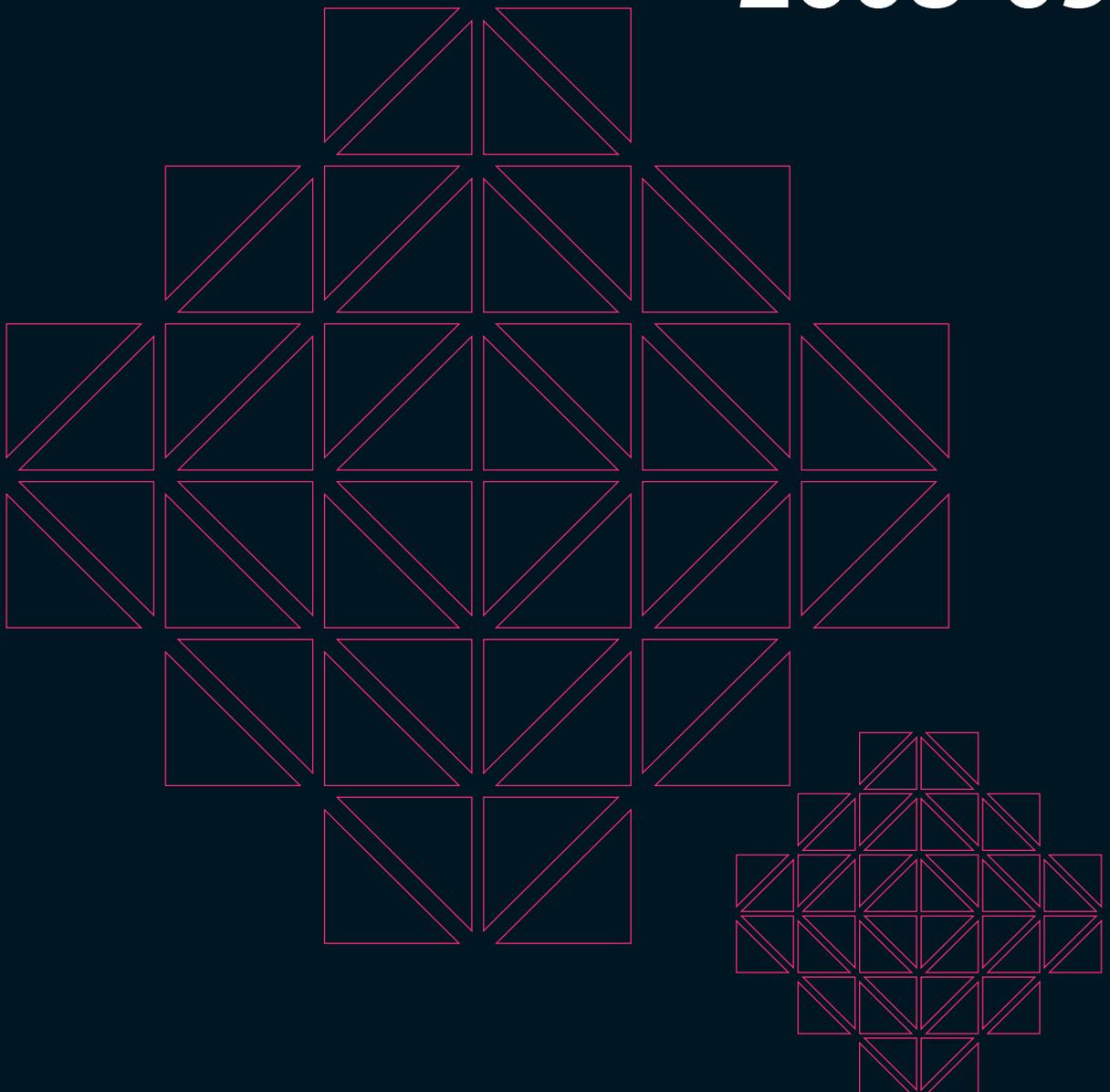




Ministry of
JUSTICE

Resource Accounts

2008-09



Presented pursuant to the
Government Resources and Accounts Act 2000, c.20, s.6 (4)

Ministry of Justice Resource Accounts 2008-09

(For the year ended 31 March 2009)

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Annual Report

Scope

The Annual Report and Accounts report the results of the Ministry of Justice (MoJ), the Scotland Office and the Wales Office for the year ended 31 March 2009.

Principal Activities

MoJ was created on 9 May 2007 to bring together, for the first time, responsibility for the justice system – the courts, prisons and probation services. It is responsible for upholding justice, rights and democracy and works to protect the public and reduce reoffending by providing a more effective, transparent and responsive criminal justice system, with fair and simple routes to civil and family justice in England and Wales. It is also responsible for reforming and safeguarding the constitution so that it serves the public effectively.

The Scotland Office and Wales Office are responsible for promoting the devolution settlement and representing the interests of Scotland and Wales respectively within the UK Government. The accounts attached to this report reflect their administrative functions and include the block grants payable to the Scottish Government and the Welsh Assembly Government.

For the purposes of resource accounts, and in accordance with HM Treasury requirements, the “core department” results reflect the activities of MoJ headquarters and associated offices, and the Scotland Office and Wales Office.

Associated offices are controlled and monitored by the Ministry. Whilst some report financial performance in separate annual reports, only the Office of the Legal Services Ombudsman (OLSO) and the Office of the Legal Services Complaints Commissioner (OLSCC) prepare separate statutory accounts that are audited by the Comptroller and Auditor General.

The “consolidated department” results include, in addition, the Ministry’s four executive agencies who publish their own separate accounts: the national Offender Management Service (NOMS); Her Majesty’s Courts Service (HMCS), the Tribunals Service and the Office of the Public Guardian. Decisions relating to the day-to-day running of the agencies remain the responsibility of their individual Chief Executives.

As detailed in note 38 to the accounts, there have been a number of changes in function between the core department and the consolidated department during 2008-09 which have, in accordance with rules on merger accounting, meant that prior year figures for the core department have been re-stated to present results as if the current organisation of functions had always existed.

The main change has been the creation of NOMS as a new executive agency with effect from April 2008. NOMS combines the former HM Prison Service (HMPS) agency, the National Probation Service (NPS) and some other functions previously within MoJ headquarters. The NPS consisted in 2008-09 of 42 Probation areas managed through 36 local Probation Boards and 6 new Probation Trusts, beginning a process that will gradually see Boards acquiring Trust status. The results of Boards and Trusts are all consolidated into the NOMS agency accounts and, in turn, into the consolidated resource accounts. In accordance with Schedule 1, paragraph 17(4) of the Criminal

Justice and Court Services Act 2000, the 36 Probation Boards also publish separate consolidated accounts as the National Probation Service.

Business area	Responsibility
Ministry of Justice Headquarters (MoJ HQ)	<p>Responsible for supporting Ministers in policy, funding and regulatory functions, as well as providing key services to intra-departmental entities.</p> <p>Headquarters include the Office for Criminal Justice Reform (OCJR). OCJR is hosted by the Ministry of Justice and works trilaterally with the three Criminal Justice System departments: the Ministry of Justice, the Home Office, and the Attorney General's Office. The OCJR supports all criminal justice agencies in working together to provide an improved service to the public.</p>
Executive Agencies and Other Bodies:	
National Offender Management Service (NOMS)	<p>Responsible for the administration of correctional services in England and Wales, through the prison and probation systems.</p> <p>The prison system exists to protect the public by keeping in custody offenders committed by the courts in England and Wales. It aims to do so by treating prisoners with humanity and helping them lead law-abiding and useful lives in custody and after release.</p> <p>Probation services are delivered through a local network of 42 Probation Boards and Trusts.</p>
Her Majesty's Courts Service (HMCS)	<p>Responsible for the administration of the court system (including Magistrates' Courts) in England and Wales.</p>
Tribunals Service	<p>Provides common administrative support to the main central government tribunals.</p>
Office of the Public Guardian (OPG) (from 1 October 2007)	<p>Supports and promotes decision making for those who lack capacity or would like to plan for their future, within the framework of the <i>Mental Capacity Act 2005</i>.</p>

Business area	Responsibility
Associated Offices:	<p>Court Funds Office</p> <p>Official Solicitor and Public Trustee</p> <p>Office of the Legal Services Ombudsman</p> <p>Office of the Legal Services Complaints Commissioner</p> <p>HM Inspectorate of Court Administration</p> <p>HM Inspectorate of Prisons</p> <p>HM Inspectorate of Probation</p> <p>Assessor for Compensation for Miscarriages of Justice</p> <p>Administrative Justice and Tribunals Council</p> <p>Office of the Judge Advocate General</p> <p>Judicial Appointments and Conduct Ombudsman</p> <p>Office for Judicial Complaints</p> <p>Directorate of Judicial Offices for England and Wales (incorporating the Judicial Office, the Judicial Communications Office and the Judicial Studies Board)</p> <p>Boundary Commission for England</p> <p>Law Commission</p>

Entities within the accounting boundary of the Ministry of Justice

Scotland	Responsibility
Scotland Office	Oversees the effective operation of the devolution settlement in Scotland and representing the interest of Scotland within the UK Government.
Office of the Advocate General for Scotland	Provides legal advice and services to the UK Government, particularly in relation to Scottish law and the Scottish devolution settlement.

Wales	Responsibility
Wales Office	Supports the Secretary of State in discharging his role of representing Wales in the UK Government, representing the UK Government in Wales and ensuring the smooth working of the devolution settlement in Wales.

Entities outside the accounting boundary of the Ministry of Justice

The Ministry has lead responsibility within central government for sponsorship of the following entities:

Executive Non Departmental Public Bodies (NDPBs)	Responsibility
Legal Services Commission (LSC)	Oversees the administration of legal aid in England and Wales.
Youth Justice Board for England and Wales (YJB)	Administers the youth justice system in England and Wales, jointly with the Department for Children, Schools and Families (DCSF).
The Parole Board for England and Wales	Works with its criminal justice partners to protect the public by risk assessing prisoners to decide whether they can be safely released into the community.
Criminal Injuries Compensation Authority (CICA)	Administers the Criminal Injuries Compensation Scheme throughout England, Scotland and Wales, paying compensation to eligible applicants who have been the victim of a violent crime.
Criminal Cases Review Commission (CCRC)	Investigates possible miscarriages of justice in England, Wales and Northern Ireland.
Information Commissioner's Office (ICO)	Reports to Parliament on aspects of data protection and freedom of information.
Judicial Appointments Commission (JAC)	Selects judicial office holders on merit and independently of government through fair and open competition.
Legal Services Board (LSB)	A new public body, established on 1st January 2009 under the <i>Legal Services Act 2007</i> . It will establish a new regulatory framework to oversee approved regulators and licensing authorities in the legal sector such as the Solicitors' Regulatory Authority and the Bar Standards Board, and will be fully operational by early 2010.

All eight executive Non-Departmental Public Bodies fall outside the accounting boundary and prepare separate accounts that are audited by the Comptroller and Auditor General.

Advisory Non Departmental Public Bodies (NDPBs) and other entities

The Ministry sponsors a number of advisory NDPBs and other bodies. Details of these can be found at: <http://www.justice.gov.uk/about/agencies-and-organisations.htm>

Additionally, three sister Government departments, the Northern Ireland Court Service, HM Land Registry and the National Archives, also report to the Lord Chancellor and Secretary of State for Justice. Each of these has a separate Parliamentary Estimate and prepares separate accounts.

Ministers, Senior Officials and report on the operation of the Boards

The following Ministers were responsible for MoJ headquarters, associated offices and executive agencies during 2008-09.

Ministers	Tenure
Rt Hon. Jack Straw MP Secretary of State and Lord Chancellor	Full year
Rt Hon. David Hanson MP Minister of State	Full year
Rt Hon. Michael Wills MP Minister of State	Full year
Bridget Prentice MP Parliamentary Under Secretary	Full year
Lord Hunt of Kings Heath OBE Parliamentary Under Secretary	To 5 October 2008
Lord Bach Parliamentary Under Secretary	From 9 October 2008
Maria Eagle MP Parliamentary Under Secretary	Full year
Shahid Malik MP Parliamentary Under Secretary	From 5 October 2008 to 15 May 2009

Whilst the administrative functions of the Scotland Office and the Wales Office lay with MoJ, responsibility for the relationship between Westminster and the devolved administrations in Edinburgh and Cardiff remain with, respectively, the Secretary of State for Scotland and the Secretary of State for Wales.

The Secretary of State for Scotland, the Parliamentary Under Secretary for Scotland and the Advocate General for Scotland are Ministers of the Ministry for administrative purposes but, unlike other Ministers, they do not report to the Lord Chancellor and Secretary of State for Justice. The Parliamentary Under Secretary for Scotland reports directly to the Secretary of State for Scotland. As a Law Officer of the Crown, the Advocate General works closely with the Attorney General and Solicitor General for England and Wales. The Advocate General is accountable directly to Parliament for the work of his Office.

Similarly, the Secretary of State for Wales and the Parliamentary Under Secretary for Wales are also Ministers of the MoJ for administrative purposes. The Parliamentary Secretary of State for Wales reports directly to the Secretary of State for Wales.

The following Ministers served in the Scotland Office and Wales Office during 2008-09:

Ministers	Tenure
Rt Hon. Des Browne MP, Secretary of State for Scotland	To 4 October 2008
Rt Hon. Jim Murphy MP, Secretary of State for Scotland	From 4 October 2008
Lord Davidson of Glen Clova QC, Advocate General for Scotland	Full year
David Cairns MP, Minister of State for Scotland	To 16 September 2008
Ann McKechin MP, Parliamentary Under Secretary for Scotland	From 17 September 2008
Rt Hon. Paul Murphy MP, Secretary of State for Wales	Full year – left 5 June 2009
Huw Irranca-Davies MP, Parliamentary Under Secretary for Wales	To 5 October 2008
Wayne David MP, Parliamentary Under Secretary for Wales	From 5 October 2008

The Departmental Boards

The Corporate Management Board

Membership of the Board

On 1 April 2008, the Corporate Management Board (CMB) replaced the Departmental Management Board. Membership of CMB during 2008-09 comprised:

Board Member	Tenure
Suma Chakrabarti, Permanent Secretary	Full year
Ursula Brennan, Deputy Permanent Secretary and Director General Corporate Performance	To 30 September 2008
Carolyn Downs, Deputy Permanent Secretary and Director General Corporate Performance	From 5 January 2009, and previously, Non-executive Director (from 21 April 2008 to 4 January 2009)
Rowena Collins-Rice, Director General Democracy, Constitution and Law and Chief Legal Advisor	Full year

Board Member	Tenure
Helen Edwards, Director General Criminal Justice from 1 April 2008 to 30 September 2008 and 5 January 2009 to 31 March 2009 Interim Deputy Permanent Secretary & Director General Corporate Performance from 1 October 2008 to 4 January 2009	Full year
Peter Handcock CBE, Director General Access to Justice	Full year (from 1 April 2008)
Marco Pierleoni, Director General Finance and Commercial	Full year
Beverley Shears, Director General Human Resources	Full year – left CMB on 31 March 2009
Phil Wheatley CB, Director General National Offender Management Service	Full year
Jonathan Slater, Director General Business Transformation from 26 January 2009, and previously, interim Director General Criminal Justice from 30 September 2008 to 5 January 2009	From 30 September 2008 to 5 January 2009 and then from 26 January 2009
Anne Bulford, Non-executive Director and Chair of the Audit Committee	From 21 April 2008
David MacLeod, Non-executive Director	From 21 April 2008
Georges Selim, Non-executive Director	To 9 April 2008

Responsibilities of the Board

The Corporate Management Board exists to protect and enhance the reputation of the Ministry of Justice. It does so by providing direction and managing performance in policy and operational delivery in the Ministry of Justice. Its key role is to set the vision for MoJ, manage strategic challenges, determine resource allocations, deliver organisational capability and monitor performance.

The Board is a corporate body. It operates within a framework of strategy and policy agreed with the Secretary of State for Justice and Lord Chancellor. Its members take decisions collectively and not as representatives of the business areas which they lead.

The Audit Committee

Membership:

Membership of the Audit Committee comprised: Anne Bulford (Chair of the Committee and non-executive member of the Corporate Management Board) and two independent non-executives, James Turner and Jane Tozer MBE. Anne Bulford replaced Professor Georges Selim on 21 April 2008.

Responsibilities:

The Corporate Audit Committee is an advisory body. It supports the Permanent Secretary, as Principal Accounting Officer, and the Corporate Management Board (CMB) in their responsibilities for issues of risk, control and governance by reviewing the comprehensiveness, reliability and

integrity of assurances underpinning the system of internal control and risk management. The terms of reference for the Committee are informed by the guidance set out in the *Treasury Audit Committee Handbook for Audit Committees in Central Government bodies*.

The Corporate Audit Committee advises the Principal Accounting Officer and CMB on the:

- processes for risk management, control and governance and the Statement on Internal Control;
- accounting policies and accounts for the Ministry;
- planned activity and results of both internal audit and external audit;
- adequacy of management responses to issues identified by audit activity including external audit's management letter;
- assurances relating to the Ministry's corporate governance requirements; and,
- anti-fraud policies, whistle blowing processes, and arrangements for special investigation.

Senior Management

The Permanent Secretary is appointed by the Prime Minister for an indefinite period under the terms of the Senior Civil Service contract. The other members of the Corporate Management Board are appointed by the Permanent Secretary. These appointments are also for an indefinite period, except for Marco Pierleoni, who is employed on a fixed term Senior Civil Service contract. The rules of termination for all official level members of both boards are set out in Chapter 11 of the *Civil Service Management Code*.

The Scotland Office and the Wales Office

The Scotland Office and the Wales Office retained their own separate Heads of Department and Accounting Officers throughout 2008-09. Both reported directly to their respective Ministers.

Board Member	Tenure
David Middleton, Head of the Scotland Office	To 5 February 2009
Alisdair McIntosh, Head of the Scotland Office	On loan from Scottish Government from 9 March 2009
Alan Cogbill, Head of the Wales Office	Full year
David Crawley, Non-executive Director and Audit Committee Chair, Wales Office	Full year
Ian Summers, Non-Executive Director, Wales Office	Full year

The Ministry's Relationship with its Non Departmental Public Bodies

Throughout 2008-09 the Ministry sponsored eight executive Non-Departmental Public Bodies (NDPBs): the Legal Services Commission, the Youth Justice Board for England and Wales, the Parole Board of England and Wales, the Criminal Injuries Compensation Authority, the Criminal Cases Review Commission, the Information Commissioner's Office, the Judicial Appointments Commission and the Legal Services Board. Each NDPB is a special purpose vehicle which plays a key role in the delivery of MoJ's objectives. The Ministry is committed to the maintenance of sound working relationships with all eight bodies which are managed through the following mechanisms:

- Each NDPB has a Sponsor Unit in MoJ headquarters which is responsible for general oversight of the NDPB and reporting its performance to the Treasury. Sponsor Units meet regularly with each NDPB, provide advice and support, approve strategy, financial and delivery plans and monitor operational and financial performance.
- The purpose of the NDPB, its governance and accountability arrangements and the respective management and financial responsibilities of the NDPB and Ministry are formalised in a Framework Agreement, a Financial Memorandum and a Management Statement which are agreed with the Sponsor Unit.
- The Chief Executive and Accounting Officer of each NDPB, together with the Sponsor Unit, advises Ministers and the MoJ Permanent Secretary (in his role as Departmental Accounting Officer) on the strategic direction of the NDPB in the context of wider departmental and cross government objectives.
- The performance of each NDPB in supporting the delivery of Ministers' strategy and policy priorities are reported regularly to the Ministry throughout the year and reviewed, usually quarterly, by the MoJ Permanent Secretary with the Chief Executive and, where applicable, the Chair of the NDPB and senior departmental sponsors
- NDPBs are funded by MoJ through grant-in-aid. The Youth Justice Board also receives a significant contribution from the Department for Children, Schools and Families.

Management Commentary

The central Ministry was responsible for £10.3bn of public spending in the financial year, under the category of Request for Resources 1 (RfR 1) within Parliamentary Supply Estimates (Spring Supplementary Estimate). The use of these resources is reported in the Consolidated Statement of Operating Costs by Departmental Aims and Objectives on page 69 of these accounts. Aligning with the four main business groups, the new Departmental Strategic Objectives for 2008-09 are:

1. Strengthen democracy, rights and responsibilities
2. Deliver fair and simple routes to civil and family justice
3. Protect the public and reduce reoffending
4. Ensure a more effective, transparent and responsive criminal justice system for victims and the public

The *Comprehensive Spending Review 2007* set Public Service Agreements for the key priority outcomes that the Government wants to achieve in the period 2008-11. From 2008-09, all PSA targets are now government-wide and cross departmental boundaries. Those related to MoJ are listed below:

PSA target number	Lead Department	PSA Target
3	Home Office	Ensure controlled, fair migration that protects the public and contributes to economic growth.
13	Department for Children Schools and Families	Improve children and young people's safety.
14	Department for Children Schools and Families	Increase the number of children and young people on the path to success.
15	Government Equalities Office	Address the disadvantage that individuals experience because of their gender, race, disability, age, sexual orientation, religion or belief.
16	Cabinet Office	Increase the proportion of socially excluded adults in settled accommodation and employment education or training.
21	Department for Communities and Local Government	Build more cohesive, empowered and active communities.
23	Home Office	Make communities safer.
24	Ministry of Justice	Deliver a more effective, transparent and responsive Criminal Justice System for victims and the public.
25	Home Office	Reduce the harm caused by alcohol and drugs.
26	Home Office	Reduce the risk to the UK and its interests overseas from international terrorism.

The aim of the Scotland Office is to support the Secretary of State for Scotland in promoting the devolution settlement and Scottish interests in Parliament. Resources of £24.8bn were provided under Request for Resources 2 (RfR2), being primarily a grant to the Scottish Consolidated Fund. Detailed information about the activities of the Scotland Office are provided in the *Scotland Office and Office of the Advocate General Annual Report 2009 (Cm 7601)* available at: <http://www.scotlandoffice.gov.uk/scotlandoffice/10797.135.html>

Likewise, the Wales Office's aim is to support the Secretary of State for Wales in promoting Welsh interests and ensuring the smooth operation of the devolution settlement in Wales. Resources of £12.1bn were provided in Request for Resources 3 (RfR3), being primarily a grant to the Welsh Consolidated Fund. The *Wales Office Annual Report 2009 (Cm 7603)* details its key achievements and performance by objective. It is available at: <http://www.walesoffice.gov.uk/2009/06/12/annual-report-2009/>

Expenditure for the Scotland and Wales Offices are summarised, by objective, on pages 69 and 70.

The Ministry as a whole, across all three Requests for Resources, was responsible for £47.1bn of public spending in the financial year.

Performance highlights for 2008-09

Moj's performance is measured against Departmental Strategic Objectives and the Public Service Agreement (PSA) targets set for it in the *Comprehensive Spending Review 2007 (CSR07)* and the *Spending Review 2004 (SR04)*. Performance is published twice a year in the *Autumn Performance Report* and in late spring / early summer in the *Departmental Annual Report*. The latest available performance information is summarised below. Further details of the Ministry's other achievements and the data systems used by the Ministry to monitor its performance are reported in the Ministry of Justice Departmental Annual Report available at www.justice.gov.uk.

DSO 1 – Strengthening democracy rights and responsibilities

Strong Progress – Improvement against all 3 indicators

Constitutional modernisation, to strengthen democracy and create the conditions for increased citizen engagement

Indicator	Performance
<p>Modernised constitutional institutions: Royal Assent to the Constitutional Renewal Bill, establishment of the UK Supreme Court and a strengthened devolution settlement.</p>	<p>Improvement</p> <p>Constitutional Renewal Bill Pre-legislative scrutiny concluded and Joint Committee published its report on 31 July 2008. The Government intends to introduce the <i>Constitutional Renewal Bill in due course</i>.</p> <p>Supreme Court Implementation Programme Middlesex Guildhall has been completely renovated and the final stage of preparation is underway to ensure the building's security. The Supreme Court is on track to open in October 2009.</p> <p>House of Lords Reform Meetings of a cross-party group on reform culminated in the publication of the White Paper in July 2008.</p> <p>The Framework for Elections Reforms to the system of electoral registration were introduced as amendments to the <i>Political Parties and Elections Bill</i>.</p> <p>Consultation on the paper 'Election Day' which proposed moving elections to the weekend, closed on 24 September 2008. A response to the consultation is currently being prepared.</p> <p>Rights and Responsibilities Publication of a landmark Green Paper on Rights and Responsibilities, starting the next phase of work after the <i>Human Rights Act</i>.</p>
<p>Reformed arrangements for political party finance and expenditure.</p>	<p>Improvement</p> <p><i>Political Parties and Elections Bill</i> introduced on 17 July 2008 and entered its Lords' stages on 3 March 2009.</p>

Constitutional modernisation, to strengthen democracy and create the conditions for increased citizen engagement

Indicator	Performance
Increasing the use, safekeeping and availability of public authority information.	<p>Improvement</p> <p>Data Sharing Review Legislative provisions informed by consultation on new powers and funding arrangements for the Information Commissioner and the Data Sharing Review are currently being taken forward in the <i>Coroners and Justice Bill</i>, introduced in January 2009.</p> <p>The Dacre Review In response to the Dacre Review on the 30 Year Rule Review that there should be a 'substantial reduction' to the 30 year rule for the transfer of historical records to the National Archives, we are currently conducting a thorough assessment of the review's recommendations in conjunction with other government departments and will implement changes as soon as possible after this process is complete.</p> <p>Internally, a Corporate Management Board Sub-Committee on Information has been set up. It has made good progress in identifying the highest strategic information risks and ensuring those risks are managed effectively. Good progress on implementing Data Handling Review measures is being made.</p>
A Youth Citizenship Commission reporting in Spring 2009.	<p>Improvement</p> <p>13 Commissioners appointed, including three young people. It reported in June 2009. The Commission's consultation on lowering the voting age to 16 closed on 20 January; 523 responses were received.</p>

DSO 2 – Delivering fair and simple routes to civil and family justice

Some progress – Improvement against 1 out of 3 indicators

Increased efficiency and effectiveness of the civil, administrative and family justice systems. Provision of early advice and support to enable disputes to be resolved out of court or tribunal wherever possible. Accessible justice system that provides support where needed.

Indicator	Performance
Delivery of Agency Key Performance Indicators (KPIs).	Maintained 31 out of 42 (74%) delivered. Performance of those deemed to be key are detailed below.
Provision of criminal, civil and family acts of legal advice and assistance. Measured by the Legal Services Commission (LSC) acts of assistance KPI (annual target 1 million).	964,000 acts of assistance were delivered from April 2008 – February 2009 (the most recent figures). The LSC is expecting to achieve the annual target.
Resolution of civil and family disputes: Increase the proportion of civil settlements to 65%; and Increase proportion of Family Orders made by consent to 37% in all HMCS areas.	April 2008 to February 2009 data: – Civil settlements: 71% – Family Orders made by consent: 42%
Customer satisfaction and contact targets: HMCS achieves 41% of very satisfied and 82% overall; Tribunals Service achieves 72% or more; LSC achieves 90% or more; and OPG: No target as previous year was based on customer opinion of the old Public Guardianship Office.	Latest exit survey results ¹ for HMCS show 42% of court users are very satisfied and an overall satisfaction rate (the combined very and fairly satisfied) of 83%. Latest survey results are below target and the annual target will not be met. Plans are in place to improve performance. LSC has achieved its target. Targeted surveys have been carried out during 2008-09. The results will be published in the OPG's Annual Report and will determine a baseline across key customer groups for 2009-10.

¹ Data source: Ipsos MORI exit survey results from April to December 2008

Increased efficiency and effectiveness of the civil, administrative and family justice systems. Provision of early advice and support to enable disputes to be resolved out of court or tribunal wherever possible. Accessible justice system that provides support where needed.

Indicator	Performance
Delivery of public law targets carried over from the 2004 Spending Review to reduce delay in care proceedings.	For performance data see SR 2004 PSA 4 entry in the <i>Departmental Annual report</i> (page 34).
Achievement of LSC, OPG and HMCS civil court cost recovery targets. Measured by the individual agency cost recovery targets. Indicator will be achieved if the LSC, OPG and HMCS meet their respective targets.	<p>No improvement</p> <p>LSC: Target exceeded.²</p> <p>OPG: Target met</p> <p>HMCS: Target not met</p>
Delivery of the Transforming Tribunals Programme ³ .	<p>Improvement</p> <p>The first of the multi-jurisdictional Administrative Support Centres opened in Birmingham in September 2008 and already deals with both Social Security & Child Support and Asylum and Immigration Tribunal work. The new East London multi-jurisdictional hearing centre is still on track to be operational by the autumn of 2009. The first-tier and Upper Tribunals commenced operation in November 2008.</p>

² Reduce the debit notes outstanding as at 31 March 2008 by £30m, including a recovery target of £16m

³ Previously known as Transforming Tribunals agenda

DSO 3 – Protecting the public and reducing reoffending

Strong Progress: All indicators improved or maintained

Protecting the Public	
Indicator	Performance
Maintaining current performance of no Category A escapes.	<p>Maintained</p> <p>We have continued to protect the public by keeping the most dangerous prisoners secure.</p>
Maintaining the existing very low rate of escapes from prison or prisoner escorts as a percentage of the average prison population.	<p>Maintained</p> <p>The rate of escapes as a proportion of the average prison population from April 2008 to March 2009 was 0.006%, considerably lower than the national target of less than 0.05%. This maintains the low level of escapes recorded at the same time last year.</p>
Maintaining the existing very low rate of absconding from the open/ semi-open estate as a percentage of the average prison population.	<p>Improvement</p> <p>An annualised rate of 15.6 absconds per 100,000 prisoner days at the end of March is a reduction from the same time last year and a 32% improvement on the rate of 22.8 achieved in 2007-08.</p>
Reducing Reoffending	
Indicator	Performance
Levels of reoffending as per the PSA 23 indicator ⁴ .	<p>Improvement</p> <p>Baseline (Adults): 165.7 re-offences per 100 offenders (2005)⁵</p> <p>Latest Outturn (Adults): 147.3 re-offences per 100 offenders (2007)</p> <p>Baseline (Youths): 125.0 re-offences per 100 offenders (2005)</p> <p>Latest Outturn (Youths): 115.7 re-offences per 100 offenders (2007)</p>

⁴ For full reporting against PSA 23 please refer to the *Home Office Departmental Report*.

⁵ The rate of reoffending for adults has been revised for the period 2000-06 reflecting the correction of an error. The baseline rate was revised from 167.9 to 165.7 offences per 100 offenders. For more information on the revisions please see the 2007 adult reoffending results (<http://www.justice.gov.uk/publications/reoffendingofadults.htm>)

Reducing Reoffending

Indicator	Performance
Levels of serious reoffending as per the PSA 23 indicator.	<p>Improvement</p> <p>Baseline (Adults): 0.85⁶ serious offences per 100 offenders (2005)</p> <p>Latest Outturn (Adults):⁷ 0.77 serious offences per 100 offenders (2007)</p> <p>Baseline (Youths): 0.90 serious offences per 100 offenders (2005)</p> <p>Latest Outturn (Youths): 0.73 serious offences per 100 offenders (2007).</p>

Increasing the efficiency and effectiveness of service delivery

Indicator	Performance
Delivery of NOMS Key Performance Indicators.	<p>Improvement</p> <p>27 out of 28 national targets for 2008-09 were met. The sole indicator which was slightly below target for 2008-09 was the percentage of license recall request reaching the NOMS Post Release Section within 24 hours of the decision by the Offender Manager. The outcome was 87% against a target of 90% although the target level was met in the final quarter.</p> <p>A previous area of concern reported in the <i>Autumn Performance Report</i> was ensuring that offenders have access to the most appropriate programmes to address their offending behaviour. Performance on appropriate programme starts in the community has improved steadily in recent months, in part due to improvements in the completeness of area data, and at the end of March was 84% against a target of 81%.</p>
Delivery of relevant Youth Justice Board Key Performance Indicators.	<p>Improvement</p> <p>The Youth Justice Board has achieved a 10.2% reduction in first time entrants to the Youth Justice System in 2007-08 compared with its 2005-06 baseline, far exceeding its 5% target. Data for 2008-09 will be published in November 2009.</p>

6 The rate of reoffending for adults has been revised for the period 2000-06 reflecting the correction of an error. The baseline rate was revised from 0.88 to 0.85 serious offences per 100 offenders. For more information on the revisions please see the 2007 adult reoffending results (<http://www.justice.gov.uk/publications/reoffendingofadults.htm>)

7 These figures must be treated with a degree of caution, due to the small number of serious re-offences in the data. There is less than one serious offence per 100 offenders in the cohort.

Through work to counter the risks posed by violent extremist offenders, the Ministry of Justice contributes to PSA 26

Indicator	Performance
The PSA Delivery Agreement for Counter Terrorism is not being published.	<p>By its nature, the PSA Delivery Agreement contains information about the UK counter-terrorism effort that could potentially be useful to those who threaten the UK and its interests.</p> <p>In so far as is possible and consistent with national security, scrutiny arrangements for this PSA, including parliamentary scrutiny, will mirror those in place for other PSAs with progress reports made public during the CSR period. However, we are not able to publish the information in this report.</p> <p>We are fully integrated into the Government's CONTEST strategy for countering international terrorism.</p>

DSO 4 – A more effective, transparent and responsive Criminal Justice System for victims and the public

Some progress – Improvement against two out of four indicators

While there has been improvement in relation to two of the four indicators, overall progress on the two key indicators of bringing serious offences to justice and increasing public confidence has been limited, with no improvement in relation to certain elements.

Increasing the efficiency and effectiveness of the Criminal Justice System.

Indicator	Performance
Increase performance of bringing serious offences to justice.	<p>Maintained</p> <p>The effectiveness of the CJS in bringing serious sexual offences to justice has increased in the year to December 2008.</p> <p>The number of serious sexual offences brought to justice has risen 6% since 2007-08, while the number of these recorded crimes has fallen by 1% over the same period.</p> <p>The number of serious acquisitive offences brought to justice has fallen 3% since 2007-08, while the number of these recorded crimes has fallen by a greater amount (4%) over the same period.</p> <p>The number of serious violent offences brought to justice remains stable, but data on the number of recorded serious violent crimes are not currently available.</p>
Magistrates' Court and Crown Court timeliness.	<p>Improvement</p> <p>The latest available Magistrates' Court timeliness (March 2009) data stood at 6.9 weeks, which shows an improvement in Magistrates' Court timeliness from a baseline of 8.8 weeks in March 2007, against a target of fewer than 6 weeks. The Magistrates' Court timeliness measure includes adult charged cases only (excluding cases sent or committed to the Crown Court for trial) and is the estimated average time from charge to completion.</p> <p>Latest Crown Court timeliness data stood at 80%, 2% above the target level of 78%. The 'sent for trial' element of this Key Performance Indicator shows a gradual improvement in the year to December 2008.</p>

Increasing the transparency of the Criminal Justice System so that it inspires confidence in local communities.

Indicator	Performance
Increased levels of public confidence recorded by the British Crime Survey.	<p>Maintained</p> <p>If current performance trends continue, the element of this indicator covering the fairness of the Criminal Justice System will be met.</p> <p>The baselines stand at 56% for confidence in the fairness of the CJS and 37% for confidence in the effectiveness of the CJS. Latest performance data shows that confidence in the fairness of the CJS has increased to 58% whilst confidence in the effectiveness of the CJS has remained static at 38% (as this is not a statistically significant increase) for the nine months ending December 2008.</p>

A more responsive Criminal Justice System that has the needs of victims and witnesses at its heart.

Indicator	Performance
Increased levels of victim and witness satisfaction as recorded by the Witness and Victim Experience Survey.	<p>Improvement</p> <p>If current performance continues, the element of this indicator covering victim and witness satisfaction with the CJS will be met.</p> <p>The baseline for victim satisfaction with the Police stands at 81%. Latest performance has shown an improvement to 83% (year ending 31 December 2008).</p> <p>The baseline for victim and witness satisfaction with the CJS stands at 81%. Latest performance has shown an improvement to 82% (six months ending 30 September 2008).</p>

PSA 24 Deliver a more effective, transparent and responsive criminal justice system for victims and the public⁸

Some progress – Improvement against three out of five indicators⁹

While there has been improvement in relation to three of the five indicators, overall progress on the two key indicators of efficiency and effectiveness and increasing public confidence has been limited, with no improvement in relation to certain elements. As noted below, while performance on recovering criminal assets is showing improvement, it is currently below the level forecast.

Deliver a more effective, transparent and responsive Criminal Justice System for victims and the public

Indicator	Performance
Efficiency and Effectiveness of the Criminal Justice System in bringing offences to justice.	<p>Maintained</p> <p>The effectiveness of the CJS in bringing serious sexual offences to justice has increased in the year to December 2008.</p> <p>The number of serious sexual offences brought to justice has risen 6% since 2007-08, while the number of these recorded crimes has fallen by 1% over the same period.</p> <p>The number of serious acquisitive offences brought to justice has fallen 3% since 2007-08, while the number of these recorded crimes has fallen by a greater amount (4%) over the same period.</p> <p>The number of serious violent offences brought to justice remains stable, but data on the number of recorded serious violent crimes are not currently available.</p> <p>After a 45% increase in total expenditure on the CJS since 1998-99, the budgeted CJS spend in bringing offences brought to justice is projected to fall by approximately 3.2% over the period 2008-11 in real terms as efficiency savings are made. The budgeted spend in 2008-09 is £7.47bn compared to £7.55bn in 2007-08.</p>

⁸ As reported above the Department's DSO under the same title shares several of the same indicators as this PSA. For clarity purposes these indicators have been reported on again here.

⁹ Most of these performance data are provisional and published at <http://www.lcjb.cjsonline.gov.uk>

Deliver a more effective, transparent and responsive Criminal Justice System for victims and the public

Indicator	Performance
Public confidence in the fairness and effectiveness of the Criminal Justice System.	<p>Maintained</p> <p>If current performance trends continue, the element of this indicator covering the fairness of the criminal justice system as a whole will be met.</p> <p>The baselines stand at 56% for confidence in the fairness of the CJS and 37% for confidence in the effectiveness of the CJS. Latest performance data shows that confidence in the fairness of the CJS has increased to 58% whilst confidence in the effectiveness of the CJS has remained static at 38% (as this is not a statistically significant increase) (nine months ending December 2008).</p>
Experience of the Criminal Justice System for victims and witnesses.	<p>Improvement</p> <p>If current performance continues, the element of this indicator covering victim and witness satisfaction with the CJS will be met.</p> <p>The baseline for victim satisfaction with the Police stands at 81%. Latest performance has shown an improvement to 83% (year ending 31 December 2008).</p> <p>The baseline for victim and witness satisfaction with the CJS stands at 81%. Latest performance has shown an improvement to 82% (six months ending 30 September 2008).</p>
Understanding and addressing race dis-proportionality at key stages in the Criminal Justice System.	<p>Improvement</p> <p>Progress towards the 2011 PSA milestone is on schedule, with LCJBs already collecting and analysing data on racial dis-proportionality and taking steps to address it where it is unjustified. Should this milestone be met, the CJS will be better informed to identify and explain race dis-proportionality at key points within the system, and tackle it where it is shown to be unjustified.</p>

Deliver a more effective, transparent and responsive Criminal Justice System for victims and the public

Indicator	Performance
Recovery of Criminal Assets.	<p>Improvement</p> <p>Baseline: £125m recovered in 2006-07.</p> <p>Current performance shows that £105.7m has been recovered between April 2008 and December 2008.</p> <p>Although current performance shows improvement, it is still below trajectory to recover £250m in 2009-10. Actions are underway to address the performance gap.</p>

Table of performance against PSA4 SR2004

PSA4 SR2004: By 2009-10, increase the proportion of care cases being completed in the courts within 40 weeks by 10%. This means achieving 48% of care centre (county court) cases and 56% of family proceedings court cases (magistrates' courts) completed within 40 weeks.

This PSA covers a key priority from the 2004 spending round for the former Department for Constitutional Affairs (DCA), and for which MoJ is now responsible.

Measures	Latest Outturn
<p>Indicator</p> <p>By 2009-10, increase the proportion of care cases being completed within 40 weeks by 10 percentage points in the family proceedings courts (Magistrates' Courts).</p> <p>Target will be achieved if by March 2010 the family proceedings courts (Magistrates' Courts) achieve 56%.</p>	<p>Performance</p> <p>Slippage</p> <p>The current financial year to date performance (April 2008 – February 2009) is: 48%</p>
<p>By 2009-10, increase the proportion of care cases being completed within 40 weeks by 10 percentage points in the care centres (County Courts).</p> <p>Target will be achieved if by March 2010 the care centres (County Courts) achieve 48%</p>	<p>Slippage</p> <p>The current financial year to date performance (April 2008 – February 2009) is: 37%</p>

Review of activities

Performance measures on the delivery of key public services are reported in the previous section. This section outlines some of the most significant activities that took place across the MoJ during the course of the year:

Constitutional Modernisation: In March 2009 the Ministry published a Green Paper "*Rights and Responsibilities: developing our constitutional framework*" to generate a nationwide public debate on rights, responsibilities, values in the context of social citizenship. A White Paper on House of

Lords reform was published in July 2008 following meetings of the cross-party group on reform. The *Political Parties and Elections Bill* was introduced in July 2008, containing reformed arrangements for political party donations and spending. The Ministry also launched the Youth Citizenship Commission during the year to explore ways of increasing young people's understanding and engagement with politics. The Commission finished its work in June 2009 and the Government welcomed its reports and will issue a response in due course.

Supreme Court implementation: UK Supreme Court will become operational at the start of the legal year (1 October 2009) to act as the highest council in the UK Court System, to provide clarity in our constitutional arrangements as well as to ensure the visible separation of the judiciary from the legislature in line with the *Constitutional Reform Act 2005*. It will assume the jurisdiction of the Appellate Committee of the House of Lords and the devolved jurisdiction of the Judicial Committee of the Privy Council (JCPC). The status for the UK Supreme Court has been agreed as a Non-Ministerial Department (NMD). Work on refurbishing Middlesex Guildhall to deliver a fit-for-purpose modern court began in June 2007 and reached practical completion in April 2009. Work on IT and furniture installation is planned to be completed by August 2009, when the building is expected to be re-valued by the Valuation Office Agency. Jenny Rowe was appointed as the first Chief Executive of the UK Supreme Court in January 2008 and will be its Accounting Officer from October 2009.

CICA: New ways of working in the Criminal Injuries Compensation Authority (CICA) have been introduced. In July 2008, CICA moved to geographically focused teams in order to improve partnerships with local criminal justice agencies and a new case-working model for claims, which places greater emphasis on supporting victims through the process. The outstanding caseload is now at the lowest level for 20 years. The balance between the compensation paid to victims of crime and that paid to miscarriages of justice victims has also been improved.

Legal Services Commission: Four Community Legal Advice centres have been opened in Leicester, Derby, Hull and Portsmouth to provide an integrated advice service for clients. A helpline service on family issues, adding five areas of law to the areas the Community Legal Advice line already advises on (employment, debt, housing, welfare benefits and education) has been piloted. In total almost a million people were helped by the Community Legal Service over the last year.

Her Majesty's Courts Service (HMCS) has implemented LEAN ways of working to increase the efficiency and effectiveness of the civil, administrative and family justice system. LEAN has the three main principles: identifying and removing all types of organisational waste, preventing mistakes from happening and simplifying processes. These should help HMCS ensure cases are completed in a timely manner, removing unnecessary steps in our processes and focusing on getting the right results first time round.

Her Majesty's Courts Service mediation service has only been up and running for just over a year but already it has conducted almost 9,240 mediations with a settlement rate of 72%. Most importantly, it has achieved a customer satisfaction rate of 98%. It has also won the European Crystal Scales of Justice Award beating 37 other applications from 15 European countries.

Mortgage Arrears Pre-action Protocol: The Mortgage Arrears Pre-action Protocol was introduced to work in conjunction with a package of other measures introduced by the government to directly help people who are facing home repossession. It has resulted in a reduction of 43% in the numbers of mortgage possession claims issued in the courts in the first quarter of 2009 compared to the same period in 2008.

The Forced Marriage (Civil Protection) Act 2007 was implemented in November 2008. This protects those in danger of being forced into marriage and provides recourse for those already in forced marriages. This forms part of the trilateral work on tackling honour based violence led by MoJ, the Home Office and the Foreign and Commonwealth Office, with assistance from many voluntary and charitable organisations.

The Children and Adoption Act 2006 was implemented to improve enforcement of court contact orders. The Act will also allow HMCS to show parents that any delays in these situations may have a serious impact on their children.

Two-tier tribunal system: A new two-tier structure which streamlines the appeals process has been introduced to improve the efficiency and effectiveness of the Tribunals Service. The first-tier and Upper Tribunals both consist of chambers, grouping together jurisdictions dealing with similar work or requiring similar skills.

Tribunal Administrative Support Centre: The first Tribunal Administrative Support Centre has been established in Birmingham, with a customer service team to deal with incoming enquiries. This has freed up other staff to concentrate on complex casework.

Media Attendance in Family Courts: New rules on media attendance in family courts have been introduced. For the first time, journalists are able to attend both the higher and lower courts to report on family hearings. This opens up the workings of these courts and will improve public understanding of these complex cases.

Carter Review of prisons: As part of this significant Prison Capacity Programme MoJ has delivered over 4,600 prison places and 106 refurbishment and maintenance projects were successfully completed. A High Dependency Unit at HM Young Offender Institute Wetherby for the Youth Justice Board including a 48 place accommodation block and workshop was also completed.

Probation Trusts: The first six Probation Trusts were established on 1 April 2008. These provide the probation service with more independence to focus their work on the needs of local communities. Over the next year we will complete the assessment of all Probation Boards for Trust status.

Community Payback: The roll-out of visible Community Payback across England and Wales builds on a recommendation from the government's Crime and Justice Adviser Louise Casey's review, *'Engaging Communities in Fighting Crime'*, published in June 2008 outlining the importance of justice being visible. A total of 18,000 people have voted for what Community Payback they would like to see offenders in 54 areas across the country carry out first from a list of five projects per area. This follows on from the launch of branded high visibility orange jackets that offenders must now wear. Further opportunities will be provided throughout 2009-10 for communities to vote for the projects they would like to see tackled by offenders.

Integrated Offender Management: MoJ has already taken strong action with the Home Office, along with other partners across government, to support Integrated Offender Management (IOM) in six pioneer areas, and currently manages well over 2,000 priority offenders. MoJ will continue to work with the Home Office and other key partners across government to promote the spread of IOM and to ensure that we offer a clear choice to the offender between the opportunity for reform for those who comply and punishment for those who do not.

DOMs: Following pilots in two regions, nine Directors of Offender Management (DOMs) are now in place across England and Wales. The remaining appointment will be made over the next year. DOMs

are responsible for commissioning all prison and probation services, whether from public, private or third sector providers. They have a key role in ensuring that NOMS works well with local agencies and partners and that it acts in a coherent and joined-up way. DOMs will be supported by a Specification, Benchmarking and Costing Programme to enable them to target resources on the most valuable work to punish and reform offenders. Work is continuing in the development of specifications for women offenders in custody and the community.

Corston Review: On 3 February 2009 the Government announced £15.6 million of new funding over two years to divert women from custody and deliver the Government's commitment to ensure vulnerable women who are not a danger to the public are dealt with appropriately in the community. Funding is being awarded to organisations through a formal grants process. There are two funding rounds, the first of which has now been completed. The funding is being used to build capacity of one stop shop services at women's centres and other specialist provisions in the community. There is also investment to enable Third Sector providers to work with criminal justice agencies and other statutory agencies to provide support to women in the criminal justice system (CJS) and women at risk of coming into contact with the CJS. The second round of funding is an open competition and began on 5 June with an information seminar for interested parties.

YCAP: The Youth Crime Action Plan (YCAP) announced contributions from three departments to fund an 'intensive package' of measures to prevent crime and reoffending in 69 priority, high crime areas in England. The 69 areas were given £65k during 2008-09 for initial action and they will each receive £700k over 2009-11 to further develop this provision. Two areas in Wales will receive £350k over the same period. In 2008-09, 20 of the 69 areas were also provided with an extra £100k to extend or develop a Family Intervention Project. Through the YCAP we also provided £540k to pilot and evaluate innovative schemes to provide greater support to young victims of crime. In 2009-10, we will provide an additional £3m for the resettlement of young offenders.

Corporate Plan: In January 2009, the MoJ published its first ever *Corporate Plan*. The Plan sets out MoJ's objectives and priorities for the next two years to March 2011 and how we will deliver them, meeting our purpose of creating a safe, just and democratic society. It provides a shared sense of purpose and direction for everyone who works for, or with, the MoJ and sets out how we will work together to improve our performance, develop our people, and meet the challenges we face. The Plan also outlines the Performance and Efficiency Programme (PEP) which will ensure we can live within our means, improve efficiency and deliver the best services possible to the public.

PEP 2008-09: In Autumn 2008, the MoJ launched the Performance and Efficiency Programme (PEP) to oversee the delivery of both back office and non back office efficiency initiatives. This programme is focused on creating and delivering the initiatives that will ensure that MoJ meets its value for money (VfM) savings target, whilst continuing to deliver the best services possible to our service users and the public. The analysis underpinning PEP has allowed us to identify and target areas where savings can be made to ensure services are delivered in the most efficient way.

Capability Review: The first *Capability Review* for the new Ministry of Justice was conducted during February 2008. The review provided a baseline assessment that the Ministry will use to measure its progress and assess what further work still needs to be done to meet its current and future challenges. It identified four key areas for action. These were to:

- clearly communicate a unifying thread which binds together staff in the different parts of the Ministry;
- define clear roles, responsibilities and business models and make them work;

- improve the Ministry's ability to make prioritisation and resource allocation decisions on the basis of robust data and evidence; and,
- address the challenge of building capacity across the Ministry in an environment of financial constraint.

A one year review was conducted during June and July. This found that overall the MoJ continues to make good progress in achievement of the key areas for action. A one year update report on the MoJ's progress will be published by the Cabinet Office during summer 2009. Full details can be found at:

<http://www.civilservice.gov.uk/cross-government/capability/introduction.aspx>

Financial Performance

Parliament votes funds to departments on three occasions during the year by means of a *Main Estimate* at the start of the year, a *Winter Supplementary Estimate* in November and a *Spring Supplementary Estimate* in January. The MoJ Estimate consists of three separate Requests for Resources.

Request for Resource 1 (RfR1): To promote the development of a modern, fair, cost effective and efficient system of justice for all

Movements in Estimate provision during 2008-09: At the start of the year the MoJ was voted £9,049m in its *Main Estimate* under RfR1. By the final *Spring Supplementary Estimate*, this had increased to £10,348m due to the following main reasons:

- Reserve Claims: MoJ received £35m for its Modernisation Fund and £15m for the Prison Capacity Programme from the central government Reserve.
- End Year Flexibility (EYF): £5m of EYF was drawn down, mainly to cover the costs of restructuring and modernisation work.
- Reallocation of non-cash: The revaluation of the NOMS and HMCS estates required an increase in non-cash Annually Managed Expenditure (AME) of £430m for NOMS and £175m for HMCS which increased the Net Resource Requirement. There was also an increase of £230m non-cash expenditure released into the Estimate from the write back of provisions at the Criminal Injuries Compensation Authority following a change in accounting policy and an increase of £180m at the Legal Services Commission from the write back provisions on dormant cases.
- Prison Capacity Programme: A total of £111m was voted for the Prison Capacity Programme, in addition to the aforementioned Reserve Claim.

Explanation for variances between Estimate and Net Resource Outturn for RfR1:

Overall there was an under spend of 2.8% / £286m on the RfR1 Estimate provision of £10.35 billion. Note 2 to the accounts provides a breakdown of this position for each subhead in the Estimate. The reasons for major variances are set out below:

MoJ Headquarters and Associated Offices (subhead A)

The outturn on this subhead of £451m is consistent with the prior year outturn of £488m, taking account of efficiencies made in headquarters administrative functions. The under spend of £160.2m

has arisen because the Estimate was adjusted in the *Winter Supplementary Estimate* to reflect non-cash Resource DEL increases of £180m and £230m for the write back of provisions in the Legal Services Commission and the Criminal Injuries Compensation Authority respectively, as described above. This increase was partially offset by providing £200m extra non-cash Resource DEL to HMCS to fund additional pension provisions.

Her Majesty's Courts Service (HMCS) (subhead B):

Overall, HMCS under spent by £131m / 11.4%. In addition to a large number of small underspends across the business, the following factors contributed to this position:

- Capitalisation of IT Change programmes (£10m) which was budgeted as resource expenditure;
- Delays in payments for the transfer of Magistrates' Courts Committees from the Local Government Pension Scheme into the Principal Civil Service Pension Scheme (£50m).

Central Funds (subhead D):

The £26m / 59% overspend in Central Funds results from unbudgeted increases in demand and a number of large one-off payments including: the Fallon horse race fixing case £3m; the Norris extradition case £2m; and the clearance of backlog of Defence Cost Orders £4m.

Criminal Justice Reform (subhead G):

The underspend of £28m / 17% relates to a contribution from the Department for Children, Schools and Families to the costs of the Youth Justice Board. This was not factored into the Estimate provision.

Criminal Injuries Compensation Authority (CICA) (subhead S):

The £10m overspend results from progress made in clearing the large backlog of tariff compensation claims. This was an agreed overspend, taking advantage of underspends elsewhere in the business.

National Offender Management Service (NOMS):

NOMS outturn position is captured across the following subheads:

Spending in Department Expenditure Limits		Outturn	Estimate	(Overspend) /underspend	Percentage of Estimate
		£000	£000	£000	%
H	National Offender Management HQ	1,192,945	1,136,416	(56,529)	-5%
I	Prisons private sector	245,475	278,135	32,660	12%
J	Prisons public sector	2,211,846	2,178,707	(33,139)	-2%
		3,650,266	3,593,258	(57,008)	-2%

Spending in Department Expenditure Limits		Outturn	Estimate	(Overspend) /underspend	Percentage of Estimate
		£000	£000	£000	%
Non budget					
Q	National Probation Service (local area boards)	781,267	894,719	113,452	13%
U	Loan charges	1,595	2,100	505	24%
		4,433,128	4,490,077	56,949	1%
Annually Managed Expenditure (AME)					
Y	NOMS revaluation impairment	511,705	430,000	(81,705)	-19%
Total (overspend) / underspend		4,944,833	4,920,077	(24,756)	-0.5%

The overall overspend of £24.7m in Estimate terms is due to the impairment of the prison estate following its quinquennial professional revaluation. AME budget cover was estimated at £430m but the actual impairment is £512m. This non-cash overspend is offset by non-cash underspends, including from lower depreciation and cost of capital charges on the reduced fixed asset base and lower than budgeted FRS 17 charges following FRS 17 actuarial assessments. The large apparent underspend of £113m against subhead Q on local Probation Boards reflects the fact that the Estimate was set on the basis that the costs of 42 local Probation Boards would be reported here. Six Boards have now become Trusts, however, and their results are reported against subhead H which shows an overspend of £57m. Unlike Boards, Trusts operate under a service charging model and are not funded through grant-in-aid. There is also a £15m non-cash overspend on subhead H due to an impairment of fixed assets within the C-NOMIS project following a change in project scope. The under and overspends on subheads I and J offset one another.

Request for Resource 2 (RfR2): Overseeing the effective operation of the devolution settlement in Scotland and representing the interests of Scotland in the UK government

Total Net Resources for RfR2 increased from £24,704m in the *Main Estimate* to £24,870m by the *Spring Supplementary Estimate*, an increase of 0.7%. This was due to a £166m increase in cash grant to the Scottish Consolidated Fund. The underspend against the revised Estimates is negligible at £594k.

Request for Resource 3 (RfR3): To support the Secretary of State in discharging his role of representing Wales in the UK Government and ensuring the smooth working of the devolution settlement in Wales

Total Net Resources for RfR3 increased from £12,176m in the *Main Estimate* to £12,375m by the *Spring Supplementary Estimate*, an increase of 1.6% mainly in respect of the cash grant provided to the Welsh Consolidated Fund which was revised in accordance with the Barnett Formula. The underspend against the revised Estimate is £199m / 1.6%, of which £196.5m relates to the grant.

Reconciliation of resource expenditure between Estimate, Accounts and Budgets

	2008-09
	Total
	£000
Net Resource Outturn (Estimates)	47,108,920
<i>Adjustments to remove:</i>	
Provision voted for earlier years	–
<i>Adjustments to additionally include:</i>	
Non-voted expenditure in the OCS	140,491
Consolidated Fund Extra Receipts in the OCS	(6,932)
Non-Supply adjustment (Income) / Expenditure	5,779
(Profit) / loss on disposal of fixed assets	6,050
Net Operating Cost (Accounts)	47,254,308
<i>Adjustments to remove:</i>	
Gains / losses from sale of capital assets	(6,050)
Capital grants (to local authorities)	(2,885)
European Union income related to capital grants	–
Voted expenditure outside the budget	(37,033,200)
<i>Adjustments to additionally include:</i>	
Other Consolidated Fund Extra Receipts	–
Resource consumption of Non Departmental Public Bodies	(304,164)
Unallocated resource provision	–
Other adjustments	(10,000)
Resource Budget Outturn (Budget)	9,898,009
<i>of which:</i>	
Departmental Expenditure Limits (DEL)	9,303,009
Annually Managed Expenditure (AME)	595,000
	9,898,009

The adjustment for resource consumption of Non Departmental Public Bodies is based on the latest available information. The Resource Budget outturn shown above is therefore subject to change.

Looking forward

Transformation Programme:

The Ministry is in the early stages of developing a five year business transformation programme. This will maximise the opportunity presented by the creation of a single department responsible for justice to find new and better ways of delivering services efficiently, effectively and in line with public need.

Governance Structure Changes:

A review of MoJ's Governance structure was undertaken during April 2009. Following this review, CMB agreed that it needed to consolidate the number of committees and strengthen and coordinate the MoJ approach to the governance of people, finance and change, including oversight of the developing Business Transformation agenda.

CMB has decided to form a Business Transformation Committee that will meet monthly and will be chaired by the Deputy Permanent Secretary and Director General Corporate Performance. The

Committee will oversee the Ministry-wide transformation agenda, the Ministry's mission critical programmes, and the cross-cutting people, IT, finance and commercial strategies. The key objective of the Committee is to exploit the potential inherent in a single department responsible for justice to develop a more citizen-focussed justice system which delivers more efficiently and effectively for the public.

Financial view:

The Ministry of Justice (MoJ) settlement for *Comprehensive Spending Review 2007 (CSR07)* provides for a combined capital and resource of approximately £10 billion per annum. This includes additional funding to increase prison capacity as a result of the Government's response to Lord Carter of Coles *Review of Prisons*.

The Ministry's initial CSR07 settlement committed the MoJ to delivering £1,007m net of costs and cash releasing VfM savings by 2010-11. This equates to over 3% per annum and a 5% real reduction in our administration budget, as set out in the *Value for Money Delivery Agreement* published in February 2008. Following the 2009 budget this target was increased with additional VfM savings of £70m to be delivered in 2010-11. This brings the overall CSR savings target to £1,077m. This target presents the Ministry with a significant challenge, which has been heightened by the difficult economic climate. Based on provisional outturn data, it is estimated that £332m of VfM savings have been achieved during 2008-09.

The difficult economic climate that the Ministry is operating in presents the central Ministry with numerous challenges in the short to medium term, with additional pressures being placed on many of our services, for example legal aid and the prison population. The Ministry's financial plans are focussed on stepping up to this challenge and continuing to improve our performance and drive out duplication by:

- Streamlining the business, cutting out unnecessary overheads and non-essential projects to remove duplication of roles and responsibilities;
- Reducing our overall staffing levels putting in permanent recruitment controls and cutting back on our use of agency and contract staff;
- Implementing a central procurement organisation which includes regionally based offices and staff co-located with key stakeholders, where sensible and practical; and
- Prioritising frontline services but delivering them in a more efficient way, for example by extending the use of LEAN processes across the business.

Other major future activities:

Appointment of Victims' Champion: In January 2009, Sara Payne was appointed the new Victims' Champion in a joint announcement by the Justice Secretary, Home Secretary and Attorney General. Ms Payne has agreed to take on the post of Victims' Champion, a new independent public voice for victims of and witnesses to crime. She will work with existing victims' groups as well as with the government's 60 neighbourhood Crime and Justice Coordinators, based around England and Wales.

The Victims' Champion will be a time-limited appointment for one year to enable focus to be given on victims' issues. In the course of her one-year appointment Ms Payne will listen to the views and concerns of victims and witnesses, represent the views of victims and witnesses to ministers, government officials and in the media and act in an advisory role on victims' issues and prepare the foundations for the appointment of the Victims' Commissioner in 2010.

Engaging Communities in Criminal Justice: The Ministry has made significant progress over the past year, building stronger, community-focused partnerships between the Criminal Justice System (CJS) and local people. However, the system can still feel remote from people's everyday lives and the justice it delivers is not visible enough. In April 2009, we published the '*Engaging Communities in Criminal Justice*' Green Paper, setting out our proposals to make the CJS more accessible to local communities by:

- strengthening the connections between communities and their prosecution and court services;
- ensuring that justice outcomes are more responsive and more visible; and
- keeping communities informed, getting people involved and empowering communities.

Prison capacity: In line with the recommendations from Lord Carter, the Ministry made a commitment to bring the total number of prison places to 96,000 by 2014. Work is in place to deliver this additional capacity through a combination of building new public and private prisons and the expansion of existing sites, and modernising the estate by closing older, less efficient accommodation. Following consultation on the proposals, we now intend to deliver 7,500 of the additional places through five prisons holding 1,500 offenders, each divided into smaller units.

Moj Administrative Estate: In 2009-10, the Ministry will continue to implement its estates strategy. In 2008-09, 2,300 staff moved out of five buildings in London and into one flagship headquarters (HQ) – Petty France, a modern and flexible building. The second stage of this project will see the introduction of flexible workspace at Petty France as a further 1,000 people move into the building. The third stage of rationalisation process will be the development of a nationwide administrative estate strategy. This will reduce further the number of administrative buildings in London to four and create a new national HQ "hub". Flexible working will be rolled out to all HQ buildings.

Faster routes to justice: The Ministry has already made it easier for the public to access our services with greater use of the web to provide cheaper and faster routes to justice. Next year, we will improve our online services further by moving MoJ websites to the Government's website 'Directgov' and by developing new civil justice web content to inform the public about the options available to them.

OLC and LSB: The Office of Legal Complaints (OLC) will begin its work next year, providing consumers with a new, quick, fair and accessible complaint system and help improve the quality of independent legal advice. We have also appointed a chair and members of a new Legal Services Board (LSB), which will reform and modernise the legal services in the interests of the consumer, enhance quality and ensure value for money.

The Coroners and Justice Bill currently going through Parliament (introduced January 2009) will introduce national standards for the coroner service for England and Wales, which will be headed by a new post of Chief Coroner.

National Safeguarding Delivery Unit: HMCS are taking forward key recommendations from Lord Laming's report on the protection of children in England including playing a part in the new National Safeguarding Delivery Unit, set up to ensure that all those with a role in the family justice system improve performance.

Personal data related incidents

In the Cabinet Office's *Interim Progress Report on Data Handling Procedures*, published on 17 December 2007, the Government made a commitment that departments will cover information risk management in their annual reporting. The following gives a summary report of significant personal data related incidents in 2008-09, in categories required by the Cabinet Office. Incidents, the disclosure of which would in itself create an unacceptable risk of harm, may be excluded in accordance with the exemptions contained in the *Freedom of Information Act 2000* or may be subject to the limitations of other UK information legislation.

Summary of protected personal data related incidents formally reported to the Information Commissioner's Office in 2008-09

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
September	IT supplier EDS lost track of a portable hard disk containing personal data relating to staff of HM Prison Service, which had been used to transfer data between systems.	Personal data such as names, addresses and NI numbers for HMPS staff.	256	Staff potentially affected were identified and notified individually.
December	Probation Service placed court results sheet into Royal Mail system in error.	Names, dates of birth, addresses, details of offence and result of court case	4	Documents were recovered so individuals were not informed
December	Loss of locked four drawer cabinet by contractor during move to new location.	Names; dates of birth, addresses, offender history	89	Police, individuals and other authorities informed
March	A member of staff lost a non-issue unencrypted memory stick containing budget spreadsheets for two areas.	Names, NI numbers, employee number	1,500	Email sent to all staff to inform them of the incident

Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within the Ministry are set out in the table below.

Summary of other protected personal data related incidents in 2008-09

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	24
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	33
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	2

Summary of other protected personal data related incidents in 2008-09

Category	Nature of incident	Total
IV	Unauthorised disclosure	62
V	Other	36

The Ministry of Justice is applying the *Government's Security Policy Framework* to control risks across the organisation. This comprises the requirement for all areas to robustly apply procedures for reporting security incidents where there is the possibility of inadvertent release of personal data, however minor. The figures above therefore include small, localised incidents as these are recorded centrally for MoJ.

The 'Unauthorised disclosure' figure at Category IV includes 43 incidents related to HM Courts Service (HMCS) and the Tribunals Service. This figure represents less than 0.05% of correspondence of these organisations.

Losses in Category V 'Other' include 21 losses by third parties (courier / post).

Probation Service Areas are Data Controllers registered with the Information Commissioner. As such, MoJ does not centrally record 'other protected personal data related incidents' for the Probation Services.

Further action on information risk:

In each of the above incidents, a risk assessment was carried out to assess who, if anyone, should be notified and to ensure measures were in place to mitigate risk to individuals and to prevent a re-occurrence of the incident.

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

Planned steps for the coming year include a dedicated Information Assurance Programme, which has been established to oversee and ensure that electronic and paper-based information across the Ministry, including its agencies and delivery partners, is collected, managed, stored and disposed of in a manner that inspires high levels of Parliamentary and public trust and confidence.

The Programme will oversee measures designed to ensure:

- conformity with best practice international standards on information security (ISO 27001 and 27002);
- adherence to the *Government's Manual of Protective Security*; and
- compliance with the *Data Protection Act 1998* and the *Freedom of Information Act 2000*.

Planned steps for the coming year will address:

Governance – to ensure clear lines of senior ownership, responsibility and accountability for the key information assurance roles;

Policy and Procedures – to develop an overarching framework promoting best practices on information security, including common policies and template procedures to ensure transparency and consistency in application; and

Culture Change – to foster a culture, both individually and collectively across the corporate MoJ, that values and protects information and leads to responsible behaviours in the collection, transfer, management and disposal of information.

As a public information asset owner, MoJ has complied with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance.

Sickness Absence data

The average number of days sickness absence taken by staff working in the MoJ in 2008-09 was 9.7 days. MoJ is committed to creating an improved attendance culture. To this end, new attendance management policies and procedures were introduced across MoJ, excluding NOMS, from January 2009. NOMS is working actively to improve its attendance performance and exceeded its target to reduce absence levels to an average of 11.5 days in 2008-09, with an average of 10.8 days sickness absence for staff working in public prisons and 11 days for probation staff.

Equal opportunities

The Ministry is committed to equality of opportunity in employment and advancement. This is on the basis of ability to do the job, irrespective of race, nationality, colour, ethnic or national origins, sex, marital status, disability, sexual orientation, age, gender reassignment, work pattern, or membership / non-membership of a trade union. All staff is entitled to be treated with respect in an environment free from discrimination, harassment, and victimisation and bullying.

As a key part of this commitment, we take action to ensure that people with disabilities are supported and encouraged to apply for employment and to develop and progress in the organisation. We are a Disability Symbol User, a member of the Employers' Forum on Disability, and ensure that reasonable adjustments and positive developmental opportunities are provided to enable individuals to fulfil their potential.

All parts of the Ministry are involved in ensuring equality and diversity is embedded into daily business as well as in policy development. This is important in helping to build the confidence in justice and democracy nationally and locally which is central to our objectives, and to ensure that our staff are sensitive to the needs of the vulnerable and socially excluded.

Engagement and consultation

The Ministry has made the strategic development of its communications a key priority and aims to be proactive and open, working to engage more effectively with stakeholders, staff, the public and the media in the development and delivery of its services.

The Ministry engages extensively with a wide range of external stakeholders as a means of informing its policy development. A range of methods are used, ranging from formal sectoral stakeholder meetings to electronic discussion groups and consultation papers. On consultations, during the year, the MoJ launched a total of 30 written public consultations; 25 of these were full public consultations lasting for 12 weeks or more.

Each consultation paper issued by the Ministry during the year which required an impact assessment in order to comply with the *'Impact Assessment Guidance'* issued by the Department of Business, Innovation and Skills (previously the Department for Enterprise and Regulatory Reform (BERR)) did so.

Payment to suppliers

The Ministry's policy is to pay bills in accordance with contractual conditions or, where no such conditions exist, within 30 days of the receipt of the goods and services or the presentation of a valid invoice, whichever is the later. Excluding the National Probation Service, for the financial year 2008-09 97.4% (2007-08: 78.1%) of invoices were paid within payment terms based on date of receipt at the Ministry's accounts payable providers. Excluding the National Probation Service, interest paid under the *Late Payment of Commercial Debts (Interest) Act 1988* was £147,000 (2007-08: £270,047).

The performance of the NPS local area boards in paying their suppliers was as follows:

Range	No. of Boards and Trusts reporting performance within the range	
	2008-09	2007-08
Less than 65%	0	0
65% to 69.9%	0	0
70% to 74.9%	1	1
75% to 79.9%	2	2
80% to 84.9%	2	4
85% to 89.9%	8	4
90% to 94.9%	12	9
95% to 100%	17	22
No. of Boards and Trusts reporting	42	42

The NPS local area boards and trusts were unable to provide information on any late interest payments they may have made.

Audit

These accounts have been audited by the Comptroller and Auditor General (C&AG). The notional cost of the audit for the Core Department in 2008-09 is £350,000 plus an additional £100,000 for the Consolidated Accounts (2007-08: £350,000 and £100,000).

The total cost of audits across the Ministry of Justice group is £3,564,250 of which £1,796,000 is cash and £1,768,250 is a notional cost (2007-08: £2,971,000 comprising £1,411,000 cash and £1,560,000 notional cost).

This total cost includes:

	2008-09	2007-08
	£	£
Her Majesty's Courts Service	440,000	400,000
Funds in Court Part A	65,000	70,000
Funds in Court Part C	21,000	20,000
Tribunals Service	110,000	110,000
Office of the Public Guardian	47,000	45,000
Public Guardianship Office	–	45,000
Consolidated Accounts of the Local Probation Boards	69,000	69,000
Individual Probation Boards	1,796,000	1,411,000

Her Majesty's Prison Service	–	190,000
National Offender Management Service	250,000	–
Office of the Legal Services Ombudsman	12,500	10,500
Office of the Legal Services Complaints Commissioner	13,000	11,000
Returning Officers' Expenses, England and Wales	35,000	30,500
Returning Officers' Expenses, Scotland	7,000	7,000
Judicial Pension Scheme	30,750	30,000
Whole of Government Accounts	15,000	8,000
Wales National Loans Fund	2,500	2,000
Scotland National Loans Fund	2,500	2,000
Official Solicitor and Public Trustee	60,000	60,000
IFRS – Audit of Restated Balance Sheet		
Moj Core	25,000	–
Her Majesty's Courts Service	55,000	–
Tribunals Service	11,500	–
Office of the Public Guardian	5,000	–
National Offender Management Service	41,500	–
TOTAL	3,114,250	2,521,000
Core Accounts	350,000	350,000
Consolidated Accounts	100,000	100,000
TOTAL	3,564,250	2,971,000
Of which		
Cash	1,796,000	1,411,000
Notional	1,768,250	1,560,000
	3,564,250	2,971,000

The audit of Local Probation Boards, for which a cash charge is made, is undertaken by Audit Commission-appointed auditors and by the Wales Audit Office.

The C&AG also undertook some non-financial audit work during the year.

The Accounting Officer has taken all the steps that he needed to make himself aware of any relevant audit information. So far as he is aware, there is no relevant audit information of which the Department's auditors are unaware.

Sections 6 and 7 of the *Government Resources and Accounts Act 2000* require the C&AG to examine, certify and report on the accounts before they are laid before Parliament.

Provision of information and consultation with employees

The Ministry attaches considerable importance to ensuring the fullest involvement of employees in delivering its aims and objectives. Staff involvement is actively encouraged as part of the day-to-day process of line management and we regularly consult and inform our constituent Unions (PCS, FDA and Prospect) at all levels of the organisation.

An Employee Engagement project has been set up to develop the Ministry's understanding of how our employees experience 'work'; how that experience motivates them to contribute extra effort to achieving organisational goals; and how that extra effort results in increased business performance. The aim of the project is to develop an engagement strategy with activities and materials to support implementation – with a view to achieving a highly engaged workforce, helping to create a high performing organisation.

Sustainable Development

The Ministry is committed to improving its performance on sustainable development and achieving the Government's sustainable development targets. To achieve this, work during the year has focused on developing a structure to support implementation of the Government's sustainable development policy in its own operations. The new structure will enable us to build on the good work carried out previously by HM Prison Service and HM Courts Service, and provide a basis for further improvements in the coming years.

Key actions taken during the year are:

- establishment of the MoJ Sustainable Development Steering Group comprising senior representatives from each activity area within the MoJ; and
- establishment of the MoJ Sustainable Development Working Group comprising representatives from each activity area within the MoJ. The Sustainable Development Action Plan is the overarching document which identifies specific activities and provides the reporting framework for it to report on progress against the key commitments. Each delivery area, no matter its size or activity, has an important role in contributing to the achievement of the SD commitments made by the Ministry.

The following steps have been taken:

- publication of the MoJ's Sustainable Development Action Plan (<http://www.justice.gov.uk/publications/sustainable-development.htm>);
- completion of a departmental audit, to establish baseline on sustainable development performance across the MoJ; and
- development of an intranet site, to increase staff awareness and raise the profile of sustainability issues.

Other matters:

Research and Development

The Ministry undertakes research to enhance policy development and programme evaluations. Expenditure is charged to expenditure as incurred and is reported in notes 10 and 11 to the accounts.

Post balance sheet events

In accordance with *Financial Reporting Standard 21 'Events after the balance sheet date'*, accounting adjustments and disclosures are considered up to the point that the financial statements are authorised for issue. The accounts were authorised for issue on the same date the Comptroller and Auditor General certified the accounts. Details are provided in note 39 to the accounts.

Charitable donations

The Ministry did not make any charitable donations in excess of £200 during 2008-09.

Management of contingent liabilities

Note 31 to the accounts sets out the contingent liabilities faced by the Ministry within the scope of *Financial Reporting Standard 12 Provisions and Contingencies*. Note 32 sets out those contingent liabilities that are not required to be disclosed under FRS12 but which are included for Parliamentary reporting and accountability purposes. The Ministry's approach to minimising the risk of contingent liabilities crystallising is to operate effective risk management processes and systems of internal control to limit both their likelihood and their impact. All legal claims against the Ministry are defended to the extent that it is cost effective to do so.

Pension liabilities

Staff employed by local Probation Boards and Trusts are members of the Local Government Pension Scheme. The pension liabilities associated with this scheme are accounted for and disclosed in accordance with *Financial Reporting Standard 17 Retirement Benefits* in note 37 to the accounts. As detailed in note 9(a), other staff are members of the Principal Civil Service Pension Scheme which is an unfunded multi-employer benefit scheme which prepares its own accounts but where individual employers are unable to identify their share of the underlying assets and liabilities of the scheme. As detailed in note 9(b), members of the judiciary belong to the Judicial Pension Scheme which is an unfunded multi-employer defined benefit scheme which produces its own resource accounts which are prepared by the Ministry.

Directorships and other significant interests

A register is maintained by the Ministry that includes details of company directorships and other significant interests held by Board members which may conflict with their management responsibilities. This register is available for public inspection upon request.

Suma Chakrabarti
Accounting Officer
July 2009

Remuneration Report

Auditable Sections

In accordance with the requirements of *Schedule 7A of the Companies Act 1985 (as amended)*, only certain sections of the Remuneration Report have been subject to full external audit. These comprise the sections on salary and pension entitlements.

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; and
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at www.ome.uk.com.

Board members' and senior civil servants' remuneration

The salaries of the MoJ Board members and the Departmental Board members were determined by the Permanent Secretary in accordance with the rules set out in *Chapter 7.1, Annex A of the Civil Service Management Code*. The salaries of other senior civil servants were set following discussions between the Permanent Secretary and his Director Generals.

Performance based pay awards are based on an assessment of performance against objectives agreed between the individual and line manager at the start of the reporting year. Performance will also have an effect on any bonus element awarded.

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. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the *Civil Service Compensation Scheme*.

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk.

Ministers' salary and pension entitlements

The salary, taxable benefits in kind and pension entitlements for Ministers are shown in the following tables:

Remuneration Ministers	2008-09		2007-08	
	Salary	Benefits in Kind (rounded to the nearest £100)	Salary	Benefits in Kind (rounded to the nearest £100)
	£	£	£	£
Rt Hon Jack Straw MP, Secretary of State for Justice and Lord Chancellor	79,179	–	58,105 (76,904 full-year equivalent)	–
Rt Hon David Hanson MP, Minister of State	41,134	–	35,603 (39,893 full-year equivalent)	–
Rt Hon Michael Wills MP, Minister of State	41,043	–	30,031 (39,893 full-year equivalent)	–
Shahid Malik MP, Parliamentary Under Secretary (from 5 October 2008)	15,094 (30,851 full-year equivalent)	–	–	–
Lord Hunt of Kings Heath OBE, Parliamentary Under Secretary (to 5 October 2008)	*74,124 (72,326 full-year equivalent)	–	80,732 (70,986 full-year equivalent)	–
Bridget Prentice MP, Parliamentary Under Secretary	31,322	–	30,280	–
Maria Eagle MP, Parliamentary Under Secretary	31,236	–	22,794 (30,280 full-year equivalent)	–
Rt Hon Jim Murphy MP, Secretary of State for Scotland (from 4 October 2008)	**35,486 (78,356 full-year equivalent)	–	–	–
David Cairns MP, Minister of State for Scotland (to 16 September 2008)	19,108 (40,759 full-year equivalent)	–	37,543	–
Ann McKechnie MP, Parliamentary Under Secretary for Scotland (from 17 September 2008)	16,428 (30,851 full-year equivalent)	–	–	–
Lord Davidson of Glen Clova QC, Advocate General for Scotland	135,449	–	130,397	–
Rt Hon Paul Murphy MP, Secretary of State for Wales	78,961	–	14,471 (76,904 full-year equivalent)	–
Huw Irranca-Davies MP, Parliamentary Under Secretary for Wales (to 5 October 2008)	***18,231 (30,851 full-year equivalent)	–	22,794 (30,280 full-year equivalent)	–
Wayne David MP, Parliamentary Under Secretary for Wales (from 5 October 2008)	15,011 (30,851 full-year equivalent)	–	–	–
Lord Bach, Parliamentary Under Secretary (from 9 October 2008)	See note below	–	–	–

Notes to the table:

Calculations for the full-year equivalent salary exclude bonuses, allowances and ex-gratia payments.

There may be variances between the salaries disclosed in the table above and the salary entitlement for Ministers published in the *Ministerial Salaries factsheet (M6)*. This is due to amounts paid in 2008-09 including payments relating to 2007-08 and a number of Ministers not drawing down their full salary entitlement. Where there have been overpayments action has been taken to recover these amounts.

Salaries paid in 2008-09 include back pay relating to 2007-08.

A number of Ministers elected not to take up the 2008-09 pay increase.

*Lord Hunt of Kings Heath OBE, Parliamentary Under Secretary was paid by the Ministry until 30 November 2008.

**Although the Rt Hon Jim Murphy MP, Secretary of State for Scotland joined the Ministry on 4 October 2008 his salary was paid by the Foreign and Commonwealth Office until 31 October 2008.

***Huw Irranca-Davies MP, Parliamentary Under Secretary of State for Wales was paid by the Ministry until 31 October 2008.

The salary of the Parliamentary Under Secretary of State Lord Bach is included in the figure 'Lords in waiting', under 'Additional Ministerial salaries borne by HM Treasury' in the accounts of HM Treasury.

The salary and pension entitlements and the value of any taxable benefits in kind for the Secretary of State for Scotland, the Rt Hon Des Browne MP (to 2 October 2008), are disclosed in the accounts of the Ministry of Defence.

Shahid Malik MP has also held responsibilities in the Home Office from 26 March 2009. He left the Ministry of Justice on 15 May 2009 and later moved to the Department for Communities and Local Government.

Maria Eagle MP has also held a post at the Government Equalities Offices from 6 October 2008.

The Rt Hon David Hanson MP moved to the Home Office on 7 June 2009.

The Rt Hon Paul Murphy MP was replaced by the Rt Hon Peter Hain on 5 June 2009.

Pension Benefits

Ministers	Accrued pension at age 65 as at 31 March 2009	Real increase in pension at age 65	CETV at 31 March 2009	CETV at 31 March 2008 (recalculated)*	CETV at 31 March 2008 (published)	Real increase in CETV
	£000	£000	£000	£000	£000	£000
Rt Hon Jack Straw MP, Secretary of State for Justice and Lord Chancellor	20-25	0-2.5	467	435	315	24
Rt Hon David Hanson MP, Minister of State	5-10	0-2.5	84	63	46	13
Rt Hon Michael Wills MP, Minister of State	0-5	0-2.5	50	36	26	10
Shahid Malik MP, Parliamentary Under Secretary (from 5 October 2008)	0-5	0-2.5	3	–	–	2
Lord Hunt of Kings Heath OBE, Parliamentary Under Secretary (to 5 October 2008)	10-15	0-2.5	229	212	150	1
Bridget Prentice MP, Parliamentary Under Secretary	5-10	0-2.5	82	63	42	12
Maria Eagle MP, Parliamentary Under Secretary	5-10	0-2.5	69	58	45	4
Rt Hon Jim Murphy MP, Secretary of State for Scotland (from 4 October 2008)	5-10	0-2.5	55	49	34	3
Ann McKeichin MP, Parliamentary Under Secretary for Scotland (from 17 September 2008)	0-5	0-2.5	4	–	–	3
Lord Davidson of Glen Clova QC, Advocate General for Scotland	5-10	0-2.5	118	77	54	28
Rt Hon Paul Murphy MP, Secretary of State for Wales	15-20	0-2.5	332	275	***53	43
Huw Irranca-Davies MP, Parliamentary Under Secretary for Wales (to 5 October 2008)	0-5	0-2.5	19	14	11	2
Wayne David MP, Parliamentary Under Secretary for Wales (from 5 October 2008)	0-5	0-2.5	16	**11	–	3

Notes to the table:

*The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with *The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008*.

The salary and pension entitlements and the value of any taxable benefits in kind for the Secretary of State for Scotland, the Rt Hon Des Browne MP (to 2 October 2008), are disclosed in the accounts of the Ministry of Defence.

David Cairns MP, the Minister of State for Scotland, has opted out of the Parliamentary Contributory Pension Fund.

**The figure quoted for Wayne David MP, Parliamentary Under Secretary of State for Wales is from 5 October 2008.

***The CETV at 31 March 2008 (published) for the Rt Hon Paul Murphy MP, Secretary of State for Wales was incorrectly calculated in last year's accounts. This has been corrected in the recalculated CETV at 31 March 2008.

The Ministry is not required to disclose pension information for the Lord Chancellor under Cabinet Office regulations. However in the interest of transparency and since the appointment of Rt Hon Jack Straw MP to the role, the Ministry has decided to disclose this information.

Ministerial Pensions

Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute (the regulations are set out in *Statutory Instrument SI 1993 No. 3253, as amended*).

Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). The arrangements for Ministers provide benefits on an 'average salary' basis, taking account of all service as a Minister. The accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those that chose to backdate the change) but Ministers, in common with all other members of the PCPF, can opt for a 1/50th accrual rate and a lower rate of employee contribution.

Benefits for Ministers are payable at the same time as MP's benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office from age 65. Pensions are increased annually in line with changes in the Retail Prices Index. Members pay contributions of 6% of their ministerial salary if they have opted for the 1/50th accrual rate or 10% of salary if they have opted for the 1/40th accrual rate. There is also an employer contribution paid by the Exchequer representing the balance of cost as advised by the Government Actuary. This is currently 26.8% of the ministerial salary.

The accrued pension quoted is the pension the Minister is entitled to receive when they reach 65, or immediately on ceasing to be an active member of the scheme if they are already 65.

The Cash Equivalent Transfer Value (CETV)

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

The real increase in the value of the CETV

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

Senior Managers' salary and pension entitlements

The salary, taxable benefits in kind and pension entitlements for Senior Managers is shown in the following tables:

Remuneration	2008-09		2007-08	
	Salary inc bonuses £000	Benefits in Kind (rounded to the nearest £100) £	Salary inc bonuses £000	Benefits in Kind (rounded to the nearest £100) £
Suma Chakrabarti, Permanent Secretary	195-200	34,500	50-55 (175-180 full- year equivalent)	**12,100
Ursula Brennan, Deputy Permanent Secretary & Director General, Corporate Performance (to 30 September 2008)	95-100 (140-145 full-year equivalent)	1,300	120-125 (135-140 full-year equivalent)	–
Helen Edwards, Director General, Criminal Justice and Interim Deputy Permanent Secretary & Director General, Corporate Performance*	175-180	100	140-145 (155-160 full-year equivalent)	12,200
Carolyn Downs, Deputy Permanent Secretary & Director General, Corporate Performance (from 5 January 2009)	40-45 (165-170 full-year equivalent)	–	–	–
Rowena Collins-Rice, Director General, Democracy, Constitution and Law and Chief Legal Advisor	125-130	–	25-30 (100-105 full-year equivalent)	–
Peter Handcock CBE, Director General, Access to Justice	145-150	1,700	125-130	1,700
Marco Pierleoni, Director General, Finance and Commercial	170-175	–	35-40 (170-175 full-year equivalent)	–
Beverley Shears, Director General, Human Resources (to 31 March 2009)	170-175	–	140-145	–
Jonathan Slater, Director General, Business Transformation (from 2 February 2009) and previously, Director General, Criminal Justice (Interim) (from 1 October 2008 to 5 January 2009)	60-65 (140-145 full-year equivalent)	–	–	–
Phil Wheatley CB, Director General, National Offender Management Service	170-175	–	135-140 (150-155 full-year equivalent)	–
David Middleton, Head of the Scotland Office (to 5 February 2009)	90-95 (95-100 full-year equivalent)	–	35-40 (90-95 full-year equivalent)	–

Remuneration	2008-09		2007-08	
	Salary inc bonuses	Benefits in Kind (rounded to the nearest £100)	Salary inc bonuses	Benefits in Kind (rounded to the nearest £100)
	£000	£	£000	£
Senior Managers				
Alisdair McIntosh, Head of the Scotland Office (from 9 March 2009)	5-10 (80-85 full-year equivalent)	–	–	–
Alan Cogbill, Head of the Wales Office	95-100	–	95-100	–

Non-Executive Directors

Remuneration	2008-09		2007-08	
	Salary inc bonuses	Benefits in Kind (rounded to the nearest £100)	Salary inc bonuses	Benefits in Kind (rounded to the nearest £100)
	£	£	£	£
Non-Executive Directors				
Carolyn Downs, Non-executive Director (from 21 April 2008 to 4 January 2009)	6,500	–	–	–
Professor Georges Selim, Non-executive Director (to 9 April 2008)	417	–	15,000	–
David Crawley, Audit Committee Chair and Non-executive Director, Wales Office	9,000	1,900	9,000	–
Ian Summers, Non-executive Director, Wales Office	5,000	–	3,414	–
David MacLeod, Non-executive Director (from 21 April 2008)	8,321	–	–	–
Anne Bulford, Non-executive Director and Chair of Audit Committee (from 21 April 2008)	5,643	–	–	–

Notes to the tables:

Calculations for the full-year equivalent salary exclude bonuses, allowances and ex-gratia payments.

*Helen Edwards was the interim Deputy Permanent Secretary and Director General, Corporate Performance from 1 October 2008 to 4 January 2009.

Carolyn Downs was in post as a Non-executive Director from 21 April 2008 until 4 January 2009, when she took up the position of Deputy Permanent Secretary and Director General, Corporate Performance.

David Middleton was on loan from the Scottish Government until 5 February 2009.

Alisdair McIntosh is on loan from the Scottish Government from 9 March 2009.

Bonus payments made in 2008-09 are for bonuses awarded for 2007-08. Bonus payments made in 2007-08 are for bonuses awarded for 2006-07.

Non-executive directors are paid on a daily rate basis.

**This was omitted in error from last year's accounts.

Dr Mark Taylor acted as Chair of the Scotland Office Audit Committee until 31 March 2009. He is an employee of the Ministry and received no additional remuneration for this role.

Compensation for loss of office

Neil Ward who was the interim Chief Executive Officer, for HM Courts Service until 25 June 2008, left under Compulsory Early Retirement Terms on 31 October 2008. He received immediate payment of his pension and associated lump sum plus a compensation payment of £175-180k.

Service Contracts

Senior Managers	Contract start date	Unexpired term years	Notice period months
Suma Chakrabarti, Permanent Secretary	1 September 1984	15	3
Carolyn Downs, Deputy Permanent Secretary & Director General, Corporate Performance (from 5 January 2009)	5 January 2009	16	3
Rowena Collins-Rice, Director General, Democracy, Constitution and Law and Chief Legal Advisor	1 July 1985	16	3
Helen Edwards, Director General, Criminal Justice and Interim Deputy Permanent Secretary & Director General, Corporate Performance	14 January 2002	9	3
Peter Handcock CBE, Director General, Access to Justice	4 January 1971	7	3
Marco Pierleoni, Director General, Finance and Commercial	14 January 2008	2	3
Phil Wheatley CB, Director General, National Offender Management Service	21 July 1969	4	3
Alan Cogbill, Head of the Wales Office	16 September 1974	8	3
Jonathan Slater, Director General, Business Transformation (from 2 February 2009) and previously, Director General, Criminal Justice (Interim) (from 1 October 2008 to 5 January 2009)	17 October 2001	17	3
Alisdair McIntosh, Head of the Scotland Office (from 9 March 2009)	26 June 2000	19	1
Ursula Brennan, Deputy Permanent Secretary & Director General, Corporate Performance (to 30 September 2008)		Left MoJ	
Beverley Shears, Director General, Human Resources (to 31 March 2009)		Left MoJ	
David Middleton, Head of the Scotland Office (to 5 February 2009)		Left MoJ	
David Crawley, Audit Committee Chair and Non-executive Director, Wales Office	5 December 2005	2	n/a
Ian Summers, Non-executive Director, Wales Office	1 September 2007	1	n/a
David MacLeod, Non-executive Director (from 21 April 2008)	21 April 2008	2	1

Senior Managers	Contract start date	Unexpired term years	Notice period months
Anne Bulford, Non-executive Director (from 21 April 2008)	21 April 2008	2	1
Professor Georges Selim, Non-executive Director (to 9 April 2008)		Left MoJ	

Notes to the table:

Contracts for Senior Civil Servants were not issued until 1996; where people joined before contracts were introduced the table shows their joining date.

Unexpired term is either remaining contract period on fixed term contracts or when an individual is 65 for all other cases.

Carolyn Downs was in post as a Non-executive Director from 21 April 2008 until 5 January 2009, when she took up the position of Deputy Permanent Secretary and Director General, Corporate Performance.

David Middleton was on loan from the Scottish Government until 5 February 2009.

Alisdair McIntosh is on loan from the Scottish Government from 9 March 2009.

Pension Benefits

Senior Managers	Accrued pension and related lump sum at pension age at 31 March 2009	Real increase in pension and related lump sum at pension age at 31 March 2009	CETV at 31 March 2009	CETV at 31 March 2008 (recalculated) *	CETV at 31 March 2008 (published)	Real increase / (decrease) in CETV
	£000	£000	£000	£000	£000	£000
Suma Chakrabarti, Permanent Secretary	50-55 plus 160-165 lump sum	0-2.5 plus 5-7.5 lump sum	951	852	813	38
Ursula Brennan, Deputy Permanent Secretary & Director General, Corporate Performance (to 30 September 2008)	60-65 plus 190-195 lump sum	2.5-5 plus 7.5-10 lump sum	**1,329	1,241	1,340	58
Carolyn Downs, Deputy Permanent Secretary & Director General, Corporate Performance (from 5 January 2009)	0-5	0-2.5	8	***7	–	(1)
Rowena Collins-Rice, Director General, Democracy, Constitution and Law and Chief Legal Advisor	30-35 plus 95-100 lump sum	2.5-5 plus 7.5-10 lump sum	536	453	439	48
Helen Edwards, Director General, Criminal Justice and Interim Deputy Permanent Secretary & Director General, Corporate Performance	10-15 plus 0-5 lump sum	0-2.5 plus 0-2.5 lump sum	238	202	216	33
Peter Handcock CBE, Director General, Access to Justice	75-80	7.5-10	1,397	1,179	1,257	136
Marco Pierleoni, Director General, Finance and Commercial	0-5	2.5-5	40	8	8	28
Beverley Shears, Director General, Human Resources (to 31 March 2009)	0-5	0-2.5	65	33	36	26
Jonathan Slater, Director General, Business Transformation (from 2 February 2009) and previously, Director General, Criminal Justice (Interim) (from 1 October 2008 to 5 January 2009)	30-35 plus 90-95 lump sum	0-2.5 plus 0-2.5 lump sum	510	****476	–	9
Phil Wheatley CB, Director General, National Offender Management Service	75-80 plus 230-235 lump sum	0-(2.5) plus 0-(2.5) lump sum	1,812	1,727	1,852	(9)
David Middleton, Head of the Scotland Office (to 5 February 2009)	35-40 plus 110-115 lump sum	0-2.5 plus 0-2.5 lump sum	*****737	671	704	4
Alisdair McIntosh, Head of the Scotland Office (from 9 March 2009)	15-20 plus 50-55 lump sum	0-2.5 plus 0-2.5 lump sum	265	*****260	–	4
Alan Cogbill, Head of the Wales Office	40-45 plus 125-130 lump sum	0-(2.5) plus 0-(2.5) lump sum	899	839	888	(6)

Notes to the table:

*The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with *The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008*.

**The figure quoted for Ursula Brennan is to 30 September 2008.

***The figure quoted for Carolyn Downs is from 5 January 2009.

****The figure quoted for Jonathan Slater is from 1 October 2008.

*****The figure quoted for David Middleton is to 5 February 2009.

*****The figure quoted for Alisdair McIntosh is from 9 March 2009.

None of the Non-executive Directors has pension entitlements with the Ministry.

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 Ministry and thus recorded in these accounts. In respect of ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration; the salary for their services as an MP (£63,291 from 1 April 2008), and various allowances to which they are entitled are borne centrally. However, the arrangement for ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Ministry and is therefore shown in full in the figures above.

Phil Wheatley is paid by the NOMS Agency.

Benefits in kind

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

Peter Handcock had the use of a car with the taxable benefits assessed at £1,700 (2007-08: £1,700 to the nearest £100). Helen Edwards had the use of a car with the taxable benefits assessed at £100 (2007-08: £12,200 to the nearest £100). Ursula Brennan had the use of a car with the taxable benefits assessed at £1,300. Suma Chakrabarti's benefit in kind related to the use of a car and the associated tax liability which is assessed at £34,500 (2007-08: £12,100 to the nearest £100). As this arrangement was intended to extend the official working time of the Permanent Secretary, the Ministry met the tax liability. The lower comparative level represents four months in office for the previous year.

David Crawley has benefits in kind for travel and subsistence.

These are an estimate, as the final value has yet to be agreed between Secretary of State and Her Majesty's Revenue and Customs.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (*classic*, *premium* or *classic plus*); or a 'whole career' scheme (*nuvos*). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under *classic*, *premium*, *classic plus* and *nuvos* are increased annually in line with changes in the Retail Prices Index (RPI). Members who joined from October 2002 could opt for either the

appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension 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*, *classic plus* and *nuvos*. Benefits in *classic* accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For *premium*, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike *classic*, there is no automatic lump sum. *Classic plus* is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per *classic* and benefits for service from October 2002 worked out as in *premium*. In *nuvos* a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the members' earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and, immediately after the scheme year end, the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the *Finance Act 2004*.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted, is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of *classic*, *premium* and *classic plus* and 65 for members of *nuvos*.

Further details about the Civil Service pension arrangements can be found at the website 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 figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are calculated in accordance with *The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations* and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

Suma Chakrabarti
Accounting Officer

15 July 2009

Statement of Accounting Officers' Responsibilities

Under the *Government Resources and Accounts Act 2000*, HM Treasury has directed the Ministry of Justice 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 Ministry 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 Ministry 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 principal 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 Permanent Head of the Ministry as principal Accounting Officer of the Ministry. In addition, HM Treasury has appointed additional Accounting Officers to be accountable for those parts of the Ministry's accounts relating to specified requests for resources and the associated assets, liabilities and cash flows. These appointments do not detract from the Head of Department's overall responsibility as Accounting Officer for the Ministry's accounts.

The allocation of Accounting Officer responsibilities in the Ministry is as follows:

- Request for Resources 1: Suma Chakrabarti, Permanent Secretary;
- Request for Resources 2: Alisdair McIntosh, Head of the Scotland Office;
- Request for Resources 3: Alan Cogbill, Head of the Wales Office.

The Head of the Scotland Office is responsible for paying grants to the Scottish Consolidated Fund to fund the operation of the Scottish Executive and Scottish Parliament. Upon transmission, the accountability for this money passes to the Scottish Parliament.

Similarly, the Head of the Wales Office is responsible for paying grants to the Welsh Consolidated Fund to fund the Welsh Assembly Government. Under his terms of appointment the Accounting Officer for the Assembly is accountable for the use, including the regularity and propriety, of the monies received. A Memorandum of Understanding sets out how the Accounting Officer for the Assembly provides assurance to the Head of the Wales Office as to how he has discharged his responsibilities.

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 Ministry of Justice's assets, are set out in *Managing Public Money* published by HM Treasury.

Statement on Internal Control

1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievements of the Ministry of Justice's policies, aims and objectives (including the administrative functions and costs of the Scotland Office and the Wales Office), whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

The Ministry of Justice was established on 9 May 2007. It brought together the responsibilities of the Department for Constitutional Affairs (DCA), the National Offender Management Service (NOMS) and the Office for Criminal Justice Reform (OCJR). I, working with my senior management team conducted an organisational review to integrate the different parts of the Department into a single structure.

The new governance structure came into effect on 1 April 2008 and includes:

- **Corporate Management Board (CMB)**

CMB (hereafter referred to as "the Board") provides direction to the management of all Ministry of Justice's operations and acts to protect and enhance the reputation of the Department. It is a small Board concentrating on the restructured policy and delivery areas (Business Groups). A sub-committee structure has been established to support the Board.

- **Business Groups**

The Department's overall structure is based around five Business Groups, which are aligned to our strategic objectives. Four of our five Business Groups – Access to Justice, National Offender Management Service (NOMS), Criminal Justice Group and Democracy, Constitution and Law – are responsible for delivering our Departmental Strategic Objectives, while the fifth – Corporate Performance enables and supports them to deliver.

I recognise the challenge of re-articulating the Department's governance arrangements and risk management processes to take account of these changes, and I continue to work with my senior management team to communicate and embed the evolving risk management strategy and sound governance arrangements across the reshaped organisation.

As Accounting Officer I work with Ministers and senior MoJ Management through the Ministerial Team (MT) and the Board, to implement the Department's plans, allocate resources and delegate financial authority to senior staff. I involve Ministers in the management of risks at a strategic level, considering major factors that could prevent achievement of MoJ's objectives.

A system of internal control operates in Departmental headquarters, including sponsorship units that monitor the performance and compliance with the respective Framework Document and Financial Memoranda of our Agencies, Non-Departmental Public Bodies (NDPBs) and Associated Offices. To the extent that those documents delegate control to the organisations and the respective Accounting Officers, I place reliance upon their Statements on Internal Control, as published in their Annual Reports and accounts.

2. 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 the Department's policies, aims and objectives; 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 Department for the year ended 31 March 2009 and up to the date of approval of the Annual Report and accounts, and accords with HM Treasury guidance.

3. Capacity to handle risk

As Accounting Officer, I acknowledge my overall responsibility for the effective management of risk throughout the Department.

The Department's *Risk Management Policy and Framework* document was approved by the Board and published in July 2008. It sets out the Department's approach to risk in the achievement of its policies and objectives, and provides guidance on the process of identifying, assessing and managing risk. The policy and framework is available to all staff on the Department's Intranet, and is supported by guidance and targeted training in the form of seminars and workshops.

A network of Risk Co-ordinators, has been established to facilitate risk reporting, share best practice and inform further updates to the Department's *Risk Management Policy and Framework*.

- Registers that identify, assess, and set out mitigating actions to significant risks are in place across the Department's headquarters, Agencies, NDPBs, and Associated Offices. Risks that threaten the achievement of the Department's objectives are reported regularly in Risk Registers at Board, Directorate and Group level for each of the Departmental business areas. Ownership for each risk is assigned to a named individual and risk co-ordinators have been appointed in each of the Department's business areas to support the reporting process.

The Department is represented on the HM Treasury Risk Steering Group whose remit is to improve risk capability across government through sharing best practice.

4. The risk and control framework

The key elements of the Department's risk management strategy for identifying, evaluating and controlling risk include:

- The Risk Management Policy and Framework document.
- An annual Assurance Statement, from Senior Budget Holders, Agencies and Additional Accounting Officers, NDPBs, and Associated Offices, on the development and effectiveness of risk management arrangements.
- Information Assurance – a Sub Committee of the Board and dedicated programme were established following the *Data Handling Procedures in Government* – Hannigan report. As Accounting Officer for the Ministry of Justice, I place reliance upon the work of the Information Sub-committee, the Statements of Internal Control as published in the Annual Reports and

accounts of Agencies, NDPBs and Associated Offices, and the Departmental Senior Information Risk Owner (SIRO)'s written report to me. These provide me with a reasonable assurance that Annual Assessment of Information Risk has been completed satisfactorily. I recognise the challenge of achieving the standards set out in the report and I will continue to work with my senior management team to communicate and embed Information Assurance Policy across the MoJ and address any identified control issues.

- The Departmental Change Division's Programme and Project Assurance Team includes a centre of excellence for programme and project management in accordance with Office of Government Commerce requirements, and is responsible for portfolio management for the MoJ's Performance and Efficiency Programme (PEP) and other mission critical programmes and projects, including co-ordinating internal and external gateway reviews.
- The *Corporate Plan* sets out our objectives and priorities for the next two years, and the way in which we will deliver them. Risk identification, evaluation and management is an integral part of the Department's process for planning and delivering its Departmental Strategic Objectives, and the Public Service Agreements to which it contributes, during the Comprehensive Spending Review (CSR) period (2008-09 to 2010-11).

Further elements in the Department's control system include:

- Comprehensive planning systems covering the three year CSR period, with an annual budget which is approved by the Secretary of State (SoS). Work continues across the Department to strengthen understanding of the key drivers of cost and performance;
- Systems to identify, quantify and track financial risks, for example in respect of new policies or other initiatives. Again further effort is needed to improve the operation of this system;
- Regular provision of financial and non-financial management information to the Board, to enable the Board to review performance to date and take the necessary corrective action; and
- A system of delegation and accountability.
- The *Departmental Fraud Policy* and "whistle blowing" policy for confidential reporting of staff concerns was published in July 2008 as part of the departmental Conduct policy and is available to all staff on the Department's Intranet.
- Business Continuity Plans (BCP) to manage the risk of disruption to business are continually developed and tested. The Business Continuity Board oversees the development of BCPs and has a standing agenda item to review emerging threats (primarily to adapt protective security and continuity plans accordingly). BCPs are owned by business areas, which are required to identify needs and risks, and are predicated on a regime of protective security, property maintenance, and IT service arrangements that aim to avoid disruption to the business. In the event of disruption, the plans focus on maintaining key service delivery. A regime of plan testing has been instituted. Changes in threat levels and the status alert are communicated across the Department to local security officers and business areas have built upon central guidance to ensure local staff input into plans.
- The Service Management Organisation (SMO) manages performance and delivery of services provided by Liberata. An annual Statement of Assurance from Liberata UK Ltd to the Department confirms that the services provided by the company have been delivered in compliance with the assurance and control requirements of their contract with the Department. The Statement of Assurance also includes areas in which action to improve is required / underway.
- The Department's IT infrastructure and application services are provided by Atos Origin and Logica CMG. I place reliance upon the assurance provided to me by the Director of E-Delivery

group who is responsible for assuring that services provided by these companies are delivered in compliance with the assurance and control requirements of their contract with the Department.

- During part of the year, the Home Office maintained records on Adelphi and Phoenix systems for NOMS and HM Prison Service respectively through IT infrastructure supplied by Fujitsu. Accountability for ensuring that these systems operate in an effective and secure manner rests with the Home Office Principal Accounting Officer. I draw assurance from the work carried out as part of the Home Office Internal Audit programme and the *Home Office Statement on Internal Control*.
- Involvement of public stakeholders in the management of risks through: a Departmental-monitoring group; wide consultation in line with the criteria set out in the Government's *Code of Practice*; Regulatory Impact Assessments where required; a checklist for policy makers supported by "*Risk to the Public – A Framework for Identifying and Managing Risks Resulting from or Requiring Government Intervention*."

5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and the executive managers within the Department 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. I have been advised on the implications of the result of my review by the Board, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The key elements of the system of internal control (set out in *Section 4* above) and the following mechanisms and responsible bodies / officers inform my review of the system's effectiveness:

- **Ministerial Team (MT) and Corporate Management Board (CMB)** – which meet every six weeks and consider the significant risks to the Department and the controls in place to monitor them. Key messages from Board meetings and notes of Board meetings with the Ministerial Team are available to all staff on the Department's Intranet.
- **Sub-Committee Structure** – a sub-committee structure to support the Board was established in April 2008. CMB agree an annual work programme for each committee and evaluate their performance at the end of the year. As part of the annual evaluation of arrangements I (supported by the Board) reviewed the structure of committees, sub-committees and governance arrangements from last year.

Following my review a number of committees (Procurement, People, Change, Investment, & Performance and Efficiency Programme (PEP)) have been consolidated to form the **Business Transformation Committee**. This will strengthen and coordinate the MoJ approach to the governance of people, finance and change (including oversight of the developing Business Transformation agenda which is being designed to fully realise the benefits to justice services from the existence of the Ministry of Justice).

- **Business Transformation Committee** – the Committee will oversee the Ministry-wide transformation agenda, the Department's mission critical programmes, and the cross-cutting people, IT, finance and commercial strategies.
- **Policy Committee** – the committee supports the Board and Ministers in identifying and setting the strategic direction of the Ministry of Justice.

- **Corporate Audit Committee (CAC)** – chaired by an independent non-executive director, the Committee provides independent advice on internal control issues, advises on the Internal Audit work programme, and considers key recommendations from Internal Audit Reports and those by the National Audit Office.
- **Information Committee** – provides assurance on the handling of information, identification and management of risk within the Department.
- **Honours Committee** – the committee endorses OBE and MBE recommendations, and considers awards above OBE.
- **Internal Audit** – the Department has an Internal Audit Division that operates to *Government Internal Audit Standards*. It submits regular reports, including the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Department's governance, control and risk management arrangements, together with recommendations for improvement. It also works closely with the Department's Headquarters, Agencies and NDPBs to help ensure robust systems of fraud prevention, detection, investigation; reporting and recovery are in place.
- **Risk Management Assessment Framework (RMAF)** – the *HM Treasury Risk Maturity model* has been used both to inform how the Department's headquarters, Agencies, and NDPBs are developing their risk management capability, to identify areas where further improvements can be made, and best practice shared. In turn it informs and provides supporting evidence to this statement.
- **Information Assurance** – In June 2008 the Cabinet Office published the *Data Handling Procedures in Government* report, setting out mandatory requirements for handling information, to which all Government bodies are required to adhere. A dedicated Programme has been established to oversee and ensure that electronic and paper-based information across the Ministry, including its agencies and delivery partners, is collected, managed, stored and disposed of in a manner that inspires high levels of Parliamentary and public trust and confidence.

Key achievements are:

- MoJ Information Committee established & chaired by the MoJ Senior Information Risk Owner (SIRO).
- MoJ SIRO Annual Assessment of Information Risk and report to the MoJ Permanent Secretary (supported by Business Group SIRO reports).
- Stage 1 certification in ISO 27001 has been achieved by the Youth Justice Board and NOMS. Work is underway in the rest of the Department to achieve Stage 1 certification in ISO 27001.
- Identification of Information Assets (IA) & IA Owners who have responsibility for completing quarterly risk assessments on the confidentiality, integrity and availability of information.
- Implementation of mandatory information assurance training by staff.
- Encryption of MoJ laptops, including those held by the judiciary.
- Regular progress reports to the MoJ CAC and the Board.
- Work is underway to ensure that all Risk Management Accreditation Document Sets (RMADS) are up-to-date and independently assessed using CESG Infosec Standard 2 guidelines.

Other explicit review / assurance mechanisms

Information from the following sources have been reviewed in the production of this statement:

- National Audit Office Reports and Comptroller and Auditor General's Certificate for Resource Accounts;
- HM Treasury Report on Fraud (Annual);
- Stewardship reporting in support of Statements on Internal Control (in-year);
- Corporate governance updates to Corporate Audit Committee (periodic);
- MoJ Autumn Performance Reports (Annual);
- CMB / MT Performance Reports and Corporate Risks Reports (Monthly);
- Head of Security's (Annual) Security Report.
- Security Policy Framework & Information Risk: Annual Report to the Cabinet Office;
- Head of the MoJ Corporate Health and Safety Branch (Annual) Report;
- Sponsored bodies (Annual) Reports and Accounts including Statements on Internal Control;
- HM Inspectorate of Courts Administration publications and (Annual) report;
- HM Inspectorate of Prisons publications and (Annual) report;
- HM Inspectorate of Probation publications and (Annual) report;
- Assurance and quality reviews of programmes and projects by:
(*Internal*) MoJ Change Division;
(*External*) OGC Gateway Reviews;
- The Capability Review 1 year stock take, conducted in June 2009;
- MoJ Balanced Scorecard;
- MoJ Business Model;
- Head of Internal Audit's Annual Report and opinion

6. Significant Control Issues

Internal Audit have been consulted regarding the following significant internal control issues for inclusion in this statement, and confirm that from the evidence of their work there are no other key issues to be included of which they are aware:

Returning Officers' Expenses (ROE) Accounts

The ROE accounts for 2007-08 were qualified by the Comptroller and Auditor General on regularity grounds. A number of Returning Officers had not submitted statements of account within the statutory period.

The MoJ has introduced a series of measures to encourage future compliance and the submission of outstanding historical accounts. These include:

- Revised Service Level Agreement with Department for Communities and Local Government tightening procedures for processing elections accounts.
- Issued eight-week deadlines for payment of outstanding accounts. Since 5 November 2008, when 59 election accounts were outstanding, 22 election accounts have been received with some deadlines still live.
- Reduced advances for elections where Returning Officers failed to submit previous accounts on time.

Public Accounts Committee (PAC) Parole Board

In response to the recommendations and actions raised in the NAO report and subsequent PAC hearing (life sentences / indeterminate sentence for public protection), the Parole Board in partnership with the sponsoring unit within MoJ are addressing the points raised. Specifically this includes:

- Improved forecasting in 2009-10 of cases and oral hearings.
- A recruitment campaign for judicial members.
- New Parole Board rules came into effect 1 April 2009.
- Training and accrediting non Judicial Chairs to hear IPP cases.

Introduction of a generic parole process to bind together the separate processes used by different agencies in administering the parole process. As a result a new framework of inter-agency shadow targets has been put together for 2009-10.

Risk Management and Accreditation Documentation Set (RMADS)

A control issue has arisen in relation to the production of RMADS for most former DCA ICT systems. The relevant IT contracts envisaged that accreditation would fall to MoJ's contractors, but a combination of delayed transition activity and emerging contractual discussions have contributed to a backlog of accreditation work to be undertaken. This has led to most systems having out of date assessments of risk and lapsed accreditation "certificates". However, these systems are in accredited and secured domains creating a manageable exposure for MoJ. An urgent programme of work is in progress to bring all RMADS documentation up to date and allow accreditation for key and major ICT systems (to enable visibility of underlying risks). This should be completed by 30 September 2009. Commercial discussions with MoJ ICT suppliers about future RMADS maintenance are close to resolution and the project life cycle has been amended to ensure that all new projects and programmes have RMADS costs factored in.

Public Accounts Committee (PAC) C-NOMIS

The C-NOMIS Programme was initiated in 2004 to provide an IT system to support end-to-end offender management for use by both Prisons and Probation. During July 2007, an internal review reported that the programme had exceeded its budget and could not meet its original time, cost and quality criteria for overall delivery. In January 2008, the programme (now known as Prison NOMIS) was re-scoped.

The entire C-NOMIS programme (including subsequent re-scoping) was examined by the NAO during 2008-09. The PAC hearing took place on 6 May 2009 and their subsequent report will be published in due course.

I together with my senior management team will seek to take forward and implement the report's recommendations.

Management Information

The *Capability Review* baseline assessment published in April 2008 identified that MoJ needed to improve the availability of accurate, timely and relevant management information. Action to assess this is being taken forward as part of the Ministry-wide Business Transformation Programme.

Administration of Means Testing in Magistrates' Courts

The *Criminal Defence Service Act 2006 (CDS Act)* came into force on 2 October 2006. The *CDS Act* reintroduced the requirement for applications for criminal legal aid in magistrates' courts proceedings to be subject to means assessments.

Her Majesty's Courts Service (HMCS) is responsible for administering means assessments through a Service Level Agreement (SLA) with the Legal Services Commission (LSC). The *Criminal Legal Aid Consolidated Guide* provides comprehensive information and guidance on the criminal legal aid applications process introduced by the *CDS Act*.

Following an internal audit report on the application of means testing in Magistrates' Courts, work is underway to ensure compliance and effective assurance reporting of the internal control and risk management processes set out in the guide.

Suma Chakrabarti

15 July 2009
Accounting Officer

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

I certify that I have audited the financial statements of the Ministry of Justice for the year ended 31 March 2009 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 Cash Flow Statement and the Statement of Net Operating Costs by Departmental Strategic Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration 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 Officers' Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited 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 report to you whether, in my opinion, the information which comprises the Management Commentary, included within the Annual Report, is consistent with the financial statements. 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.

In addition, I report to you 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 Internal Control reflects the Department's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers 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 the Annual Report, the unaudited part of the Remuneration Report, and the Statement of Accounting Officers' Responsibilities. I consider the implications for my certificate 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 opinions

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.

Opinions

Audit 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 2009, and the net cash requirement, net resource outturn, net operating cost, net operating costs applied to departmental strategic objectives, recognised gains and losses and cash flows 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
- information which comprises the Management Commentary, included within the Annual Report, is consistent with the financial statements.

Opinion on Regularity

In my opinion, 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.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London
SW1W 9SS

Date 20th July 2009

Statement of Parliamentary Supply

Summary of Resource Outturn 2008-09

Request for Resources	Note	2008-09 Estimate			2008-09 Outturn			2008-09 Net Total	2007-08 Outturn
		Gross Expenditure £000	A in A £000	Net Total £000	Gross Expenditure £000	A in A £000	Net Total £000	Outturn compared with Estimate saving/ (excess) £000	Net Total £000
1	2	11,435,428	1,087,191	10,348,237	11,118,138	1,055,255	10,062,883	285,354	9,152,317
2	2	24,872,125	1,600	24,870,525	24,871,439	1,508	24,869,931	594	24,623,988
3	2	12,375,586	–	12,375,586	12,176,106	–	12,176,106	199,480	11,831,069
Total Resources		48,683,139	1,088,791	47,594,348	48,165,683	1,056,763	47,108,920	485,428	45,607,374
Non-operating cost A in A	7			34,500			17,401	17,099	25,725

Net cash requirement 2008-09

Note	2008-09 Estimate		2008-09 Outturn		2008-09 Net Total	2007-08 Outturn
	£000	£000	£000	£000	Outturn compared with Estimate saving/ (excess) £000	£000
Net Cash Requirement	4	46,880,185	46,362,943	517,242	45,284,714	

Summary of income payable to the Consolidated Fund

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

Note	Forecast 2008-09		Outturn 2008-09	
	Income £000	Receipts £000	Income £000	Receipts £000
Total	5	–	–	198,982

Explanation of variation between Estimate and outturn are given in the Financial Performance section of the Management Commentary, on page 27.

The notes on pages 71 to 144 form part of these accounts.

Operating Cost Statement for the year ended 31 March 2009

Note	2008-09		Core Department		2008-09		As restated		
	Staff Costs	Other Costs	Income	Staff Costs	Other Costs	Consolidated	Core Department	2007-08	
	£000	£000	£000	£000	£000	Income	Consolidated	£000	
Administration Costs:									
All Requests for Resources									
Staff Costs	9(a)	121,295		246,115			130,223	250,735	
Judicial salaries	9(b)	560		897			43	770	
Other administration costs	10		100,115		185,833		11,575	191,704	
Operating income	12		(7,331)			(21,320)	(13,818)	(22,047)	
Programme Costs									
Request for Resources 1									
Staff Costs	9(a)	68,921		3,132,005			43,329	3,002,526	
Judicial salaries	9(b)	2,834		429,688			2,714	412,974	
Programme costs	11		3,236,913		7,320,021		3,337,016	6,506,718	
Income	12		(54,740)			(1,072,747)	(45,761)	(1,045,236)	
Request for Resources 2									
Programme costs	11		24,862,693		24,862,693		24,616,670	24,616,670	
Income	12		–			–	–	–	
Request for Resources 3									
Programme costs	11		12,171,123		12,171,123		11,826,037	11,826,037	
Income	12		–			–	–	–	
NLF interest payable			53,966		53,966		54,787	54,787	
NLF interest receivable			(53,966)		(53,966)		(54,787)	(54,787)	
Totals		193,610	40,370,844	(62,071)	3,808,705	44,539,670	(1,094,067)	39,908,028	45,740,851
Net Operating Cost	3, 13		40,502,383			47,254,308			

All activities are from continuing operations. The Machinery of Government changes reflected in these financial statements are disclosed in note 38.

The notes on pages 71 to 144 form part of these accounts.

Statement of Recognised Gains and Losses for the year ended 31 March 2009

	Note	2008-09		As restated 2007-08	
		Core Department	Consolidated	Core Department	Consolidated
		£000	£000	£000	£000
Net gain/(loss) on revaluation of tangible fixed assets	23a	267	(1,097,399)	17,783	292,857
Net gain/(loss) on revaluation of intangible fixed assets		–	–	–	–
Net gain/(loss) on revaluation of investments		–	–	–	–
Actuarial gain/(loss) related to pension scheme	37	–	(186,940)	–	38,912
Receipt/(disposal) of donated assets	23b	–	13	–	45
Recognised gains and losses for the financial year		267	(1,284,326)	17,783	331,814

The notes on pages 71 to 144 form part of these accounts.

Balance Sheet as at 31 March 2009

Note				2009	As restated	2008
	£000	Core Department £000	£000	Consolidated £000	Core Department £000	Consolidated £000
Fixed assets:						
Tangible assets	14	317,142		9,847,983	115,343	11,065,111
Intangible assets	15	263		5,517	465	1,876
Investments	16	776,455		776,586	794,595	794,806
		<u>1,093,860</u>		<u>10,630,086</u>	<u>910,403</u>	<u>11,861,793</u>
Debtors falling due after more than one year	18	209		13,507	1,245	26,097
Current assets:						
Stocks	17	–	38,278		–	30,690
Debtors	18	547,122	680,315		569,175	643,518
Cash at bank and in hand	19	170,615	448,848		68,693	340,658
		<u>717,737</u>	<u>1,167,441</u>		<u>637,868</u>	<u>1,014,866</u>
Creditors (amounts falling due within one year)	20	(961,865)	(1,725,525)		(825,077)	(1,699,208)
Net current liabilities		<u>(244,128)</u>		<u>(558,084)</u>	<u>(187,209)</u>	<u>(684,342)</u>
Total assets less current liabilities		<u>849,941</u>		<u>10,085,509</u>	<u>724,439</u>	<u>11,203,548</u>
Creditors (amounts falling due after more than one year)	20	(980,789)		(1,519,896)	(815,061)	(1,388,989)
Provisions for liabilities and charges	21	(171,171)		(757,496)	(159,522)	(568,956)
Pension Deficit Liability	37	–		(718,602)	–	(506,638)
		<u>(302,019)</u>		<u>7,089,515</u>	<u>(250,144)</u>	<u>8,738,965</u>
Taxpayers' equity:						
General fund	22	(305,346)		5,515,452	(253,322)	6,039,316
Revaluation reserve	23a	3,327		1,573,976	3,178	2,699,575
Donated asset reserve	23b	–		87	–	74
Pension Reserve	23c	–		–	–	–
		<u>(302,019)</u>		<u>7,089,515</u>	<u>(250,144)</u>	<u>8,738,965</u>

Suma Chakrabarti
Accounting Officer
Date: 15 July 2009

The notes on pages 71 to 144 form part of these accounts.

Consolidated Cashflow Statement for the year ended 31 March 2009

		<u>2008-09</u>	<u>2007-08</u>
	Note	£000	£000
Net cash outflow from operating activities	24a	(45,847,279)	(44,674,423)
Capital expenditure and financial investment	24b,c	(619,487)	(701,526)
Receipts due to the Consolidated Fund which are outside the scope of the Ministry's activities	5	192,050	292,417
Payments of amounts due to the Consolidated Fund		(191,362)	(288,288)
Financing	24d	46,574,268	45,459,395
Increase/(decrease) in cash in the period	24e	<u>108,190</u>	<u>87,575</u>

The notes on pages 71 to 144 form part of these accounts.

Consolidated Statement of Operating Costs by Departmental Strategic Objectives for the year ended 31 March 2009

Request for Resources 1

Aim: To promote the development of a modern, fair, cost effective and efficient system of justice for all

	2008-09			2007-08		
	Gross	Income	Net	Gross	Income	Net
	£000	£000	£000	£000	£000	£000
DSO 1 – Democracy	71,826	(666)	71,160	87,595	(378)	87,217
DSO 2 – Access to Justice	5,217,552	(671,663)	4,545,889	4,914,066	(666,502)	4,247,564
DSO 3 – National Offender Management Service	5,352,961	(379,678)	4,973,283	4,624,323	(370,049)	4,254,274
DSO 4 – Criminal Justice	658,577	(40,552)	618,025	725,668	(29,115)	696,553
Net operating costs	11,300,916	(1,092,559)	10,208,357	10,351,652	(1,066,044)	9,285,608

Departmental Strategic Objectives – 2008-09

DSO 1 – Strengthening democracy, rights and responsibilities

DSO 2 – Delivering fair and simple routes to civil and family justice

DSO 3 – Protecting the public and reducing re-offending

DSO 4 – A more effective, transparent and responsive criminal justice system for victims and the public

Request for Resources 2

Aim: The aim of the Scotland Office is to give the Secretary of State for Scotland the best possible support in promoting the devolution settlement and in representing Scottish interests within the UK Government.

	2008-09			2007-08		
	Gross	Income	Net	Gross	Income	Net
	£000	£000	£000	£000	£000	£000
Objective 1	2,046	–	2,046	2,046	–	2,046
Objective 2	2,064	–	2,064	2,064	–	2,064
Objective 3	24,863,965	(245)	24,863,720	24,617,788	(433)	24,617,355
Objective 4	3,364	(1,263)	2,101	3,364	(803)	2,561
Net operating costs	24,871,439	(1,508)	24,869,931	24,625,262	(1,236)	24,624,026

Objective 1 To ensure that Scotland's interests in relation to reserved areas are known and represented within the UK Government.

Objective 2 To fulfil all requirements in relation to the UK Government and parliamentary activities concerning Scotland and in relation to constitutional functions under the Scotland Act.

Objective 3 To handle all financial matters timeously and with propriety – including payments to the Scottish Consolidated Fund.

Objective 4 Providing legal advice and services relating to Scots law and the Scottish devolution settlement to UK Government Departments and supporting the Advocate General for Scotland in his statutory functions under the *Scotland Act* and in relation to his functions as a UK law officer.

Request for Resources 3

Aim: The aim of the Wales Office is to support the Secretary of State for Wales in discharging his role of representing Wales in the Government, representing the Government in Wales and ensuring the smooth working of the devolution settlement in Wales.

	2008-09			2007-08		
	Gross	Income	Net	Gross	Income	Net
	£000	£000	£000	£000	£000	£000
Objective 1	2,048	–	2,048	2,348	(3)	2,345
Objective 2	1,566	–	1,566	1,566	–	1,566
Objective 3	522	–	522	522	–	522
Objective 4	784	–	784	784	–	784
Grant to the National Assembly for Wales and other Programme expenditure	12,171,100	–	12,171,100	11,826,000	–	11,826,000
Net operating costs	12,176,020	–	12,176,020	11,831,220	(3)	11,831,217

Objective 1 Constitution and Parliament – To maintain and improve the devolution settlement.

Objective 2 Government – To maintain effective working relationships with the Welsh Assembly Government.

Objective 3 Representation – To represent Welsh interests in the wider world.

Objective 4 Governance – To secure, develop and manage effectively and efficiently the resources needed to deliver previous objectives.

	2008-09			2007-08		
	Gross	Income	Net	Gross	Income	Net
	£000	£000	£000	£000	£000	£000
All Requests for Resources						
Total Net Operating Costs	48,348,375	(1,094,067)	47,254,308	46,808,134	(1,067,283)	45,740,851

The notes on pages 71 to 144 form part of these accounts.

Notes to the accounts for the year ended 31 March 2009

Notes to the accounts

1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2008-09 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 Ministry to prepare two additional primary statements. The Statement of Parliamentary Supply and supporting notes report outturn against Estimate in terms of the net resource requirement and the net cash requirement. The consolidated Statement of Operating Cost by Departmental Strategic Objectives and supporting notes analyse the Ministry'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 the most appropriate to the particular circumstances of the Ministry for the purpose of giving a true and fair view has been selected. The Ministry's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

The accounts have been prepared on an accruals basis under the historical cost convention and modified to account for the revaluation of fixed assets and stock, where material, at their value to the business by reference to their current costs.

1.2 Basis of consolidation

The core department figures in these accounts comprise a consolidation of the non-agency parts of the Ministry, together with the Scotland Office and the Wales Office. The consolidated figures comprise the core department plus the Ministry's four executive agencies, including the results of the 42 local Probation Boards and Trusts. Transactions between entities included in the consolidation are eliminated.

A list of all those entities within the departmental boundary is given at Note 36 a).

1.3 Machinery of government changes and restatement of comparatives

Machinery of government changes, which involve the transfer of functions or responsibilities between the core department and executive agencies are accounted for using merger accounting in accordance with the *FReM*. The prior year comparatives are restated as if the current departmental structure had always existed in its present form.

1.4 Tangible fixed assets

Land and buildings are included on the basis of professional valuations, which are conducted for each property at least once every five years. In the intervening years the properties are revalued using

either appropriate published indices or by the Valuation Office Agency via a desktop valuation system. Most properties (for example, courts and prisons) are specialised in nature and are valued at Depreciated Replacement Cost on a Modern Equivalent basis. Other properties, such as offices, are valued on the basis of existing use value. When properties are vacated and are awaiting disposal, they are valued at open market value.

Plant and equipment, furniture and fittings, information technology and vehicles are included at cost in the month of purchase and are restated annually thereafter using Price Index Numbers for Current Cost Accounting (Office for National Statistics).

Residual interest in off-balance sheet PFI properties are included in tangible fixed assets at an amount equal to the unitary charge allocated for the acquisition of the residual interest to the balance sheet date. An adjustment is made based on the net present value of the change in the fair value of the residual interest, as estimated at the start of the contract and its estimated fair value at the balance sheet date (see also Note 1.19).

Artwork which forms an integral part of the fabric of buildings is capitalised and depreciated across the shorter of the lease term of the building or estimated useful economic life. Items of operational antique furniture are valued individually at 'hammer price', the price a buyer would expect to pay at a reputable auction. Professional valuations are carried out at least once every five years. Non-operational antiques, such as paintings and other works of art, are generally not considered material and are not capitalised. NOMS capitalise non-operational works of art, at estimated value, as a non-depreciating asset.

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.

1.5 Capitalisation thresholds

Individual assets costing in excess of capitalisation limits are treated as capital assets. Items that individually cost less than the prescribed threshold are capitalised on a grouped basis where they form part of a package or a project whose total value exceeds the grouped assets capitalisation limit. NOMS account for all furniture and fittings on a pooled basis, assigning a standard value per item based on numbers of staff and prisoners.

Capital thresholds within the Ministry of Justice group vary according to the size and historical practice of agencies. The impact of different capitalisation thresholds is not sufficiently material to warrant adjustments on consolidation.

The core Department's capitalisation threshold for individual asset is £10,000 (including VAT). The thresholds in the agencies range from £1,000 to £10,000.

Capitalisation thresholds for software projects range from £5,000 to £1 million.

The core Department, NOMS and Her Majesty's Court Service (HMCS) apply a capitalisation threshold for grouped assets of £1 million (including irrecoverable VAT). The Tribunals Service has adopted a £50,000 (including VAT) threshold.

1.6 Intangible assets – software licences

Purchased computer software licences costing more than the prescribed limits are capitalised. Except where reliable evidence of current value cannot be readily ascertained, these are restated to current value each year using appropriate published indices. Software licences are amortised over the shorter of the term of the licence and the useful economic life.

1.7 Depreciation

Depreciation is provided, at rates calculated to write off the valuation of freehold buildings or current replacement cost of other tangible fixed assets, less the estimated residual value, spread evenly over their estimated useful lives, or for leased assets, over the life of the lease. Asset lives are within the following ranges:

Freehold land	Not depreciated
Freehold buildings	Shorter of remaining life or up to 60 years
Leasehold buildings	Shortest of: remaining life, remaining lease period or up to 50 years; whichever is appropriate
Leasehold land	Remaining lease period, except for leases with more than 125 years remaining, which are not depreciated
Assets under construction	Not depreciated
Residual interests in off-balance sheet PFI	Not depreciated
Information technology	3 to 15 years
Plant and equipment	3 to 15 years
Furniture and fittings	5 to 20 years
Vehicles	3 to 7 years
Finance leases	Lease period
Operational antiques	50 years

1.8 Investments

NOMS holds a number of investments as a result of its trading activities. Quoted investments are valued at market value. Unquoted investments are valued on the basis of estimated realisable value.

Financial interests in bodies which are outside the departmental boundary are also treated as fixed asset investments since they are held for the long term. These comprise:

National Loans Fund (NLF): Advances from the NLF are treated as investments and disclosed at historical cost. Interest on, and repayments of, loans, made from the NLF are collected by the sponsor department, i.e. the Scotland Office and the Wales Office, and surrendered to the NLF. Loan balances are treated as a creditor (see note 20).

Shares in limited companies / special shares: Investments are included at market value unless this cannot be readily ascertained, in which case they are stated at historical cost.

For further details on shares held, see note 16.

1.9 Stocks and work in progress

Stocks for resale and work in progress are valued at the lower of current replacement cost and net realisable value. Stocks of stationery and other consumable stores are not generally considered material and are written off in the Operating Cost Statement as they are purchased. NOMS value consumable stocks at current replacement cost, which is not materially different from historical cost.

1.10 Pensions

Most past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit scheme is unfunded and non-contributory except in respect of dependants' benefits. The Ministry recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from the employees' services by payment of charges calculated on an accruals basis. Liability for payment of future benefits is a charge on the scheme.

Past and present employees of the local probation boards and some members of HMCS are covered by the provisions of the Local Government Pension Scheme (LGPS). This is a funded, defined benefit scheme meaning that retirement benefits are determined independently of the investments of the scheme and employers are obliged to make additional contributions where assets are insufficient to meet retirement benefits. Under the LGPS Regulations the pension fund is subject to an independent triennial actuarial valuation to determine each employer's contribution rate.

The Ministry has separate schemes for the Law Commissioners and Immigration Adjudicators, which are 'by analogy' or similar to the PCSPS. Provision has been made for the future cost of benefits under these schemes.

The Ministry also administers the Judicial Pension Scheme which provides for the pensions of judicial office holders of five participating Departments across Government. A percentage of the accruing superannuation liability charge paid under the Scheme is appropriated in aid in these accounts, as reimbursement of the costs the Ministry incurs in administering the scheme.

For defined contribution schemes, the Ministry recognises the contributions payable in the year.

1.11 Early departure costs

The Ministry is required to pay the additional cost of benefits beyond the normal PCSPS and LGPS benefits in respect of employees who retire early, unless the retirement is on approved medical grounds. The total cost is provided in full when the early departure programme has been announced and is binding on the Ministry. The estimated cash flow is discounted using HM Treasury's discount rate of 2.2% in real terms.

The Scottish Government provides for any additional early departure costs for Scotland Office staff. Any such amounts are not included in these accounts.

1.12 Research and development

Expenditure on research is charged to the Operating Cost Statement as it is incurred. Expenditure on development in connection with a product or service which is to be supplied on a full cost recovery basis is capitalised if it meets the criteria specified in SSAP 13. Other development expenditure is capitalised if it meets the criteria specified in the *FReM*, which are adapted from SSAP 13 to take account of the not-for-profit context. Expenditure which does not meet the criteria for capitalisation is charged to the Operating Cost Statement as it is incurred.

1.13 Operating income

Operating income is income which relates directly to the operating activities of the Ministry. It predominantly comprises fees and charges for services provided on a full cost basis to external customers, as well as public repayment work. It includes both income appropriated in aid of the Estimate and income due to the Consolidated Fund, which in accordance with the *FReM*, is treated as operating income. Operating income is stated net of VAT.

A summary of the treatment of operating income is included below. Further details can be found in the accounts of the relevant body.

NOMS income relates directly to the charges for goods and services provided to external customers. It also includes receipts from the Youth Justice Board for the provision of places for juvenile offenders, from the UK Border Agency for the provision of custodial services, from the Department for Children, Schools and Families and Department for Business, Innovation and Skills for the provision of education services and from the Department of Health and Welsh Assembly Government for the provision of healthcare services. The National Probation Service income for the 42 Probation Boards and Trusts comprises rent receivable, income from EU sources, income from other government departments and miscellaneous income.

HMCS fee income, net of fees remitted and exempted, comprises amounts for services provided to court users and is recorded when the fee is raised. Elements that relate to work yet to be completed at the balance sheet date are held as deferred income and subsequently recognised as income upon completion of the service. Fines income is accounted for upon collection and is split between the element retained by HMCS and that remitted to the Consolidated Fund through this Ministry. Impositions other than fines are remitted directly to the appropriate government department or the victims of crime.

The Office of the Public Guardian's (OPG) income, net of fees remitted, comprises fees charged for bringing proceedings before the Court of Protection and in relation to the functions carried out by the Public Guardian under the *Mental Capacity Act 2005*.

The Official Solicitor and Public Trustee (OSPT) earns fees from its estates, litigation and trust activities. In estates, a bill of costs is either raised once a year, in the majority of case types, or on completion of the case for conveyancing and administration of estates. In litigation, a bill of costs is drawn on completion of the case. For trust activities, administration fees are due on 1 April and are based on the capital value of the case. Other fees charged are recognised when they fall due for payment.

Fees for work carried out by the Judicial Committee of the Privy Council are deemed to be earned when the case is completed. Judicial Fees are set by the *Judicial Committee (General Appellate Jurisdiction) Rules Order 2009*.

The Office of the Information Commissioner, though not consolidated in the resource accounts, is bound by *paragraph 9(1), Schedule 5 of the Data Protection Act 1998*. This stipulates that all fees and other sums received by the Commissioner in the exercise of his functions shall be paid to the Secretary of State and Lord Chancellor. It has been agreed with the Information Commissioner, with the consent of HM Treasury, that the Information Commissioner may retain the data protection fees collected with effect from 1 April 2005 for expenditure on data protection purposes, rather than drawing grant-in-aid for such functions.

Note 12a) reports the income which, under the administration cost control regime, is allowed to be offset against gross administration costs to determine the outturn against the administration cost limit.

An analysis of fees and charges to customers inside and outside the public sector is found in Note 12b). It shows income, full cost and surplus or deficit as required by *Managing Public Money*.

1.14 Administration and programme expenditure

The Operating Cost Statement is analysed between administration and programme income and expenditure. The classification of expenditure as administration or programme follows the definition of administration costs set out in HM Treasury's *Consolidated Budgeting Guidance*. Broadly, administration expenditure reflects the costs of running the Ministry while programme costs relate to service delivery activities.

1.15 Grants payable and paid

The Ministry recognises grants due to its executive Non-Departmental Public Bodies in the period in which they are paid.

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

1.16 Foreign exchange

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate specified in the contract. Transactions which are not covered by a related forward contract are translated into sterling at the exchange rate ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for the period is used. Monetary assets and liabilities denominated in a foreign currency at the balance sheet date are translated at the rates at that date. These translation differences are dealt with in the Operating Cost Statement.

1.17 Operating leases

Rentals under operating leases are charged to the Operating Cost Statement on a straight-line basis over the lease term.

1.18 Finance leases

Where substantially all risks and rewards of ownership of leased assets are borne by the Ministry, the asset is treated as if it had been purchased outright. The amount capitalised is the fair value of the leased assets or where materially lower, the present value of minimum lease payments discounted at the interest rate implicit in the lease. The corresponding leasing commitments are shown as obligations to the lessor.

1.19 PFI transactions

The Ministry accounts for Private Finance Initiative (PFI) transactions in accordance with Financial Reporting Standard 5 *Reporting the Substance of Transactions* and the FReM. The guidance allows for both on and off-balance sheet transactions.

Where the PFI operator bears the balance of the risks and rewards of ownership, the PFI payments are recorded as an operating cost. Where the Ministry has contributed assets, a prepayment for

their fair value is recognised and amortised over the life of the PFI contract by a charge to the Operating Cost Statement. Where at the end of a contract the property reverts to the Ministry, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge and a service charge.

Where the Ministry bears the responsibility, the asset is recognised on the balance sheet, with the liability to pay for it accounted for as a finance lease. Contract payments are apportioned between the imputed finance lease charge, the service charge and the reduction in the capital obligation. See Notes 20 and 28 for further information.

1.20 Non-cash costs

Capital Charge:

A charge reflecting the cost of capital utilised by the Ministry 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:

- donated assets and cash balances with the Office of HM Paymaster General, where the charge is nil;
- amounts due to or from the Consolidated Fund and liabilities in respect of advances from the Contingencies Fund;
- National Loans Fund where the charge equates to the interest due from the body, calculated using the NLF rate of interest appropriate to a loan with the same date of issue and same repayment terms. The charge relates to both the investment and the associated liability; and
- Pension scheme liabilities where the charge is set at 2.5% to reflect the central government pension scheme discount rate.

Other non-cash costs in the Operating Cost Statement include the external auditors' remuneration, which represents the cost of the audit of the financial statements carried out by the National Audit Office, notional rent as well as judicial salaries and election expenses met from the Consolidated Fund.

1.21 Provisions

The Ministry provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of 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%).

1.22 Financial instruments

In addition to cash, the Ministry has two categories of financial assets:

Loans and receivables:

Trade debtors, other debtors, impositions outstanding and loans that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. They are included in current assets, except for maturities greater than 12 months after the balance sheet date (see note 18) which are classified as non-current assets. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Available-for-sale financial assets:

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in fixed assets unless management intends to dispose of the asset within 12 months of the balance sheet date.

The Ministry has one category of financial liabilities:

Other financial liabilities:

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Finance lease liabilities, trade creditors and National Loans Fund are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

1.23 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, the Ministry discloses, for Parliamentary reporting and accountability purposes, certain statutory and non-statutory contingent liabilities where the likelihood of transfer of economic benefit is remote, as required by *Managing Public Money*.

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

1.24 Value Added Tax

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

1.25 Third party assets

The Ministry and its executive agencies hold, as custodian or trustee, certain assets belonging to third parties. These assets are not recognised on-balance sheet and are disclosed within Note 35 since neither the Ministry nor Government has a direct beneficial interest in them.

Any third party monies held at the Office of HM Paymaster General at 31 March are recognised as both cash at bank and creditors. See Notes 19 and 20.

1.26 Consolidated Fund Extra Receipts (CFERs)

Consolidated Fund Extra Receipts balances are calculated on an accruals basis, unless stated otherwise.

Magistrates' Courts fines

Magistrates' Courts are responsible for collecting financial penalties imposed by the criminal justice system. These comprise fines, confiscation orders, prosecutors' costs and compensation to victims imposed by the Magistrates' and Crown Courts. Fines and ancillary receipts are remitted to the Consolidated Fund via the Ministry. Receipts of confiscation order, prosecution cost and compensation order are remitted to appropriate third parties, including government departments and the victims of crime.

As the Ministry has no beneficial interest in the impositions, they are not processed through the Operating Cost Statement, but are instead accounted for through the balance sheet. Magistrates' Courts impositions are recognised as a debtor as they are imposed. At the same time, a corresponding creditor is raised to recognise the obligation of onward transmission.

As fines imposed are not always successfully collected, the Ministry recognises a provision for bad and doubtful debts. This allows for full provision to be made for fines uncollected that are more than six months old. The provision serves to reduce the debtor in the balance sheet, but also reduces the creditor for onward transmission. The creation of this provision and any subsequent movement is not charged to the Operating Cost Statement.

National Offender Management Service CFERs

The 42 Probation Boards and Trusts can earn interest from various sources but, under the *Criminal Justice and Court Services Act 2000*, cannot retain any interest from the investment of funds received from the National Probation Service. This interest is surrendered as CFERs.

Scotland Office CFERs

The Ministry acts as an intermediary for collection of income from the Scottish Consolidated Fund. This represents excess funds collected from the Scottish Executive which, in accordance with the *Scotland Act 1998 (Designation of Receipts) Order 2000*, are to be surrendered to the Consolidated Fund.

Wales Office CFERs

The Ministry acts as an intermediary for collection of income from the Welsh Consolidated Fund. These amounts represent income received by the Welsh Assembly Government which, in accordance with the *Government for Wales Act 2006*, cannot be retained.

2 Analysis of net resource outturn by section

						Outturn	Estimate	2008-09 Net Total	2007-08 Outturn
	Admin	Other current	Grants	Gross Resource Expenditure	A in A	Net Total	Net Total	Outturn compared with Estimate	Net Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000

Request for Resources 1: To promote the development of a modern, fair, cost effective and efficient system of justice for all

Spending in Departmental Expenditure Limits (DEL)

Central Government Spending

A Headquarters and Associated Offices	233,723	224,908	20,058	478,689	(27,446)	451,243	611,417	160,174	487,979
B HM Courts Service	18,679	1,607,473	2,172	1,628,324	(612,219)	1,016,105	1,147,289	131,184	927,066
C Office of Public Guardian and Court of Protection	–	20,481	–	20,481	(20,080)	401	1,100	699	(1,516)
D Costs from Central Funds	–	70,782	–	70,782	–	70,782	45,000	(25,782)	65,059
E Tribunals Service	24,275	299,816	–	324,091	(29,342)	294,749	298,654	3,905	285,970
F Princess of Wales Inquest	136	–	–	136	–	136	492	356	4,343
G Criminal Justice Reform	39,480	95,271	34,935	169,686	(30,669)	139,017	167,090	28,073	90,201
H National Offender Management Service HQ	73,581	1,167,268	–	1,240,849	(47,904)	1,192,945	1,136,416	(56,529)	1,114,007
I Prisons Private Sector	2,699	266,896	–	269,595	(24,120)	245,475	278,135	32,660	259,426
J Prisons Public Sector	74,201	2,401,120	–	2,475,321	(263,475)	2,211,846	2,178,707	(33,139)	2,056,914

Non-Budget

K Legal Services Commission: Administration	–	–	128,541	128,541	–	128,541	128,540	(1)	129,996
L Criminal Defence Service	–	–	1,187,750	1,187,750	–	1,187,750	1,209,835	22,085	1,178,271
M Community Legal Service	–	–	912,797	912,797	–	912,797	889,060	(23,737)	843,970
N Information Commissioner's Office	–	–	5,500	5,500	–	5,500	5,500	–	5,050
O Judicial Appointments Commission	–	–	8,148	8,148	–	8,148	8,148	–	7,130
P Parole Board	–	–	8,360	8,360	–	8,360	8,360	–	7,500

						Outturn	Estimate	2008-09 Net Total	2007-08 Outturn
	Admin	Other current	Grants	Gross Resource Expenditure	A in A	Net Total	Net Total	Outturn compared with Estimate	Net Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000

Request for Resources 2: Overseeing the effective operation of the devolution settlement in Scotland and representing the interests of Scotland within the UK Government

Spending in Departmental Expenditure Limits (DEL)

Central Government Spending

A	Scotland Office	4,795	–	–	4,795	(599)	4,196	4,874	678	4,653
B	Office of Advocate General	3,951	–	–	3,951	(909)	3,042	2,830	(212)	2,665
C	Boundary Commission for Scotland	–	593	–	593	–	593	720	127	170
Non-Budget										
D	Grant payable to the Scottish Consolidated Fund	–	–	24,862,100	24,862,100	–	24,862,100	24,862,101	1	24,616,500
Net Resource		8,746	593	24,862,100	24,871,439	(1,508)	24,869,931	24,870,525	594	24,623,988
Outturn – RfR2										

Request for Resources 3: To support the Secretary of State in discharging his role of representing Wales in the UK Government, representing the UK Government in Wales and ensuring the smooth working of the devolution settlement in Wales

Spending in Departmental Expenditure Limits (DEL)

Central Government Spending

A	Wales Office	4,983	23	–	5,006	–	5,006	7,918	2,912	5,069
Non-Budget										
B	Grant payable to the Welsh Consolidated Fund	–	–	12,171,100	12,171,100	–	12,171,100	12,367,668	196,568	11,826,000
Net Resource		4,983	23	12,171,100	12,176,106	–	12,176,106	12,375,586	199,480	11,831,069
Outturn – RfR3										
Total Net Resource		480,503	6,840,106	40,845,074	48,165,683	(1,056,763)	47,108,920	47,594,348	485,428	45,607,374
Outturn										

Explanations of significant variances between Estimate and outturn are given in the Management Commentary on pages 27 to 29.

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

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

	Note	2008-09	2007-08
		Outturn compared with Estimate	Outturn
		£000	£000
Net Resource Outturn	2	47,108,920	45,607,374
Prior Period Adjustments		–	–
Non-Supply income (CFERs)	5	(6,932)	(6,778)
Non-Supply Expenditure		140,491	140,041
(Profit) / loss on disposal of fixed assets	10, 11	6,050	(3,438)
Non-Supply adjustment (Income)/Expenditure		5,779	3,652
Machinery of Government transfers		–	–
Net Operating Cost		47,254,308	45,740,851

Non-supply expenditure of £140,491k represents judicial salaries met from the Consolidated Fund of £139,854k (note 9(b)), election expenses of £550k (notes 11 and 22) and the Lord Chancellor's salary and related costs of £87k (note 22).

Non-supply expenditure adjustments of £5,779k relate to a) local probation boards who are accounted for in the Statement of Parliamentary Supply and note 2 on the basis of cash grants paid but are consolidated on a line for line basis in the Operating Cost Statement and related notes. The net difference in these amounts is £5,401k b) corporate overhead recharges outside of the resource accounting boundary to NDPBs of £(3,779)k (see footnote at note 11) and c) adjustments between the cash basis of grant-in-aid payments made to the Legal Services Commission as reflected in subheads L and M note 2 and the accruals based expenditure reflected in note 11 grants amounting to £4,157k.

3(b) Outturn against final Administration Budget

	Budget	2008-09 Outturn	2007-08 Outturn
	£000	£000	£000
Gross Administration Budget		480,503	442,192
Income allowable against the Administration Budget		(21,320)	(22,047)
Net outturn against the Final Administration Budget	462,036	459,183	420,145

4 Reconciliation of resources to cash requirement

	Note	Estimate	Outturn	2008-09 Net Total Outturn compared with Estimate: saving / (excess)	2007-08 Outturn
		£000	£000	£000	£000
Resource Outturn	2	47,594,348	47,108,920	485,428	45,607,374
Capital					
Acquisition of fixed assets	14	953,118	908,675	44,443	780,080
Investments	15	–	–	–	–
Non operating A in A					
Income from fixed asset disposals	24c	(34,500)	(17,401)	(17,099)	(25,725)
Accruals adjustments					
Non-cash items		(1,802,737)	(1,661,220)	(141,517)	(940,311)
Changes in working capital other than cash		24,300	(30,344)	54,644	(285,600)
Use of Provision		145,656	59,356	86,300	113,973
Less: utilisation of provision settled with cash from the Consolidated Fund		–	(5,043)	5,043	(3,721)
Machinery of Government transfers		–	–	–	38,644
Excess cash receipts surrenderable to Consolidated Fund		–	–	–	–
Net cash requirement		46,880,185	46,362,943	517,242	45,284,714

5 Analysis of income payable to the Consolidated Fund

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

Note	Forecast 2008-09		Outturn 2008-09	
	Income	Receipts	Income	Receipts
	£000	£000	£000	£000
Operating income and receipts – excess A in A	–	–	–	–
Other operating income and receipts not classified as A in A	6	–	6,932	<i>6,932</i>
Non-operating income and receipts – excess A in A	7	–	–	–
Other non-operating income and receipts not classified as A in A	8	–	–	–
Other amounts collectable on behalf of the Consolidated Fund	–	–	192,050	<i>192,050</i>
Excess Cash surrenderable to the Consolidated Fund	4	–	–	–
Total income payable to the Consolidated Fund			198,982	<i>198,982</i>

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

		2008-09	2007-08
	Note	£000	£000
Operating income	12	1,094,067	1,067,283
Adjustments for transactions between RfRs		–	–
Gross income		<u>1,094,067</u>	<u>1,067,283</u>
Income authorised to be appropriated in aid	2	(1,056,763)	(1,109,623)
Non-Supply adjustments		(30,372)	49,118
Operating income payable to the Consolidated Fund	5	<u>6,932</u>	<u>6,778</u>

Non-Supply adjustments of £30.4m comprise National Probation Service income of £41.1m (2007-08: £46.3m), which for the purposes of Note 12 is included as appropriations in aid. This is offset by £10.7m (2007-08: £95.4m) eliminations for intra-group transactions. These items are reported in note 12a). Parliament votes resources on a direct cost basis, as reported in Note 2. This does not recognise intra-group transactions or recharges.

7 Non-operating income – excess A in A

		2008-09	2007-08
	Note	£000	£000
Proceeds on disposal of fixed assets		17,401	25,725
Less: income authorised to be appropriated-in-aid		(17,401)	(25,725)
Non-operating income – excess A in A	5	<u>–</u>	<u>–</u>

8 Non-operating income not classified as A in A

The Ministry of Justice does not have any non-operating income not classified as A in A.

9 Staff and Judiciary numbers and related costs

9(a) Staff Payroll Costs

					2008-09	As restated 2007-08
	Permanently Employed Staff	Others	Ministers	Special Advisors	Total	Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	2,557,509	177,468	635	321	2,735,933	2,626,713
Social security costs	187,447	356	86	31	187,920	182,765
Other pension costs	465,354	464	26	72	465,916	466,153
Sub Total	3,210,310	178,288	747	424	3,389,769	3,275,631
Adjustments for outward secondments	(21,433)	9,784	–	–	(11,649)	(22,370)
Total Net Costs	3,188,877	188,072	747	424	3,378,120	3,253,261
<i>Of which:</i>						
Charged to Admin Costs	199,764	45,389	538	424	246,115	250,735
Charged to Programme Costs	2,989,113	142,683	209	–	3,132,005	3,002,526
	3,188,877	188,072	747	424	3,378,120	3,253,261
Core Department – restated						
Charged to Admin Costs	95,706	24,627	538	424	121,295	130,223
Charged to Programme Costs	52,201	16,511	209	–	68,921	43,329
	147,907	41,138	747	424	190,216	173,552

Under the *Ministerial and Other Salaries Act (1975)*, the salary and social security costs of the Lord Chancellor, included under Ministers above, are paid from the Consolidated Fund. In 2008-09 the Lord Chancellor's salary was £78,356 (2007-08: £84,202) and the associated social security costs were £8,328 (2007-08: £8,930).

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Ministry of Justice is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation www.civilservice-pensions.gov.uk.

For 2008-09, employers' contributions of £359,130k (2007-08: £349.212m) were payable to the PCSPS at one of four rates in the range 17.1% to 25.5% (2007-08: 17.1% to 25.5%) of pensionable pay, based on salary bands, (25.6 per cent for Prison Officer grades with reserved rights). The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. Although the rates remain unchanged in 2008-09, the salary bands have increased in line with wage inflation. The rates will change with effect from April 2009. The contribution rates are set to meet the cost of the benefits accruing during 2008-09 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% (2007-08: 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay.

In addition, employer contributions equivalent to 0.8% of pensionable pay were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of employees in the PCSPS scheme.

For 2008-09 employers' contributions of £11,645k (2007-08: £12,507k) were payable to the Local Government Pension Scheme (LGPS) at rates in a range from 7.5% to 21.1% (2007-08: 12.8% to 26.3%). Note 37 provides information on the assets and liabilities of the local Probation Board and Trust to which some members of staff belong.

The HMCS accounts also include a provision of the outstanding costs of transferring local Magistrates' Court staff from the LGPS into the PCSPS. This is disclosed in note 21 "Pension Transfer Deficit".

9(b) Payroll costs of the Judiciary

	Salaried Judiciary	Fee paid Judiciary	2008-09	2007-08
	£000	£000	Total £000	Total £000
Wages & salaries	290,796	32,701	323,497	311,678
Social security costs	31,757	3,851	35,608	34,548
Other pension costs	70,831	13	70,844	67,518
Sub Total	393,384	36,565	429,949	413,744
Adjustment for outward secondments	–	636	636	–
Total Net Costs	393,384	37,201	430,585	413,744
<i>Of which:</i>				
Charged to Admin Costs	337	560	897	770
Charged to Programme Costs	393,047	36,641	429,688	412,974
	393,384	37,201	430,585	413,744
Core Department				
Charged to Admin Costs	–	560	560	43
Charged to Programme Costs	–	2,834	2,834	2,714
	–	3,394	3,394	2,757
<i>Of which:</i>				
Paid from voted resources			290,731	283,418
Paid from Consolidated Fund			139,854	130,326
			430,585	413,744

The Judicial Pension Scheme (JPS) is an unfunded multi-employer defined benefit scheme, which prepares its own accounts, but for which the Ministry is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2005. Details can be found in the Resource Accounts of the JPS at:

www.official-documents.gov.uk/document/hc0607/hc08/0873/0873.asp.

9(c) Average number of staff employed

The average number of full-time equivalent staff employed during the year is shown in the table below. These figures include those working in the Ministry as well as in agencies and other bodies included within the consolidated departmental accounting boundary. They therefore exclude Non Departmental Public Bodies (NDPBs).

Consolidated	Permanent staff	Others	Ministers	Special Advisors	2008-09	As restated 2007-08
					Total	Total
Request for Resource 1						
DSO 1 – Democracy, Constitution and Law	553	57	1.0	–	611.0	469.7
DSO 2 – Access to Justice	23,006	515	1.5	1.0	23,523.5	25,603.3
DSO 3 – National Offender Management Service	70,306	1,444	2.0	–	71,752.0	72,191.0
DSO 4 – Criminal Justice	1,682	423	2.0	1.0	2,108.0	777.0
	95,547	2,439	6.5	2.0	97,994.5	99,041.0
Request for Resource 2						
Objective 1	3	21	1.0	0.5	25.5	23.2
Objective 2	9	13	0.5	0.5	23.0	21.3
Objective 3	1	4	0.5	0.5	6.0	11.1
Objective 4	4	37	1.0	–	42.0	37.0
	17	75	3.0	1.5	96.5	92.6
Request for Resource 3						
Objective 1	17	2	1.0	0.7	20.2	26.0
Objective 2	17	2	1.0	0.6	20.1	16.8
Objective 3	5	–	–	–	5.0	5.0
Objective 4	9	2	–	–	11.0	9.0
	48	6	2.0	1.3	57.3	56.8
	95,612	2,520	11.5	4.8	98,148.3	99,190.4

Notes to the table:

The prior year figure for staff numbers for Request for Resource 1 reflects a correction of 14.4 for Ministers and Special Advisors omitted in error from the version of the accounts certified by the Comptroller and Auditor General.

Core	Permanent staff	Others	Ministers	Special Advisors	2008-09	As restated 2007-08
					Total	Total
Request for Resource 1						
DSO 1 – Democracy, Constitution and Law	553	57	1.0	–	611.0	469.7
DSO 2 – Access to Justice	635	93	1.5	1.0	730.5	2,122.3
DSO 3 – National Offender Management Service	–	–	2.0	–	2.0	1.0
DSO 4 – Criminal Justice	1,682	423	2.0	1.0	2,108.0	777.0
	2,870	573	6.5	2.0	3,451.5	3,370.0
Request for Resource 2						
Objective 1	3	21	1.0	0.5	25.5	23.2
Objective 2	9	13	0.5	0.5	23.0	21.3
Objective 3	1	4	0.5	0.5	6.0	11.1
Objective 4	4	37	1.0	–	42.0	37.0
	17	75	3.0	1.5	96.5	92.6

Request for Resource 3

Objective 1	17	2	1.0	0.7	20.2	26.0
Objective 2	17	2	1.0	0.6	20.1	16.8
Objective 3	5	–	–	–	5.0	5.0
Objective 4	9	2	–	–	11.0	9.0
	48	6	2.0	1.3	57.3	56.8
Core	2,935	654	11.5	4.8	3,605.3	3,519.4

Prior year staff numbers have been re-allocated across the Departmental Strategic Objectives in place during 2008-09. The overall prior year total has increased by 1,680 mainly because the prior year accounts did not capture National Probation Service staff who were seconded to Her Majesty's Prison Service.

9(d) Average number of Judiciary in post

Consolidated	Salaried Judiciary	Fee Paid Judiciary	2008-09	2007-08
			Total	Total
Request for Resource 1				
DSO 1 – Democracy, Constitution and Law	–	–	–	–
DSO 2 – Access to Justice	1,885	1,567	3,452	3,515
DSO 3 – National Offender Management Service	–	–	–	–
DSO 4 – Criminal Justice	–	–	–	–
Corporate Performance	–	–	–	–
	1,885	1,567	3,452	3,515

No members of the judiciary are employed in the core department. Judicial staff costs relate mainly to sitting days by retired judges.

10 Other administration costs

	2008-09		As restated	As restated
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Rentals under operating leases:				
hire of plant and machinery	344	609	532	468
other	25,316	27,360	28,263	29,932
Finance and interest charges	12,497	12,513	457	2,147
PFI service charges	15,381	18,090	12,061	24,254
Auditors' remuneration and expenses	–	1,796	–	–
Research and development expenditure	1,789	1,789	1,387	1,397
Non-cash items				
Depreciation	8,138	13,683	2,567	7,269
Amortisation	25	25	–	–
Impairment	20	20	–	–
(Profit) on disposal of assets	–	(549)	–	(1,468)
Loss on disposal of fixed assets	5	5	2	2
Cost of capital charges / (credits)	4,658	7,055	(3,539)	(17,367)
Notional charges	–	451	–	239
Auditors' remuneration and expenses	582	901	557	557
Provision provided for in year	3,328	3,328	7,796	9,323
Unwinding of discount on provisions	–	–	35	35
Allocation of overheads	(65,350)	(50,373)	(119,702)	–
Increase in bad debt provision	–	–	2,691	2,691
Other non-cash	2	2	–	–
Other				
Accommodation and maintenance	45,194	58,877	31,211	39,484
Travel, subsistence and hospitality	4,732	12,951	7,155	14,492
Professional services	17,989	20,046	11,790	21,958
IT services	4,043	13,597	3,870	13,306
Communications, office supplies and services	10,565	15,240	7,259	11,950
Other staff related costs	7,768	15,709	6,164	10,648
Other admin expenditure	3,089	12,708	11,019	20,387
Total	100,115	185,833	11,575	191,704

Prior year figures for the consolidated department are unchanged in total but some expenditure has been re-categorised between lines to ensure consistency with refinements in expenditure mapping in the current year.

11 Programme costs

	2008-09		As restated	As restated
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Request for Resources 1				
Rentals under operating leases: hire of plant & machinery	29	3,028	507	3,114
Rentals under operating leases: other	100	86,298	107	77,976
Finance and interest charges	1,674	15,483	–	13,666
PFI service charges	119,757	467,551	75,777	356,056
Research and development expenditure	2,253	2,253	5,738	5,380
Non-cash items				
Depreciation	20,338	369,634	13,122	340,238
Amortisation	203	2,448	34	923
Impairment	3,130	694,238	(2,408)	169,547
(Profit) on disposal of fixed assets	–	(6)	–	(7,048)
Loss on disposal of fixed assets	1,013	6,600	–	5,076
Cost of capital charges	774	308,948	14	318,099
Notional charges	–	6,191	–	6,634
Auditors' remuneration and expenses	157	867	145	1,004
Provision provided for in year	32,523	235,882	6,140	92,030
Unwinding of discount on provisions	4,200	8,754	4,000	8,678
Allocation of overheads	(114,688)	46,594	(2,599)	–
Increase in bad debt provision	79	8,689	241	85
Other non-cash	4	84	(1)	(2,636)
Grants – current	3,023,498	3,025,670	2,927,944	2,938,098
Grants – capital	7,500	7,500	6,137	6,137
Grants – EU	–	–	–	–
Accommodation, maintenance and utilities	8,818	628,685	5,436	699,637
Travel, subsistence and hospitality	3,055	82,653	1,525	73,445
Professional services	24,841	67,874	35,666	82,020
IT services	1,055	171,007	149,166	311,363
Communications, office supplies and services	6,229	83,977	12,003	101,626
Prisoner related costs	–	450,900	–	356,441
Electronic monitoring of offenders	4	92,818	13	82,016
Judicial costs	11,300	45,089	11,104	46,037
Juror costs	–	42,653	–	40,511
Costs from Central Funds	70,782	70,782	65,060	65,060
Other staff related costs	839	88,694	481	96,974
Funding for election expenses	550	550	9,621	9,621
Auditors' remuneration and expenses	–	–	–	1,411
Other programme costs	6,896	197,632	12,043	207,499
	3,236,913	7,320,021	3,337,016	6,506,718
Request for Resources 2				
Funding to the Scottish Executive	24,862,100	24,862,100	24,616,500	24,616,500
Other Expenditure	593	593	170	170
Funding for election expenses	–	–	–	–
	24,862,693	24,862,693	24,616,670	24,616,670
Request for Resources 3				
Funding of the National Assembly for Wales	12,171,100	12,171,100	11,826,000	11,826,000
Other Expenditure	23	23	37	37
	12,171,123	12,171,123	11,826,037	11,826,037
Grand Total	40,270,729	44,353,837	39,779,723	42,949,425

Prior year figures for the consolidated department are unchanged in total but some expenditure has been re-categorised between lines to ensure consistency with refinements in expenditure mapping in the current year. In particular, the prior year figure for "other", previously reported as £468,046k, has been split across other categories where appropriate.

The net consolidated figure for the allocation of overheads of £3,779k (£46,679k in programme and £(50,458)k in administration) represents services provided by the core department to Non Departmental Public Bodies. These costs are not classified as grant-in-aid and are not included within the grants line of programme costs.

12 Income

12(a) Analysis of operating income

	2008-09		As restated	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Non cash income	–	–	–	–
HMCS Fees Income	–	476,593	–	444,611
HMCS Fines Income	–	92,388	–	105,685
HMCS Other Income	–	43,238	–	42,689
Court Funds Office recoveries from Debt Mgmt Office	13,274	13,274	18,900	18,900
Tribunals Service Income	–	29,342	–	28,818
Office of Public-Guardian fees and receipts	–	20,080	–	8,843
Public Guardianship Office	–	–	–	8,429
Official Solicitor and Public Trustee fees and receipts	2,445	2,445	4,497	4,497
Scottish Executive Contribution to Criminal Injuries Compensation Scheme	–	–	20,496	20,495
NOMS recharges	–	(10,711)	–	–
NOMS income: Youth Justice Board	–	178,421	–	196,104
NOMS income: Primary Care Trusts	–	85,565	–	67,789
NOMS income: Department for Innovation, Universities and Skills	–	18,673	–	17,669
NOMS income: Other	–	49,417	–	20,379
National Probation Service income	–	41,083	–	39,614
Other RfR1 income	42,358	42,255	10,510	14,056
RfR2 income	1,508	1,508	1,235	1,235
RfR3 income	–	–	3	3
EU Income	38	3,564	–	20,689
	59,623	1,087,135	55,641	1,060,505
Excess receipts	–	–	–	–
Income (please specify)	–	–	–	–
Other Income	2,448	5,237	3,938	4,223
CFER Receipts RfR1	–	1,695	–	2,555
CFER Receipts RfR2	–	–	–	–
CFER Receipts RfR3	–	–	–	–
	2,448	6,932	3,938	6,778
	62,071	1,094,067	59,579	1,067,283
Administration income	7,331	21,320	13,818	22,047
Programme Income RfR1	54,740	1,072,747	45,761	1,045,236
Programme Income RfR2	–	–	–	–
Programme Income RfR3	–	–	–	–
	62,071	1,094,067	59,579	1,067,283

Following a public consultation (CP32/07), MoJ introduced a new fee structure for *Public Law Children Act* applications on 1 May 2008. The effect was to transfer funding and liability for the full cost of these court proceedings from HMCS to the Authorities that initiate the cases.

In addition, changes in legislation saw the introduction of four new fee charges for enforcement of orders in family courts. The most current fees orders are:

- *The Civil Proceedings Fees (Amendment) Order 2008 [no 2853]* which amends *The Civil Proceedings Fees Order 2008 No. 1053 (L.5)*;
- *The Family Proceedings Fees (Amendment) Order 2008 [no.2856]* which amends *The Family Proceedings Fees Order 2008 No. 1054 (L.6)*;
- *The Non – Contentious Probate Fees (Amendment) Order 2008 [no 2854]* which amends *The Non Contentious Fees Order 2004 No 3120 (L.22)*;
- *The Magistrates' Courts Fees (Amendment) Order 2008 [no. 2855]* which amends *The Magistrates' Courts Fees Order 2008 No. 1052 (L.4)*.

Tribunals Service

The historical target agreed for Lands Tribunal Fees was to achieve 50% full cost recovery. During 2006-07, the Tribunals Service undertook a review of fees which identified that the Lands Tribunal had not increased the level of fees since 1996. Accordingly, the percentage of costs recovered has not kept pace with inflation and now stands at only 20%. A detailed review of the fee structure is currently underway and revised charges are scheduled to be introduced from 2010-11.

Official Solicitor and Public Trustee (OSPT)

The deficit on the OSPT's litigation services arises as a result of an ongoing strategy, begun in 2006, of retiring the OSPT from over 700 cases in favour of a new private sector corporate trustee and of closing a further 1,200 cases, leaving only "last resort" cases with OSPT. These "last resort" cases tend to be more complex ones, incurring a high level of cost. The lower caseload also means that there is a smaller base over which to absorb fixed costs. The fee income associated with them is capped by a Fees Order and there are also some cases for which the OSPT is not empowered to charge fees. The OSPT is currently considering options for setting fees once the process of migrating and closing cases is complete.

The Courts Fund Office (CFO)

The CFO generally recovers the full cost of operations from the UK Debt Management Office each year on a reimbursement basis, in accordance with the *Administration of Justice Act 1982*. The large surplus in 2008-09 has arisen because of a change in the basis on which income is recognised from cash to accruals. The income reflects £7.5 million in relation to costs incurred in 2007-08 and £5.8 million in relation to costs incurred in 2008-09. In future, fees and expenditure will be on the same basis and will be aligned.

13 Analysis of net operating cost by spending body

	2008-09		As restated 2007-08	
	Estimate	Outturn	Estimate	Outturn
	£000	£000	£000	£000
Spending body:				
Department HQ	823,999	484,296	1,040,098	387,069
Scotland Office	24,870,525	24,869,977	25,017,459	24,624,027
Wales Office	12,375,586	12,176,263	11,993,552	11,831,217
National Offender Management Service	4,920,077	4,951,700	4,321,655	4,431,479
HM Courts Service	1,410,839	1,483,744	1,076,595	1,290,714
Tribunals Service	298,654	309,837	302,929	305,473
Office of the Public Guardian	1,100	6,644	1,127	2,392
Public Guardianship Office	–	–	–	2,072
Legal Services Commission	2,227,435	2,229,088	2,174,578	2,152,237
Office of the Information Commissioner	5,500	5,500	5,050	5,050
Judicial Appointments Commission	8,148	8,148	7,130	7,130
Youth Justice Board for England & Wales	477,336	459,336	446,621	442,641
Criminal Injuries Compensation Authority	244,500	254,500	248,289	245,000
Criminal Cases Review Commission	6,761	6,039	6,815	6,829
Parole Board	8,360	8,360	7,789	7,500
Legal Services Board	878	876	–	–
Capital grants to Local Authorities	3,200	–	2,000	21
Net Operating Cost	47,682,898	47,254,308	46,651,687	45,740,851

14 Tangible fixed assets

	Land & Buildings excluding Dwellings	Dwellings	Information Technology	Plant & Equipment	Furniture & Fittings	Payments on Account & Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 April 2008	11,266,024	23,837	206,915	162,359	68,138	972,494	12,699,767
Adjustments	30,876	(63)	50,614	7,427	5,892	7,724	102,470
Additions	166,809	330	35,120	21,226	3,983	679,778	907,246
Disposals	(18,658)	(1,500)	(9,663)	(9,300)	(288)	(1,228)	(40,637)
Transfers	566,193	–	1,108	8,691	137	(576,129)	–
Revaluations	(3,494,644)	(3,359)	(11,455)	4,706	1,421	–	(3,503,331)
Reclassifications	87,280	–	887	1,318	119	(89,604)	–
At 31 March 2009	8,603,880	19,245	273,526	196,427	79,402	993,035	10,165,515
Depreciation							
At 1 April 2008	1,441,315	–	92,035	89,053	12,253	–	1,634,656
Adjustments	(677)	–	38,028	4,118	(19)	–	41,450
Charged in year	323,525	344	36,544	19,223	3,682	–	383,318
Disposals	(982)	(23)	(7,981)	(7,983)	(218)	–	(17,187)
Transfers	–	(3,847)	631	3,195	21	–	–
Revaluations	(1,717,365)	(321)	(5,781)	(1,562)	324	–	(1,724,705)
Reclassifications	–	–	–	–	–	–	–
At 31 March 2009	45,816	(3,847)	153,476	106,044	16,043	–	317,532
Net book value at 31 March 2009	8,558,064	23,092	120,050	90,383	63,359	993,035	9,847,983
Net book value at 31 March 2008	9,824,709	23,837	114,880	73,306	55,885	972,494	11,065,111
Asset financing:							
Owned	7,583,959	18,567	106,305	90,383	63,359	959,535	8,822,108
Finance leased	325,399	4,525	1,145	–	–	33,500	364,569
On balance sheet PFI contracts	648,706	–	12,600	–	–	–	661,306
PFI residual interests	–	–	–	–	–	–	–
Net book value at 31 March 2009	8,558,064	23,092	120,050	90,383	63,359	993,035	9,847,983

Analysis of tangible fixed assets

The net book value of tangible fixed assets comprises:

	Land & Buildings excluding Dwellings £000	Dwellings £000	Information Technology £000	Plant & Equipment £000	Furniture & Fittings £000	Payments on Account & Assets under Construction £000	Total £000
Core Department 2009	169,788	–	68,178	(1,391)	9,669	70,898	317,142
Non-Core 2009	8,388,276	23,092	51,872	91,774	53,690	922,137	9,530,841
Total	8,558,064	23,092	120,050	90,383	63,359	993,035	9,847,983
Core Department 2008	6,332	–	42,102	116	6,592	60,201	115,343
Non-Core 2008	9,818,377	23,837	72,778	73,190	49,293	912,293	10,949,768
Total	9,824,709	23,837	114,880	73,306	55,885	972,494	11,065,111

Long leasehold properties are defined as properties with a remaining life of more than 50 years.

The net book value of land and buildings excluding dwellings comprises:

	Freehold £000	Long Leasehold £000	Short Leasehold £000	Total £000
Core Department	25,196	–	144,592	169,788
Non-Core	7,493,379	608,234	286,663	8,388,276
Total	7,518,575	608,234	431,255	8,558,064

The adjustments to opening balances for IT equipment of £50.6m to cost and £38m to accumulated depreciation relate to a change in accounting policy for infrastructure assets provided to the headquarters, HMCS, Tribunals Service and the Office of the Public Guardian under the DISC contract. A re-assessment of this contract for International Financial Reporting Standard purposes identified that the assets should have been on balance sheet under UK GAAP. The assets to the contract are recognised in their entirety on the core balance sheet, with a corresponding PFI creditor (see note 28). The majority of the assets are in use within executive agencies who pay internal charges for their use which are reflected in the corporate overhead recharges in notes 10 and 11.

The assets introduced on formation of HMCS, shown within land and buildings excluding dwellings, represent 11 of the remaining properties which did not transfer to HMCS in 2005 as a result of the "The Transfer of Property (Abolition of Magistrates' Courts Committees) Scheme 2005" (PTS). In these cases the property transfers were declared invalid in a High Court judgement in 2005. The right to use these properties for Magistrates' Courts purposes, however, is secured by the PTS. Subsequent negotiations with the owners of these 11 properties have resulted in a valid transfer during 2008-09. The remaining 13 properties for which a negotiated valid transfer from the owners to HMCS is being sought are valued at 31 March 2009 at £24.7m. Of these 13 properties, two are recorded on the balance sheet as at 31 March 2009 for a value of £5.2m.

As part of a rolling programme of professional valuations for the HMCS estate, the Valuation Office Agency (VOA) carries out valuations in accordance with the Royal Institute of Chartered Surveyors' (RICS) *Appraisal and Valuation Manual*. Each year 20% by number of the property assets, together with the four most highly valued properties, are revalued through on-site inspections by professional surveyors. The 20% of properties subject to professional valuation are drawn from a range of

property and geographical areas. The remaining property assets are revalued by the VOA through a desktop valuation process using market knowledge and earlier surveys.

Four of the Tribunals Service's properties were revalued as at 31 March 2009 by the VOA. The valuations were in accordance with the RICS *Appraisal and Valuation Manual* and were on the basis of existing use.

The custodial estate and Probation commercial properties were subject to a quinquennial external valuation in 2008-09 which has resulted in a write down in the net book value of land and buildings of £1.4 billion, of which £511.7m has been charged to the Operating Cost Statement, with the remainder offset against the Revaluation Reserve. The VOA conducted these valuations in accordance with the RICS *Appraisal and Valuation Manual*. In accordance with accounting standards the custodial estate and probation commercial properties were subject to external revaluation as at 31 March 2009. Land and Buildings relating to the custodial estate were valued by the VOA at £5,236m. Prisons are valued at depreciated replacement cost (DRC), adopting where appropriate, alternative site locations. An allowance for depreciation due to Functional Obsolescence was incorporated in the DRC valuations of the operational prisons for the first time in 2008-09, which reduced their value by £773m. Non-operational surplus property is valued at market value and other properties at existing use value. The commercial Probation properties were revalued by DTZ plc on an existing use basis, with the exception of properties deemed surplus to requirements and accorded an aggregate value of £68m. Both valuations were in accordance with the RICS Valuation Standards 6th Edition. Approved Premises were last valued in 2006 and were subject to indexation.

Plant, equipment, some furniture and vehicles are included at cost in the month of purchase and are restated annually thereafter using Price Index Numbers for current cost accounting (Office for National Statistics). Furniture used within the Prison Service part of NOMS is valued annually at a standard value per item based on numbers of staff and prisoners.

On 18 March 2009, a serious fire occurred in one of the Tribunals Service's London sites, Field House. The roof, top floor and part of the infrastructure were badly damaged in the blaze and there was significant water damage. The accounts reflect an impairment of £5,004k.

15 Intangible fixed assets

	31 March 2009
	Total
	£000
Cost or valuation	
At 1 April 2008	10,251
Adjustment	–
Additions	1,429
Donations	–
Disposals	–
Reclassification	7,485
Revaluations	(715)
At 31 March 2009	18,450
Amortisation	
At 1 April 2008	8,375
Adjustment	–
Charged in year	2,473
Disposals	–
Reclassification	2,542
Revaluations	(457)
At 31 March 2009	12,933
Net book value at 31 March 2009	5,517
Net book value at 31 March 2008	1,876

NOMS has reclassified some IT assets from tangible to intangible.

Analysis of intangible fixed assets

The net book value of intangible fixed assets comprises:

	31 March 2009	As restated 31 March 2008
	Total	Total
	£000	£000
Core Department	263	465
Non-Core	5,254	1,411
Total	5,517	1,876

16 Investments

Loans funded from the National Loans Fund

The balances within these accounts represent loans from the NLF lent on by the Secretary of State for Scotland to Registers for Scotland and the three Scottish Water Authorities and by the Secretary of State for Wales originally to the Welsh Development Agency but now, following that body's abolition, to the Welsh Assembly Government.

British Energy plc

The Secretary of State for Scotland, jointly with the Secretary of State for Energy and Climate Change (formerly Business, Enterprise and Regulatory Reform), holds one special rights redeemable preference share of £1 in British Energy Holdings plc. This share does not carry any rights to vote at general meetings, but entitles the holder to attend and speak at such meetings. It confers no rights to participate in the capital or profits of the company beyond its nominal value. The prior written consent of the special shareholder is required to any proposal to vary specific sections of the company's Articles of Association. This share is designed to ensure the continued existence of Scottish Nuclear with its own Board within British Energy.

British Energy Group plc

The Secretary of State for Scotland, jointly with the Secretary of State for Energy and Climate Change (previously the Secretary of State for Business, Enterprise and Regulatory Reform) also holds one special rights redeemable preference share of £1 in British Energy Group plc. The terms of this shareholding are the same as for British Energy Holdings plc above. In particular, the joint shareholders must consent to any proposal to change the place of company registration and the location of its headquarters. This share is accounted for by the first named shareholder, the Secretary of State for Energy and Climate Change (previously the Secretary of State for Business, Enterprise and Regulatory Reform).

Both of these shares are held without limit of time and could not be redeemed before 30 September 2006. Since then, they may be redeemed, at par, at the option of the Secretary of State, after consulting the company.

Further details can be found in the annual report and accounts of British Energy, www.british-energy.com.

Quoted and unquoted Investments held by HM Prison Service

The quoted investments are stated at market value at 31 March 2009. The unquoted investments relate mainly to the value of milk quota and are valued at estimated realisable value at 31 March 2009. These investments were acquired by HM Prison Service (now part of NOMS) as a result of trading activities at no cost. Due to the immateriality of the values of these equity investments, no disclosure is made of the results of the companies whose shares are held.

	Loans funded from National Loans Fund	Shares in formerly nationalised industries	Other Investments Quoted	Other Investments Unquoted	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2008	794,594	1	182	29	794,806
Additions	–	–	–	–	–
Disposals	–	–	–	–	–
Loans repayable within 12 months transferred to debtors	(18,140)	–	–	–	(18,140)
Revaluations	–	–	(80)	–	(80)
Balance at 31 March 2009	776,454	1	102	29	776,586

The net book value of investments comprises:

Core Department 2009	776,454	1	–	–	776,455
Non-Core 2009	–	–	102	29	131
Total	776,454	1	102	29	776,586
Core Department 2008	794,594	1	–	–	794,595
Non-Core 2008	–	–	182	29	211
Total	794,594	1	182	29	794,806

17 Stocks and Work In Progress

	2009		As restated 2008	
	Core Department £000	Consolidated £000	Core Department £000	Consolidated £000
Stocks	–	36,098	–	28,495
Work in Progress	–	2,180	–	2,195
	–	38,278	–	30,690

18 Debtors

18(a) Analysis by type

	Note	2009		As restated	
		Core Department	Consolidated	Core Department	Consolidated
		£000	£000	£000	£000
Amounts falling due within one year:					
Trade debtors		4,373	48,706	5,584	30,511
VAT debtors		6,863	56,191	32,892	48,073
Deposits and advances		1,036	3,225	1,176	4,870
Other debtors		2,075	16,674	36,993	70,846
Prepayments (non PFI) & accrued income		18,219	71,242	44,324	94,018
Current part of PFI prepayment		–	–	–	–
Current part of NLF loan – interest payable		10,827	10,827	10,863	10,863
Current part of NLF loan – capital	16	18,140	18,140	7,136	7,136
Amounts due to Consolidated Fund re CFERs receivable		–	–	–	–
Amounts due from the Consolidated Fund in respect of supply		–	–	–	–
Intra-departmental debtors		30,279	–	53,006	–
Impositions outstanding (see 18(c))		455,310	455,310	377,201	377,201
		547,122	680,315	569,175	643,518
Amounts falling due after more than one year:					
Trade debtors		–	–	–	2
Deposits and advances		–	2,330	234	3,252
Other debtors		–	1	–	17
Prepayments (non-PFI) and accrued income		209	209	1,011	1,026
Prepayments (PFI)		–	10,967	–	21,800
		209	13,507	1,245	26,097

The prior year core VAT balance of £32,892k includes approximately £25m that relates to functions transferred in year from the core department to NOMS.

18(b) Intra-Government balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2009	2008	2009	2008
	£000	£000	£000	£000
Balances with other central government bodies	118,901	151,724	–	17
Balances with Local Authorities	2,830	9,423	–	–
Balances with NHS Trusts	8,343	10,761	–	–
Balances with public corporations and trading funds	307	482	–	–
Subtotal: intra-government balances	130,381	172,390	–	17
Balances with bodies external to government	549,934	471,128	13,507	26,080
Total Debtors at 31 March	680,315	643,518	13,507	26,097

18(c) Courts' impositions outstanding

	Fines £000	Crown Prosecutors' Costs £000	Prosecutors' Costs £000	Compensation £000	Confiscation Orders £000	2009	As restated 2008
						Total	Total
						£000	£000
GROSS							
At 1 April	328,464	45,313	60,207	126,866	588,352	1,149,202	990,650
Imposed in year	248,021	44,238	59,658	74,264	232,459	658,640	640,892
Collections	(144,929)	(31,951)	(38,889)	(42,311)	(86,179)	(344,259)	(359,014)
Judicial remissions	(34,390)	(5,399)	(5,039)	(6,751)	(28,125)	(79,704)	(76,440)
Cancellations	(40,381)	(3,823)	(7,817)	(1,802)	–	(53,823)	(46,886)
At 31 March 2009	356,785	48,378	68,120	150,266	706,507	1,330,056	1,149,202
PROVISION							
At 1 April	(170,413)	(10,712)	(33,121)	(62,426)	(495,329)	(772,001)	(647,149)
Charge for the year	(33,652)	(9,291)	(8,724)	(31,478)	(73,423)	(156,568)	(171,738)
Net Cancellations	40,381	3,823	7,817	1,802	–	53,823	46,886
At 31 March 2009	(163,684)	(16,180)	(34,028)	(92,102)	(568,752)	(874,746)	(772,001)
Net Book Value at 31 March 2009	193,101	32,198	34,092	58,164	137,755	455,310	377,201
Net Book Value at 31 March 2008	158,051	34,601	27,086	64,440	93,023	377,201	377,201

Magistrates' Courts are responsible for collecting financial penalties imposed by the Criminal Justice System. These comprise fines, prosecutors' costs, compensation to victims, and confiscation order imposed by the Magistrates' and Crown Courts. The balances outstanding, net of provisions for uncollectable impositions, at the start and end of the period, and movements in the period are set out in the table above.

The provision for uncollectable impositions currently stands at £875m (2007-08: £772m).

Some of the HMCS Magistrates' Courts legacy systems only report administrative cancellations, legal cancellations and transfers out in aggregate to other courts. In order to attribute these discharges to imposition type it is necessary to pro-rate the aggregate values by reference to the related movements for each imposition type. Administrative cancellations pro-rated in accordance with the above for the year ended 31 March 2009 amounted to £7.804m (2007-08: £9.110m).

19 Cash at bank and in hand

	2009		2008	
	Core Department £000	Consolidated £000	Core Department £000	Consolidated £000
Balance at 1 April	68,693	340,658	96,657	253,083
Net change in cash balances	101,922	108,190	(27,964)	87,575
Balance at 31 March	170,615	448,848	68,693	340,658
The following balances at 31 March were held at:				
Office of HM Paymaster General	170,299	419,795	68,604	286,321
Commercial banks and cash in hand	316	29,053	89	54,337
Balance at 31 March	170,615	448,848	68,693	340,658

The core cash balance includes an amount of £2.13m in respect of the funding received from the Consolidated Fund to finance Returning Officers' Expenses in England and Wales. This balance is held with the Office of the Paymaster General. It is owned by the Ministry of Justice but managed by the Election Claims Unit in the Department for Communities and Local Government. The accounts have not been re-stated for the prior year equivalent balance which was £6.75m at 31 March 2008.

In addition, the NOMS agency holds third party monies of £9,488k (£9,274k in 2007-08), not included in the above balances. This relates to monies held on behalf of prisoners.

20 Creditors

20 (a) Analysis by type

	Note	2009		As restated	
		Core Department £000	Consolidated £000	Core Department £000	Consolidated £000
Amounts falling due within one year:					
Other taxation and social security		3,272	31,390	2,901	29,572
VAT		–	–	–	236
Trade creditors		14	272,668	8,063	276,819
Other creditors		10,853	58,960	36,843	113,222
Bank overdraft		–	–	–	4
Accruals and deferred income		109,673	469,229	129,910	584,401
Current part of finance leases		2,949	3,099	–	31
Current part of imputed finance lease element of on balance sheet PFI contracts		–	27,017	–	25,662
Current part of NLF loans – capital	16,18	18,140	18,140	7,136	7,136
Current part of NLF loans – interest	18	10,827	10,827	10,863	10,863
Amounts issued from the Consolidated Fund for supply but not spent at year end		298,150	298,150	196,893	196,893
Amounts issued from the Consolidated Fund for supply but not spent at year end (re DCA 2006-07)		–	–	8,834	8,834
Consolidated Fund extra receipts due to be paid to the Consolidated Fund					
– received		51,811	53,665	42,289	45,123
– receivable		–	–	–	–
Amounts due to the Consolidated Fund for excess Appropriation in Aid		–	–	–	–
Impositions surrenderable once received	18	455,310	455,310	377,201	377,201
Intra-departmental creditors		498	–	3,836	–
Third party monies		368	27,070	308	23,211
		961,865	1,725,525	825,077	1,699,208

Note	2009		As restated	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Amounts falling due after more than one year:				
Accruals and deferred income	–	57,792	–	65,627
Finance leases	200,713	368,001	16,650	17,037
Imputed finance lease element of on balance sheet PFI contracts	–	314,027	–	507,881
Other creditors	3,621	3,621	3,817	3,850
NLF loans	16 776,455	776,455	794,594	794,594
	980,789	1,519,896	815,061	1,388,989

20 (b) Intra-Government balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2009	2008	2009	2008
	£000	£000	£000	£000
Balances with other central government bodies	430,247	758,519	776,455	794,595
Balances with local authorities	25,034	21,205	–	61,158
Balances with NHS Trusts	8,241	11,110	–	–
Balances with public corporations and trading funds	776	979	–	–
Subtotal: intra-government balances	464,298	791,813	776,455	855,753
Balances with bodies external to government	1,261,227	907,395	743,441	533,236
Total Creditors at 31 March	1,725,525	1,699,208	1,519,896	1,388,989

21 Provisions for liabilities and charges

	Core Department							Total
	Pension Transfer Deficit	Judicial Service Award	Early departure costs	Costs from Central Funds	NOMS Agency Legal Claims	OCJR Legal Claims	Other	
	£000	£000	£000	£000	£000	£000	£000	
Balance at 1 April – as restated	–	84,754	10,681	40,000	–	9,449	14,634	159,518
Provided in the year	–	8,200	1,551	15,020	–	20,732	(79)	45,424
Provisions not required written back	–	–	–	–	–	–	(9,573)	(9,573)
Provisions utilised in the year	–	(7,594)	(4,894)	(2,640)	–	(11,748)	(1,522)	(28,398)
Unwinding of discount rate	–	4,200	–	–	–	–	–	4,200
Balance at 31 March	–	89,560	7,338	52,380	–	18,433	3,460	171,171

	2009 Consolidated							Total
	Pension Transfer Deficit	Judicial Service Award	Early departure costs	Costs from Central Funds	NOMS Agency Legal Claims	OCJR Legal Claims	Other	
	£000	£000	£000	£000	£000	£000	£000	
Balance at 1 April	215,018	84,754	142,817	40,000	41,381	9,449	35,537	568,956
Provided in the year	162,000	8,200	26,289	15,020	23,681	20,732	6,272	262,194
Provisions not required written back	–	–	(9)	–	(13,432)	–	(9,611)	(23,052)
Provisions utilised in the year	(10,000)	(7,594)	(14,994)	(2,640)	(8,794)	(11,748)	(3,586)	(59,356)
Unwinding of discount rate	–	4,200	4,486	–	–	–	68	8,754
Balance at 31 March	367,018	89,560	158,589	52,380	42,836	18,433	28,680	757,496

Pension Transfer Deficit: The provision relates to the liability arising from the transfer of pension arrangements of the former Magistrates' Courts Committees staff from their previous pension providers, the Local Government Pension Scheme (LGPS), to the Principal Civil Service Pension Scheme (PCSPS). The liability arising due to the shortfall in the funding of the LGPS has been estimated by the Government Actuary's Department (GAD). A payment of £10m (2007-08: £66.2m) has been made in the year to the PCSPS as part settlement of the estimated deficit.

Judicial Long Service Award: The Judicial Long-Service Award was created to equalise the tax position of judicial pensions affected by the provisions of the *Finance Act 2004*. The liability has been estimated by GAD, taking into account the number of reckonable years served by the existing judiciary and an estimate of the projected final salaries of existing members. The result was discounted to present value using the rate set by HM Treasury (2.2%). The liability is based on an actuarial assessment as at 31 March 2007. A revised valuation as at 31 March 2009 is currently underway and will be reflected in the 2009-10 accounts.

Early Departure Costs: The Ministry meets the additional costs of benefits beyond normal PCSPS benefits for employees who retire early. This involves paying amounts determined by the pension administrator annually to PCSPS over the period between early departure and normal retirement date. The Ministry provides for this in full when the early retirement programme becomes binding on the Ministry by establishing a provision for the estimated payments discounted at the Treasury rate of 2.2% in real terms. Early departures approved near the end of 2008-09 are mostly based on "ready reckoner" estimates pending receipt of formal valuations from the pension administrator.

This provision also includes the costs of providing for unfunded early retirement benefits of certain Magistrates' Court staff previously paid for by the local authorities on a cash basis.

Costs from Central Funds: Under the terms of the *Prosecution of Offences Act 1985*, acquitted defendants who have privately funded their legal representation, and private prosecutors, may obtain from the Crown Court an order to obtain their costs out of Central Funds. The Ministry estimates the value of unbilled costs to arrive at the amount disclosed in the accounts as a provision. The amount is an estimate of the expenditure required to settle any obligation at the balance sheet date. Individual amounts are also provided for exceptionally high value cases. In estimating the provision, the Ministry has adopted prudent measurement techniques based on the latest data available.

NOMS Legal Claims: Provision has been made for all known claims against NOMS where legal advice indicates that it is more likely than not that the claim will be successful and the amount of the claim can be reliably estimated. The figures represent the best estimate of the amount payable. Legal claims which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities in Note 31.

Office of Criminal Justice Reform (OCJR) legal claims: Provision has been made for outstanding compensation claims in relation to miscarriages of justice. The amount provided for is an estimate of compensation due for all eligible cases that are due to be assessed by the Independent Assessor (Lord Brennan).

Other provisions: Other provisions include a provision in respect of legal costs associated with the transfer of ownership of properties originally intended to form part of the Property Transfer Scheme (see also Note 14) and provisions for two small 'by analogy' pension schemes in respect of the Law Commission and the Immigration Adjudicators.

22 General Fund

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

Note	As restated			
	2008-09		2007-08	
	Core Department £000	Consolidated £000	Core Department £000	Consolidated £000
Balance at 1 April	(253,322)	6,039,316	(146,662)	5,968,038
Net Parliamentary Funding				
Drawn Down	46,464,200	46,464,200	45,363,629	45,363,630
Deemed	20 196,894	196,894	117,977	117,977
Agency Funding from HQ	(5,749,904)	(9)	(5,365,688)	–
Consolidated Fund Standing Services, being:				
Judicial and Lord Chancellor's salaries	87	139,941	94	130,420
Utilisation of Judicial Long Service Award	5,043	5,043	3,721	3,721
Funding for election expenses	550	550	9,621	9,621
Other	–	5,574	–	621
Payable to the Consolidated Fund				
Supply (Creditor)/Debtor – current year	20 (298,150)	(298,150)	(196,893)	(196,893)
Excess A in A	–	–	–	–
Net Transfer from Operating Activities				
Net Operating Cost	(40,502,383)	(47,254,308)	(39,908,028)	(45,740,851)
CFERS repayable to Consolidated Fund	12 (2,448)	(6,932)	(3,938)	(6,778)
Non Cash Charges				
Cost of Capital	5,432	316,003	(3,524)	300,732
Auditors' remuneration	739	1,768	701	1,560
Notional charges	–	6,642	–	6,873
Corporate overhead charge	(180,038)	(3,779)	(122,301)	–
Other	15	2,250	–	(3)
Transfer from Revaluation Reserve	104	28,186	95	16,776
Actuarial gains and losses	–	(192,896)	–	38,912
Fixed asset adjustment in respect of prior periods	14 5,215	53,316	–	32,760
Machinery of Government changes	–	–	(586)	(236)
Transfer of net assets	(854)	(854)	–	(7,294)
Other: Found assets	–	9,600	–	73
Other	3,474	3,097	(1,540)	(343)
Balance at 31 March	(305,346)	5,515,452	(253,322)	6,039,316

23 Reserves

23(a) Revaluation reserve

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

	2008-09		As restated	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Balance at 1 April	3,178	2,699,575	6,879	2,423,494
Adjustment	(14)	(14)	0	0
Upward/(downward) revaluations during the year	267	(331,488)	(3,606)	292,857
Impairments during the year	0	(765,911)	0	0
Transferred to General Fund in respect of realised element of Revaluation Reserve	(104)	(28,186)	(95)	(16,776)
Balance at 31 March	3,327	1,573,976	3,178	2,699,575

23(b) Donated Asset Reserve

The Donated Asset Reserve reflects the net book value of assets donated to the Ministry.

	2008-09		2007-08	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Balance at 1 April	0	74	4,046	4,095
Additions during the year	0	13	0	45
Released to the Operating Cost Statement	0	0	(4,046)	(4,066)
Balance at 31 March	0	87	0	74

24 Notes to the Consolidated Cash Flow Statement

24(a) Reconciliation of operating cost to operating cash flows

		2008-09	2007-08
	Note	£000	£000
Net operating cost	13	(47,254,308)	(45,740,851)
Adjustments for non-cash transactions		1,663,490	936,646
(Increase)/decrease in stock	17	(7,588)	4,074
(Increase)/decrease in debtors	18	(24,207)	(41,000)
Less: Movements in fixed asset debtors/creditors	24c	(258,771)	38,986
Increase/(decrease) in creditors	20	157,224	378,670
Less: Movements in working capital relating to Consolidated Fund, Supply and third parties	18, 20	(93,830)	(148,582)
Adjustments for NPS pension funding	37	25,024	10,685
Use of Provisions	21	(59,356)	(116,772)
Less: Utilisation of provision settled with cash from the Consolidated Fund	22	5,043	3,721
Net cash outflow from operating activities		(45,847,279)	(44,674,423)

24(b) Analysis of capital expenditure and financial investment

		2008-09	2007-08
	Note	£000	£000
Tangible fixed asset additions		(649,878)	(743,194)
Intangible fixed asset additions		(26)	(462)
Proceeds of disposal of fixed assets	24c	23,281	21,994
Loan repayments from other bodies		7,136	20,136
Net cash outflow from investing activities		(619,487)	(701,526)

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

	Capital expenditure	Loans etc	A in A	Net Total
	£000	£000	£000	£000
Request for Resources 1	649,724	–	(23,281)	626,443
Request for Resources 2	79	(7,107)	–	(7,028)
Request for Resources 3	101	(29)	–	72
Net movement in debtors/creditors	258,771	–	5,880	264,651
Total 2008-09	908,675	(7,136)	(17,401)	884,138
Total 2007-08	782,642	(20,136)	(25,725)	736,781

24(d) Analysis of financing

		2008-09	2007-08
	Note	£000	£000
From the Consolidated Fund (Supply) – Current Year	22	46,464,200	45,363,630
From the Consolidated Fund (Supply) – Prior year		–	–
From the Consolidated Fund (Non-Supply)	3a	140,491	140,041
Repayment of loans from the NLF		(7,136)	(20,136)
Returning Officers cash balance	19	2,130	–
(Capital element) of finance leases and on balance sheet PFI contacts		(25,417)	(24,140)
Net financing		46,574,268	45,459,395

24(e) Reconciliation of Net Cash Requirement to increase in cash

		2008-09	As restated 2007-08
	Note	£000	£000
Net Cash Requirement		(46,362,943)	(45,284,714)
From the Consolidated Fund (Supply) – current year	24(d)	46,464,200	45,363,630
Amounts due to the Consolidated Fund – received in a prior year and paid over		(45,123)	(34,216)
Amounts due to the Consolidated Fund received and not paid over	20	53,665	45,123
NLF loans principal payments paid to the NLF		(7,136)	(20,136)
NLF loans principal payments received from other bodies		7,136	20,136
NLF loans interest received from other bodies		53,966	54,787
NLF loans interest paid to the NLF		(53,966)	(54,787)
(Decrease)/increase in third party balances	20	3,859	(13,797)
Machinery of Government transfers			38,644
Payment to Consolidated Fund of amount issued from the Consolidated Fund for supply but not spent at year end (re: DCA 2006-07)	20	(8,834)	–
Other		3,366	(27,095)
Increase/(decrease) in cash		108,190	87,575

25 Notes to the Consolidated Statement of Operating Costs by Departmental Strategic Objectives

Administration costs have been attributed to objectives in accordance with the Ministry's normal management accounting practices, wherever possible, or have otherwise been allocated in the same proportions as programme expenditure.

Overheads are apportioned on the basis of staff numbers and space utilised. Allocation by objective is based on established management reporting conventions and considered management assumptions. Smaller cost centres are apportioned through management review.

The bulk of the Ministry's net assets are employed by HMCS in pursuit of DSOs 2 and 3 and NOMS in pursuit of DSO 3. The capital charge in respect of these assets has therefore been apportioned across these objectives.

Prior year figures have been re-stated to allocate them across the four Departmental Strategic Objectives in place during 2008-09 rather than the five corporate objectives in force in 2007-08.

Programme expenditure within the Operating Cost Statement has been allocated as follows:

	2008-09	As restated 2007-08
	£000	£000
Request for Resource 1		
DSO 1 – Democracy, Constitution and Law	24,832	75,649
DSO 2 – Access to Justice	5,190,669	4,460,885
DSO 3 – National Offender Management Service	5,180,276	4,859,949
DSO 4 – Criminal Justice	485,937	525,735
Request for Resource 2		
Objective 1	–	–
Objective 2	–	–
Objective 3	24,862,693	24,616,670
Objective 4	–	–
Request for Resource 3		
Objective 1	–	–
Objective 2	–	–
Objective 3	–	–
Objective 4	–	–
Grant	12,171,123	11,826,037
	47,915,530	46,364,925

26 Capital commitments

	2009		As restated	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Contracted capital commitments as at 31 March for which no provision has been made	3,868	503,375	165,650	695,300
	3,868	503,375	165,650	695,300

27 Commitments under leases

27(a) Operating leases

Commitments under operating leases to pay rentals within one year of the balance sheet date are given in the table below, analysed according to the period in which the lease expires:

	2009		As restated	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Land and buildings:				
Expiry within 1 year	1,397	4,703	3,620	10,821
Expiry after 1 year but not more than 5 years	3,533	22,549	3,399	17,195
Expiry thereafter	19,086	95,058	32,750	89,645
	24,016	122,310	39,769	117,661
Other:				
Expiry within 1 year	82	1,478	30	2,284
Expiry after 1 year but not more than 5 years	408	3,457	626	2,797
Expiry thereafter	–	97	313	402
	490	5,032	969	5,483
	24,506	127,342	40,738	123,144

27(b) Finance leases

Analysis of the Ministry's obligations under finance leases are as follows:

	2009		2008	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Rentals due within 1 year	15,533	15,733	–	56
Rentals due after 1 year but within 5 years	66,366	66,555	–	157
Rentals due thereafter	299,904	300,371	16,650	17,145
	381,803	382,659	16,650	17,358
Less interest element	(197,421)	(197,683)	–	(290)
	184,382	184,976	16,650	17,068

Finance leases relate primarily to the refurbishments of 102 Petty France and the Supreme Court, which represent the short leaseholds in the core department of £144,592k in note 14. Long leasehold properties in note 14 and other short leaseholds are not included as finance leases as rental payments are for nominal amounts.

28 Commitments under PFI contracts

28(a) Off-balance sheet PFI contracts

Project name	Contract start date	Duration (years)	Estimated Capital value (£m)	Description
ARAMIS	January 1998	13	39.5	The ARAMIS PFI contract with Liberata UK Limited provides accounting, management information and corporate IT services to HMCS, Tribunals, Wales Office, and MoJ Headquarters. The contract commenced in January 1998 and expired in January 2007. IT services were extended to July 2008. Accounting and payroll services have this year been extended to June 2010 with an option to extend to June 2011. The capital value of the contract is estimated at £39.5m, out of a total expected contract value of £281.66m. Under the Service Level Agreement, the entire contract was rolled over for the extended period, so remains a PFI in nature even though the capital investment underlying the contract has been paid for.
Probate Records	July 1999	25	10.9	Provision of storage and retrieval services.
HM Prison Service IT Managed Service contract – Quantum	February 2000	12	125.3	HM Prison Service IT Managed Service contract runs for a period of 12 years expiring in 2012.

At 31 March the Ministry was committed to making payments during the year in respect of off-balance sheet PFI contracts expiring within the following periods:

	2009		2008	
	Core Department £000	Consolidated £000	Core Department £000	Consolidated £000
Obligations under PFI operating leases comprise:				
Expiry within 1 year	–	53,306	–	–
Expiry after 1 year but not more than 5 years	–	417,337	–	39,858
Expiry thereafter	–	72,836	–	1,789
	–	543,479	–	41,647

28(b) On-balance sheet PFI contracts

In accordance with FRS 5 and the *FReM* these assets are treated as assets of the Ministry.

Project name	Contract start date	Duration (years)	Estimated Capital value (£m)	Description
Exeter	November 2002	30	20.1	Provision of a courthouse comprising four criminal courts, one civil court and four District Judges Hearing rooms and further related administrative space. At the end of the contract term the building will revert to the Ministry at no cost.
East Anglia	October 2002	25	34.5	Provision of Crown Court centres in Ipswich and Cambridge. Ipswich consists of five criminal courtrooms; Cambridge consists of three criminal courtrooms. At the end of the contract term the buildings in Ipswich and Cambridge will revert to the Ministry at no cost.
Sheffield	November 2002	25	7.7	Provision of a Family Hearing Centre in Sheffield consisting of two family courtrooms, two hearing rooms and a training room. At the end of the PFI term the Ministry has the option of acquiring the under lease at the lower of its open market value, or £2m.
Derbyshire Magistrates' courts	August 2001	27	29.5	Provision of serviced accommodation for Magistrates' Courts at New Mills, Chesterfield and Derby. The length of this PFI contract can be extended (subject to agreement of mutually acceptable terms) by up to five years. No construction at New Mills has taken place to date due to planning permission issues.
Hereford and Worcester Magistrates' courts	March 2000	25	30.6	Provision of serviced accommodation for Magistrates' Courts at Bromsgrove, Kidderminster, Worcester and Redditch. The length of this PFI contract can be extended for another 10 years by giving notice at least twelve months before the date on which the contract would otherwise expire.
Manchester Magistrates' Court	March 2001	25	32.9	Provision of an 18-courtroom courthouse as part of an overall complex including retail units and coroner's court in Manchester.
Humberside Magistrates' courts	March 2000	25	21.6	Provision of serviced Magistrates' courthouses in Hull, Beverley and Bridlington. On expiry, the Ministry has the option of taking the assets back for £3m.
Avon and Somerset Magistrates' courts	August 2004	27	46.6	Provision of serviced accommodation for Magistrates' Courts and offices in Bristol, Weston-super-Mare and Flax. The third of the three sites, Bristol Magistrates' court, opened in September 2007. The estimated capital value of this building is £27m (£24m building, £3m land), increasing the estimated capital value of the project from £19.6m to £46.6m.
HMP Altcourse	December 1995	27	63.0	Design, build, finance and operate an 850 place new prison at HMP Altcourse.
HMP Parc	December 1995	27	66.2	Design, build, finance and operate an 800 place category B prison near Bridgend, South Wales.
HMP Lowdham Grange	November 1996	27	33.7	Design, build, finance and operate a 500 place category B prison at HMP Lowdham Grange, Nottingham.
HMIYOI Ashfield	June 1998	27	26.0	Design, build, finance and operate a 400 place young offenders and juveniles' prison at Pucklechurch, near Bristol.
HMP Forest Bank	July 1998	27	47.0	Design, build, finance and operate an 800 place category B prison HMP Forest Bank, on site of former Agecroft power station.
HMP Rye Hill	July 1999	27	38.1	Design, build, finance and operate a 600 place category B prison HMP Rye Hill at Onley, near Rugby.
HMP Dovegate Marchington	September 1999	27	55.5	Design, build, finance and operate an 800 place prison and therapeutic community facility at HMP Dovegate Marchington, Staffordshire.

Project name	Contract start date	Duration (years)	Estimated Capital value (£m)	Description
HMP Bronzefield	December 2002	27	43.6	Design, build, finance and operate new custodial services at Ashford in Middlesex.
HMP Peterborough	February 2003	27	81.1	Design, build, finance and operate new custodial services at Peterborough in Cambridgeshire.
Prison Service – Heat / Energy Tranche 1	November 1998	15	9.0	The installation and maintenance of boilers in prisons and the provision of heating / energy services.
Prison Service – Heat / Energy Tranche 2	August 2001	15	16.0	The installation and maintenance of boilers in prisons and the provision of heating / energy services.
Development, Innovation and Support Contracts (DISC)	October 2006	7	60.5	Provision of infrastructure and application services to MoJ headquarters and executive agencies other than NOMS.

The PFI imputed finance lease in the core department relates to DISC. Prior to 2008-09, the DISC contract was accounted for as a contracted out IT service. As explained in note 14, the assets to this contract are now recognised on balance sheet as an in year adjustment. As the service, interest and capital elements of the unitary payment are not readily separable, the contract is re-classified as an on-balance sheet PFI. Because assets to the contract are expected to have a typical useful economic life of only four years, the rentals are shown as arising within the next 5 years.

Analysis of the Ministry's obligations under on-balance sheet PFI is as follows:

	As restated			
	2009		2008	
	Core Department £000	Consolidated £000	Core Department £000	Consolidated £000
Imputed finance lease obligations under on-balance sheet PFI contracts comprises:				
Rentals due within 1 year	8,514	46,318	–	62,169
Rentals due within 2 to 5 years	13,061	172,195	–	243,321
Rentals due thereafter	–	435,074	–	599,209
	21,575	653,587	–	904,699
Less interest element	(2,295)	(144,102)	–	(371,156)
	19,280	509,485	–	533,543

28(c) 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 total service element of on-balance sheet PFI transactions was £486m (2007-08 (re-stated): £380m) and the payments to which the Ministry and its Agencies are committed, during 2009-10, analysed by the period in which the commitment expires, are as follows:

	2008-09		As restated 2007-08	
	Core Department £000	Consolidated £000	Core Department £000	Consolidated £000
Expiry within 1 year	–	–	13,802	13,802
Expiry within 2 to 5 years	91,270	91,270	–	1,860
Expiry within 6 to 10 years	–	–	84,200	90,753
Expiry within 11 to 15 years	–	–	–	7,368
Expiry within 16 to 20 years	–	31,430	–	23,344
Expiry within 21 to 25 years	–	7,843	–	23,786
	91,270	130,543	98,002	160,913

The PFI commitments for the consolidated accounts relate to contracts for the provision of accommodation and other services (including repayment of capital, interest payable and a charge for the provision of services). The figures for the core department relate to DISC (previously disclosed in note 29) and to Aramis (previously disclosed in note 28).

The commitment for the following year, as reported above, does not represent the expected annual charge. This is because charges based on prison occupancy are not considered commitments for the purposes of this note and are excluded.

29 Other financial commitments

The payments to which the Ministry and its Agencies are committed during 2008-09, analysed by the period during which the commitment expires are as follows:

	2009		As restated	As restated
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Expiry within 1 year	773	54,079	4,000	50,477
Expiry within 2 to 5 years	832	418,169	–	376,912
Expiry thereafter	–	70,970	–	54,049
	1,605	543,218	4,000	481,438

The non-core commitments relate to payments committed in the next year for non-cancellable contracts within NOMS. The prior year figures for these contracts have been re-stated following further analysis of payments in light of actual amounts incurred in 2008-09.

The assets to these contracts are not the property of NOMS. Their estimated capital value at 31 March 2009 are:

- provision of prison escort services (PECS) of £20.4m;
- electronic monitoring system of £11.1m; and
- supply of IT and telephony to NOMS of £6.1m.

30 Financial Instruments

30(a) Categories of Financial Instruments

Note	2009		2008		
	Core Department £000	Consolidated £000	Core Department £000	Consolidated £000	
Financial Assets					
Cash	19	170,615	448,848	68,693	340,658
Loans and Receivables					
Trade debtors (gross)		4,385	59,296	9,191	34,891
Other debtors (gross)		2,075	16,674	36,993	71,040
Impositions outstanding (gross)		1,330,057	1,330,057	1,149,202	1,149,202
National Loans Fund – capital		18,140	18,140	7,136	7,136
Available for sale financial assets					
National Loans Fund	16	776,454	776,454	794,594	794,594
Shares in Nationalised Industries	16	1	1	1	1
Unquoted investments	16	–	29	–	29
Quoted investments	16	–	102	–	182
Carrying amount of Financial Assets		2,301,727	2,649,601	2,065,810	2,397,733
Financial Liabilities					
Financial Liabilities at amortised cost					
Finance lease liabilities	20(a)	(203,662)	(712,144)	(16,650)	(550,611)
Trade Creditors	20(a)	(14)	(272,668)	(8,063)	(276,819)
National Loans Fund – capital	20(a)	(794,595)	(794,595)	(801,730)	(801,730)
Carrying amount of Financial Liabilities		(998,271)	(1,779,407)	(826,443)	(1,629,160)

Finance liabilities include short and long term liabilities. Liabilities disclosed under this note only refer to trade creditors, finance lease and National Loans Fund.

30(b) Net income and expenses from financial assets

Note	2009		2008		
	Core Department £000	Consolidated £000	Core Department £000	Consolidated £000	
Loans and Receivables					
Impairment of financial assets	10,11	79	8,689	2,932	2,776
Interest receivable on NLF loans		(53,966)	(53,966)	(54,787)	(54,787)
Exchange gain/(loss)		–	–	–	–
Net gain / (loss) on debtors		(53,887)	(45,277)	(51,855)	(52,011)

30(c) Net income and expenses from financial liabilities

Note	2009		2008	
	Core Department £000	Consolidated £000	Core Department £000	Consolidated £000
Financial Liabilities at amortised cost				
Finance and interest charges	14,171	27,996	457	15,813
Interest payable on NLF loans	53,966	53,966	54,787	54,787
	68,137	81,962	55,244	70,600
The total interest expense from financial liabilities not at fair value through profit or loss is	68,137	81,962	55,244	70,600

30(d) Fair Value of Financial Instruments

Note	2009		2009	
	Total carrying amount £000	Core Department Aggregate net fair value £000	Total carrying amount £000	Consolidated Aggregate net fair value £000
Financial Assets				
Cash	170,615	170,615	448,848	448,848
Loans and Receivables				
Trade debtors (net)	4,373	4,373	48,706	48,706
Other debtors (net)	2,075	2,075	16,674	16,674
Impositions outstanding (net)	455,310	455,310	455,310	455,310
National Loans Fund – capital	18,140	23,735	18,140	23,735
Available for sale financial assets				
National Loans Fund	776,454	1,028,414	776,454	1,028,414
Shares in Nationalised Industries	1	1	1	1
Unquoted investments	–	–	29	29
Quoted investments	–	–	102	102
Total Financial Assets	1,426,968	1,684,523	1,764,264	2,021,819
Financial Liabilities				
Financial Liabilities at amortised cost				
Finance lease liabilities	(203,662)	(203,662)	(712,144)	(712,144)
Trade creditors	(14)	(14)	(272,668)	(272,668)
National Loans Fund	(794,594)	(1,052,149)	(794,594)	(1,052,149)
Total Financial Liabilities	(998,270)	(1,255,825)	(1,779,406)	(2,036,961)

The NLF loans are valued using discount rates calculated based on the yield curve obtained from the Debt Management Office which is derived on NLF lending rates.

30(e) Credit Risk

The Ministry is exposed to minimal credit risk as loans and receivables are comprised of trade and other debtors. The maximum exposure to credit risk is the risk that arises from potential default of a debtor and is equal to the total amount of these outstanding debtors, being £1,354,657k for core and £1,424,167k for consolidated accounts (including gross balances for impositions – see note 18 c).

The Ministry has assessed the risk of the default on payment and has allocated impairments of £874,758k to core and £885,337k to consolidated accounts.

The Ministry manages its credit risk by undertaking background and credit checks prior to establishing a debtor relationship.

The Ministry has no collateral to mitigate against credit risk.

Ageing of financial assets at 31 March 2009

						Core Department
	Not past due nor impaired	Past due 1-30 days	Past due 31-60 days	Past due 61-90 days	Past due 90+ days	Total
	£000	£000	£000	£000	£000	£000
Not impaired						
Cash	170,615	–	–	–	–	170,615
Trade debtors (gross)	4,606	1,300	(1,676)	(21)	176	4,385
Other debtors (gross)	2,275	(105)	(40)	(25)	(30)	2,075
Impositions outstanding	910,218	113,130	62,915	85,563	158,231	1,330,057
National Loans Fund capital	18,140	–	–	–	–	18,140
Impaired						
Trade debtors	–	–	–	–	(12)	(12)
Other debtors	–	–	–	–	–	–
Impositions outstanding	(598,629)	(74,403)	(41,378)	(56,272)	(104,065)	(874,747)
Total	507,225	39,922	19,821	29,245	54,300	650,513
						Consolidated
	Not past due nor impaired	Past due 1-30 days	Past due 31-60 days	Past due 61-90 days	Past due 90+ days	Total
	£000	£000	£000	£000	£000	£000
Not impaired						
Cash	448,848	–	–	–	–	448,848
Trade debtors (gross)	45,845	4,619	(697)	628	8,901	59,296
Other debtors (gross)	9,778	2,182	2,118	487	2,109	16,674
Impositions outstanding	910,218	113,130	62,915	85,563	158,231	1,330,057
National Loans Fund capital	18,140	–	–	–	–	18,140
Impaired						
Trade debtors	(8,017)	(10)	(9)	(3)	(489)	(8,527)
Other debtors	–	–	–	–	(2,063)	(2,063)
Impositions outstanding	(598,629)	(74,403)	(41,378)	(56,272)	(104,065)	(874,747)
Total	826,183	45,518	22,949	30,403	62,624	987,678

Notes to the table:

The total columns for the Core Department and Consolidated for this note were omitted in error from the laid version of the accounts presented to Parliament. These columns have been included for completeness in the published version of the accounts.

30(f) Liquidity Risk

The Ministry's financial liabilities are trade creditors, finance leases and loans. The following table illustrates the maturities for financial liabilities. It is highly unlikely that the Ministry will encounter difficulty in meeting its obligations associated with these liabilities as it is financed by resources and capital voted annually by Parliament.

Maturity of financial liabilities at 31 March 2009

					Core Department
	On demand	Within 1 year	Between 1 to 5 years	After more than 5 years	Total
	£000	£000	£000	£000	£000
Finance lease liabilities	–	(8,790)	(22,304)	(172,568)	(203,662)
Trade creditors	–	(14)	–	–	(14)
National Loans Fund	–	(5,000)	(63,000)	(726,595)	(794,595)
Total	–	(13,804)	(85,304)	(899,163)	(998,271)

					Consolidated
	On demand	Within 1 year	Between 1 to 5 years	After more than 5 years	Total
	£000	£000	£000	£000	£000
Finance lease liabilities	–	(35,957)	(372,162)	(304,025)	(712,144)
Trade creditors	–	(272,668)	–	–	(272,668)
National Loans Fund	–	(5,000)	(63,000)	(726,595)	(794,595)
Total	–	(313,625)	(435,162)	(1,030,620)	(1,779,407)

30(g) Market risk

Interest Rate Risk

Most of the Ministry's cash balances carry nil or fixed rates of interest. It is not, therefore, exposed to significant interest rate risk. Balances with the National Loans Fund attract a fixed, loan-specific rate of interest. This interest is paid over directly to the Consolidated Fund.

Foreign Currency Risk

The Ministry undertook only a small number of foreign currency transactions so is not exposed to significant exchange rate risk.

31 Contingent liabilities disclosed under FRS12

The Ministry has contingent liabilities where the possibility of the liability crystallising is judged to be possible. Unless otherwise stated, the quantum of the liability can either not be determined with reasonable certainty or to quantify it would jeopardise the outcome of the case.

Fee Paid Judicial Office Holders Pension Rights: The Ministry is involved in a number of Employment Tribunal cases relating to nine separate fee paid judicial claims. The lead case has been granted leave to appeal to the House of Lords, and all other cases are awaiting the decision made in the House of Lords. There is a possibility that the case may be referred to the European Courts.

Scottish Fee Paid Employment Tribunals Service Chairmen: Scottish fee paid Employment Tribunals Service chairmen are also claiming pension rights, increase in daily fees and general parity in terms and conditions.

Part Time Worker Regulations: A claim has been brought under the Part Time Worker Regulations challenging the level of payment for training and writing up fees, the lack of entitlement to holiday and sick pay and cancellation fees where bookings are not honoured.

Pay Deals – Equal Pay & Age Discrimination: The Ministry has recently responded to two class action grievances, one on the grounds of equal pay and one on the grounds of age discrimination, raised on behalf of 400 individuals in coordination with the departmental trade unions. It is possible that two test Tribunal cases may follow.

Mirror Group Newspaper v UK: There is currently a case against the UK by Mirror Group Newspaper in the European Court of Human Rights. This case is now being defended, which could take up to 18 months. The case is at an early stage making it difficult to accurately predict possible costs.

Sark Judicial Review: A case relating to the Reform (Sark) Law 2008 is under appeal to the House of Lords. If the case is lost the Ministry may have to carry the costs for both sides.

South Tyneside Metropolitan Borough Council case legal costs: The South Tyneside Metropolitan Borough Council has applied to the House of Lords for permission to appeal against the Court of Appeal's ruling in favour of the MoJ with respect to pension liabilities arising from the amalgamation of six local Magistrates Courts Committees in 2000. If South Tyneside Metropolitan Borough Council are granted an appeal by the House of Lords then the Ministry could be liable for their legal costs.

Prisoners' Voting Rights: There is currently a Judicial Review in the case of a prisoner at HMP Wakefield who is asserting that he is unlawfully barred from voting. There is a risk of a precedent being set for future cases.

NOMS legal claims: Claims for injury to staff, prisoners and the public amounting to £19.5m (2007-2008: £9.1m) exist against NOMS Agency, where the likelihood of a liability arising is possible but not likely. Other claims for compensation where it is more likely than not that a liability will arise have been provided for in the accounts – see note 21.

Headquarters legal claims: There are a number of outstanding legal claims against core MoJ for which Treasury Solicitors estimate a possible liability of £1.6m in total.

HMCS legal claims: HMCS is involved in a number of legal cases largely relating to ex gratia and compensation claims. The estimated cost of settlement for HMCS is £3.5m.

HMCS property transfer: As detailed in note 14, the result of the July 2005 High Court challenge meant that HMCS has not been able to gain control of a number of properties intended to come within the 31 March 2005 Property Transfer Scheme. HMCS faces a contingent accommodation liability for the properties that is yet to gain control of. If HMCS is not able to effect a transfer of ownership and control of these properties it faces potential accommodation obligations to the parties who ultimately own the property rights and will control the underlying economic benefits. Based on the value of the properties at 31 March 2007, it is estimated that HMCS could be exposed to additional costs of up to £1.6m per annum (2007-08: £6.0m) with a total maximum contingent liability since 1 April 2005 of £6.2m (2007-08: £18.0m).

32 Contingent Liabilities not required to be disclosed under FRS 12 but included for parliamentary reporting and accountability purposes

32(a) Quantifiable

An indemnity of up to £50m, in respect of any one accident, has been given to the British Airports Authority (BAA). The indemnity covers damage or injury caused to third parties arising out of the negligence of HM Prison Service in their use of vehicles travelling airside in the process of escorting prisoners to and from planes. The likelihood of a liability arising from these contingencies is considered to be remote.

Moj has indemnified the members of the Central Council of Magistrates' Courts Committees up to £0.56m against future legal action against them as individuals. Potential future exposure is expected to be limited to £0.03m (Minute laid on 27 June 2006) in practice.

32(b) Unquantifiable

The Ministry has entered into the following unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of FRS 12 since the likelihood of a transfer of economic benefit in settlement is too remote.

- a) The Ministry has provided an indemnity to Regional and Local Returning Officers for the European Parliamentary elections held in June 2009. The indemnity is for amounts not covered by commercial insurance policies taken out by the Ministry. The indemnity provides unlimited cover for amounts excluded by the excess on insurance policies, damages or costs that exceed insurance limits and any reasonable expenses that fall outside of the scope of insurance policies. The indemnity is effective for the period of the insurance policies from 12 May 2009 to 11 July 2010 (Minute laid on 9 June 2009).
- b) The National Probation Service indemnifies the members of the 42 local area Probation Boards and Trusts to maintain the same status of indemnity that was provided by Local Authorities. The Government has agreed that an individual Board member or Trustee should be indemnified against legal damages and costs arising from advice given, or actions done, honestly and in good faith in the execution of his or her duties, except where the member has acted recklessly. (Minute laid on 6 June 2005)
- c) The Ministry has indemnified the Chairman or members of the Independent Inquiry into the death of Zahid Mubarek at the Feltham Young Offenders Institution against any legal action (Minute laid on 10 March 2006).

33 Losses and special payments

33(a) Losses statement

	2008-09		2007-08	
	Number of cases	£000	Number of cases	£000
Details of cases				
Cash losses	1,867	412	2,147	835
Claims abandoned	354,198	54,746	323,521	47,296
Administrative write-offs	18,348	3,307	93	75
Fruitless payments	313	15,628	292	25
Store Losses	3,386	1,157	2,714	616
Total	378,112	75,250	328,767	48,847

33(b) Special Payments

	2008-09		2007-08	
	Number of cases	£000	Number of cases	£000
Compensation Payments	6,538	20,689	6,452	21,456
Ex gratia	1,436	793	685	426
Total	7,974	21,482	7,137	21,882

The Ministry also paid out £147,000 (2007-08: £270,047) in interest under the *Late Payment of Commercial Debts (Interest) Act 1988*.

A part (c. 20%) of the figure for the number of case for claims abandoned is an estimate based on the average value for individual fines of £155 (2007-08: £145).

In 2008-09 there were three payments in respect of compensation claims by staff over £250,000 (2007-08: six), two compensation payments in respect of prisoners' claims over £250,000 (2007-08: nil) and one compensation payment made in respect of claims from members of the public over £250,000 (2007-08: nil).

As a result of the re-scoping of the NOMIS project in 2008-09, the expenditure relating to the Probation element of the NOMIS project of £15.6m was treated as a fruitless payment.

34 Related party transactions

Associated Departments and other central Government bodies:

MoJ is the parent of HMCS, the Office of the Public Guardian, the Tribunals Service and NOMS. NOMS includes the National Probation Service and Her Majesty's Prison Service. The Ministry is the sponsor of the eight executive Non Departmental Public Bodies listed in note 36b). All of these bodies are regarded as related parties with which the Ministry has had various material transactions during the year.

The Scotland Office works closely with the Scottish Executive Office from which most of the staff are loaned. Advice and assistance were provided by the Executive for some specialised areas where they have greater expertise, such as IT, accommodation and finance. Not all of these services were covered by Service Level Agreements during the year.

The Wales Office funds the Welsh Assembly Government. The Welsh Assembly Government is regarded as a related party with whom the Wales Office has had various material transactions during the year.

In addition, MoJ has had a number of significant transactions with other government departments and other central government bodies. It received funding from other departments for the education, healthcare, resettlement and deportation of offenders.

Private companies:

Registry Trust Limited is a private company limited by guarantee with no share capital. It maintains, on behalf of the Lord Chancellor and Secretary of State for Justice, the Register of County Court Judgements. Income received from Registry Trust Limited in the year amounted to £0.9m (2007-08: £0.6m) with a total debtor balance due to HMCS as at 31 March 2009 of £0.2m (2007-08: £0.07m).

Legal Aid:

Adam Straw is a barrister who receives payments in respect of legal aid casework. Payments made to Adam Straw totalled £27,216 in 2008-09 (2007-08: £4,567). Adam Straw is the nephew of Jack Straw, the Secretary of State and Lord Chancellor for Justice.

Other:

Phil Wheatley, the Director General of NOMS, is married to Ellie Roy, who was Chief Executive of the Youth Justice Board until July 2008. In addition, his son (Thomas Wheatley) is a Governor at HMP Moorland.

Stephen Cogbill, who is employed by Atos Origin as a bid manager, is the brother of Alan Cogbill, Head of the Wales Office.

The brother-in-law of former MoJ Minister Lord Hunt of Kings Heath OBE, owns an IT training company which has a number of central government and local authority contracts. His step son works for a different IT company which tests IT security and also has a number of government contracts.

The Parliamentary Under Secretary Maria Eagle's sister, Angela Eagle MP, is Exchequer Secretary at HM Treasury.

Other interests and related parties of Ministers which do not concern MoJ are disclosed at:

http://www.cabinetoffice.gov.uk/propriety_and_ethics/news.aspx

35 Third party assets

Moj headquarters holds third party assets, over and above those monies disclosed in notes 19 and 20 of this account.

35(a) Court Funds Office

The Court Funds Office manages money held in court on behalf of clients who may be involved in a civil legal action, namely patients who, under the Court of Protection, are not able to manage their property and affairs; and children under the age of 18. These are non-Moj assets and are not included in the Moj accounts. Assets held at the balance sheet date comprised cash, Index Tracker Funds and securities.

Market values as at 28 February 2009 (the balance sheet date for the Court Funds Office) are:

- Cash, sterling held and invested on behalf of the Accountant General through the Commissioners for the Reduction of National Debt's Court Funds Investment Account, of £4.51bn (2007-08: £4.63bn); and
- Securities, a combination of units and stock holdings held in the name of the Accountant General with a market valuation of approximately £169m (2007-08: £243m). This includes the Index Tracker Fund (formerly the Common Investment Fund), which is administered on behalf of the Accountant General by an appointed Fund Manager. The beneficiaries have unit shares in the fund, which consists of a balanced portfolio managed by the Fund Manager in accordance with the investment strategy in force at the time of £76m (2007-08: £106m).

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

35(b) Official Solicitor and Public Trustee

The Official Solicitor (OS) administers estates and trusts as Administrator / Trustee of Last Resort. The OS might be called upon to manage an estate for someone entitled to a Grant of Administration, but who is incapable of applying because of mental illness. The OS may also act as the administrator of the estate of a deceased person, to facilitate a claim being brought under the Inheritance Act; as Judicial Trustee in disputes involving the trustees and / or beneficiaries about the administration of an estate; and manages a number of trust funds for children.

The Public Trustee (PT) acts as Executor or Trustee where he has been appointed under a will or new settlement. The PT may also be asked to administer the estate of an individual who has died intestate; take over existing trust or settlement, by the existing trustees or by order of court; and administers certain pension, friendly society and other institutional funds.

	31 March 2009	31 March 2008
	£000	£000
Cash	32,662	30,977
Investments	26,491	54,172
Non-cash assets	18,386	26,104
Total	77,539	111,253

The accounts for 2008-09 have not yet been presented for audit. The figures in the table above represent the most up-to-date information available.

35(c) Privy Council

The Judicial Committee of the Privy Council, where required, holds security costs lodged by the appellant. These are held in accordance with Statutory Instrument *'The Judicial Committee (General Appellate Jurisdiction) Rules Order 2009'* made 11 February 2009 and Statutory Instrument *'The Judicial Committee (Devolution issues) Rules Order 1999'* made on 10 June 1999. These deposits, which amounted to £28,175 at 31 March 2009, are not deemed departmental assets and are not included in the accounts.

35(d) Other third party assets

HMCS holds a number of different cash balances on behalf of third parties. These predominantly consist of bail monies, which are received and held whilst a criminal case progresses, and third party settlement amounts where HMCS acts as the intermediary for settlement between claimants and defendants.

The third party balances included in the Tribunals Service's accounts are amounts held pending the outcome of certain Employment Tribunal hearings, whereafter the funds are paid out accordingly. The amount held with respect to these hearings is £177k (2007-08: £31k). In addition, the Tribunals Service also oversees the handling of Bail Bonds totalling £144k (2007-08: £108k), which were not included within the 2007-08 accounts. As these monies are held on behalf of third parties, they do not form part of Tribunals Service's funding.

The NOMS Agency holds third parties monies of £9,488k (2007-08: £9,274k). This relates to monies held on behalf of prisoners and are therefore not included in the accounts.

A number of assets are held by Probation Boards and Trusts on behalf of third parties. These assets are not included in the accounts. The assets held at the balance sheet date to which it was practical to ascribe monetary values comprised of monetary assets, such as bank balances and monies on deposit, listed securities, trust funds and an amenity fund.

36 Entities within the departmental boundary

36(a) Entities within the departmental boundary

The Core Department:

Department Headquarters, including the following associated offices:

Office of Court Funds, the Official Solicitor and Public Trustee

Office of the Legal Services Ombudsman

Office of the Legal Services Complaints Commissioner

HM Inspectorate of Court Administration

HM Inspectorate of Prisons

HM Inspectorate of Probation

Assessor for Compensation for Miscarriages of Justice

Administrative Justice and Tribunals Council

Office of the Judge Advocate General

Judicial Appointments and Conduct Ombudsman

Office for Judicial Complaints

Directorate of Judicial Offices for England and Wales (incorporating the Judicial Office, the Judicial Communications Office and the Judicial Studies Board)

Boundary Commission for England

Law Commission

Scotland Office, including the Office of the Advocate General for Scotland and the Boundary Commission for Scotland

Wales Office, including the Boundary Commission for Wales

Advisory and Tribunal NDPBs

In addition, there are various other advisory and tribunal Non-Departmental Public Bodies within the departmental boundary, a full listing of which can be found at <http://www.justice.gov.uk/about/organisationswesponsor.htm#pqr>.

Supply financed Agencies:

The National Offender Management Service (NOMS) – NOMS includes 36 probation boards and 6 probation trusts which form the National Probation Service.

Her Majesty's Courts Service (HMCS)

Tribunals Service

Office of the Public Guardian (OPG)

36(b) Entities outside of the departmental boundary

The following bodies are not consolidated within these accounts. The finance provided to them by the Ministry through grant-in-aid is reflected in the Operating Cost Statement and Statement of Parliamentary Supply.

Executive Non-Departmental Public Bodies (NDPBs):

Legal Services Commission

Youth Justice Board

Criminal Injuries Compensation Authority

Criminal Cases Review Commission

Judicial Appointments Commission

Parole Board of England and Wales

Information Commissioner's Office

Legal Services Board

37 Pension Costs of the National Probation Service

Local Probation Boards and Trusts participate in the Local Government Pension Scheme (LGPS), which is statutory and fully funded, and which covers present and past employees.

From 2008-09, 6 out of 42 local Probation Boards attained Trust status. As part of the terms and conditions of employment of its officers and other employees, these 6 Probation Trusts offer retirement benefits on the same basis as the 36 remaining Probation Boards. Although these will not actually be payable until employees retire, the Trusts have a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The LGPS provides benefits on a “final salary” basis at a normal retirement age of 65. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to 3/80th of final pay for every year of total membership is payable on retirement. The scheme permits employees to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. Members pay contributions of 6% of pensionable earnings. Employers pay the balance of the cost of providing benefits, after taking into account investment returns. This is a defined benefit scheme meaning that retirement benefits are determined independently of the investments of the scheme and employers are obliged to make additional contributions where assets are insufficient to meet retirement benefits. A full actuarial valuation was carried out at 31 March 2007 by Actuaries for each individual pension fund. For 2008-09, employers’ contributions of £11,645,000 were payable to the LGPS (2007-08: £12,507,000) in a range from 14.10% to 19.9%. The scheme’s Actuaries review employer contributions every three years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Partnership accounts are excluded under FRS17.

Employer’s pension contributions for the three years from 2008 to 2011 are:

- 2008-09: 17.8% of salaries;
- 2009-10: 17.8% of salaries;
- 2010-11: 17.9% of salaries.

The average assumptions used by the actuaries are:

	31 March 2009	31 March 2008	31 March 2007
	%	%	%
Inflation assumption	3.2%	3.6%	3.2%
Rate of increase in salaries	4.7%	5.2%	4.7%
Rate of increase for pensions in payment and deferred pensions	3.7%	3.9%	3.2%
Discount rate	6.9%	6.6%	5.4%

Mortality Assumptions:

Life expectancy is based on PFA92 and PMA92 tables, projected to calendar year 2033 for non pensioners and 2017 for pensioners.

The assets in the scheme and the expected rate of return were:

	Long-term rate of return expected at	Value at	Long-term rate of return expected at	Value at	Long-term rate of return expected at	Value at
	31 March 2009	31 March 2009	31 March 2008	31 March 2008	31 March 2007	31 March 2007
	%	£000	%	£000	%	£000
Equities	8.2%	963,112	8.4%	1,237,073	7.6%	1,358,083
Government Bonds	3.8%	191,525	4.6%	186,950	–	–
Other Bonds	5.4%	150,843	4.9%	148,267	4.9%	322,531
Property	5.3%	120,745	5.1%	181,748	6.3%	186,461
Cash	3.7%	102,873	5.4%	115,010	5.2%	92,115
Total market value of assets		1,529,098		1,869,048		1,959,190
Present value of scheme liabilities		2,247,700		2,375,686		2,494,055
Surplus/ (Shortfall) of the scheme		(718,602)		(506,638)		(534,865)
Net pension asset / (liability)		(718,602)		(506,638)		(534,865)

Pension Cost

	2008-09	2007-08
	£000	£000
Current service cost	75,458	88,132
Past service cost	12,167	15,408
Effect of Curtailment or Settlement	908	(1,219)
Total operating charge	88,533	102,321

Analysis of amount credited to other finance income or debited to other finance charge

	2008-09	2007-08
	£000	£000
Expected return on pension scheme assets	(130,196)	(136,791)
Interest on pension scheme liabilities	156,597	135,442
Net return	26,401	(1,349)

Changes to the present value of liabilities during the year

	<u>2008-09</u>	<u>2007-08</u>
	<u>£000</u>	<u>£000</u>
Opening present value of liabilities	2,375,686	2,492,052
Current service cost	75,458	88,078
Interest cost	156,597	135,442
Contributions by Members	33,366	28,916
Actuarial (gains) / losses on liabilities *	(329,634)	(310,132)
Benefits paid	(76,848)	(72,913)
Past service costs	12,167	13,024
Curtailments / Settlements	908	1,219
Closing present value of liabilities	<u>2,247,700</u>	<u>2,375,686</u>

* Includes changes to actuarial assumptions

Changes to the fair value of assets during the year

	<u>2008-09</u>	<u>2007-08</u>
	<u>£000</u>	<u>£000</u>
Opening fair value of assets	1,869,048	1,957,130
Expected return on assets	130,196	136,791
Actuarial gains / (losses) on assets	(516,574)	(271,220)
Contributions by the Employer	89,910	90,299
Contributions by Members	33,356	28,916
Benefits paid	(76,838)	(72,868)
Net increase from disposals and acquisitions	-	-
Settlements	-	-
Closing fair value of assets	<u>1,529,098</u>	<u>1,869,048</u>

Actual return on assets

	<u>2008-09</u>	<u>2007-08</u>
	<u>£000</u>	<u>£000</u>
Expected return on assets	130,196	136,791
Actuarial gains/(losses) on assets	(523,076)	(271,220)
Actual return on assets	<u>(392,880)</u>	<u>(134,429)</u>

Analysis of amount recognised in the Statement of Recognised Gains and Losses (SRGL)

	<u>2008-09</u>	<u>2007-08</u>
	<u>£000</u>	<u>£000</u>
Total actuarial gains / (losses)	(186,940)	38,912
Cumulative actuarial gains / (losses)	(297,365)	(100,625)

History of asset values, present values of liabilities, surplus / deficit and experienced gains and losses

	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Fair value of assets	1,529,098	1,869,048	1,959,190	1,750,392
Present value of liabilities	2,247,700	2,375,686	2,494,055	1,977,798
Surplus / (Deficit)	(718,602)	(506,638)	(534,865)	(227,406)
Experience gains / (losses) on scheme assets	(465,503)	(244,436)	12,370	222,538
Experience gains / (losses) on scheme liabilities	(3,368)	109,225	9,021	(14,276)

38. Machinery of Government Changes and Transfers of Function

A number of internal transfers of functions have occurred in 2008-09 between the core department and agencies which are accounted for as mergers. In accordance with HM Treasury's *FReM* 5.4.4, the prior year figures for the core department are re-stated as if the current arrangement of functions had always been in place. The changes involve:

- The creation of the NOMS executive agency from the merger of the former HM Prison Service agency with the National Probation Service and NOMS headquarters functions which were part of the core department in 2007-08.
- The transfer into MoJ core from HMCS of the Civil and Policy Directorate and the transfer from MoJ core to HMCS of the Judicial and Policy Appointments Directorate.
- The transfer from the MoJ core of the Statutory Publication Office to the National Archive.

The following note sets out how the 2007-08 published figures for the core department have been affected by these changes.

	Core Department	less	add	less	less	add	2007-08 Core Department
	As reported previously	NOMS HQ	Movements in from HMCS	Movements out to HMCS	Movements out to National Archive	Change in consolidation eliminations	As restated
	£000	£000	£000	£000	£000	£000	£000
Operating Cost Statement							
Administration Costs:							
Staff Costs	171,162	(41,336)	1,902	(1,505)	–	–	130,223
Judicial salaries	43	–	–	–	–	–	43
Other administration costs	27,586	(15,741)	102	(372)	–	–	11,575
Income	(18,559)	4,741	–	–	–	–	(13,818)
Programme Costs							
Request for Resources 1							
Staff Costs	66,227	(30,827)	7,929	–	–	–	43,329
Judicial salaries	2,131	–	583	–	–	–	2,714
Programme costs	4,729,277	(1,397,032)	5,176	(405)	–	–	3,337,016
Income	(199,320)	153,610	(51)	–	–	–	(45,761)
Request for Resources 2							
Programme costs	24,616,670	–	–	–	–	–	24,616,670
Income	–	–	–	–	–	–	–
Request for Resources 3							
Programme costs	11,826,037	–	–	–	–	–	11,826,037
Income	–	–	–	–	–	–	–
NLF Interest payable	54,787	–	–	–	–	–	54,787
NLF interest receivable	(54,787)	–	–	–	–	–	(54,787)
Total	41,221,254	(1,326,585)	15,641	(2,282)	–	–	39,908,028

	2007-08					2007-08
Core Department	<i>less</i>	<i>add</i>	<i>less</i>	<i>less</i>	<i>add</i>	Core Department
As reported previously	NOMS HQ	Movements in from HMCS	Movements out to HMCS	Movements out to National Archive	Change in consolidation eliminations	As restated
£000	£000	£000	£000	£000	£000	£000
Balance Sheet						
Tangible fixed assets	7,538,365	(7,423,026)	4	–	–	115,343
Intangible Fixed assets	1,876	(1,411)	–	–	–	465
Investments	794,595	–	–	–	–	794,595
Stock	1,065	(1,065)	–	–	–	–
Debtors <1yr	576,383	(7,513)	208	–	(1)	569,175
Debtors >1yr	1,245	–	–	–	–	1,245
Cash	68,693	–	–	–	–	68,693
Creditors <1yr	(1,162,263)	338,585	(1,301)	–	–	(825,077)
Creditors >1yr	(1,134,911)	319,850	–	–	–	(815,061)
NPS pension liability	–	–	–	–	–	–
Provisions	(167,872)	11,738	(3,388)	–	–	(159,522)
	6,517,176	(6,762,842)	(4,477)	–	(1)	(250,144)
General fund	4,293,203	(4,542,049)	(4,475)	–	(1)	(253,322)
Revaluation reserve	2,223,973	(2,220,793)	(2)	–	–	3,178
Donated Asset Reserve	–	–	–	–	–	–
Total	6,517,176	(6,762,842)	(4,477)	–	(1)	(250,144)

39. Post Balance Sheets Events

In accordance with *Financial Reporting Standard 21 'Events after the balance sheet date'*, accounting adjustments and disclosures are considered up to the point that the financial statements are authorised for issue. The accounts are regarded as authorised for issue on the same date the Comptroller and Auditor General certifies the accounts.

Shahid Malik MP left his post as Parliamentary Under Secretary on 15 May 2009.

The Rt Hon David Hanson MP moved to a new Ministerial position in the Home Office on 7 June 2009 and Claire Ward MP was appointed Parliamentary Under Secretary to the Ministry of Justice on 9 June. On 18 June, revised Ministerial portfolios were announced.

The Rt Hon Peter Hain MP replaced the Rt Hon Paul Murphy MP as the Secretary of State for Wales from 5 June 2009.

During April 2009, a review of the Ministry's governance structure was undertaken. As a result, the Corporate Management Board agreed to create the Business Transformation Committee that will meet monthly and will be chaired by the Deputy Permanent Secretary and Director General, Corporate Performance. The Committee will oversee the Ministry-wide transformation agenda, the Department's mission critical programmes, and the cross-cutting people, IT, finance and commercial strategies. Sub-committees on procurement, change, investment and the Performance and Efficiency Programme will report to the Business Transformation Committee.

The Supreme Court will become a separate non-Ministerial department from 1 October 2009. Set up under the *Constitutional Reform Act 2005*, the Supreme Court will provide greater clarity in the UK constitution by further separating the judiciary from the legislature. The existing Law Lords will become the first Justices of the Supreme Court of the United Kingdom, and the Senior Law Lord will become the President. The income, expenditure, assets and liabilities of the Supreme Court will be accounted for on a merger basis in 2009-10 which means that balances relating to the Supreme Court at 31 March 2009, including fixed assets amounting to £63m, will not be reflected in comparative figures in the Ministry's 2009-10 accounts.

In April 2009, a major incident occurred at HMP Ashwell which caused damage to the prison building which has yet to be quantified.



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