



HER MAJESTY'S
COURTS SERVICE
hmcs

Her Majesty's Courts Service Annual Report and Accounts 2007/08



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Increasing access to justice | Building safer communities
Protecting the vulnerable | Improving the courts

HMCS Annual Report and Accounts 2007/08

Her Majesty's Courts Service (HMCS) is an executive agency of the Ministry of Justice.

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HMCS Annual Report and Accounts 2007/08

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It is my great pleasure to introduce the third annual report for Her Majesty's Courts Service (HMCS).

I am delighted to have been appointed as Chief Executive of HMCS and I look forward to working in partnership with the judiciary in leading HMCS to meet the challenges that are ahead and to provide first class services to the public. This new partnership will entail a fundamental shift to forge a genuine sense of common purpose shared by the staff of HMCS and the judiciary.

The work of courts touches the lives of everyone in our communities and we have remained true to our commitment to ensuring that people have recourse to a justice system that is accessible, responsive and appropriate to their needs.

Across all jurisdictions, we have seen many achievements that have made a real and lasting impact on the services courts provide to the public.

Promises fulfilled include the successful introduction of the principles of *Criminal Justice: Simple, Speedy and Summary* in all magistrates' courts leading to a significant reduction in delays and better use of every hearing. We have delivered community justice courts in a number of new locations and continue to test other problem-solving court models such as specialist domestic violence court systems and dedicated drugs courts. Our focus on court order compliance has also seen an increase in the fine payment rate and compliance with outstanding warrants for breach of court orders.

Going to court, however, is not always the best way to settle disputes. The small claims mediation service, now available in all county courts, recognises this and gives people an alternative and fair and satisfactory route to settling their cases.

Our plans to improve the court environment have seen eight new buildings this year, including the new Manchester Civil Justice Centre, opened by Her Majesty The Queen in February.

Putting the public at the heart of everything we do saw us make eight breakthrough commitments to make a step change in our performance. What makes these commitments so compelling is that they are commitments developed by operational staff who deal with court users every day who know what they want from HMCS.

All of this has been achieved in a year of much change and challenge. In common with all government departments, we were set robust efficiency and headcount targets. The drive to reduce our operating costs whilst providing a quality service will continue.

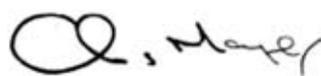
The year was also characterised by major organisational changes that saw HMCS becoming an agency of the newly formed Ministry of Justice (9 May 2007), bringing together component parts of the justice system under one Secretary of State.

Additionally, and marking a new chapter in the development of HMCS, a new and unique partnership agreement was struck between the Lord Chancellor and the Lord Chief Justice for the governance, financing and operation of the courts. This arrangement, set out in a new Framework Document, came into effect from 1 April 2008 and places the leadership and broad direction of HMCS in the hands of a new Board with an independent non-executive chairman.

The founding principles of the partnership build on our goal of delivering an efficient and effective twenty-first century justice system underpinned by and underpinning an independent judiciary.

No review of the past year would be complete without my thanking the former Chief Executive Sir Ronald De Witt. Sir Ron left HMCS after four successful years in which he led the creation of the unified courts service, a step change in its performance and laid the foundations for the future. Our thanks also to Neil Ward who led the organisation in the final months of the reporting year.

We look back on the year with pride in our achievements while recognising that much still needs to be done.



Chris Mayer
Chief Executive

About Her Majesty's Courts Service

Who we are

HMCS is an executive agency of the Ministry of Justice (MoJ). We work as part of a system aiming to deliver justice effectively and efficiently to the public.

What we do

HMCS is responsible for managing magistrates' courts, the Probate Service, the Crown Court and county courts in England and Wales and the Royal Courts of Justice, where the majority of High Court and Court of Appeal cases are heard.

The courts are the setting where some of the most important decisions in society are made – decisions that directly affect people's lives.

In 2007/08, there were:

- 2.2 million criminal cases heard in magistrates' courts
- 120,000 criminal cases heard in the Crown Court
- 2 million civil cases

We ensure that, at its simplest, the right people are in the right courtroom at the right time. That includes members of the public, lawyers, police, and the judges and/or magistrates who hear the cases. It's our responsibility to make sure that those judges and magistrates have all the information they need, so the hearing can proceed on time and to its appropriate conclusion. We also administer the Probate Service.

HMCS is responsible for **695** properties...

...of which **560** are courthouses...

...containing **652** courts (with many co-located)...

... with around **2,600** courtrooms.

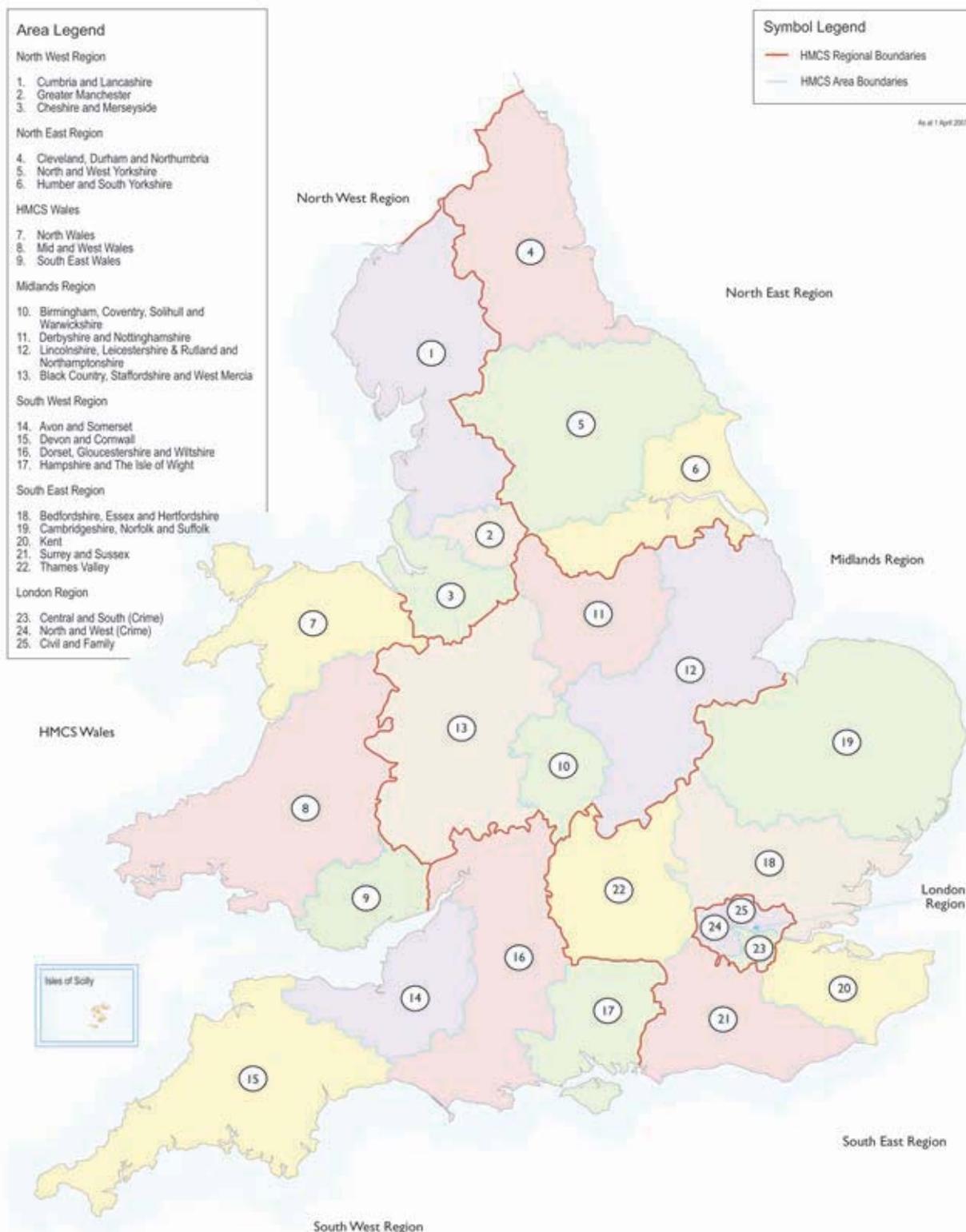
Our structure

HMCS is organised into six regions and Wales, and has 25 areas, together with the Royal Courts of Justice group whose role includes the administration of the Court of Appeal, High Court and Probate Service.

About Her Majesty's Courts Service

Our structure

Her Majesty's Courts Service Estate by Region and Area



Our new framework

One of the most significant developments during 2007/08 was the announcement of a new framework for the governance and leadership of HMCS that reflects the partnership between the Lord Chancellor and the Lord Chief Justice. This reinforces structurally the spirit and principle of partnership that already existed. Full details are set out in *Her Majesty's Courts Service Framework Document*, effective from 1 April 2008.

The main changes are:

- a clearer relationship between the executive and the judiciary for the effective governance, financing and operation of HMCS, reflecting the new partnership, operating not only at the centre but also at regional, area; and local level
- a joint examination of how we can improve performance and efficiency across all aspects of the operation of the courts, including the contribution the judiciary may properly make to that whilst respecting their independence as a body and in respect of individual decisions;
- the creation of a new Board of 11 members which will hold HMCS (the Chief Executive and the executive team) to account for the delivery of the jointly agreed aims and objectives of HMCS. It is chaired by Sir Duncan Nichol CBE who is neither a judge nor a civil servant and whose key role is to facilitate the working of the partnership. Members also include senior judges and HMCS senior directors; and
- an open and transparent means of settling the budget for HMCS which includes greater judicial engagement in the financing of the courts through the HMCS Board.

In the Framework Document we set out our aim and objectives from 1 April 2008.

Our aim

All citizens according to their differing needs are entitled to timely access to justice, whether as victims of crime, defendants accused of crimes, consumers in debt, children at risk of harm, or business people involved in commercial disputes.

Our objectives

- Promotion of a modern, fair, effective and efficient justice system that is available to all and responsive to the needs of the communities it serves.
- Support of an independent judiciary in the administration of justice.
- Achievement of best value for money.
- Continuous improvement of performance and efficiency across all aspects of the courts' work, having regard to the contribution the judiciary can appropriately make.
- Collaboration with a range of justice organisations and agencies, including the legal professions, to improve the service provided for local communities.
- Greater confidence in, and respect for, the system of justice.
- Achievement of excellence as an employer.

About Her Majesty's Courts Service

Delivering a step change in performance

In March 2007 the then Lord Chancellor set out eight Breakthrough Commitments that would enable us to deliver a step change in our performance and help transform the perceptions of the courts in the eyes of those that use them. We would:

- **give greater priority and urgency to public law cases** often involving issues such as whether children should be taken into care, with a view to ensuring that the matter is resolved in less than 40 weeks or such later time as the judge or magistrate deems appropriate;
- **simplify and speed up criminal cases in the magistrates' courts so:** most guilty plea cases are dealt with at the first hearing; most contested cases have no more than two hearings; the majority of simple charged cases take from a day to six weeks (on average) from charge to disposal;
- **embed the underlying principles behind community justice in all magistrates' courts**, ensuring local courts improve their awareness and take account of local issues, particularly when dealing with low level crime;
- **encourage more families to resolve issues themselves** through providing in-court conciliation or directing parties to mediation where it is appropriate and safe to do so;
- put in place systems and incentives to **ensure that the vast majority of civil business is initiated online;**
- **provide a simpler and quicker service in the county courts** through introducing a presumption that all but the most complex small claims are dealt with by way of mediation;
- **reduce the time taken to deal with cases in the Crown Court**, so that the majority of cases are commenced and concluded within 16 weeks; and
- **provide a knowledgeable, personalised and readily accessible service**, keeping users informed about the progress of their case.

Increasing access to justice

Access to justice means different things to different people. For some, it's about knowing that offenders are brought before a court and sentenced. For others, it's about getting money they are entitled to. For others still, the focus is on finding the right solution to where a child should live.

What unites all of these people, and the thousands more that come into contact with us each day, is firstly that they depend on the courts to give them the opportunity to get justice, and secondly that they want decisions to be made quickly and fairly. We have continued to work closely with our partners from across the justice system – both through the traditional courtroom process and through innovative approaches outside the court.

Criminal Justice Simple Speedy Summary (CJSSS)

The underlying principles are:

- Better, proportionate preparation for first hearing in the court.
- Ensuring first hearings are effective with pleas entered at the first opportunity wherever possible and guilty pleas disposed of on the day.
- Contested cases should proceed straight to trial within a reasonable timeframe, assisted by out of court case progression, with pre-trial reviews taking place by exception.



Delivering Simple, Speedy and Summary Criminal Justice

Following four tests in Coventry, West Cumbria, Camberwell and Thames Magistrates' Courts, Ministers agreed to the implementation of CJSSS for all adult charged cases in the magistrates' court suitable for summary disposal. As of April 2008 all local criminal justice areas in England and Wales have introduced CJSSS throughout their areas.

Reducing delay

CJSSS has shown what can be achieved when everyone, including defence practitioners, is working towards a common goal. Good working relationships across England and Wales are being forged between the police, Crown Prosecution Service (CPS) and HMCS.

There has been a shift in approach in how adjournments are considered. As part of supporting the judiciary, CJSSS worked with the Judicial Studies Board (JSB) to provide CJSSS training to magistrates to challenge the culture of delays and adjournments. This training was provided to support the delivery of CJSSS but has had a wider impact whereby unnecessary adjournments for all criminal cases are more likely to be challenged.

Increasing confidence

There has been extremely positive feedback from Witness Care Units indicating that victims and witnesses are benefiting through speedier resolution of cases that impact upon them and through increased confidence that trials will proceed on the first date listed.

Each area will be conducting a local post-implementation review of CJSSS during 2008/09. There will also be a full national review.

In the meantime, the underlying CJSSS principles are being introduced in the youth courts, following a successful pilot scheme.

Promoting online issue of claims

One of the most effective ways in which we have made justice more accessible is through making it possible for individuals and businesses to issue money and possession claims online. Fees are paid electronically, claims issued straight away and hearing dates scheduled automatically.

By the end of March 2008, online issue of specified money claims via Money Claims Online (MCOL) had reached 67% and 51% of possession claims were issued via Possession Claims Online (PCOL) – a significant growth in just the second year that this latter service has been in operation.

Increasing access to mediation



We have introduced the Small Claims Mediation Service at county courts across England and Wales. The use of the service has been high: during 2007/08, the small claims mediators conducted some 3500 mediations, of which over 2400 (some two-thirds) ended in successful settlement.

A survey of 750 parties who participated in mediations indicated that 98% were either satisfied or very satisfied with the professionalism and helpfulness of the mediators. 94% said they would use the service again. Some 85% of those whose case did not settle at mediation said they would use the service again.

A pub landlord signed a five-year contract for equipment to clean the pipes from his beer cellar to the bar. He then decided that the equipment didn't work, stopped using it, and stopped the monthly payment.

The company that provided the equipment wanted their arrears of payment and for the contract to continue. They realised that the landlord had changed the taps in the bar, and that these were not compatible with their equipment. The company issued a claim against the landlord.

The case went to mediation and was settled. The company agreed to visit the pub and service the equipment, changing the filter heads, making the equipment compatible with the changes in the bar. The contract was reinstated and set to continue for the remainder of the five-year period.

Mediation provides a range of benefits, from helping maintain business relationships that a court hearing could damage to making justice more accessible for those who live in rural areas or find it difficult or costly to travel: they are able to take part in the process by telephone, rather than having to attend court. We have continued to raise awareness about the Family Mediation Helpline: 0845 60 26 627

Fee changes

As part of our long-term fee strategy, in 2007/08 we introduced changes to the fee structure in the main civil courts with the aim of establishing a set of charges that more closely reflects the actual costs of service provision. Now users pay for each hearing but these fees are partially off set by reductions in the fees for issue of proceedings. The aim is that this will also encourage better use of the hearings themselves.

We have increased fees for civil business in the magistrates' courts as a step towards reflecting the full cost of services in these courts.

Research published last summer showed that costs of going to court do not deter those who are seeking justice. The report commissioned by the Ministry of Justice, indicated that for most people the main motivation was to see justice done.

The report produced a number of valuable findings to inform future policy and practice. Greatest concern was expressed about how long cases would last and the impact that may have on cost.

Building safer communities

Local communities naturally see the courts as being at the heart of providing a safe environment to live and work in. Since HMCS was founded, we have been closely involved in a number of initiatives to tackle specific problems with communities, and to engage more effectively with local residents in setting priorities.

During 2007/08, many of those initiatives were evaluated. As a result of the findings, programmes such as community justice, specialist domestic violence courts and dedicated drugs courts are all continuing to expand.

Extending community justice

From its initial launch in 2005, community justice proved popular among the communities it served. The approach involves making the court more responsive to local people and working in partnership with the range of criminal justice agencies, support services and community groups to solve the problems caused by offending in the local area.

October 2007 saw the publication of an evaluation of the first two projects, the Community Justice Centre in North Liverpool and the Salford Community Justice Initiative. Both were positive about the impact of the projects, with some of the benefits identified in the North Liverpool scheme including:

- a high guilty plea rate of 82 per cent compared with a national average of 68 per cent
- an average of 2.2 hearings per case, compared with regional figures of 2.8, which is helping to reduce the time from arrest to sentence and
- 79 per cent of offenders asked indicated that the problem solving approach had helped them to address their problems, and 86 per cent believed that the problem solving approach would help to deter them from offending again in the future.

These findings served to underline the benefits that many court users had already identified, which is why community justice is becoming an integral part of our work. In addition to the specific community courts now established at Birmingham, Bradford, Hull, Leicester, Merthyr Tydfil, Middlesbrough, Nottingham, Plymouth, and three locations in London – Haringey, Newham and Wandsworth – we are introducing community engagement principles to the magistrates' courts across the whole of England and Wales.

We have developed best practice and support materials to enable magistrates' courts to improve engagement with their local communities, linking with wider CJS community engagement work such as neighbourhood policing.

Increasing the use of dedicated drugs courts

The evaluation of the Dedicated Drug Court pilots, completed in early 2008, indicated that these problem solving courts are having a positive impact

on reconviction rates for drugs offences, attendance at court and compliance with sentences. Offenders come before the same panel of magistrates, or district judge, each time, helping to create continuity for the offender. The pilots are testing the impact this continuity has on motivating offenders to stay in treatment and reduce their drug use.

Work also commenced to develop and explore the potential for similar models to address offenders with mental health disorders.

Increasing prosecutions for domestic violence

A review of the first 23 specialist domestic violence court systems, published on 8 March 2008, showed that they have led to significant improvements for domestic violence victims. Ten of these specialist courts achieved a successful prosecution rate of over 70%, with one reaching over 80% and the remaining 12 achieving an average rate of 66%.

One of the key features of these courts is their direct connection to advisers. Around three-quarters (74%) of clients involved in the court process were supported by Independent Domestic Violence Advisers at court, helping to represent victims' views and provide ongoing support.

We have increased the number of specialist domestic violence courts across England and Wales to 98 sites.

A new Family Drug and Alcohol Court pilot scheme was introduced in January 2008. The court sits at Inner London Family Proceedings Court, covering Camden, Islington and Westminster, and aims to provide intensive assessment, support, interventions and co-ordination of care for families affected by parental drug and/or alcohol misuse.

Integration and innovation in enforcement

Fine enforcement continued to rise, extending the upward trend since the Fine Enforcement Programme was established in 2003. One of the most significant developments in achieving the continued growth has been the nationwide rollout of text messaging as a means of contacting hard to reach defaulters.

The “slice of debt” pilot initiative now includes a site in London. It enables cases where all court enforcement action has failed to be passed to a dedicated debt collection company to attempt to trace the defaulter. A further evaluation is due to be completed by the end of June 2008, with the recommendations from this informing any further national rollout.

As part of our contribution to the targets, set by the Prime Minister, to double the amount of assets recovered from the proceeds of crime, from

£125m in 2006/7 to £250m in 2009/10, we have introduced a more focused approach to confiscation. We have consolidated some 63 separate units into a network of nine Regional Confiscation Centres, staffed by specialised officers with access to the latest intelligence. This focused approach enables us to share best practice more easily and co-operate closely with local criminal justice partners throughout England and Wales. This has helped us successfully enforce more confiscation orders.

Protecting the vulnerable

Many of those who use the courts – whether in criminal cases, civil cases, family proceedings or probate – are coming to us at a time when they feel vulnerable. That may be because they have been a victim of crime. It may be because they are under emotional stress, following relationship breakdown, bereavement or difficult financial circumstances. Our aim is to support those who feel vulnerable and ensure that they are given the help they need to participate fully in the justice process.



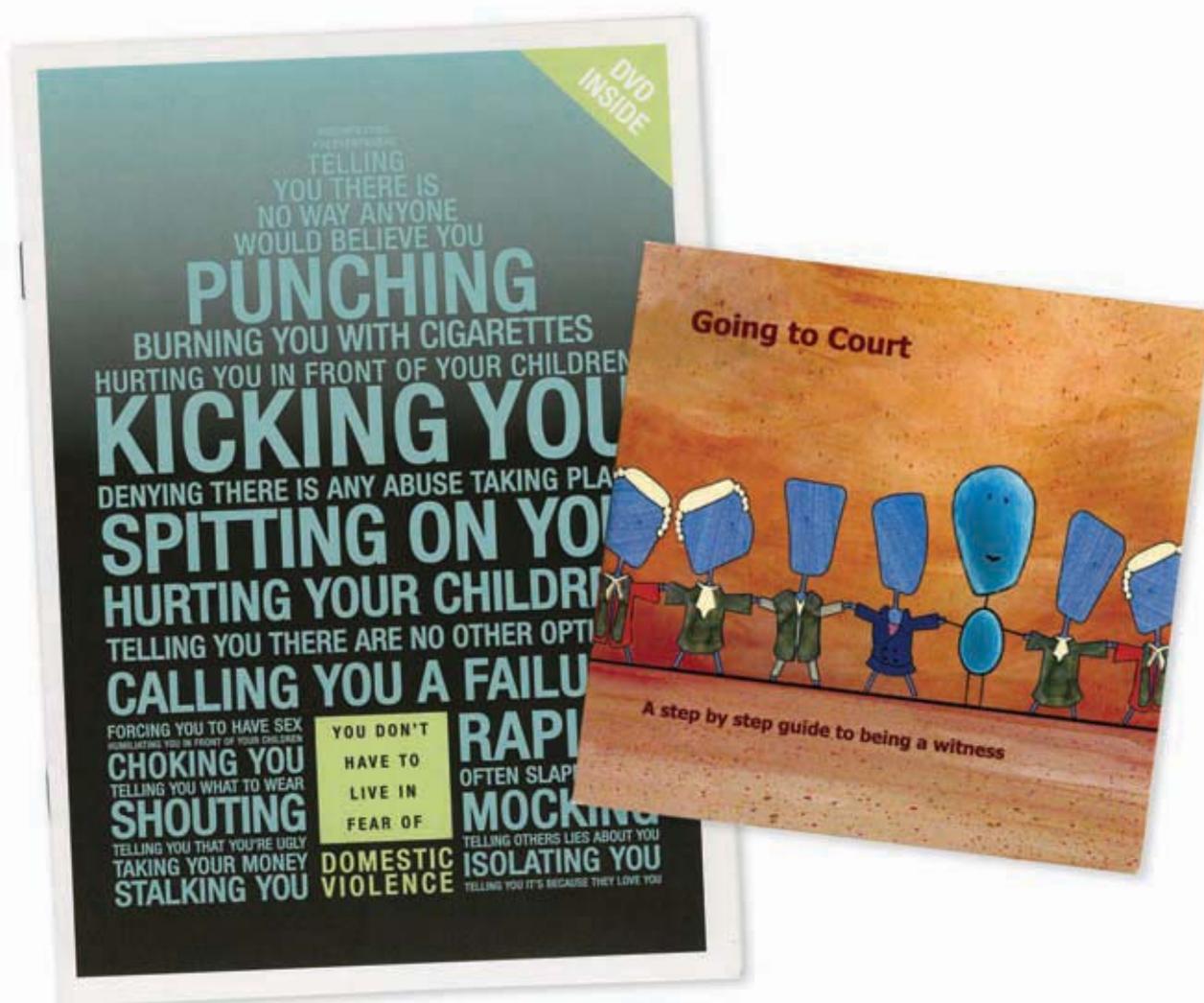
Increasing access to information

Some of the most important work we do is in preparing people to come to court and helping them understand what they can expect. We have always provided information in the form of leaflets, but in the last year we also introduced two new DVDs to offer similar information in a more interactive way.

Going to Court: A step by step guide on being a witness was launched throughout England and Wales at the end of September 2007. This interactive, animated DVD was designed especially to help adult victims and prosecution and defence witnesses understand

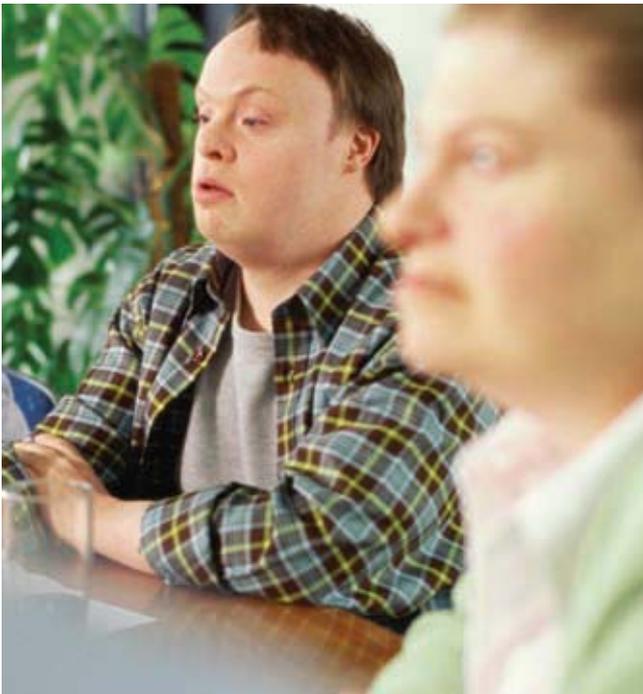
their role in the criminal court process. It follows the journey a witness makes from making a statement through to after the trial. Distributed to victims and witnesses via Witness Care Units, defence solicitors and the court-based Witness Service it is also available to view and download online through DirectGov. The DVD has received very positive feedback from witnesses and stakeholders.

We have also produced a DVD about the family court process for domestic violence cases. *You don't have to live in fear* aims to address the concerns that victims may have when making an application for a civil injunction.



Introducing choice and voice for vulnerable witnesses

Over the last few years, a number of CJS developments were introduced to help support young and vulnerable witnesses within courts, including videolinks – which we continue to upgrade – and a pilot scheme using victim intermediaries. This scheme involves professional intermediaries working with children and people with mental and physical disabilities to help them through the court process, explaining complex issues and offering emotional support.



The pilot scheme results indicated that the use of intermediaries helped to bring more offences to justice, improved victim and witness satisfaction and increased public confidence in the criminal justice system. In the opinion of the criminal justice practitioners that were consulted, at least half of the trial cases would not have reached the trial stage without the involvement of an intermediary. In some cases, the work of the intermediary will be the difference between a witness being heard by the justice system or not. The intermediary scheme is now being introduced nationwide.

The needs of each individual victim or witness are different, which is why we are participating in a consultation, launched last July, to find out more about the support young people want in court, for example, whether they give evidence in person or by videolink.

Providing extra support for jurors

HMCS depends on the work of jurors for all trials in the Crown Court. To help provide better support for jurors, we have – with the help of the judiciary – implemented a strategy that includes a variety of measures designed specifically to assist juries on longer trials. In addition, in conjunction with the Samaritans, jurors who feel distressed by their experience can seek additional emotional support.



Improving services to families and protecting children

Across our family business, HMCS has continued to introduce new processes and procedures to support families who are involved in separation or divorce and ensure the needs of children are prioritised, particularly where they are at risk of harm.

In 2007/08, we implemented Sections 6 and 7 of the Children and Adoption Act 2006. We have also made progress on work to implement the remaining provisions in Part 1 of the Act, which will give the courts more flexibility when dealing with difficult contact cases.

Working in partnership

Cases such as these demand close collaboration between government departments, and the judiciary, to ensure that families get the right support at the right time in the course of family proceedings. In implementing the Children and Adoption Act 2006, we have worked closely with Children and Family Court Advisory and Support Service (CAFCASS), CAFCASS CYMRU and the Welsh Assembly Government and the Department for Children, Schools and Families (DCSF).

We have also partnered with DCSF in a large survey, run through the Office for National Statistics, to assess parental awareness and understanding of the services and support available to them following separation and divorce. The survey sought to identify how useful parents have found mediation as a way of resolving disputes, particularly about the arrangements for children, and also learn more about their experience of coming to court.

Introducing the Public Law Outline

The last year has also seen us begin the process of implementation of the new Public Law Outline for care proceedings. This was drafted by the judiciary in consultation with the Ministry of Justice and DCSF. This aims to streamline the process for public law cases and timetable hearings around the needs of the individual child – enabling action to be taken faster where necessary.

The current six stages of the court process will be reduced to four and local authorities will be required to demonstrate to the court that they have thoroughly explored all suitable and safe alternatives, including what steps they have taken to work with parents to try and enable the child to remain within their family home or with wider family.

This approach, which has been tested in 10 court centres, promotes better case management and earlier identification of key issues. It is expected to lead to better targeted and more effective use of experts' evidence. All of these changes in turn produce better outcomes for children.

Moving towards the Unified Family Service

Underpinning all these initiatives is our work to bring together Family Proceedings Courts and county court family business through the Unified Family Service Programme. We have continued to co-locate hearing centres and/or administrative centres, which in turn enables more flexible deployment of staff, estate and administrative resources, and a simpler, more accessible service for families.

Improving the courts

Good customer service throughout the entire court process is an integral part of maintaining and developing public confidence in the justice system. From the information we provide before people come to court, to their impressions of the quality and accessibility of our buildings and the facilities available, to the way our staff respond to them, direct them and handle their feedback, HMCS plays a vital role in ensuring the court experience is reassuring and dependable.

Over the last year, we have seen a tangible improvement in overall customer satisfaction with our service, and introduced a number of specific initiatives to encourage further improvements.

Understanding what our customers think

HMCS conducts an annual customer satisfaction survey. Our second year survey showed that 83 percent of HMCS customers said they were satisfied with the service they have received from the courts – an improvement of 3 percent on the previous year.

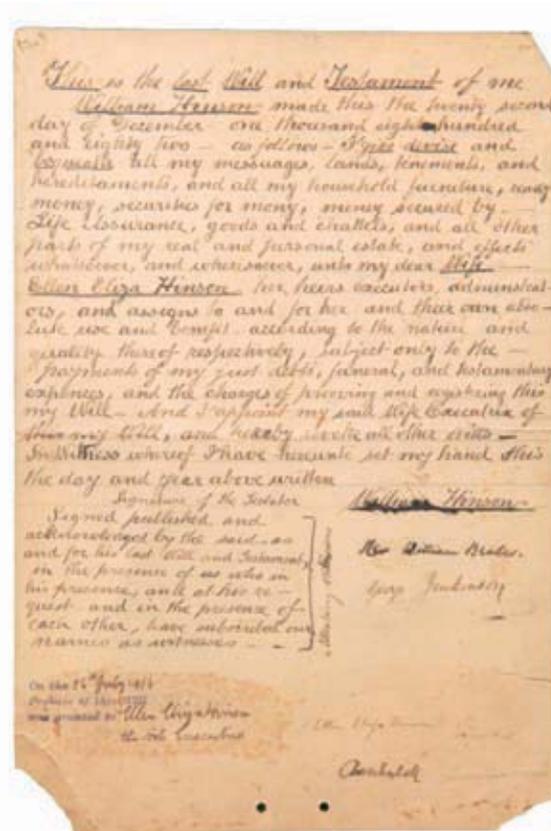
To help us get a fuller understanding of some of the results, we conducted a customer insight workshop with court users. The feedback from this – along with the overall statistics – has helped inform our plans to further improve customer service over the coming year. We also undertook a pilot survey of Probate users and carried out initial work to extend future surveys to online customers.



Empowering court managers and frontline staff

Customer service improvements can often be best planned at the local level, reflecting local needs. To help court managers identify what they can do to provide a better service in their court, we have introduced a new Customer Experience Self Assessment tool for court managers. The tool enables them to measure their court's performance against core standards and facilities – helping them identify what actions they can take, but also feeding into business improvement planning at court and area level.

Our customer satisfaction survey showed that our frontline staff do an excellent job of helping and advising customers within court. But to ensure that, as an organisation, we capture all customer feedback in the most effective ways, we launched Handling Customer Feedback – A Quick Reference Guide, which provides frontline staff with straightforward information about how to deal with all types of feedback, who to contact for more information and where to record comments.



150 years of unbroken customer service

The Probate Service celebrated its 150th anniversary in January. The Service is part of the Family Division of the High Court and deals with cases where there is no dispute about the validity of a will or entitlement to being granted the legal authority to administer the deceased's estate.

Measuring service against national standards

HMCS has been committed to the Charter Mark standard for customer service for many years. During 2007/08, Cleveland, Durham & Northumbria, the National Taxing Team, Gloucestershire, Merseyside, Bodmin County Court and Swansea Civil Justice Centre successfully achieved Charter Mark accreditation, while Avon & Somerset, the Royal Courts of Justice, Thames Valley (Crown & County), and Kingston upon Thames Crown Court maintained their accreditation.

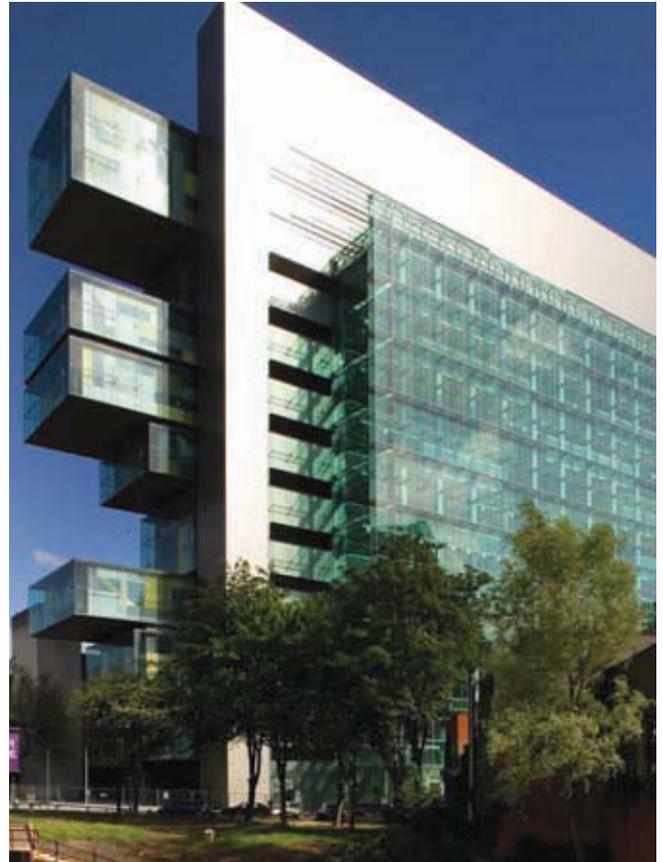
In March 2008, the Cabinet Office launched a new Customer Service Excellence (CSE) standard for Government. We plan to apply for this standard in 2010/11 and have had our corporate evidence assessed against the CSE standard as a starting point. This assessment indicated we are on track and we will continue to evaluate this evidence on a six monthly basis.

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The year in focus

Improving court premises

Manchester Civil Justice Centre, the largest civil and family court to be built for more than 100 years in England and Wales was formally opened by Her Majesty The Queen on 28 February 2008. The centre is a state of the art landmark building with first class facilities in the heart of Manchester's business area. Incorporating full consideration of sustainable development, the centre won the 'Green Major Project of the Year 2007' at the Green Construction Awards. The striking 14-floor building opened for business in October 2007 hearing civil cases such as major commercial and mercantile cases, business disputes, family law and family care cases, consumer disputes, personal injury claims and mediation in small claims cases.



HMCS obtained an "excellent" in the majority of BREEAM (BRE Environmental Assessment Method) assessments undertaken, giving full consideration of sustainable development in the design stage of all new court buildings.



We are continuing the rolling process of improving court premises across the whole of England and Wales. In 2007/08, we completed eight new buildings:

- a new civil and family court centre at Blackwood (Wales)
- an extension and refurbishment of the Hendon Magistrates' Court (London)
- a combined Crown, county and magistrates' justice centre in Huntingdon (South East)
- the flagship Manchester Civil Justice Centre, providing 47 civil and family courtrooms including four magistrates' family courtrooms plus accommodation for the Regional/Area Director and Regional Support offices and Probate Service (North West)
- a new 12 courtroom Magistrates' Court in Bristol (South West)
- relocation of four youth courts to the QEII Law Courts in Liverpool (North West)
- a new dedicated civil & family hearing centre in Chelmsford, also providing accommodation for the Beds/Essex/Herts Area Director's Office (South East)
- a new Magistrates' Court in Loughborough (Midlands).

One of the most effective ways of improving our estate is to combine different types of court in the same facility – enabling us to focus our expenditure on fewer premises and invest in the most accessible courthouses. In 2007/08, there were nine such integrations.

At the beginning of 2006/2007 the number of buildings at risk stood at 83. Reform and Modernisation Programme funding of £60m, spread equally over the next two financial years, enabled the original critical list to be reduced to 10 by the end of the period. A further 20 buildings have been added to the critical list during the period so at the beginning of 2008/2009 there are 30 buildings remaining on the critical list.



The recently refurbished Hendon Magistrates' Court features signs developed in conjunction with the Makaton Charity which use symbols to assist court users who have learning or language difficulties.

During 2007-08 we doubled the amount of expenditure on maintaining the estate, but there still remains a substantial backlog to be addressed in future years.

Providing high security courtrooms

There is a cross-government PSA target to reduce the risk to the UK and its interests overseas from international terrorism. HMCS contributes to this target by ensuring our courts are suitable for holding terrorist trials.

To work towards this target, in 2007/08 we introduced new high security measures in 14 courtrooms to ensure they can hold such trials.

Improving service through the HMCS Change Programme

The HMCS Change Programme focuses on ensuring that the major projects which are critical enablers for our business strategy are delivered successfully. Many of these projects involve improving facilities for court staff and the judiciary, which in turn enables them to deliver better service.

Replacing current IT systems, which in some cases are starting to fail because they are out of date, is a vital part of this change.

We have successfully completed about half of the nationwide introduction of a new case management application, Libra, within magistrates' courts. The application replaces outdated legacy applications and joins up the courts' IT system with those of the police and other criminal justice partners, enabling direct exchange of information, more efficiently and more accurately. Libra also connects with the Driver and Vehicle Licensing Agency (DVLA) and major banks to facilitate faster payments and information updates for defendants. The application is continuing to be rolled out. Through this implementation, we are also making progress towards standardising business processes, introducing best practice consistently across all courts.

We are introducing a modern IT system to replace out-of-date legacy applications in the county courts. The project has been successfully implemented into three pilot courts in the Midlands and into the civil bulk centre, which manages a major part of our civil business. The system has worked well in all locations and we are now planning for national rollout to gain further benefits and efficiencies.

In addition to upgrading our IT systems, we are also moving our systems to new suppliers. This transition to new suppliers has added risk and complexity to the rollout of new systems, however, longer term it will facilitate service improvement and reduce our IT costs.

This transition activity has delayed some changes to our legacy IT systems and we are now agreeing a timetable with our new suppliers to make functional changes and undertake targeted upgrades to improve the stability and performance of our technology.

We are also examining a number of ways of improving the way we work, and have explored the use of Lean methodology and processes in a number of our county courts in the South East and London Region, and the Royal Courts of Justice. There are three key principles to Lean:

- identify and remove all types of organisational waste;
- prevent mistakes happening; and
- simplify processes.

Our work has already shown that there are a number of opportunities to increase the efficiency of a range of functions, from post opening to the processing of claims, filing, and enforcement – opportunities that our staff in each of these areas are keen to take forward. We are now examining in much greater detail the opportunities Lean methodology presents in two of our largest courts; in Liverpool and in Birmingham.

The Change Programme is set to continue till 2010/11, taking in new work streams as required, to help us fulfil our strategic goal.

Sustainable development

HMCS is committed to promoting the link between individual behaviour and sustainable development. Practical examples of this include working with our staff so that, where possible, we replace unnecessary travel with the use of video or telephone conferencing. The key objectives are to minimise our environmental impact, work towards meeting the Government's road vehicles carbon emissions target, and improve the quality of our working environment. Key actions taken during the year:

- We developed a Sustainable Development Action Plan (SDAP), identifying specific activities and providing a reporting framework for reporting on progress against the key commitments. Each delivery area contributed to the achievement of the sustainable development commitments;
- We have established a Sustainable Development Working Group driven forward by senior representatives from each region and business area within HMCS. The working group representatives are responsible for promoting sustainable development within their area and overseeing the implementation of the SDAP; and
- An Energy Policy and Strategy was developed to set out how HMCS will reduce carbon emissions and increase energy efficiency across the estate.

HMCS directly contributes to a number of cross-government Public Service Agreement targets. We monitor our progress towards these targets through a number of key performance indicators and supporting measures. We also monitor our performance against our balanced scorecard, which we set out in our 2007/2008 Business Plan. This section summarises our performance during 2007-08.

Relevant PSA Target	PSA Description	Key Performance Indicators and Supporting Measures 2007-08	Our performance 2007-08	Our performance 2006-07
PSA I	Improve the delivery of justice by increasing the number of crimes for which an offender is brought to justice to 1.25 million by 2007-08. Target contributing to the Criminal Justice System PSA	<p>Crime</p> <p>Timeliness (CJSSS)</p> <p>KPI 1 Crown Court Improve the percentage of defendants' cases that commence within a specific time in the Crown Court so that:</p> <ul style="list-style-type: none"> • 78% committed for trial commence within 16 weeks of committal • 78% sent for trial commence within 26 weeks of sending <p>Supporting measure Ineffective rate* 14%</p> <p>KPI 2 Magistrates' courts Simplify and speed up criminal cases in the magistrates' courts so by the end of 2008:</p> <ul style="list-style-type: none"> • most guilty plea cases are dealt with at first hearing • majority of contested cases, or those where there is no plea, have no more than two hearings • the average time from charge to disposal is 42 days for all adult CPS and Police charge cases that are dealt with summarily <p>Following a successful roll out quantified targets are being set and will be reported against in the 2008-09 Annual Report</p> <p>Supporting measure ineffective rate* 19%</p> <p>KPI 3 Registers Produce and despatch magistrates' registers:</p> <ul style="list-style-type: none"> • 95% within 3 days • All cases cleared within 6 days <p>Performance is being monitored monthly and new guidance has been issued.</p>	<p>70.3%</p> <p>76.7%</p> <p>11.9%</p> <p>-</p> <p>-</p> <p>-</p> <p>18.5%</p> <p>87.4%</p> <p>95.4%</p>	<p>67%</p> <p>73.5%</p> <p>11.5% (against target of 14.2%)</p> <p>-</p> <p>-</p> <p>-</p> <p>18.9% (against target of 19.4%)</p> <p>-</p>

* An ineffective trial is a trial that does not go ahead on the scheduled day and requires re-listing. These targets were exceeded as only 12% and 18.1% of trials were ineffective against targets of 14% and 19% respectively.

Relevant PSA Target	PSA Description	Key Performance Indicators and Supporting Measures 2007-08	Our performance 2007-08	Our performance 2006-07
PSA2	Reassure the public, reducing the fear of crime and anti-social behaviour, and building confidence in the Criminal Justice System (CJS) without compromising fairness. Target contributing to the CJS PSA	<p>Supporting measures</p> <p>*Payment rate – fine enforcement of 85%</p> <p><i>Community Penalty:</i></p> <ul style="list-style-type: none"> • average of 35 working days from failure to comply to resolution of the case in the magistrates' courts • 60% of all breaches of community penalties to be resolved within 25 working days of the relevant unacceptable absence in the magistrates' courts <p>**Confiscation – to collect £102.5 million</p> <p><i>*Fail to appear (FTA) warrants:</i></p> <ul style="list-style-type: none"> • notify police of 90% of FTAs within one working day • notify police of 100% of FTAs within 3 working days 	<p>95%</p> <p>42 days</p> <p>58%</p> <p>£103 million</p> <p>93%</p> <p>99%</p>	<p>92%</p> <p>45 days</p> <p>50% (against 2006-07 target of 50%)</p> <p>-</p> <p>-</p> <p>-</p>

*The payment rate is calculated by dividing the amount of fines collected in a year by the amount of fines imposed. The monies collected may relate to fines and other financial penalties imposed in that or earlier years.

**New targets for 2007-08.

In order to meet the challenging targets in the next two years HMCS is taking forward a range of initiatives to meet the step change needed. In 2007/8 HMCS piloted the co-location of two of its confiscation regional units with Regional Asset Recovery Teams. This and similar multi agency models will be trialled across England and Wales to develop closer multi agency working and expedite the enforcement process. HMCS has also developed and completed the national rollout of a dedicated confiscation case management information tool which provides local staff with the ability to manage cases closely and to provide performance reports to LCJBs.

Payment rate

We successfully delivered the objective to improve performance in the enforcement of financial impositions by court areas, with year on year increases in the payment rate since the Fine Enforcement Programme was established in 2003. A national payment rate of 95% was achieved for 2007/08, exceeding the target of 85%

Community penalty enforcement and breach

The national figure for the 2007/08 end of year performance against the target to resolve breach cases on average within 35 working days from relevant unacceptable failure to comply stood at 42 working days. Over the same period, performance against the target to resolve 60% of breaches within 25 working days stood at 58%.

Dedicated support (from HMCS and NOMS) has successfully supported eight high impact poorer performing areas achieving performance improvements in all of them. A pilot to review community penalty breach processes and structures within the Crown Court and between agencies took place during the year. This involved three Crown Court locations – Inner London, Portsmouth and Shrewsbury. The evaluation report and recommendations have been accepted and plans are now being developed for national rollout.

Confiscation enforcement

In 2006/7, the confiscation enforcement target of £102.5m was achieved when £103m was removed from the criminal economy through the enforcement of confiscation orders. HMCS contributed to that total by collecting £42m (41%).

In order to meet the challenging targets in the next two years HMCS is taking forward a range of initiatives to meet the step change needed. In 2007/08 HMCS piloted the co-location of two of its confiscation regional units with Regional Asset Recovery Teams. This and similar multi agency models will be trialled across England and Wales to develop closer multi agency working and expedite the enforcement process. HMCS has also developed and completed the national rollout of a dedicated confiscation case management information tool which provides local staff with the ability to manage cases closely and to provide performance reports to LCJBs.

Fail to appear warrants

Progress continues on notifying the Police of Fail to appear warrants within one working day at 93% (the target for notification within one working day is 90%) and target two at 99% (this is against a target of 100% returned within three working days). HMCS continues to work with the poorest performing areas to improve their performance. A 56% reduction in outstanding FTA warrants since August 2004 has now been achieved.

Relevant PSA Target	PSA Description	Key Performance Indicators and Supporting Measures	Our performance 2007-08	Our performance 2006-07
PSA4	BY 2009-10, increase the proportion of care cases being completed in the courts within 40 weeks by 10%	KPI6 – The target will be met if by 2009-10: <ul style="list-style-type: none"> • county courts (care centres) achieve 48% • magistrates; courts (Family Proceedings Courts) achieve 56% 	38.2% 49.8%	42.1% 52.8%

Current trajectories suggest that delivery of the target by March 2010 will prove challenging. Key reforms to the care proceedings system, which are aimed at improving outcomes for children, were implemented in England and Wales on 1 April 2008. Due to the time it takes to complete care cases, however, it will take time for these planned actions to materialise into improved performance levels.

Relevant PSA Target	PSA Description	Key Performance Indicators and Supporting Measures	Our performance 2007-08	Our performance 2006-07
PSA5	To achieve earlier and more proportionate resolution of legal problems and disputes by: <ul style="list-style-type: none"> • Increasing advice and assistance to help people resolve their disputes earlier and more effectively. 	Supporting measure – the target will be achieved with an increase from 47.5% to 49.9% in people receiving suitable advice and assistance for problems that might have a legal solution. Achievement of the target is measured by the English and Welsh Civil and Social Justice Survey.	45.9% (cumulative data from January 2006 to March 2008)	44.5% (at February 2007)

Relevant PSA Target	PSA Description	Key Performance Indicators and Supporting Measures	Our performance 2007-08	Our performance 2006-07
	<ul style="list-style-type: none"> Increasing the opportunities for people involved in court cases to settle their disputes out of court. Reducing delays in resolving those disputes that need to be decided by the courts. 	<p>KPI4 The target will be achieved with a reduction from 40.5% to 38.5% in the proportion of disputed claims in the courts that are ultimately resolved by a hearing.</p> <p>KPI5 The target will be achieved with an increase from 79.9% to 81.5% in the proportion of small claim hearings that take place within target time.</p>	<p>41%</p> <p>77.8%</p>	<p>41%</p> <p>80%</p>

Although the absolute volume of advice has increased since 2004, this has not kept pace with the volume of problems that might have a legal solution which has resulted in this target being missed. However, comparing year one and year two of the survey (2006 and 2007) a significant improvement in the proportion of advice was provided, though still below the target figure.

The successful introduction of small claims mediators during 2007 has resulted in over 2,000 cases being settled. However, a significant change in the 'case-mix' has contributed to below target performance for dispute resolution. A higher proportion of claims were made to the small claims track – where cases have a lower tendency to settle compared to the baseline year.

Performance was on target during the majority of the PSA period. However, performance deteriorated during the final year of the measure against a backdrop of a 36% increase in small claims allocations compared to the baseline year (2004). This put pressure on administrative and judicial sitting-day capacity, which made the target more difficult to achieve.

HMCS Performance Data Validation

The National Audit Office (NAO) Report: Fourth Validation Compendium Report acknowledged that in October 2006 HMCS introduced a quality assurance process to provide assurance over the accuracy of courts data. This involved providing guidance to staff on improving data accuracy and a self-certification system whereby Area Directors and Area Performance Managers are required to certify quarterly that appropriate quality assurance checks have taken place, any weaknesses identified and actions taken to rectify these.

Although it was too early in their fieldwork for the NAO to assess the effectiveness of the quality control procedures, it was noted that HMCS did not provide any specific guidance to the area offices and courts on the types of checks that should be undertaken on data quality. It was left to the discretion of Area Directors, based on their assessment of risk.

HMCS, taking into account NAO's comments and a report produced by its own internal auditors has been developing a set of detailed national guidance since late 2007. A wide and formal consultation has taken place with a wide selection of courts from each discipline and a full set of national guidance is currently receiving its final assessment and is planned to be implemented from October 2008. This will cover all the current key performance datasets and as an integral part of HMCS's developing corporate governance arrangements will form a part of HMCS' Corporate Governance Key Controls.



The first HMCS national legal scholarship scheme was launched in November 2007. Staff who aspire to become a Legal Adviser can apply for funding to assist them with their studies.

We employ over 21,000 people across our entire business and support them through effective management and leadership, clear definitions of roles and responsibilities and a range of learning and development opportunities.

In February 2007, we conducted a staff opinion survey, which led us to identify a number of actions to improve the support provided to staff.

A pulse survey was carried out in October 2007. 25% of all staff within HMCS were asked for their views on issues such as jobs, performance, management, leadership and how they generally felt about working within HMCS. This showed that HMCS had some clear strengths as well as areas of improvement:

- significant improvements were seen compared to 2006 on Performance Management (Appraisal), with staff receiving more regular and constructive feedback on their performance and more effective handling of poor performance – but more is still to be done.
- HMCS scored significantly higher than Central Government Benchmarks in a number of areas, in particular senior managers' ability to manage change and their open and honest communication with staff and in treating staff with fairness and respect.
- The implementation of The Deal in 2007, although almost unanimously accepted by staff, did have an impact on the survey results. Staff have expressed a wish for senior management to become more visible in order to restore full confidence in their leadership.

HMCS National Leadership Programme

On the 13 March 2008 HMCS launched its National Leadership Programme. The programme focuses on the challenges our leaders face in delivering our substantial improvement programme.

Senior leaders including Court Managers, Bench Legal Managers, Justices Clerks, Heads of Operations, and Area Directors (totalling almost 900 from across HMCS) will attend a series of three workshops that make up the new programme.

The Way We Work

Court Managers have line management responsibility for approximately 85 per cent of HMCS staff. Their knowledge, skills and leadership qualities directly determine the ability of HMCS as an organisation.

We have introduced a new initiative to create the right conditions for court managers and their staff to succeed in delivering excellent services to our customers. This initiative, known as The Way We Work, consists of five segments, each of which can directly improve the work that court managers themselves do and empower them to support their teams more effectively. The segments are:

- Managing Customer and Community Relations
- Leading People Through Change
- Stakeholder Engagement
- Infrastructure & Environment
- Managing Operations



The HMCS National Awards Scheme recognises achievements and helps to share best practice in the delivery of excellent customer service and community engagement, innovation, diversity, leadership and learning and development.

Work on each segment is led by an Area Director, who is responsible for identifying what support each court manager needs and ensuring that this support is made available. A dedicated section of the HMCS Intranet has been created to provide a forum for exchanging good practice and collating relevant guidance.

Equality and Diversity

HMCS is committed to equality of opportunity and aims to be representative of the diverse communities we serve.

We follow the Civil Service code of practice on the employment of disabled people and strive to ensure that people with disabilities are encouraged to apply for employment and progress within the organisation.



In addition, local disABILITY Advisors provide specialist support to managers and staff on disability issues. We are continuing to develop our positive action training programme for staff of minority ethnic origin, to improve the representation of people from minority groups in the senior civil service.

We are continuing to improve the data we hold on diversity to help us understand how effectively we are delivering on our diversity goals.

A diverse HMCS

70% of staff are female

9% of staff are from an ethnic minority (where ethnicity is known)

3% of staff have a disability

Our Balanced Scorecard

Whilst our contributions to the MoJ's PSA and financial targets are very important, to build for the future we need to focus on more than just the current performance targets. We use the balanced scorecard approach to measure and monitor our performance across our business.

Key Performance Results	Progress
We will maintain performance against the PSA targets set in 2004 and where required work with LCJBs to achieve this	→
We are developing plans within HMCS to deliver up to 750 job reductions in 2007-08, aligned to the deployment of our strategic enabling change projects	✓
We will continue the Estates Integration Programme (up to 10 integrations)	→
We will further reduce our operating costs in order to remain within our budget allocation and meet efficiency targets	→

Customers and the Community	Progress
We will extend the community justice principles to 10 new areas to deliver a service more connected to the community	✓
We will deliver a more personalised service for victims and witnesses	→
We will evaluate the Victims' Advocate Scheme	✓
We will improve the way that family courts deal with victims of domestic violence by strengthening the links between family and criminal courts	→
We will carry out a national courts user survey across our full range of customers and use the results to inform national and local policy	✓
We will continue to develop the corporate evidence for Charter Mark in readiness for the corporate application	→
We will promote knowledge of rights and responsibilities and how to protect and exercise them through leaflets, website, partnership with the voluntary sector and targeted information campaigns	→
We will ensure that HMCS service provision in Wales is available through the medium of Welsh or English, according to personal choice	→
We will publicise monthly information on local courts' performance	→

Our Balanced Scorecard

Improving the way we work	Progress
Through the HMCS Change Programme we will ensure that all project and change work is aligned with and directed towards delivery of the HMCS Business Strategy through the Blueprint, roadmap and co-ordinated deployment of projects into the courts and administrative areas	✓
We will deliver CJSSS in the magistrates' courts	✓
We will deliver CJSSS in the Crown Court	→
We will continue to develop plans to roll out problem solving courts	→
We will develop plans for establishing back offices to improve the efficiency of the courts	→
We will commence national rollout of elements of the National Enforcement Service to ensure improved performance	→
We will work with Legal Services Commission (LSC) to deliver efficiency and efficient processes for legal aid decisions	→
We will extend in-house mediation services for people with small claims' and facilitate the effective, early resolution of higher value and commercial disputes	✓

People and learning	Progress
We will successfully implement a new pay and grading structure	✓
We will work towards reducing sick absence to an average of 7.5. days or less per annum	→
We will deliver the HMCS contribution to the MoJ diversity objectives, including the representation of women, people from minority ethnic groups and people with disabilities in senior roles within the organisation	→
We will ensure all staff have objectives in line with the organisation's performance management system	→
We will respond to the key action areas identified in the 2006 staff opinion survey	✓
We will ensure that staff are given adequate training to support the business change and equip them to deliver a more efficient service to our customers.	→

HMCS Board

The HMCS Board is responsible for determining strategy and for ensuring its achievement through effective planning. The members of the Board are as follows:

Sir Duncan Nichol CBE (from 1 April 2008)	Chairman
Chris Mayer CBE (from 1 April 2008)	Executive member (from 1 April 2008 to 25 June 2008). Chief Executive (from 26 June 2008)
Guy Beringer (from 1 April 2008)	Non Executive Member
Anita Bharucha (from 2 June 2008)	Executive member
Lord Justice Stanley Burnton (from 1 April 2008)	Judicial Member
Peter Handcock CBE (from 1 April 2008)	Director General, Access to Justice, Ministry of Justice
Lord Justice Leveson	Non Executive Member (to 31 March 2008). Judicial Member (from 1 April 2008)
Philip Lloyd	Director of Resources
Kenneth Ludlam	Non Executive Member
District Judge Michael Walker CBE (from 1 April 2008)	Judicial Member

Additionally there is a further position of Executive Member of the HMCS Board which has remained unfilled since 26 June 2008.

Previous members of the Board who served during the year were as follows:

Neil Ward (to 25 June 2008)	Chief Operating Officer (to 14 December 2007). Interim Chief Executive and Chairman (from 15 December 2007 to 31 March 2008). Interim Chief Executive (from 1 April 2008 to 25 June 2008)
Sir Ronald De Witt (to 14 December 2007)	Chief Executive and Chairman
Sara Billam (from 15 December 2007 to 31 March 2008)	Interim HR Director for HMCS
Faith Boardman (to 31 March 2008)	Non Executive Board Member
Dorothy Brown (to 14 December 2007)	HR Director for HMCS
Kevin King (to 31 March 2008)	Non Executive Board Member
Patricia Lloyd (from 1 February 2008 to 1 June 2008)	Executive member
Mee Ling Ng OBE (to 31 March 2008)	Non Executive Board Member
Mark Ormerod CB (to 31 March 2008)	Director, Civil, Family and Customer Services
Maggie Semple OBE (to 31 March 2008)	Non Executive Board Member
Clare Sumner CBE (to 31 January 2008)	Director of Crime and Strategy

The Board met four times during the year.

Details of the remuneration of members of the HMCS Board who served during 2007/08 can be found in the remuneration report.

No Board member had any other directorship or significant interest which conflicted with their responsibilities as a member of the HMCS Board. So far as the Accounting Officer is aware, there is no relevant audit information of which the auditors are unaware. The Accounting Officer has taken all reasonable steps to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

HMCS Audit Committee

The HMCS Audit Committee supports the HMCS Accounting Officer in the discharge of her responsibilities for governance, risk management, control and assurance. It is an advisory body and has no executive powers.

The Audit Committee met four times during the year and the external auditors attended all meetings. Members of the Audit Committee are as follows:

Kenneth Ludlam	Non Executive Board Member and Chairman
Guy Beringer (from 1 May 2008)	Non Executive Board Member
District Judge Michael Walker CBE (from 1 May 2008)	Non Executive Board Member
Neil Andrews	Non Executive Member
John McGorrigan OBE, JP	Non Executive Member
Laurie Pavelin CBE	Non Executive Member
Kevin King (to 31 March 2008)	Non Executive Board Member
Mee Ling Ng OBE (to 31 March 2008)	Non Executive Board Member

Details of the remuneration of members of the HMCS Audit Committee can be found in the remuneration report.

No Audit Committee member had any other directorship or significant interest which conflicted with their responsibilities as a member of the HMCS Audit Committee.

Auditors

The auditor's remuneration for the audit of the financial statements of HMCS for 2007/08 was £400,000 (2006/07: £358,000). The auditor's remuneration for non-audit work during the year was £Nil (2006/07: £Nil).

Pensions

Details of how pension costs and liabilities are treated in the accounts can be found in note 1.5 to the accounts, and further information relating to pensions is included in note 4.1 to the accounts and in the remuneration report.

Payments

HMCS complies with BS7890: Method for Achieving Good Payment Performance in Commercial Transactions. HMCS 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. During the year, 94%

(2006/07: 95%) of invoices were paid within payment terms based on the date of receipt at the service provider.

Capital structure

HMCS's net assets are represented entirely by taxpayers' equity, consisting of the general fund and the revaluation reserve as detailed in note 11 to the accounts.

Principal risks and uncertainties of the business

HMCS faces challenges and risks to the achievement of its business objectives. These centre around ensuring that organisational change, performance, access to justice, investment, funding and stakeholder relationships are effectively managed. A risk management strategy is in place at all levels of the organisation to ensure that risks are effectively managed. Key current identified operational risks relate to IT systems, performance, resource, finance, change management and customer care processes.

Resources and stakeholders

The governance, financing and operations of HMCS are agreed in the Framework Document which came into force in April 2008. This sets out the terms of an agreement reached by the Lord Chancellor and the Lord Chief Justice on a partnership between them, the principles of which govern relations between HMCS on the one hand and the Lord Chancellor and the judiciary on the other.

HMCS is an executive agency of the Ministry of Justice. The going concern basis for preparation of the accounts is justified as the future financing of the HMCS' liabilities is met by budget allocations from the Ministry of Justice voted on by Parliament annually under the relevant Appropriation Act.

The Ministry of Justice provides HMCS with essential services to enable HMCS to conduct its business. The scope of these services include Human Resources, information technology, corporate finance, legal and procurement. The corporate finance shared service includes managing the finance and human resources

outsourced service provider Liberata, with whom the Ministry of Justice holds the contract. These relationships are governed by memoranda of understanding. HMCS provides administrative services for the Legal Services Commission for the processing of means testing and legal aid. This is governed by a memorandum of understanding with service level agreement targets.

Operating and financial review

HMCS accounts show comparative year balances that exclude the Court Funds Office which transferred out of HMCS on 1 April 2007; this is in accordance with accounting policies as explained in notes 1.11 and 20 to the accounts.

HMCS had a net cost of operations of £1,306.4m (2006/07: £987.0m) which mainly consisted of staff costs of £845.5m (2006/07: £807.7m).

Costs

The total expenditure, excluding non-cash charges, was £1,249.9m (2006/07: £1,154.6m), of which expenditure for civil business was £607.7m (2006/07: £626.4m) and for criminal business £642.2m (2006/07: £528.2m).

The major increase in costs other than non-cash costs was due to change projects. In 2007/08 HMCS incurred costs of £76.8m and capital expenditure of £7.3m on making the business more customer-focused, streamlined and accessible. These dedicated change projects represent a significant financial commitment to the improvement of the organisation. The corresponding costs in 2006/07 were incurred elsewhere within the Ministry of Justice and not recharged to HMCS.

The major change projects were as follows:

- the Libra project aims to standardise systems for case management and accounting across all magistrates' courts, replacing four legacy systems; this incurred costs of £36.6m and capital expenditure of £1.5m;

- the Criminal Justice: Simple, Speedy, Summary (CJSSS) initiative is designed to provide practical solutions in aid of improving the Criminal Justice system for the public; this incurred costs of £10.7m; and
- the Service Upgrade Project (SUPS) is aimed at modernising a host of HMCS's IT systems and will refresh and enhance existing systems; this incurred costs of £6.9m and capital expenditure of £5.4m.

Non-cash costs consisted of notional costs of £321.7m (2006/07: £296.2m) and other non-cash costs of £327.8m (2006/07: £118.6m); the latter consisting of loss on disposal of fixed assets, permanent impairments of fixed assets, movement in provisions, unwinding of discounts on provisions and depreciation.

The major change in non-cash costs compared to 2006/07 relates to two specific areas as follows:

- permanent impairments of fixed assets were £150.0m (2006/07: £14.8m), the effect being far greater than previous years for property revaluations due to the definition of depreciated replacement cost being changed for 2007/08 to a modern equivalent asset rather than an identical asset, as noted in the Government Financial Reporting Manual; the major effect is one of impairment, rather than utilising the revaluation reserve because the effect is compared to the carrying value at the date of formation of HMCS, 1 April 2005, rather than the actual historical cost of the property; and
- the movement in provisions was £43.7m (2006/07: £8.2m) mainly reflecting adjustments following assessments of the latest estimates of the liabilities for the pension transfer deficit and the early departure costs.

Income

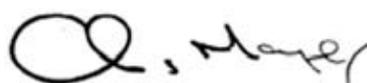
Total operating income of HMCS was £593.0m (2006/07: £582.4m) and was mainly fees relating to services provided to users of the civil courts, £444.6m (2006/07: £448.2m), and an element of fines receipts retained by HMCS upon collection, £105.7m (2006/07: £99.4m). All fee-charging services must have a financial objective agreed with HM Treasury; details of the actual and target fee recovery is shown in note 2.1 to the accounts.

Capital

HMCS capital investments were £120.2m (2006/07: £99.6m) which includes Bristol Magistrates' Court at a capital value of £27.0m being part of the Avon and Somerset Magistrates' Court PFI contract. Additionally there were £32.8m (2006/07: £492.6m) properties included on the balance sheet for the first time representing the 26 that were transferred as part of the Transfer of Property (Abolition of Magistrates' Courts Committees) Scheme 2005.

Transfers of fixed assets to and from the Ministry of Justice relate mainly to:

- for land and buildings, the Middlesex Guildhall, £22.4m, transferred to the Ministry of Justice, this will ultimately become the Supreme Court;
- for IT assets, Libra assets of £14.4m transferred from the Ministry of Justice; and
- for assets under construction, SUPS assets of £17.9m transferred from the Ministry of Justice.



Chris Mayer
Chief Executive and Accounting Officer
10 July 2008

Statement of Accounting Officer's responsibilities

Under section 7(2) of the Government Resources and Accounts Act 2000, HM Treasury has directed Her Majesty's Courts Service (HMCS) to prepare for each financial year a statement of accounts (the annual accounts) in the form and on the basis set out in the Accounts Direction issued by HM Treasury on 11 December 2007. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Agency and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

The Accounting Officer for the Ministry of Justice has designated the HMCS Chief Executive as HMCS' Accounting Officer.

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

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis; and
- ensure that, so far as the Accounting Officer is aware, there is no relevant audit information of which the entity's auditors are unaware. The Accounting Officer has taken all the steps that she ought to have taken to make herself aware of any relevant audit information and to establish that HMCS' auditors are aware of that information.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding HMCS' assets and for preparing the HMCS Annual Accounts, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in *Managing Public Money*.

Statement on Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of HMCS' policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

As Accounting Officer for HMCS, I am responsible and accountable to the Lord Chancellor and Secretary of State for Justice through the Ministry of Justice's Permanent Secretary for the running, management, performance and future development of HMCS.

I am supported by the HMCS Board, which comprises non-executive and executive members. The HMCS Board assist me in the alignment of Ministerial priorities with strategy and planning and also in the co-ordination of governance, strategy and activities of the agency. I regularly interact with both the Permanent Secretary and the Lord Chancellor and Secretary of State for Justice to ensure that Ministerial priorities are fully taken into account.

New arrangements in relation to governance, financing and operation of HMCS came into force through a new Framework Document for the agency from 1 April 2008. This followed an organisational review and negotiations with the judiciary following the creation of the Ministry of Justice.

Following the retirement of the Chief Executive and Accounting Officer in December 2007 an interim appointment for this role was made pending the permanent appointment, made with effect from 26 June 2008. As the newly appointed Chief Executive I have not been the Accounting Officer during the period which this statement covers. However, I am assured that interim governance arrangements were in place as set out in this statement.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental and agency policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, in accordance with Treasury guidance.

Capacity to handle risk

I acknowledge my overall responsibility for the effective management of risk throughout HMCS. I can confirm that leadership is given to the risk management process and that staff are trained or equipped to manage risk in a way appropriate to their authority and duties. Clarity in roles and responsibilities is essential to ensure that the management of risk is both effective and efficient. Further, it ensures that training and guidance can be targeted effectively. I, as Chief Executive, led on the management of risk within HMCS and have been supported during 2007/08 by a management structure that included but was not limited to:

- the HMCS Board which met quarterly
- the HMCS Executive Committee which met monthly
- the HMCS Audit Committee, which met quarterly, has six non-executive members appointed by the Chief Executive; three (one of which acts as chair) were non-executive directors serving on the HMCS Board and three are chairs of Regional Risk and Audit Committees
- the HMCS Corporate Services Committee which met monthly, chaired by the HMCS Director of Resources and also includes a balanced mix of executive management and one non-executive member

Statement on Internal Control

- the Change Governance Committee which oversees the co-ordination of major change programmes
- seven Regional Risk and Audit Committees which met quarterly.

From 1 April 2008 revised board structures have been introduced across the Ministry of Justice and HMCS which strengthens the governance arrangements.

The risk and control framework

A risk and control framework is in place to identify, monitor, manage and report the risks or threats to the achievement of the Agency's objectives. Key features of the framework include:

- a governance hierarchy, most notably the HMCS Audit Committee, the HMCS Corporate Services Committee, HMCS Corporate Governance and Regional Risk and Audit Committees
- a network of governance officers within the Agency's directorates and regions to co-ordinate the identification and reporting of internal and external risk and control issues
- a risk management policy and framework which has recently been refined to reflect good practice from the wider Ministry of Justice and which is being supported through risk management training. The framework document sets out formal processes for identifying, evaluating, managing and reporting risk. Risks that threaten the achievement of the Agency's objectives are identified and analysed in terms of impact and likelihood and are reported regularly at Corporate, Directorate, Region and Area levels
- a risk management assessment framework which seeks to assess the progression of risk management as a discipline, directed and controlled by HMCS Corporate Governance
- incorporation of risk management into business planning and monitoring processes
- a defined reporting process that ensures HMCS risks are communicated effectively to the Ministry of Justice.

As an executive agency, HMCS has in place an organisation-wide system of internal control to facilitate the management of risk in accordance with HM Treasury requirements. The HMCS system of internal control includes established governance structures to support the risk management framework; and a range of internal control processes to provide management with financial and operational assurance, including:

- the provision and review of regular management information
- financial and administrative procedures including delegations of authority and segregation of duties
- formal approval by the Executive Committee of business plans and their regular review against performance
- regular reviews by management of financial and operational reports indicating performance against forecasts
- Health, Safety and Security risk and assurance processes
- a Business Continuity Planning Board to oversee the management of business continuity plans that are in place across the organisation. During this reporting period the Business Continuity Plan for the County Court Bulk Centre (HMCS' bulk processing centre) was not fully tested. Plans are in place to undertake a full review and test of the centre's business continuity arrangements.
- an environment whereby both management and staff view the management of risk as an opportunity to manage proactively the risks to the Agency's objectives
- a fraud risk management policy.

Statement on Internal Control

HMCS is not a stand alone organisation and the maintenance of internal controls is also reliant on the Ministry of Justice, which provides a number of key services to the agency including:

- Finance
- Human Resources (HR)
- Information Technology/e-Delivery Group
- Internal Audit
- Procurement
- Legal and Judicial.

Assurance over the robustness of internal controls for these services was obtained from, but not limited to, the following mechanisms:

- statements of assurance from Ministry of Justice shared service providers
- internal audit reports
- statement of roles and responsibilities between HMCS and Ministry of Justice Finance.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of Internal Audit (IAD) and the executive managers within HMCS 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 of the effectiveness of the system of internal control by the HMCS Board, the HMCS Audit Committee and the Corporate Services Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The HMCS Board and Executive Committee are regularly updated on the HMCS risk profile and effectiveness of the systems of internal control through the receipt of minutes from the HMCS Audit Committee, the Corporate Services Committee and also through a review of the HMCS

performance reports. Risk management also remains a department wide priority and I obtained further assurance on the management of cross-departmental risks through my role on the Departmental Management Board.

My directors provide me with a quarterly statement on internal control, which includes control issues raised by directorate and regional management teams. These statements include reporting on sources of internal control assurance including the management assurance programme and key risk and control processes, which in turn provides assurance of management's compliance with operational policies, procedures and established key risks and controls.

HMCS has an Internal Audit Division (IAD) 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 Agency's governance, control and risk management arrangements together with recommendations for improvement. The opinion arising from IAD's annual review for 2007/08 is that HMCS has a reasonable level of assurance that governance, risk management and control have all operated effectively.

Other elements of the system of internal control that inform my review of the system's effectiveness include:

- an Assurance Working Group that has been created to ensure that assurance processes cover all activities and become more effective and robust in the provision of evidence to support the regional and directorate level statements on internal control
- Ministry of Justice shared service statements of assurance
- National Audit Office Reports
- HM Treasury Report on Fraud (annual)
- an Information Security Working Group being led by the Director of Resources has been created to ensure that data management, security and protection assurance processes are adequate and effective. This includes a full programme of work being undertaken across the information security

management system to identify any gaps and ensure compliance with ISO standards and policy

- Corporate Governance updates to the Regional Risk and Audit Committees and the National Audit Committee
- HM Inspectorate of Courts Administration publications and annual report
- Assurance and quality reviews of programmes by the Change Governance Committee.

The HMCS Audit Committee oversees the adequacy and effectiveness of the risk management process. The HMCS Audit Committee complies with its terms of reference by:

- reviewing the planned activity and results of external audit, IAD and other review bodies
- reviewing reports from HMCS Corporate Governance which includes the corporate risk register and recommendations from the Corporate Services Committee
- reviewing feedback and key messages from the Regional Risk and Audit Committees
- considering the adequacy and effectiveness of management responses to issues identified by Corporate Governance, external auditors and IAD
- overseeing the Agency's risk management arrangements.

The HMCS Audit Committee is chaired by a non-executive director who has free and confidential access to the Ministry of Justice Audit Committee Chair, IAD and external auditors with no executives in attendance.

Significant control issues

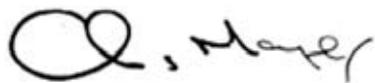
The following significant control issues have been highlighted.

- **Leeds Magistrates' Court** – an inspection undertaken by Her Majesty's Chief Inspector of Courts Administration into 'resulting' and warrant processing identified historic failings principally occurring between 2001 and 2004. HMCS have accepted responsibility for the failings even though they happened before the creation of HMCS in 2005. HMCS is committed fully to identifying and rectifying all of the failures, learning lessons as appropriate and engaging openly with this process. A full copy of the report is available and has been published on the HMCS website.
- **Impact of Libra on Resulting Performance** – The Libra project delivers a standard IT system across all magistrates' courts and to support integrated working within the criminal justice system. By the end of March 2008 the application will be live in 56 Accounting Divisions and 137 out of 370 magistrates' courts. Given the scale of the implementation, and technical issues with performance, the courts with Libra have experienced downtime and slowness which has impacted on their ability to meet some performance targets, especially in resulting. Those technical issues have been largely resolved and performance has been stabilised. Implementation to remaining courts is on target for completion by the end of 2008.
- **Information Commissioner Investigation** - A number of complaints against Ministry of Justice (as the Data Controller) have been made regarding subject access request (SAR) failures within HMCS by the Information Commissioner's Office (ICO). HMCS is changing the process for dealing with these requests and has a programme in place to ensure these issues are corrected in a reasonable time.

Statement of Internal Control

- **Estates Procurement** – The recent publication of a report by the Office of Fair-Trading (OFT) has highlighted the need to ensure all transactions are sound, safe and transparent. HMCS is also aware of an issue in relation to one property deal in 2002/03 in respect of the nature of the contractual terms. A review is currently being carried out, however it should be noted, that the control processes were changed shortly after the creation of HMCS in 2005 to ensure a more robust control environment for leasing transactions.

I am confident that each of the above control issues has been subjected to rigorous review and that comprehensive action plans are in place to address identified weaknesses.



Chris Mayer
Chief Executive and Accounting Officer
10 July 2008

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

Board Members' remuneration report

The Prime Minister sets the remuneration policy of senior civil servants following independent advice from the Senior Salaries Review Body. The salaries of HMCS Board members are determined by the Permanent Secretary of the Ministry of Justice in accordance with the rules of the Civil Service Management Code.

Name	Board member's role	2007/08 Salary (excluding pension contributions) £000	2007/08 Benefits in kind	2006/07 Salary (excluding pension contributions) £000	2006/07 Benefits in kind
Neil Ward	Chief Operating Officer (to 14 December 2007). Interim Chief Executive and Chairman (from 15 December 2007)	120 – 125	Nil	110 – 115	Nil
Sir Ronald De Witt	Chief Executive and Chairman (to 14 December 2007)	110 – 115 ¹	Nil	155 – 160	Nil
Sara Billam	Interim HR Director for HMCS (from 15 December 2007)	55 – 60	£100 ²	Nil	Nil
Dorothy Brown	HR Director for HMCS (to 14 December 2007)	60 – 65	£800 ³	70 – 75	Nil
Patricia Lloyd	Acting Director Crime and Strategy (from 1 February 2008)	10 – 15	Nil	Nil	Nil
Philip Lloyd	Resources Director	130 – 135	Nil	130 – 135	Nil
Mark Ormerod CB	Director, Civil, Family and Customer Services	95 – 100	Nil	90 – 95	Nil
Clare Sumner CBE	Director of Crime and Strategy (to 31 January 2008)	95 – 100	Nil	90 – 95	Nil
Lord Justice Leveson	Non Executive Director	Nil	Nil	Nil	Nil
Mee Ling Ng OBE	Non Executive Director	5 – 10	Nil	5 – 10	Nil
Faith Boardman	Non Executive Director	5 – 10	Nil	Nil	Nil
Kevin King	Non Executive Director	5 – 10	Nil	Nil	Nil
Kenneth Ludlam	Non Executive Director	5 – 10	Nil	Nil	Nil
Maggie Semple OBE	Non Executive Director	5 – 10	Nil	Nil	Nil

Notes:

¹ In addition to the salary payments shown above, Sir Ronald de Witt received a lump sum compensation payment on departure within the range of £405,000 to £410,000; this included a special severance payment within the range of £130,000 to £135,000.

² This represents a benefit in kind arising from an interest free loan.

³ This represents a benefit in kind arising from use of a leased car.

On 31 March 2007, Board membership was reduced from 17 executive directors and five non-executives to six central directors and six non-executive directors. The outgoing Board members excluding retirees sat on one or more executive committees supporting the Board. Ministry of Justice directors did not sit on HMCS Board.

Salary covers both pensionable and non-pensionable amounts and includes, but may not necessarily be confined to: gross salaries; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private-office allowances or other allowances to the extent that they are subject to UK taxation; and any ex-gratia payments. When a Board member has joined or left the Board during the year, their salary reflects the period during which they served as a member of the Board. The figures shown do not include amounts which are a reimbursement of expenses directly incurred in the performance of an individual's duties.

Performance pay or bonuses are based on an assessment against a set of consistent criteria designed to measure the individual's performance against the objectives and targets set and agreed by the individual and their manager.

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. There were no amounts payable to third parties in respect of Board members in 2007/08.

Sir Ronald De Witt and Neil Ward were also Ministry of Justice Board members. Lord Justice Leveson is remunerated via the Consolidated Fund and his details are therefore not disclosed.

Board Members' 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 outlines other circumstances under which appointments may be made.

HMCS Board members are employed on contracts which are open ended until they reach the normal retiring age of 65. The duration of Senior Civil Service contracts is the fixed term or in accordance with the standard four-year posting.

Name	Contract start date	Unexpired term	Notice period
Neil Ward	17-02-03	To retirement	3 months
Sir Ronald De Witt (to 14 December 2007)	23-02-04	N/A	N/A
Sara Billam (from 15 December 2007)	08-05-04	To retirement	3 months
Dorothy Brown (to 14 December 2007)	28-08-04	N/A	N/A
Patricia Lloyd (from 1 February 2008)	01-09-04	To retirement	3 months
Philip Lloyd	04-01-05	To retirement	3 months
Mark Ormerod CB	02-11-81	To retirement	3 months
Clare Sumner CBE (to 31 January 2008)	27-03-06	To retirement	4 months
Lord Justice Leveson ¹	N/A	N/A	N/A
Mee Ling Ng	21-02-05	N/A	N/A
Faith Boardman	01-04-07	N/A	N/A
Kevin King	01-04-07	N/A	N/A
Kenneth Ludlam	01-04-07	N/A	N/A
Maggie Semple OBE	01-04-07	N/A	N/A

¹ Lord Justice Leveson does not operate under a contract.

There was no compensation payable to former HMCS senior managers as at 31 March 2008, nor any provisions made in the accounts other than that shown in Note 1 to the previous table. Early termination,

other than by misconduct, would result in the individual receiving compensation in accordance with the terms of the Civil Service Compensation Scheme under section 1 of the Superannuation Act 1972.

Name	Real increase in pension at age 65 and related lump sum in 2007/08 £000	Accrued pension at age 65 and related lump sum at 31 March 2008 £000	CETV at 31 March 2008 £000	CETV at 31 March 2007 £000	Real increase in CETV £000
Neil Ward	2.5 – 5.0 plus 7.5 – 1 0.0 lump sum	45 – 50 plus 145 – 150 lump sum	1088	899	60
Sir Ronald De Witt (to 14 December 2007)	2.5 – 5.0	40 – 45	876	768	62
Sara Billam (from 15 December 2007)	0 – 2.5 plus 2.5 – 5.0 lump sum	15 – 20 plus 45 – 50 lump sum	280	223	19
Dorothy Brown (to 14 December 2007)	0 – 2.5	25 – 30	407	358	11
Patricia Lloyd (from 1 February 2008)	5.0 – 7.5	35 – 40	618	456	92
Philip Lloyd	0 – 2.5 plus 2.5 – 5.0 lump sum	20 – 25 plus 60 – 65 lump sum	350	279	22
Mark Ormerod CB	0 – 2.5 plus 2.5 – 5.0 lump sum	25 – 30 plus 85 – 90 lump sum	558	470	15
Clare Sumner CBE (to 31 January 2008)	0 – 2.5	5 – 10	57	33	14
Lord Justice Leveson ¹	N/A	N/A	N/A	N/A	N/A
Mee Ling Ng ¹	N/A	N/A	N/A	N/A	N/A
Faith Boardman ¹	N/A	N/A	N/A	N/A	N/A
Kevin King ¹	N/A	N/A	N/A	N/A	N/A
Kenneth Ludlam ¹	N/A	N/A	N/A	N/A	N/A
Maggie Sample OBE ¹	N/A	N/A	N/A	N/A	N/A

Notes:

¹ Non-executive HMCS Board members, no pension contributions are made on their behalf.

Pension Benefits

Pension benefits are provided through the Principal Civil Service Pension Scheme (PCSPS) arrangements. From 1 October 2002, civil servants may be in one of three statutory based “final salary” defined benefit

schemes: classic, premium and classic plus. The schemes are unfunded, with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium and classic plus are increased annually in line with changes in the Retail Price Index. New

entrants after 1 October 2002 may choose between membership of the premium scheme or joining a good quality 'money purchase' stakeholder based arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable earnings for each year of service; additionally, a lump sum equivalent to 3 years' pension is payable on retirement. Benefits in premium accrue at the rate of 1/60th of final pensionable earnings for each year of service; there is no automatic lump sum but members may commute some of their pension to provide a lump sum. Classic plus is a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

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

Further details about the PCSPS arrangements can be found at 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 an arrangement to secure pension benefits in another pension scheme, or an

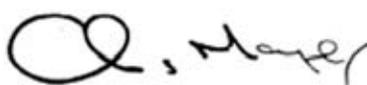
arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures and other pension details include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Principal Civil Service Pension Scheme arrangement and for which the Civil Superannuation Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost.

CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in cash equivalent transfer value

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation and 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.



Chris Mayer
Chief Executive and Accounting Officer
10 July 2008

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 Her Majesty's Courts Service for the year ended 31 March 2008 under the Government Resources and Accounts Act 2000. These comprise the Income and Expenditure Account and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement 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 Agency, the Chief Executive and Auditor

The Agency and Chief Executive, as Accounting Officer, are 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 Officer's 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 Chief Executive's Report, included in 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 Agency 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 Agency'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 Agency'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. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

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

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

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

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 Agency's affairs as at 31 March 2008, and of the net operating cost, 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 Chief Executive's Report, 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.

T J Burr
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London
SW1W 9SS

14 July 2008

Income and expenditure account for the year ended 31 March 2008

	Notes	2007/08 £000	2006/07 restated* £000
Operating income	3	592,985	582,430
Total operating income		592,985	582,430
Operating costs			
Staff costs	4	845,541	807,652
Other operating costs	5.1	816,241	572,437
Depreciation	6	115,654	96,956
Total operating costs		1,777,436	1,477,045
Net cost of operations before interest		(1,184,451)	(894,615)
Interest payable	5.2	121,904	92,423
Net cost of operations		(1,306,355)	(987,038)

*The figures for 2006/07 have been restated to exclude the transactions relating to the Court Funds Office as detailed in note 1.11.

All activities are continuing. The Law Commission operations transferred from HMCS to the Ministry of Justice on 1 April 2008; details of this transfer are given in note 17.3.

Statement of recognised gains and losses for the year ended 31 March 2008

	Notes	2007/08 £000	2006/07 £000
Prior period adjustment*	1.11	12,759	-
Net assets introduced resulting from the formation of HMCS	6, 11.1	32,760	431,206
Unrealised surplus on revaluation of tangible fixed assets	11.2	22,615	175,007
Total recognised gains and losses		68,134	606,213

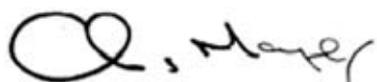
*This relates to the restatement of the figures for 2006/07 to exclude the transactions relating to the Court Funds Office as detailed in note 1.11.

The notes on pages 52 to 78 form part of these accounts.

Balance sheet as at 31 March 2008

	Notes	2007/08 £000	2006/07 restated* £000
Fixed assets			
Tangible fixed assets	6	3,365,350	3,448,416
Current assets			
Debtors	7	51,305	69,815
Cash at bank and in hand	8	199,676	142,187
Total current assets		250,981	212,002
Creditors: amounts falling due within one year	9.1	293,113	261,413
Net current liabilities		(42,132)	(49,411)
Total assets less current liabilities		3,323,218	3,399,005
Creditors: amounts falling due after more than one year	9.2	241,768	228,970
Provisions for liabilities and charges	10	306,236	322,161
Total net assets		2,775,214	2,847,874
Taxpayers' equity			
General fund	11.1	2,313,695	2,394,033
Revaluation reserve	11.2	461,519	453,841
Total taxpayers' equity		2,775,214	2,847,874

*The figures for 2006/07 have been restated to exclude the balances relating to the Court Funds Office as detailed in note 1.11.



Chris Mayer
Chief Executive and Accounting Officer
10 July 2008

The notes on pages 52 to 78 form part of these accounts.

Cash flow statement for the year ended 31 March 2008

	Notes	2007/08 £000	2006/07 restated* £000
Cash flows from operating activities			
Net cost of operations		(1,306,355)	(987,038)
Adjust for notional and non-cash costs	a	649,533	414,777
Adjust for movements in working capital	b	45,327	1,794
Cash movement in provisions		(76,303)	(30,764)
Net cash outflow from operating activities		(687,798)	(601,231)
Capital expenditure and financial investment			
Purchase of fixed assets		(104,760)	(81,416)
Proceeds from disposal of fixed assets		3,424	20,291
Net cash outflow from investing activities		(101,336)	(61,125)
Cash flows from financing activities			
Funding from the Ministry of Justice		899,280	706,967
Transfers with other government departments		(26,985)	16,716
Capital element of PFI contracts		(8,130)	(8,009)
Capital element of finance leases		(24)	(110)
Repayment of Local Authority loans		(3,531)	-
Net cash inflow from financing activities		860,610	715,564
(Decrease) increase in third party balances		(13,987)	26,902
Increase in cash in the year		57,489	80,110

* The figures for 2006/07 have been restated to exclude the transactions relating to the Court Funds Office as detailed in note 1.11.

The notes on pages 52 to 78 form part of these accounts.

Notes to the cash flow statement

a. Summary of notional and non-cash costs	2007/08	2006/07 restated*
	£000	£000
Consolidated Fund judicial salaries	130,326	127,599
Notional interest on capital	91,560	77,115
External auditor's remuneration	400	358
Loss (profit) on disposal of fixed assets	2,058	(7,462)
Permanent impairment in asset value	149,984	14,804
Notional rent	2,516	2,300
Movement in provisions	60,378	13,492
Prepayment on PFI contracts	-	23
Departmental recharge	96,921	88,820
Bad debt provision	(264)	772
Depreciation	115,654	96,956
Total notional and non-cash costs	649,533	414,777
b. Movements in working capital	2007/08	2006/07 restated*
	£000	£000
Decrease in debtors	18,510	444,166
Adjusted for movement in:		
Bad debt provision	264	(772)
Prepayment on Ministry of Justice PFI contracts	-	(23)
Net intra-departmental debtors	(15,964)	(468,560)
Fixed asset debtors	(7,760)	(2,150)
Total increase in debtors	(4,950)	(27,339)
Increase in creditors	44,498	136,038
Adjusted for movement in:		
Inclusion of local authority loans in other creditors	-	(59,450)
Balances payable to other government departments	26,985	(16,716)
Net Intra-departmental creditors	(38,916)	-
Creditor for capital value of PFI contract < 1 year	(883)	(1,713)
Creditor for capital value of PFI contract > 1 year	(17,987)	3,476
Obligations under finance leases < 1 year	(13)	(2)
Obligations under finance leases > 1 year	(363)	112
Repayment of Local Authority Loans < 1Year	18	-
Repayment of Local Authority Loans > 1Year	3,513	-
Third party balances	13,987	(26,902)
Fixed asset creditors	19,438	(5,710)
Total increase in creditors	50,277	29,133
Total movement in working capital	45,327	1,794

*The figures for 2006/07 have been restated to exclude the transactions relating to the Court Funds Office as detailed in note 1.11.

I. Accounting policies

The accounts have been prepared in accordance with the 2007/08 Government Financial Reporting Manual (FRoM) issued by HM Treasury. The accounting policies contained in the FRoM follow the Generally Accepted Accounting Principles in the United Kingdom (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

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

I.1 Fixed assets – land and buildings (including dwellings)

Land and buildings (including dwellings) are included on the basis of professional valuations, which are conducted annually for each property. The Valuation Office Agency (VOA) carries out the valuations in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual.

Land is valued at open market value for existing use.

The majority of buildings are specialised and by their nature cannot be sold on the open market for a continuation of their existing use; these specialised properties are all valued at depreciated replacement cost to a modern equivalent basis. Included in the valuations are adjustments, where appropriate, to reflect the iconic status of certain buildings.

Buildings under construction are valued at historical cost within 'Assets under construction'. A fixed asset ceases to be classified as an asset under construction when it is ready for use, at this point its historic cost is removed from assets under construction and transferred to land and buildings, at this point in time depreciation is charged on the asset in accordance with the policy shown in note I.3 opposite.

Buildings that are both vacated and awaiting disposal are valued at market value.

All other buildings are valued at either existing use or open market value.

The Transfer of Property Scheme 2005

A number of properties are recognised on the balance sheet where HMCS holds the risks and rewards of ownership but where legal title is awaiting clarification following the high court judgement of the Property Transfer Scheme (PTS) as referred to in note 6.

A number of properties are not recognised on the balance sheet despite the right to use these properties being secured by the PTS, this is due to the high court judgement declaring the transfer invalid as referred to in note 6. Where subsequently a legal transfer of these properties is made then they are recognised on the balance sheet at the most recent valuation, being the preceding 31st March. Upon transfer these properties will be included within fixed assets and credited to the General Fund.

A number of the properties that are recognised as a result of the PTS have a related loan in the name of the relevant local authority, being the previous owner. In such cases HMCS has agreed to pay 80% of the loan repayments and interest and consequently this share of the loan is recognised as short term and long term creditors on the balance sheet.

I.2 Fixed assets – non land and buildings

Non-land and buildings (excluding assets under construction) are included at cost upon purchase and are restated at each balance sheet date using Price Index Numbers for Current Cost Accounting (Office for National Statistics).

Assets under construction are valued at historical cost within 'Assets under construction'. A fixed asset ceases to be classified as an asset under construction when it is ready for use, at this point its carrying value is removed from assets under construction and transferred to the relevant category within fixed assets.

1.3 Depreciation

Depreciation is provided at rates calculated to write off the cost or valuation of the assets, less the estimated residual value, straight-line over their estimated useful lives. Estimated useful lives are as follows:

Leasehold land with a remaining lease term of less than 125 years	remaining lease period
Freehold buildings (including dwellings)	shorter of remaining life or 60 years
Leasehold buildings (including dwellings)	shortest of remaining life, remaining lease period or 50 years
The remaining life of buildings is determined according to the rolling programme of professional valuations.	
Information technology	7 years
Plant and equipment	3 to 5 years
Furniture, fixtures and fittings	10 to 20 years
Finance leases	remaining lease period

No depreciation is charged on freehold land, leasehold land with a remaining lease in excess of 125 years, vacated buildings awaiting disposal or on assets under construction.

1.4 Income

Operating income, excluding recoverable VAT, is authorised by HM Treasury to be treated as income appropriated in aid.

Funding from the Ministry of Justice is credited directly to the General Fund.

Fee income

Fee income 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 are held on the balance sheet date as deferred income, they are subsequently recognised as income upon completion of the service. The point in time at which the income is recognised depends upon the nature and circumstances of the individual service which is provided. For most income streams the recognition of the income is upon receipt of cash as the application is initiated immediately. For certain income streams, eg warrants, assessments, an estimate is made of the

time period in which the application is made, typically one week and the deferred element is thus determined. For other income streams, eg petitions, appeals, probate, specific records are maintained of the outstanding services and it is upon these that the deferred income is directly determined.

Fee income is stated net of fee exemptions and remissions (REMEX). The REMEX scheme is prescribed in the Fee Orders approved by Parliament, and remitted fees are not collected by HMCS. The financial objective of full cost recovery net of REMEX is agreed with HM Treasury to ensure that individuals are not denied access to justice through inability to afford the prescribed fees.

Fines income

Fines income is accounted for upon collection. An element of fines income is retained by HMCS in order to cover the cost of the fines enforcement operations plus an amount determined by the fines incentive scheme, based upon cash receipts, in accordance with appropriations in aid; these are recognised as operating income in the accounts of HMCS. The balance of fines income is remitted to the consolidated fund via the Ministry of Justice and consequently not recognised as income in the accounts of HMCS.

Impositions other than fines

Magistrates' courts are responsible for collecting financial penalties imposed by the criminal justice system. In addition to fines these comprise fixed penalties, confiscation orders, prosecutors' costs and compensation orders.

Receipts of fixed penalties, confiscation orders, prosecutors' costs and compensation orders are remitted directly to appropriate government departments or the victims of crime and are not recognised as income for HMCS.

1.5 Pensions

Most past and present employees are covered by the provisions of PCSPS or the Judicial Pension Scheme (JPS) which are multi-employer defined benefit

schemes. Employer contributions are made to the cost of pension cover provided to the staff and are a charge on the income and expenditure account. Pension benefits payable under the schemes are financed from the consolidated fund on an annual basis through a separate resource supply voted each year by Parliament.

The defined benefit schemes are unfunded and non-contributory except in respect of dependants' benefits. The Ministry of Justice 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 accruing basis. Liability for payment of future benefits is a charge on the various schemes.

There is a separate scheme for the benefit of the Law Commission which is 'by analogy' or similar to the PCSPS; provision has been made in these accounts for the future cost of benefits under this scheme.

The PCSPS is an unfunded multi-employer defined benefit scheme, which prepares its own accounts, but for which HMCS is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office Civil Superannuation (www.civilservice-pensions.gov.uk).

Additionally there is a provision for pension transfer deficit resulting from the transfer of employees from Magistrates' Courts Committees to HMCS in 2005 since this represents an additional liability calculated under a separate agreement with the PCSPS. The provisions accounting treatment is outlined in note 10.1.

1.6 Early departure costs

HMCS is required to pay the additional cost of benefits beyond the normal PCSPS 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 or individual agreement is binding on HMCS. Where the balances are material the estimated cash flow is discounted using HM Treasury's discount rate.

1.7 Notional costs

The salary and social security costs of senior judges, being independent of HMCS, are funded from the consolidated fund and are included in the accounts of HMCS as notional costs. In addition, senior judges receive long service award payments under an agreement with the Ministry of Justice. A provision to meet these payments is held within the Ministry's Resource Accounts.

A charge reflecting the cost of capital utilised by HMCS is included in interest payable. This charge is set by HM Treasury at 3.5% on the carrying value of net assets excluding: amounts due to or from the consolidated fund liabilities; advances from the contingencies fund; cash holdings with the Office of HM Paymaster General; and amounts due to or from entities within the Ministry of Justice family through any inter-agency transactions.

Other notional charges are auditors' remuneration, notional rent on properties owned by the City of London Corporation and departmental overhead charges recharged by the Ministry of Justice.

1.8 Operating leases

Rentals under operating leases are charged on a straight-line basis over the term of the lease.

1.9 Finance leases

Assets held under finance leases are capitalised and included within fixed assets, with a corresponding lease obligation included within creditors at the fair value of the leased assets at the inception of the lease. Depreciation is charged on the leased assets. Rentals payable are apportioned between the finance charge at an appropriate rate and a reduction in the outstanding obligation for future amounts payable.

1.10 Private Finance Initiative (PFI) transactions

PFI transactions have been accounted for in accordance with HM Treasury's Technical Note No. 1 (Revised) "How to account for PFI Transactions" as required by the FReM.

Where the balance of risks and rewards of ownership of the PFI asset are borne by the PFI operator, the PFI payment is recoded as an operating cost. Where HMCS has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract. Where at the end of the PFI contract a property reverts to HMCS, 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 each year.

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

1.11 Restatement of prior year balances

The responsibilities of the Court Funds Office (CFO) transferred from HMCS to the Office of the Official Solicitor and Public Trustee on 1 April 2007 and this has been accounted for using merger accounting in accordance with the FReM. The 2006/07 accounts are therefore presented as if the functions of the CFO had always been part of the Office of the Official Solicitor and Public Trustee.

Details of the restatement of the 2006/07 accounts are shown in note 20.

The unwinding of the discount element of the provision for early departure costs, as shown in note 10.2, has been reclassified as an interest cost rather than as a movement in provisions within operating costs. The cost of £4.7m (2006/07: £5.3m) has consequently been restated in the comparatives in notes 5.1 and 5.2 and on the face of the income and expenditure account. Additionally, certain other costs shown within other operating costs have been reclassified within categories in note 5.1 and have no net effect to the total operating costs.

Notes to the accounts for the year ended 31 March 2008

HMCS has, with the endorsement of Ministers, developed a long-term strategy for reviewing and reforming the court fee system for civil business. Much of the work to implement this strategy will take place during the CSR07 period. Its objectives are to ensure that the system:

- meets the cost recovery targets set for family, civil and probate businesses including, where appropriate, the cost of modernisation;
- protects access to justice through a well-targeted system of exemptions and remissions;
- ensures that the taxpayer contribution to the cost of the court system remains affordable; and
- broadly matches where practicable the level of particular fees or sets of related fees to the cost of the process and types of cases concerned.

Following a consultation period this year HMCS introduced the following changes on 1 October 2007:

- a new system for fee concessions, replacing the old exemption and remission system, was introduced to all courts; and
- civil hearing fees and other changes as part of our strategy of revising fee structures to match cost

and income better. The full set of changes can be found in the following fees orders:

- The Civil Proceedings Fees (Amendment) Order 2007 (2007 No. 2176);
- The Civil Proceedings Fees (Amendment) Order 2007 (2007 No. 2801);
- The Family Proceedings Fees (Amendment) Order 2007 (2007 No. 2175);
- The Non- Contentious Probate Fees (Amendment) Order 2007 (2007 No, 2174);
- The Magistrates' Courts Fees (Amendment) Order 2007 (2007 No. 2619).

2.2 Administration and programme costs

Of the total operating costs shown in the income and expenditure account, £16.4m (2006/07: £29.7m) are classified, according to HM Treasury budgetary requirements, as administration costs; all other costs are programme costs.

	2007/08	2006/07 restated*
	£000	£000
Fee income	444,611	448,244
Fines Income	105,685	99,433
Rental income	1,816	1,291
Miscellaneous revenue	40,873	33,462
Total operating income	592,985	582,430

* The figures for 2006/07 have been restated to exclude the transactions relating to the Court Funds Office as detailed in note 1.11.

Fee income comprises amounts received from the four business streams as shown in note 2.1.

Fines income consists of warrant enforcement income, Courts Act income, fine incentive, debt initiative and asset recovery income. Warrant enforcement income contributed £66.6m (2006/07: £66.6m) with an additional £17.0m (2006/07: £12.8m) from fine incentive income; asset recovery income contributed £15.2m (2006/07: £13.1m) a further £6.9m (2006/07: £6.9m) of Courts Act income was received toward the implementation of initiatives related to the national rollout of the Courts Act 2003.

Rental income comprises property rental, sub-letting and other rental paid by occupiers of the HMCS estate.

Miscellaneous revenue included £1.3m (2006/07: £2.9m) from wider market initiatives, Safety camera partnership scheme income amounted to £7.5m (2006/07: £7.0m), bailiff fees recorded £15.0m (2006/07: 13.2m), £13.7m (2006/07: £10.1m) for Legal Services Commission service charges and other income of £3.4m (2006/07: £0.3m).

4. Staff and judiciary costs and numbers

	Notes	2007/08 £000	2006/07 restated* £000
Staff costs	4.1	574,448	548,573
Judicial costs	4.2	271,093	259,079
Total staff and judicial costs		845,541	807,652

* The figures for 2006/07 have been restated to exclude the transactions relating to the Court Funds Office as detailed in note 1.11.

4.1 HMCS staff

	2007/08 £000	2006/07 restated* £000
Wages and salaries	467,630	440,112
Social security costs	30,591	31,747
Employer's pension contributions	76,759	76,777
	574,980	548,636
Add: inward secondments	1,071	854
	576,051	549,490
Less: recoveries in respect of outward secondments	(1,603)	(917)
Total staff costs	574,448	548,573

* The figures for 2006/07 have been restated to exclude the transactions relating to the Court Funds Office as detailed in note 1.11.

Notes to the accounts for the year ended 31 March 2008

The average number of full-time equivalent staff employed during the year, including Board members, was:

	2007/08	2006/07
Magistrates' courts	6,965	7,435
County courts	4,410	4,533
Crown Court	2,385	2,304
Civil appeals	67	67
Criminal appeals	111	102
Royal Courts of Justice	914	1,068
HQ including judges lodgings	677	553
Enforcement	1,186	1,027
Other offices	2,630	2,897
Total staff numbers	19,345	19,986

In addition to the staff shown above, HMCS paid for 76,031 days of casual employment (2006/07: 63,795 days), equivalent to 345 full-time staff (2006/07: 319 full-time staff). Included within the wages and salaries figure above is £37.1m (2006/07: £15.1m) relating to agency and contract staff.

The PCSPS is an unfunded multi-employer defined benefit scheme, which prepares its own accounts, but for which HMCS is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2007/08, employer's contributions of £76.8m (2006/07: £76.8m) were payable to the PCSPS at one of four rates in the range of 17.1% to 25.5% of pensionable pay, based on salary bands. Employer's contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Pension benefits are provided through PCSPS arrangements. From 1 October 2002, civil servants may be in one of three statutory-based 'final salary' defined benefit schemes: classic, premium and classic plus. The schemes are unfunded, with the cost of benefits met by monies voted by Parliament each

year. Pensions payable under classic, premium and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of the premium scheme or joining a good quality 'money purchase' stakeholder based arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for the classic scheme and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable earnings for each year of service; additionally, a lump sum equivalent to three years' pension is payable on retirement. Benefits in premium accrue at the rate of 1/60th of final pensionable earnings for each year of service; there is no automatic lump sum but members may commute some of their pension to provide a lump sum. Classic plus is a variation of premium, but with benefits in respect of service before 1 October 2002 are calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5%, depending on the age of the member, into a stakeholder pension product chosen by the employee. The employee does not have to contribute, but where employees 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).

4.2 Judiciary

Members of the judiciary are independent of HMCS. Their payroll costs are met either from the Consolidated Fund, in the case of senior judiciary, or directly by HMCS for other judiciary; all costs are included within the HMCS accounts.

	2007/08			2006/07 related*		
	Senior judicial £000	Other judicial £000	Total £000	Senior judicial £000	Other judicial £000	Total £000
Wages and salaries	116,506	78,130	194,636	114,129	72,892	187,021
Social security costs	13,820	8,936	22,756	13,470	8,509	21,979
Employer's pensions contribution	38,397	15,304	53,701	35,718	14,361	50,079
Total payroll costs of the judiciary	168,723	102,370	271,093	163,317	95,762	259,079

*The figures for 2006/07 have been restated to exclude the transactions relating to the Court Funds Office as detailed in note 1.11.

HMCS meets the salary costs of District Judges and all fees paid to Deputy Judges. Costs include salary costs for 514 judicial officers (2006/07: 520 judicial officers) and 61,734 fee paid days (2006/07: 73,141 fee paid days), equivalent to 302 full-time District Judges (2006/07: 340 full-time District Judges). The salary costs of a further 938 members (2006/07: 942 members) of the senior judiciary were met from the consolidated fund.

The judicial superannuation scheme is an unfunded multi-employer defined benefit scheme, which prepares its own accounts, but for which HMCS 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.co.uk.

Judicial pensions are paid out of the consolidated fund where the judicial office holder's salary was paid from that Fund, or the JPS where the salary has been paid from the Department's supply estimate. Superannuation has been included for judicial salaries using a rate of 32.15% (2006/07: 30.75%).

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

5. Other administrative costs

5.1 Other operating costs

	Notes	2007/08	2006/07
		£000	restated* £000
Accommodation, maintenance and utilities		230,160	203,413
Juror costs		40,511	40,495
PFI service charges		29,003	28,370
Communications, office supplies and services		41,392	39,726
Contracted service costs		30,561	23,194
IT Services		25,493	12,982
Agency staff and consultancy costs		11,414	10,032
Other grant		10,973	8,606
Miscellaneous		2,133	4,603
Other staff costs (including travel, subsistence and hospitality)		26,934	20,823
Other judicial costs (including travel and subsistence)		31,046	32,527
Operating Leases:			
Property rental costs		36,889	35,443
Hire of plant and machinery		1,814	1,726
Other expenditure		2,603	2,690
Non-cash costs:			
External auditors remuneration	11.3	400	358
Loss (profit) on disposal of fixed assets	6	2,058	(7,462)
Permanent impairment in asset value	6, 11.2	149,984	14,804
Notional rent	11.3	2,516	2,300
Movement in provisions	10	43,700	8,192
Prepayment on Ministry of Justice PFI contracts		-	23
Departmental recharges	11.3	96,921	88,820
Movement in bad debt provision		(264)	772
Total other operating costs		816,241	572,437

*The figures for 2006/07 have been restated to exclude the transactions relating to the Court Funds Office as detailed in note 1.11. Other reclassifications have been made as detailed in note 1.11.

5.2 Interest payable

	Notes	2007/08 £000	2006/07 restated* £000
Notional interest on capital	11.3	91,560	77,115
Interest on pension transfer deficit	10.1	12,000	-
Unwinding of discount on provisions	10.2	4,678	5,300
Local Authority loan Interest		3,135	-
Finance charges on leased assets		10,531	10,008
Total interest payable		121,904	92,423

* Unwinding of discount on provisions has been reclassified as interest rather than operating costs as detailed in note 1.11.

The notional interest on capital charge reflects the cost of capital utilised by HMCS to undertake its business and deliver services. Even though this is a notional non-cash cost, it is still charged as an expense through the income and expenditure account and is reflected in the net cost of operations figure.

6. Tangible fixed assets

	Land and Dwellings ³ buildings excluding dwellings ^{1,2}	Information technology	Plant and equipment	Furniture, fixtures and fittings	Assets under construction	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
As at 31 March 2007 as previously stated	3,238,301	25,148	85,217	7,106	113,772	3,482,292
Prior period adjustment	-	-	-	-	(5)	(5)
As at 31 March 2007 restated*	3,238,301	25,148	85,217	7,106	113,772	3,482,287
Assets Introduced resulting from the formation of HMCS	32,760	-	-	-	-	32,760
Additions	25,578	96	1,271	2,482	89,719	120,165
Disposals	(4,222)	-	(1,395)	(289)	(353)	(6,455)
Revaluation	(222,046)	1,264	(3,849)	1,641	829	(222,161)
Reclassification	80,120	(2,671)	(2,046)	1,939	875	(78,217)
Transfers with the Ministry of Justice	(22,402)	-	18,858	1,946	44	16,507
As at 31 March 2008	3,128,089	23,837	98,056	14,825	15,314	3,423,103
Depreciation						
As at 31 March 2007	-	-	26,888	3,290	3,693	33,871
Charged in year	93,745	331	15,708	3,885	1,985	115,654
Disposals	(98)	-	(1,048)	(123)	(21)	(1,290)
Revaluation	(93,647)	(331)	(1,408)	475	119	(94,792)

Notes to the accounts for the year ended 31 March 2008

	Land and Buildings excluding dwellings ^{1,2}	Land and Dwellings ³	Information technology	Plant and equipment	Furniture, fixtures and fittings	Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000
Transfers with the Ministry of Justice	-	-	4,284	-	26	-	4,310
As at 31 March 2008	-	-	43,649	8,302	5,802	-	57,753
Net book value:							
As at 31 March 2008	3,128,089	23,837	54,407	6,523	9,512	142,982	3,365,350
As at 31 March 2007 as previously stated	3,238,301	25,148	58,329	3,816	9,055	113,772	3,448,421
Prior period adjustment	-	-	-	-	(5)	-	(5)
At 31 March 2007 restated*	3,238,301	25,148	58,329	3,816	9,050	113,772	3,448,416

*The figures for 2006/07 have been restated to exclude the balances relating to the Court Funds Office as detailed in note 1.11.

Notes:

- Included under land and buildings excluding dwellings are 32 properties with a net book value of £189.4m (2006/07: £521.0m) and depreciation charged in the year of £9.9m (2006/07: £3.4m) for which HMCS holds the risks and rewards of ownership but does not hold legal title; these have arisen as a result of the PTS referred to below.
- Included under land and buildings excluding dwellings are PFI contract assets with a net book value of £226.5m (2006/07: £202.6m) and depreciation charged in year of £9.1m (2006/07: £8.2m); also finance lease assets with a net book value of £174.5m (2006/07: £186.3m) and depreciation charged in the year of £6.7m (2006/07: £6.5m).
- Included under dwellings are finance lease assets with a net book value of £5.6m (2006/07: £5.4m) and depreciation charged in the year of £0.1m (2006/07: £0.1m).

The assets introduced resulting from the formation of HMCS, shown within land and buildings excluding dwellings, represent 26 of the remaining properties which did not transfer to HMCS in 2005 as a result of the PTS "The Transfer of Property (Abolition of Magistrate's Courts Committees) Scheme 2005". In these cases the property transfers were declared invalid in a high court judgement in 2005, however the right to use these properties for magistrates courts purposes is secured by the PTS. Subsequent negotiations with the owners of these 26 properties have resulted in a valid transfer during 2007/08.

There remain 15 properties for which a negotiated valid transfer from the owners to HMCS is being sought, these have yet to be brought onto the balance sheet of HMCS and have been valued at 31 March 2008 at £25.4m.

7. Debtors

	2007/08	2006/07 restated*
	£000	£000
Amounts falling due within one year:		
VAT recoverable	8,094	10,672
Trade debtors	1,921	7,533
Deposits and advances	1,303	978
Other debtors	8,056	9,428
Prepayments and accrued income	26,630	19,834
Inter-departmental debtors	5,252	21,216
Total debtors falling due within one year	51,256	69,661
Amounts falling due after one year:		
Deposits and advances	34	44
Prepayments	15	110
Total debtors falling due after one year	49	154
Total debtors	51,305	69,815

HMCS holds debtor balances for the following types of organisations:

	2007/08		2006/07 restated*	
	Amounts falling due within one year £000	Amounts falling due after one year £000	Amounts falling due within one year £000	Amounts falling due after one year £000
Other central government bodies	22,325	-	54,013	-
Local authorities	4,242	-	910	-
Public corporations and trading funds	220	-	373	-
Bodies external to government	24,469	49	14,365	154
Total debtors	51,256	49	69,661	154

* The figures for 2006/07 have been restated to exclude the balances relating to the Court Funds Office as detailed in note 1.11.

8. Cash at bank in hand

	2007/08 £000	2006/07 £000
Office of HM Paymaster General	198,601	126,691
Commercial banks	274	14,755
Cash in hand	728	667
Imprest accounts	73	74
Total cash at bank and in hand	199,676	142,187

HMCS maintains commercial bank accounts for use by the magistrates' courts for depositing funds, which are then transmitted at regular intervals to the account maintained with the Office of HM Paymaster General (OPG). OPG accounts are also maintained for Crown and county courts and for centralised functions.

Included within the Office of HM Paymaster General and Commercial banks balance above is £22.9m (2006/07: £36.9m) held as third party balances as shown in note 9.1 below.

9. Creditors

9.1 Amounts falling due within one year

	2007/08 £000	2006/07 restated* £000
Taxation and social security	13,527	15,422
Trade creditors	10,066	21,988
Other creditors	20,063	25,195
Accruals and deferred income	140,725	89,861
Obligations under finance leases	31	18
Creditor for capital value of PFI contracts	8,925	8,042
Cash balances payable to the other government departments	24,409	50,449
Third party balances	22,872	36,859
Intra-departmental creditors	52,495	13,579
Total amounts falling due within one year	293,113	261,413

* The figures for 2006/07 have been restated to exclude the balances relating to the Court Funds Office as detailed in note 1.11.

9.2 Amounts falling due after more than one year

	2007/08 £000	2006/07 £000
Creditor for capital value of PFI contracts	175,790	157,803
Accruals, deferred income and other creditors	65,591	71,143
Obligations under finance leases	387	24
Total amounts falling due after more than one year	241,768	228,970

9.3 Analysis of creditor balances by organisational type

HMCS holds creditor balances for the following types of organisations:

	2007/08		2006/07 restated*	
	Amounts falling due within one year £000	Amounts falling due after one year £000	Amounts falling due within one year £000	Amounts falling due after one year £000
Other central government bodies	98,537	-	86,334	-
Local authorities	7,364	61,158	4,548	65,201
Public corporations and trading funds	270	-	-	-
Bodies external to government	186,942	180,610	170,531	163,769
Total creditors	293,113	241,768	261,413	228,970

*The figures for 2006/07 have been restated to exclude the balances relating to the Court Funds Office as detailed in note 1.11.

10. Provisions for liabilities and charges

	Notes	2007/08 £000	2006/07 restated* £000
Provision for pension transfer deficit	10.1	215,018	218,000
Provision for early departure costs	10.2	84,959	93,624
Provision for by-analogy pension scheme	10.3	3,324	2,449
Other provisions	10.4	2,935	8,088
Total provisions		306,236	322,161

Notes to the accounts for the year ended 31 March 2008

The liability falls due within:

	2007/08	2006/07
	£000	restated* £000
One year	17,158	32,574
Two to five years	98,168	111,280
More than five years	190,910	178,307
Total provisions	306,236	322,161

*The figures for 2006/07 have been restated to exclude the balances relating to the Court Funds Office as detailed in note 1.11.

10.1 Provision for pension transfer deficit

	2007/08	2006/07
	£000	£000
Balance at start of year	218,000	243,000
Increase in provision	51,237	-
Interest on pension transfer deficit	12,000	-
Utilised in year	(66,219)	(25,000)
Balance at end of year	215,018	218,000

The Courts Act (2003) legislated for the transfer of magistrates' courts functions and responsibilities to HMCS. As a result, approximately 8,000 employees on the local magistrates' court committees' contracts of employment transferred to HMCS and required changes in their pension arrangements. The transferred staff became members of the Principal Civil Service Pension Scheme (PCSPS) on 1 April 2005 and were given options to transfer their accrued benefits to the PCSPS, approximately 6,000 staff opted to transfer their accrued service.

The transferred employees will, upon retirement, receive their pension in line with the agreed PCSPS benefits. The PCSPS therefore, needed to know the accrued pension entitlement for the transferred staff. An agreement was reached between HMCS and the Cabinet Office for HMCS to pay an actuarially calculated amount to reflect the liability for the

PCSPS arising from the individuals' periods of local government service transferred plus/less an amount to meet any deficits/surpluses incurred as a result of the net asset/liability position for the individuals in the relevant LGPS. It was agreed that the past service pension liability would be calculated as at 1 April 2005 by Hewitt as the actuary to the PCSPS. The Government Actuary's Department (GAD) have estimated the pension liability as at 1 April 2005 of those employees who have opted to transfer service to the PCSPS. This calculation was based upon a number of fixed actuarial assumptions which have been agreed by GAD, the Cabinet Office and HMCS. HM Treasury approval for this arrangement has been sought but has not yet been formally received.

As the underlying assumptions are fixed, the disclosures stipulated in FRS17: Retirement Benefits are not required within HMCS' accounts.

Following the employees' transfer from LGPS to PCSPS, the LGPS were required to identify the underlying net funding position of the transferred employees. If a net deficit results due to historic underfunding of the LGPS, then PCSPS will be liable for the LGPS deficit in relation to the employees. However, if the LGPS is in surplus, then the relevant portion of the net asset will be transferred to the PCSPS.

As part of the agreement, HMCS agreed to fund the net deficit incurred by the PCSPS over a 10 year period, including the interest implications arising from this approach. The provision made at inception in the 2005/06 HMCS accounts was for £268m.

The value of the transferred pension asset or liability from the individual LGPS to PCSPS is calculated on each scheme's value as at the date of transfer and not as at 1 April 2005. This is in line with the agreement with the Cabinet Office. Therefore, the transferred asset or liability is subject to uncertainty resulting from changes to the LGPS' and market conditions up to the point that the transfer is finalised.

As a result of this, the provision payable by HMCS to PCSPS will vary as information is gathered from all LGPS which have yet to agree the transfer of their pension asset or liability in relation to the employees.

Upon receipt of the relevant information from the remaining LGPS funds, Hewitt calculates the total net liability due to PCSPS from HMCS. This net liability is based upon the fixed element of the employees' future pension costs adjusted for the transferred asset or liability.

As at 31 March 2008, 29 of the 41 transferring LGPS have provided the required information. The 2007/08 estimate provided by GAD is created on the assumption that the asset or liability to be transferred to PCSPS for the remaining 12 will broadly reflect the average position from the 29 schemes already agreed. It is not possible to determine the exact profile of the remaining 12 LGPS as the value can only be determined once returns have been collated from all the transferring authorities. As a result, GAD has provided a range of the expected eventual outturn for the provision. This provision is therefore subject to inherent uncertainty until all returns are received.

The table below shows the estimated range of the deficit as calculated by GAD and the provision retained by HMCS.

Financial year ended 31 March	Provision closing balance £m	GAD Estimate of remaining balance £m	Information received from individual schemes
2006	243*	226 to 257	0 of 41
2008	215	185 to 234	29 of 41

* Provision does not include allowance for interest to be paid on the outstanding amount.

Notes to the accounts for the year ended 31 March 2008

Further clarification has been sought from GAD who have indicated that it is somewhat unlikely that the liability will fall within the widest parts of the range shown in the table above for 31 March 2008, consequently a best estimate is most likely to fall in the central part of the range, £200m to £220m.

During 2007/08, payments of £66.2m were made (2006/07: £25m) and additional provision was made for £63m (2006/07: £Nil). The additional provision relates to an additional £51m based on the data collected in year from the transferred schemes and £12m in relation to accrued interest payable.

Management has reviewed the range produced by GAD and has made the following assumptions in determining that £215m is appropriate:

- interest is payable, the assumed rate is 5.6%;
- HM Treasury will approve the fixed assumptions made at 1 April 2005;
- the remaining twelve returns will show surpluses/deficits broadly in line with the 29 received to date, weighted by the relevant number of employees; and
- the retained provision is in the middle of the range estimated by GAD.

10.2 Provision for early departure costs

	2007/08 £000	2006/07 £000
Balance at start of year	93,624	88,242
Decrease in provision	(8,600)	5,147
Unwinding of discount	4,678	5,300
Utilised in year	(4,743)	(5,065)
Balance at end of year	84,959	93,624

Provision has been made for the costs of unfunded early retirement benefits of certain magistrates' court staff previously paid for by local authorities on a cash basis. The provision represents the present value of the costs of the benefit payable to staff on crombie and local government early retirement

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

10.3 Provision for by-analogy pension scheme

	2007/08 £000	2006/07 £000
Balance at start of year	2,449	2,449
Increase in provision	973	97
Utilised in year	(98)	(97)
Balance at end of year	3,324	2,449

This pension provision relates to the pension scheme that HMCS operates on behalf of the Law Commission by analogy with the PCSPS. During the year, payments made to pensioners are set against the provision.

At the year-end, the pension liabilities are valued in accordance with the Treasury guideline and the cost of augmenting the provision is charged as a cost to the income and expenditure account.

Given the immaterial nature of this scheme to HMCS, full FRS17 disclosures have not been provided on the basis that such disclosure would be disproportionate.

10.4 Other provisions

	2007/08 £000	2006/07 restated* £000
Balance at start of year as previously stated	20,854	5,742
Prior period adjustment	(12,766)	-
Balance at start of year as restated*	8,088	5,742
Increase in provision	90	2,948
Utilised in year	(5,243)	(602)
Balance at end of year	2,935	8,088

*The figures for 2006/07 have been restated to exclude the balances relating to the Court Funds Office as detailed in note 1.11.

11. Reserves

11.1 General fund

	Notes	2007/08 £000	2006/07 restated* £000
Balance at start of year as previously stated		2,381,274	2,394,406
Prior period adjustment	20	12,759	-
Balance at start of year as restated*		2,394,033	2,394,406
Net resources introduced on HMCS creation		32,760	431,206
Funding from the Ministry of Justice		864,100	704,725
Net cost of operations		(1,306,355)	(987,038)
Transfer from revaluation reserve	11.2	14,937	13,452
Notional costs	11.3	321,723	296,192
Other general fund movements		(7,503)	(458,910)
Balance at end of year		2,313,695	2,394,033

*The figures for 2006/07 have been restated to exclude the balances relating to the Court Funds Office as detailed in note 1.11.

Net resources introduced from the formation of HMCS consist of magistrates' court properties transferred into HMCS as a result of the property transfer scheme put in place at the creation of HMCS, referred to in note 6.

Other general fund movements in 2007/08 are predominantly the transfer of fixed assets with the Ministry of Justice of £7.6m included within note 6.

11.2 Revaluation reserve

	2007/08 £000	2006/07 £000
Balance at start of year	453,841	292,286
Revaluation of fixed assets during the year (net)	22,615	175,007
Transfer to general fund of realised element of reserves	(14,937)	(13,452)
Total revaluation reserve	461,519	453,841

11.3 Notional costs

	Notes	2007/08 £000	2006/07 restated* £000
Consolidated Fund judicial salaries and social security costs	4.2	130,326	127,599
External auditor's remuneration	5.1	400	358
Notional rent	5.1	2,516	2,300
Departmental recharge	5.1	96,921	88,820
Interest on capital	5.2	91,560	77,115
Total notional costs		321,723	296,192

*The figures for 2006/07 have been restated to exclude the balances relating to the Court Funds Office as detailed in note 1.11.

12. Capital Commitments

Contracted capital commitments as at 31 March 2008 for which no provision has been made amounted to £110.6m (2006/07: £35.5m) in relation to property developments.

13. Commitments under operating leases

At 31 March 2008 HMCS was committed to making the following payments during the next year in respect of operating leases expiring:

	Land and buildings £000	Other £000	2007/08 Total £000	Land and buildings £000	Other £000	2006/07 Total £000
Expiring within one year	4,471	663	5,134	9,431	600	10,031
Expiring after one year but not more than five years	4,500	146	4,646	5,479	798	6,277
Expiring thereafter	31,886	-	31,886	24,005	-	24,005
Total commitments under operating leases	40,857	809	41,666	38,915	1,398	40,313

14. PFI Commitments

At 31 March 2008 HMCS was committed to making the following payments during the next year in respect of Private Finance Initiatives (PFI) contracts expiring as follows:

	16-20 years	21-25 years	Total
	£000	£000	£000
Probate Records	1,789	-	1,789
Exeter	-	2,762	2,762
East Anglia	4,774	-	4,774
Sheffield	993	-	993
Derbyshire Magistrates' Courts	-	4,974	4,974
Hereford and Worcester Magistrates' Courts	5,506	-	5,506
Manchester Magistrates' Court	5,491	-	5,491
Humberside Magistrates' Court	3,996	-	3,996
Avon and Somerset Magistrates' Court	-	7,581	7,581
Total PFI commitments for the year 2007/08	22,549	15,317	37,866
Total PFI commitments for the year 2006/07	23,073	12,156	35,229

The PFI commitments relate to contracts for the provision of accommodation and other services; these commitments include repayment of capital, interest payable and a charge for the provision of services. Future annual payments are indexed, generally by 2% per annum, but may vary in accordance with formulae based on operating requirements.

HMCS has entered into nine PFI arrangements; a summary of each contract is set out below.

Project name	Contract start date	Duration (years)	On/off balance sheet under FRS 5 ¹	Initial capital value (£m)	Description
Probate Records	July 1999	25	Off	10.9	Provision of storage and retrieval services.
Exeter	November 2002	30	On	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 HMCS at no cost.
East Anglia	October 2002	25	On	34.5	Provision of Crown Court centres in Ipswich and Cambridge. Ipswich consists of five criminal courtrooms; Cambridge consists of three criminal courtrooms. At the end of the contract term the buildings in Ipswich and Cambridge will revert to HMCS at no cost.
Sheffield	November 2002	25	On	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 contract term HMCS has the option of acquiring the under lease at the lower of its open market value or £2 million.
Derbyshire Magistrates' Courts	August 2001	27	On	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 Mill has taken place to date due to planning permission issues.
Hereford and Worcester Magistrates' Courts	March 2000	25	On	30.6	Provision of serviced accommodation for magistrates' courts at Bromsgrove, Kidderminster, Worcester and Redditch. The 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' Courts	March 2001	25	On	32.9	Provision of an 18-courtroom courthouse as part of an overall complex including retail units and coroner's court.
Humberside Magistrates' Courts	March 2000	25	On	21.6	Provision of serviced magistrates' courthouses in Hull, Beverley and Bridlington. On expiry, HMCS has the option of taking the assets back for a nominal amount of £3 million.
Avon and Somerset Magistrates' Courts ²	August 2004	27	On	46.6	Provision of serviced accommodation for magistrates' courts and offices in Bristol, Weston-Super-Mare and Flax Bourton.

Notes:

1. Financial Reporting Standard 5 Application Note F defines whether the related assets and liabilities of a PFI contract should or should not be included on the balance sheet of an entity, this depends upon whether the risks and rewards of ownership rest with the entity.
2. Bristol Magistrates' Court opened in September 2007 and this increased the capital value of the project from £19.6m to £46.6m.

15. Contingent liabilities

HMCS is involved in a number of legal cases dealing largely with exgratia and compensation claims. The estimated cost of settlement for HMCS in these cases is £2.6m (2006/07: £1.0m).

As detailed in Note 6 Fixed Assets, 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 it has yet to gain control. 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 as at 31 March 2007, it is estimated HMCS could be exposed to additional costs of up to £6m (2006/07: £20m) per annum with a total maximum contingent liability since 1 April 2005 of £18m (2006/07: £34m).

16. Related party transactions

HMCS, as an executive agency of the Ministry of Justice, during the year had a significant number of material transactions with the Ministry of Justice and other entities for which the Ministry of Justice was regarded as a parent department.

HMCS also had a significant number of material transactions with other government departments and other central government bodies.

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 £635,090 (2006/07: £400,000) with a total debtor balance due to HMCS as at 31 March 2008 of £69,909 (2006/07: £400,000).

During the year, none of the Board members, members of senior management staff or other related parties have undertaken any material transactions with HMCS.

17. Post balance sheet events

17.1 Financial Reporting

In accordance with the requirements of Financial Reporting Standard 21 – Events after the balance sheet date, post balance sheet events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date the accounts are laid before Parliament which is 17 July 2008.

17.2 Property transfer scheme

Between the balance sheet date and the date on which the accounts are authorised for issue, eleven properties that did not transfer to HMCS as a result of the PTS Scheme 2005 had legal title transferred to HMCS. Consequently these were brought onto the balance sheet at the date of legal transfer at their 31 March 2008 valuations which total £23.9m.

HMCS has scheduled two new Property Transfer Schemes during 2008 in order to transfer to HMCS legal title of properties which did not transfer to HMCS as a result of the PTS Scheme 2005.

17.3 The Law Commission

The Law Commission left HMCS on 1 April 2008 and joined the Ministry of Justice. These operations, included in the income and expenditure account, are as follows:

	2007/08 £000	2006/07 £000
Income		
Miscellaneous income	51	-
Total operating income	51	-
Operating costs		
Staff costs	3,030	3,002
Other operating costs	1,559	476
Total operating costs	4,589	3,478
Net cost of operations	(4,538)	(3,478)

18. Accountability

The following disclosures are included to comply with Managing Public Money reporting requirements, for 2007/08 HMCS had:

- 1,042 cases involving cash losses totalling £97,724;
- 26,435 cases where fees were remitted, totalling £3.27m;
- 1,529 ex-gratia and compensation payments totalling £1.13m;
- 557 special payments totalling £198,759; and
- interest paid under the Late Payment of Commercial Debts (Interest) Act 1988 of £44,211.

liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Agency in undertaking its activities. It is not exposed to significant liquidity risks.

19.2 Interest rate risk

All HMCS financial liabilities carry nil or fixed rates of interest and therefore it is not exposed to significant interest rate risk.

19.3 Foreign currency risk

HMCS exposure to foreign currency risk is not material.

19. Financial instruments

19.1 Liquidity risk

HMCS net expenditure resource requirement is financed by resources voted annually by Parliament to the Ministry of Justice, as is the majority of its capital expenditure. The agency has no powers to borrow or invest surplus funds. Financial assets and

20. Prior period adjustments

The responsibilities of the Court Funds Office (CFO) transferred from HMCS to the Office of the Official Solicitor and Public Trustee on the 1 April 2007 and this has been accounted for using merger accounting in accordance with the FReM. The 2006/07 accounts are therefore presented as if the functions of the

CFO had always been part of the Office of the Official Solicitor and Public Trustee.

Consequently, the results and balances for 2006/07 have been restated to exclude those relating to the CFO. The adjustments to the accounts are set out as below:

Account	Detail	Note	£000	£000
Income and expenditure account restated 2006/07 figures			Decrease in costs	Decrease in income
Income	UK Debt Management Office recoveries	3		13,500
Staff costs	Staff costs: Wages and salaries	4.1	4,958	
	Staff costs: Social security costs	4.1	274	
	Staff costs: Employer's pension contributions	4.1	545	
	Judicial costs: Wages and salaries	4.2	70	
Other operating costs	Accommodation, maintenance and utilities	5.1	1,137	
	PFI service charges	5.1	2,004	
	Communications, office supplies and services	5.1	573	
	Contracted service costs	5.1	457	
	IT services	5.1	11	
	Agency staff and consultation costs	5.1	1,006	
	Miscellaneous	5.1	191	
	Other staff costs (including travel, subsistence and hospitality)	5.1	31	
	Other judicial costs (including travel and subsistence)	5.1	(2)	
	Hire of plant and machinery	5.1	7	
	Movement in provisions	5.1	12,538	
	Departmental recharges	5.1	2,200	
Balance sheet restated 2006/07 figures			Decrease in assets	Decrease in liabilities
Tangible fixed assets	Cost: Furniture, fixtures and fittings	6	5	
Debtors	Other debtors	7	1	

Account	Detail	Note	£000	£000
Balance sheet restated 2006/07 figures			Decrease in assets	Decrease in liabilities
Creditors: amounts falling due within one year	Taxation and social security	8		(1)
Provisions for liabilities and charges	Other provisions: Balance at start of year	10.4		228
	Other provisions: Increase in provision	10.4		12,538
			Increase in equity	Decrease in equity
General fund	Balance at start of year	11.1	259	
	Funding from the Ministry of Justice	11.1	2,200	
	Net cost of operations	11.1	12,500	
	Notional costs: Departmental recharge	11.2		2,200
Cash flow statement restated 2006/07 figures			Increase in cash flow	Decrease in cash flow
Net cost of operations				12,500
Adjust for notional and non-cash costs	Movement in provisions	a	12,538	
	Departmental recharge	a	2,200	
Adjust for movements in working capital other than cash	Increase in creditors	b		38
Funding from the Ministry of Justice				2,200

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Notes to the accounts for the year ended 31 March 2008

Related documents

Evaluation of the North Liverpool Community Justice Centre

http://www.communityjustice.gov.uk/docs/Liverpool_Ecotech_NL_evaluation_report_FINAL_publication.pdf

Process Evaluation of the Salford Community Justice Initiative

http://www.communityjustice.gov.uk/docs/Salford_ELS_evaluation_report_FINAL_publication.pdf

Written Ministerial Statement – Ministry of Justice Publication of the evaluation reports of the community justice initiatives in North Liverpool and Salford

http://www.communityjustice.gov.uk/docs/wms_final.DOC

Justice with Safety: Special Domestic Violence Courts Review 2007-08

<http://www.crimereduction.homeoffice.gov.uk/dv/dv018.htm>

What's cost got to do with it? The impact of changing court fees on users

<http://www.justice.gov.uk/docs/changing-court-fees.pdf>

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