

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

Judicial Pensions Scheme

Resource Accounts

2006-07

LONDON: The Stationery Office
HC 873

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(For the year ended 31 March 2007)

Ordered by the House of Commons to be printed
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REPORT OF THE MANAGERS

Introduction

From 9th May 2007, the Ministry of Justice (MoJ) took over the responsibilities of the Department for Constitutional Affairs, the National Offender Management Service, and the Office for Criminal Justice Reform. These Accounts relate to the financial year ending 31st March 2007 prior to the establishment of the MoJ and refer to DCA throughout.

The Judicial Human Resources Division (JHRD) within the Legal and Judicial Services Group (LJSG) of the Department for Constitutional Affairs are the managers of the Judicial Pensions Scheme (JPS).

There are currently various judicial pension arrangements, all contracted out of the State Pensions Scheme, that are known collectively as the JPS. The JPS comprises unfunded, salary-related, occupational pension schemes open to most members of the Judiciary under the provisions of two Acts: the Judicial Pensions Act 1981 and the Judicial Pensions & Retirement Act 1993 (JUPRA).

Judicial pension benefits are paid from two sources. Under statute, certain judicial post-holders' basic pension benefits (but not the annual pension increase) can only be paid out of the Consolidated Fund (CF). For the rest, the pension benefits are paid from Judicial Pensions Scheme Estimates voted by Parliament.

The boundary of these Scheme accounts is inclusive of all relevant expenditure and income relating to the payment of judicial pension benefits irrespective of the source of the funds.

Pension Benefits of the Scheme

The following paragraphs summarise the arrangements operating in 2006-07.

The JPS is a defined benefit scheme. Judges appointed for the first time on or after 31 March 1995 belong to the scheme under the 1993 Act. Those appointed prior to that date generally belong to a scheme under the 1981 Act. There is a right of election to transfer from the 1981 Act to the 1993 Act at any time up to a date 6 months after retirement.

The 1993 Act provides a lump sum of 2.25 times the member's annual pension. The annual pension is calculated at 1/40th of the highest of the last three years pensionable pay, up to a level reflecting the former Inland Revenue earnings cap, multiplied by the number of years of reckonable service, up to a maximum of 20. Pension benefits are payable from age 65 subject to 5 years service.

A top up scheme operates to provide pension benefits for 1993 Act members in respect of salaries above the Inland Revenue earnings cap. The 2006-07 earnings cap was £108,600 (2005-06: £106,500).

There are different arrangements for different Judicial Offices under the 1981 Act; in some cases maximum benefits accrue over 15 years, in others the period is 20 years. The qualifying conditions for pension benefits vary according to age and length of service requirements. Here, the lump sum is twice the annual pension.

Spouses' pension benefits payable on the death of a member, are paid at the rate of $\frac{1}{2}$ that of the member's annual pension entitlements under both the 1993 and 1981 Acts. Provision is also made for surviving civil partner benefits.

The JPS also provides death benefits on death in service and death in early retirement, the level of benefits depending on the appropriate Act (1993 or 1981 Acts), as well as early payment of pension benefits in the event of retirement on the grounds of ill health. There is also provision for leaving members who have completed 2 years service to preserve their accrued JPS benefits for payment when they reach normal pension age.

Contributions into the Scheme

The cost of benefits accruing for each year of service is shared between the Appointing Bodies and the judicial office-holders. For the Appointing Bodies in 2006-07 their contribution rate was 30.75% of pensionable pay (29.25% in 2005-06). For judicial office-holders their share was 1.8% or 2.4% of pensionable pay.

Members' Additional Voluntary Contributions (AVCs)

Serving members are able to increase their personal pension benefits and/or dependants' entitlements by making additional voluntary contributions to one of three AVC facilities within the Scheme and also externally, to the AVC suppliers – The Equitable Life Assurance Society and Prudential plc. The three "in - house" AVC facilities were closed to new subscribers with effect from 6th April 2006.

Pension Increases

Annual increases are applied to pension payments from the first Monday on or before 6 April, in line with the RPI all-items index, as at the previous 30 September in accordance with the Pensions (Increase) Act 1971. The annual pension increase in April 2006 was 2.7% (2005: 3.1%).

Review of the Year

The Judicial Pensions Scheme is not a registered scheme for the purposes of the Finance Act 2004, the provisions of which came into effect from 6th April 2006.

As a result lump sum benefits payable from, and members' contributions payable to, the schemes ceased to attract income tax relief from 6th April 2006. Judicial pension benefits consequently are not taken into account for the purposes of the registered pension schemes provisions of the Finance Act 2004, as they do not receive the preferential income tax treatment afforded to such schemes.

Judges receive a service award which becomes payable when they near retirement. The level of the award, which is a proportion of the lump sum, reflects their years of service and their judicial grade and ensures their net position is maintained. This change was effected by amendments to judicial terms and conditions. The service awards are accounted for in the DCA Resource Accounts.

In June 2006, the Financial Reporting Advisory Board (FRAB) agreed that the discount rate for pensions should be reviewed annually using market conditions on 31 January rather than, as previously agreed, ahead of each spending review period. On 1 February 2007 the Government Actuary's Department advised that the discount rate for pension liabilities would change from 2.8 per cent real to 1.8 per cent real with effect from 31 March 2007.

Following a competitive tendering process, a new payroll contractor has been appointed to pay the pension payments made from the JPS. The contract with Paymaster (1836) Ltd will commence on 1 October 2007.

The Managers, Advisers and Appointing Bodies for the scheme are as listed below:

Managers

Scheme Manager and Accounting Officer:

Alex Allan, Permanent Secretary, Department for Constitutional Affairs, Selborne House, 54/60 Victoria Street, London SW1E 6QW.

Scheme Administrator:

Barry Coidan (*see post balance sheet event*), Head of Branch, Judicial Human Resources Division, Department for Constitutional Affairs, Selborne House, 54/60 Victoria Street, London SW1E 6QW.

Advisers

Scheme Actuary:

Government Actuary's Department,
Finlaison House, 15-17 Furnival Street, London EC4A 1AB.

Auditors:

Comptroller and Auditor General, National Audit Office,
157-197 Buckingham Palace Road, London SW1W 9SP.

Bankers:

The Office of HM Paymaster General, Room GC01, 1 Horse Guards Road, London SW1A 2HQ.

Providers of external Additional Voluntary Contributions:

The Equitable Life Assurance Company,
Walton Street, Aylesbury, Bucks HP21 7QW.
Prudential Plc,
Laurence Pountney Hill, London EC4R 0HH.

Pension Payment Contractors:

Capita Hartshead Ltd – Mowden Hall, Darlington, Co Durham DL3 9SZ. Paymaster (1836) Limited – Sutherland House, Russell Way, Crawley, West Sussex RH10 1UH.

Appointing or Administering Bodies

As at 31 March 2007 the following bodies participate in the JPS:

- Her Majesty's Courts Service
- Tribunals Service
- Competition Commission
- Northern Ireland Court Service
- Scottish Executive
- Corporation of London

Disclosure of audit information to the auditors

As far as the Accounting officer is aware, there is no relevant audit information of which the Scheme's auditor are unaware. The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Scheme's auditors are aware of that information.

Post-balance sheet events

On 9 May 2007, a new Ministry of Justice was established. The new Ministry performs the functions and activities of the Department for Constitutional Affairs. In addition, the National Offender Management Service, including the Prison and Probation Services has transferred from the Home Office. The new Ministry also has lead responsibility for criminal law and sentencing policy. The Ministry of Justice will be responsible for policy on the overall criminal, civil, family and administrative justice system, including sentencing policy, as well as the courts, tribunals, legal aid and constitutional reform.

Barry Coidan, the Scheme administrator retires from his employ on 15 June 2007 with Shirley Hales as his successor.

Membership Statistics

- A. Active members: office-holders who are in service.
- B. Deferred members: former office-holders who are not currently in pensionable service but who are entitled to JPS benefits as a result of previous service, at some future date.
- C. Pensioners in payment: former office-holders who are currently receiving JPS benefits, plus other JPS beneficiaries such as widow(er)s and other dependants of former office-holders.

Detail of the current membership of the JPS is as follows:

<i>A. Active members</i>		2006-07	2005-06
Active members B/F		2,085	2,063
Add: new entrants not included in 05-06		3	-
Add: New entrants in the year		89	103
Less: Retirements in the year		(67)	(74)
Transfers out		(1)	-
Deferred member		(1)	(1)
Deaths		(7)	(6)
Active members at 31 March		2,101	2,085

<i>B. Deferred members</i>		2006-07	2005-06
Deferred members B/F		5	4
add: Members leaving who have deferred pension rights		1	1
less: Members who are re-appointed to Judicial posts		(1)	-
Deferred members at 31 March		5	5

<i>C. Pensioners in payment</i>	2006-07	2006-07	2006-07	2005-06
	<i>Members</i>	<i>Dependants</i>	<i>Total</i>	<i>Total</i>
Pensioners in payment B/F	888	444	1,332	1,291
Members retiring in year at normal retirement age	68	-	68	76
Members retiring in year, previously in receipt of Guaranteed Minimum Pension (GMP)	(9)	-	(9)	(10)
Members in receipt of GMP	12	-	12	9
New dependants	-	46	46	31
Deaths in year	(41)	(20)	(61)	(60)
Cessation of full time education	-	(4)	(4)	(5)
Pensioners in payment at 31 March	918	466	1384	1,332

Further Information:

Any enquiries about the JPS should be addressed to:

Judicial Pensions Scheme, Judicial Human Resources Division
 Department for Constitutional Affairs
 Selborne House
 54-60 Victoria Street
 London SW1E 6QW
 Resource Accounts from 2003-04 onwards can be found at:
www.DCA.gov.uk/dept/depstrat.htm

Alex Allan
 Accounting Officer

Date: 11 July 2007

REPORT OF THE ACTUARY

Accounts for the year ended 31 March 2007

1. The Scheme

1.1 The Judicial Pension Scheme (JPS) is an unfunded public service scheme and is not a registered pension scheme for the purpose of the Finance Act 2004. Participating Judicial Appointing or Administering Bodies make contributions known as accruing superannuation liability charges (ASLCs). ASLCs are assessed regularly by the Scheme Actuary to be consistent with those which might have applied had the scheme been funded on an approved or registered basis.

2. Liabilities

2.1 The capitalised value as at 31 March 2007 of expected future benefit entitlements under the JPS, for benefits accrued in respect of service (or former service) prior to 31 March 2007, has been assessed using the methodology and assumptions set out in Sections 4 and 5 below. The results are as follows using the lower discount rate (1.8%) applicable from 31 March 2007:

Value of Liabilities (1.8%)	£ Million
Pensions in Payment	583
Deferred Pensions	1
Serving Members (Past Service)	1,043
Total	1,627

3. Accruing Costs

3.1 The cost of benefits accruing for each year is met by a mandatory contribution from the Appointing or Administering Bodies who are deemed as the 'employers' and contributions from individual Judicial Office Holders. The total cost of benefits accruing in the year 2006/2007 has been assessed using the methodology and assumptions set out in Sections 4 and 5 below. The cost of accruing benefits, after allowing for Judicial Office Holders contributions, has been assessed as being 34% of pay. This includes an element of 0.25% as a contribution towards the administration costs of the scheme.

3.2 The actual contribution rate required from the Judicial Appointing or Administering Bodies was 30.75% of pensionable salary in 2006/2007, including 0.25% towards administration costs. This contribution rate is lower than the cost of the accruing benefits shown above. This is because employer contribution rates are based on the accruing cost assessed by reference to the long term view of real investment yields whereas the accruing annual cost disclosed for accounts purposes is based on a short term view of market investment yields. At present, the short-term market real yield is lower than the expected long-term real yield, which results in a higher contribution rate being disclosed in the Scheme's accounts.

Based on a pensionable payroll of £234.9 million, the total contributions receivable for the financial year 2006-07 were assessed as £76.6 million, of which £4.5million relates to employee contributions (including employee AVC contributions).

4. Methodology

4.1 The value of the liabilities has been obtained by using the projected unit method; with allowance for expected future pay increases in respect of active members. The standard contribution rate for accruing costs has been determined using the projected unit method, with a control period of 3 years.

5. Assumptions

5.1 The principal financial assumptions adopted for the pension assessments made in relation to this statement are in accordance with the discount rate promulgated by the Financial Reporting Advisory Board (FRAB) for pension purposes in the public sector in Great Britain. Until 2005, the discount rate in excess of price increases was prescribed as 3.5% p.a. However, the discount rate for pension liabilities was reduced to 2.8% p.a. with effect from 31 March 2006 and was further reduced to 1.8% with effect from 31 March 2007. This reflects the fall in real yields experienced in the bond markets. The demographic assumptions used for these assessments are derived from the specific experience of the membership of this scheme and are those adopted for the most recent review of the ASLC.

6. Notes

6.1 Sections 2 and 3 of this Statement are based on the results of the actuarial valuation carried out as at 31 March 2005, recalculated on a real yield of 2.8% and 1.8%. Approximate updating has been used for the subsequent financial year to reflect known changes that have occurred within the period from 31 March 2005 to 31 March 2007, based on the available data. The method assumes that the profile of the membership has remained stable within the period and the results should be viewed as a reasonable assessment of the order of magnitude of the liabilities, rather than a full actuarial assessment. The next detailed assessment of the liabilities will be made as at 31 March 2008.

6.2 The pension benefits taken into account in this assessment are those normally provided from the rules of the scheme, including normal retirement benefits, ill-health retirement benefits, and benefits applicable following the death of the member. Long service awards are not included in the assessment.

D G Ballantine
Government Actuary's Department

June 2007

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act 2000, the Accounting Officer has directed the Judicial Pensions Scheme (JPS) to prepare, for each financial year, a statement of accounts in the form and on the basis set out in the Accounts Direction.

With the exception of certain transactions (which are accounted for on a cash basis) the combined financial statements are prepared on an accruals basis and must give a true and fair view of the financial transactions of the JPS during the year and the disposition, at the end of the financial year, of the JPS net liabilities. Note 2 "Accounting Policies" to the financial statements describes those transactions which are accounted for on a cash basis, the use of which has no material effect on the net outgoing for the year nor on the combined net liabilities at the year end.

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

- Observe the accounts direction issued to the DCA 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 (FReM), have been followed and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on a going concern basis.

The HM Treasury has appointed the Permanent Secretary of the Department for Constitutional Affairs as Accounting Officer for the JPS. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the pension scheme are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in *Government Accounting*.

STATEMENT ON INTERNAL CONTROL

Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department for Constitutional Affairs' (DCA) policies, aims and objectives, whilst safeguarding the public funds and Departmental assets, including the Judicial Pensions Scheme (JPS), for which I am personally responsible, in accordance with the responsibilities assigned to me in *Government Accounting*.

DCA, as lead department for judicial pensions within the UK, has full responsibility for the central administration of the JPS. The JPS Estimate covers the payment of pensions and other related benefits normally paid out of funds voted by Parliament. It also appropriates in aid pension contributions from bodies with judicial appointments, in the form of accrued superannuation liability charges, and members' contributions.

The JPS Estimate excludes the payment of pension benefits met directly from the Consolidated Fund (CF), which are authorised by the Exchequer Fund Account Team (EFA) of the Treasury.

As Accounting Officer, I work with Ministers and senior DCA Management through the Ministerial Executive Board, the Departmental Management Board and other meetings and correspondence to implement the Department's plans, allocate resources and delegate financial authority to senior staff. The DCA's Judicial HR Division (JHRD) administers the JPS. I delegate financial authority together with internal control and risk management responsibilities to the Director General Legal and Judicial Services, who in turn has delegated financial authority to the Head of the JHRD.

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 JPS policies, aims and objectives. Also, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. In particular, the system of internal controls is designed to detect fraud and minimise omissions and material errors in the payment of pensions and receipt of contributions from Appointing Bodies and JPS members.

The system of internal control has been in place in the Department for the year ended 31 March 2007 and, up to the date of approval of the annual accounts, accords with Treasury guidance.

Capacity to Handle Risk

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

The Department's Risk Management Policy and Framework document, approved and endorsed by the Ministerial Executive Board, was published in June 2002. This, in conjunction with the guidance on the Quarterly Risk Reporting process sets out the Department's attitude to risk in the achievement of its policies and objectives, and provides guidance on the process of identifying, assessing and managing risk. The document is available to all staff on the Department's Intranet.

The Judicial Pensions Scheme Board oversees the financial, accounting and administrative functions of the Scheme. The Head of JHRD chairs it. The DCA's Internal Assurance Division is represented on the Board. The Board receives regular reports on Business Risks identified as part of the Legal and Judicial Services Group Risk Register. This Register is regularly updated and the risks, their nature and impact and mitigating action, are regularly assessed.

The Risk and Control Framework

The key elements of the JPS's risk management strategy for identifying, evaluating and controlling risk include a Risk Management Policy and Framework document, which sets out formal processes for identifying, evaluating, managing and reporting risk. Risks that threaten the JPS's objectives are identified and analysed in terms of impact and probability, assigned to an individual owner and reported regularly at JPS and Legal and Judicial Services Board level.

The JPS undertakes an annual self-certification exercise on the development and effectiveness of its risk management.

The other key elements in the JPS's control system are regular financial and management information. In particular this includes quarterly management reports by the administrators of the Scheme to the Scheme Board and monthly financial reports to the Director General and Legal and Judicial Services Group including, on an exception basis, the position on any business risk – financial, accounting and operational.

Pensioner payroll

Capita Hartshead Ltd (Capita) and Paymaster (1836) Limited (Paymaster) are contracted to provide payroll services for the payment of base pensions and pension increases paid from the Consolidated Fund and the JPS Estimate. Both contractors operate appropriate corporate governance and internal control arrangements and their operations are audited. JHRD actively manages and monitors the performance of the two contracts.

Financial and accounting support

Liberata UK Limited maintains and manages the JPS accounts at HM Paymaster General. Liberata UK Limited also provides and maintains the accounting system that supports the JPS accounts. These services are provided under the terms of the company's contract with the DCA. Liberata provides assurance that the services provided by them have been delivered in compliance with the assurance and control requirements of that contract.

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 the internal auditors and the administrators of the JPS, who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

The Scheme Administrator has also established a programme of risk awareness training and guidance for staff. He has also been able to identify and keep up to date a register of risks facing the Scheme and has initiated risk management procedures consistent with DCA's corporate risk control framework.

The key elements of the system of internal control are set out above and contribute to my review of the system's effectiveness. In addition, the following bodies inform my review of the JPS's system of internal control.

The Ministerial Executive Board and the Departmental Management Board: these Boards approved the Department's Framework and Policy Document and have been involved in the development of the Corporate Risk Register. The Boards meet regularly to consider and discuss the quarterly risk reports, which include any significant JPS risks and any issues arising.

The Corporate Audit Committee: The Committee serves as a source of advice and assurance on the effectiveness of the risk management process of the JPS. The Committee meets a minimum of four times each year and has a non-executive Chair, who reports directly to the Ministerial Executive Board. The Committee receives updates on the development of risk management and internal control and considers internal and external audits on the system of internal control and any material weakness in the administration of the JPS. The Committee advises on the Internal Audit work programme and considers key recommendations from Internal Audit Reports and reports made by the National Audit Office.

Internal Audit Division (IAD): The DCA's IAD operates to the Government Internal Audit Standards. It submits reports on the adequacy and effectiveness of the JPS's administrative processes and makes recommendations for improvement.

There are no significant internal control issues for the JPS.

This statement applies to the JPS. The Statement on Internal Control for the Department for Constitutional Affairs as a whole will be available from the Stationery Office when the Department's 2006-07 Resource Accounts are published later this year.

Alex Allan
Accounting Officer

Dated: 11 July 2007

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements of the Judicial Pensions Scheme for the year ended 31 March 2007 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Revenue 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.

Respective responsibilities of the Accounting Officer and Auditor

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities, which govern them.

In addition, I report to you if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding transactions is not disclosed.

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

I read the other information contained in the annual report, which consists of the Report of the Managers and the Report of the Actuary, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of

the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the scheme'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 are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinions

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made there under by HM Treasury, of the state of the scheme's affairs as at 31 March 2007, and the net cash requirement, net resource outturn, net outgoings, recognised gains and losses and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- the information given in the annual report, which comprises the Report of the Managers and the Report of the Actuary is consistent with the financial statements.

Audit 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.

John Bourn
Comptroller and Auditor General

17 July 2007

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

Statement of Parliamentary Supply

Summary of Resource Outturn For the Year ended 31 March 2007

		2006-07 Estimate			2006-07 Outturn			2006-07 Difference	2005-06 Outturn
Request for Resources	Note	Gross Expenditure £'000	A-in-A £'000	NET TOTAL £'000	Gross Expenditure £'000	A-in-A £'000	NET TOTAL £'000	Net total outturn compared with Estimate saving/ (excess) £'000	NET TOTAL £'000
Pensions	3	114,934	78,274	36,660	110,636	76,263	34,373	2,287	32,806
Total resources		114,934	78,274	36,660	110,636	76,263	34,373	2,287	32,806

Summary of Net Cash Requirement For the Year ended 31 March 2007

		2006-07 Estimate	2006-07 Outturn	2006-07 Difference	2005-06 Outturn
	Note	£'000	£'000	£'000	£'000
Net cash requirement	4	1	0	1	0

Summary of income payable to the Consolidated Fund

In addition to appropriations in aid the following income relates to the pension scheme and is payable to the Consolidated Fund (cash receipts being shown in Italics).

		2006-07 Forecast		2006-07 Outturn	
	Note	Income £'000	Receipts £'000	Income £'000	Receipts £'000
Operating income & receipts- excess A in A	5	57,631	57,631	54,668	54,668
Total		57,631	57,631	54,668	54,668

Explanation of variation between Resource Estimate and Outturn:

The total variance during the year was an under-spend of £2,287,000 (6% of net estimate). This is accounted for by a downward revision of the Scheme's Current Service and Interest Costs as advised by the Government Actuary's Department. This reduction was partly offset by lower income from employer's contributions, due to the staging of the 2006 judicial pay award, and a reduction in employee's contribution following the non-registration of the Judicial Pension Scheme for the purposes of the Finance Act 2004.

Explanation of the variation between Estimate net cash requirement and Outturn net cash requirement:

The variation between Estimate and actual net cash requirement is not considered to be significant under the rules currently laid down by Government Accounting.

The notes on pages 23 to 39 form part of these accounts

Revenue Account For the Year ended 31 March 2007

		2006-07		2005-06	
	Note	£'000	£'000	£'000	£'000
Income					
Contributions receivable	7	(76,263)		(73,252)	
Transfers in	8	-		(212)	
			(76,263)		(73,464)
Out-goings					
Pension cost	9	87,000		85,000	
Transfers in	10	-		212	
Interest on scheme liabilities	11	73,000		69,000	
			160,000		154,212
Net outgoings for the year			83,737		80,748

Statement of Recognised Gains and Losses For the Year Ended 31 March 2007

		2006-07	2005-06
	Note	£'000	£'000
Actuarial gain	17g	60,000	16,340
Change in discount rate	17g	(235,000)	(100,000)
Total recognised gains and losses for the financial year		(175,000)	(83,660)

The notes on pages 23 to 39 form part of these accounts

Balance Sheet
As at 31 March 2007

		31 March 2007		31 March 2006	
	Note	£'000	£'000	£'000	£'000
Current Assets					
Debtors	14	7,173		6,196	
Cash at bank and in hand	15	8,990		9,027	
			16,163		15,223
Creditors (amounts falling due within one year)					
Creditors	16	(10,765)		(10,329)	
			(10,765)		(10,329)
Net assets excluding pension liability					
			5,398		4,894
Pension liability	17e		(1,627,360)		(1,352,000)
			(1,621,962)		(1,347,106)
Taxpayers' equity					
General fund	18		(1,621,962)		(1,347,106)
			(1,621,962)		(1,347,106)

Alex Allan
Accounting Officer

Dated: 11 July 2007

The notes on pages 23 to 39 form part of these accounts

**Cash Flow Statement
For the Year Ended 31 March 2007**

	Note	2006-07 <u>£'000</u>	2005-06 <u>£'000</u>
Net cash flow from operating activities	19(a)	54,668	52,978
Payment of amounts due to the Consolidated Fund		54,705	(53,122)
Decrease in cash		<u>(37)</u>	<u>(144)</u>

The notes on pages 23 to 39 form part of these accounts

Notes to the scheme statement

For the year ended 31 March 2007

1. Basis of preparation of the scheme statement

The scheme statements have been prepared in accordance with the relevant provisions of the Government Financial Reporting Manual (FReM), issued by HM Treasury, which reflects the requirements of Financial Reporting Standard (FRS) 17 Retirement Benefits. These accounts show the unfunded pension liability and movements in that liability during the year. These accounts also have regard to the Statement of Recommended Practice (SORP) entitled Financial Reports of Pension Schemes as adapted by the Treasury for Public Sector Pension Schemes.

In addition to the primary statements prepared under UK GAAP, the FReM also requires the scheme to prepare an additional statement – a *Statement of Parliamentary Supply*. This and its supporting notes, show Outturn against Estimate in terms of the net resource requirement and the net cash requirement.

1.1 Judicial Pensions Scheme (JPS)

The scheme statement summarises the transactions of the JPS irrespective of whether the source is from funds voted by Parliament to Appointing Bodies or whether it is met directly from the Consolidated Fund. The balance sheet shows the deficit on the scheme; the Revenue Account shows the movements in the liability analysed between the current service costs (which are actuarially assessed), transfers in and out, as well as the interest on the scheme liability. The actuarial position of the pension scheme is dealt with in the Report of the Actuary, and the scheme accounts statement should be read in conjunction with that Report.

1.2 Going Concern

The balance sheet as at 31 March 2007 shows a net liability of £1,621,962,000. This reflects the inclusion of liabilities falling due in the long-term, which are to be financed mainly by drawings from the Consolidated Fund. Such drawings will be grants of Supply approved annually by Parliament to meet the Scheme's pension benefits, which come into payment each year. Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund other than as required for the service of the specified year or retained in excess of that need. All monies, including those derived from pension contributions in excess of pensions benefits paid, are surrenderable to the Fund.

In common with other Public Sector Pension Schemes, the future financing of the JPS's liabilities is to be met by future grants of Supply and the application of future pension contributions, both to be approved annually by Parliament. Such approval for amounts required for 2007-08 has already been given. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

2. Statement of accounting policies

The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies to the extent that it is meaningful and appropriate to the public sector.

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

2.1 Pension Contributions receivable

Appointing bodies normal pension contributions are accounted for on an accruals basis. Appointing Bodies meet their share of the cost of the pension cover provided to serving JPS members by payment of contributions to the Scheme each month. These contributions are called accruing superannuation liability charges (ASLCs). The Government Actuary reviews the contribution rates following a full scheme valuation at least every four years. For 2006-07, the ASLCs are 30.75% of pensionable pay including 0.25% contributed towards the administration costs of the Scheme. This rate was 29.25% in 2005-06.

All members' normal pension contributions are accounted for on an accruals basis. Members' contributions paid in respect of the purchase of added years or any other benefits to be gained from the Scheme are also accounted for on an accruals basis. The associated increase in the scheme liability is recognised as expenditure.

Active members bear a share of pension costs through making normal contributions at 1.8% or 2.4% of pensionable pay (2005-06: 3% or 4%). These contributions are referred to as Widow(er)s' Pension Scheme (WPS) contributions.

2.2 Transfers in and out

Transfers in or out of the Scheme in respect of individual members are accounted for on a cash basis. Transfer values are those sums paid to or received from other pension schemes and relate to previous periods of pensionable employment. The values have been included in the financial statements in the period in which the sums were paid to or received from other pension scheme.

2.3 Current service cost

The current service cost is the increase in the present value of the scheme liabilities arising from current members' service in the current period and is recognised in the Revenue Account. The cost is based on the assumptions used by the Actuary.

2.4 Past service costs

Past service costs are increases in the present value of the scheme liabilities related to member service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Past service costs are recognised in the Revenue Account on a straight-line basis over the period in which the increase in benefit arises. These do not arise in relation to the current year's accounts.

2.5 Interest on scheme liabilities

The interest cost is the increase during the period in the present value of the scheme liabilities because accrued members benefits are one year closer to settlement and

this is recognised in the Revenue account. The interest cost of 4.6 per cent is consistent with the assumptions used for current service costs (2.3 above).

2.6 Other payments

Other payments unusual in nature may be accounted for on an accruals basis where the amount of the obligation on the scheme is known with certainty; otherwise they are accounted for on a cash basis.

2.7 Scheme liability

Provision is made for liabilities to pay pensions and other benefits in the future. The Scheme liability is measured on an actuarial basis using the projected unit method and has been discounted at a real rate, as prescribed by HM Treasury, which for 2006-07 is 2.8 per cent p.a. unchanged from 2005-06. The valuation takes account of the overnight change in the Scheme's liabilities as a result of the change in the discount rate to 1.8% as at 31st March 2007. Such changes are recognised in the statement of recognised gains and losses for the year as advised by HM Treasury.

Full actuarial valuations by a professionally qualified actuary are obtained at intervals not exceeding four years with interim valuations every two years. The full valuation was carried out as at 31 March 2005.

2.8 Pension benefits payable

Pension benefits payable are accounted for as a decrease in the Scheme liability on an accrual basis.

2.9 Pension payments to those retiring at their normal retirement age

Since a retiring member of the pension scheme has no choice over the allocation of benefits receivable between the value of the lump sum and the annual pension, the transaction is accounted for as a decrease in the scheme liability on an accruals basis.

2.10 Pension payments to and on account of leavers before their normal retirement age

Where a member of the pension scheme is entitled only to a refund of contributions, the transaction is accounted for as a decrease in the scheme liability on an accrual basis.

2.11 Lump sums payable on death in service (or death early in retirement)

Lump sum payments payable on death in service or in early retirement are accounted for on an accrual basis. They are a direct charge to the pension provision, as they are funded through the normal pension contributions.

2.12 Actuarial gains / losses

Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the Balance Sheet date are recognised in the Statement of Recognised Gains and Losses for the year. These gains and losses are based on the figures provided by the Actuary and the related assumptions, which have been deemed appropriate by GAD and Scheme managers.

2.13 Additional Voluntary Contributions

Active members are able to increase their personal pension benefits and/or dependants' entitlements by making additional voluntary contributions (AVCs) to one of three AVCs within the Scheme and also externally, to approved AVC providers – The Equitable Life Assurance Society and Prudential plc.

2.13.1 Internal arrangements

The three AVC arrangements within the JPS are provided for under the Judicial Pensions and Retirement Act 1993 (“the 1993 Act”) and the Judicial Pensions Act 1981 (“the 1981 Act”) as amended by the 1993 Act. The arrangements are as follows:

- The Judicial Added Benefit Scheme (JABS) (for 1981 Act members only). JABS enables members to increase the level of benefits payable from their main judicial pension scheme.
- The Judicial Added Years Scheme (JAYS) (for 1993 Act members only). JAYS enables members of the 1993 scheme to increase the length of service and the benefits at retirement.
- The Judicial Added Surviving Spouse’s Pension Scheme (JASSPS) (for 1993 Act members only). JASSPS enables members to make contributions which will increase only the level of the contingent surviving spouse’s or civil partner’s pension.

All three of these AVC facilities were closed to new subscribers with effect from 6th April 2006.

2.13.2 External arrangements

All external arrangements are not brought to account in these Resource Accounts.

Members’ contributions to AVCs provided externally by “approved providers” are deducted from Judicial Office Holders' salaries and are paid over directly by the Appointing Bodies (who are deemed as ‘the employing departments’) to the approved providers. These contributions to external providers are not brought to account within these Scheme Accounts but are disclosed for information in note 13.

The Judicial Additional Voluntary Contributions Scheme enables contributions to be made to an “authorised provider”, which is an independent pension provider who invests the scheme members’ contributions at the scheme members’ directions within a range of investment options. The funds are used to purchase pension benefits for the scheme member or their dependants on a money purchase basis.

In addition, life assurance (death in service benefits) may also be purchased by contributions to the authorised provider.

The authorised providers are The Equitable Life Assurance Company and Prudential plc. The benefits under these two arrangements are provided for from investments in external funds managed by the two companies and are therefore not included in the JPS balance sheet on page 21.

2.14 Administration fees and expenses

The DCA is the manager of the JPS. A proportion of the total Accruing Superannuation Liability Charges (ASLCs) received from Appointing Bodies is deemed as the cost of administering the Scheme. In 2006-07, administration costs of £400,000 (as approved by HM Treasury) were paid over by Appointing Bodies to the DCA. This payment is reported in DCA's Resource Accounts.

Other pension related expenses to the Judiciary (such as payments for early retirement and ex-gratia payments) are borne by the relevant Appointing Body and reported in their Departmental Resource Accounts.

2.15 Consolidated Fund pension payments

Pension payments met directly from the Consolidated Fund and not from the funds held by the JPS are reflected in these accounts as notional expenditure. The JPS has no control over the issue of these payments.

The ultimate control for pensions paid out of the Consolidated Fund remains with the Comptroller and Auditor General.

3. Reconciliation of net resource outturn to net outgoing

		2006-07			2005-06
	Note	Supply Estimate £'000	Outturn £'000	Outturn compared with Estimates £'000	Outturn £'000
Net Resource Outturn		36,660	34,373	2,287	32,806
Operating Income & receipts – Excess A-in-A		-	-	-	(287)
Non-supply Expenditure	9	51,066	49,364	1,702	48,229
Net Outgoing		87,726	83,737	3,989	80,748

4. Reconciliation of resources to cash requirement

		2006-07			2005-06
	Note	Estimate £'000	Outturn £'000	Net Total Outturn compared with estimate: saving/ (excess) £'000	2005-06 £'000
Net Resource Outturn	3	36,660	34,373	2,287	32,806
Accruals Adjustments					
Increase in Provision		(114,934)	(110,636)	(4,298)	(105,771)
Other non cash		-	90	(90)	78
Changes in Working Capital other than cash		-	950	(950)	581
Use of Provisions:					
Pension	17f	20,644	20,555	89	19,615
Excess Cash Receipts Surrenderable to the Consolidated Fund	5	57,631	54,668	2,963	52,691
Net Cash Requirement		1	0	1	0

5. Analysis of income payable to the Consolidated Fund

In addition to Appropriations-in-Aid, the following income relates to the Scheme and is payable to the Consolidated Fund (cash receipts shown in italics)

		2006-07 Forecast		2006-07 Outturn	
		Income	<i>Receipts</i>	Income	<i>Receipts</i>
		£'000	£'000	£'000	£'000
Non-supply Income- Excess A in A		-	-	-	-
Excess Cash Surrenderable to the Consolidated Fund	19a	57,631	<i>57,631</i>	54,668	<i>54,668</i>
Total Income Payable to the Consolidated Fund		57,631	<i>57,631</i>	54,668	<i>54,668</i>

6. Reconciliation of income recorded within the Revenue Account to operating income payable to the Consolidated Fund

	Note	2006-07 £'000	2005-06 £'000
Operating Income		76,263	73,252
Income authorised to be appropriated-in-aid		(76,263)	(72,965)
Income Payable to the Consolidated Fund (excess Ain A)	5	0	287

Revenue Account

7. Pension Contributions Receivable

	2006-07 £'000	2005-06 £'000
Employers:		
Appointing Bodies (ASLCs)	71,796	66,518
Employees; Judicial Office-holders:		
Normal Contributions: Widow(er)s' Pension Scheme (WPS)	3,679	5,980
Purchase of Added Years: internal JPS AVC's only	788	754
	76,263	73,252

Judicial Office-holders' contributions may fluctuate from year to year as members can elect rates of contributions.

8. Income: Pension Transfers-in (See note 10)

	2006-07 £'000	2005-06 £'000
Individual transfers in from other sources	-	212
	<u>-</u>	<u>212</u>

9. Pension Cost

	2006-07 £'000	2005-06 £'000
Current service cost: (see note 17e)		
Judiciary paid from the JPS Estimate and pension increases for all Judiciary	37,636	36,771
Judiciary paid from the Consolidated Fund (notional expenditure)	49,364	48,229
	<u>87,000</u>	<u>85,000</u>

10. Outgoings: Pension Transfers-in (See note 8)

	2006-07 £'000	2005-06 £'000
Individual transfers in from other sources	-	212
	<u>-</u>	<u>212</u>

11. Interest on Scheme liabilities

	2006-07 £'000	2005-06 £'000
Interest charge for the year (see note 17e)	73,000	69,000
	<u>73,000</u>	<u>69,000</u>

12. Transfers out

	2006-07 £'000	2005-06 £'000
Individual Transfers out	953	-
	<u>953</u>	<u>-</u>

13. Additional Voluntary Contributions to External Approved Providers

The JPS provides for members to make additional voluntary contributions (AVCs) to increase their pension entitlements. Members may arrange to have agreed sums deducted from their salaries, for onward payment to the approved providers; The Equitable Life Assurance Company and Prudential plc. The Managers of the JPS have responsibility only for the onward payment, by Appointing Bodies, of members' contributions to the provider. These AVC's are not brought to account in these Scheme accounts. Members of the Scheme participating in this arrangement receive an annual statement from the provider annually confirming the amounts held to their account and the movements in the year.

The aggregate amounts of AVC investments are as follows

	Equitable Life		Prudential	
	2006-07	2005-06	2006-07	2005-06
	£'000	£'000	£'000	£'000
Movements in the year				
Balance at 1 April	652	611	247	219
New investments	37	47	105	68
Sales of investments to provide pension benefits	(42)	(92)	(154)	(72)
Changes in market value of investments	33	86	19	32
Balance at 31 March	680	652	217	247
Contributions received to provide life cover	7	7	-	-
Benefits paid on death	-	-	-	-

Balance Sheet

14. Debtors – contributions due in respect of pensions

14 (a) Amounts falling due within one year

	2006-07	2005-06
	£'000	£'000
Pension contributions due from employers	6,683	5,601
Employees' normal contributions	380	575
Other debtors	110	20
	7,173	6,196

Of this, £7.06million (2005-06: £6.18 million) will be surrendered to the Consolidated Fund once the debts are collected.

14 (b) Intra-Government Balances

	2006-07	2005-06
	£'000	£'000
Balances with other central government bodies	7,063	6,176
Balances with bodies outside central government	110	20
	7,173	6,196

15. Cash at bank

	2006-07	2005-06
	£'000	£'000
Balance as at 1 April	9,027	9,171
Net change in cash balances	(37)	(144)
Balance at 31 March	8,990	9,027
The following balances at 31 March were held at:		
Office of HM Paymaster General	8,990	9,027
Balance at 31 March	8,990	9,027

16. Creditors – in respect of pensions

16 (a) Amount falling due within one year

	2006-07	2005-06
	£'000	£'000
Pensions		
Inland Revenue and voluntary contributions	1,152	1,085
Administration Charges	33	33
Lump Sum: employees	590	184
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund	8,990	9,027
Total Creditors	10,765	10,329

16 (b) Intra-Government Balances

	2006-07	2005-06
	£'000	£'000
Balances with other central government bodies	10,175	10,145
Balances with bodies outside central government	590	184
	10,765	10,329

17. Provisions for pension liability

17 (a)

The Judicial Pensions Scheme is an unfunded defined benefit scheme. The Government Actuary's Department carried out a full actuarial valuation as at 31 March 2005. An interim valuation took place at the end of March 2007. The major assumptions used by the Actuary were:

	March 2007	March 2006	March 2005
Rate of increase in salaries net of price inflation	0.3%	1.3%	2.0%
Discount rate net of price inflation	1.8%	2.8%	3.5%
Gross discount rate	4.6%	5.37%	6.5%

17 (b)

The Scheme Manager is responsible for providing the Actuary with the information the Actuary needed to carry out the valuation. This information includes, but is not limited to, details of:

- Scheme membership, including age and gender profile, active membership, deferred pensioners and pensioners;

- benefit structure, including details of any discretionary benefits and any proposals to amend the scheme;
- income and expenditure; and
- following consultation with the Actuary, the key assumptions that should be used to value the scheme liabilities, ensuring that the assumptions are mutually compatible and – with the exception of the discount rate (see notes 1 and 2.7) - reflect a best estimate of future experience.

The Scheme liability as assessed by the Actuary is based on a roll forward of the last full valuation as at 31 March 2005. This is the professional judgement of the Actuary based on the information provided by the Scheme administrator (see Actuary's Report pages 9-10). The JPS membership profile was assessed as part of the full valuation in the year, updated to reflect changes since that full valuation.

17 (c)

Pension scheme liabilities accrue over members' periods of service and are discharged over the period of retirement and, where applicable, the period for which a spouse, civil partner and dependants survive the pensioner. In valuing the scheme liability, the Actuary must estimate the impact of several inherently uncertain variables far into the future. These variables include not only the key financial assumptions noted in the table above, but also assumptions about the changes that will occur in the future in the mortality rate, the age of retirement and the age from which a pension becomes payable. Membership numbers in the years between full actuarial valuations are assumed to be stable.

17 (d)

The value of the liability included on the Balance Sheet may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation it is considered appropriate to reduce the real investment yield (net of inflation or earnings growth) then the value of the pension scheme liability will increase (other things being equal). Conversely, if the assumed rates are increased, the value of the liability will decrease. A change in the inflation rate on its own would not necessarily change the value of the Scheme's liabilities. (E.g. if the inflation rate and the gross discount rate fell by the same amount, one would expect the value of the liabilities to be broadly unchanged, all other things being equal). Pensions in payment will increase in line with inflation, but in calculating the liability one discounts all future pension payments back to the valuation date at the discount rate. It is the difference between the discount rate and the inflation rate, which affects the change in liability rather than the absolute values of either of the rates.

The Scheme Manager accepts that, as a consequence, the valuation provided by the Actuary is inherently uncertain. The increase or decrease in future liability charged or credited for the year resulting from changes in assumptions is disclosed where appropriate. The note also discloses 'experience' gains or losses for the year, showing the amount charged or credited for the year because events have not coincided with assumptions made for the last valuation.

17 (e) Analysis of movement in scheme liability

	Note	2006-07 £'000	2005-06 £'000
Scheme liability at 1 April 2006		(1,352,000)	(1,169,700)
Current service cost	9	(87,000)	(85,000)
Interest on pension scheme liability	11	(73,000)	(69,000)
Pension transfers in	8		(212)
Change in discount rate		(235,000)	(100,000)
Transfers out	12	953	-
Benefits payable	17f	58,687	55,572
Actuarial gain	17g	60,000	16,340
Scheme liability at 31 March 2007		<u>(1,627,360)</u>	<u>(1,352,000)</u>

During the year ended 31 March 2007, employer's contributions represented an average of 30.75 per cent of pensionable pay. Employees' contributions were 2.4 or 1.8 per cent of earnings. Members in the 1993 Scheme contributions are taken from salary up to a level reflecting the former Inland Revenue earnings cap, while 1981 Scheme members pay contributions based on the whole salary.

17 (f) Analysis of Benefits Payable

	2006-07		2005-06	
	£'000	£'000	£'000	£'000
Members – Base pensions	8,930		8,421	
Members – Pensions increase	6,160		5,593	
Members – Lump sum on retirement	1,410		1,477	
Dependants – Pensions	1,850		1,929	
Dependants – Lump sum on death of member	-		207	
Dependants – Pensions increase	2,205		1,988	
Pension benefits paid from JPS Estimate		<u>20,555</u>		<u>19,615</u>
Members – Base pensions	26,356		24,484	
Members – Lump sum on retirement	5,580		7,631*	
Dependants – Base pensions	4,032		3,613	
Dependants – Lump sum on death of member	2,164		229*	
Pension benefits paid from Consolidated Fund		<u>38,132</u>		<u>35,957</u>
Total pension benefits paid charged against provision		<u>58,687</u>		<u>55,572</u>

*In 05-06, a sum of £805,000 was incorrectly included as Lump sum on retirements instead of Lump sum on death of member. The totals are unaffected; hence the table has been left unadjusted for consistency with the previously published accounts.

17 (g) Analysis of actuarial gains and losses

	2006-07	2005-06
	£'000	£'000
Experience gain arising on the Scheme liabilities	60,000	16,340
Changes in assumptions underlying the present value of the scheme	(235,000)	(100,000)
	(175,000)	(83,660)

17 (h) History of experience gains and losses

	2006-07	2005-06	2004-05
	£'000	£'000	£'000
<i>Experience loss/ gains on scheme liabilities:</i>			
Amount	(175,000)	(83,660)	(63,972)
Percentage of the present value of the scheme liabilities	10.79%	6.21%	5.47%
<i>Total actuarial loss/gain:</i>			
Amount	(175,000)	(83,660)	(63,972)
Percentage of the present value of the scheme liabilities	10.79%	6.21%	5.47%

18. General Fund

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

		2006-07	2005-06
		£'000	£'000
Balance at 1 April		(1,347,106)	(1,165,302)
Payable to the Consolidated Fund:			
Excess Cash Surrenderable	5	(54,668)	(52,691)
Excess Appropriations-in-Aid	6	-	(287)
Notional Costs:			
Pension Payments made from Consolidated Fund	17f	38,132	35,957
Pension Payable from the Consolidated Fund		(383)	(184)
Income attributable to the Judiciary at the Corporation of London		(90)	(78)
Payment to Judiciary at the Corporation of London		3	3
Increase in Inland Revenue		(66)	(116)
Net Outgoings	3	(83,737)	(80,748)
Actuarial gain		60,000	16,340
Change in Discount	17g	(235,000)	(100,000)
Transfers out	12	953	-
Balance at 31 March		(1,621,962)	(1,347,106)

19. Cash Flow Statement

19 (a) Reconciliation of net outgoing to operating cash flows

	Note	2006-07 £'000	2005-06 £'000
Net outgoing for the year	3	(83,737)	(80,748)
Adjustments for non-cash transactions:			
Income attributable to Judiciary at the Corporation of London		(90)	(78)
Movement in working capital	4	(950)	(581)
Increase in pension provision	9/11	160,000	154,000
Use of provision - pension liability	17f	(20,555)	(19,615)
Net cash flow from operating activities	5	54,668	52,978

19 (b) Analysis of financing and reconciliation to the net cash requirement

	Note	2006-07 £'000	2005-06 £'000
Amount due to the consolidated fund received but not paid	16	8,990	9,027
Amount paid to the consolidated fund received prior year		(9,027)	(9,171)
Decrease in cash		(37)	(144)
Adjustments for receipts from operating activities			
Net cash outflow from operating activities	19a	(54,668)	(52,978)
Payments made to Consolidated fund		54,705	53,122
Net cash requirement per Statement of Parliamentary Supply		-	-

19 (c) Reconciliation of net cash requirement to increase/(decrease) in cash

	Note	2006-07 £'000	2005-06 £'000
Net cash requirement		-	-
From the Consolidated Fund (Supply) – current year		-	-
From the Consolidated Fund (Supply) – prior year		(9,027)	(9,171)
Amounts due to Consolidated Fund received but not paid	15	8,990	9,027
Decrease in cash		(37)	(144)

20. Financial Instruments

FRS 13 “Derivatives and Other Financial instruments” requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the non-trading nature of its activities and the way in which government departments are financed, the Judicial Pensions Scheme is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 applies.

Liquidity risk

Funds from the Consolidated Fund and resources voted by Parliament finance the Judicial Pensions Scheme’s net resource requirements. The Judicial Pensions Scheme is not therefore exposed to significant liquidity risks.

Interest Rate risk

All of the Judicial Pensions Scheme’s financial assets and liabilities carry nil or fixed rates of interest. The Scheme is not therefore exposed to any interest rate risk.

21. Contingent liabilities disclosed under FRS 12

There were no known contingent liabilities at 31 March 2007.

22. Losses

No losses were reported during the year.

23. Related-party transactions

The Judicial Pensions Scheme does not fall within the ambit of the DCA, as it obtains Parliamentary approval for its resources under a separate Supply Estimate. The DCA is the Lead Appointing Body for most Judiciary within the Scheme, and also the Scheme Manager. The Permanent Secretary to the DCA has been appointed as Accounting Officer for the Scheme. The DCA is regarded as a related party.

During the year the Scheme had not undertaken any material transactions with the DCA and other participating Government Departments who appoint Judicial Office Holders that are members of the Scheme.

The Scheme Manager, key managerial staff or other related parties have not undertaken any material transactions with the Scheme during the year.

24. Post Balance Sheet Events

On 9 May 2007, a new Ministry of Justice was established. The new Ministry performs the functions and activities of the Department for Constitutional Affairs. In addition, the National Offender Management Service, including the Prison and Probation Services has transferred from the Home Office. The new Ministry also has lead responsibility for criminal law and sentencing policy. The Ministry of Justice will be responsible for policy on the overall criminal, civil, family and administrative justice system, including sentencing policy, as well as the courts, tribunals, legal aid and constitutional reform.

No change to the working arrangements with JPS is envisaged.

In accordance with the requirements of FRS 21, 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. These accounts will be laid before Parliament on 24 July 2007.



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