	(2,937)
receivable	–	–
	<b>(10,222)</b>	<b>(10,621)</b>
<b>Amounts falling due after more than one year</b>		
Imputed finance lease element of on-balance sheet PFI contracts	(25,360)	(25,452)
	<b>(25,360)</b>	<b>(25,452)</b>

**16(b) Intra-Government Balances**

	Amounts falling due within one year £000		Amounts falling due After more than one year £000	
	2005-06	2004-05	2005-06	2004-05
Balances with other central government bodies	3,325	3,912	–	–
Balances with local authorities	1	6	–	–
Balances with NHS Trusts	–	–	–	–
Balances with public corporations and trading funds	–	–	–	–
<b>Subtotal: intra-government balances</b>	<b>3,326</b>	<b>3,918</b>	<b>–</b>	<b>–</b>
Balances with bodies external to government	6,896	6,703	25,360	25,452
<b>Total creditors at 31 March</b>	<b>10,222</b>	<b>10,621</b>	<b>25,360</b>	<b>25,452</b>

functions have been transferred to the Lord Chief Justice or have been modified to provide the Lord Chief Justice with a role.

**13.3 Financial Review**

The majority of funding for the Northern Ireland Court Service comes from Parliament through HM Treasury. However, fees from civil court work form a supplementary source of income, and are included in these financial statements as appropriations in aid (AinA). There is a cap on the level of fees that may be retained by the Department; surplus fees are returned to HM Treasury.

It is government policy that the provision of services for civil court proceedings must be self-financing, so the fees earned from this type of work must cover the cost of that provision. Note 10 shows the level of civil court costs, and the associated income generated. In 2005-06 the recovery level was 68%. A review of the civil fee structure has been completed and it is planned that proposals for revised fees will be issued for public consultation during July 2006. A copy of the consultation document will be available on the website.

As in previous years, a large portion of the department's expenditure was allocated to publicly funded legal services, or Legal Aid. The funding of Legal Aid continues to be a pressure on departmental resources. However, the ongoing programme of reform should address this. The administration of publicly funded legal services is carried out by the Northern Ireland Legal Services Commission (NILSC). The NILSC is an executive Non-Departmental Public Body (NDPB), and subject to the relevant government and accounting guidelines. Details of operational and financial performance of the NILSC can be found on their website at [www.nilsc.org.uk](http://www.nilsc.org.uk).

The remainder of the Department's funding is allocated to supporting the administration of justice.

The Statement of Parliamentary Supply on page 23 shows a net outturn of £115,171k compared to the estimate of £120,177k. The main reasons for this variance are as follows:

- £1.8m was required to fund judicial costs which are outside of the Parliamentary vote - see note 3(a);
- £1.4m was required to fund a resource shortfall for the NILSC;
- the balance of the saving arose from careful financial management.

The net cash requirement for 2005-06 was £102,981k compared to the estimate of £109,638k. The variance is largely as a result of the savings outlined above. More detail of the variance can be found in note 4.

Capital expenditure of £6,248k was incurred during the year. This largely consisted of:

- the major refurbishment of the Royal Courts of Justice in Belfast, which was completed during the year; and
- an initial payment was made towards a no data loss contingency solution to ensure continuity of our ICT services.

The Department has begun the process of refreshing their accommodation strategy. The objective of this refresh is to produce a revised strategy that will meet the accommodation needs of the Department for the period 2008-2018.

The continuing development of the Department's Integrated Court Operations System (ICOS) has again been to the forefront of the activities of the finance department over the year. Finance staff were involved in helping

ensure that appropriate financial controls and interfaces were incorporated into the new system. This collaborative approach to system development continues to be a priority. Extensive testing was carried out during the year in preparation for the roll out of the criminal module in 2006-07. As well as improving the efficiency of case management, ICOS will facilitate the payment of fees and fines at any court location throughout Northern Ireland and will also allow fees and fines to be paid using telephony and other electronic channels.

The Northern Ireland Judicial Appointments Commission (NIJAC) was established in June 2005 as an executive NDPB under the provisions of the Justice (Northern Ireland) Act 2002 as amended. The NIJAC is financed by grant in aid. As an executive NDPB, the Commission is subject to the relevant government and accounting guidelines. Further details about the activities of the NIJAC can be found on their website at [www.nijac.org](http://www.nijac.org).

Through the Court Funds Office, the Department administers a banking and investment service for funds deposited in court. Examples of the types of funds include monies held for minors, certain assets of some mental health patients, and payments in court in satisfaction of a claim. A formal review of administrative and investment processes has commenced with the objective of improving the efficiency and effectiveness of this service. The performance of these funds is outside the departmental boundary and further details may be found in the published white paper accounts for Funds in Court in Northern Ireland.

Due to the success of the pilot programme in 2004-05, the Department has commenced a second programme of financial awareness training, leading to a CIPFA accredited Diploma in Management Practice (Financial Skills). This practical based training programme is primarily provided for staff from an operational rather than financial background, and serves a dual purpose of providing a development opportunity and raising awareness of the financial impact of operational decisions. There was a high success rate for those enrolled in the pilot programme.

At the year-end there were no potential environmental liabilities. The Court Service was committed to capital expenditure as detailed in Note 23 to these accounts.



D A Lavery  
Accounting Officer

4 July 2006

### 13. Intangible fixed assets

Intangible fixed assets comprise purchased software licences for the Department.

	2005-06 £000
<b>Cost or valuation</b>	
At 1 April 2005	302
Additions	2
Donations	–
Disposals	–
Revaluations	(17)
<b>At 31 March 2006</b>	<b>287</b>
<b>Amortisation</b>	
At 1 April 2005	98
Charged in year	90
Disposals	–
Revaluations	(5)
<b>At 31 March 2006</b>	<b>183</b>
<b>Net book value at 31 March 2006</b>	<b>104</b>
<b>Net book value at 31 March 2005</b>	<b>204</b>

### 14. Debtors

#### 14(a) Analysis by type

	2005-06 £000	2004-05 £000
<b>Amounts falling due within one year:</b>		
Deposits and advances	7	7
Value Added Tax	903	1,258
Other debtors	894	1,348
Prepayments and accrued income	3,284	3,577
Amounts due from the Consolidated Fund in respect of Supply	–	380
	<b>5,088</b>	<b>6,570</b>

There are no debtor amounts falling due after more than one year.

There are no amounts included within debtors that will be due to the Consolidated Fund once the debts are collected.

#### 14(b) Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2005-06	2004-05	2005-06	2004-05
		£000		£000
Balances with other central government bodies	1,979	2,424	–	–
Balances with local authorities	–	–	–	–
Balances with NHS Trusts	–	–	–	–
Balances with public corporations and trading funds	–	–	–	–
<b>Subtotal: intra-government balances</b>	<b>1,979</b>	<b>2,424</b>	<b>–</b>	<b>–</b>
Balances with bodies external to government	3,109	4,146	–	–
<b>Total debtors at 31 March</b>	<b>5,088</b>	<b>6,570</b>	<b>–</b>	<b>–</b>

## 11. Analysis of net operating cost by spending body

	Estimate	2005-06 £000 Outturn	2004-05 £000 Outturn
<b>Spending body:</b>			
Core department	62,197	58,792	55,189
Legal Services Commission	61,791	62,260	64,960
Judicial Appointments Commission	1,330	1,016	–
Queen's University of Belfast	25	25	25
<b>Net Operating Cost</b>	<b>125,343</b>	<b>122,093</b>	<b>120,174</b>

## 12. Tangible Fixed Assets

	Land and Buildings excluding Dwellings	Information Technology	Plant & Machinery	Furniture & Fittings	Payments on Account & Assets under Construction	Total
	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>						
At 1 April 2005	217,610	10,071	694	2,945	–	231,320
Additions	3,347	1,807	4	202	886	6,246
Donations	–	–	–	–	–	–
Disposals	–	(3)	–	–	–	(3)
Reclassifications	–	–	–	–	–	–
Revaluations	10,959	(554)	(15)	23	–	10,413
<b>At 31 March 2006</b>	<b>231,916</b>	<b>11,321</b>	<b>683</b>	<b>3,170</b>	<b>886</b>	<b>247,976</b>
<b>Depreciation</b>						
At 1 April 2005	29,059	5,633	463	1,379	–	36,534
Charged in year	6,124	2,290	116	249	–	8,779
Disposals	–	(3)	–	–	–	(3)
Reclassifications	–	–	–	–	–	–
Revaluations	1,448	(310)	(10)	11	–	1,139
<b>At 31 March 2006</b>	<b>36,631</b>	<b>7,610</b>	<b>569</b>	<b>1,639</b>	<b>–</b>	<b>46,449</b>
<b>Net book value at 31 March 2006</b>	<b>195,285</b>	<b>3,711</b>	<b>114</b>	<b>1,531</b>	<b>886</b>	<b>201,527</b>
<b>Net book value at 31 March 2005</b>	<b>188,551</b>	<b>4,438</b>	<b>231</b>	<b>1,566</b>	<b>–</b>	<b>194,786</b>
<b>Asset financing</b>						
Owned	163,398	3,711	114	1,531	886	169,640
Finance leased	–	–	–	–	–	–
On-balance sheet PFI contracts	31,887	–	–	–	–	31,887
PFI residual interests	–	–	–	–	–	–
<b>Net book value at 31 March 2006</b>	<b>195,285</b>	<b>3,711</b>	<b>114</b>	<b>1,531</b>	<b>886</b>	<b>201,527</b>

### Notes

Freehold and leasehold land and buildings were valued as at 31 March 2004 by the Valuation and Lands Agency. The valuation was carried out in accordance with the RICS Appraisal and Valuation Manual. All tangible assets were revalued on the basis of indices dated March 2006. Indices for land and buildings were obtained from the Valuation and Lands Agency and those for other assets from the Office for National Statistics: MM17 Price Index Numbers for Current Cost Accounting.

## Remuneration Report

### 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.

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;
- 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.ome.uk.com](http://www.ome.uk.com).

### Service Contracts

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 60. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Staff are appraised annually against a set of competencies and individually targeted objectives. Bonuses, which form only a small percentage of total salaries, are the only form of remuneration subject to performance conditions.

Kevin King, non-executive director, supplies his services under the terms of a two year contract, which commenced on 7 October 2004. He is remunerated by way of a daily attendance fee. As non-executive director, there are no entitlements to pension or other contributions from the Court Service.

Further information about the work of the Civil Service Commissioners can be found at [www.civilservicecommissioners.gov.uk](http://www.civilservicecommissioners.gov.uk).

**Salary and pension entitlements**

The following sections provide details of the remuneration and pension interests of the Ministers and most senior officials of the department.

**Remuneration**

The Department is not responsible for the remuneration of any ministers. Ministerial salaries are accounted for in the financial statements of the Department for Constitutional Affairs.

Name and Title	2005-06		2004-05	
	Salary £000	Benefits in Kind (nearest £100)	Salary £000	Benefits in Kind (nearest £100)
Mr DA Lavery Director	115-120	–	105-110	–
Mr G Keatley Head of Division	Consent to disclosure withheld		60-65	–
Ms HL McAlpine Head of Division	N/A	N/A	70-75	–
Ms G Fee Head of Division	60-65	–	20-25 (55-60 full year equivalent)	–
Mr A Carleton Head of Division	60-65	–	60-65	–
Mr HA Hunter Head of Division (to 15 June 2005)	Consent to disclosure withheld		60-65	–
Ms J Durkin Acting Head of Division (from 19 August 2005)	35-40 (55-60 full year equivalent)	–	N/A	N/A
Mr K King Non Executive Director	10-15	–	15-20	–

**Salary**

'Salary' includes gross salary; performance pay or bonuses; 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 payments made by the Department and thus recorded in these accounts.

**9. Programme Costs**

	Note	2005-06 £000	2004-05 £000
<b>Publicly funded legal services:</b>			
Grant		57,179	58,599
Grant in Aid		5,081	5,599
Criminal Appeals		985	762
<b>NI Judicial Appointments Commission:</b>		1,016	–
Queen's University of Belfast:		25	25
Rentals under operating leases		30	30
Rentals for accommodation		375	360
<b>PFI service charges:</b>			
Off-balance sheet contracts		3,972	3,421
Service element of on-balance sheet contracts		3,577	3,626
<b>Non-cash items</b>			
Depreciation		7,719	6,021
Amortisation		66	56
Cost of capital charges		4,314	4,046
Provision provided for in year	17	2,600	522
		14,699	10,645
<b>Other expenditure</b>		11,960	12,478
<b>Judicial costs (Non-consolidated fund)</b>			
Judicial costs		4,688	4,122
Judicial pensions		2,085	1,913
<b>Consolidated Fund standing services</b>			
Judicial wages and salaries		6,203	5,724
Judicial social security costs		718	664
<b>Total</b>		<b>112,593</b>	<b>107,968</b>

**10. Income**

	2005-06 £000	2004-05 £000
	<b>RfR1</b>	<b>Total</b>
Fees and charges to external customers	17,133	17,133
Fees and charges to other departments	160	160
	<b>17,293</b>	<b>17,293</b>

An analysis of income from services provided to external and public sector customers is as follows:

	2005-06			2004-05		
	Income £000	Full Cost £000	Surplus/ (deficit) £000	Income £000	Full Cost £000	Surplus/ (deficit) £000
Court Service						
-Civil Business	15,691	22,927	(7,236)	16,407	21,134	(4,727)
	<b>15,691</b>	<b>22,927</b>	<b>(7,236)</b>	<b>16,407</b>	<b>21,134</b>	<b>(4,727)</b>

Income shown is in respect of civil fee earning business and has been accounted for in accordance with HM Treasury Fees and Charges Guide.

The Department is committed to achieving full cost recovery for the services it provides in respect of civil court business. The income for 2005-06 represents 68% of cost recovery. Further information on the Civil Fees Review can be found in the Operating and Financial Review.

The contribution rate required from the Judicial Appointing or Administering Bodies to meet the cost of benefits accruing in the year 2005-06 has been assessed as 29.25% of the relevant judicial salaries. This includes an element of 0.25% as a contribution towards the administration costs of the scheme. The valuation as at 31 March 2005 recommends a contribution rate of 30.75% for the year commencing 1 April 2006.

The liability for future payment is not chargeable to the Northern Ireland Court Service but is a charge on the JPS. The Northern Ireland Court Service is unable to identify its share of the underlying assets and liabilities. There is a separate scheme statement for the JPS as a whole and a full actuarial valuation was carried out as at 31 March 2005. Details of the Resource Accounts of the Department for Constitutional Affairs: Judicial Pensions Scheme can be found on the Department for Constitutional Affairs website ([www.dca.gov.uk](http://www.dca.gov.uk)).

#### Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows:

Objective	Total	Permanent staff	Others	Ministers	2005-06	2004-05
					Number Special advisors	Number
1	72	69	3	-	-	75
2	6	6	-	-	-	7
3	19	18	1	-	-	18
4	-	-	-	-	-	7
5	11	11	-	-	-	11
6	1	1	-	-	-	1
7	13	13	-	-	-	50
8	2	2	-	-	-	1
9	540	518	22	-	-	539
10	64	62	2	-	-	60
11	12	12	-	-	-	1
12	2	2	-	-	-	3
13	7	7	-	-	-	14
14	1	1	-	-	-	1
Staff engaged on capital projects	-	-	-	-	-	-
<b>Total</b>	<b>750</b>	<b>722</b>	<b>28</b>	<b>-</b>	<b>-</b>	<b>788</b>

#### 8. Other Administration Costs

	Note	2005-06		2004-05	
		£000	£000	£000	£000
<b>Rentals under operating leases:</b>					
Hire of plant and machinery			15		11
<b>Rentals for accommodation</b>			385		489
<b>Interest charges:</b>					
Finance leases			-		-
On-balance sheet PFI contracts			-		-
<b>PFI service charges</b>					
Off-balance sheet contracts			1,310		1,141
<b>Non cash items:</b>					
Depreciation		1,056		2,341	
Amortisation		24		22	
Profit on disposal of fixed asset		-		(440)	
Permanent diminution in value		256		470	
Cost of capital charge		1,610		1,573	
Auditors' remuneration and expenses		58		61	
Provision provided for in year	17	91		133	
Unwinding of discount on provisions	17	33		36	
			3,128		4,196
<b>Other expenditure</b>			3,100		4,161
<b>TOTAL</b>			<b>7,938</b>		<b>9,998</b>

#### Benefits in kind

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

#### Pension Benefits

Name and title	Real increase in pension and related lump sum at age 60 £000	Accrued Pension at age 60 at 31 March 2006 and related lump sum £000	CETV at 31 March 2006 £000	CETV at 31 March 2005 £000	Real increase in CETV £000	Employer contribution to partnership pension account Nearest £100
Mr DA Lavery Director	0-2.5 plus 2.5-5.0 lump sum	30-35 plus 95-100 lump sum	569	426	15	-
Mr G Keatley Head of Division	Consent to disclosure withheld					
Ms G Fee Head of Division	0-2.5 plus 2.5-5.0 lump sum	5-10 plus 25-30 lumps sum	142	93	13	-
Mr A Carleton Head of Division	0-2.5 plus 0-2.5 lump sum	15-20 plus 50-55 lump sum	266	188	10	-
Mr HA Hunter Head of Division	Consent to disclosure withheld					
Ms J Durkin Acting Head of Division	0-2.5 plus 0-2.5 lump sum	10-15 plus 40-45 lump sum	204	140	9	-

#### Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' 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 (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly in the same way as in classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. 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 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Further details about the Civil Service pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

#### Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Please note that the factors used to calculate the CETV were revised on 1 April 2005 on the advice of the Scheme Actuary. The CETV figure for 31 March 2005 has been restated using the new factors so that it is calculated on the same basis as the CETV figure for 31 March 2006.

#### Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of 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.



D A Lavery  
Accounting Officer

4 July 2006

## 7. Staff Numbers and related costs

Staff Costs comprise:

	Total	Permanently employed staff	Others	Ministers	2005-06 £000 Special Advisers	2004-05 £000 Total
Wages and Salaries	15,297	14,739	558	—	—	15,200
Social Security Costs	969	960	9	—	—	941
Other Pension Costs	2,651	2,651	—	—	—	2,148
<b>Sub Total</b>	<b>18,917</b>	<b>18,350</b>	<b>567</b>	<b>—</b>	<b>—</b>	<b>18,289</b>
Inward secondments	517	517	—	—	—	430
<b>Total costs</b>	<b>19,434</b>	<b>18,867</b>	<b>567</b>	<b>—</b>	<b>—</b>	<b>18,719</b>
Less Recoveries in respect of outward secondments	(579)	(579)	—	—	—	(104)
<b>Total net costs</b>	<b>18,855</b>	<b>18,288</b>	<b>567</b>	<b>—</b>	<b>—</b>	<b>18,615</b>

The Principal Civil Service Pension Schemes (PCSPS) is an unfunded multi-employer defined benefit scheme but the Northern Ireland Court Service is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2005-2006, employers' contributions of £2,567K were payable to the PCSPS (2004/05 - £1,874K) at one of four rates in the range 16.2% – 24.6% (2004-05: 12% to 18.5%) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. Employer contribution rates were revised from 2005-06 and will remain unchanged until 2008-09. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions are age-related and range from 3% to 12.5% (2004-05 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of 0.8% of pensionable pay are 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 these employees. During 2005-06, no employees of the Department opted for a partnership pension account.

The Department is responsible for the administration of an individual personal pension determination in respect of one judicial office-holder. Defined benefits accrue broadly in line with the PCSPS enhanced by one third. The pension provision is unfunded and non-contributory, except in respect of dependants benefits. The amount charged to other pension costs in respect of this scheme during 2005-06 included:

	£000
Current service costs	85
Contributions from judicial office-holder	(2)
<b>Total</b>	<b>83</b>

An actuarial valuation of the determination was completed in April 2006 for the contribution rate and past service liability calculations as at 31 March 2006 by the Government Actuaries Department (GAD). Further details are disclosed at Note 18.

Judicial office holders are mainly covered by the provisions of the Judicial Pensions Scheme. The terms of most of the pension arrangements are set out in (or in some cases are analogous to), the provisions of two Acts of Parliament, the Judicial Pensions Act 1981 and the Judicial Pensions & Retirement Act 1993 (JUPRA).

The Judicial Pension Scheme (JPS) is an unfunded public service scheme, providing pensions and related benefits for members of the judiciary. Participating Judicial Appointing or Administering Bodies make contributions known as accruing superannuation liability charges (ASLCs), to cover the expected cost of benefits under the JPS. ASLCs are assessed regularly by the Scheme's Actuary – The Government Actuary's Department.

#### 4. Reconciliation of resources to cash requirement

	Note	Estimate £000	Outturn £000	Net total outturn compared with estimate: saving/ (excess) £000
<b>Resource Outturn</b>	<b>2</b>	<b>120,177</b>	<b>115,171</b>	<b>5,006</b>
Capital				
Acquisition of fixed assets Investments	12,13	7,000	6,248	752
Non operating A in A				
Proceeds of fixed asset disposals		-	-	-
Accruals adjustments				
Non-cash items		(17,539)	(17,912)	373
Changes in working capital other than cash		-	(1,194)	1,194
Changes in creditors falling due after more than one year	16	-	92	(92)
Use of provision	17	-	576	(576)
Excess cash receipts surrenderable to the Consolidated Fund	5	-	-	-
<b>Net cash requirement</b>		<b>109,638</b>	<b>102,981</b>	<b>6,657</b>

#### 5. Analysis of income payable to the Consolidated Fund

In addition to appropriations in aid, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics):

	Note	Forecast 2005-06 £000		Outturn 2005-06 £000	
		Income	Receipts	Income	Receipts
Operating income and receipts - excess A in A	6	-	-	-	-
Other operating income and receipts not classified as A in A	6	-	-	-	-
Non-operating income and receipts - excess A in A		-	-	-	-
Other non-operating income and receipts not classified as A in A		-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund		5,500	5,500	9,661	9,661
Excess cash surrenderable to the Consolidated Fund		-	-	-	-
<b>Total income payable to the Consolidated Fund</b>		<b>5,500</b>	<b>5,500</b>	<b>9,661</b>	<b>9,661</b>

#### 6. Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

	Note	2005-06 £000	2004-05 £000
Operating income	10	17,293	16,407
Adjustments for transactions between RfRs		-	-
Gross income		17,293	16,407
Income authorised to be appropriated-in-aid		17,293	13,942
<b>Operating income payable to the Consolidated Fund</b>	<b>5</b>	<b>-</b>	<b>2,465</b>

## Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Northern Ireland Court Service ('the Department') to prepare for each financial year, resource accounts detailing the resources acquired, held, or disposed of during the year and the use of resources by the department during the year. 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 of its net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

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

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

HM Treasury has appointed the Director of the Northern Ireland Court Service, being the Permanent Head of Department, as Accounting Officer of the Department. 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 Department's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in Government Accounting.

# Statement on internal control

## Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Northern Ireland Court Service's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting. As Accounting Officer for the sponsoring department of the NI Legal Services Commission (NILSC) and the NI Judicial Appointments Commission (NIJAC), I have designated their Chief Executives as Accounting Officers. The relationship between the Court Service and the NILSC has been formalised in an agreed management statement and financial memorandum; a management statement and financial memorandum for NIJAC was drafted by the Department prior to NIJAC's formation in June 2005 and is with NIJAC for agreement.

## The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Northern Ireland Court Service for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## Capacity to handle risk

Risk management constitutes a standing item on Branch and Divisional meeting agenda and senior managers are required to formally sign off Stewardship Statements for Heads of Division on a quarterly basis, with Heads of Division completing stewardship statements for submission to me on a twice-yearly basis. Risk Management is also considered formally at Management Board meetings through the review of the Corporate Risk Register and Corporate Plan monitoring reports. These reports include a section on attendant risks thus ensuring that risk management has been incorporated fully into the corporate planning and decision-making processes of the Department.

## The risk and control framework

Risks are considered in tandem with objectives at all levels in the organisation and formally reported on Branch, Divisional and Corporate risk registers. Risks are assessed in terms of their probability of occurrence and impact on the achievement of objectives, and scored and reported on accordingly. Responsibility for the management of each risk is assigned and recorded, along with controls in place to mitigate the risk, monitoring arrangements in place, and any action taken or planned in order to enhance the level of control. Risk registers are formally reviewed on a quarterly basis and documentation updated. The updated risk registers record any movement in terms of impact and probability of occurrence.

The Risk Management Committee is responsible for the maintenance and development of the risk management and review processes through, for example, ensuring compliance with the structured quarterly review points

## 1.20 Third Party Assets

The Department holds as custodian or trustee, certain assets belonging to third parties. These are not recognised in the accounts since neither the Department nor Government has a direct beneficial interest in them.

## 1.21 Changes to Estimation Techniques

There were no material changes in estimating techniques introduced during the financial year.

## 2. Analysis of net resource outturn by section

	Admin	Other Current	Grants	Gross resource expenditure	A-in-A	Net Total	Outturn		2004-05 £000
							Net Total	Estimate	
<b>Request for Resources 1</b>									
Supporting the effective and efficient administration of justice in Northern Ireland									
Central Government Spending									
Court and other legal services	12,726	56,437	25	69,188	(17,293)	51,895	57,056	5,161	51,291
Legal Services Commission	-	-	62,260	62,260	-	62,260	61,791	(469)	64,960
Judicial Appointments Commission	-	-	1,016	1,016	-	1,016	1,330	314	-
<b>Total</b>	<b>12,726</b>	<b>56,437</b>	<b>63,301</b>	<b>132,464</b>	<b>(17,293)</b>	<b>115,171</b>	<b>120,177</b>	<b>5,006</b>	<b>116,251</b>
<b>Resource Outturn</b>	<b>12,726</b>	<b>56,437</b>	<b>63,301</b>	<b>132,464</b>	<b>(17,293)</b>	<b>115,171</b>	<b>120,177</b>	<b>5,006</b>	<b>116,251</b>

Detailed explanations of the variances are given in the Management Commentary.

## 3. Reconciliation of outturn to net operating cost and against Administration Budget

### 3(a) Reconciliation of net resource outturn to net operating cost

	Note	Outturn	Supply Estimate	2005-06 £000	2004-05 £000
<b>Net Resource Outturn</b>	<b>2</b>	<b>115,171</b>	<b>120,177</b>	<b>5,006</b>	<b>116,251</b>
Prior Period Adjustments		-	-	-	-
Non-supply income (CFERs)	5	-	-	-	(2,465)
Non-supply expenditure	19	6,922	5,166	(1,756)	6,388
<b>Net operating cost</b>		<b>122,093</b>	<b>125,343</b>	<b>3,250</b>	<b>120,174</b>

### 3(b) Outturn against final Administration Budget

	Budget	2005-06 £000	2004-05 £000
Gross Administration Budget	21,256	12,726	15,443
Income allowable against the Administration Budget	-	-	-
<b>Net outturn against final Administration Budget</b>	<b>21,256</b>	<b>12,726</b>	<b>15,443</b>

### 1.11 Operating Leases

Rentals under operating leases are charged to the operating cost statement on a straight line basis over the lease term.

### 1.12 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Schemes that are described at Note 7. The defined benefit elements of the schemes are unfunded and are non-contributory, except in respect of dependants' benefits. The Department recognises the expected cost of these elements on a systematic and rational basis, over the period during which it benefits from employees' services, by payment to the Principal Civil Service Pension Schemes (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the department recognises the contributions payable for the year.

The Department is responsible for the administration of an individual personal pension in respect of one judicial office-holder. The defined benefit element of the pension is unfunded and non-contributory, except in respect of dependants' benefits. In 2005-06, the Department has recognised the expected cost of benefits accruing, arising from services received from the judicial office-holder in the current year.

### 1.13 Early Departure Costs

The Department meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the 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 the Department, by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.2% in real terms.

Pension liabilities may arise in respect of provisions for lump sum early departure costs and the balance of any unpaid ASLC. Such liabilities will normally be disclosed within creditors (falling due within one year).

### 1.14 Value Added Tax (VAT)

Most of the activities of the Department are outside the scope of VAT; 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 cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

### 1.15 Private Finance Initiative (PFI) Transactions.

PFI transactions have been accounted for in accordance with Technical Note No.1 (Revised), entitled "How to account for PFI Transactions", as required by the FReM. Where the balance of the risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI payments are recorded as an operating cost. Where the Department has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract.

Where the balance of risks and rewards of ownership of the PFI property is borne by the Department, the property is recognised as a fixed asset and the liability to pay for it is accounted for as a finance lease. Contract payments are apportioned between an imputed finance lease charge and a service charge.

Further details of current ongoing agreements are shown in Note 25 to the accounts.

### 1.16 Grants Payable

Grants payable are recorded as expenditure in the period that the underlying event or activity giving entitlement to the grant occurs. Receipt of a claim for funding acts as the underlying event in normal circumstances.

### 1.17 Provisions

The Department provides for legal or constructive obligations, which are of uncertain timing or amount at the balance sheet date, on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury (currently 2.2%).

### 1.18 Post Balance Sheet events / Prior year adjustments

There were no material post balance sheet events, nor prior year adjustments, for the year ended 31 March 2006.

### 1.19 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, the Department discloses for parliamentary reporting and accountability purposes, certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Government Accounting.

Where the time value of money is material, contingent liabilities, which are required to be disclosed under FRS 12, are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

and twice yearly formal stewardship reporting in order to ensure continued alignment with planning and monitoring at corporate, divisional and branch level. In challenging risks identified by executive management the Committee ensures that there is ongoing consideration of the impact of both external and internal initiatives on the planned work of the Department. The Committee is required to submit regular reports for consideration by the Audit Committee and to be in attendance to provide briefings in respect of relevant agenda items.

### Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. The Board receives regular reports from the Audit Committee concerning internal control, risk and governance. At the end of the reporting period, Heads of Division reviewed the stewardship statements completed by Business Managers in order to create a series of divisional statements from which I have been able to take assurance in respect of the management of risk and the achievement of objectives.

The Department has an Internal Audit Service which operates to the Government Internal Audit Standards. It submits regular reports, including an independent opinion by the Head of Internal Audit on the adequacy and effectiveness of the Department's system of risk management, control and governance.

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Northern Ireland Court Service who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. The review processes outlined ensure that there is continuous improvement in the system of internal control.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Internal control weaknesses in the NILSC are being addressed systematically through Public Legal Services Division (PLSD) and through a recently initiated formal schedule of Accounting Officer meetings between me and NILSC's Chief Executive. It is also noted that the audit of the NILSC's annual accounts in respect of 2003-04 and 2004-05 is ongoing and is likely to be concluded by Autumn 2006. Steps are in hand to regularise the production of the accounts going forward. PLSD is working with the NILSC and the auditors in monitoring the progress of the audit and the development of the NILSC's framework of internal control.

The circumstances surrounding the participation of two Court Service officials in a sailing holiday at the invitation of a prominent contractor are currently being investigated by the PSNI and an independent investigation. Pending the outcome of these investigations the two officers are on precautionary suspension. The independent investigation has produced interim reports containing recommendations which have been accepted and implemented. This has resulted in the adoption of a revised Gifts and Hospitality Policy which is consistent with best practice in the public sector and the formal outsourcing of the procurement of goods and

services in excess of £10,000 to the Northern Ireland Office. Neither of the investigations have reached their conclusion but it is expected that they will conclude in the course of the incoming year. Once the independent investigation has concluded a final report will issue and an action plan will be devised at that stage to implement any recommendations, if applicable.

The Comptroller and Auditor General has raised the issue of an increasing deficit in civil fees cost recovery in his 2003-04 and 2004-05 audits and this is being addressed through a working group which plans to issue a draft policy addressing these concerns for public consultation during July 2006.



D A Lavery  
Accounting Officer

4 July 2006

#### 1.4 Intangible Fixed Assets

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of £1,000 or more is incurred. Software licences are amortised over the shorter of the term of the licence and the useful economic life.

#### 1.5 Intangible Assets – Software licences

Tangible fixed assets are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. Assets in the course of construction are depreciated from the point at which the asset is brought into use. A further adjustment is made for any backlog depreciation arising from the Treasury requirement to value fixed assets by reference to current costs. No depreciation is provided on freehold land since it has unlimited or very long estimated useful life.

Useful lives are normally in the following ranges:

Land	- Freehold	Not depreciated
	- Leasehold	Not depreciated
Buildings	- Freehold	Individually assessed
	- Leasehold	Period of lease
Furniture and Fittings		10 years
Plant and machinery		5 years
Computer equipment		3-7 years
Intangible Assets – Software licences		3 years
Computer Software		3 years
Motor vehicles		3 years
Antiques (non-operational)		Not depreciated

Additions to fixed assets will be depreciated from the month of acquisition where material. Disposals from fixed assets will not be depreciated in the month of disposal.

#### 1.6 Donated Assets

Donated tangible fixed assets are capitalised at their current value on receipt, and this value is credited to the donated asset reserve. Subsequent revaluations are also taken to this reserve. Each year, an amount equal to the depreciation charge on the asset is released from the donated asset reserve to the operating cost statement.

#### 1.7 Stocks

Stocks of consumable stores held by the Department are not considered material and are written off in the operating cost statement as they are purchased.

Assets seized by the Enforcement of Judgments Office are not included in stocks on the basis that they are not owned by the Department, but are held for resale in settlement of third party creditors. Third party assets held by the Enforcement of Judgments Office at the year-end are disclosed in Note 31.

#### 1.8 Operating Income

Operating income is income that relates directly to the operating activities of the Department. Operating income comprises fees and charges for services provided to external customers, rents receivable, and miscellaneous receipts. It includes operating income appropriated-in-aid of the Estimate.

Income is accrued and accounted for in the period in which it is earned in the operating cost statement. Operating income is stated net of VAT.

#### 1.9 Administration and Programme Expenditure

The Operating Cost Statement is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set by HM Treasury.

#### 1.10 Capital Charge

A charge, reflecting the cost of capital utilised by the Department, is included in operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities except for:

- tangible and intangible fixed assets where the cost of capital charge is based on opening values, adjusted pro rata for in-year:
  - additions at cost
  - disposals as valued in the opening balance sheet (plus any subsequent capital expenditure prior to disposal)
  - impairments at the amount of the reduction of the opening balance sheet value (plus any subsequent capital expenditure)
  - depreciation of tangible and amortisation of intangible fixed assets.
- amounts to be surrendered to the Consolidated Fund, cash balances with the Office of the Paymaster General and donated assets, where the charge is nil.

## Notes to the Departmental Resource Accounts

### 1.0 Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2005–2006 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

In addition to the primary statements prepared under UK GAAP, the FReM also requires the Department to prepare two additional primary statements. The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The Statement of Operating Cost by Departmental Aim and Objectives and supporting notes analyse the Department's income and expenditure by the objectives agreed with Ministers.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The Department's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

### 1.1 Accounting Convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets.

### 1.2 Basis of Consolidation

These accounts incorporate the core activity of the Department.

The Department sponsors two executive non-departmental public bodies (NDPB's). These are the Northern Ireland Legal Services Commission (NILSC) and the Northern Ireland Judicial Appointments Commission (NIJAC). These have been excluded from the Departmental boundary for the purposes of these resource accounts.

The NILSC was established on 1 November 2003 to operate the legal aid system, a function previously performed by the Legal Aid Department (LAD).

The NIJAC was established on 15 June 2005 to reform the system for the appointment of members of the judiciary and tribunals.

The funds invested by the Court Funds Office (Funds in Court) are specifically excluded from the departmental accounts following HM Treasury guidance. Third party monies are similarly excluded. The funds held on behalf of third parties by the Court Funds Office are detailed in Note 30.

Financial information about the Northern Ireland Legal Services Commission, the Northern Ireland Judicial Appointments Commission and the Funds in Court may be obtained from their separately published annual accounts.

### 1.3 Tangible Fixed Assets

The Department holds title to the freehold and leasehold land and buildings shown in the accounts.

Freehold and leasehold land has been included within the balance sheet on the basis of open market value for existing use. Due to the specialised nature of courthouses they are included within the balance sheet at depreciated replacement cost. Other buildings are included within the balance sheet on the basis of existing use value. Land and buildings surplus to requirements are valued on the basis of open market value less any directly attributable selling costs. Antiques are professionally valued every five years. All other assets are included at depreciated replacement cost.

Professional valuations of land and buildings take place at least once every five years in accordance with FRS 15 and appropriate indices are applied to revalue in intervening years. Land and buildings were valued by the Valuation and Lands Agency of the Department of Finance and Personnel at 31 March 2004. Indices used to update land and buildings were provided by the Valuation and Lands Agency.

Other tangible fixed assets have been stated at their value to the business by reference to Office of National Statistics (ONS) indices. The indices for other tangible fixed assets were obtained from ONS MM17 Price Index Numbers for Current Cost Accounting as at March 2006.

Assets costing more than the prescribed capitalisation level of £1,000 are treated as capital assets. For furniture and certain categories of printers the individual assets are recorded on a pooled basis.

## 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 Northern Ireland Court Service for the year ended 31 March 2006 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the Statement of Operating Costs by Departmental Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out on within them.

### Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual Report and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 18 to 20 reflects the Department's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only of the Annual Report (including management commentary) and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

**Basis of audit opinion**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

**Opinion**

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Department's affairs as at 31 March 2006 and the net cash requirement, net resource outturn, resources applied to objectives, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn  
Comptroller and Auditor General

14 July 2006

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

## Statement of Operating Costs by Departmental Aim and Objectives

for the year ended 31 March 2006

Aim	2005-06 £000			2004-05 £000		
	Gross	Income	Net	Gross	Income	Net
Objective 1	6,295	110	6,185	5,936	125	5,811
Objective 2	527	8	519	590	14	576
Objective 3	1,660	19	1,641	1,359	7	1,352
Objective 4	28	-	28	576	-	576
Objective 5	955	8	947	826	2	824
Objective 6	109	-	109	114	-	114
Objective 7	1,172	35	1,137	3,925	41	3,884
Objective 8	143	1	142	43	1	42
Objective 9	63,086	16,533	46,553	57,177	15,612	41,565
Objective 10	5,538	7	5,531	4,633	24	4,609
Objective 11	1,506	441	1,065	593	486	107
Objective 12	170	-	170	206	-	206
Objective 13	770	131	639	1,159	95	1,064
Objective 14	48	-	48	83	-	83
Publicly funded legal services	57,379	-	57,379	59,361	-	59,361
<b>Net Operating Costs</b>	<b>139,386</b>	<b>17,293</b>	<b>122,093</b>	<b>136,581</b>	<b>16,407</b>	<b>120,174</b>

Objective 1  
Objective 2  
Objective 3  
Objective 4  
Objective 5  
Objective 6  
Objective 7  
Objective 8  
Objective 9  
Objective 10

Objective 11  
Objective 12  
Objective 13  
Objective 14

See note 22

To promote confidence in the Criminal Justice System  
To promote a modern and efficient Civil Justice System  
To reform publicly funded legal services  
To modernise the Coroners' Service  
To deliver e-business and give effect to the Government's modernisation targets  
To improve value for money in service delivery  
To improve corporate governance  
To improve the management of funds in Court  
To increase the efficiency of case management  
To support the Northern Ireland Legal Services Commission to improve the targeting and efficiency of publicly funded legal services  
To improve customer service  
To become a more community facing organisation  
To have the right staff with the right skills  
To achieve a workforce that is reflective of the community it serves

## Cash Flow Statement for the year ended 31 March 2006

	Note	2005-06 £000	2004-05 £000
Net cash outflow from operating activities	21(a)	(103,655)	(106,805)
Capital expenditure and financial investment	21(b)	(6,248)	(6,948)
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		9,661	9,673
Payments of amounts due to the Consolidated Fund		(11,715)	(9,838)
Financing	21(d)	111,657	115,006
<b>Increase/(decrease) in cash in the period</b>	<b>21(e)</b>	<b>(300)</b>	<b>1,088</b>

## Statement of Parliamentary Supply

### Summary of Resource Outturn 2005-06

Request for Resources 1	Note 2	Estimate			Outturn			2005-06 £000	2004-05 £000
		Gross Expenditure	A in A	Net Total	Gross Expenditure	A in A	Net Total		
		138,177	(18,000)	120,177	132,464	(17,293)	115,171		
<b>Total Resources</b>	<b>3</b>	<b>138,177</b>	<b>(18,000)</b>	<b>120,177</b>	<b>132,464</b>	<b>(17,293)</b>	<b>115,171</b>	<b>5,006</b>	<b>116,251</b>
Non-operating cost A in A		-	-	-	-	-	-	-	(740)

### Net cash requirement 2005-06

	Note 4	Estimate	Outturn	2005-06 £000	2004-05 £000
Net cash requirement		109,638	102,981	6,657	109,328

### Summary of income payable to the Consolidated Fund.

In addition to appropriations in aid, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics)

Note	Income	Forecast 2005-06 £000 Receipts	Income	Outturn 2005-06 £000 Receipts
Excess appropriations-in-aid	-	-	-	-
Court imposed fines	5,150	5,150	5,970	5,970
Externally imposed fines	-	-	3,441	3,441
Other miscellaneous	350	350	250	250
<b>Total</b>	<b>5</b>	<b>5,500</b>	<b>9,661</b>	<b>9,661</b>

Explanations of variances between Estimate and outturn are given in the Management Commentary.

The Department accepts payment for fines imposed in the Magistrates and Crown courts for onward transmission to the Consolidated Fund. Fines imposed in court can be cleared either by payment or by means other than payment, including committal to prison. Fines are deemed to be outside the scope of the Department's activities until paid. On collection of fines the receipts are accounted for as a creditor to the Consolidated Fund until paid over. For 2005-06, the balance of fines outstanding was:

	£000
<b>Court imposed Fines</b>	
Balance at 31 March 2005	6,419
Amounts imposed	8,409
Fines cleared by payment	(5,970)
Fines cleared by means other than payment	(2,455)
<b>Balance at 31 March 2006</b>	<b>6,403</b>

## Operating Cost Statement for the year ended 31 March 2006

			2005-06 £000	2004-05 £000
	Note	Staff Costs	Other Costs	Income
<b>Administration Costs</b>				
Staff costs	7	4,788		5,445
Other administration costs	8		7,938	9,998
Operating income	10			(17,293) (16,407)
<b>Programme costs Request for Resources 1</b>				
Staff costs	7	14,067		13,170
Programme costs	9		112,593	107,968
Income				- -
<b>Totals</b>		<b>18,855</b>	<b>120,531</b>	<b>(17,293) 120,174</b>
<b>Net Operating Cost</b>	<b>3 &amp; 11</b>			<b>122,093 120,174</b>

## Statement of Recognised Gains and Losses for the year ended 31 March 2006

	2005-06 £000	2004-05 £000
Net gain/(loss) on revaluation of tangible fixed assets	9,518	14,674
Net gain/(loss) on revaluation of intangible fixed assets	-	-
Receipt of donated assets	-	-
<b>Recognised gains and losses for the financial year</b>	<b>9,518</b>	<b>14,674</b>

## Balance Sheet as at 31 March 2006

	Note	2005-06 £000	2004-05 £000
<b>Fixed Assets</b>			
Tangible assets	12	201,527	194,786
Intangible assets	13	104	204
Investments		-	-
Debtors falling due after more than one year		-	-
<b>Current Assets</b>			
Stocks		-	-
Debtors	14(a)	5,088	6,570
Cash at bank and in hand	15	2,257	2,557
		<b>7,345</b>	<b>9,127</b>
Creditors (amounts falling due within one year)	16(a)	(10,222)	(10,621)
<b>Net current assets</b>		<b>(2,877)</b>	<b>(1,494)</b>
<b>Total assets less current liabilities</b>		<b>198,754</b>	<b>193,496</b>
Creditors (amounts falling due after more than one year)	16(a)	(25,360)	(25,452)
Provisions for liabilities and charges	17	(3,067)	(1,107)
Pension liability	18	(367)	(282)
		<b>169,960</b>	<b>166,655</b>
<b>Taxpayers' Equity</b>			
General fund	19	82,726	88,934
Revaluation reserve	20(a)	87,212	77,694
Donated asset reserve	20(b)	22	27
		<b>169,960</b>	<b>166,655</b>



D A Lavery  
Accounting Officer

4 July 2006