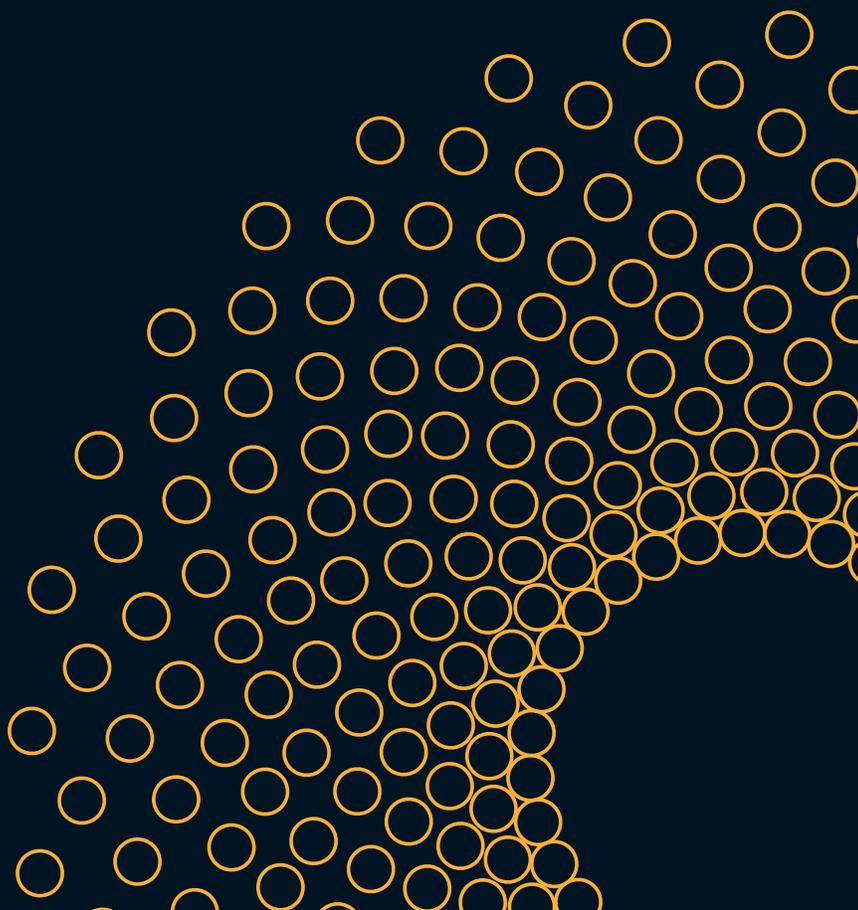




Ministry of
JUSTICE

Resource Accounts 2007-08



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

Ministry of Justice Resource Accounts 2007-08

(For the year ended 31 March 2008)

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Annual Report

Scope

These accounts relate to the Ministry of Justice (Moj), for the year ended 31 March 2008. On 9 May 2007, the Department was formed to take forward the work of the Department for Constitutional Affairs (DCA), together with some additional responsibilities transferring from the Home Office including the National Offender Management Service, which covers the Prison and Probation Services. The new Department also hosts the tri-lateral Office for Criminal Justice Reform.

The Ministry of Justice is the Government department responsible for upholding justice, rights and democracy. Moj's role is to drive forward the reform and improvement of the legal and justice system in England and Wales. It is responsible for upholding the rule of law and for reforming and safeguarding the constitution so that they serve the public effectively.

Principal Activities

Moj administers the courts and tribunals in England and Wales, the legal aid budget (through sponsorship of the Legal Services Commission), and the prison and probation services.

The central Department consists of a headquarters, four Executive Agencies, the National Probation Service (NPS), and a number of associated offices. While consolidated within the Department's Resource Accounts, the Executive Agencies and NPS also publish separate accounts. Decisions relating to the day-to-day running of the agencies remain the responsibility of their individual Chief Executives.

The associated offices are controlled and monitored by the Department. While some report financial performance in separate annual reports, only the Office of the Legal Services Ombudsman and the Office of the Legal Services Complaints Commissioner prepare separate statutory accounts that are audited by the Comptroller and Auditor General.

The administrative functions of the Scotland Office (including the Office of the Advocate General for Scotland) and the Wales Office also fall under the Moj umbrella.

For the purposes of the Department's Resource Accounts, the 'Consolidated' figures represent those for the central Department as defined above plus those of the Scotland and Wales Offices, while the Core Department figures exclude the four Executive Agencies and NPS. This accords with HM Treasury requirements.

Entities within the accounting boundary of the Ministry of Justice

Central Department	
Ministry of Justice Headquarters (MoJ HQ)	<p>Responsible for supporting Ministers in policy, funding and regulatory functions as well as providing key services to intra-departmental entities. These services include provision of the prisons and probation estates.</p> <p>The National Offender Management Service (NOMS) is responsible for the administration of correctional services in England and Wales through Her Majesty's Prison Service and the National Probation Service. MoJ HQ includes the HQ elements of NOMS.</p> <p>The Office for Criminal Justice Reform (OCJR) is also within MoJ HQ. OCJR is hosted by the Ministry of Justice and works trilaterally with the three Criminal Justice System departments, the Ministry of Justice, the Home Office, and the Attorney General's Office. The OCJR supports all criminal justice agencies in working together to provide an improved service to the public.</p>
Executive Agencies and Other Bodies:	
Her Majesty's Courts Service (HMCS)	Central to the delivery of justice, it is responsible for the administration of the court system (including magistrates' courts) in England and Wales.
The Tribunals Service	Provides common administrative support to the main central government tribunals.
Public Guardianship Office (PGO) (until 30 September 2007)	Assists in the protection and administration of the financial affairs of individuals with mental incapacity.
Office of the Public Guardian (OPG) (from 1 October 2007)	Supports and promotes decision making for those who lack capacity or would like to plan for their future, within the framework of the <i>Mental Capacity Act 2005</i> .

Central Department

Her Majesty's Prison Service (HMPS)

Serves the public by keeping in custody those committed by the courts in England and Wales. Exercises duty to look after prisoners with humanity and help them lead law-abiding and useful lives in custody and after release.

The National Probation Service (NPS)

Provides probation services in England and Wales. For the purposes of the departmental Resource Accounts, the NPS consists of the consolidated accounts of the 42 local Probation Boards, which are 'Bodies Corporate'.

Associated Offices:

Offices of Court Funds, Official Solicitor and Public Trustee

Office of the Legal Services Ombudsman

Office of the Legal Services Complaints Commissioner

HM Inspectorate of Court Administration

HM Inspectorate of Prisons

HM Inspectorate of Probation

Assessor for Compensation for Miscarriages of Justice

Council on Tribunals

Office of the Judge Advocate General

Judicial Appointments and Conduct Ombudsman

Office for Judicial Complaints

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

Scotland Office	
Scotland Office	Promotes the devolution settlement and represents Scottish interests within the UK Government.
Office of the Advocate General for Scotland	Provides legal services and bridges the gap between Scottish and British legal issues.
Wales Office	
Wales Office	Promotes the devolution settlement and supports the representation of Wales within the UK Government.

Entities outside the accounting boundary of the Ministry of Justice

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

Executive Non Departmental Public Bodies (NDPBs)	
Legal Services Commission (LSC)	Oversees the administration of legal aid in England and Wales.
Youth Justice Board for England and Wales (YJB)	Oversees the youth justice system in England and Wales jointly with the Department for Children, Schools and Families (DCSF).
The Parole Board	Works with its criminal justice partners to protect the public by risk assessing prisoners to decide whether they can be safely released into the community.
Criminal Injuries Compensation Authority (CICA)	Administers the Criminal Injuries Compensation Scheme throughout England, Scotland and Wales, paying compensation to eligible applicants who have been the victim of a violent crime.
Criminal Cases Review Commission (CCRC)	Investigates possible miscarriages of justice in England, Wales and Northern Ireland.
Information Commissioner's Office	Reports to Parliament on aspects of data protection and freedom of information.
Judicial Appointments Commission	Selects judicial office holders on merit and independently of government through fair and open competition.

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

Advisory Non Departmental Public Bodies (NDPBs) and other entities

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

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

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

Ministers	
Rt Hon Jack Straw MP Secretary of State and Lord Chancellor	Appointed 28 June 2007, replacing Rt. Hon Lord Falconer of Thoroton
Rt Hon David Hanson MP Minister of State	Appointed 9 May 2007
Michael Wills MP Minister of State	Appointed on 29 June 2007, replacing Rt Hon Harriet Harman QC MP
Bridget Prentice MP Parliamentary Under Secretary	Appointed 9 May 2007, having been appointed to the DCA on 9 May 2005
Lord Hunt of Kings Heath OBE Parliamentary Under Secretary	Appointed 29 June 2007, replacing Baroness Ashton of Upholland
Maria Eagle MP Parliamentary Under Secretary	Appointed 29 June 2007, replacing Vera Baird QC MP
Gerry Sutcliffe Parliamentary Under Secretary	Appointed 9 May 2007, left 1 July 2007

Whilst the administrative functions of the Scotland Office and the Wales Office lay with the Ministry of Justice, responsibility for the relationship between Westminster and the devolved administrations in Edinburgh and Cardiff remained with, respectively, the Secretary of State for Scotland (Rt. Hon Des Browne MP) and the Secretary of State for Wales (Rt. Hon Paul Murphy MP). The Rt Hon Des Browne MP replaced the Rt Hon Douglas Alexander as Secretary of State for Scotland on 29 June 2007. On the same date, the Rt Hon Paul Murphy MP replaced the Rt Hon Peter Hain as Secretary of State for Wales.

The Parliamentary Under Secretary for Scotland and the Advocate General for Scotland are Ministers of the Department but report directly to the Secretary of State for Scotland. The Parliamentary Under Secretary for Wales is also a Minister of the Department but reports directly to the Secretary of State for Wales.

David Cairns MP Minister of State for Scotland	From 29 June 2007, having been appointed as Parliamentary Under Secretary for Scotland on 10 May 2005
Neil Davidson QC Advocate General for Scotland	Appointed 21 March 2006
Huw Irranca-Davies MP Parliamentary Under Secretary for Wales	Appointed 29 June 2007, replacing Nick Ainger MP

The Departmental Boards

The Ministerial Executive Board

Membership of the Board

The DCA Ministerial Executive Board continued in existence until 9 May 2007, with the same membership as in 2006-07. From 9 May 2007 and the creation of the Ministry of Justice, Board membership was as follows:

Rt. Hon Jack Straw MP Secretary of State and Lord Chancellor	From 28 June 2007, replacing Lord Falconer of Thoroton
Rt. Hon David Hanson MP Minister of State	From 9 May 2007
Michael Wills MP Minister of State	From 29 June 2007, replacing Harriet Harman QC MP
Bridget Prentice MP Parliamentary Under Secretary	Full year

Lord Hunt of Kings Heath OBE Parliamentary Under Secretary	From 29 June 2007, replacing Baroness Ashton of Upholland
Maria Eagle MP Parliamentary Under Secretary	From 29 June 2007, replacing Vera Baird QC MP
Suma Chakrabarti Permanent Secretary	From 10 December 2007, replacing Alex Allan
Ursula Brennan Director General, Organisational Review (previously Chief Executive of OCJR)	From 9 May 2007, but from 15 May 2007 in current role
Helen Edwards Chief Executive, National Offender Management Service	From 9 May 2007
Phil Wheatley Director General, HM Prison Service	From 9 May 2007
Neil Ward Interim Chief Executive, HM Courts Service	From 15 December 2007, replacing Sir Ron De Witt
Marco Pierleoni Director General, Finance and Commercial	From 14 January 2008, replacing Peter Brook (interim from 1 August 2007 to 11 January 2008) and Barbara Moorhouse (to 30 July 2007)
Rod Clark Director General, Strategy	Full year
Carolyn Regan Chief Executive, Legal Services Commission	Full year
Rowena Collins-Rice Interim Director General, Legal and Judicial Services	From 2 January 2008, replacing John Lyon
David Wood Acting Chief Executive of OCJR	From 18 February 2008, replacing Jonathan Sedgwick (interim from 14 May 2007 to 18 February) and Ursula Brennan (to 14 May 2007)

Independent non-executive membership of the Ministerial Executive Board comprised: Professor Georges Selim, Head of the Faculty of Management and Director of the Centre for Research in Corporate Governance at Cass Business School, City University; and until 31 January 2008, Sir Peter Bonfield CBE, formerly Chief Executive of British Telecom.

Responsibilities of the Board

The Board oversaw progress on the strategy and policy priorities set by the Secretary of State and Lord Chancellor for the Department; identified actions to ensure that the strategy and priorities were delivered effectively; maintained an oversight of the Department's financial position; maintained high standards of propriety and corporate governance; and oversaw relationships with key stakeholders.

The Departmental Management Board

Membership of the Board

Membership of the Departmental Management Board since 9 May 2007 comprised:

Suma Chakrabarti Permanent Secretary	From 10 December 2007, replacing Alex Allan
Ursula Brennan Director General, Organisational Review (previously Chief Executive of OCJR)	From 9 May 2007, but from 15 May 2007 in current role
Helen Edwards Chief Executive, National Offender Management Service	From 9 May 2007
Phil Wheatley Director General, HM Prison Service	From 9 May 2007
Neil Ward Interim Chief Executive, HM Courts Service	From 17 December 2007, replacing Sir Ron De Witt
Marco Pierleoni Director General, Finance and Commercial	From 14 January 2008, replacing Peter Brook (interim from 1 August 2007 to 11 January 2008) and Barbara Moorhouse (to 30 July 2007)
Rod Clark Director General, Strategy	Full year

Carolyn Regan Chief Executive, Legal Services Commission	Full year
Rowena Collins-Rice Interim Director General, Legal and Judicial Services	From 2 January 2008, replacing John Lyon
David Wood Acting Chief Executive of OCJR	From 18 February 2008, replacing Jonathan Sedgwick (interim from 14 May 2007 to 18 February) and Ursula Brennan (to 14 May 2007)
Peter Handcock Chief Executive, Tribunals Service	Full year
Yvonne Gallagher Chief Information Officer	Full year
Beverley Shears Director, Human Resources	Full year
Peter Brook Head of Offender Management Programme Assurance	From 21 February 2008, Previously interim Director General, Finance and Commercial (from 1 August 2007 to 11 January 2008)

Responsibilities of the Board

The Departmental Management Board ensured delivery of the strategy set by the Secretary of State and Lord Chancellor, preparing a business plan with annual and longer term objectives on the basis of the Secretary of State and Lord Chancellor's priorities. It ensured delivery of the Department's Public Service Agreement, setting performance and quality targets and ensures that the Department is resourced and motivated to achieve its objectives effectively, building capacity for the future.

Changes since the end of the financial year

On 1 April 2008 the Department established a new slimmed down Corporate Management Board (CMB), chaired by the Permanent Secretary and including three non-executive directors. Its aim is to provide direction to the management of all Ministry of Justice operations and to act to protect and enhance the reputation of the Department. It replaces the Departmental Management Board.

Executive members of the CMB are Suma Chakrabarti, Permanent Secretary; Ursula Brennan, Director General, Corporate Performance and Deputy Permanent Secretary; Marco Pierleoni, Director General, Finance and Commercial; Rowena Collins-Rice, Director General, Legal and Judicial Services; Beverley Shears, Acting Director General, Human Resources; Peter Handcock CBE, Director General, Access

to Justice; Helen Edwards, Director General, Criminal Justice; Phil Wheatley CB Director General, National Offender Management Service.

Non-executive members are: Anne Bulford, Carolyn Downs, and David MacLeod.

On 2 July 2008, the Department announced that the Prime Minister had approved the appointment of Ursula Brennan as 2nd Permanent Secretary at the Ministry of Defence.

The Audit Committee

Membership:

Membership of the Audit Committee comprised: Anne Bulford (Chairman of the Committee and non-executive member of the Corporate Management Board) and three independent non-executives; Maria Stafford (to 31 July 2007), James Turner and Jane Tozer MBE.

Anne Bulford replaced Professor Georges Selim on 21 April 2008. Maria Stafford left the Committee on 31 July 2007 on completion of the term of her appointment.

Responsibilities:

Up to 31 March 2008 the Audit Committee functioned as an advisory sub committee of the Ministerial Executive Board. The function of the Audit Committee was to provide advice on the process and assurance for risk management, control and governance; accounting policies and accounts; the planned activity and results of internal and external audit; the adequacy of management responses to issues identified by audit activity; and the Principal Accounting Officer's Statement on Internal Control. The Chair of the Audit Committee reported formally to the Ministerial Executive Board twice during 2007-08.

Senior Management

The Permanent Secretary is appointed by the Prime Minister for an indefinite period under the terms of the Senior Civil Service contract. The other members of the MoJ Board, including those who sit on the Ministerial Executive Board, are appointed by the Permanent Secretary. These appointments are also for an indefinite period, except for Sir Ron De Witt, Barbara Moorhouse, Yvonne Gallagher and Marco Pierleoni, who are or were employed on fixed term Senior Civil Service contracts. The rules of termination for all official level members of both boards are set out in Chapter 11 of the *Civil Service Management Code*.

The Scotland Office and the Wales Office

The Scotland Office and the Wales Office retained their own separate Heads of Department and Accounting Officers throughout 2007-08. David Middleton took over the post at the Scotland Office from Jim Wildgoose on 1 November 2007 while Alan Cogbill remained in post at the Wales Office throughout the year. Both reported directly to their respective Ministers.

The Department's Relationship with its Non Departmental Public Bodies

Throughout 2007-08, the Department sponsored seven executive Non-Departmental Public Bodies (NDPBs): the Legal Services Commission, the Youth Justice Board, the Parole Board of England and Wales, the Criminal Injuries Compensation Authority, the Criminal Cases Review Commission, the Information Commissioner's Office and the Judicial Appointments Commission. The Department is committed to the maintenance of sound working relationships with all seven bodies.

The Legal Services Commission

The post of Chief Executive of the Legal Services Commission (LSC) carried with it a seat on both the Ministerial Executive and Departmental Management Boards. The Department's Director General, Strategy, normally in conjunction with the LSC Chief Executive / Accounting Officer, was responsible for advising Ministers and the Department's Permanent Secretary (in his role as Departmental Accounting Officer) on the strategic direction of the LSC in the context of wider departmental and cross government objectives.

The performance of the LSC in supporting the delivery of Ministers' strategy and policy priorities was reported regularly to the Department throughout the year. Performance was reviewed quarterly by the Permanent Secretary with the Chairman and Chief Executive of the LSC. The Lord Chancellor met the LSC Chairman regularly, also meeting the LSC Commissioners to discuss the Commission's current and future activities and policy developments relevant to those activities.

Youth Justice Board for England and Wales

The Youth Justice Board (YJB) was established under the *Crime and Disorder Act 1998* to oversee the reforms to the youth justice system. It works to prevent offending and re-offending by children and young people under the age of 18, and to ensure that custody for them is safe, secure and addresses the causes of their offending behaviour. Specifically, it:

- advises the Ministers from the Ministry of Justice and the Department for Children, Schools and Families on the operation of, and standards for, the youth justice system;
- monitors the performance of the youth justice system;
- purchases places for, and places, children and young people remanded or sentenced to custody;
- identifies and promotes effective practice;
- makes grants to local authorities and other bodies to support the development of effective practice; and,
- commissions research and publishes information.

The YJB is funded by the Ministry of Justice and DCSF (with the exception of some additional small grants from other sources) and sponsored by the Joint Youth Justice Unit (JYJU). The relationship between the Government and the YJB is regulated by a management statement and financial memorandum. Departmental Committee meetings are held quarterly between the JYJU and the YJB. Performance is measured through progress against PSA targets and via these and other regular meetings held between the JYJU and the YJB.

The Parole Board of England and Wales

The Parole Board was established in 1968 under the *Criminal Justice Act 1967*. It became an independent Executive Non Departmental Public Body on 1 July 1996 under the *Criminal Justice and Public Order Act 1994*. It has a part time Chair and 170 members as well as a Chief Executive who is supported by over 75 secretariat staff. In May 2007 the Board's sponsor changed from the Home Office to the Ministry of Justice.

The relationship between the Board and the Department is regulated by a draft framework document and financial memorandum. The Chief Executive's post carries with it the responsibilities of Accounting Officer for the Parole Board. The Board is funded by grant in aid by its sponsors. During the year the Board met with its sponsors on a regular basis.

Criminal Injuries Compensation Authority

The Criminal Injuries Compensation Authority (CICA) is an executive NDPB sponsored by the Ministry of Justice. Day to day sponsorship monitoring of CICA is undertaken by the Office of Criminal Justice Reform, where the key liaison is the Head of the Victim and Witness Unit.

CICA operates in compliance with the Management Statement and Financial Memorandum agreed between CICA and the sponsor unit. CICA meets with the sponsor department (either in person; by video link; or teleconference) every month. These meetings are normally between the Chief Executive of CICA and the Head of The Victim and Witness Unit.

In line with the requirements of the Management Statement agreed between CICA and its sponsor department, CICA has prepared a three- year corporate plan supported by an annual business plan, both of which are available on CICA's web-site.

Criminal Cases Review Commission

The Commission is the independent Non-Departmental Public Body responsible for reviewing possible miscarriages of justice in the criminal courts of England, Wales and Northern Ireland and referring appropriate cases to the appeal courts. The Commission has a Financial Memorandum and Management Statement which have been agreed with the Sponsorship Unit in MoJ. Staff from the sponsorship unit meet the Principal Director and other Directors of the Commission monthly to discuss finance, performance and other issues.

The Information Commissioner's Office

The Information Commissioner's Office (ICO) is an independent body created by statute. The Commissioner does not report to Ministers but to Parliament. The ICO is funded by (1) fees payable under the *Data Protection Act 1998* which it collects and retains, and (2) grant in aid for freedom of information work, which forms part of the Department's Departmental Expenditure Limit. The relationship between the Department and the ICO is regulated by a framework document and financial memorandum.

The Secretary of State and Lord Chancellor and the Permanent Secretary met the Information Commissioner on a regular basis throughout 2007-08, usually every two months. The Constitution Director (responsible for the sponsorship division) also had regular and frequent meetings with the Commissioner. The head of the sponsorship division met or spoke to the Information Commissioner fortnightly and there was frequent contact between senior members of the division and senior officials in the ICO, in particular the Deputy Commissioners, the Chief Operating Officer, the Finance Manager and the HR Director.

Judicial Appointments Commission

The Chairman and the Commissioners are appointed by Her Majesty on the recommendation of the Lord Chancellor and Secretary of State. The Commission's grant in aid forms part of the Department's Departmental Expenditure Limit. The relationship between the Department and the Commission is regulated by a framework document which includes a financial memorandum.

The Chairman meets the Lord Chancellor and Secretary of State on a monthly basis and the Lord Chancellor together with the Lord Chief Justice on a quarterly basis. The Chief Executive of the Commission together with her senior officials meet the Director General, Legal and Judicial Services Group bi-annually.

The Head of the Sponsorship Branch and her team meet Commission officials quarterly to discuss performance against the Commission's Corporate and business plans. The Branch advises ministers and the Permanent Secretary (in his role as Accounting Officer) on these plans as well as the Commission's Annual Report. The Legal and Judicial Services Group Secretariat monitor the Commission's finance and risk.

Management Commentary

The central Department was responsible for **£10.3bn** of public spending in the financial year, under the category of Request for Resources 1 (RfR1) within the Spending Estimates. The use of these resources is reported in the Consolidated Statement of Operating Costs by Departmental Aims and Objectives on page 134 of these accounts.

The Spending Review in 2004 (SR04) set the Public Service Agreements (PSAs) for the period 2005-06 to 2007-08. The PSAs for DCA for this period cover the delivery of justice, increasing public confidence in the criminal justice system, reducing unfounded asylum claims, completion of care cases and achieving earlier and proportionate dispute resolution. There are five targets that support these PSAs. In addition, in relation to those parts of the department formerly within the Home Office, there is a NOMS Standard, against which the performance of NOMS is measured. These targets and Standard are explored briefly here and in more detail in the *Departmental Report 2007-08 (Cm 7397)* available at <http://www.justice.gov.uk/publications/annual-report-2008.htm>.

The aim of the Scotland Office is to support the Secretary of State for Scotland in promoting the devolution settlement and Scottish interests in Parliament. Resources of **£24.6bn** were provided under Request for Resources 2 (RfR2), being primarily a grant to the Scottish Consolidated Fund. A brief review of performance is shown in the Consolidated Statement of Operating Cost by Departmental Aims and Objectives. Further detailed information, in respect of performance is provided in the *Scotland Office and Office of the Advocate General Annual Report 2008 (Cm 7403)* available at <http://www.scotlandoffice.gov.uk/our-communications/documents.php?doctype=reprs>.

Likewise, the Wales Office's aim is to support the Secretary of State for Wales in promoting Welsh interests and ensuring the smooth implementation of the devolution settlement in Wales. Resources of **£11.8bn** were provided in Request for Resources 3 (RfR3), being primarily a grant to the Welsh Consolidated Fund. The *Wales Office Annual Report 2008 (Cm 7404)*, available at <http://www.walesoffice.gov.uk/2008/05/15/annual-report-2008/>, details its key achievements and performance by objective. Expenditure for the Scotland and Wales Offices is summarised by objective on pages 81 and 84.

The Department as a whole, across all three Requests for Resource, was responsible for **£46.7bn** of public spending in the financial year.

Performance highlights for 2007-08

Performance in 2007-08 against the principal SR04 PSA Targets of the Department is shown below. Further details of the data systems used by the Department to monitor performance against all the PSA targets are reported in the 2007-08 Ministry of Justice Departmental Report available at <http://www.justice.gov.uk/docs/annual-report-2008-chapter-2.pdf>.

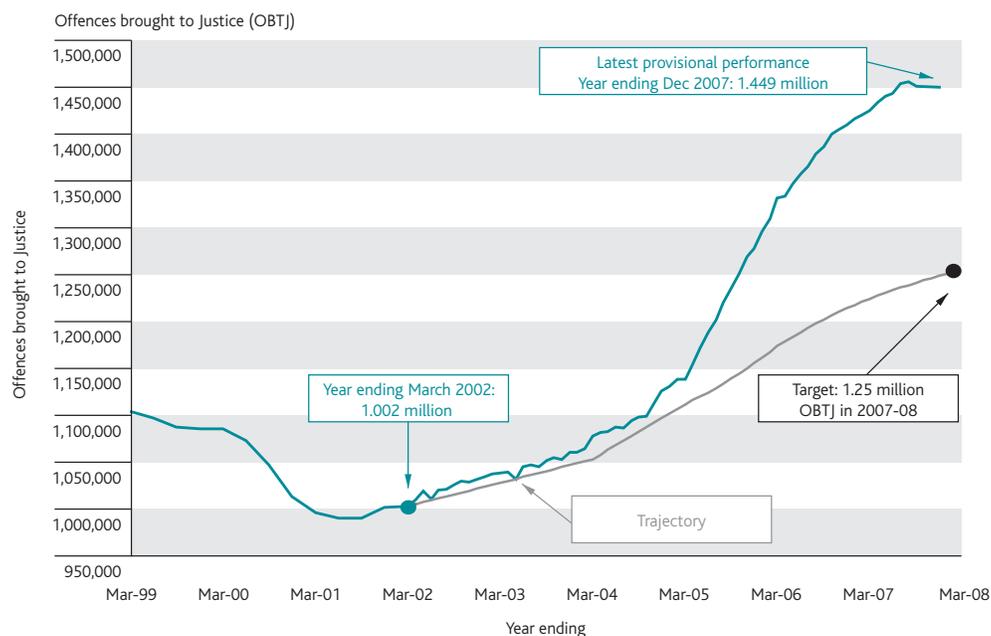
PSA target 1

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 (joint Criminal Justice System (CJS) target).

An offence is considered to have been brought to justice when a recorded crime results in an offender being convicted, cautioned, issued with a penalty notice for disorder, given a formal warning for possession of cannabis or having an offence taken into consideration.

Measure	Latest outturn
Increase the number of crimes for which an offender is brought to justice to 1.25 million per annum by 2007-08.	Ahead Latest performance shows that 1.449 million offences were brought to justice in the 12 months to December 2007.

The performance against this target over the past 9 years is shown graphically below:



PSA target 2

Reassure the public, reducing the fear of crime and anti-social behaviour, and building confidence in the CJS without compromising fairness.

To improve public confidence in the CJS, including increasing that of ethnic minorities and increasing year-on-year the satisfaction of victims and witnesses, while respecting the rights of defendants.

The target will have been achieved if, for the year 2007-08, two out of the following three elements are met. The three confidence elements, reported on below, are shared between the Home Office, MOJ and the Crown Prosecution Service (CPS).

Measures	Latest outturn
<p>Improve the level of public confidence in the CJS.</p> <p>This is determined using questions in the British Crime Survey (BCS) which ask whether the public believes the CJS is effective in bringing people who commit crimes to justice.</p>	<p>Ahead</p> <p>Baseline (BCS 2002-03): 39%</p> <p>Target (BCS 2007-08): an increase</p> <p>Latest outturn: (year to December 2007): 44%</p>
<p>Reduce the number of people in black and minority ethnic (BME) communities who believe the CJS would treat them worse than people of other races.</p> <p>This is measured by questions in the Citizenship Survey (formerly the Home Office Citizenship Survey – HOCS) which ask whether people from a BME background believe the CJS would treat them worse than people of other races.</p>	<p>On course</p> <p>Baseline (HOCS 2001): 33%</p> <p>Target (Citizenship Survey 2007): a decrease</p> <p>Latest outturn (Citizenship Survey April – December 2007): 27%</p>
<p>Increasing satisfaction of victims and witnesses.</p> <p>This is measured using BCS questions on victim and witness satisfaction with the CJS.</p>	<p>On Course</p> <p>Baseline (BCS six month to March 2004): 58%</p> <p>Target (BCS 2007-08): an increase</p> <p>Latest outturn (year to December 2007): 60%</p>

PSA target 3

Reduce unfounded asylum claims as part of a wider strategy to tackle abuse of the immigration laws and promote controlled legal migration (joint target with Home Office).

Measures	Latest outturn
<p>Reduce unfounded asylum claims. The target will have been achieved if the number of unfounded asylum claims in the year 2007-08 is less than in the baseline year (2002-03).</p>	<p>Ahead¹ Baseline (2002-03): 70,200 Target: a reduction Latest outturn (2006-07): 17,900</p>

¹Unfounded asylum intake data for 2007-08 is not yet available. Whilst provisional data for 2007 indicates that the total number of asylum applications, including dependants, was 27,905 which is 1% lower than in 2006 (28,321), the figures for Q4 2007 (8,140) were 17% up on Q4 in 2006 (6,965).

PSA target 4

By 2009-10, increase the proportion of care cases being completed in the courts within 40 weeks by 10 per cent.

Measures	Latest outturn
<p>The target will be met if by 2009-10 the county courts (care centres) achieve 48% and the magistrates' courts (Family Proceedings Courts) achieve 56%.</p>	<p>Slippage On a financial year to date basis (April 2007 – March 2008) current performance levels for 2007-08 are: County courts (care centres): 38.4% Magistrates' courts (Family Proceedings Centres): 49.8%</p> <p>PSA performance is below target in both the care centres and the Family Proceedings Courts. Current trajectories suggest that delivery of the target by March 2010 will prove challenging.</p> <p>Key reforms to the care proceedings system, which are aimed at improving outcomes for children through the more timely and effective progression of care cases, 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.</p>

PSA target 5**To achieve earlier and more proportionate resolution of legal problems and disputes by:**

- increasing advice and assistance to help people resolve their disputes earlier and more effectively;
- increasing the opportunities for people involved in court cases to settle their disputes out of court; and
- reducing delays in resolving those disputes that need to be decided by the courts.

Measures	Latest outturn
<p>Increasing advice and assistance to help people resolve their disputes earlier and more effectively.</p> <p>Target will be achieved with a 5% increase from 47.5% to 49.9% in the proportion of justiciable problems¹ in respect of which people receive suitable advice and assistance.</p> <p>Achievement of this target is measured by the <i>English and Welsh Civil and Social Justice Survey</i>² (formerly the <i>National Periodic Survey of Justiciable Problems</i>), which commenced early in 2006.</p>	<p>Slippage 45.9% (cumulative <i>Civil and Social Justice Survey</i> data from January 2006 to March 2008).</p> <p>There has been recovery against this PSA measure during recent quarters. However, the final reporting data is not expected to show that the target has been met. Although the absolute volume of advice provided has increased since 2004, this has not kept pace with the volume of justiciable problems reported, which has resulted in this target being missed.</p>
<p>Increasing the opportunities for people involved in court cases to settle their disputes out of court.</p> <p>Target will be achieved with a 5% 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>Slippage 41.0% (12 months to March 2008)</p> <p>The successful introduction of small claims mediators during 2007 has resulted in over 2,000 cases being settled. However, a significant change in '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.</p>

Measures	Latest outturn
<p>Reducing delays in resolving those disputes that need to be decided by the courts.</p> <p>Target will be achieved with a 2% increase from 79.9 to 81.5% in the proportion of small claim hearings that take place within target time.</p>	<p>Slippage 77.8% (12 months to March 2008). 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.</p>

¹ A justiciable problem is a problem which might have a legal solution

² The most recent published report of the survey (2006) can be downloaded from <http://www.lsrc.org.uk/publications/csjs2006.pdf>. An introduction to the survey and definitions of the measures used can be downloaded from <http://www.lsrc.org.uk/publications/PSA2005.pdf>.

NOMS Standard

The following is the performance standard for the National Offender Management Service (NOMS):

Protect the public by ensuring there is no deterioration in the levels of re-offending for young offenders and adults. Maintain the current low rate of prisoner escapes, including Category A escapes.

The NOMS Standard requires that re-offending performance for adults and juveniles is maintained above the 2005-06 level over the SR04 period. Re-offending is measured using proven re-offending rates, comparing actual re-offending rates with a predicted rate. This allows account to be taken for year-on-year variations in the profile of offenders such as their age, gender and criminal history as well as external factors. Proven re-offending rates are calculated from a sample taken between January and March each year. Due to the lengthy period of monitoring of reoffending required by the measures, the latest data available is on the cohort released (or who had a court disposal) in Jan-March 2005.

Alongside the NOMS Standard, there is a longer-term goal to work towards a ten per cent reduction in re-offending by the end of the decade.

Measures	Latest outturn
<p>Re-offending for young offenders</p> <p>This is measured by the number of young offenders who re-offend within a one-year period following a pre-court disposal, court disposal, or release from prison and who are subsequently re-sanctioned, either through receiving another pre-court disposal or through a conviction in court.</p>	<p>Slippage</p> <ul style="list-style-type: none"> • Baseline: 2000 • Target (January–March 2006): a 5% reduction • Latest outturn (January–March 2005): <ul style="list-style-type: none"> – Actual rate: 40.8% – Outturn: 0.1% reduction
<p>Re-offending for adults</p> <p>Adult re-offending is measured by the reduction in the proportion of adult offenders discharged from prison or starting a community sentence who are proven to have re-offended within two years, compared to the predicted rate.</p>	<p>On course</p> <ul style="list-style-type: none"> • Baseline: 2000 (January–March 2000) • Target (January–March 2006): a 5% reduction • Latest outturn (for offenders released or starting a community sentence in January–March 2005): <ul style="list-style-type: none"> – Actual rate: 53.2% – Outturn: 7.4% reduction
<p>Escapes</p> <p>This element is met if the number of escapes as a proportion of the prison population does not exceed 0.17% and there are no Category A escapes.</p>	<p>Ahead</p> <ul style="list-style-type: none"> • Target: less than 0.17% • 0.027% provisional outturn 2007-08¹ • There have been no Category A escapes

¹Prison Service figures are provisional outturns for 2007-08 and subject to further validation before final publication.

Review of activities

Performance measures on the delivery of key public services are reported in the section above. The following are among other significant activities of the Department in the year:

Governance of Britain agenda: The Green Paper, *The Governance of Britain* was published in July 2007, setting out the Government's vision and proposals for constitutional renewal. The Governance of Britain programme sets out to re-balance the power between Parliament and the Government, clarifying the role of Government, and to invigorate our democracy, giving British people a stronger sense of what it means to be British.

Constitutional Renewal: The Department held a number of public consultations during the year on issues such as parliamentary control of war powers, protests near Parliament and judicial appointments. The Department worked with the House of Commons to develop proposals for an increased parliamentary role in the dissolution and recall of Parliament. The Department also published a White Paper and draft Bill on Constitutional Renewal in March 2008, setting out the Government's proposals following this extensive consultation.

Carter Review of prisons: The Department published Lord Carter's report *Securing the Future: Proposals for the efficient and sustainable use of custody in England and Wales* in December 2007. Simultaneously, the Justice Secretary announced an expansion of the programme to increase prison capacity, one of the key recommendations of this report (see below under Looking Forward). With regard to one of the report's other recommendations, the Government has established a working group to consider the feasibility of a Sentencing Commission. This group, under the chairmanship of Lord Justice Gage, will report to the Justice Secretary and Lord Chief Justice in summer 2008.

Criminal Justice and Immigration Act: The *Criminal Justice and Immigration Act 2008* was introduced in the House of Commons in June 2007. The Act contains a wide range of measures which will support the delivery of a fair, efficient, simple and speedy criminal justice system which will protect the public and deliver justice for all. In particular, the Act will help focus prison and probation resources on serious and dangerous offenders. To this end the Act contains a number of measures to reform the sentencing framework and bail arrangements as recommended in Lord Carter's review of prisons.

Criminal Justice Simple Speedy Summary approach (CJSSS): Following successful pilots in 2006-07, the Department extended the Criminal Justice Simple Speedy Summary (CJSSS) approach in the magistrates' courts and set up a best practice model in the Crown Court. Victims, witnesses, defendants and the public generally will see justice dispensed more quickly and efficiently.

Supreme Court implementation: Construction work began in June 2007 on the refurbishment of the Middlesex Guildhall, which will house the Supreme Court. The Court is due to become operational in October 2009, assuming the jurisdiction of the Appellate Committee of the House of Lords. The appointment of Jenny Rowe as the first Chief Executive of the Supreme Court was announced in January 2008.

Office of the Public Guardian: In October 2007, the statutory role of Public Guardian, the Office of the Public Guardian, the Independent Mental Capacity Advocate service and the new Court of Protection became fully operational in England and Wales.

Organisational Review: Shortly after the creation of the Ministry of Justice, an in-depth review was commissioned to ensure the Department's structure created the right conditions to deliver its wide agenda. The review reported at the end of January 2008 and implementation of changes to the structure started on 1 April 2008 (see below under Looking Forward).

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

- clearly communicate a unifying thread which binds together staff in the different parts of the Department;
- define clear roles, responsibilities and business models and make them work;
- improve the Department's ability to make prioritisation and resource allocation decisions on the basis of robust data and evidence; and
- address the challenge of building capacity across the Department in an environment of financial constraint.

The review recognised that the Department had already taken important steps to address these areas and was acting to put in place the new organisational structures, strategies and processes needed to meet its future delivery challenges. Furthermore, it added that the Department's Ministers and staff were enthusiastic, and committed to introducing the changes and to developing the Department for the future. Full details can be found at http://www.civilservice.gov.uk/about/accountability/capability/web_reports/moj_baseline.asp.

Pay deal: a four-year pay deal for the 28,000 former DCA staff in the MoJ was implemented in August 2007. The deal is a result of one of the most complex pay and grading reviews undertaken in central government.

Efficiency: As part of the Spending Review 2004 (SR04), Sir Peter Gershon was invited to conduct a review on the scope for making efficiency savings in central government, with a view to reallocating resources to frontline service delivery. The three-year Gershon efficiency programme covered the period to 31 March 2008. The latest figures to 31 December 2007 showed strong performance:

	Efficiency Target (end March 2008)	Latest Performance (end March 2008) ²
Financial savings	£292m	£454m
Headcount reductions	1,473 FTEs	1,880 FTEs
Relocated posts	280 FTEs ¹	601 FTEs

FTE is full-time equivalent

¹ target to 31 March 2010

²This is the final period of the SR04 efficiency programme. However one further report is required by HM Treasury at 31 July 2008 to capture those financial savings where there is a data lag (e.g. legal aid).

Financial Performance

RfR1

At the start of the year the former DCA (Request for Resources 1) had agreed a Total Net Resource Requirement through its Main Estimate of £3,900m. Following Machinery of Government changes and various other transfers and drawdowns, the final Net Resource Requirement for the Ministry of Justice was £9,553m. The major changes were:

The creation of the Ministry of Justice saw the merger of the former DCA and the National Offender Management Service and Office for Criminal Justice Reform directorates from the Home Office. This resulted in a transfer of resources from the Home Office of £5,054m.

The Ministry of Justice was transferred £2m from the Cabinet Office for the Privy Council Secretariat and the Office of the Judicial Committee of the Privy Council.

The Ministry of Justice received additional resources of £55m to assist with the additional costs arising from the prison capacity issues. £6m was also received to cover the costs of the Diana, Princess of Wales Inquest.

Drawdown of End Year Flexibility totalled £182m for Reform and Modernisation Programmes and Electoral Modernisation pilots.

As part of the Comprehensive Spending Review, HM Treasury provided an extra £192m of non cash resource to cover increases in capital charges arising from the transfer of Magistrates' courts to HMCS.

Overall, the Ministry of Justice underspent against the Total Net Resource estimate for RfR1 by £400m (4.2%). This is detailed in Note 2 to the accounts.

This underspend includes the following:

- Non-cash resource of £202m (within MoJ Headquarters and Associated Offices) which relates to the release of provision on dormant cases in the Legal Services Commission. The MoJ agreed with HM Treasury to surrender this non-cash resource. However, this was not possible during the year and will now be surrendered through the End Year Flexibility exercise.
- An under spend against HM Courts Service, £52m of which is required to offset the deficit in the Judicial Salaries paid from the Consolidated Fund.

After adjusting for these specific items, the under spend becomes £147m (1.6%).

This variance was principally due to:

- An underspend on cash grant paid to the Legal Services Commission (£22m) and the National Probation Service (£37m).
- Lower expenditure within the OCJR group (£62m), including lower payments made on the pre-tariff compensation scheme by the Criminal Injuries Compensation Authority and a revision to the level of outstanding liabilities relating to miscarriages of justice.
- Re-phasing of some change programmes within the MoJ (£32m), in particular in the Tribunals Service and in relation to the implementation of the Development, Innovation and Support Contracts (DISC).
- An impairment of £150m on the HM Court Service estate due to a change in valuation policy to modern equivalent replacement cost in accordance with new HM Treasury guidance. This was off-set to a large extent by a non-cash contingency of £115m held centrally within the MoJ.
- An over spend on payments from Central Funds (£20m).

RfR2

The Total Net Resources for RfR2 increased from £24,620m in the Main Estimate to £25,017m. This was due to a £397m increase in cash grant to the Scottish Parliament.

RfR3

The Total Net Resources for RfR3 increased from £11,864m in the Main Estimate to £11,994m. This was largely due to the £128m increase in cash grant to the Welsh Assembly.

The small (less than 2%) underspends in relation to the grants payable to the Scottish and Welsh Consolidated Funds are ring-fenced for these entities and will either be paid over to them in the subsequent period or forwarded to the Consolidated Fund.

The additional variance between the Estimate and outturn in respect of the Net Cash Requirement, as reported in Note 4, is primarily due to the underspend on capital acquisition of fixed assets and to unbudgeted movements in working capital. The underspend on capital acquisitions of £252m is due to planned re-phasing of several new build schemes and the delay in completion of the refurbishment of the Department's new Headquarters.

Reconciliation of resource expenditure between Estimate, Accounts and Budgets

	2007-08
	Total
	£000
Net Resource Outturn (Estimates)	45,607,374
<i>Adjustments to remove:</i>	
Provision voted for earlier years	-
<i>Adjustments to additionally include:</i>	
Non-voted expenditure in the OCS	140,041
Consolidated Fund Extra Receipts in the OCS	(6,778)
Non-Supply adjustment (NPS) (Income)/Expenditure	3,652
(Profit) / loss on disposal of fixed assets	(3,438)
Net Operating Cost (Accounts)	45,740,851
<i>Adjustments to remove:</i>	
Gains/losses from sale of capital assets	3,438
Capital grants (to local authorities)	(21)
European Union income related to capital grants	-
Voted expenditure outside the budget	(36,442,500)
<i>Adjustments to additionally include:</i>	
Other Consolidated Fund Extra Receipts	-
Resource consumption of non departmental public bodies	(417,156)
Unallocated resource provision	-
Other adjustments	-
Resource Budget Outturn (Budget)	8,884,612
<i>of which</i>	
Departmental Expenditure Limits (DEL)	8,734,628
Annually Managed Expenditure (AME)	149,984

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

Looking forward

Organisational Review:

To improve focus on the Department's core responsibilities, the Department was re-structured in April 2008 around four business groups. The four groups, and the Board members responsible for them, are:

- Democracy, Constitution and the Law (Rowena Collins-Rice)
- Access to Justice (Peter Handcock)
- National Offender Management Service (Phil Wheatley)
- Criminal Justice Strategy (Helen Edwards).

These four business groups are supported by a Corporate Performance group (Ursula Brennan), which provides services such as finance, IT, human resources support, communications, planning, performance management and research analysis.

On 1 April 2008, the new structure to Director level was implemented with streamlining of responsibilities, which enabled a 14% decrease in the number of senior management posts.

Departmental Strategic Objectives:

Aligning with the four main business groups above are new Departmental Strategic Objectives for 2008-09:

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

Public Service Agreement (PSA):

The Public Service Agreement sets out the key priority outcomes the Government wants to achieve in the next spending period (2008-11). From 2008-09 all PSA Targets are now Government wide and each will cross Government departments. Those related to MoJ are listed below:

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

Of particular interest:

PSA target 23 'Make Communities Safer': This includes a specific indicator on reducing re-offending. This new PSA, in place from April 2008, provides for a much more sophisticated understanding of re-offending. Whilst we have historically only counted the number of people who re-offend, we will now also be able to monitor the number of re-offences as well as the level of serious re-offending, and focus work to tackle the most persistent and challenging offenders.

PSA target 24 'Deliver a more effective, transparent and responsive Criminal Justice System for victims and the public': The Ministry of Justice shares responsibility for the Criminal Justice System (CJS) with the Home Office and the Attorney General's Office. In November 2007, the Government published its *Strategic Plan for Criminal Justice: Working Together to Cut Crime and Deliver Justice: The Criminal Justice Strategic Plan 2008-2011*. The vision of this plan, and the specific commitments set out in the CJS Public Service Agreement (PSA 24), support the delivery of the Government's wider crime and reducing re-offending strategies. The strategies, and the Public Service Agreements (PSAs) which support their delivery, provide a greater focus on tackling serious violent and serious acquisitive crime, while providing local services with greater flexibility to respond to local community concerns.

Further details of the PSA targets, and how they are measured, for the period 2008-2011 are available at http://www.hm-treasury.gov.uk/pbr_csr/psa/pbr_csr07_psaindex.cfm.

Financial view:

The following paragraphs set out some of the financial background against which the Department will deliver its objectives over the next three years:

The budget for the MoJ over the next three years (2008-09, 2009-10, and 2010-11) was agreed in October 2007 at approximately £9.5bn per annum, as part of the Comprehensive Spending Review (CSR). This was equivalent to a 1.7% annual reduction in real terms against the 2007-08 baseline. The total budget for 2008-11 was supplemented in December 2007 to become approximately £10bn per annum, including extra funding to build and run additional prison places as part of the Government's response to Lord Carter's Review of Prisons.

The Department's value for money programme aims to deliver a cumulative value of savings in the 3-year CSR period up to March 2011 of over £1bn. This is savings of over 3% per annum. The Department has focused on improving the efficiency of services provided and from 2008-09 will combine this with looking at how resources can be re-balanced to target high value activity by scaling back or stopping lower value activity.

The settlement also requires the Department to make 5% real reductions in administration budgets per annum.

Full details of the value for money programme can be found in our *Value for Money Delivery Agreement* published on the MoJ website on 18 February 2008 at <http://www.justice.gov.uk/publications/value-for-money-2008.htm>.

Other major future activities:

Prison capacity: At the time of the publication of Lord Carter's report *Securing the Future: Proposals for the efficient and sustainable use of custody in England and Wales* (December 2007), the Secretary of State announced plans for the provision of an additional 10,500 prison places by 2014 including up to three large 'Titan' prisons, housing around 2,500 prisoners each. An expansion of prison capacity was one of the key recommendations of the report. This increase in capacity will provide an opportunity for the Government to close old, inefficient prisons, giving an overall net increase of 15,000 places by 2014. The overall capacity programme is anticipated to bring net capacity of the prison estate to around 96,000 places by 2014. The report can be found at <http://www.justice.gov.uk/publications/securing-the-future.htm>.

Legal Aid reform: In early April 2008, the MoJ, the Legal Services Commission (LSC) and the Law Society announced that agreement had been reached on the best way forward following the Court of Appeal's judgment on the LSC's Unified Contract for civil legal aid suppliers. This agreement will ensure a period of certainty and stability for providers, and the LSC and MoJ will be working with the Law Society and others on the likely content of future contracts. Work is now in progress on the next stages of the legal aid reform programme. These are to prepare the way for best value tendering of criminal legal aid services from 2009, subject to consultation and implement the 'Civil Road Map' published in April 2008 following agreement with the Law Society.

New arrangements for governance, resourcing and operation of courts: The Justice Secretary, on behalf of the Ministry of Justice and the Lord Chief Justice, on behalf of the judiciary, has agreed new arrangements in relation to the governance, financing and operation of HMCS. The courts are, by their nature, a shared endeavour between the Judiciary and the government and, under this new and unique partnership between the Justice Secretary and the Lord Chief Justice, HMCS enters a new phase in its development, one in which the Agency expects to see substantial improvement both in its delivery of services and in its capability to adjust to and meet the demands of modern society.

The detailed governance of HMCS is set out in the Framework Document, published on 1 April 2008. This includes a new aim and objectives set jointly by the Justice Secretary and the Lord Chief Justice. A new HMCS Board structure with greater judicial membership has been put in place. This holds HMCS (the Chief Executive and the executive team) to account. The Board is led by an independent non-executive Chairman, Sir Duncan Nichol, CBE, who is neither a judge nor a civil servant.

Establishing probation trusts: In July 2007 the Offender Management Act became law, allowing the creation of Probation Trusts. The concept is that Trusts can have greater independence and flexibility to innovate than Probation Boards and thereby ensure that the most appropriate services are delivered in their

local area to reduce re-offending, protect the public and deliver the sentence. Where a Trust is failing to provide the standard of service the public can expect, the Secretary of State will have the option of using another organisation – whether public, private or charitable – which has shown it can do a better job. Six Probation Trusts were created on 1 April 2008, and early experience from these will help inform the final model for introducing trusts.

Two-tier tribunal system: Individual tribunal jurisdictions doing similar work will be brought together into a radically simplified two-tier tribunals system – consisting of a First Tier and Upper Tribunal that goes live on 3 November 2008. This new system, headed by Lord Justice Carnwarth as Senior President, will speed up justice, make the process easier for the public to understand and bring together the considerable expertise that exists in each tribunal jurisdiction.

Personal data related incidents

In Cabinet Office's Interim Progress Report on Data Handling Procedures, published on 17 December 2007, Government made a commitment that Departments will cover information risk management in their annual reporting. The following gives a summary report of significant personal data related incidents in 2007-08, in categories required by Cabinet Office. Incidents, the disclosure of which would in itself create an unacceptable risk of harm, may be excluded in accordance with the exemptions contained in the Freedom of Information Act 2000 or may be subject to the limitations of other UK information legislation.

Summary of protected personal data related incidents formally reported to the Information Commissioner's Office in 2007-08

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
June 2007	Unauthorised disclosure of inadequately protected electronic storage devices	Supplier name, address, some bank details	c 27,000	None

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
July 2007	Loss of inadequately protected laptop from outside secured Government premises	Name of appellant, DOB, National Insurance number	145	Individuals notified by post. Police notified.
Sept. 2007	Loss of inadequately protected laptop from outside secured Government premises	Name of applicant for judicial office, suitability for appointment	13	Individuals notified by post; Police notified.
October 2007	Loss of inadequately protected electronic storage devices from outside secured Government premises	Name of offender, offence committed	138	Law enforcement agencies notified
October 2007	Loss of paper documents from outside secured Government premises	Name of offender, offence committed, risk information, future job training or employment information	8	Law enforcement agencies notified

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
November 2007	Loss of paper documents outside secured Government premises	Customer name, Date of Birth (DOB), address, in some instances credit history	24	Individuals notified by post
November 2007	Loss of paper documents from outside secured Government premises	Names of parties, address, DOB, alleged offence	3,648	None
November 2007	Loss of paper documents from outside secured Government premises	Name of offender, offence committed, risk information, future job training or employment information	40	Law enforcement agencies notified
January 2008	Loss of inadequately protected laptop from secured Government premises	Name of fine defaulter, DOB, last known address, offence committed. National insurance number in approx 20% of cases.	14,000	Police notified

Further action on information risk:

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

In relation to the first incident above (June 2007), discs containing 27,000 supplier records were in the possession of a contractor specifically employed by the MoJ. The data was not lost or stolen but some examples were shown to a representative of a newspaper. All data held by the contractor was subsequently recovered or destroyed.

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

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

The Programme will oversee measures designed to ensure:

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

Planned steps for the coming year will address:

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

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

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

Equal opportunities

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

an environment free from discrimination, harassment, victimisation and bullying.

The Department recognises, respects and values the diversity of the society it serves and aims to serve the interests of people from all sections of society.

Payment to suppliers

The Department has adopted the *British Standard for Achieving Good Payment Performances in Commercial Transactions (BS 7890: 1996)*. The Department's policy is to pay bills in accordance with contractual conditions or, where no such conditions exist, within 30 days of the receipt of the goods and services or the presentation of a valid invoice, whichever is the later. Excluding the National Probation Service, for the financial year 2007-08 78.1% (2006-07: 88.2%) of invoices were paid within payment terms based on date of receipt at the Department's accounts payable providers. Excluding the National Probation Service, interest paid under the *Late Payment of Commercial Debts (Interest) Act 1988* was £270,047 (2006-07: £71,756).

The deterioration primarily reflects performance within HM Prison Service, which has dropped from 81% in 2006-07 to 71% in 2007-08. An action plan is in place to recover the situation.

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

Range	No of Boards reporting performance within the range	
	2007-08	2006-07
Less than 65%	0	0
65% to 69.9%	0	2
70% to 74.9%	1	1
75% to 79.9%	2	2
80% to 84.9%	4	2
85% to 89.9%	4	4
90% to 94.9%	9	15
95% to 100%	22	16
No. of Boards reporting	42	42

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

Audit

These accounts have been audited by the Comptroller and Auditor General (C&AG). The notional cost of the audit for the Core Department in 2007-08 is £350,000 plus an additional £100,000 for the Consolidated Accounts (2006-07: £190,000 plus £20,000 for the DCA Consolidated Resource Accounts). The 2006-07 cost of auditing NOMS/OCJR remains in the Home Office accounts.

The total cost of audits across the Ministry of Justice group is £2,971,000 of which £1,471,000 is a cash and £1,500,000 a notional cost (2006-07: £2,590,000 comprising £1,433,000 cash and £1,126,000 notional cost).

This total cost includes:

	2007-08	2006-07
	£	£
Her Majesty's Courts Service	400,000	300,000
Funds in Court Part A	70,000	58,000
Funds in Court Part C	20,000	20,000
Tribunals Service	110,000	110,000
Office of the Public Guardian	45,000	-
Public Guardianship Office	45,000	60,000
Consolidated Accounts of the Local Probation Boards	69,000	69,000
Individual Probation boards	1,411,000	1,383,000
Her Majesty's Prison Service	190,000	190,000
Office of the Legal Services Ombudsman	10,500	10,000
Office of the Legal Services Complaints Commissioner	11,000	10,500
Returning Officers Expenses, England and Wales	30,500	25,000
Scottish Electoral accounts	7,000	6,000
Judicial Pension Scheme	30,000	47,000
Whole of Government Accounts	8,000	-
Wales National Loans Fund	2,000	-
Scotland National Loans Fund	2,000	1,500
Official Solicitor and Public Trustee	60,000	50,000
Privy Council	-	9,000
Total	2,521,000	2,349,000
Core Accounts	350,000	190,000
Consolidated Accounts	100,000	20,000
Total	2,971,000	2,559,000
Of which		
Cash	1,411,000	1,383,000
Notional	1,560,000	1,176,000
	2,971,000	2,559,000

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

The C&AG also undertook some non-audit work during the year. No charge was made for this work.

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

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

Provision of information and consultation with employees

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

Clare Harbord has been appointed as Director of Communications but is not a member of the Ministerial Executive Board. The Department has made the strategic development of its communications a key priority and aims to be proactive and open, working to engage more effectively with stakeholders, staff, the public and the media in the development and delivery of its services.

The Department is fully committed to the principle of equality of opportunity and values the diversity of all its staff. As a key part of this commitment, we take action to ensure that people with disabilities are supported and encouraged to apply for employment and to develop and progress in the organisation. We are a Disability Symbol User, a member of the Employers' Forum on Disability, and ensure that reasonable adjustments and positive developmental opportunities are provided to enable individuals to fulfil their potential.

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

Directorships and other significant interests

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

Suma Chakrabarti
Accounting Officer

Remuneration Report

Auditable Sections

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

Remuneration Policy

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

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

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

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

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

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

Board members and senior civil servants remuneration

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

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

Service Contracts

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

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

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

Salary and pension entitlements

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

Remuneration	2007-08		2006-07	
	Salary	Benefits in kind (rounded to the nearest £100)	Salary	Benefits in kind (rounded to the nearest £100)
Ministers	£	£	£	£
Rt Hon Jack Straw MP Secretary of State for Justice and Lord Chancellor (from 28 June 2007)	58,105 (76,904 full-year equivalent)	-	-	-
Rt Hon David Hanson MP Minister of State (from 9 May 2007)	35,603 (39,893 full-year equivalent)	-	-	-
Michael Wills MP Minister of State (from 30 June 2007)	30,031 (39,893 full-year equivalent)	-	-	-
Lord Hunt of Kings Heath OBE Parliamentary Under Secretary (from 30 June 2007)	80,732 (70,986 full-year equivalent)	-	-	-
Bridget Prentice MP Parliamentary Under Secretary	30,280	-	29,909	-
Maria Eagle MP Parliamentary Under Secretary (from 30 June 2007)	22,794 (30,280 full-year equivalent)	-	-	-
David Cairns MP Minister of State for Scotland (from 29 June 2007) and previously Parliamentary Under Secretary for Scotland	37,543	-	29,909	-
Lord Davidson of Glen Clova Advocate General for Scotland	130,397	-	128,629	-
Rt. Hon Paul Murphy MP Secretary of State for Wales (from 24 January 2008)	14,471 (76,904 full-year equivalent)	-	-	-
Huw Irranca-Davies MP Parliamentary Under Secretary for Wales (from 29 June 2007)	22,794 (30,280 full-year equivalent)	-	-	-
Lord Falconer of Thoroton Secretary of State and Lord Chancellor (to 28 June 2007)	26,096 (104,386 full-year equivalent)	2,700	103,108	8,800

Remuneration	2007-08		2006-07	
	Salary	Benefits in kind (rounded to the nearest £100)	Salary	Benefits in kind (rounded to the nearest £100)
	£	£	£	£
Ministers				
Baroness Catherine Ashton of Upholland Parliamentary Under Secretary (to 28 June 2007)	35,359 (70,986 full-year equivalent)	-	104,932	-
Rt Hon Harriet Harman QC MP Minister of State (to 28 June 2007)	13,298 (39,893 full-year equivalent)	-	39,405	-
Vera Baird QC MP Parliamentary Under Secretary (to 28 June 2007)	7,570 (30,280 full-year equivalent)	-	27,026 (29,909 full- year equivalent)	-
Nick Ainger MP Parliamentary Under Secretary for Wales (to 29 June 2007)	7,570 (30,280 full-year equivalent)	-	29,909	-
Gerry Sutcliffe MP Parliamentary Under Secretary (from 9 May 2007 to 1 July 2007)	4,459 (30,280 full-year equivalent)	-	-	-

Notes to the table:

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

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

The salary and pension entitlements and the value of any taxable benefits in kind for the former Secretary of State for Scotland, the Rt Hon Douglas Alexander MP, are disclosed in the accounts of the Department for Transport.

The salary and pension entitlements and the value of any taxable benefits in kind for the former Secretary of State for Wales, the Rt Hon Peter Hain MP, are disclosed in the accounts of the Northern Ireland Office.

Baroness Ashton and the Rt Hon Harriet Harman left the MoJ on 28 June 2007 but were paid by the Department for July. This payment is being recovered from the Cabinet Office.

Pension Benefits	Accrued pension at age 65 as at 31 March 2008					
	Real increase in pension at age 65	CETV at 31 March 2008	CETV at 31 March 2007 (recalculated)	CETV at 31 March 2007 (published)	Real increase in CETV	
	£000	£000	£000	£000	£000	
Ministers						
Rt Hon Jack Straw MP Secretary of State for Justice and Lord Chancellor (from 28 June 2007)	20-25	0-2.5	315	-	294	14
Rt Hon David Hanson MP Minister of State (from 9 May 2007)	0-5	0-2.5	46	-	36	5
Michael Wills MP Minister of State (from 30 June 2008)	0-5	0-2.5	26	-	19	5
Lord Hunt of King Heath OBE Parliamentary Under Secretary (from 30 June 2008)	10-15	0-2.5	150	-	132	9

Pension Benefits	Accrued pension at age 65 as at 31 March 2008	Real increase in pension at age 65	CETV at 31 March 2008	CETV at 31 March 2007 (recalculated)	CETV at 31 March 2007 (published)	Real increase in CETV
	£000	£000	£000	£000	£000	£000
Ministers						
Bridget Prentice MP Parliamentary Under Secretary	0-5	0-2.5	42	33	35	4
Maria Eagle MP Parliamentary Under Secretary (from 30 June 2008)	5-10	0-2.5	45	-	38	2
Lord Davidson of Glen Clova Advocate General for Scotland	0-5	0-2.5	54	27	23	17
Rt Hon Paul Murphy MP Secretary of State for Wales (from 24 January 2008)	5-10	0-2.5	53	-	49	2
Huw Irranca-Davies Parliamentary Under Secretary for Wales (from 29 June 2007)	0-5	0-2.5	11	-	6	2
Baroness Catherine Ashton of Upholland Parliamentary Under Secretary (to 28 June 2007)	10-15	0-2.5	104	-	98	3
Rt Hon Harriet Harman MP Minister of State (to 28 June 2007)	10-15	0-2.5	121	-	118	1
Vera Baird QC MP Parliamentary Under Secretary (to 28 June 2007)	0-5	0-2.5	9	-	7	1
Nick Ainger MP Parliamentary Under Secretary for Wales (to 29 June 2007)	0-5	0-2.5	46	-	44	1
Gerry Sutcliffe MP Parliamentary Under Secretary (from 9 May 2007 to 1 July 2007)	5-10	0-2.5	58	-	56	-

Notes to the table:

The salary and pension entitlements and the value of any taxable benefits in kind for the Secretary of State for Scotland, Des Browne MP, are disclosed in the accounts of the Ministry of Defence.

The salary and pension entitlements and the value of any taxable benefits in kind for the former Secretary of State for Scotland, the Rt Hon Douglas Alexander MP, are disclosed in the accounts of the Department for Transport.

The salary and pension entitlements and the value of any taxable benefits in kind for the former Secretary of State for Wales, the Rt Hon Peter Hain MP, are disclosed in the accounts of the Northern Ireland Office.

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

Due to certain factors being incorrect in last years CETV calculator there may be a slight difference between the final period CETV for 2006-07 and the start of the period CETV for 2007-08.

Ministerial Pensions

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

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

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

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

The Cash Equivalent Transfer Value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total ministerial service, not just their current appointment as a Minister. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

The real increase in the value of the CETV

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

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

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

Remuneration	2007-08		2006-07	
	Salary £000	Benefits in kind (rounded to the nearest £100) £	Salary £000	Benefits in kind (rounded to the nearest £100) £
Senior Managers				
Suma Chakrabarti Permanent Secretary (from 7 December 2007)	50-55 (175-180 full-year equivalent)	-	-	-
Ursula Brennan Chief Executive, OCJR (from 9 May 2007 to 14 May 2007) and Head of Moj Organisational Review (from 15 May 2007 to 31 March 2008)	120-125 (135-140 full-year equivalent)	-	-	-
Peter Brook Head of Offender Management Programme Assurance (from 21 February 2008) and Interim Director General, Finance and Commercial (from 1 August 2007 to 10 January 2008)	80-85 (120-125 full-year equivalent)	-	-	-
Rod Clark Director General, Strategy	130-135	-	120-125	-
Rowena Collins-Rice Interim Director General, Legal and Judicial Services (from 1 January 2008)	25-30 (100-105 full-year equivalent)	-	-	-
Helen Edwards Chief Executive, NOMS (from 9 May 2007)	140-145 (155-160 full-year equivalent)	12,200	-	-
Yvonne Gallagher Chief Information Officer	150-155	-	100-105 (135-140 full-year equivalent)	-
Peter Handcock CBE Chief Executive, Tribunals Service	125-130	1,700	130-135	900
Marco Pierleoni Director General, Finance and Commercial (from 14 January 2008)	35-40 (170-175 full-year equivalent)	-	-	-

Remuneration	2007-08		2006-07	
	Salary	Benefits in kind (rounded to the nearest £100)	Salary	Benefits in kind (rounded to the nearest £100)
	£000	£	£000	£
Senior Managers				
Beverley Shears Director, Human Resources	140-145	-	20-25 (140-145 full-year equivalent)	-
Neil Ward Interim Chief Executive, HM Courts Service (from 15 December 2007)	40-45 (120-125 full-year equivalent)	-	-	-
Phil Wheatley CB Director General, HM Prison Service (from 9 May 2007)	135-140 (150-155 full-year equivalent)	-	-	-
David Wood Interim Chief Executive, OCJR (from 18 February 2008)	10-15 (95-100 full-year equivalent)	-	-	-
David Middleton Head of the Scotland Office (from 1 November 2007)	35-40 (90-95 full-year equivalent)	-	-	-
Alan Cogbill Head of the Wales Office	95-100	-	90-95	-
Alex Allan Permanent Secretary (to 7 December 2007)	130-135 (155-160 full-year equivalent)	-	155-160	9,000
Barbara Moorhouse Director General, Finance and Commercial (to 31 July 2007)	55-60 (155-160 full-year equivalent)	-	170-175	-
John Lyon Director General, Legal and Judicial Services (to 31 December 2007)	115-120 (135-140 full-year equivalent)	-	140-145	-
Sir Ron De Witt Chief Executive, HM Courts Service (to 14 December 2007)	110-115 (160-165 full-year equivalent)	-	155-160	-
Jonathan Sedgwick Interim Chief Executive, OCJR (from 14 May 2007 to 18 February 2008)	75-80 (95-100 full-year equivalent)	-	-	-

Remuneration	2007-08		2006-07	
	Salary	Benefits in kind (rounded to the nearest £100)	Salary	Benefits in kind (rounded to the nearest £100)
	£000	£	£000	£
Senior Managers				
Jim Wildgoose Head of the Scotland Office (to 31 October 2007)	60-65 (80-85 full-year equivalent)	-	120-125	-
Non-Executive Directors				
Sir Peter Bonfield CBE Non-executive Director (to 31 January 2008)	5-10 (5-10 full-year equivalent)	-	5-10	-
Professor Georges Selim Non-executive Director	15-20	-	10-15	-
David Crawley Audit Committee Chair and non- executive Director, Wales Office	5-10	-	5-10	-
Ian Summers Non-executive Director, Wales Office (from 1 September 2007)	0-5 (0-5 full year equivalent)	-	-	-

Notes to the table:

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

Ursula Brennan continued to be paid by the Home Office until 13 May 2007.

Figures for David Middleton above are provided from 1 November 2007 when he took over as Head of the Scotland Office. David had been shadowing Jim Wildgoose in the role since 1 October 2007.

Carolyn Regan had no salary, benefits in kind or pension entitlements attributable to the Department. As Chief Executive of the Legal Services Commission her salary and pension entitlements are disclosed in the Legal Services Commission Annual Report and Accounts.

Lord Justice Leveson attended the Departmental Board as a Judicial representative. He left the Board in May 2007 and did not receive any additional remuneration for this role.

Dr. Mark Taylor acts as Chair of the Scotland Office Audit Committee. He is an employee of the Department and received no additional remuneration for this role.

Compensation for loss of office

Sir Ron De Witt left the Department on 14 December 2007. He received a lump sum compensation payment at date of leaving of £405-410k. This included a special severance payment of £130-135k.

Service Contracts

Senior Managers	Contract start date ¹	Unexpired term ² years	Notice period months
Suma Chakrabarti Permanent Secretary (from 7 December 2007)	1 September 1984	16	3
Ursula Brennan Chief Executive, OCJR (from 9 May 2007 to 14 May 2007) and Head of MoJ Organisational Review (from 15 May 2007 to 31 March 2008)	1 April 1975	10	3
Peter Brook Head of Offender Management Programme Assurance (from 21 February 2008) and Interim Director General, Finance and Commercial (from 1 August 2007 to 10 January 2008)	22 March 1976	11	3
Rod Clark Director General, Strategy	1 May 2005	18	3
Rowena Collins-Rice Interim Director General, Legal and Judicial Services (from 1 January 2008)	1 July 1985	17	3
Helen Edwards Chief Executive, NOMS (from 9 May 2007)	14 January 2002	10	3
Yvonne Gallagher Chief Information Officer	20 January 2003	3	6
Peter Handcock CBE Chief Executive, Tribunals Service	4 January 1971	8	3
Marco Pierleoni Director General, Finance and Commercial (from 14 January 2008)	14 January 2008	3	3
Beverley Shears Director, Human Resources	5 February 2007	14	3
Neil Ward Interim Chief Executive, HM Courts Service (from 15 December 2007)	6 March 1972	10	3
Phil Wheatley CB Director General, HM Prison Service (from 9 May 2007)	21 July 1969	5	3
David Wood Interim Chief Executive, OCJR (from 18 February 2008)	16 January 2006	13	3
David Middleton Head of the Scotland Office (from 1 November 2007)	4 September 1978	13	3
Alan Cogbill Head of the Wales Office	16 September 1974	9	3
Alex Allan Permanent Secretary (to 7 December 2007)	-	Left MoJ	-

Senior Managers	Contract start date ¹	Unexpired term ² years	Notice period months
Barbara Moorhouse Director General, Finance and Commercial (to 31 July 2007)	-	Left Moj	-
John Lyon Director General, Legal and Judicial Services (to 31 December 2007)	-	Left Moj	-
Sir Ron De Witt Chief Executive, HM Courts Service (to 14 December 2007)	-	Left Moj	-
Jonathan Sedgwick Interim Chief Executive, O CJR (to 18 February 2008)	26 September 1994	21	3
Professor Georges Selim Non-executive Director	2 November 2005	1	1
David Crawley Audit Committee Chair and non-executive Director, Wales Office	5 December 2005	3	N/A
Ian Summers Non-executive Director, Wales Office (from 1 September 2007)	September 2007	2	N/A
Sir Peter Bonfield CBE Non-executive Director (to 31 January 2008)	-	Left Moj	-
Jim Wildgoose Head of the Scotland Office (to 31 October 2007)	-	Left Moj	-

Notes to the table:

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

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

Pension Benefits

Senior Managers	Accrued pension and related lump sum at pension age at 31 March 2008 £000	Real increase in pension and related lump sum at pension age at 31 March 2008 £000	CETV at 31 March 2008 £000	CETV at 31 March 2007 (recalculated) £000	CETV at 31 March 2007 (published) £000	Real increase/ (decrease) in CETV £000
Suma Chakrabarti Permanent Secretary (from 7 December 2007)	45-50 plus 145-150 lump sum	2.5-5 plus 12.5-15 lump sum	813	-	679	70

Senior Managers	Accrued pension and related lump sum at pension age at 31 March 2008	Real increase in pension and related lump sum at pension age at 31 March 2008	CETV at 31 March 2008	CETV at 31 March 2007 (recalculated)	CETV at 31 March 2007 (published)	Real increase/ (decrease) in CETV
	£000	£000	£000	£000	£000	£000
Ursula Brennan Chief Executive, OCJR (from 9 May 2007 to 14 May 2007) and Head of MoJ Organisational Review (from 15 May 2007 to 31 March 2008)	60-65 plus 180-185 lump sum	0-2.5 plus 5-7.5 lump sum	1,340	1,080	1,186	46
Peter Brook Head of Offender Management Programme Assurance (from 21 February 2008) and interim Director General, Finance and Commercial (to 11 January 2008)	50-55 plus 155-160 lump sum	5-7.5 plus 15-17.5 lump sum	1,108	-	843	111
Rod Clark Director General, Strategy	35-40 plus 105-110 lump sum	0-2.5 plus 5-7.5 lump sum	597	479	452	36
Rowena Collins-Rice Interim Director General, Legal and Judicial Services (from 1 January 2008)	25-30 plus 80-85 lump sum	2.5-5 plus 7.5-10 lump sum	439	-	370	47
Helen Edwards Chief Executive, NOMS (from 9 May 2007)	10-15	0-2.5	216	159	158	22
Yvonne Gallagher Chief Information Officer	5-10	0-2.5	121	75	24	33
Peter Handcock CBE Chief Executive, Tribunals Service	60-65	0-2.5	1,257	1,067	1,030	40
Marco Pierleoni Director General, Finance and Commercial (from 14 January 2008)	0-5	0-2.5	8	-	-	8
Beverley Shears Director, Human Resources	0-5	0-2.5	36	-	4	28
Neil Ward Interim Chief Executive, HM Courts Service (from 15 December 2007)	45-50 plus 145-150 lump sum	2.5-5 plus 7.5-10.0 lump sum	1088	-	899	60

Senior Managers	Accrued pension and related lump sum at pension age at 31 March 2008	Real increase in pension and related lump sum at pension age at 31 March 2008	CETV at 31 March 2008	CETV at 31 March 2007 (recalculated)	CETV at 31 March 2007 (published)	Real increase/ (decrease) in CETV
	£000	£000	£000	£000	£000	£000
Phil Wheatley CB Director General, HM Prison Service (from 9 May 2007)	70-75 plus 215-220 lump sum	0-2.5 plus 5-7.5 lump sum	1,852	1,541	1,590	52
David Wood Interim Chief Executive, OCJR (from 18 February 2008)	0-5	0-2.5	82	-	76	4
David Middleton Head of the Scotland Office (from 1 November 2007)	35-40 plus 105-110 lump sum	0-2.5 plus 0-2.5 lump sum	704	-	627	73
Alan Cogbill Head of the Wales Office	40-45 plus 120-125 lump sum	0-2.5 plus 2.5-5 lump sum	888	762	759	18
Alex Allan Permanent Secretary (to 7 December 2007)	50-55 plus 160-165 lump sum	0-2.5 plus 0-2.5 lump sum	1,081	1,022	988	5
Barbara Moorhouse Director General, Finance and Commercial (to 31 July 2007)	0-5	0-2.5	59	-	55	10
John Lyon CB Director General, Legal and Judicial Services (to 31 December 2007)	65-70 plus 195-200 lump sum	0-2.5 plus 2.5-5 lump sum	1,591	1,440	1,183	25
Sir Ron De Witt Chief Executive, HM Courts Service (to 14 December 2007)	40-45	2.5-5	876	768	855	62
Jonathan Sedgwick Interim Chief Executive, OCJR (to 18 February 2008)	15-20 plus 50-55 lump sum	0-2.5 plus 5-7.5 lump sum	263	-	187	33
Jim Wildgoose Head of the Scotland Office (to 31 October 2007)	40-45 plus 120-125 lump sum	2.5-5 plus 5-7.5 lump sum	946	849	851	59

Senior Managers	Accrued pension and related lump sum at pension age at 31 March 2008	Real increase in pension and related lump sum at pension age at 31 March 2008	CETV at 31 March 2008	CETV at 31 March 2007 (recalculated)	CETV at 31 March 2007 (published)	Real increase/ (decrease) in CETV
	£000	£000	£000	£000	£000	£000

Notes to the table:

Due to certain factors being incorrect in last year's CETV calculator there may be a slight difference between the final period CETV for 2006-07 and the start of the period CETV for 2007-08.

Figures for David Middleton above are provided from 1 November 2007 when he took over as Head of the Scotland Office. David had been shadowing Jim Wildgoose in the role since 1 October 2007.

None of the non-executive Directors has pension entitlements with the Department.

Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

This presentation is based on payments made by the Department and thus recorded in these accounts. In respect of ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration; the salary for their services as an MP (£61,820 from 1 November 2007, £61,181 from 1 April 2007, £60,277 from 1 November 2006, £59,686 from 1 April 2006) and various allowances to which they are entitled are borne centrally. However, the arrangement for ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures above.

Ursula Brennan was a member of the Board throughout the financial year but the Department took over responsibility for her salary and pension from 14 May 2007, prior to that she was paid by the Home Office.

Any amounts payable on early termination of a contract will be in accordance with the individual's circumstances. The Department does not make any provision in its accounts in respect of compensation payments for early termination of contracts.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. Peter Handcock had the use of a car with the taxable benefits assessed at £1,700 (2006-07: £900 to the nearest £100) and Helen Edwards had use of a car provided by the Government car service with a taxable benefit assessed at £12,200 (2006-07: £12,400 to the nearest £100). Lord Falconer made use of

building services in respect of private use of his official residence in Admiralty Arch, assessed at £2,700 (2006-07: £8,800 to the nearest £100). This is an estimate, as the final value to be agreed between Secretary of State and Her Majesty's Revenue and Customs

Civil Service Pensions

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

Employee contributions are set at the rate of 1.5% of pensionable earnings for *classic* and 3.5% for *premium*, *classic plus* and *nuvos*. Benefits in *classic* accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For *premium*, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike *classic*, there is no automatic lump sum. *Classic plus* is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per *classic* and benefits for service from October 2002 calculated as in *premium*. In *nuvos* a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the *Finance Act 2004*.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement). No contributions were made to the partnership pension account during 2007-08 in respect of Senior Managers (2006-07: nil).

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

Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

Real increase in CETV

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

Suma Chakrabarti
Accounting Officer

Statement of Accounting Officers' Responsibilities

Under the *Government Resources and Accounts Act 2000*, HM Treasury has directed the Ministry of Justice to prepare, for each financial year, resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the Department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and of its net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

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

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

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

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

- Request for resources 1: Suma Chakrabarti, Permanent Secretary
- Request for resources 2: David Middleton, Head of the Scotland Office
- Request for resources 3: Alan Cogbill, Head of the Wales Office

The Head of the Scotland Office is responsible for paying grants to the Scottish Consolidated Fund to fund the operation of the Scottish Executive and Scottish Parliament. Upon transmission, the accountability for this money passes to the Scottish Parliament. Similarly, the Head of the Wales Office is responsible for paying grants to the Welsh Consolidated Fund to fund the Welsh Assembly Government. Under his terms of appointment the Accounting Officer for the Assembly is accountable for the use, including the regularity and propriety, of the monies received. A Memorandum of Understanding sets out how the Accounting Officer for the Assembly provides assurance to the Head of the Wales Office as to how he has discharged his responsibilities.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Ministry of Justice's assets, are set out in *Managing Public Money* published by HM Treasury.

Statement on Internal Control

1. Scope of responsibility

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

I was appointed Accounting Officer with effect from 10 December 2007, in succession to Alex Allan. The Department has undergone a period of significant change, following Machinery of Government changes to establish the Ministry of Justice on 9 May 2007, bringing together the former Department for Constitutional Affairs, and the National Offender Management Service. The Office of Criminal Justice Reform (OCJR) is also now based in and funded through the Ministry of Justice, and continuing to work tri-laterally with the Home Office and Attorney General's Office.

I, working with my senior management team have conducted an organisational review to integrate the different parts of the Department into a single structure that enables us to drive improvements to our public services, deliver our objectives and our purpose – working for a democratic and just society.

The high-level structure was announced on 29 January 2008 and the new structure and governance came into effect on 1 April 2008. The main changes arising from the review include:

- Corporate Management Board (CMB)

CMB provides direction to the management of all Ministry of Justice operations and acts to protect and enhance the reputation of the department. It is a small Board concentrating on the restructured policy and delivery areas – democracy, constitution and law; access to justice; a delivery-focused NOMS; criminal justice and corporate performance.

- National Offender Management Service (NOMS)

A restructured NOMS, focusing more clearly on delivery in prisons and probation, will bring together and streamline the prison service and NOMS headquarters, with greater devolution to regional and local levels.

- Office of Criminal Justice Reform (OCJR)

OCJR will continue as a distinct trilateral team working for all three criminal justice Ministers. Within the Ministry of Justice, the Chief Executive of OCJR will report to the new Director General Criminal Justice.

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

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

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

2. The purpose of the system of internal control

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

3. Capacity to handle risk

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

The Department's Risk Management Policy and Framework document was approved by the Board (of the former Lord Chancellor's Department) and published in June 2002. It sets out the Department's approach to risk in the achievement of its policies and objectives, and provides guidance on the process of identifying, assessing and managing risk. The policy and framework is available to all staff on the Department's Intranet, and is supported by guidance and targeted training in the form of seminars and workshops.

The network of Risk Co-ordinators, established to facilitate risk reporting and share best practice, has contributed to a unified Departmental Risk Management Policy and Framework for the new Ministry. It is due to be published in July 2008, subject to final amendments following the organisational review.

Registers that identify, assess, and set out mitigating actions to significant risks are in place across the Department's headquarters, Agencies, NDPBs, and Associated Offices. The management and review of the risks identified are led at Board and Directorate level within each business area.

Significant risks are considered by the Board through the Corporate Risk Report covering the entire organisation, and the Monthly Overview and Exception Report to the key programmes and projects for delivering the Department's aims and objectives.

The Department is represented at the HM Treasury's government-wide risk improvement forum, the remit of which includes the sharing and adoption of suitable best practice and lessons learnt.

4. The risk and control framework

The key elements of the Department'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 achievement of the Department's objectives are reported regularly in Risk Registers at Board, Directorate and Group level for each of the Departmental business areas. Ownership for each risk is assigned to a named individual and risk co-ordinators have been appointed in each of the Department's business areas to support the reporting process.
- b) The Department has been set a challenging target of delivering £1bn net cash-releasing value for money savings by 2010-11. To meet this challenge, a system has been implemented to track unfunded initiatives and assess the impact on spending plans. This will be reviewed by the Board on a quarterly basis, together with progress against spending plans and the value for money savings contributing to the target.

- c) An annual Assurance Statement, from Senior Budget Holders, Agency and Additional Accounting Officers, NDPBs, and Associated Offices, on the development and effectiveness of risk management arrangements.
- d) A quarterly review by the Board of the Overview and Exception Report on performance and risk in the key programmes and projects that deliver the Department's manifesto. The Departmental Change Assurance and Support Team (DCAST), includes a centre of excellence for programme and project management in accordance with Office of Government Commerce requirements, and incorporates procedures for management of risk.
- e) Risk identification, evaluation and management as an integral part of the Department's process for planning and delivering its Departmental Strategic Objectives and delivery plans for the Comprehensive Spending Review (CSR) 2007 period.

Further elements in the Department's control system include:

- Comprehensive planning systems covering the three year CSR period, with an annual budget which is approved by the Secretary of State. Work continues across the Department to strengthen understanding of the key drivers of cost and performance;
- Systems to identify, quantify and track financial risks, for example in respect of new policies or other initiatives. Again further effort is needed to improve the operation of this system;
- Regular provision of financial and non-financial management information to the Board, to enable the Board to review performance to date and take the necessary corrective action;
- A system of delegation and accountability;
- Comprehensive budgeting systems with an annual budget, which is, approved by the Secretary of State; regular reviews by the Board of periodic and annual financial reports; and a system of delegation and accountability.
- The Departmental Fraud Policy and "whistle blowing" policy for confidential reporting of staff concerns.
- Business Continuity Plans (BCP) to manage the risk of disruption to business are continually developed and tested. The Business Continuity Board oversees the development of BCPs and has a standing agenda item to review emerging threats (primarily to adapt protective security and continuity plans accordingly) and is supported by a Board level champion. BCPs are owned by business areas, which are required to identify needs and risks, and are

predicated on a regime of protective security, property maintenance, and IT service arrangements that aim to avoid disruption to the business. In the event of disruption, the plans focus on maintaining key service delivery. A regime of plan testing has been instituted. Changes in threat levels and the status alert are communicated across the department to local security officers and business areas have built upon central guidance to ensure local staff input into plans.

- The Service Management Organisation was established in July 2006 to manage performance and improve delivery of services provided by Liberata. An annual Statement of Assurance from Liberata UK Ltd to the Department confirms that the services provided by the company have been delivered in compliance with the assurance and control requirements of their contract with the Department. The Statement of Assurance also includes areas in which action to improve is required/underway.
- The Department's IT infrastructure and application services are provided by Atos Origin and Logica CMG. I place reliance upon the assurance provided to me by the Director of E-Delivery group who is responsible for assuring that services provided by these companies are delivered in compliance with the assurance and control requirements of their contract with the Department.
- The Home Office provides the Adelphi and Phoenix systems to NOMS and HM Prison Service respectively through IT infrastructure supplied by Fujitsu. Accountability for ensuring that these systems operate in an effective and secure manner rests with the Home Office Principal Accounting Officer. I draw assurance from the work carried out as part of the Home Office Internal Audit programme and the Home Office Statement on Internal Control.
- Involvement of public stakeholders in the management of risks through: a Departmental-monitoring group; wide consultation in line with the criteria set out in the government's Code of Practice; Regulatory Impact Assessments where required; a checklist for policy makers supported by "*Risk to the Public – A Framework for Identifying and Managing Risks Resulting from or Requiring Government Intervention.*"

5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and the executive managers within the department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of

my review by the board, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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

- **Ministerial Team (MT) and Corporate Management Board (CMB)** – which meet monthly and consider the significant risks to the Department and the controls in place to monitor them.
- **Sub-Committee Structure** – Following the Organisational Review a new sub-committee structure has been established to support the Board, consisting of the:
 - **Investment Committee** – chaired by the Director General, Finance and Commercial which will assess and approve all proposed MoJ programmes, projects and major investments. It will scrutinise programme initiation, approve investment, and ensure strategic fit.
 - **Change Committee** – will scrutinise progress on delivery of MoJ Programmes and Projects.
 - **People Committee** – will shape, lead and monitor the Department's people agenda, ensuring that strategies deliver skilled, motivated and experienced staff.
 - **Policy Committee** – will support CMB and Ministers in identifying and setting the strategic direction of Ministry of Justice.
 - **Corporate Audit Committee** – the Committee provides independent advice on internal control issues, advises on the Internal Audit work programme, and considers key recommendations from Internal Audit Reports and those by the National Audit Office.
 - **Risk Co-ordinators** – a network of risk co-ordinators has been established across the Department to support the reporting of risk and control issues to the Board and the Audit Committee.
 - **Internal Audit** – the Department has an Internal Audit Division that operates to Government Internal Audit Standards. It submits regular reports, including the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Department's governance, control and risk management arrangements, together with recommendations for improvement. It also works closely with the Department's Headquarters, Agencies and NDPBs to help ensure robust systems of fraud prevention, detection, investigation, reporting and recovery are in place.

- **Risk Management Assessment Framework (RMAF)** – The HM Treasury tool has been used both to inform how the Department’s headquarters, Agencies, and NDPBs are developing their risk management capability, to identify areas where further improvements can be made, and best practice shared. In turn it informs and provides supporting evidence to this statement.
- **Information Assurance** – A dedicated Programme has been established to oversee and ensure that electronic and paper-based information across the Ministry, including its agencies and delivery partners, is collected, managed, stored and disposed in a manner that inspires high levels of Parliamentary and public trust and confidence.
- **Other explicit review/assurance mechanisms.**

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

- National Audit Office Reports and Comptroller and Auditor General’s Certificate for Resource Accounts;
- HM Treasury Report on Fraud (Annual);
- Human Resources Directorate Whistle blowing Report (Annual);
- Stewardship reporting in support of Statements on Internal Control (in-year);
- Corporate governance updates to Corporate Audit Committee (periodic);
- MoJ Autumn Performance Reports (Annual);
- CMB / MT Performance Reports and Corporate Risks Reports (Monthly);
- Head of Security’s (Annual) Security Assurance Certificate;
- Sponsored bodies (Annual) Reports and Accounts including Statements on Internal Control;
- HM Inspectorate of Courts Administration publications and (Annual) report;
- HM Inspectorate of Prisons publications and (Annual) report;
- HM Inspectorate of Probation publications and (Annual) report;

- Assurance and quality reviews of programmes and projects by:
(*Internal*) Departmental Change Assurance and Support Team (DCAST);
(*External*) OGC Gateway Reviews for medium and high-risk programmes and projects; and
- The Capability Review Baseline Assessment of the Ministry of Justice, conducted in February 2008.

6. Significant Control Issues

Internal Audit have been consulted regarding the following significant internal control issues¹ for inclusion in this statement, and confirm that from the evidence of their work there are no other key issues to be included of which they are aware:

Prison Capacity

During 2007-08 the prison population exceeded operational capacity across the Prison Estate and has continued to become more complex. Emergency measures include Operation Safeguard (use of police cells to hold prisoners), emergency use of court cells and early release of prisoners through the End of Custody Licence scheme. Action to deliver the recommendations from the Carter Review (published December 2007) is being taken forward.

National Offender Management Service (NOMS) Capacity Programme

The NOMS Capacity Programme was initiated to address the major delivery challenges to ensure sufficient Prison places. A complex building programme in its own right, there is also a very high degree of stakeholder complexity not normally associated with a capital investment programme. The project has been delivered with limited resource within NOMS against a backdrop where the project resource has also been diverted into supporting Lord Carter's review of Prisons.

Whilst the Programme adhered to the necessary procedures for major investments, the smaller cases have not followed the detailed governance processes to the same extent. The overriding priority for the Programme has been the delivery of places. Value for money decisions have been made within this context. The Programme has now substantially strengthened its governance arrangements, including oversight of all investments, supported through a series of approved Business Cases.

¹ Within this section a significant control issue is defined as an event that: seriously prejudiced or prevented achievement of a PSA target; resulted in either the need to seek additional funding from HM Treasury or the significant diversion of resources from another aspect of the business; (Internal and External) Audit and Audit Committee view as material; or, has attracted significant public interest or has seriously damaged the reputation of the Department.

C-NOMIS

The Programme was initiated in 2004 to provide an IT system to support end to end offender management for use by both Prisons and Probation. The programme's original management structure and project accountabilities lacked clarity, along with a high turnover of senior staff. Specifically, despite a substantial capital and resource budget, there was insufficient senior financial oversight. In 2007 a moratorium on further development was declared, pending the outcome of a Programme review. It reported that the Programme was over budget, it could not meet its original time, cost and quality criteria for overall delivery.

As a result, a revised business case was produced, and supported through new Programme and Finance Managers, stronger project controls introduced. A new Senior Responsible Officer (SRO) has been appointed with an IT delivery background, and with additional support provided by members of the successful Phoenix Programme.

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 has 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.

Libra

The Libra Project delivers a standard IT system across all Magistrates' Courts and supports integrated working within the Criminal Justice System. Given the scale of the implementation and technical issues with performance, implementation has led to courts experiencing slowness and downtime affecting their ability to meet some performance targets, especially in resulting. Those technical issues have now been largely resolved and performance stabilised. Implementation to remaining courts is on target for completion by the end of 2008.

Public Accounts Committee (PAC) – Criminal Injuries Compensation Authority

In response to the recommendations and actions raised in the NAO report and subsequent PAC hearing the Authority is addressing these points through the current change programme to improve performance. Specifically this includes:

- Actions identified have been included within the business plan cascaded down to directorate plans and responsibility for implementing actions have been assigned;
- Establishment of measures and targets to ensure recommendations and actions are met, with regular monitoring of progress against targets by the Management Board;
- Implementing a new structure and model for handling cases; and
- Enhancing risk management processes to support improvement practices

Public Accounts Committee – Fines Collection

Following the recommendations highlighted in the National Audit Office's report the PAC published a report at the end of January 2007 on Fines Collection. It acknowledged the wide-ranging programme of legislative and procedural change already introduced to improve the collection and enforcement of fines. Further focus was encouraged on the following areas where action is being taken.

- replacing the current performance indicator with a number of new performance measures with effect from April 2009;
- setting fines at the correct level at the point of sentence and increasing the number of fines that are paid immediately by encouraging all magistrates in England and Wales to follow the guidance contained in a DVD (endorsed by the Judicial Studies Board) entitled *"That Fine's payable Now"*. A further DVD entitled *"Effective Means Enquiry"* is currently being produced for Legal Advisers; and
- Other recommendations made by the NAO and the PAC are being addressed under the HMCS Criminal Compliance and Enforcement Services Blueprint, which sets out a strategic direction for criminal compliance and enforcement services in HMCS moving from the enforcement of, to the compliance with, orders of the court.

Legal Services Commission – Supplier Management System (SMS)

New remuneration schemes were introduced to achieve legal aid savings. An off-the-shelf IT package was procured in order to control costs and speed delivery. The decision to procure before the scope of the schemes and processes had been settled added to risk and cost.

Although on launch the SMS operated well with low user levels, problems arose as the users increased, and as a result was withdrawn for external users.

An interim IT Change Director has been appointed and a recovery plan developed. Full testing will take place before the system goes live again.

Court Funds Office (CFO) Children's Accounts.

A review of this area during 2006-07 identified that a significant number of Children's Accounts had not been invested in accordance with the instructions of the court. The affected accounts have been identified and corrective action has been taken where the result has been a lower rate of return. The Court Funds Office will continue to work with HMCS and Internal Auditors to review the effectiveness of controls. As part of this process, Internal Auditors will undertake an audit of the process applied for rectifying affected accounts.

Suma Chakrabarti
Accounting Officer

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 the Ministry of Justice for the year ended 31 March 2008 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the Statement of Operating Costs by Departmental Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting 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 given in the sections titled Entities within the accounting boundary of the Ministry of Justice, Entities outside the accounting boundary of the Ministry of Justice, Management Commentary, Performance highlights for 2007-08, Financial Performance, Looking forward, Audit, Directorships and other significant interests included in this document, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the

financial transactions conform to the authorities which govern them.

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

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

I read the information contained in this document, other than those sections listed above 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 and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department's circumstances, consistently applied and adequately disclosed.

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

Opinions

- In my opinion:
- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Department's affairs as at 31 March 2008, and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information which comprises the sections titled Entities within the accounting boundary of the Ministry of Justice, Entities outside the accounting boundary of the Ministry of Justice, Management Commentary, Performance highlights for 2007-08, Financial Performance, Looking forward, Audit, Directorships and other significant interests, 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

July 2008

Statement of Parliamentary Supply Summary of Resource Outturn 2007-08

Request for Resources	Note	Estimate			Outturn			2007-08	2006-07
		Gross Expenditure	A in A	Net Total	Gross Expenditure	A in A	Net Total	Ministry of Justice	DCA: as approved by Parliament
		£000	£000	£000	£000	£000	£000	Net Total	Net Total
							Outturn compared with Estimate saving/ (excess)		
							£000	£000	
1	2	10,672,798	1,120,122	9,552,676	10,260,702	1,108,385	9,152,317	400,359	3,670,829
2	2	25,019,059	1,600	25,017,459	24,625,223	1,235	24,623,988	393,471	21,757,878
3	2	11,993,561	9	11,993,552	11,831,072	3	11,831,069	162,483	11,680,367
Total Resources		<u>47,685,418</u>	<u>1,121,731</u>	<u>46,563,687</u>	<u>46,716,997</u>	<u>1,109,623</u>	<u>45,607,374</u>	<u>956,313</u>	<u>37,109,074</u>
Non-operating cost A in A	7			<u>33,000</u>			<u>25,725</u>	<u>7,275</u>	<u>10,500</u>

Net cash requirement 2007-08

			2007-08	2006-07
			Ministry of Justice	DCA: as approved by Parliament
			Net Total	
	Estimate	Outturn	Outturn compared with Estimate saving/ (excess)	Outturn
	£000	£000	£000	£000
	Note			
Net Cash Requirement	4	46,810,925	45,284,714	1,526,211
				36,997,936

Summary of income payable to the Consolidated Fund

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

		Forecast 2007-08		Outturn 2007-08	
		Income	Receipts	Income	Receipts
		£000	£000	£000	£000
	Note				
Total	5	244,373	244,373	299,195	299,195

Explanation of variation between Estimate and outturn are given in the Financial Performance section of the Management Commentary, on page 19.

The notes on pages 85 to 158 form part of these accounts.

Operating Cost Statement for the year ended 31 March 2008

For the year ended 31 March 2008

		2007-08					As restated 2007-08	As restated 2006-07
		Core Department			Core Department		Core Department	Core Department
		Staff Costs	Other Costs	Income	Staff Costs	Other Costs	Income	Income
		£000	£000	£000	£000	£000	£000	£000
Administration	Note							
Costs:								
Staff Costs	9(a)	171,162			250,735		180,589	278,314
Judicial salaries	9(b)	43			770		55	25,246
Other administration costs	10		27,586			191,704	157,782	271,509
Operating income	12			(18,559)			(22,047)	(13,481)
Programme Costs								
Request for Resources 1								
Staff Costs	9(a)	66,227			3,002,526		42,148	2,824,918
Judicial salaries	9(b)	2,131			412,974		2,252	369,444
Programme costs	11		4,729,277			6,506,718	4,290,297	5,904,206
Income	12			(199,320)			(1,045,236)	(1,173,551)
Request for Resources 2								
Programme costs	11		24,616,670		24,616,670		21,771,119	21,771,119
Income	12			-			-	-
Request for Resources 3								
Programme costs	11		11,826,037		11,826,037		11,676,027	11,676,027
Income	12			-			(2)	(2)
NLF interest payable			54,787		54,787		57,414	57,414
NLF interest receivable			(54,787)		(54,787)		(57,414)	(57,414)
Totals		<u>239,563</u>	<u>41,199,570</u>	<u>(217,879)</u>	<u>3,667,005</u>	<u>43,141,129</u>	<u>(1,067,283)</u>	
Net Operating Cost	3, 13			<u>41,221,254</u>		<u>45,740,851</u>	<u>37,907,411</u>	<u>41,929,866</u>

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

The notes on pages 85 to 158 form part of these accounts.

Statement of Recognised Gains and Losses for the year ended 31 March 2008

	Note	2007-08		As restated	As restated
		Core Department	Consolidated	Core Department	Consolidated
		£000	£000	£000	£000
Net gain/(loss) on revaluation of tangible fixed assets	23a	267,152	292,857	362,062	538,103
Net gain/(loss) on revaluation of intangible fixed assets		-	-	(388)	(388)
Net gain/(loss) on revaluation of investments		-	-	-	-
Actuarial gain/(loss) related to pension scheme	37	-	38,912	-	(287,348)
Receipt/(disposal) of donated assets	23b	-	45	-	12
Recognised gains and losses for the financial year		<u>267,152</u>	<u>331,814</u>	<u>361,674</u>	<u>250,379</u>

The notes on pages 85 to 158 form part of these accounts.

Balance Sheet as at 31 March 2008

	Note	2008		As restated	As restated
		Core Department	Consolidated	Core Department	Consolidated
		£000	£000	£000	£000
Fixed assets:					
Tangible assets	14	7,538,365	11,065,111	6,897,547	10,494,855
Intangible assets	15	1,876	1,876	2,335	2,335
Investments	16	794,595	794,806	801,731	802,034
		8,334,836	11,861,793	7,701,613	11,299,224
Debtors falling due after more than one year	18	1,245	26,097	40	4,188
Current assets:					
Stocks	17	1,065	30,690	1,395	34,764
Debtors	18	576,383	643,518	493,701	624,427
Cash at bank and in hand	19	68,693	340,658	96,657	253,083
		646,141	1,014,866	591,753	912,274
Creditors (amounts falling due within one year)	20	(1,162,263)	(1,699,208)	(840,875)	(1,326,140)
Net current liabilities		<u>(516,122)</u>	<u>(684,342)</u>	<u>(249,122)</u>	<u>(413,866)</u>
Total assets less current liabilities		7,819,959	11,203,548	7,452,531	10,889,546
Creditors (amounts falling due after more than one year)	20	(1,134,911)	(1,388,989)	(1,140,996)	(1,383,387)
Provisions for liabilities and charges	21	(167,872)	(568,956)	(165,521)	(575,667)
Pension Deficit Liability	37	-	(506,638)	-	(534,865)
		<u>6,517,176</u>	<u>8,738,965</u>	<u>6,146,014</u>	<u>8,395,627</u>
Taxpayers' equity:					
General fund	22	4,293,203	6,039,316	4,185,052	5,968,038
Revaluation reserve	23a	2,223,973	2,699,575	1,956,916	2,423,494
Donated asset reserve	23b	-	74	4,046	4,095
		<u>6,517,176</u>	<u>8,738,965</u>	<u>6,146,014</u>	<u>8,395,627</u>

Suma Chakrabarti
Accounting Officer

Date: July 2008

The notes on pages 85 to 158 form part of these accounts.

Consolidated Cashflow Statement for the year ended 31 March 2008

		2007-08	As restated 2006-07
		£000	£000
	Note		
Net cash outflow from operating activities	24a	(44,674,423)	(41,323,229)
Capital expenditure and financial investment	24b,c	(701,526)	(347,396)
Receipts due to the Consolidated Fund which are outside the scope of the Ministry's activities	5	292,417	228,195
Payments of amounts due to the Consolidated Fund		(288,288)	(242,943)
Financing	24d	45,459,395	41,823,196
Increase/(decrease) in cash in the period	24e	<u>87,575</u>	<u>137,823</u>

The notes on pages 85 to 158 form part of these accounts.

Consolidated Statement of Operating Costs by Departmental Aims and Objectives for the year ended 31 March 2008

Request for Resources 1

Aim: Upholding justice, rights and democracy.

	2007-08			As restated 2006-07		
	Gross	Income	Net	Gross	Income	Net
	£000	£000	£000	£000	£000	£000
Objective 1	5,443,849	(396,486)	5,047,363	5,215,158	(532,813)	4,682,345
Objective 2	3,704,027	(600,951)	3,103,076	3,384,643	(601,835)	2,782,808
Objective 3	957,326	(58,154)	899,172	857,180	(38,890)	818,290
Objective 4	38,535	(463)	38,072	25,833	(421)	25,412
Objective 5	207,915	(9,990)	197,925	179,551	(15,780)	163,771
Net operating costs	<u>10,351,652</u>	<u>(1,066,044)</u>	<u>9,285,608</u>	<u>9,662,365</u>	<u>(1,189,739)</u>	<u>8,472,626</u>

Consolidated Statement of Operating Costs by Departmental Aims and Objectives for the year ended 31 March 2008 (continued)

Objective 1

To ensure more offenders are caught, punished and stop offending and victims are better supported.

Objective 2

To provide criminal, civil, family and administrative justice systems that command public respect and confidence.

Objective 3

To ensure that the public, especially the socially excluded and vulnerable, have access to excellent services, which enable them to exercise their rights in law and understand exercise and fulfil their responsibilities.

Objective 4

To develop democratic institutions of Government that command public confidence.

Objective 5

To create a modern, efficient and effective Department that can deliver excellent public services.

Request for Resources 2

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

	2007-08			As restated 2006-07		
	Gross	Income	Net	Gross	Income	Net
	£000	£000	£000	£000	£000	£000
Objective 1	2,046	-	2,046	1,510	-	1,510
Objective 2	2,064	-	2,064	1,514	-	1,514
Objective 3	24,617,788	(433)	24,617,355	21,772,314	(395)	21,771,919
Objective 4	3,364	(803)	2,561	2,704	(769)	1,935
Net operating costs	24,625,262	(1,236)	24,624,026	21,778,042	(1,164)	21,776,878

Consolidated Statement of Operating Costs by Departmental Aims and Objectives for the year ended 31 March 2008 (continued)

Objective 1

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

Objective 2

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

Objective 3

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

Objective 4

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

Request for Resources 3

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

	2007-08			As restated 2006-07		
	Gross	Income	Net	Gross	Income	Net
	£000	£000	£000	£000	£000	£000
Objective 1	2,348	(3)	2,345	1,957	(5)	1,952
Objective 2	1,566	-	1,566	1,305	(4)	1,301
Objective 3	522	-	522	435	(1)	434
Objective 4	784	-	784	652	(2)	650
Grant to the National Assembly for Wales and other Programme expenditure	11,826,000	-	11,826,000	11,676,027	(2)	11,676,025
Net operating costs	11,831,220	(3)	11,831,217	11,680,376	(14)	11,680,362

The Wales Office has revised its objectives for 2007-08

Consolidated Statement of Operating Costs by Departmental Aims and Objectives for the year ended 31 March 2008 (continued)

Objective 1

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

Objective 2

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

Objective 3

Representation – To represent Welsh interests in the wider world.

Objective 4

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

Grant to the Welsh Assembly Government and other programme expenditure.

	2007-08			As restated 2006-07		
	Gross	Income	Net	Gross	Income	Net
All Requests for Resources	£000	£000	£000	£000	£000	£000
Total Net Operating Costs	<u>46,808,134</u>	<u>(1,067,283)</u>	<u>45,740,851</u>	<u>43,120,783</u>	<u>(1,190,917)</u>	<u>41,929,866</u>

Notes to the accounts for the year ended 31 March 2008

1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2007-08 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the *FReM* follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

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

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

1.1. Accounting convention

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

1.2. Basis of consolidation

These accounts comprise a consolidation of the non-agency parts of the Department (the Core Department) and those entities which fall within the departmental boundary as defined in the *FReM* (chapter 1.5). Transactions between entities included in the consolidation are eliminated.

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

1.3. Machinery of government changes and restatement of comparatives

Machinery of government changes, which involve the transfer of functions or responsibilities between two or more government departments, are accounted for using merger accounting in accordance with the *FReM*. The prior year comparatives are restated as appropriate, so that it appears that the entity has always existed in its present form.

1.4. Tangible fixed assets

Land and buildings are included on the basis of professional valuations, which are conducted for each property at least once every five years. In the intervening years the properties are revalued using either appropriate published indices or by the Valuation Office Agency via a desktop valuation system. Most properties are valued at depreciated replacement cost or depreciated replacement cost to a modern equivalent basis because they are specific and specialised buildings, whilst other properties, such as offices, are valued on the basis of existing use value. When properties are vacated and are awaiting disposal they are valued at open market value.

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

Assets costing in excess of capitalisation limits are treated as capital assets. An item is also treated as a capital asset when it costs less than the prescribed threshold but forms an integral part of a package whose total value exceeds the capitalisation limit.

Residual interest in off-balance sheet PFI properties are included in tangible fixed assets at the amount of unitary charge allocated for the acquisition of the residual to the balance sheet date plus an adjustment based on the net present value of the change in the fair value of the residual as estimated at the start of the contract and its estimated fair value at the balance sheet date (see also Note 1.18).

Furniture is generally treated on an individual asset basis. However in HM Prison Service currently, and in the past more widely, furniture is recorded on a pooled basis. HM Prison Service calculates the value of the pool annually at a standard value per item based on numbers of staff and prisoners. The ex-DCA pool is being written down over its remaining useful life.

Items of operational antique furniture are valued individually at 'hammer price', the price you would expect to pay at a reputable auction. Professional valuations are carried out at least once every five years. Non-operational antiques, such

as paintings and other works of art, are generally not considered material and are not capitalised. The exceptions to this general policy are the Privy Council's Queen Anne silver, which is capitalised and professionally revalued and HM Prison Service, who do capitalise works of art, at estimated value, as a non-depreciating asset.

Donated tangible fixed assets are capitalised at their current value on receipt and this value is credited to the Donated Asset Reserve. Subsequent revaluations are also taken to this reserve. Each year, an amount equal to the depreciation charge on the asset is released from the Donated Asset Reserve to the Operating Cost Statement.

1.5. Intangible assets – software licences

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

1.6. Depreciation

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

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

The asset lives stated above vary across the Core Department and its Agencies.

1.7. Investments

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

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

National Loans Fund (NLF)

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

Interest on, and repayments of, loans, made from the NLF are collected by the sponsor Department, i.e. the Scotland Office and the Wales Office, and surrendered to the NLF. Loan balances are treated as a creditor (see Note 20).

Shares in limited companies/special shares

Investments are included at market value unless this cannot be readily ascertained, in which case they are stated at historical cost.

For further details on shares held, see Note 16.

1.8. Stocks and work in progress

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

1.9. Pensions

Most past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit scheme is unfunded and non-contributory except in respect of dependants' benefits. The Department 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 scheme.

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

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

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

In respect of the defined contribution schemes, the Department recognises the contributions payable in the year.

1.10. Early departure costs

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

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

1.11. Research and development

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

1.12. Operating income

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

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

HM Prison Service income relates directly to the charges for goods and services provided to external customers. It also includes receipts from the Youth Justice Board for the provision of places for juvenile offenders, from the Immigration and Nationality Directorate for the provision of custodial services, from the Department for Children, Schools and Families and Department for Innovation, Universities and Skills for the provision of education services and from the Department of Health, Primary Care Trusts and Welsh Assembly Government for the provision of healthcare services.

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

The National Probation Service income for the 42 independent Probation Boards comprises rent receivables, income from EU sources, income from other government departments and miscellaneous income. The 42 Boards can earn interest from various sources but, under the *Criminal Justice and Court Services Act 2000*, cannot retain any interest from the investment of funds received from the National Probation Service. This interest is surrendered as Consolidated Fund Extra Receipts (CFERs).

The Office of the Public Guardian (OPG) income, net of fees remitted, comprises fees charged for bringing proceedings before the Court of Protection and in relation to the functions carried out by the Public Guardian under the *Mental Capacity Act 2005*. Prior to the creation of the OPG on 1 October 2007, the Public Guardianship Office charged fees for monitoring Private Receivers, for registering Enduring Powers of Attorney and for the Chief Executive of the Agency acting as Receiver of last resort for certain patients under the *Mental Health Act 1983*.

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

Fees for work carried out by the Judicial Committee of the Privy Council are deemed to be earned when the case is completed. These Judicial Fees are set by the *Judicial Committee General Appellate Jurisdiction Rules (amendment) Order 2003* rather than calculated under HM Treasury rules.

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

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

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

1.13. Administration and programme expenditure

The Operating Cost Statement is analysed between administration and programme income and expenditure. The classification of expenditure as administration or programme follows the definition of administration costs set out in the Spending Review by HM Treasury. Broadly, administration expenditure reflects the costs of running the Department while programme costs relate to service delivery activities.

1.14. Grants payable and paid

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

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

1.15. Foreign exchange

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

1.16. Operating leases

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

1.17. Finance leases

Where substantially all risks and rewards of ownership of leased assets are borne by the Department, the asset is treated as if it had been purchased outright. The amount capitalised is the fair value of the leased assets. The corresponding leasing commitments are shown as obligations to the lessor.

1.18. PFI transactions

The Department accounts for Private Finance Initiative (PFI) transactions in accordance with HM Treasury's *Technical Note No1 (revised) How to Account for PFI Transactions*. The guidance allows for both on and off-balance sheet transactions.

Where the PFI operator bears the balance of the risks and rewards of ownership, the PFI payments are recorded as an operating cost. Where the Department has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract by a charge to the Operating Cost Statement. Where at the end of a contract the property reverts to the Department, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge and a service charge.

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

1.19. Non-cash costs

Capital Charge

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

- a. Land and buildings on the ex-DCA estate where the cost of capital is based on opening values, adjusted pro-rata for in-year:
 - additions at cost
 - disposals at their opening balance sheet values (plus any subsequent capital expenditure prior to disposal)
 - impairment at the amount of the reduction of the opening balance sheet value (plus any subsequent capital expenditure)
 - depreciation;

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

Other

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

1.20. Provisions

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

1.21. Contingent liabilities

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

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

1.22. Value Added Tax

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

1.23. Third party assets

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

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

1.24. Consolidated Fund Extra Receipts (CFERs)

Consolidated Fund extra receipts balances are calculated on an accruals basis, unless stated otherwise.

Magistrates' courts fines

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

As the Department has no beneficial interest in the impositions, they are not processed through the income and expenditure accounts, but are instead accounted for through the balance sheet. Magistrates' courts impositions are recognised as a debtor as they are imposed. At the same time, a corresponding creditor is raised to recognise the obligation of onward transmission.

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

Scotland Office CFERs

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

Wales Office CFERs

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

2 Analysis of net resource outturn by section

	Admin £000	Other current £000	Grants £000	Gross Resource Expenditure £000	A in A £000	Outturn Net Total £000	Estimate Net Total £000	2007-08 Net Total Outturn compared with Estimate £000	2006-07 Outturn DCA Outturn: Net total £000
Request for Resources 1: To promote the development of a modern, fair, cost effective and efficient system of justice for all									
Spending in Departmental Expenditure Limits (DEL)									
Central Government Spending									
A Headquarters and Associated Offices	209,914	296,088	12,531	518,533	(30,554)	487,979	843,184	355,205	391,877
B Judicial Pensions Administration	400	-	-	400	(400)	-	-	-	-
C HM Courts Service	16,375	1,492,703	10,973	1,520,051	(592,985)	927,066	988,595	61,529	804,716
D Office of Public Guardian and Court of Protection	-	16,194	-	16,194	(17,710)	(1,516)	1,127	2,643	962
E Costs from Central Funds	-	65,059	-	65,059	-	65,059	45,000	(20,059)	91,208
F Tribunals Service	23,513	291,275	-	314,788	(28,818)	285,970	302,929	16,959	277,789
G Princess of Wales Inquest	4,343	-	-	4,343	-	4,343	6,641	2,298	-
Non-Budget									
H Legal Services									
Commission: Administration	-	-	129,996	129,996	-	129,996	124,800	(5,196)	112,810
I Criminal Defence Service	-	-	1,178,271	1,178,271	-	1,178,271	1,153,246	(25,025)	1,171,844
J Community Legal Service	-	-	843,970	843,970	-	843,970	896,532	52,562	807,315
K Information Commissioner's Office	-	-	5,050	5,050	-	5,050	5,050	-	5,550
L Judicial Appointments Commission	-	-	7,130	7,130	-	7,130	7,130	-	6,104
Spending in Annually Managed Expenditure Limits (AME)									
Central Government Spending									
Asset Revaluations	-	149,984	-	149,984	-	149,984	-	(149,984)	-
Spending in Departmental Expenditure Limits (DEL)									
Central Government Funding									
M Criminal Justice Reform	14,213	49,994	48,997	113,204	(23,003)	90,201	145,273	55,072	-
N National Offender Management Service HQ	80,430	1,146,698	18,728	1,245,856	(131,849)	1,114,007	1,121,858	7,851	-
O Prisons Private Sector	1,038	285,285	-	286,323	(26,897)	259,426	259,013	(413)	-
P Prisons Public Sector	78,378	2,234,705	-	2,313,083	(256,169)	2,056,914	2,057,504	590	-
Q Probation HQ	-	-	-	-	-	-	-	-	-
Support to local authorities									
R CORE capital grants to local authorities	-	-	21	21	-	21	2,000	1,979	654
Non-Budget									
S Parole Board	-	-	7,500	7,500	-	7,500	7,789	289	-
T National Probation Services (local area boards)	-	(11)	844,507	844,496	-	844,496	881,090	36,594	-

2 Analysis of net resource outturn by section (continued)

	Admin	Other current	Grants	Gross Resource Expenditure	A in A	Outturn Net Total	Estimate Net Total	2007-08 Net Total	2006-07 Outturn
	£000	£000	£000	£000	£000	£000	£000	Outturn compared with Estimate	DCA Outturn: Net total
								£000	£000
U Youth Justice Board	-	-	442,641	442,641	-	442,641	446,621	3,980	-
V Criminal Injuries Compensation Authority	-	-	245,000	245,000	-	245,000	248,289	3,289	-
W Criminal Cases Review Commission	-	-	6,830	6,830	-	6,830	6,815	(15)	-
X Loan Charges	-	-	1,979	1,979	-	1,979	2,190	211	-
Net Resource Outturn – RfR1	428,604	6,027,974	3,804,124	10,260,702	(1,108,385)	9,152,317	9,552,676	400,359	3,670,829

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

Spending in Departmental Expenditure Limits (DEL)

Central Government Spending

A Scotland Office	5,191	-	-	5,191	(538)	4,653	5,324	671	3,824
B Office of Advocate General	3,362	-	-	3,362	(697)	2,665	2,100	(565)	1,935
C Boundary Commission for Scotland	-	170	-	170	-	170	300	130	119

Non-Budget

D Grant payable to the Scottish Consolidated Fund	-	-	24,616,500	24,616,500	-	24,616,500	25,009,735	393,235	21,752,000
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Net Resource Outturn – RfR2	8,553	170	24,616,500	24,625,223	(1,235)	24,623,988	25,017,459	393,471	21,757,878
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Request for Resources 3: To support the Secretary of State in discharging his role of representing Wales in the UK Government, representing the UK Government in Wales and ensuring the smooth working of the devolution settlement in Wales

Spending in Departmental Expenditure Limits (DEL)

Central Government Spending

A Wales Office	5,035	37	-	5,072	(3)	5,069	5,339	270	4,367
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Non-Budget

B Grant payable to the National Assembly for Wales	-	-	11,826,000	11,826,000	-	11,826,000	11,988,213	162,213	11,676,000
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Net Resource Outturn – RfR3	5,035	37	11,826,000	11,831,072	(3)	11,831,069	11,993,552	162,483	11,680,367
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Total Net Resource Outturn	442,192	6,028,181	40,246,624	46,716,997	(1,109,623)	45,607,374	46,563,687	956,313	37,109,074
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Explanation of significant variances between Estimate and outturn are given in the Management Commentary on pages 19 to 43.

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

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

		2007-08 Outturn compared with Estimate	2006-07 DCA outturn: as approved by Parliament
	Outturn £000	Estimate £000	£000
	Note		
Net Resource Outturn	2	45,607,374	46,563,687
Prior Period Adjustments		-	-
Non-Supply income (CFERs)	5	(6,778)	-
Non-Supply Expenditure		140,041	88,000
(Profit) / loss on disposal of fixed assets	10, 11	(3,438)	-
Non-Supply adjustment (NPS) (Income)/Expenditure		3,652	-
Machinery of Government transfers		-	4,682,910
Reduction to reflect underspending		(202,433)	-
Net Operating Cost		<u>45,740,851</u>	<u>46,449,254</u>
		<u>708,403</u>	<u>41,929,866</u>

The reduction to reflect underspending recorded above is a budgetary adjustment to reflect the surrender of non-cash allocation arising from the release of provision on dormant cases in the Legal Services Commission. The underspend will be surrendered to HM Treasury as part of the End Year Flexibility exercise.

3(b) Outturn against final Administration Budget

	2007-08 Budget	2007-08 Outturn	2006-07 DCA outturn: as approved by Parliament
	£000	£000	£000
Gross Administration Budget	489,525	442,192	484,764
Income allowable against the Administration Budget	(10,136)	(22,047)	(12,908)
Net outturn against the Final Administration Budget	<u>479,389</u>	<u>420,145</u>	<u>471,856</u>

4 Reconciliation of resources to cash requirement

		Estimate	Outturn	2007-08 Net Total Outturn compared with Estimate: saving / (excess)
		£000	£000	£000
	Note			
Resource Outturn	2	46,563,687	45,607,374	956,313
Capital				
Acquisition of fixed assets		1,032,516	780,080	252,436
Non operating A in A				
Proceeds of fixed asset disposals		(33,000)	(25,725)	(7,275)
Accruals adjustments				
Non-cash items		(894,968)	(940,311)	45,343
Changes in working capital other than cash		29,383	(285,600)	314,983
Use of Provision		113,307	113,973	(666)
Less: utilisation of provision settled with cash from the Consolidated Fund		-	(3,721)	3,721
Machinery of Government transfers		-	38,644	(38,644)
Net cash requirement		<u>46,810,925</u>	<u>45,284,714</u>	<u>1,526,211</u>

Changes to HM Treasury budgeting rules for 2007-08 mean that profit / loss on disposal of fixed assets is not within net resource outturn but becomes a reconciling item between net operating cost and net resource outturn (Note 3(a)). Note 4 is not directly comparable with the prior year.

The National Probation Service is reported on a cash basis within the Statement of Parliamentary Supply and on an accruals basis within the Operating Cost Statement. No adjustments made between the Resource Outturn and Net Cash Requirement above relate to the National Probation Service. As a result the figures shown within Note 4 will differ from those shown within the Cashflow Statement.

5 Analysis of income payable to the Consolidated Fund

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

	Note	Forecast 2007-08		Outturn 2007-08	
		Income	Receipts	Income	Receipts
		£000	£000	£000	£000
Operating income and receipts – excess A in A		-	-	-	-
Other operating income and receipts not classified as A in A		-	-	6,778	6,778
	6	-	-	6,778	6,778
Non-operating income and receipts – excess A in A	7	-	-	-	-
Other non-operating income and receipts not classified as A in A	8	-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund		244,373	244,373	292,417	292,417
Excess Cash surrenderable to the Consolidated Fund	4	-	-	-	-
Total income payable to the Consolidated Fund		244,373	244,373	299,195	299,195

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

		2007-08	2006-07
		£000	DCA outturn: as approved by Parliament £000
	Note		
Operating income	12	1,067,283	658,104
Adjustments for transactions between RfRs		-	-
Gross income		1,067,283	658,104
Income authorised to be appropriated in aid	2	(1,109,623)	(649,271)
Non-Supply adjustments		49,118	-
Operating income payable to the Consolidated Fund	5	<u>6,778</u>	<u>8,833</u>

Non-Supply adjustments include National Probation Service income of £46.3m, which for the purposes of Note 12 is included as appropriations in aid. Offset by £95.4m eliminations for intra-group transactions. Parliament votes resources on a direct cost basis, as reported in Note 2. This does not recognise intra-group transactions or recharges.

7 Non-operating income – excess A in A

		2007-08	2006-07
		£000	£000
	Note		
Proceeds on disposal of fixed assets		25,725	15,428
Less: income authorised to be appropriated-in-aid		(25,725)	(10,500)
Non-operating income – excess A in A	5	<u>-</u>	<u>4,928</u>

8 Non-operating income not classified as A in A

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

9 Staff and Judiciary numbers and related costs

9(a) Staff Payroll Costs

					2007-08	As restated 2006-07
	Permanently Employed Staff	Others	Ministers	Special Advisors	Total	Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	2,516,418	137,434	566	409	2,654,827	2,556,342
Social security costs	184,379	438	55	43	184,915	181,934
Other pension costs	470,577	581	27	59	471,244	418,318
Sub Total	3,171,374	138,453	648	511	3,310,986	3,156,594
Less recoveries in respect of outward secondments	(57,662)	(63)	-	-	(57,725)	(53,362)
Total Net Costs	3,113,712	138,390	648	511	3,253,261	3,103,232
Of which:						
Charged to Admin Costs	218,354	31,342	528	511	250,735	278,314
Charged to Programme Costs	2,895,358	107,048	120	-	3,002,526	2,824,918
	3,113,712	138,390	648	511	3,253,261	3,103,232
Core Department Charged to Admin Costs	143,131	26,992	528	511	171,162	180,589
Charged to Programme Costs	56,510	9,597	120	-	66,227	42,148
	199,641	36,589	648	511	237,389	222,737

9 Staff and Judiciary numbers and related costs (continued)

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

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

For 2007-08, employers' contributions of £349.212m (2006-07: £336.882m) were payable to the PCSPS at one of four rates in the range 17.1% to 25.5% (2006-07: 17.1% to 25.5%) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2008-09, the salary bands will be revised but the rates will remain the same. The rates will be changing with effect from April 2009. The contribution rates are set to meet the cost of the benefits accruing during 2007-08 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £0.380m (2006-07: £0.038m) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% (2006-07: 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay.

In addition, employer contributions of £0.023m (2006-07: £0.066m), 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of employees in the PCSPS scheme.

During the year 156 employees (2006-07: 166) retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to £0.149m (2006-07, £0.271m).

For 2007-08 employers' contributions of £90.143m (2006-07: £84.708m) were payable to the Local Government Pension Scheme (LGPS) at rates in a range from 12.8% to 26.3%.

9 Staff and Judiciary numbers and related costs (continued)

The accounts of the NPS disclose the assets and liabilities of the Local Government Pension Scheme to which some members of the NPS belong, www.official-documents.gov.uk/document/hc0607/hc10/1003/1003.asp. The disclosures required by FRS 17 are disclosed in Note 37.

9(b) Payroll costs of the Judiciary

	Salaried Judiciary	Fee paid Judiciary	As restated	
			2007-08	2006-07
			Total	Total
	£000	£000	£000	£000
Wages & salaries	209,843	101,835	311,678	298,894
Social security costs	24,445	10,103	34,548	33,121
Other pension costs	67,505	13	67,518	62,675
Total Net Costs	301,793	111,951	413,744	394,690
Of which:				
Charged to Admin Costs	186	584	770	25,246
Charged to Programme Costs	301,607	111,367	412,974	369,444
	301,793	111,951	413,744	394,690
Core Department				
Charged to Admin Costs	-	43	43	55
Charged to Programme Costs	-	2,131	2,131	2,252
	-	2,174	2,174	2,307
Of which:				
Paid from voted resources			283,418	267,091
Paid from Consolidated Fund			130,326	127,599
			413,744	394,690

The Judicial Pension Scheme (JPS) is an unfunded multi-employer defined benefit scheme, which prepares its own accounts, but for which the Department is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2005. Details can be found in the Resource Accounts of the JPS at www.official-documents.gov.uk/document/hc0607/hc08/0873/0873.asp.

9 Staff and Judiciary numbers and related costs (continued)

9(c) Average number of staff employed

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

Consolidated	Permanent staff	Others	Ministers	Special Advisors	2007-08	2006-07
					Total	Total
Request for Resource 1						
Objective 1	70,492	1,275	1.0	-	71,768.0	70,880
Objective 2	22,059	728	2.5	2.0	22,791.5	20,285
Objective 3	1,323	168	1.0	-	1,492.0	3,951
Objective 4	182	19	1.5	-	202.5	659
Objective 5	979	114	-	-	1,093.0	1,448
	<u>95,035</u>	<u>2,304</u>	<u>6.0</u>	<u>2.0</u>	<u>97,347.0</u>	<u>97,223</u>
Request for Resource 2						
Objective 1	11	11	0.4	0.8	23.2	21
Objective 2	11	10	0.3	-	21.3	18
Objective 3	-	10	0.3	0.8	11.1	10
Objective 4	3	33	1.0	-	37.0	31
	<u>25</u>	<u>64</u>	<u>2.0</u>	<u>1.6</u>	<u>92.6</u>	<u>80</u>
Request for Resource 3						
Objective 1	22	1	1.2	0.8	25.0	25
Objective 2	15	1	-	0.8	16.8	22
Objective 3	5	-	-	-	5.0	6
Objective 4	8	1	-	-	9.0	6
	<u>50</u>	<u>3</u>	<u>1.2</u>	<u>1.6</u>	<u>55.8</u>	<u>59</u>
	<u>95,110</u>	<u>2,371</u>	<u>9.2</u>	<u>5.2</u>	<u>97,495.4</u>	<u>97,362</u>
Core	<u>3,986</u>	<u>722</u>	<u>9.2</u>	<u>5.2</u>	<u>4,722.4</u>	<u>4,829</u>

9 Staff and Judiciary numbers and related costs (continued)

The Department has improved the way it allocates ex-DCA staff numbers to RfR1 objectives 2 to 5 in 2007-08. It is not therefore possible to compare year on year movements on any one objective in isolation.

RfR1 objective 1 was previously a Home Office objective and encompasses the work done by the NOMS (including Prisons and Probation) and OCJR, which transferred to the Ministry of Justice on its creation.

The table above only discloses the RfR2 Ministers that the Department pays for.

9(d) Average number of Judiciary in post

Consolidated	Salaried Judiciary	Fee Paid Judiciary	2007-08 Total	2006-07 Total
Request for Resource 1				
Objective 1	-	-	-	-
Objective 2	1,816	1,645	3,461	3,368
Objective 3	45	9	54	53
Objective 4	-	-	-	-
Objective 5	-	-	-	-
	<u>1,861</u>	<u>1,654</u>	<u>3,515</u>	<u>3,421</u>
Core	<u>-</u>	<u>20</u>	<u>20</u>	<u>20</u>

10 Other administration costs

	2007-08		As restated 2006-07	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Rentals under operating leases:				
hire of plant and machinery	523	468	518	891
other	28,263	29,932	30,203	35,069
Interest charges	-	(6)	-	7
Finance charges	2,149	2,153	1,290	1,290
PFI and service charges	12,070	24,254	115,726	120,097
Research and development expenditure	1,387	1,397	1,045	1,026
Non-cash items				
Depreciation	7,106	7,269	8,875	11,060
Impairment	-	-	955	1,244
(Profit) on disposal of assets	(1,417)	(1,466)	(6,799)	(6,799)
Loss on disposal of fixed assets	-	-	1,371	1,394
Cost of capital charges/(credits)	(17,031)	(17,367)	(18,647)	(18,213)
Notional charges	-	239	-	610
Auditors' remuneration and expenses	557	557	447	749
Provision provided for in year	9,323	9,323	2,201	2,471
Unwinding of discount on provisions	35	35	-	-
Allocation of overheads	(119,702)	-	(118,666)	(85,235)
Increase in bad debt provision	2,691	2,691	55	55
Other non-cash	-	-	93	136
Other				
Accommodation and maintenance	37,011	39,495	24,382	43,056
Travel, subsistence and hospitality	9,611	14,865	9,103	14,929
Professional services	20,494	21,959	44,248	46,422
IT services	4,169	13,306	31,141	49,932
Communications, office supplies and services	8,357	11,947	15,064	22,647
Other staff related costs	6,765	10,620	8,594	15,743
Other admin expenditure	15,225	20,033	6,583	12,928
Total	27,586	191,704	157,782	271,509

11 Programme costs

	2007-08		As restated 2006-07	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Request for Resources 1				
Rentals under operating leases: hire of plant & machinery	475	3,114	7	2,176
Rentals under operating leases: other	11,090	77,976	15,088	72,595
Interest charges	-	3,291	-	6
Finance charges – pension costs	-	11,007	-	13,121
PFI service charges	332,365	363,510	276,103	314,298
Research and development expenditure	5,757	5,757	6,450	6,450
Non-cash items				
Depreciation	206,384	340,238	194,161	305,584
Amortisation	923	923	2,022	2,022
Impairment	19,161	169,547	343	13,537
(Profit) on disposal of fixed assets	(5,265)	(7,048)	(4,543)	(13,352)
Loss on disposal of fixed assets	-	5,076	-	1,942
Cost of capital charges	240,151	318,099	219,265	290,049
Notional charges	-	6,634	-	6,128
Auditors' remuneration and expenses	145	1,004	-	427
Provision provided for in year	12,999	92,026	72,734	101,824
Unwinding of discount on provisions	4,000	8,678	(3)	5,297
Allocation of overheads	(2,599)	-	2,200	83,995
Increase in bad debt provision	241	85	-	772
Other non-cash	(2,638)	(2,638)	-	59
Grants – current	2,943,078	2,954,051	2,841,321	2,842,894
Grants – capital	5,566	5,566	5,528	5,528
Accommodation, maintenance and utilities	205,207	611,679	167,028	596,556
Travel, subsistence and hospitality	3,444	57,540	2,993	50,606
Professional services	48,686	87,987	48,958	82,543
IT services	202,180	301,252	54,382	134,721
Communications, office supplies and services	14,190	130,608	4,859	107,423
Prisoner related costs	-	179,135	-	188,450
Electronic monitoring of offenders	82,016	82,016	73,935	73,935
Judicial costs	11,255	42,575	8,717	46,049
Juror costs	-	40,511	-	40,495
Costs from Central Funds	65,060	65,060	52,516	52,517
Other staff related costs	8,969	72,381	8,034	44,805
Funding for election expenses	9,621	9,621	-	-
Auditors' remuneration and expenses	-	1,411	-	1,383
Other programme costs	306,816	468,046	238,199	429,371
	<u>4,729,277</u>	<u>6,506,718</u>	<u>4,290,297</u>	<u>5,904,206</u>

11 Programme costs (continued)

	2007-08		As restated 2006-07	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Request for Resources 2				
Funding to the Scottish Executive	24,616,500	24,616,500	21,752,000	21,752,000
Other Expenditure	170	170	119	119
Funding for election expenses	-	-	19,000	19,000
	<u>24,616,670</u>	<u>24,616,670</u>	<u>21,771,119</u>	<u>21,771,119</u>
Request for Resources 3				
Funding of the National Assembly for Wales	11,826,000	11,826,000	11,676,000	11,676,000
Other Expenditure	37	37	27	27
	<u>11,826,037</u>	<u>11,826,037</u>	<u>11,676,027</u>	<u>11,676,027</u>
Grand Total	<u>41,171,984</u>	<u>42,949,425</u>	<u>37,737,443</u>	<u>39,351,352</u>

Services provided to the Judicial Appointments Commission, a Non Departmental Public Body, totalled £1.959m (2006-07: £1.955m). These costs are not classified as Grant in Aid, and are therefore not included in the Other Grants in Aid total above.

12 Income

12(a) Analysis of operating income

	2007-08		As restated 2006-07	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Appropriated in Aid				
HMCS Fees Income	-	444,611	-	448,244
HMCS Fines Income	-	105,685	-	99,433
HMCS Other Income	-	42,689	-	34,753
Court Funds Office recoveries from Debt Mgmt Office	18,900	18,900	13,500	13,500
Tribunals Service Income	-	28,818	-	28,148
Office of Public Guardian fees and receipts	-	8,843	-	16,559
Public Guardianship Office	-	8,429	-	-
Official Solicitor and Public Trustee fees and receipts	4,497	4,497	4,833	4,833
Scottish Executive Contribution to Criminal Injuries Compensation Scheme	20,495	20,495	22,103	22,103
NOMS recharges	151,694	78,994	157,499	157,499
HMPS income: Youth Justice Board	-	107,107	-	111,670
HMPS income: Primary Care Trusts	-	67,789	-	76,800
HMPS income: Department for Innovation, Universities and Skills	-	17,669	-	36,438
HMPS income: Other	-	30,382	-	55,170
National Probation Service income	-	39,614	-	49,396
Other RfR1 income	17,117	14,056	4,917	8,098
RfR2 income	1,235	1,235	1,164	1,164
RfR3 income	3	3	15	15
EU Income	-	20,689	-	16,117
Total Appropriated in Aid	213,941	1,060,505	204,031	1,179,940
Payable to Consolidated Fund				
Excess receipts	-	-	-	-
Other Income	3,938	4,223	8,827	8,891
CFER Receipts RfR1	-	2,555	-	2,086
CFER Receipts RfR2	-	-	-	-
CFER Receipts RfR3	-	-	-	-
Total payable to Consolidated Fund	3,938	6,778	8,827	10,977
Total	217,879	1,067,283	212,858	1,190,917
Of which				
Administration income	18,559	22,047	13,481	17,364
Programme Income RfR1	199,320	1,045,236	199,375	1,173,551
Programme Income RfR2	-	-	-	-
Programme Income RfR3	-	-	2	2
Total	217,879	1,067,283	212,858	1,190,917

12 Income (continued)

12(b) Fees and charges

The Department is required, in accordance with HM Treasury's *Managing Public Money*, to disclose results for the areas of its activities where fees and charges were made. The following analysis is not intended to meet the requirements of SSAP 25 Segmental Reporting, which is not applicable to the Department under the *Government Financial Reporting Manual*.

	2007-08				
	Gross Income	Full cost	Surplus/ (deficit)	Fee recovery actual	Fee recovery target
	£000	£000	£000	%	%
Her Majesty's Courts Service					
Civil Business	472,095	607,721	(135,626)	78	100
Court Funds Office	18,900	14,000	4,900	135	100
Lands Tribunal	375	1,730	(1,355)	22	50
Office of the Public Guardian	9,230	10,422	(1,192)	89	100
Public Guardianship Office	9,000	9,411	(411)	96	100
Official Solicitor and Public Trustee					
Litigation	1,194	4,990	(3,796)	24	6
Trust and Estates	3,304	2,934	370	113	78
HM Prison Service fees					
Department for Innovation, Universities and Skills	17,669	18,297	(628)	97	100
Primary Care Trust	67,789	67,991	(202)	100	100
Youth Justice Board	107,107	103,360	3,747	104	100
	<u>706,663</u>	<u>840,856</u>	<u>(134,193)</u>		
	As restated 2006-07				
	Gross Income	Full cost	Surplus/ (deficit)	Fee recovery actual	Fee recovery target
	£000	£000	£000	%	%
Her Majesty's Courts Service					
Civil Business	482,933	626,381	(143,448)	77	100
Court Funds Office	13,500	26,000	(12,500)	52	100
Lands Tribunal	393	782	(389)	50	50
Public Guardianship Office	17,147	19,737	(2,590)	87	100
Official Solicitor and Public Trustee					
Litigation	572	5,422	(4,850)	11	13
Trust and Estates	4,261	4,989	(728)	85	72
HM Prison Service fees					
Department for Innovation, Universities and Skills	36,438	36,688	(250)	99	100
Primary Care Trust	76,800	77,790	(990)	99	100
Youth Justice Board	111,670	109,375	2,295	102	100
	<u>743,714</u>	<u>907,164</u>	<u>(163,450)</u>		

12 Income (continued)

Her Majesty's Courts Service (HMCS)

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 civil, family and probate business 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.

HMCS also plans, as a part of this strategy, to resolve the issue of cross subsidy that currently exists between the individual business streams, including the over-recovery within the civil and probate business areas over this same period. Two fundamental reviews were undertaken this year, the first reviewed the system of exemptions and remissions to ensure that it adequately protects access to justice, the second begins a long-term review of the structure of the fee system and the points at which fees are charged; so as to achieve a closer match of income and cost drivers. Proposals arising from the two reviews were put forward in the Civil Court Fees consultation paper issued on 2 April 2007.

The Courts Funds Office (CFO)

The CFO generally recovers the full cost of operations from the UK Debt Management Office on a reimbursement basis, in accordance with the *Administration of Justice Act 1982*, on a yearly basis. The deficit in 2006-07 arose as a result of the corrective payments to the children's funds referred to in Note 21, which were not confirmed as being within the scope of the reimbursement basis of the above Act at 31 March 2007. The Department received permission from HM Treasury to claim reimbursement for these corrective payments during 2007-08.

Tribunals Service

The historical target agreed for Lands Tribunal Fees was to achieve 50% full cost recovery. During 2006-07, the Tribunals Service undertook a review of fees which identified that the Lands Tribunal had not increased the level of fees since 1996. Accordingly, the percentage of costs recovered has not kept pace with inflation and now stands at just over 20%. A detailed review of the fee structure is currently underway and revised charges are scheduled to be introduced from April 2009.

13 Analysis of net operating cost by spending body

Spending body:	Estimate	2007-08	As restated
		Outturn	2006-07
	£000	£000	Outturn £000
Department HQ	2,220,726	2,051,686	1,677,612
Scotland Office	25,017,459	24,624,027	21,776,880
Wales Office	11,993,552	11,831,190	11,680,361
HM Prison Service	2,057,504	2,057,971	1,936,282
HM Courts Service	1,076,595	1,154,313	987,038
Tribunals Service	302,929	305,473	286,813
Office of the Public Guardian	1,127	2,392	-
Public Guardianship Office	-	2,072	5,241
National Probation Service	881,090	845,319	807,074
Legal Services Commission	2,174,578	2,152,237	2,091,969
Office of the Information Commissioner	5,050	5,050	5,550
Judicial Appointments Commission	7,130	7,130	6,104
Youth Justice Board for England & Wales	446,621	442,641	409,513
Criminal Injuries Compensation Authority	248,289	245,000	245,750
Criminal Cases Review Commission	6,815	6,829	6,744
Parole Board	7,789	7,500	6,281
Total grants to Local Authorities	2,000	21	654
Net Operating Cost	46,449,254	45,740,851	41,929,866

14 Tangible fixed assets

	Land & Buildings excluding Dwellings	Dwellings	Information Technology	Plant & Equipment	Furniture & Fittings	Payments on Account & Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 April 2007							
(As restated)	10,632,949	25,148	175,553	140,346	68,221	623,847	11,666,064
Adjustments	29,515	9	12,907	28	(4)	(9,290)	33,165
Additions	41,731	87	29,787	17,890	2,015	690,724	782,234
Disposals	(15,036)	-	(11,253)	(8,990)	(4,300)	(1,339)	(40,918)
Transfers	239,817	-	5,489	5,044	1	(250,351)	-
Revaluations	256,917	1,264	(6,229)	5,984	1,286	-	259,222
Reclassifications	80,131	(2,671)	661	2,057	919	(81,097)	-
At 31 March 2008	11,266,024	23,837	206,915	162,359	68,138	972,494	12,699,767
Depreciation							
At 1 April 2007							
(As restated)	1,010,131	-	77,107	75,294	8,677	-	1,171,209
Adjustments	(1,805)	(19)	3,043	(22)	3	-	1,200
Charged in year	298,008	350	25,186	18,112	3,454	-	345,110
Disposals	(242)	-	(10,905)	(7,411)	(73)	-	(18,631)
Transfers	-	-	-	-	-	-	-
Revaluations	135,223	(331)	(1,621)	2,305	192	-	135,768
Reclassifications	-	-	(775)	775	-	-	-
At 31 March 2008	1,441,315	-	92,035	89,053	12,253	-	1,634,656
Net book value at 31 March 2008							
	9,824,709	23,837	114,880	73,306	55,885	972,494	11,065,111
Net book value at 31 March 2007 (As restated)							
	9,622,818	25,148	98,446	65,052	59,544	623,847	10,494,855
Asset financing:							
Owned	8,670,573	18,277	114,859	73,306	55,885	955,844	9,888,744
Finance leased	174,542	5,560	-	-	-	16,650	196,752
On balance sheet PFI contracts	790,199	-	21	-	-	-	790,220
PFI residual interests	189,395	-	-	-	-	-	189,395
Net book value at 31 March 2008	9,824,709	23,837	114,880	73,306	55,885	972,494	11,065,111

14 Tangible fixed assets (continued)

An adjustment of £32.760m is shown within land and buildings excluding dwellings relates to assets introduced on formation of HMCS. These are properties that did not transfer to HMCS in 2005 as a result of the property transfer scheme (PTS) *The Transfer of Property (Abolition of Magistrates' Courts Committees) Scheme 2005*. These properties have been included within fixed assets during the year as a result of either the actual transfer of legal title or in order to reflect the substance of the status of these properties whereby the risks and rewards of ownership rests with HMCS. The balance of the adjustments relate to a write off/back of assets on the inclusion of NOMS and OCJR in the Ministry of Justice and transfers in/out of the accounting boundary in respect of Tribunals Service and NOMS.

As part of a professional valuation rolling programme of the HMCS estate the Valuation Office Agency (VOA) carries out the valuations in accordance with the *Royal Institute of Chartered Surveyors Appraisal and Valuation Manual*. Each year 20% by number of the property assets, together with the four most highly valued properties, are revalued through on-site inspections by professional surveyors. The 20% is drawn from a range of property and geographical areas. The remaining property assets are revalued by the VOA via a desktop valuation system using market knowledge and earlier surveys.

NOMS revalued those prisons at which there had been substantial expenditure on additions and maintenance since their last revaluation. The VOA conducted these valuations in accordance with the *Royal Institute of Chartered Surveyors Appraisal and Valuation Manual*. All prisons will be revalued in 2008-09 as part of the quinquennial review.

14 Tangible fixed assets (continued)

Analysis of tangible fixed assets

The net book value of tangible fixed assets comprises:

	Land & Buildings excluding Dwellings	Dwellings	Information Technology	Plant & Equipment	Furniture & Fittings	Payments on Account & Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
Core Department 2008	6,677,396	-	42,324	143	6,589	811,913	7,538,365
Non-Core 2008	3,147,313	23,837	72,556	73,163	49,296	160,581	3,526,746
Total	9,824,709	23,837	114,880	73,306	55,885	972,494	11,065,111
Core Department 2007 (As restated)	6,364,042	-	23,363	182	10,606	499,354	6,897,547
Non-Core 2007 (As restated)	3,258,776	25,148	75,083	64,870	48,938	124,493	3,597,308
Total	9,622,818	25,148	98,446	65,052	59,544	623,847	10,494,855

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

	Freehold	Long Leasehold	Short Leasehold	Total
	£000	£000	£000	£000
Core Department 2008	6,498,483	-	178,913	6,677,396
Non-Core 2008	2,661,840	154,440	331,033	3,147,313
Total	9,160,323	154,440	509,946	9,824,709

15 Intangible fixed assets

	Total
	£000
Cost or valuation	
At 1 April 2007 (As restated)	10,580
Adjustment	(104)
Additions	462
Disposals	-
Revaluations	(687)
At 31 March 2008	10,251
Amortisation	
At 1 April 2007 (As restated)	8,245
Adjustment	268
Charged in year	387
Disposals	-
Revaluations	(525)
At 31 March 2008	8,375
Net book value at 31 March 2008	1,876
Net book value at 31 March 2007 (As restated)	2,335

All intangible fixed assets are held by the Core Department.

The figure for adjustment relates to a write off of assets on the inclusion of NOMS and OCJR in the Ministry of Justice.

16 Investments

	Loans funded from National Loans Fund	Shares in formerly nationalised industries	Other Investments Quoted	Other Investments Unquoted	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2007 (As restated)	801,730	1	259	44	802,034
Additions	-	-	-	-	-
Disposals	-	-	-	(15)	(15)
Loans repayable within 12 months transferred to debtors	(7,136)	-	-	-	(7,136)
Revaluations	-	-	(77)	-	(77)
Balance at 31 March 2008	794,594	1	182	29	794,806

The net book value of investments comprises:

Core Department 2008	794,594	1	-	-	794,595
Non-Core 2008	-	-	182	29	211
Total	794,594	1	182	29	794,806
Core Department 2007 (As restated)	801,730	1	-	-	801,731
Non-Core 2007 (As restated)	-	-	259	44	303
Total	801,730	1	259	44	802,034

British Energy plc

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

16 Investments (continued)

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

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

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

Quoted and Unquoted Investments held by HM Prison Service

The quoted investments are stated at market value at 31 March 2008. The unquoted investments relate mainly to the value of milk quota and are valued at estimated realisable value at 31 March 2008. These investments were acquired by HM Prison Service (as a result of trading activities) at no cost. Due to the immateriality of the values of these equity investments, no disclosure is made of the results of the companies whose shares are held.

17 Stocks and Work In Progress

	2008		2007	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Stocks	1,065	28,495	1,395	32,140
Work in Progress	-	2,195	-	2,624
	<u>1,065</u>	<u>30,690</u>	<u>1,395</u>	<u>34,764</u>

18 Debtors

18(a) Analysis by type

	2008		As restated 2007	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Note				
Amounts falling due within one year:				
Trade debtors	7,107	30,511	3,847	30,550
VAT debtors	32,892	48,073	39,772	63,741
Deposits and advances	1,306	4,870	1,362	4,287
Other debtors	37,158	70,846	12,389	67,384
Prepayments (non PFI) & accrued income	49,714	94,018	44,966	83,104
Current part of NLF loan – interest payable	10,863	10,863	10,911	10,911
Current part of NLF loan – capital	16 7,136	7,136	20,137	20,137
Intra-departmental debtors	53,006	-	16,004	-
Impositions outstanding (see 18(c))	377,201	377,201	344,313	344,313
	<u>576,383</u>	<u>643,518</u>	<u>493,701</u>	<u>624,427</u>

	2008		As restated 2007	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Amounts falling due after more than one year:				
Trade debtors	-	2	-	-
Deposits and advances	234	3,252	10	4,048
Other debtors	-	17	-	-
Prepayments (non-PFI) and accrued income	1,011	1,026	30	140
Prepayments (PFI)	-	21,800	-	-
	<u>1,245</u>	<u>26,097</u>	<u>40</u>	<u>4,188</u>

18 Debtors (continued)

18(b) Intra-Government balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2008	2007	2008	2007
	£000	£000	£000	£000
Balances with other central government bodies	151,724	84,932	17	30
Balances with Local Authorities	9,423	3,949	-	-
Balances with NHS Trusts	10,761	12,925	-	-
Balances with public corporations and trading funds	482	483	-	-
<i>Subtotal: intra-government balances</i>	<u>172,390</u>	<u>102,289</u>	<u>17</u>	<u>30</u>
Balances with bodies external to government	471,128	522,138	26,080	4,158
Total Debtors at 31 March	<u>643,518</u>	<u>624,427</u>	<u>26,097</u>	<u>4,188</u>

18(c) Courts' impositions outstanding

						2008	2007
	Fines	Crown Prosecutors' Costs	Prosecutors' Costs	Compensation	Confiscation Orders	Total	Total
	£000	£000	£000	£000	£000	£000	£000
At 1 April	165,164	22,764	26,155	35,171	95,059	344,313	351,038
Imposed in year	245,283	44,582	50,464	113,731	186,020	640,080	561,050
Collections	(151,621)	(33,579)	(34,368)	(45,516)	(93,930)	(359,014)	(343,544)
Judicial remissions	(53,089)	(5,165)	(4,675)	(4,812)	(8,699)	(76,440)	(104,909)
Cancellations	(34,793)	(3,557)	(5,966)	(2,570)	-	(46,886)	(41,046)
Movement in Provision for uncollectable impositions	(12,893)	9,555	(4,525)	(31,563)	(85,426)	(124,852)	(78,276)
At 31 March	<u>158,051</u>	<u>34,600</u>	<u>27,085</u>	<u>64,441</u>	<u>93,024</u>	<u>377,201</u>	<u>344,313</u>

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

18 Debtors (continued)

The provision for uncollectable impositions currently stands at £772m (2006-07: £647m).

Some of the HMCS magistrates' courts legacy systems only report administrative cancellations, legal cancellations and transfers out in aggregate to other courts. In order to attribute these discharges to imposition type it is necessary to pro-rate the aggregate values by reference to the related movements for each imposition type. Administrative cancellations pro-rated in accordance with the above for the year ended 31 March 2008 amounted to £9.110m (2006-07: £19.322m).

19 Cash at bank and in hand

	2008		2007	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Balance at 1 April	96,657	253,083	32,062	115,260
Net change in cash balances	(27,964)	87,575	64,595	137,823
Balance at 31 March	<u>68,693</u>	<u>340,658</u>	<u>96,657</u>	<u>253,083</u>

The following balances at 31 March were held at:

Office of HM Paymaster General	68,604	286,321	96,571	185,155
Commercial banks and cash in hand	89	54,337	86	67,928
Balance at 31 March	<u>68,693</u>	<u>340,658</u>	<u>96,657</u>	<u>253,083</u>

The balances of cash at bank and in hand include £23.211m (2006-07: £37.008m) held by the Department and its agencies on behalf of third parties. This amount is also disclosed as a creditor in Note 20.

20 Creditors

20(a) Analysis by type

	Note	2008		As restated 2007	
		Core Department	Consolidated	Core Department	Consolidated
		£000	£000	£000	£000
Amounts falling due within one year:					
Other taxation and social security		2,901	29,572	4,304	47,489
VAT		-	236	-	183
Trade creditors		132,505	276,819	57,716	151,169
Other creditors		47,192	113,222	21,951	142,901
Bank overdraft		-	4	-	239
Accruals and deferred income		316,716	584,401	214,890	396,958
Current part of finance leases		-	31	-	114
Current part of imputed finance lease element of on balance sheet PFI contracts		15,593	25,662	14,438	23,551
Current part of NLF loans – capital	16,18	7,136	7,136	20,137	20,137
Current part of NLF loans – interest	18	10,863	10,863	10,911	10,911
Amounts issued from the Consolidated Fund for supply but not spent at year end		196,893	196,893	117,977	117,977
Amounts issued from the Consolidated Fund for supply but not spent at year end (re DCA 2006-07)		8,834	8,834	-	-
Consolidated Fund extra receipts due to be paid to the Consolidated Fund – received		42,289	45,123	28,257	28,257
Amounts due to the Consolidated Fund for excess Appropriation in Aid		-	-	4,933	4,933
Impositions surrenderable once received	18	377,201	377,201	344,313	344,313
Intra-departmental creditors		3,832	-	919	-
Third party monies		308	23,211	129	37,008
		<u>1,162,263</u>	<u>1,699,208</u>	<u>840,875</u>	<u>1,326,140</u>

20 Creditors (continued)

The figure of £377,201k for Impositions Surrenderable Once Received excludes £3.5m cash in transit paid to the CPS.

	2008		As restated 2007	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Note				
Amounts falling due after more than one year:				
Accruals and deferred income	-	65,627	3,810	74,953
Finance leases	16,650	17,037	-	24
Imputed finance lease element of on balance sheet PFI contracts	319,850	507,881	335,442	506,630
Other creditors	3,817	3,850	14	50
NLF loans	16 794,594	794,594	801,730	801,730
	<u>1,134,911</u>	<u>1,388,989</u>	<u>1,140,996</u>	<u>1,383,387</u>

Included in the above figure of £377m (2006-07: £344m) disclosed as 'Impositions surrenderable once received' are amounts payable on receipt to other Government departments of £313m (2006-07: £309m) and amounts payable to third parties (as compensation to victims) of £64m (2006-07: £35m). See also Note 18(c).

20(b) Intra-Government balances

	As restated Amounts falling due within one year		As restated Amounts falling due after more than one year	
	2008	2007	2008	2007
	£000	£000	£000	£000
Balances with other central government bodies	758,519	433,113	794,595	805,540
Balances with local authorities	21,205	16,023	61,158	65,201
Balances with NHS Trusts	11,110	5,742	-	-
Balances with public corporations and trading funds	979	55	-	-
Subtotal: intra-government balances	<u>791,813</u>	<u>454,933</u>	<u>855,753</u>	<u>870,741</u>
Balances with bodies external to government	907,395	871,207	533,236	512,646
Total Creditors at 31 March	<u>1,699,208</u>	<u>1,326,140</u>	<u>1,388,989</u>	<u>1,383,387</u>

21 Provisions for liabilities and charges

	Core Department							Total
	Pension Transfer Deficit	Judicial Service Award	Early departure costs	Costs from Central Funds	HMPS Legal Claims	OCJR Legal Claims	Other	
	£000	£000	£000	£000	£000	£000	£000	
Balance at 1 April 2007 (As restated)	-	78,698	6,395	40,000	-	25,274	15,154	165,521
Provided in the year	-	7,799	7,053	-	-	-	15,216	30,068
Provisions not required written back	-	-	(39)	-	-	(7,211)	(496)	(7,746)
Provisions utilised in the year	-	(5,743)	(2,824)	-	-	(8,614)	(6,825)	(24,006)
Unwinding of discount rate	-	4,000	35	-	-	-	-	4,035
Balance at 31 March 2008	-	84,754	10,620	40,000	-	9,449	23,049	167,872
	Consolidated							Total
	Pension Transfer Deficit	Judicial Service Award	Early departure costs	Costs from Central Funds	HMPS Legal Claims	OCJR Legal Claims	Other	£000
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2007 (As restated)	218,000	78,698	142,562	40,000	40,455	25,274	30,678	575,667
Provided in the year	63,237	7,799	18,803	-	23,309	-	18,334	131,482
Provisions not required written back	-	-	(11,308)	-	(10,777)	(7,211)	(838)	(30,134)
Provisions utilised in the year	(66,219)	(5,743)	(11,953)	-	(11,606)	(8,614)	(12,637)	(116,772)
Unwinding of discount rate	-	4,000	4,713	-	-	-	-	8,713
Balance at 31 March 2008	215,018	84,754	142,817	40,000	41,381	9,449	35,537	568,956

21 Provisions for liabilities and charges (continued)

Pension Transfer Deficit: The provision relates to the liability arising from the transfer of pension arrangements of the former magistrates' courts committees staff from their previous pension providers, the local government pension scheme (LGPS), to the civil service pension scheme (PCSPS). The liability arising due to the shortfall in the funding of the LGPS has been estimated by the Government Actuary's Department (GAD). A payment of £66.2m (2006-07: £25.0m) has been made in the year to the PCSPS as part settlement of the estimated deficit.

Judicial Long Service Award: The Judicial Long-Service Award was created to equalise the tax position of judicial pensions affected by the provisions of the *Finance Act 2004*. The liability has been estimated by GAD, taking into account the number of reckonable years served by the existing judiciary and an estimate of the projected final salaries of existing members. The result was discounted to present value using the rate set by HM Treasury (2.2%).

Early Departure Costs: The Department meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to PCSPS over the period between early departure and normal retirement date. The Department provides for this in full when the early retirement programme become binding on the Department by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.2% in real terms.

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

Costs from Central Funds: Under the terms of the *Prosecution of Offences Act 1985*, acquitted defendants who have privately funded their legal representation, and private prosecutors, may obtain from the Crown Court an order to obtain their costs out of central funds. The Department estimates the value of unbilled costs at least every three years to arrive at the amount disclosed in the accounts as a provision. In the intervening years the Department reviews the assumptions made against available evidence to assess whether the estimate is reasonable. The amount is an estimate of the expenditure required to settle any obligation at the balance sheet date. In estimating the provision, the Department has adopted prudent measurement techniques based on the latest data available.

21 Provisions for liabilities and charges (continued)

HMPS Legal Claims: Provision has been made for various legal claims against HM Prison Service. The provision reflects all known claims where legal advice indicates that it is more likely than not that the claim will be successful and the amount of the claim can be reliably estimated. The figures represent the best estimate of the amount payable in respect of the claims indicated, as the claims are subject to litigation which would affect the time period of utilisation. Legal claims which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities in Notes 31 and 32.

OCJR Legal claims: Provision has been made for outstanding compensation claims in relation to the criminal justice system and other legal claims. The amount provided includes all legal claims where the legal advice obtained indicates that it is more than 50% probable that the claim will be successful, and that the amount of the claim is based upon a reliable estimate.

Other provisions: Other provisions include a provision in respect of legal costs associated with the transfer of ownership of properties originally intended to form part of the Property Transfer Scheme (see also Note 14), a provision for restitution on certain uninvested Children's Accounts, provisions for two small 'by analogy' pension schemes in respect of the Law Commissioners and the Immigration Adjudicators, a provision for HM Revenue & Customs fines and back-dated tax following a Home Office payroll audit and a dilapidation provision against a number of the Department's office buildings.

22 General Fund

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

	Note	2007-08		2006-07	
		Core Department	Consolidated	Core Department	Consolidated
		£000	£000	£000	£000
Balance at 1 April		4,185,052	5,968,038	3,651,219	6,004,554
Net Parliamentary Funding					
Drawn Down		45,363,630	45,363,630	41,730,638	41,730,638
Deemed	20	117,977	117,977	-	-
Agency Funding from HQ		(4,064,917)	-	(3,260,976)	-
Consolidated Fund Standing					
Services, being:					
Judicial and Lord Chancellor's salaries		94	130,420	115	127,714
Utilisation of Judicial Long Service Award		3,721	3,721	3,023	3,023
Funding for election expenses		9,621	9,621	19,000	19,000
Other		621	621	96	96
Year end adjustments					
Payable to the Consolidated Fund					
Supply (Creditor)/Debtor – current year	20	(196,893)	(196,893)	(117,977)	(117,977)
Excess A in A		-	-	(4,933)	(4,933)
Net Transfer from Operating Activities					
Net Operating Cost		(41,221,254)	(45,740,851)	(37,907,411)	(41,929,866)
CFERS repayable to Consolidated Fund	12	(3,938)	(6,778)	(8,828)	(10,977)
Non Cash Charges					
Cost of Capital		223,120	300,732	200,618	271,836
Auditors' remuneration		701	1,560	447	1,176
Notional charges		-	6,873	-	6,738
Corporate overhead charge		(122,301)	-	(118,666)	-
Other		-	(3)	2,200	579
Transfer from Revaluation Reserve		95	16,776	348	14,436
Transfer from Pension Reserve		-	-	-	(297,507)
Actuarial gains and losses		-	38,912	-	(287,348)
Fixed asset adjustment in respect of prior periods	14	-	32,760	-	421,424
Machinery of Government changes		(586)	(236)	2,481	15,413
Transfer of net assets		-	(7,294)	(6,219)	-
Other: Found assets		-	73	-	-
Other		(1,540)	(343)	(123)	19
Balance at 31 March		<u>4,293,203</u>	<u>6,039,316</u>	<u>4,185,052</u>	<u>5,968,038</u>

23 Reserves

23(a) Revaluation reserve

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

	2007-08		2006-07	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Balance at 1 April	1,956,916	2,423,494	1,595,202	1,899,827
Arising on revaluation during the year (net)	267,152	292,857	362,062	538,103
Transferred to General Fund in respect of realised element of Revaluation Reserve	(95)	(16,776)	(348)	(14,436)
Balance at 31 March	<u>2,223,973</u>	<u>2,699,575</u>	<u>1,956,916</u>	<u>2,423,494</u>

23(b) Donated Asset Reserve

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

	2007-08		2006-07	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Balance at 1 April	4,046	4,095	4,046	4,088
Additions during the year	-	45	-	12
Released to the Operating Cost Statement	(4,046)	(4,066)	-	(5)
Balance at 31 March	<u>-</u>	<u>74</u>	<u>4,046</u>	<u>4,095</u>

The Department agreed the handover of the Privy Council's antique silver to the Government Art Collection during 2007-08.

24 Notes to the Consolidated Cash Flow Statement

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

		2007-08	As restated 2006-07
		£000	£000
	Note		
Net operating cost	13	(45,740,851)	(41,929,866)
Adjustments for non-cash transactions		936,646	704,738
Decrease in stock		4,074	5,454
(Increase)/decrease in debtors		(41,000)	61,979
Less: Movements in debtors relating to items not passing through the OCS		6,485	(18,925)
Increase/(decrease) in creditors		378,670	143,754
Less: Movements in creditors relating to items not passing through the OCS		(116,081)	(192,189)
Adjustments for NPS pension funding		10,685	(9,090)
Use of Provisions	21	(116,772)	(92,107)
Less: Utilisation of provision settled with cash from the Consolidated Fund		3,721	3,023
Net cash outflow from operating activities		<u>(44,674,423)</u>	<u>(41,323,229)</u>

The cash flow has been restated to include movement in third party balances of £26.082m with other creditors.

24(b) Analysis of capital expenditure and financial investment

	2007-08	2006-07
	£000	£000
Tangible fixed asset additions	(743,194)	(437,609)
Intangible fixed asset additions	(462)	(1,348)
Proceeds of disposal of fixed assets	21,994	56,423
Loan repayments from other bodies	20,136	35,138
Net cash outflow from investing activities	<u>(701,526)</u>	<u>(347,396)</u>

24 Notes to the Consolidated Cash Flow Statement (continued)

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

	Capital expenditure	Loans etc	A in A	Net Total
	£000	£000	£000	£000
Request for Resources 1	743,630	-	(21,994)	721,636
Request for Resources 2	-	-	-	-
Request for Resources 3	26	(20,136)	-	(20,110)
Net movement in debtors/creditors	38,986	-	(3,731)	35,255
Total 2007-08	<u>782,642</u>	<u>(20,136)</u>	<u>(25,725)</u>	<u>736,781</u>

24(d) Analysis of financing

	2007-08	As restated 2006-07
	£000	£000
From the Consolidated Fund (Supply) – Current Year	45,363,630	41,730,638
From the Consolidated Fund (Supply) – Prior year	-	3,446
From the Consolidated Fund (Non-Supply)	140,041	146,714
Machinery of Government transfers	-	-
Advances from the Contingencies Fund	-	515
Repayments to the Contingencies Fund	-	(515)
Repayment of loans from the NLF	(20,136)	(35,138)
(Capital element) of finance leases and on balance sheet PFI contacts	(24,140)	(22,464)
Net financing	<u>45,459,395</u>	<u>41,823,196</u>

The consolidated fund standing services have been restated as financing in Note 24(d) rather than as a non-cash adjustment in Note 24(a).

24 Notes to the Consolidated Cash Flow Statement (continued)

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

	Note	As restated	
		2007-08	2006-07
		£000	£000
Net Cash Requirement		(45,284,714)	(36,997,936)
From the Consolidated Fund (Supply) – current year	24(d)	45,363,630	41,730,638
From the Consolidated Fund (Supply) – prior year	24(d)	-	-
Amounts due to the Consolidated Fund – received in a prior year and paid over		(34,216)	(34,768)
Amounts due to the Consolidated Fund received and not paid over		45,123	35,441
Movement in NPS cash balance		-	14,419
NLF loans principal payments paid to the NLF		(20,136)	(35,138)
NLF loans principal payments received from other bodies		20,136	35,138
NLF loans interest received from other bodies		54,787	57,414
NLF loans interest paid to the NLF		(54,787)	(57,414)
(Decrease)/increase in third party balances		(13,797)	26,082
Machinery of Government transfers		38,644	(4,651,649)
Other		(27,095)	15,596
Increase/(decrease) in cash		<u>87,575</u>	<u>137,823</u>

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

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

Apportionment of overheads is by way of staff numbers and space utilised. Allocation by objective takes established management reports, considered management assumptions and then maps these to a full cost model. Smaller cost centres are apportioned through management review and reviews by central Finance Divisions.

The bulk of the Department's net assets are employed by HMCS in pursuit of objectives 2 and 3 or NOMS in pursuit of objective 1. The capital charge in respect of these assets has therefore been apportioned across these objectives.

Programme grants and other current expenditure, as reported in the Operating Cost Statement, have been allocated as follows:

	2007-08	2006-07
	£000	£000
Request for Resource 1		
Objective 1	5,265,882	5,051,588
Objective 2	3,648,793	2,556,891
Objective 3	936,561	799,611
Objective 4	26,281	13,042
Objective 5	44,701	25,213
Request for Resource 2		
Objective 1	-	-
Objective 2	-	-
Objective 3	24,616,670	21,771,119
Objective 4	-	-
Request for Resource 3		
Objective 1	-	-
Objective 2	-	-
Objective 3	-	-
Objective 4	-	-
Grant	11,826,037	11,676,027
	<u>46,364,925</u>	<u>41,893,491</u>

The 2006-07 comparatives for objectives 2 to 5 are net of programme income, as reported in DCA's published accounts, and are not directly comparable to 2007-08.

26 Capital commitments

	2008		2007	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Contracted capital commitments as at 31 March for which no provision has been made	593,728	695,300	4,967	57,522
	<u>593,728</u>	<u>695,300</u>	<u>4,967</u>	<u>57,522</u>

27 Commitments under leases

27(a) Operating leases

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

	2008		2007	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Land and buildings:				
Expiry within 1 year	4,526	10,821	825	11,570
Expiry after 1 year but not more than 5 years	7,126	17,195	12,226	23,347
Expiry thereafter	39,981	89,645	26,266	67,394
	<u>51,633</u>	<u>117,661</u>	<u>39,317</u>	<u>102,311</u>
Other:				
Expiry within 1 year	35	2,284	953	2,734
Expiry after 1 year but not more than 5 years	684	2,797	736	3,895
Expiry thereafter	346	402	1	403
	<u>1,065</u>	<u>5,483</u>	<u>1,690</u>	<u>7,032</u>
	<u>52,698</u>	<u>123,144</u>	<u>41,007</u>	<u>109,343</u>

27(b) Finance leases

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

	2008		2007	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Rentals due within 1 year	-	56	-	131
Rentals due after 1 year but within 5 years	-	157	-	24
Rentals due thereafter	16,650	17,145	-	-
	<u>16,650</u>	<u>17,358</u>	<u>-</u>	<u>155</u>
Less interest element	-	(290)	-	(17)
	<u>16,650</u>	<u>17,068</u>	<u>-</u>	<u>138</u>

The land and buildings £175m (2006-07: £186m) and dwellings £6m (2006-07: £5m) disclosed as finance leases in Note 14 Tangible Fixed Assets are all long leases, with rental payments being for nominal amounts.

28 Commitments under PFI contracts

28(a) Off-balance sheet PFI contracts

Project name	Contract start date	Duration (years)	Estimated Capital value (£m)	Description
ARAMIS	January 1998	11	39.5	The ARAMIS PFI Project with Liberata UK Limited provides accounting, management information and corporate IT services to HMCS, Tribunals, Wales Office and MoJ Headquarters. The contract commenced in January 1998 and expired on 7 January 2007. Finance and payroll services have been subsequently extended to January 2009, and IT services extended to July 2008. The capital value of the contract is estimated to be £39.5m, of a total expected contract value of £265m. Under the Service Level Agreement, the entire contract was rolled over for the extended period, and so the contract remains a PFI in nature.
Probate Records	July 1999	25	10.9	Provision of storage and retrieval services.
HM Prison Service IT Managed Service contract – Quantum	February 2000	12	125.3	HM Prison Service IT Managed Service contract runs for a period of 12 years expiring in 2012.

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

	2008		2007	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Obligations under PFI operating leases comprise:				
Expiry within 1 year	13,802	13,802	18,032	18,032
Expiry after 1 year but not more than 5 years	-	39,858	-	39,858
Expiry thereafter	-	1,789	-	1,856
	<u>13,802</u>	<u>55,449</u>	<u>18,032</u>	<u>59,746</u>

28 Commitments under PFI contracts (continued)

28(b) On-balance sheet PFI contracts

In accordance with FRS 5 and *Technical Note No. 1 (revised)* – How to account for PFI Transactions these assets are treated as assets of the Department.

Project name	Contract start date	Duration (years)	Estimated Capital value (£m)	Description
Exeter	November 2002	30	20.1	Provision of a courthouse comprising four criminal courts, one civil court and four District Judges Hearing rooms and further related administrative space. At the end of the contract term the building will revert to the Department at no cost.
East Anglia	October 2002	25	34.5	Provision of Crown Court centres in Ipswich and Cambridge. Ipswich consists of five criminal courtrooms; Cambridge consists of three criminal courtrooms. At the end of the contract term the buildings in Ipswich and Cambridge will revert to the Department at no cost.
Sheffield	November 2002	25	7.7	Provision of a Family Hearing Centre in Sheffield consisting of two family courtrooms, two hearing rooms and a training room. At the end of the PFI term the Department has the option of acquiring the under lease at the lower of its open market value, or £2m.
Derbyshire Magistrates' courts	August 2001	27	29.5	Provision of serviced accommodation for Magistrates' courts at New Mills, Chesterfield and Derby. The length of this PFI contract can be extended (subject to agreement of mutually acceptable terms) by up to five years. No construction at New Mills has taken place to date due to planning permission issues.
Hereford and Worcester Magistrates' courts	March 2000	25	30.6	Provision of serviced accommodation for Magistrates' courts at Bromsgrove, Kidderminster, Worcester and Redditch. The length of this PFI contract can be extended for another 10 years by giving notice at least twelve months before the date on which the contract would otherwise expire.
Manchester Magistrates' Court	March 2001	25	32.9	Provision of an 18-courtroom courthouse as part of an overall complex including retail units and coroner's court in Manchester.
Humberside Magistrates' courts	March 2000	25	21.6	Provision of serviced Magistrates' courthouses in Hull, Beverley and Bridlington. On expiry, the Department has the option of taking the assets back for £3m.
Avon and Somerset Magistrates' courts	August 2004	27	46.6	Provision of serviced accommodation for Magistrates' courts and offices in Bristol, Weston-super-Mare and Flax. The third of the three sites, Bristol Magistrates' court, opened in September 2007. The estimated capital value of this building is £27m (£24m building, £3m land) increasing the estimated capital value of the project from £19.6m to £46.6m.

28 Commitments under PFI contracts (continued)

28(b) On-balance sheet PFI contracts

Project name	Contract start date	Duration (years)	Estimated Capital value (£m)	Description
HMP Altcourse	December 1995	30	88.0	Design, build, finance and operate an 850 place new prison at HMP Altcourse.
HMP Parc	December 1995	30	74.0	Design, build, finance and operate an 800 place category B prison near Bridgend, South Wales.
HMP Lowdham Grange	November 1996	30	32.0	Design, build, finance and operate a 500 place category B prison at HMP Lowdham Grange, Nottingham.
HMIYOI Ashfield	June 1998	30	30.7	Design, build, finance and operate a 400 place young offenders and juveniles' prison at Pucklechurch, near Bristol.
HMP Forest Bank	July 1998	30	38.6	Design, build, finance and operate an 800 place category B prison HMP Forest Bank, on site of former Agecroft power station.
HMP Rye Hill	July 1999	30	34.7	Design, build, finance and operate a 600 place category B prison HMP Rye Hill at Onley, near Rugby.
HMP Dovegate Marchington	September 1999	30	48.0	Design, build, finance and operate an 800 place prison and therapeutic community facility at HMP Dovegate Marchington, Staffordshire.
HMP Bronzefield	December 2002	30	47.1	Design, build, finance and operate new custodial services at Ashford in Middlesex.
HMP Peterborough	February 2003	30	64.4	Design, build, finance and operate new custodial services at Peterborough in Cambridgeshire.
Prison Service – Heat / Energy tranche 1	November 1998	15	9.0	The installation and maintenance of boilers in prisons and the provision of heating / energy services.
Prison Service – Heat / Energy tranche 2	August 2001	15	16.0	The installation and maintenance of boilers in prisons and the provision of heating / energy services.

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

	2008		2007	
	Core Department £000	Consolidated £000	Core Department £000	Consolidated £000
Imputed finance lease obligations under on-balance sheet PFI contracts comprises:				
Rentals due within 1 year	42,428	62,169	14,437	32,197
Rentals due within 2 to 5 years	169,713	243,321	70,263	137,789
Rentals due thereafter	390,212	599,209	265,180	472,776
	602,353	904,699	349,880	642,762
Less interest element	(266,910)	(371,156)	-	(112,581)
	335,443	533,543	349,880	530,181

28 Commitments under PFI contracts (continued)

The interest element was excluded from rentals due to NOMS/OCJR in the Home Office 2006-07 published accounts. The Department has not attempted to restate the 2006-07 comparatives.

28(c) Charge to the Operating Cost Statement and future commitments

The total amount charged in the Operating Cost Statement in respect of off-balance sheet PFI transactions and the total service element of on-balance sheet PFI transactions was £388m (2006-07: £148m); and the payments to which the Department and its Agencies are committed, during 2008-09, analysed by the period in which the commitment expires, are as follows:

	2008-09		2007-08	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Expiry within 1 year	13,802	13,802	18,032	18,032
Expiry within 2 to 5 years	1,860	1,860	-	-
Expiry within 6 to 10 years	6,553	6,553	5,024	5,024
Expiry within 11 to 15 years	7,368	7,368	8,560	8,560
Expiry within 16 to 20 years	2,585	23,344	5,790	27,007
Expiry within 21 to 25 years	8,469	23,786	8,615	20,771
	<u>40,637</u>	<u>76,713</u>	<u>46,021</u>	<u>79,394</u>

The PFI commitments relate to contracts for the provision of accommodation and other services (including repayment of capital, interest payable and a charge for the provision of services).

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

29 Other financial commitments

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

	2008		2007	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Expiry within 1 year	14,627	14,991	15,163	15,439
Expiry within 2 to 5 years	178,825	179,647	230,150	230,607
Expiry thereafter	84,200	84,200	91,000	91,000
	<u>277,652</u>	<u>278,838</u>	<u>336,313</u>	<u>337,046</u>

30 Financial Instruments

30(a) Risk management objectives and policies

FRS 13, Derivatives and Other Financial Instruments: Disclosures, requires disclosure of the role which financial instruments have had during the year in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which Government departments are financed, the Department is not exposed to the degree of financial risk faced by business entities.

Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Department has no powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Department in undertaking its activities.

As permitted by FRS 13, debtors and creditors that mature or become payable within 12 months from the balance sheet date have been omitted from these disclosures.

30(b) Liquidity risk

The Department's net resource requirements are financed by resources voted annually by Parliament, just as its capital expenditure largely is. It is not, therefore, exposed to significant liquidity risks and the Department has no need to maintain commercial borrowing facilities.

30(c) Interest rate risk

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

30(d) Foreign Currency risk

Foreign currency income and expenditure are negligible.

31 Contingent Liabilities disclosed under FRS 12

The Ministry of Justice has contingent liabilities in respect of the following matters:

The Department is involved in a number of cases before the Employment Tribunal relating to fee paid judicial office holders claiming retrospective pension rights. Of the cases existing at the end of 2006-07, only one remains. This case has already gone to the Employment Appeals Tribunal, which the Department won. The claimant is now applying for leave to appeal to a higher court. In 2007-08 a further four cases were brought on the same grounds. It is not possible to calculate the potential liability to the Department of a negative judgement, as a precedent might be set for up to 5,000 other office holders with potential claims dating back 20 years or more.

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

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

In a separate Employment Tribunal case, reported as a contingent liability in 2006-07, the Department was sued for discrimination by a judicial post holder, challenging the mandatory retirement of Recorders at age 65. This case has been settled with an award to the claimant of £0.016m. There is a strong possibility there will be an appeal. The case might still open the door for copycat cases.

The Department has a legal obligation under the *Administration of Justice Act 1982* to make good any default that the Accountant General or manager of the Common Investment Scheme may be guilty of with respect to any money, securities and effects for which they are responsible. There is no known liability at present.

The 2006-07 accounts reported that the Department was involved in a dilapidations case. This case has advanced and a provision has now been set up for the amount claimed by the landlord. In addition the Department will be vacating two of its London Offices at the end of 2008. Negotiations are currently taking place to ascertain the dilapidation costs the Department will be charged. These negotiations are at a very early stage and these charges cannot be reliably estimated at this point in time.

31 Contingent Liabilities disclosed under FRS 12 (continued)

A case has been brought in the European Court of Human Rights by *Times Newspapers* against the UK Government, in relation to the case of *Loutchansky v Times Newspapers*. The Times has applied to the Court on the basis that the current law constitutes an infringement of freedom of expression under Article 10 of the European Convention on Human Rights. It is not known when the Court will give its judgment. *The Times* is claiming damages and costs in the region of £0.4m.

The Department had agreed to consider whether it should pay the wasted costs of a number of law firms that stemmed from the overturning in the *Compensation Act 2006* of a ruling on mesothelioma cases by the House of Lords. One firm raised the issue in Autumn 2006, and Ministers refused its request for costs. No further action has been taken by that firm, and no requests have been received from any of the other firms involved.

The Department is involved in a number of legal cases dealing largely with *ex gratia* and compensation claims. The estimated cost of settlement in these cases is £13.6m (2006-07: £10.9m).

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 of. If HMCS is not able to effect a transfer of ownership and control of these properties it faces potential accommodation obligations to the parties who ultimately own the property rights and will control the underlying economic benefits. Based on the value of the properties as at 31 March 2008, 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).

Four Probation Boards (Lancashire, Nottinghamshire, Surrey and Warwickshire) have reported contingent liabilities in their own accounts. However they are not considered to be sufficiently material to warrant disclosure in the consolidated Resource Accounts.

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

32(a) Quantifiable

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

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

32(b) Unquantifiable

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

The NPS indemnifies the members of the 42 local area Probation Boards to maintain the same status of indemnity that was provided by Local Authorities. The Government has agreed that an individual Board member should be indemnified against legal damages and costs arising from advice given, or actions done, honestly and in good faith in the execution of his or her board functions, except where the member has acted recklessly.

The Department has indemnified the Chairman or members of the Independent Inquiry into the death of Zahid Mubarek at the Feltham Young Offenders Institution against any legal action (Minute laid 10 March 2006).

33 Losses and special payments

33(a) Losses statement

Details of cases	2007-08		2006-07	
	Number of cases	£000	Number of cases	£000
Cash losses	2,147	835	2,715	744
Claims abandoned	323,521	47,296	558,061	82,295
Administrative write-offs	93	75	8	61
Fruitless payments	292	25	4,645	12,524
Store Losses	2,714	616	3,068	559
	<u>328,767</u>	<u>48,847</u>	<u>568,497</u>	<u>96,183</u>

33(b) Special Payments

	2007-08		2006-07	
	Number of cases	£000	Number of cases	£000
Compensation Payments	6,452	21,456	3,073	1,910
Ex gratia	685	426	58,534	6,414
Total	<u>7,137</u>	<u>21,882</u>	<u>61,607</u>	<u>8,324</u>

The Department also paid out £270,047 (2006-07: £71,756) in interest under the *Late Payment of Commercial Debts (Interest) Act 1988*.

The figure for the number of cases for claims abandoned is an estimate based on the average value of individual fines (£145). The large number of claims abandoned during 2006-07 was due to the lifting in May 2006 of a ministerial policy of not permitting administrative cancellations of fines. Since that time, a backlog of outstanding fines and other impositions that had built up over a number of years has undergone a process of review. Where the fine is deemed uncollectable, it has been written off.

There were 6 (2006-07: 4) individual cases of special payments to HM Prison Service staff over £250,000 and no (2006-07: 1) compensation payments over £250,000 paid to prisoners in the year

34 Related party transactions

Associated Departments and other central Government bodies

The Ministry of Justice is the parent of Her Majesty's Courts Service, the Office of the Public Guardian and the Tribunals Service, the National Probation Service and Her Majesty's Prison Service. It is the sponsor of the Legal Services Commission, the Information Commissioner's Office, the Judicial Appointments Commission, the Youth Justice Board, the Criminal Injuries Compensation Authority, the Parole Board and the Criminal Cases Review Commission. All of these bodies are regarded as related parties with which the Department has had various material transactions during the year.

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

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

In addition the Ministry of Justice has had a small number of transactions with other government departments and other central Government bodies.

Private companies

Registry Trust Limited is a private company limited by guarantee with no share capital. It maintains, on behalf of the Secretary of State and Lord Chancellor, the Register of County Court Judgements. In view of its role and its relationship with the Secretary of State and Lord Chancellor, Registry Trust Limited is regarded as a related party. Income received from Registry Trust Limited in the year to 31 March 2008 amounted to £0.6 m (2006-07: £0.4m) with a total debtor balance as at 31 March 2008 of £0.07 m (2006-07: £0.4m). All figures include VAT.

Graduated Fees Scheme

It is the Lord Chancellor's role to authorise the rates of payment under the Graduated Fees Scheme. These rates are implemented by the Legal Services Commission, when calculating remuneration of Family Barristers involved in legally aided proceedings. The previous Lord Chancellor's spouse, Marianna Hildyard QC, is a Family Barrister in receipt of such payments. Payments totalling £161,267 (2006-07: £157,057) have been made to Marianna Hildyard QC for Legal Aid casework.

There have been no changes to this scheme during the 2007-08 financial year.

34 Related party transactions (continued)

Salary paid in respect of Recorder fees

It is also the Lord Chancellor's role to authorise changes to the annual salaries of the Judiciary, including Recorders. The former Lord Chancellor's spouse, Marianna Hildyard QC, is a Recorder in receipt of such payments. Fees paid directly to her by the Department in respect of performance of duties amounted to £560 (2006-07: £9,756).

Legal Aid

Adam Straw is a barrister who receives payments in respect of legal aid casework; payments made to Adam Straw totalled £4,567. Adam Straw is the nephew of Jack Straw, the Secretary of State and Lord Chancellor for Justice.

Hickman and Rose is a legal services contracted firm of solicitors, in which Gillian Self is an HR Manager. Gillian Self is a sister of Carolyn Regan, Chief Executive of the Legal Services Commission and MoJ board member. Legal Aid payments totalling £1,395,243 (2006-07: £822,678) were made to Hickman and Rose.

Other

Phil Wheatley, the Director General of HM Prison Service, is married to the Chief Executive of the Youth Justice Board, Ellie Roy. In addition his son, Thomas Wheatley, is a Governor at HMP Nottingham.

35 Third party assets

The Department holds additional third party assets, over and above those monies disclosed in notes 19 and 20 of this account

Court Funds Office

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

Responsibility for the Court Funds Office transferred from HM Courts Service to MoJ Headquarters on 1 April 2007.

The main items, with their market value as at 28 February 2008 are:

- Cash, sterling held and invested on behalf of the Accountant General through the Commissioners for the Reduction of National Debt's Court Funds Investment Account, of £4.63bn (2006-07: £4.74bn); and

35 Third party assets (continued)

- Securities, a combination of units and stock holdings held in the name of the Accountant General with a market valuation of approximately £243m (2006-07: £283m). This includes the Index Tracker Fund (formerly the Common Investment Fund), which is administered on behalf of the Accountant General by an appointed Fund Manager. The beneficiaries have unit shares in the fund, which consists of a balanced portfolio managed by the Fund Manager in accordance with the investment strategy in force at the time of £105.9m (2006-07: £75.7m).

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

Official Solicitor and Public Trustee

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

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

	31 March 2008	31 March 2007
	£000	£000
Cash	30,977	46,131
Investments	54,172	158,331
Non cash assets	26,104	31,253
Total	111,253	235,715

Notes to the table:

The stewardship accounts for 2006-07 are expected to be finalised in July 2008. The accounts for 2007-08 have not yet been presented for audit. The figures in the table above represent the most up-to-date information available.

HM Prisons Service

HM Prison Service holds third party monies of £9.274m (2006-07: £8.831m), not included in the above balances. This relates to monies held on behalf of prisoners.

35 Third party assets (continued)

Privy Council

The Judicial Committee of the Privy Council, where required, holds security costs lodged by the appellant. These are held in accordance with Statutory Instrument 'The Judicial Committee (General Appellate Jurisdiction) Rules Order 1982' made 24 November 1982 and Statutory Instrument 'The Judicial Committee (Devolution issues) Rules Order 1999' made 10 June 1999. These deposits are not deemed departmental assets and are not included in the accounts.

The National Probation Service

A number of individual Probation Boards hold third party assets. The total held at 31 March 2008 was £0.070m (2006-07: £0.079m).

36 Entities within the departmental boundary

The Core Department:

Department Headquarters, including the following associated offices:
 Office of Court Funds, the Official Solicitor and Public Trustee;
 Office of the Legal Services Ombudsman;
 Office of the Legal Services Complaints Commissioner;
 HM Inspectorate of Court Administration;
 HM Inspectorate of Prisons;
 HM Inspectorate of Probation;
 Assessor for Compensation for Miscarriages of Justice;
 Council on Tribunals;
 Office of the Judge Advocate General;
 Judicial Appointments and Conduct Ombudsman;
 Office for Judicial Complaints; and
 Directorate of Judicial Offices for England and Wales
 (incorporating the Judicial Office, the Judicial Communications Office and the
 Judicial Studies Board);

Scotland Office, including the Office of the Advocate General for Scotland

Wales Office

Supply financed Agencies:

Her Majesty's Courts Service (HMCS)
 Tribunals Service
 Office of the Public Guardian (OPG)
 Public Guardianship Office (PGO) to 30 September 2007
 Her Majesty's Prison Service (HMPS)

36 Entities within the departmental boundary (continued)

Other Bodies:

National Probation Service (NPS), a consolidation of 42 individual Probation Boards.

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

37 Pension Costs of the National Probation Service

Under the *Local Government Pension Scheme Regulations* the National Probation Service pension fund is subject to an independent triennial actuarial valuation to determine each employer's contribution rate.

As part of the terms and conditions of employment of its officers and other employees, the 42 Probation Boards offer retirement benefits. Although these will not actually be payable until employees retire, the Board has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The provisions of the Local Government Pension Scheme (LGPS) cover present and past employees, which is statutory and funded. The 42 Probation Boards participate in the LGPS, administered by various bodies.

The LGPS provides benefits on a "final salary" basis at a normal retirement age of 65. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to 3/80th of final pay of every year of total membership is payable on retirement. Changes in the scheme permit employees returning on or after 6 April to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension.

Members pay contributions of 6% of pensionable earnings. Employers pay the balance of the cost of providing benefits, after taking into account investment returns.

This is a defined benefit scheme meaning that retirement benefits are determined independently of the investments of the scheme and employers are obliged to make additional contributions where assets are insufficient to meet retirement benefits.

37 Pension Costs of the National Probation Service (continued)

A full actuarial valuation was carried out at 31 March 2007 by various actuaries. For 2007-08, employers' contributions of £90.143m were payable to the LGPS (2006-07: £84.708m) in a range from 12.8% to 26.3%. The scheme's actuaries review employer contributions every three years following a full scheme valuation. The salary bands were revised for 2005-06 and will remain unchanged until 2007-08. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Partnership accounts are excluded under FRS17.

The approximate employers' pension contributions for the three years were:

- Employers' contributions for 2007-08 were 17.8 % of salaries;
- Employers' contributions for 2008-09 will be 17.6 % of salaries; and
- Employers' contributions for 2009-10 will be 17.6 % of salaries.

The major assumptions used by the actuary were:

	31 March 2008	31 March 2007	31 March 2006
	%	%	%
Inflation assumption	3.6%	3.2%	2.9%
Rate of increase in salaries	5.2%	4.7%	4.5%
Rate of increase for pensions in payment and deferred pensions	3.6%	3.2%	2.9%
Discount rate	6.6%	5.4%	5.8%

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

	Long-term rate of return expected at		Long-term rate of return expected at		Long-term rate of return expected at	
	31 March 2008	31 March 2008	31 March 2007	31 March 2007	31 March 2006	31 March 2006
	%	£000	%	£000	%	£000
Equities	7.6%	1,237,073	7.6%	1,358,140	7.2%	1,241,565
Bonds	5.3%	335,217	4.9%	322,531	4.5%	287,959
Property	5.7%	181,748	6.3%	186,461	5.9%	152,999
Cash	5.2%	115,010	5.2%	92,115	4.6%	94,013
Total market value of assets		1,869,048		1,959,247		1,776,536
Present value of scheme liabilities		2,375,686		2,494,112		2,033,143
Surplus/ (Shortfall) of the scheme		(506,638)		(534,865)		(256,607)
Net pension asset / (liability)		(506,638)		(534,865)		(256,607)

37 Pension Costs of the National Probation Service (continued)

Pension Cost

	2007-08	2006-07
	£000	£000
Current service cost	88,105	72,414
Past service cost	14,216	609
Total operating charge	102,321	73,023

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

	2007-08	2006-07
	£000	£000
Expected return on pension scheme assets	(136,787)	(117,296)
Interest on pension scheme liabilities	135,441	119,891
Net return	(1,346)	2,595

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

	2007-08	2006-07
	£000	£000
Actual return less expected return on pension scheme assets	(200,812)	9,859
Experience gains and losses arising on the scheme liabilities	46,496	(732)
Changes in assumptions underlying the present value of the scheme liabilities	193,228	(296,475)
Actuarial gain/(loss) recognised in the SRGL	38,912	(287,348)

Movement in Surplus / (Shortfall) during the year:

	2007-08	2006-07
	£000	£000
Surplus/ (Shortfall) in scheme at the beginning of the year	(534,865)	(256,607)
Current service costs	(88,105)	(72,414)
Employer Contributions	90,290	84,708
Past service costs	(14,216)	(609)
Other finance income	1,346	(2,595)
Actuarial gain/ (loss)	38,912	(287,348)
Surplus/(Shortfall) in scheme at the end of the year	(506,638)	(534,865)

37 Pension Costs of the National Probation Service (continued)

History of experienced gains and losses

	2007-08	2006-07	2005-06	2004-05
Difference between the expected and actual return on scheme assets:				
Amount in £000	(200,812)	9,859	246,053	54,137
Percentage of scheme assets	(10.7%)	0.5%	13.9%	3.8%
Experience gains and losses on scheme liabilities:				
Amount in £000	46,496	(732)	(15,853)	23,586
Percentage of the present value of the scheme liabilities	2.0%	0.0%	(0.8%)	1.4%
Total amount recognised in Statement of Recognised Gains and Losses:				
Amount in £000	38,912	(287,348)	26,787	74,375
Percentage of the present value of the scheme liabilities	1.6%	(11.5%)	1.3%	4.4%

38 Machinery of Government Changes and Transfers of Function

38(a) Creation of Ministry of Justice

On 29 March 2007 the Prime Minister announced the creation of the Ministry of Justice. The new Ministry incorporates all aspects of the Department for Constitutional Affairs (DCA) together with a number of areas from the Home Office. The area of the Home Office that transferred in to the Ministry is titled National Offender Management Service (NOMS), the two principal operational arms of which are HM Prison Service and the National Probation Service. From the same date, the new Department would also take on responsibility for hosting the Office for Criminal Justice Reform.

This Machinery of Government change formally took effect from 9 May 2007.

According to the HM Treasury's *FReM* 5.4.4, which interprets FRS 6 for the public sector context, this merger of two entities was accounted for by merger accounting. Thus these Ministry of Justice Resource Accounts show the financial results and financial position as if the merger had been in place throughout the two years involved (the current year of 2007-08 and the comparative year of 2006-07).

An understanding of the effect on the financial statements from this Machinery of Government change can be obtained from the following analysis. The former DCA includes the other Machinery of Government changes shown in Note 38(b).

38 Machinery of Government Changes and Transfers of Function (continued)

	2007-08			2006-07		
	Formerly DCA	Formerly Home Office	Total	Formerly DCA	Formerly Home Office	Total
	£000	£000	£000	£000	£000	£000
Operating Cost Statement						
Administration Costs:						
Staff Costs	118,410	132,325	250,735	159,226	119,088	278,314
Judicial salaries	770	-	770	25,246	-	25,246
Other administration costs	151,731	39,973	191,704	235,319	36,190	271,509
Income	(10,942)	(11,105)	(22,047)	(13,035)	(4,329)	(17,364)
Programme Costs						
Request for Resources 1						
Staff Costs	680,352	2,322,174	3,002,526	637,531	2,187,387	2,824,918
Judicial salaries	412,974	-	412,974	369,444	-	369,444
Programme costs	3,563,010	2,943,708	6,506,718	3,031,842	2,872,364	5,904,206
Income	(665,524)	(379,712)	(1,045,236)	(645,196)	(528,355)	(1,173,551)
Request for Resources 2						
Programme costs	24,616,670	-	24,616,670	21,771,119	-	21,771,119
Income	-	-	-	-	-	-
Request for Resources 3						
Programme costs	11,826,037	-	11,826,037	11,676,027	-	11,676,027
Income	-	-	-	(2)	-	(2)
NLF Interest payable	54,787	-	54,787	57,414	-	57,414
NLF interest receivable	(54,787)	-	(54,787)	(57,414)	-	(57,414)
Totals	40,693,488	5,047,363	45,740,851	37,247,521	4,682,345	41,929,866
Balance Sheet						
2007-08						
2006-07						
	Formerly DCA	Formerly Home Office	Total	Formerly DCA	Formerly Home Office	Total
	£000	£000	£000	£000	£000	£000
Tangible fixed assets	3,465,713	7,599,398	11,065,111	3,541,667	6,953,188	10,494,855
Intangible Fixed assets	-	1,876	1,876	-	2,335	2,335
Investments	794,595	211	794,806	801,731	303	802,034
Stock	-	30,690	30,690	-	34,764	34,764
Debtors	563,754	105,861	669,615	497,670	130,945	628,615
Cash	288,399	52,259	340,658	194,062	59,021	253,083
Creditors	(2,128,721)	(959,476)	(3,088,197)	(1,851,507)	(858,020)	(2,709,527)
NPS pension liability	-	(506,638)	(506,638)	-	(534,865)	(534,865)
Provisions	(457,792)	(111,164)	(568,956)	(463,659)	(112,008)	(575,667)
	2,525,948	6,213,017	8,738,965	2,719,964	5,675,663	8,395,627
General fund	2,052,733	3,986,583	6,039,316	2,249,813	3,718,225	5,968,038
Revaluation reserve	473,215	2,226,360	2,699,575	466,105	1,957,389	2,423,494
Donation Reserve	-	74	74	4,046	49	4,095
Total	2,525,948	6,213,017	8,738,965	2,719,964	5,675,663	8,395,627

38 Machinery of Government Changes and Transfers of Function (continued)

The net cash impact of the Machinery of Government changes on the 2006-07 Net Parliamentary funding is £4,652m as shown in Note 24(e).

38(b) Other Machinery of Government changes

Responsibility for the Privy Council Secretariat and the Office of the Judicial Committee of the Privy Council transferred from the Privy Council to the Ministry of Justice with effect from 1 April 2007. The effect on the financial statements is an increase of £2.2m in net expenditure for 2006-07, and an increase in net assets of £3.4m.

Responsibility for the inspection of Children and Family Court Advisory and Support Service has transferred from HM Inspectorate of Court Administration, within DCA, to OFSTED, within the Department for Children Schools and Families. This took effect from 1 April 2007. The effect on the financial statements is a reduction of £0.5m in expenditure for 2006-07 (compared to 2006-07 DCA accounts), with no effect on the balance sheet.

Responsibility for the Court Funds Office (CFO) transferred from HM Courts Service to Ministry of Justice HQ with effect from 1 April 2007. This change is internal to the Department. The effect on the accounts is to transfer gross costs of £26.0m and income of £13.5m (in 2006-07) and net liabilities of £12.7m from non-Core to Core within MoJ, by comparison with the categories within DCA in which the CFO was previously reported.

On 1 April 2007 two tribunals transferred to the Tribunals Service from other Departments: the Asylum Support Tribunal, formerly the Asylum Support Adjudicators, transferred from the Home Office and the Care Standards Tribunal from the Department of Health. Due to the comparatively low value of the assets and liabilities transferred with these entities the transfers have been treated as in-year transactions and prior year comparative figures have not been restated. Details of the assets and liabilities transferred can be found in the Tribunals Service annual accounts.

38(c) Impact of 9 May 2007 Machinery of Government Change on the cost of MoJ Corporate Services

The Machinery of Government Change of 9 May 2007 resulted in an element of the 2007-08 budget of the Home Office's corporate services functions transferring to the MoJ. The movement of some corporate services involved a permanent transfer of activity and staff, whilst in other areas the Home Office continues to provide a service for which the MoJ is charged a fee.

38 Machinery of Government Changes and Transfers of Function (continued)

The MoJ's 2007-08 Operating Cost Statement incorporates the increase in cost resulting from the transfer of corporate service activity from the Home Office. This change is detailed in the table below.

The table below also provides an estimation of the likely impact on the Operating Cost Statement had the transfer occurred in the prior year. In order to arrive at the estimated 2006-07 costs, the 2007-08 costs have been deflated by the GDP Deflator at Market Prices published by HM Treasury on 13 March 2008. The 2006-07 costs have not been reflected in the MoJ's restated 2006-07 Operating Cost Statement.

	2007-08	(Estimated) 2006-07
	£000	£000
Administration Costs		
Depreciation and Cost of Capital Charges	302	292
Accommodation Service Provision	13,843	13,407
Travel, Subsistence & Hospitality	1,763	1,708
Staff Costs	4,533	4,390
Other Administration Expenditure	2,774	2,687
	<u>23,215</u>	<u>22,484</u>
Programme Costs		
Publication Stationery & Printing	974	943
Other Programme Expenditure	53	51
	<u>1,027</u>	<u>994</u>
Total Costs	<u>24,242</u>	<u>23,478</u>

39 Events after the balance sheet date

In accordance with the requirements of FRS 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 of the Certificate and Report of the Comptroller and Auditor General.

Organisational Review:

To improve focus on the Department's core responsibilities, the Department was re-structured in April 2008 around four business groups. The four groups, and the Board members responsible for them, are:

- Democracy, Constitution and the Law (Rowena Collins-Rice).
- Access to Justice (Peter Handcock)
- National Offender Management Service (Phil Wheatley)
- Criminal Justice Strategy (Helen Edwards)

These four business groups are supported by a Corporate Performance group (Ursula Brennan) which provides services such as finance, IT, human resources support, communications, planning, performance management and research analysis.

On 1 April 2008 the Corporate Management Board (CMB), chaired by the Permanent Secretary and including three non-executive directors, was established and replaced the Departmental Management Board. Executive members of the CMB are Suma Chakrabarti, Permanent Secretary; Ursula Brennan, Director General, Corporate Performance and Deputy Permanent Secretary; Marco Pierleoni, Director General, Finance and Commercial; Rowena Collins-Rice, Director General, Legal and Judicial Services; Beverley Shears, Acting Director General, Human Resources; Peter Handcock CBE, Director General, Access to Justice; Helen Edwards, Director General, Criminal Justice; Phil Wheatley CB Director General, National Offender Management Service. Non-executive members are: Anne Bulford, Carolyn Downs, and David MacLeod.

On 2 July 2008, the Department announced that the Prime Minister had approved the appointment of Ursula Brennan as 2nd Permanent Secretary at the Ministry of Defence.

On 18 June 2008, the Department announced the appointment of Chris Mayer as the new Chief Executive of HM Courts Service.

On 12 June 2008, the Department announced the appointment of Martin John as the Public Guardian-designate and replacement Chief Executive of the Office of the Public Guardian. Martin took up his new post on 10 July 2008.

39 Events after the balance sheet date (continued)

With effect from 1 April 2008 six Probation Boards were dissolved and established as Probation Trusts under the *Offender Management Act 2007*. Under the *Offender Management Act 2007*, the new Trusts have been set up in order to support the strategic aims and current Public Service Agreement of the Ministry of Justice. The purposes of the Probation Trusts must continue to consist of or include the making or performance by the Trusts of contracts with the Secretary of State.

On 17 July 2008 the Department published the National Offender Management Service (NOMS) Agency Framework Document which sets out the government's vision for NOMS and how it will be governed as an Executive Agency of the Ministry of Justice.

Ministry of Justice Resource Accounts

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Addendum

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Salary and Pension entitlements

Pension Benefits – Ministers

The joining date for Michael Wills MP Minister of State, Lord Hunt of King Heath OBE Parliamentary Under Secretary and Maria Eagle MP Parliamentary Under Secretary should read (from 30th June 2007) and not (from 30th June 2008) as disclosed.

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