

2. Analysis of net resource outturn by section

					Outturn		Estimate	2005-06	2004-05
	Admin	Other	Grants	Gross Resource Expenditure	A in A	Net Total	Net Total	Net Total compared with Estimate Savings/ (excess)	Prior year Outturn
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Request for Resources 1:									
Headquarters and Associated Offices	370,923	250,007	2,532	623,462	(10,440)	613,022	684,099	71,077	435,086
Judicial Pensions Administration	401	-	-	401	(400)	1	1	-	-
Her Majesty's Court Service	35,928	1,285,589	1,424	1,322,941	(539,222)	783,719	867,104	83,385	375,721
Public Guardianship Office	14,390	1,016	-	15,406	(15,765)	(359)	480	839	663
Costs from Central Funds	-	69,201	-	69,201	-	69,201	45,000	(24,201)	48,694
Magistrates' Courts Grants	-	-	-	-	-	-	-	-	290,166
Magistrates' Courts Capital Grants	-	-	-	-	-	-	-	-	36,953
Magistrates Courts Grants on Loan Changes	-	-	-	-	-	-	-	-	8,844
Legal Services Commission:									
- Administration	-	-	105,480	105,480	-	105,480	86,732	(18,748)	102,260
- Criminal Defence Service	-	-	1,204,631	1,204,631	-	1,204,631	1,050,935	(153,696)	1,190,107
- Community Legal Service	-	-	795,975	795,975	-	795,975	867,881	71,906	857,530
Information Commissioner's Office	-	-	5,100	5,100	-	5,100	4,999	(101)	3,102
Core Capital Grants to Local Authorities	-	-	441	441	-	441	11,300	10,859	-
Net Resource Outturn	421,642	1,605,813	2,115,583	4,143,038	(565,827)	3,577,211	3,618,531	41,320	3,349,126
Request for Resources 2:									
Scotland Office	3,876	-	-	3,876	(238)	3,638	4,789	1,151	4,050
Office of the Advocate General	2,562	-	-	2,562	(717)	1,845	1,579	(266)	1,483
Boundary Commission for Scotland	-	141	-	141	-	141	300	159	177
Commission on Boundary Differences & Voting Systems in Scotland	-	135	-	135	-	135	100	(35)	108
Grant payable to the Scottish Consolidation Fund	-	-	20,865,990	20,865,990	-	20,865,990	20,935,903	69,913	19,067,950
Net Resource Outturn	6,438	276	20,865,990	20,872,704	(955)	20,871,749	20,942,671	70,922	19,073,768
Request for Resources 3:									
Wales Office	4,290	27	-	4,317	(9)	4,308	4,519	211	3,883
Grants Payable to the National Assembly for Wales	-	-	10,630,489	10,630,489	-	10,630,489	10,845,406	214,917	9,873,481
Net Resource Outturn	4,290	27	10,630,489	10,634,806	(9)	10,634,797	10,849,925	215,128	9,877,364
Total Net Resource Outturn	432,370	1,606,116	33,612,062	35,650,548	(566,791)	35,083,757	35,411,127	327,370	32,300,258

This note analyses the net resource outturn into requests for the resources and then into functions. The net resource outturn is the total of expenditure and income to be compared against the Estimate for net total resources in the Statement of Parliamentary Supply. These functions do not correspond to Departmental objectives which represent a disaggregation of the Department's aims. These give direction to the organisation's activities and are expressed in a way that allows their achievement to be assessed.

This analysis is required for control purposes and to obtain parliamentary approval.

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

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

	Outturn £000	Supply Estimate £000	2005-06 Outturn compared with Estimate £000	2004-05 Outturn £000
Net Resource Outturn	35,083,757	35,411,127	327,370	32,300,258
Non-Supply income (CFERs)	(2,129)	-	2,129	(2,577)
Non-supply Expenditure	197,278	159,000	(38,278)	175,277
Net operating cost	35,278,906	35,570,127	291,221	32,472,958

3(b) Outturn against final Administration Budget

	2005-06 Budget £000	2005-06 Outturn £000	2004-05 Outturn £000
Gross Administration Budget	456,529	432,370	944,428
Income Allowable against Administration Budget	-	(10,043)	(19,854)
Net outturn against final Administration Budget	456,529	422,327	924,574

4. Reconciliation of resources to cash requirement

	Note	Estimate £000	Outturn £000	Net total Outturn compared with Estimate Saving/ (excess) Net £000
Resource Outturn	2	35,411,127	35,083,757	327,370
Capital				
Acquisition of Fixed Assets		161,717	118,309	43,408
Non operating in A in A				
Proceeds of fixed asset disposals		(11,663)	(11,663)	-
Accruals Adjustments				
Non-cash items		(355,132)	(255,708)	(99,424)
Changes in working capital other than cash		(1,642)	(64,239)	62,597
Use of provision	21	22,000	42,344	(20,344)
Net cash requirement		35,226,407	34,912,800	313,607

5. Analysis of income payable to the Consolidated Fund

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

Note	Forecast 2005-06		Outturn 2005-06	
	Income	Receipts	Income	Receipts
	£000	£000	£000	£000
Operating income and receipts- excess A in A	-	-	805	805
Other operating income and receipts not classified as A in A	-	-	1,324	1,256
	-	-	2,129	2,061
Non-operating income and receipts – excess in A in A	-	-	7,704	7,704
Other non-operating income and receipts not classified in A in A	-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund	244,478	244,353	244,685	288,060
Excess cash surrenderable to the Consolidated Fund	-	-	-	-
Total Income payable to the Consolidated Fund	244,478	244,353	254,518	297,825

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

	Note	2005-06 £000	2004-05 £000
Operating Income	11.1	568,920	467,489
Adjustments for transactions between RfRs			
Gross Income		568,920	467,489
Income authorised to be appropriated-in-aid		566,791	464,912
Operating income payable to the consolidated fund	5	2,129	2,577

7. Non-operating income – Excess in A in A

	2005-06 £000	2004-05 £000
Disposal of fixed assets	19,367	21,862
Less: Income authorised to be appropriated-in-aid	(11,663)	(18,200)
Excess A-in-A	7,704	3,662

8. Staff and Judiciary numbers and related costs

8.1 Staff Numbers and Related Costs

The aggregate payroll costs of these persons were as follows:

					2005-06	2004-05
	Permanently Employed			Special	Total	Total
	staff	Others	Ministers	Advisors	£000	£000
	£000	£000	£000	£000	£000	£000
Wages and Salaries	521,211	67,673	309	225	589,418	286,608
Social security costs	39,233	338	30	27	39,628	20,180
Other pension costs	88,569	686	-	-	89,255	33,234
Sub Total	649,013	68,697	339	252	718,301	340,022
Less recoveries in respect of outward secondments	(3,394)	-	-	-	(3,394)	(634)
Total net costs	645,619	68,697	339	252	714,907	339,388
Of which						
Core Department	113,847	42,569	339	252	157,007	131,722

Wages and salaries include £51.895m (2004-05 £22.101m) relating to agency staff costs.

8.2 Payroll costs of the Judiciary

	2005-06			2004-05		
	Paid from voted resources	Paid from Consolidated fund	Total	Paid from voted resources	Paid from Consolidated fund	Total
	£000	£000	£000	£000	£000	£000
Wages and Salaries	118,055	113,202	231,257	111,056	108,628	219,684
Social Security Costs	13,310	13,076	26,386	12,539	12,619	25,158
Other Pension Costs	52,531	-	52,531	50,644	-	50,644
	183,896	126,278	310,174	174,239	121,247	295,486

8.3 Average number of persons paid

The average number of full-time equivalent persons 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 brought into account from the start of the financial year.

	2005-06					2004-05
	Total	Permanent staff	Others	Ministers	Special Advisors	Total
Request for Resource 1						
Objective 1	18,789.78	17,972.16	812.99	3.09	1.54	10,351.98
Objective 2	3,610.88	3,453.76	156.23	0.59	0.30	2,177.95
Objective 3	611.15	584.56	26.44	0.10	0.05	367.90
Objective 4	1,336.74	1,278.57	57.84	0.22	0.11	480.27
	<u>24,348.55</u>	<u>23,289.05</u>	<u>1,053.50</u>	<u>4.00</u>	<u>2.00</u>	<u>13,378.10</u>
Request for Resource 2						
Objective 1	15.17	–	14.00	0.67	0.50	16.40
Objective 2	21.33	–	21.00	0.33	–	23.20
Objective 3	13.83	–	13.00	0.33	0.50	15.40
Objective 4	31.67	–	31.00	0.67	–	32.00
	<u>82.00</u>	<u>–</u>	<u>79.00</u>	<u>2.00</u>	<u>1.00</u>	<u>87.00</u>
Request for Resource 3						
Objective 1	18.76	6.33	11.38	0.35	0.70	20.28
Objective 2	18.76	6.33	11.38	0.35	0.70	20.29
Objective 3	5.36	1.81	3.25	0.10	0.20	5.80
Objective 4	5.36	1.81	3.25	0.10	0.20	5.80
Objective 5	5.36	1.81	3.25	0.10	0.20	5.80
	<u>53.60</u>	<u>18.09</u>	<u>32.51</u>	<u>1.00</u>	<u>2.00</u>	<u>57.97</u>
	<u>24,484.15</u>	<u>23,307.14</u>	<u>1,165.01</u>	<u>7.00</u>	<u>5.00</u>	<u>13,523.07</u>
Core Department	<u>4,276.40</u>	<u>3,550.90</u>	<u>713.50</u>	<u>7.00</u>	<u>5.00</u>	<u>4,004.11</u>

8.4 Retirement due to ill health

During 2005-06 42 (2004-05, 34) persons retired early on ill health grounds. The total additional accrued pension liabilities in the year amounted to £190,311 (2004-05, £164,236).

9. Other Administration costs

	2005-06		2004-05	
	Core		Core	
	Department	Consolidated	Department	Consolidated
	£000	£000	£000	£000
Rentals under operating leases				
Property Rents	38,005	38,005	28,161	53,565
Hire of plant and machinery	298	301	577	1,135
Other operating leases	372	372	203	952
Interest charges	8	35	–	34
PFI services charges	173,626	177,350	62,795	122,899
Research and development expenditure	1,290	1,969	940	1,001
Staff training and development costs	5,865	6,338	5,908	6,607
Travel, subsistence and hospitality	5,487	6,370	4,488	7,556
Accommodation, maintenance and utilities	31,678	31,750	26,147	129,173
Non-cash items				
Depreciation	4,017	4,964	10,991	59,728
Downward revaluation of assets below depreciated historic cost	2,465	2,543	583	15,469
Reversal of impairment	–	–	–	(2,166)
Fixed asset write-off	–	–	–	5,428
(Profit)/loss on disposal of fixed asset	169	169	(4,729)	(5,938)
PFI contracts deferred benefit	1,911	2,171	1,982	2,264
Increase in provisions	1,269	1,506	8,899	9,291
Increase in bad debt provision	(3)	20	66	149
Cost of capital charges	(9,922)	(9,674)	2,068	61,522
External auditors	324	832	278	585
Allocation of overheads	(104,525)	(73,752)	(87,381)	–
Indirect costs and overheads	–	–	(72)	–
Notional rent	–	–	–	1,962
Losses written off	35	108	–	–
Other expenditure	68,025	69,799	91,493	133,824
Total	220,394	261,176	153,397	605,040

The creation of HMCS saw a reassessment of the Department's Administration Budget outside of the usual Spending Review cycle. From 2005-06 only the costs of running the new Agency's headquarters have been designated as administration costs. The remaining costs are incurred in the delivery of front-line services and are classified as programme costs.

10. Programme Cost

	2005-06		2004-05	
	Core		Core	
	Department	Consolidated	Department	Consolidated
	£000	£000	£000	£000
Request for Resources 1				
Rentals under operating leases				
Property Rents	-	29,611	-	-
Hire of plant and machinery	-	1,462	-	-
Other operating leases	-	1,207	-	-
Interest charges	-	1	-	-
PFI services charges	-	35,937	-	-
Research and development expenditure	-	4	-	-
Staff training and development costs	-	1,236	-	-
Travel, subsistence and hospitality	-	8,601	-	6,555
Accommodation, maintenance and utilities	-	198,378	-	-
Judicial costs	14,100	37,058	7,651	16,052
Juror costs	-	39,580	-	37,919
Court reporting	11	7,740	1	6,737
Cost from Central Funds	69,201	69,201	46,545	48,695
Current grants				
Grants to Legal Services Commission in respect of CLS and CDS	2,000,606	2,000,606	2,047,637	2,047,637
Grants to local authorities in respect of magistrates' courts	-	7,354	362,438	362,438
Grants to Legal Services Commission Administration	102,480	102,480	98,099	98,099
Other Grants in Aid	8,073	9,498	15,255	15,255
Capital Grants				
Grants to local authorities in respect of magistrates' courts	-	-	36,953	36,953
Grants to Legal Services Commission	3,000	3,000	4,161	4,161
Other expenditure	9,765	114,011	21,932	19,273
Non-cash costs				
Depreciation	-	81,760	-	-
Downward revaluation of assets below depreciated historic cost	-	22,553	-	-
(Profit)/Loss on disposal of fixed assets	-	(3,169)	-	-
PFI contracts deferred benefit	-	45	-	-
Increase in pension provisions	-	-	-	228
Increase in other provision	71,700	78,777	4,204	4,784
Decrease in bad debt provision	-	(148)	36	(29)
Cost of capital charges	-	70,756	-	-
Allocation of overheads	-	73,752	-	-
Notional rent	-	2,301	-	-
Losses written off	-	195	-	-
Election expenses	71,000	71,000	54,030	54,030
	<u>2,349,936</u>	<u>3,064,787</u>	<u>2,698,942</u>	<u>2,758,787</u>

	2005-06		2004-05	
	Core		Core	
	Department	Consolidated	Department	Consolidated
	£000	£000	£000	£000
Request for Resources 2				
Funding to the Scottish Executive	20,865,990	20,865,990	19,067,950	19,067,950
Other Expenditure	276	276	286	286
	<u>20,866,266</u>	<u>20,866,266</u>	<u>19,068,236</u>	<u>19,068,236</u>
Request for Resources 3				
Funding of the National Assembly for Wales	10,630,489	10,630,489	9,873,481	9,873,481
Other Expenditure	27	27	29	29
	<u>10,630,516</u>	<u>10,630,516</u>	<u>9,873,510</u>	<u>9,873,510</u>
Total	<u>33,846,718</u>	<u>34,561,569</u>	<u>31,640,688</u>	<u>31,700,533</u>

11. Income

11.1 Analysis of operating income

	2005-06			2004-05	
	Request for Resource 1	Request for Resources 2	Request for Resources 3	Total	Total
	£000	£000	£000	£000	£000
Her Majesty's Courts Service	537,897	-	-	537,897	360,754
Public Guardianship Office	16,109	-	-	16,109	15,317
Magistrates Courts	-	-	-	-	63,429
Office of the Information Commissioner	-	-	-	-	9,398
Official Solicitor and Public Trustee	5,024	-	-	5,024	4,906
Tribunals	2,819	-	-	2,819	185
Other	6,102	955	14	7,071	13,500
	<u>567,951</u>	<u>955</u>	<u>14</u>	<u>568,920</u>	<u>467,489</u>
				<u>2005-06</u>	<u>2004-05</u>
				£000	£000
Administration				10,043	19,854
Programme				558,877	447,635
				<u>568,920</u>	<u>467,489</u>

11.2 Fees and charges

	2005-06			2004-05		
	Income	Full cost	Deficit	Income	Full costs	Deficit
	£000	£000	£000	£000	£000	£000
Her Majesty's Courts Service						
Civil Business	407,954	555,911	(147,957)	348,298	429,098	(80,800)
Court Funds Office	15,000	15,000	–	10,495	10,495	–
Lands Tribunal	262	625	(363)	204	675	(471)
Public Guardianship Office	16,029	19,252	(3,223)	16,139	19,924	(3,785)
Official Solicitor and Public Trustee						
Litigation	653	5,389	(4,736)	632	3,647	(3,015)
Trust and Estates	4,375	7,319	(2,944)	4,274	6,407	(2,133)
	444,273	603,496	(159,223)	380,042	470,246	(90,204)

12. Analysis of net operating cost by spending body

Spending body:	2005-06		2004-05
	Budget	Outturn	Outturn
	£000	£000	£000
Central Department	800,100	645,565	463,180
Scotland Office	20,942,671	20,871,749	19,073,768
Wales Office	10,849,925	10,634,792	9,877,365
HMCS	955,104	1,010,509	564,197
Public Guardianship Office	480	4,664	5,487
Non Departmental Public Bodies	2,010,547	2,111,186	2,152,999
Local Authorities	11,300	441	335,962
Net Operating Cost	35,570,127	35,278,906	32,472,958

13. Tangible Fixed Assets

	Land & Buildings excluding Dwellings	Dwellings	Information Technology	Plant & Machinery	Furniture & Fittings	Payments on Account & Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1 April 2005	1,648,901	19,535	145,691	16,818	47,173	42,271	1,920,389
Court Service ¹⁰	(1,618,009)	(19,535)	(114,947)	(14,520)	(31,875)	(42,271)	(1,841,157)
HMCS ¹¹	2,378,762	22,329	84,039	5,412	11,384	23,709	2,525,635
Adjustments ¹²	496	-	(10,681)	102	5,254	3,663	(1,166)
	<u>2,410,150</u>	<u>22,329</u>	<u>104,102</u>	<u>7,812</u>	<u>31,936</u>	<u>27,372</u>	<u>2,603,701</u>
Additions	9,733	-	3,768	270	472	104,066	118,309
Disposals	(6,086)	-	(427)	(878)	(268)	-	(7,659)
Revaluations	225,189	615	(26,374)	137	1,500	-	201,067
Reclassifications	22,400	-	39,015	-	-	(61,415)	-
Transfer							
At 31 March 2006	<u>2,661,386</u>	<u>22,944</u>	<u>120,084</u>	<u>7,341</u>	<u>33,640</u>	<u>70,023</u>	<u>2,915,418</u>
Depreciation							
At 1 April 2005	8,720	-	37,785	14,387	19,822	-	80,714
Court Service	-	-	(23,712)	(12,869)	(16,237)	-	(52,818)
	<u>8,720</u>	<u>-</u>	<u>14,073</u>	<u>1,518</u>	<u>3,585</u>	<u>-</u>	<u>27,896</u>
Charged in Year	64,515	280	16,677	2,783	2,565	-	86,820
Disposals	(94)	-	(339)	(436)	(55)	-	(924)
Revaluations	(63,865)	(280)	(5,588)	(27)	589	-	(69,171)
At 31 March 2006	<u>9,276</u>	<u>-</u>	<u>24,823</u>	<u>3,838</u>	<u>6,684</u>	<u>-</u>	<u>44,621</u>
Net book Value:							
At 31 March 2006	<u>2,652,110</u>	<u>22,944</u>	<u>95,261</u>	<u>3,503</u>	<u>26,956</u>	<u>70,023</u>	<u>2,870,797</u>
At 31 March 2005	<u>1,640,181</u>	<u>19,535</u>	<u>107,906</u>	<u>2,431</u>	<u>27,351</u>	<u>42,271</u>	<u>1,839,675</u>
Asset Financing:							
Owned	2,298,263	17,944	85,194	3,263	26,956	67,385	2,499,005
Finance Leased	164,655	5,000	-	240	-	2,638	172,533
On-balance sheet PFI Contracts	189,192	-	10,067	-	-	-	199,259
Net book value at 31 March 2006	<u>2,652,110</u>	<u>22,944</u>	<u>95,261</u>	<u>3,503</u>	<u>26,956</u>	<u>70,023</u>	<u>2,870,797</u>

¹⁰ The published 2004-05 Resource Accounts included balances in respect of the Court Service, which no longer exists.

¹¹ The 2005-06 Resource Accounts include those balances introduced on the creation of HMCS.

¹² Adjustments relate primarily to assets which either transferred to the core department or were written off on the cessation of Court Service.

13. Tangible Fixed Assets *continued*

	Land & Buildings excluding Dwellings	Dwellings	Information Technology	Plant & Machinery	Furniture & Fittings	Payments on Account & Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
Analysis of tangible fixed assets							
The net book value of tangible fixed asset comprises:							
Core Department 2006	19,621	-	23,080	586	15,576	2,144	61,007
Agencies 2006	2,632,489	22,944	72,181	2,917	11,380	67,879	2,809,790
Core Department 2005	19,333	-	15,500	623	11,421	-	46,877
Agencies	1,620,848	19,535	92,406	1,808	15,930	42,271	1,792,798

In 2005-06 a recurring rolling programme of professional revaluations was undertaken by the Valuation Office Agency (VOA). This 2005-06 revaluation exercise of the estate was 20% physical and 80% desktop by quantity. Over 80% of the estate is deemed to be specialist in nature and is valued at depreciated replacement cost.

Transfer of Property Scheme

The Lord Chancellor created a Property Transfer Scheme (PTS), the Transfer of Property (Abolition of Magistrates' Courts Committee) Scheme 2005, which states under para 5(1) that 'the estates in land of transferor authorities and the Greater London Magistrates' Courts Authority shall on the appointed day, transfer to and vest in the First Secretary of State'.

The principal PTS objective was for HMCS to secure full functionality and control of the magistrates' courts, including the Greater London Magistrates' Courts Authority, as required by the Courts Act 2003.

The primary legislation for the PTS was drawn up by Parliamentary Solicitors and was based on previous examples of this type of statutory property transfer. This legislation was found to be flawed at a very late stage in the transfer process. The flaw came to light when the Land Registry, and later one of the transferor authorities – the London Borough of Barking and Dagenham, elected to challenge the powers assumed by the Lord Chancellor under the PTS. The challenge resulted in the 2005 High Court judgement Mr Justice Stanley Burnton, who declared invalid 51 new 999-year leaseholds and questioned the validity of further intended transfers under the Courts Act 2003.

The 51 new leasehold properties have been excluded from the 2005-06 financial statements.

In addition to the 51 new 999-year leaseholds, the Judge further declared that for existing leases the Courts Act 2003, specifically section 6(3) and Schedule 2, did not empower the Lord Chancellor to effect the transfer of any properties, freehold or leasehold, where third party occupations exist.

As a result of this judgement, HMCS has recognised a contingent fixed asset to reflect the likelihood of these assets coming under its control in the near future. See also Note 28.

The value of freehold land included in Land and Buildings excluding Dwellings is £495.576m (2004-05 £308.131m).

14. Investments

	National Loans Fund £000	Shares in nationalised industries £000	Total £000
Balance at 1 April 2005	857,005	1	857,006
Loans repayable within 12 months transferred to debtors	(35,138)	–	(35,138)
Balance at 31 March 2006	<u>821,867</u>	<u>1</u>	<u>821,868</u>

British Energy plc

The Secretary of State holds one special rights redeemable preference share of £1 in British Energy Generation (UK) Ltd. 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.

The Secretary of State, jointly with the Secretary of State for the Department of Trade & Industry, also holds one special rights redeemable preference share of £1 in British Energy plc. The terms of this shareholding are the same as for British Energy (UK) Ltd 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 the Department of Trade & Industry.

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

15. Debtors

15(a) Analysis by type

	2005-06		2004-05	
	Core		Core	
	Department	Consolidated	Department	Consolidated
	£000	£000	£000	£000
Amounts falling due with one year				
Trade debtors	839	15,459	1,397	5,742
VAT	17,587	24,202	6,562	12,804
Deposits and Advances	936	3,217	1,134	2,132
Prepayments and accrued income	17,718	42,596	11,755	25,103
Prepayments – PFI contracts deferred benefit	19	41	1,974	7,279
Amounts due to the Consolidated Fund as CFERs	494	494	43,800	43,800
Amounts due from the Consolidated Fund in respect of Supply	3,446	3,446	–	–
Amounts due to the National Loans Fund				
– interest payable	10,984	10,984	11,058	11,058
– capital	35,138	35,138	10,146	10,146
Other debtors	3,336	25,782	16,462	37,777
Impositions outstanding	351,038	351,038	–	–
	441,535	512,397	104,288	155,841

Amounts falling due after more than one year:

	2005-06		2004-05	
	Core		Core	
	Department	Consolidated	Department	Consolidated
	£000	£000	£000	£000
Deposits and advances	–	62	–	57
Prepayments	1,413	1,691	1,421	1,424
Prepayments-PFI contracts deferred benefit	6	201	1,917	4,825
Other debtors	–	–	–	16,616
	1,419	1,954	3,338	22,922

Trade debtors are shown net of a provision for doubtful debts of £0.173m (2004-05 £0.134m). Other debtors are shown net of a provision for doubtful debts of £0.094m (2004-05 £0.134m). Fines imposed are shown net of a provision for doubtful debts of £568.873m.

The prepayments on the PFI contracts represent either the open market value of assets transferred to the PFI supplier or the amount by which upfront payments exceed the cost of fixed assets purchased

Included in Other Debtors is £15.843m due within one year, which relates to the sale of property.

The advances due after one year relate to relocation loans made to staff.

15(b) Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2005-06 £000	2004-05 £000	2005-06 £000	2004-05 £000
Balances with other central government bodies	103,575	62,721	195	–
Balances with local authorities	3,028	33,229	–	–
Balance with public corporations and trading funds	–	77	–	–
Balance with bodies external to government	405,794	59,814	1,759	22,922
	512,397	155,841	1,954	22,922

16. Cash at bank and in hand

	2005-06		2004-05	
	Core Department £000	Consolidated £000	Core Department £000	Consolidated £000
Balance at 1 April	33,223	57,828	1,531,064	1,556,042
Net change in cash balances	1,230	38,988	(1,497,841)	(1,498,214)
Balance at 31 March	34,453	96,816	33,223	57,828
The following balances at 31 March were held at:				
Office of HM Paymaster General	34,374	87,577	33,193	56,273
Commercial banks and cash in hand	79	9,239	30	1,555
Balance at 31 March	34,453	96,816	33,223	57,828

The balances of cash at bank and in hand include £10.904m (2004-05 £4.789m) held by the Department and its agencies on behalf of third parties. This amount is also disclosed as a creditor.

17. Creditors

17 (a) Analysis by Type

	2005-06		2004-05	
	Core		Core	
	Department	Consolidated	Department	Consolidated
	£000	£000	£000	£000
Amounts falling due within one year				
Other taxation and social security	5,464	20,613	3,671	12,881
Trade Creditors	8,051	11,980	26	38
Other Creditors	27,751	73,208	77,929	82,862
Accruals and deferred income	82,629	184,261	40,928	101,651
Creditor for capital value of PFI contracts	-	6,329	-	2,224
Obligations under finance leases	(2)	12	(1)	173
Amounts due to the National Loans Fund				
Interest payable	10,984	10,984	11,058	11,058
Capital	35,138	35,138	10,146	10,146
Amounts issued from the Consolidated Fund for				
Supply but not spent	-	-	30,300	30,300
Consolidated Fund extra receipts due to be				
paid to the Consolidated Fund				
Received	23,034	23,034	18,311	18,387
Receivable	494	494	43,800	43,800
Amounts due to the Consolidated Fund for excess				
appropriation in aid	12,170	12,170	3,662	3,662
Machinery of Government changes	-	-	690	690
Impositions surrenderable once received	351,038	351,038	-	-
Intradepartmental creditors	447,150	-	-	-
	<u>1,003,901</u>	<u>729,261</u>	<u>240,520</u>	<u>317,872</u>
Third party monies	947	10,904	945	4,789
	<u>1,004,848</u>	<u>740,165</u>	<u>241,465</u>	<u>322,661</u>
Amounts falling due after more than one year:				
Accruals and deferred income	4,538	16,050	(181)	3,812
Obligations under finance leases	-	136	-	290
Control value of PFI contract	-	161,279	-	55,337
Amounts payable to the National Loans Fund	821,868	821,868	857,006	857,006
	<u>826,406</u>	<u>999,333</u>	<u>856,825</u>	<u>916,445</u>

17 (b) Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2005-06	2004-05	2005-06	2004-05
	£000	£000	£000	£000
Balances with other central government bodies	529,812	176,265	821,868	857,006
Balances with local authorities	(1,232)	34,239	8,500	-
Balances with public corporations and trading funds	-	-	-	-
Balance with bodies external to government	211,585	112,157	168,965	59,439
	740,165	322,661	999,333	916,445

18. Provisions for liabilities and charges

Core Department	Judicial Long Service Award	Early Departure Costs	By-analogy pension scheme	Other provisions	Total
	£000	£000	£000	£000	£000
	Balance at 1 April 2005	-	10,357	3,746	8,637
Transferred to HMCS	-	-	(2,433)	(2,032)	(4,465)
Provided in year	71,700	695	163	350	72,908
Unwinding of discount	-	61	-	-	61
Utilised in the year	-	(6,045)	(164)	(5,106)	(11,315)
Balance at 31 March 2006	71,700	5,068	1,312	1,849	79,929

Consolidated	Provision for Pension Transfer Deficit	Judicial Long Service Award	Early Departure Costs	By-analogy pension scheme	Other provisions	Total
	£000	£000	£000	£000	£000	£000
	Balance at 1 April 2005	-	-	11,044	3,746	10,704
Court Service	-	-	(528)	-	(1,413)	(1,941)
On creation of HMCS	268,000	-	88,472	2,433	4,249	363,154
Transfer from Core Department	-	-	-	(2,433)	(2,032)	(4,465)
	268,000	-	98,988	3,746	11,508	382,242
Provided in year	-	71,700	21	284	2,868	74,873
Unwinding of discount	-	-	5,339	-	-	5,339
Utilised in the year	(25,000)	-	(10,949)	(269)	(6,126)	(42,344)
Balance at 31 March 2006	243,000	71,700	93,399	3,761	8,250	420,110

Provision for Pension Transfer Deficit: Staff who are ex-employees of the former Magistrates' Courts Committees were given the option to transfer their past service credits accrued in the LGPS (Local Government Pension Scheme) into the Principal Civil Service Pension Scheme (PCSPS). Due to the under funding within the LGPS, it was not possible to obtain fully funded transfers of accrued benefits and agreement was reached for the Department to pay for the shortfall assessed on 1 April 2005.

The transfers from the 42 LGPSs are currently in progress. The potential shortfall relating to the transfers cannot be ascertained in detail until this exercise is complete and the LGPSs have responded with the calculated share of fund assets. The Government Actuary's Department (GAD) has provided an estimate of the potential liability based on a sample of data collated from a number of the LGPS.

Based on this assessment, a provision has been made in the accounts for £243 million as at 31 March 2006. This reflects the mid point of the estimated range within which the deficit is likely to fall as indicated by GAD and includes an allowance for interest due to the PCSPS on the amount payable. To date a payment of £25 million has been made to the PCSPS against the overall potential deficit.

Judicial Long Service Award: The Judiciary Long-Service Award was created to equalise the tax position of judicial pensions affected by the provisions of the Finance Act 2004. The scheme comes into force in April 2006. A Provision has been created in the 2005/06 Balance Sheet to reflect the benefits already accrued under the scheme at its inception. The Provision was calculated by the Government Actuary's Department (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: Provision has been made for the costs of providing for unfunded early retirement benefits in respect of staff who are ex-Magistrates' Courts Committees employees previously paid and accounted for by local authorities. The provision represents the present value of the costs of the pension benefit payable to staff on Crombie and on local government early retirement terms. The provision at the year end was £87.9 million.

Also included in early departure costs is a provision for unfunded early retirement costs in respect of staff who are ex-DCA employees in the Civil Service Pension.

By-analogy pension provision: This relates to two small pension schemes that the Department operates for the Law Commissioners and the Immigration Adjudicators which are 'by analogy' or similar to the PCSPS.

Other provisions: These relate primarily to instances where judges may determine that the Department should cover court costs.

19. General Fund

	2005-06		2004-05	
	Core		Core	
	Department	Consolidated	Department	Consolidated
	£000	£000	£000	£000
General fund at 1 April	(79,676)	911,181	(17,032)	995,660
Court Service	–	(983,199)	–	–
On creation of HMCS	–	1,983,579	–	–
Transfer of functions to Core Department	–	45,559	–	–
Other transfers	–	(961)	–	–
	–	1,956,159	–	–
Net Parliamentary funding:				
drawn down	34,879,053	34,879,053	32,164,923	32,164,923
deemed supply	30,300	30,300	–	–
Consolidated Fund Standing Services				
Judicial salaries paid from the Consolidated Fund	289	126,277	12,778	121,247
Election expenses paid from the Consolidated Fund	71,000	71,000	54,030	54,030
Payable to the Consolidated Fund:				
Consolidated Fund debtor/(creditor) for cash unspent	3,446	3,446	(30,300)	(30,300)
Excess appropriations in aid	(8,509)	(8,509)	(3,662)	(3,662)
Net transfer from Operating Activities:				
Net operating cost for the year	(34,263,729)	(35,278,906)	(31,903,275)	(32,472,958)
Income not appropriated in aid payable to the Consolidated Fund	(1,324)	(1,324)	(2,379)	(2,577)
Transfer funding to other operating units	(1,118,319)	–	(275,201)	–
Non-Cash Charges:				
Cost of capital charge	(9,922)	61,082	2,068	61,522
External auditors' remuneration and expenses	324	832	278	585
Corporate overhead charge	(104,525)	–	(87,381)	–
Transfer to parent	–	–	(481)	–
Notional rent	–	2,301	–	1,962
Fixed Asset adjustment in respect of prior periods	(23)	(27)	2	1,931
Transferred to general fund in respect of realised element of revaluation reserve	69	5,038	5,956	18,818
Transfer of net assets	45,559	–	–	–
General fund at 31 March	<u>(555,987)</u>	<u>1,846,722</u>	<u>(79,676)</u>	<u>911,181</u>

20. Revaluation Reserve

	2005-06		2004-05	
	Core		Core	
	Department	Consolidated	Department	Consolidated
	£000	£000	£000	£000
Balance at 1 April	3,378	757,491	7,701	719,473
Court Service	-	(753,731)	-	-
		3,760		
Arising on Revaluation during the year (net)	1,777	298,780	1,633	56,836
Transferred to general fund in respect of realised element of revaluation reserve	(69)	(5,038)	(5,956)	(18,818)
Balance at 31 March	5,086	297,502	3,378	757,491

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments.

21. Notes to the Consolidated Cash Flow Statement

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

	2005-06	2004-05
	£000	£000
Net operating cost	35,278,906	32,472,958
Adjustment for non cash transactions	(452,986)	(328,554)
Increase/(Decrease)in debtors	335,588	(48,202)
Less movement in debtors relating to items not passing through the Operating Cost Statement	26,849	57,385
(Increase)/Decrease in creditors	(500,392)	1,495,230
Less movement in creditors relating to items not passing through the Operating Cost Statement	104,604	(1,578,085)
Use of provisions	42,344	22,380
Net cash outflow/(inflow) from operating activities	34,834,913	32,093,112

21(b) Analysis of capital expenditure and financial investment

	2005-06	2004-05
	£000	£000
Purchase of tangible fixed assets	100,321	75,529
Proceeds of disposal of fixed assets	(39,758)	(41,862)
Loan repayments from other bodies	(10,146)	(120,790)
Net cash outflow from investing activities	50,417	(87,123)

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

	Capital expenditure	Loans	A in A	Net Total
	£000	£000	£000	£000
Request for Resources 1	100,090	–	(39,758)	60,332
Request for Resources 2	64	(10,106)	–	(10,042)
Request for Resources 3	167	(40)	–	127
Net movement in debtors /creditors	17,988	–	3,991	21,979
Total 2005-06	118,309	(10,146)	(35,767)	72,396
Total 2004-05	144,707	(100,366)	(41,862)	2,479

21(d) Analysis of financing

	2005-06	2004-05
	£000	£000
Received from the Consolidated Fund (Supply) – current year	34,879,053	32,164,923
Received from the Consolidated Fund (Supply) – prior year	–	19,022
National Loans Fund – principal repayments received	(10,146)	(120,790)
Cash introduced on creation of HMCS	53,466	–
Capital element of payments in respect of finance leases and on balance sheet PFI contracts	(7,562)	(1,766)
Net Financing	34,914,811	32,061,389

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

	2005-06	2004-05
	£000	£000
Net cash requirement	(34,912,800)	(32,134,623)
From the Consolidated Fund (Supply) – current year	34,914,811	32,061,389
Amounts due to the Consolidated Fund received in year not paid over		
- surplus Appropriation in Aid	8,509	3,662
- CFERs	22,555	18,387
Amounts due to the Consolidated Fund received in prior year paid over		
- surplus Appropriation in Aid	(2)	(1,465,242)
- CFERs	(17,908)	(79,836)
Amounts due to Other Government Departments received in prior year paid over		(24,081)
NLF loans – principal payments received	10,146	120,790
NLF loans – interest received from other bodies	58,215	189,461
NLF loans – interest paid to the NLF	(58,215)	(189,461)
Increase/(Decrease) in third party balances	6,115	(424)
Repayment of capital element of finance lease	7,562	1,766
Prior year adjustment	–	(2)
Increase/(Decrease) in cash	38,988	(1,498,214)

22. Notes to the Consolidated Statement of Operating Costs by Departmental aims and Objectives

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 one and two. The capital charge in respect of these assets has therefore been apportioned across these objectives.

Programme grants and other current expenditure, as reported in Note 10, have been allocated as follows:

	<u>2005-06</u>	<u>2004-05</u>
	<u>£000</u>	<u>£000</u>
Request for Resources 1		
Objective 1	2,637,865	2,026,392
Objective 2	507,153	432,726
Objective 3	73,553	69,411
Objective 4	140,055	78,109
Request for Resources 2		
Objective 2	20,866,266	19,068,236
Request for Resources 3		
Grant	10,630,516	9,873,510
Net Programme Costs	<u>34,855,408</u>	<u>31,548,384</u>

23. Resources by departmental aim and objectives

The DCA revised its objectives during 2005-06. The table below shows both the current and prior year costs against the former objectives.

Request for Resources 1

Aim: The aim of the Core Department is to ensure effective and accessible justice, protect the rights of citizens, and modernise the law and constitution.

	2005-06			2004-05		
	Gross £000	Income £000	Net £000	Gross £000	Income £000	Net £000
Objectives						
1. To ensure the effective delivery of justice.	2,569,307	(68,525)	2,500,782	2,247,651	(64,431)	2,183,220
2. To ensure a fair and effective system of civil and administrative law.	915,205	(409,982)	505,223	847,080	(305,201)	541,879
3. To reduce social exclusion, protect the vulnerable and children, including maintaining contact between children and the non-resident parent after a family breakdown, where appropriate.	712,162	(88,565)	623,597	756,404	(86,262)	670,142
4. To modernise the constitution and ensure proper access to information by citizens.	105,114	(348)	104,766	100,250	(9,661)	90,589
5. To increase consumer choice in legal services by improving information and by promoting competition	11,400	(110)	11,290	10,385	(717)	9,668
6. To deliver justice in partnership with the independent judiciary.	27,128	(421)	26,707	26,728	(400)	26,328
	<u>4,340,316</u>	<u>(567,951)</u>	<u>3,772,365</u>	<u>3,988,498</u>	<u>(466,672)</u>	<u>3,521,826</u>

24. Capital Commitments

	2005-06		2004-05	
	Core		Core	
	Department	Consolidated	Department	Consolidated
	£000	£000	£000	£000
Contracted capital commitments at 31 March 2006, for which no provision has been made	-	62,778	-	47,300

25. Commitments under leases

25.1 Operating leases

At 31 March 2006 the Department was committed to making payments during the year in respect of operating leases expiring within the following periods:

	2005-06		2004-05	
	Core		Core	
	Department	Consolidated	Department	Consolidated
	£000	£000	£000	£000
Obligations under operating leases comprise:				
Land and buildings:				
Expiry within one year	–	2,555	2,636	5,010
Expiry after one year but not more than five years	5,009	11,198	3,691	8,650
Expiry thereafter	22,146	45,772	20,302	46,370
	<u>27,155</u>	<u>59,525</u>	<u>26,629</u>	<u>60,030</u>
Other:				
Expiry within one year	1,154	1,316	1	78
Expiry after one year but not more than five	1,256	1,614	67	269
Expiry thereafter	16	17	–	42
	<u>2,426</u>	<u>2,947</u>	<u>68</u>	<u>389</u>

25.2 Finance leases

At 31 March 2006 the Department was committed to making payments during the year in respect of finance leases expiring within the following periods:

	2005-06		2004-05	
	Core		Core	
	Department	Consolidated	Department	Consolidated
	£000	£000	£000	£000
Obligations under finance leases are as follows:				
Rentals due within one year	–	43	–	207
Rentals due after one year but within five years	–	136	–	290
	–	–	–	–
	–	179	–	497
Less interest element	–	27	–	34
	–	<u>152</u>	–	<u>463</u>

26. Commitments under PFI contracts

The minimum commitments payable under non-cancellable PFI contracts during 2005-06, analysed by the period during which the commitment expires, are:

	2005-06						
	1	2-5	6-10	11-15	16-20	21-25	26-30
	year	years	years	years	years	years	years
	£000	£000	£000	£000	£000	£000	£000
LIBRA	40,596	-	-	-	-	-	-
ARAMIS	29,110	-	-	-	-	-	-
CCS	16,200	-	-	-	-	-	-
DCA Core	85,906	-	-	-	-	-	-
ARAMIS	890						
Probate Records	1,915	8,051	11,003	12,148	13,413	14,809	16,350
Exeter	2,444	10,275	14,042	15,504	17,118	18,899	8,099
East Anglia	4,969	20,890	28,550	31,522	34,803	14,915	-
Sheffield	1,061	4,460	6,096	6,731	7,431	3,185	-
Derbyshire Magistrates' Courts	4,652	19,557	26,729	29,511	32,582	21,155	-
Hereford & Worcester Magistrates' Courts	5,449	22,908	31,308	34,567	30,226	-	-
Manchester Magistrates' Court	5,475	23,017	31,458	34,732	38,347	-	-
Humberside Magistrates' Court	3,977	16,719	22,851	25,229	22,061	-	-
Avon & Somerset Magistrates' Court	2,895	22,214	30,360	33,520	37,009	40,861	-
Total Consolidated PFI commitments	119,633	148,091	202,397	223,464	232,990	113,824	24,449

	2004-05						
	1	2-5	6-10	11-15	16-20	21-25	26-30
	year	years	years	years	years	years	years
	£000	£000	£000	£000	£000	£000	£000
LIBRA	27,202	27,202	-	-	-	-	-
Sub-Total DCA Core	27,202	27,202	-	-	-	-	-
CCS	7,300	7,300	-	-	-	-	-
ARAMIS	35,900	29,233	-	-	-	-	-
Probate Records	1,550	6,700	9,505	10,850	12,295	3,370	-
Exeter	2,410	9,640	12,050	12,050	12,050	12,050	9,640
East Anglia	4,064	16,585	21,538	22,545	23,685	19,868	-
Sheffield	912	3,881	5,422	6,135	6,941	6,204	-
Total Consolidated PFI commitments	79,338	100,541	48,515	51,580	54,971	41,492	9,640

The PFI commitments relate to contracts for the provision of financial and other services (including repayment of capital, interest payable and a charge for the provision of services). Payments to be made in years 2 to 30 include an annual increase of 2%. Future annual payments may vary by unknown amounts in accordance with formulae based on operating requirements.

The Department has entered into 12 private finance initiative arrangements. A summary of each contract is set out below.

Libra

The PFI contract with Fujitsu Services is for the provision of office automation (OA) and IT infrastructure services to the magistrates' courts (called the Libra OA infrastructure). The contract came into effect in December 1998 but was renegotiated in July 2002. Under this re-negotiation the contract term was shortened to March 2007 to enable the Department to align the contract with its replacement contract strategy called DISC. At the time of re-negotiation the forecast contract value was £232m which included a capital value of £37.55m. Since 2002 the Department has implemented enhancements to the services bringing the current forecast contract value to March 2007 to £263.7m.

CCS (formerly LOCCS)

The CCS PFI Project with Electronic Data Systems Limited (EDS) supplies IT services. The contract was signed on 30 September 1996 and covers the provision of computer systems, software development, support and maintenance for operational systems to HMCS. The contract has been extended for a further three years to run for a total of 10 years. The majority of assets used in the provision of this contract are deemed to be on balance sheet under FRS5. Some assets have also been provided under finance lease arrangements within the contract. The capital value of the contract is currently estimated to be £39.5 million of a total contract value of £361 million. The costs have increased due to the SUPS Pilot, Link Infrastructure, continued rollout of Xhibit system, Money Claims Online and roll-out of the Possession Claims Online Service. Disclosures regarding the assets and related liabilities are made in the appropriate notes.

ARAMIS

The ARAMIS PFI Project with Liberata UK Limited provides accounting, management information and corporate IT services to HMCS and DCA Headquarters. The nine-year contract commenced in January 1998 and expires on 7 January 2007. The majority of assets underlying the services provided are deemed to be off balance sheet under FRS 5. IT assets relating to the provision of the estate management system are included in the balance sheet at a cost of £239,000. The capital value of the contract is currently estimated to be £39.5 million, of a total expected contract value of £217 million. At the start of the contract some IT assets owned by the HMCS transferred to Liberata. This created an initial prepayment of £225,000, which is amortised over the life of the project.

Probate Records Scheme

The Probate Records Scheme with Iron Mountain Europe Limited provides storage and retrieval services. This contract was signed on 27 July 1999 for a period of 25 years. The assets underlying the services provided are deemed to be off balance sheet under FRS 5. The capital value of the contract is estimated to be £10.9 million of a total expected contract value of £56 million. The contract has been operational since January 2002.

Exeter

The Exeter PFI Project with Enterprise Civic Buildings Limited provides a new courthouse comprising four criminal courts, one civil court and four District Judges Hearing rooms. Accommodation for the Probate Registry and for the Area Director is also included. The contract was signed in November 2002 and runs for 30 years from completion of the building. The scheme has been assessed as being on balance sheet under FRS 5. At the inception of the contract, the arrangement had a capital value of £20.1 million. The building was operational on 15 November 2004 when the first court session took place. At the end of the PFI term the building will revert to the Department at no cost.

East Anglia

The East Anglia PFI Project with Modern Courts East Anglia Limited provides new Crown Court centres in Ipswich and Cambridge required to replace poor existing accommodation. Ipswich Crown Court consists of five criminal courtrooms; Cambridge Crown Court consists of three criminal courtrooms. The contract was signed on 31 October 2002 and has a term of 25 years from completion of the buildings. The scheme has been assessed as on balance sheet under FRS 5. At the inception of the contract, the arrangement had a capital value of £34.5 million. Both sites became fully operational on 7 June 2004. At the end of the PFI term the buildings in Ipswich and Cambridge will revert to the Department at no cost.

Sheffield

The Sheffield PFI Project with Palecastle Limited provides a new Family Hearing Centre in Sheffield to enable the court to deal with increasing workload levels and provide more appropriate facilities for family hearings. The new hearing centre consists of two family courtrooms, two hearing rooms and a training room, which is capable of being converted into one large, or two small hearing rooms. The contract was signed on 21 November 2002 and has a term of 25 years from completion of the building. The scheme has been assessed as on balance sheet under FRS 5. At the inception of the contract, the arrangement had a capital value of £7.7 million. The new centre became operational on 15 June 2004, and court sittings commenced on 5 July 2004. At the end of the PFI term the Department has the option of acquiring the underlease at the lower of its open market value, or £2 million.

Derbyshire

The Derbyshire Magistrates Court PFI Project with Derbyshire Courts Limited provides serviced accommodation for Magistrates' courts in Derbyshire. This involves the replacement of all Magistrates' Courts premises in Derbyshire with the exception of Ilkeston, which is to be refurbished. The Courts will be replaced with the new serviced accommodation for Magistrates' Courts at New Mills, Chesterfield and Derby. The scheme has been assessed as on balance sheet under FRS 5. As at 31 March 2006 the arrangement had a capital value of £29.5 million. Construction works started in August 2001 and site was completed and opened for use at Derby in May 2003 and Chesterfield in July 2003. No construction at New Mills has taken place to date due to planning permission issues.

Hereford and Worcester

The Hereford and Worcester PFI Project provides serviced accommodation for Magistrates' Courts. Existing Magistrates' Courts were replaced at Bromsgrove, Kidderminster and Worcester. Redditch was a refurbishment of the existing court. The 25 year concession commenced on 28 February 2000 and includes the period of construction. The scheme has been assessed as on balance sheet under FRS 5. At the inception of the contract, the arrangement had a capital value of £30.6 million. 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. The Magistrates' Courts opened for business in October 2001.

Manchester

The Manchester PFI project with UK Courts Services (Manchester) provides for serviced accommodation in Crown Square, Manchester. The arrangement will provide an 18-courtroom courthouse in Manchester as part of an overall complex including retail units and coroner's court. The 25-year contract commenced on 29 March 2001 and excludes the period of construction. The scheme has been assessed as on balance sheet under FRS 5. At the inception of the contract, the arrangement had a capital value of £32.9 million. The Magistrates' Court opened for business in May 2004.

Humberside

The Humberside Magistrates' Courts PFI Project with Modern Courts (Humberside) Limited provides for serviced magistrates' courthouses in Hull; Beverley and Bridlington. The 25 year concession commenced on 31 March 2000. The scheme has been assessed as on balance sheet under FRS 5. At the inception of the contract, the arrangement had a capital value of £21.6 million. The length of this PFI contract can be extended for another 20 years subject to the mutual consent of the parties. On expiry, HMCS has the option of taking the assets back for a nominal amount of £3 million. The Magistrates' Courts opened for business in November 2001.

Avon and Somerset

The Avon and Somerset Magistrates' Court PFI Project is for the provision of serviced accommodation for Magistrates' Courts and offices in Bristol, Weston-Super-Mare and Flax Burton. This includes an 11 courtroom Magistrates' courthouse, with an extra courtroom capable of use by Avon District Coroner and an integral Probation Service field office in Bristol; a 5 courtroom Magistrates' courthouse with integral Probation Service field office; and headquarters office and training accommodation in Worle, North Somerset. The scheme has been assessed as on balance sheet under FRS 5. As at 31 March 2006 the arrangement had a capital value of £9.2 million. The MCC and Probation Service Headquarters offices and Probate Service training-suite opened in November 2005. The two other sites will open in 2006-07 (Worle Magistrates' Court) and 2007-08 (Bristol Magistrates' Court).

27. Other financial commitments

Following the variation of the Libra contract with Fujitsu Services, the Department entered into contracts with the Technologies Group Ltd (STL) to provide the Libra case management application software and with Accenture UK Ltd to provide a management information system (MIS) and act as Systems Integrator.

STL

The contract with STL was let in January 2003 to provide a modernised case management software called the Libra application. STL will also produce migration software to transfer data to the new application and provide training and support.

A variation to the contract was signed in October 2003. The effect of this variation was to move the development from a Microsoft environment using Net and SQL to Java / Oracle and to move from a three phase delivery to six phases. Delays with delivery of the second phase of the application has reduced some of the charges expected to arise under the contract, the value of which is currently forecast to be £30m.

Although the contract could run for five years to January 2008 and be extended by a further three years, the Department has now consolidated all its contracts through two new suppliers under its DISC strategy and hence the STL contract may be terminated early and their responsibilities passed to the DISC Application supplier.

Accenture Ltd

Signed on 22 October 2003, the contract with Accenture is primarily for hosting (installing and supporting) the Libra application software (being developed by STL), hosting the MIS software (being developed by Accenture) and implementing a means of data exchange with other criminal justice organisations and the banks of the magistrates' courts.

Accenture are also responsible for migrating magistrates' courts off their old legacy case management systems to Libra and training the magistrates' courts staff in the use of this new software.

The contract will run for five years and the Department has the option to extend it by three. Apart from additional work commissioned from Accenture (such as work related to interfaces), delays arising from late delivery of the Libra application from STL have increased charges arising under this

contract, the value of which is currently forecast to be £69.8m. Given the Department is about to consolidate all its contracts through two new suppliers under its DISC strategy, the Accenture contract may be terminated early and their responsibilities passed to the DISC Application supplier.

28. Contingent liabilities and assets

The Department has several small works of art on loan other than from the Government Art Collection. A contingent liability is recognised in respect of any damage or loss to these items.

The Department is involved in a number of cases that have been brought before the European Court of Human Rights. Offers to encourage early settlement have already been made where it was thought sensible to do so by the Department. The final outcome and costs to the Department and the number of these cases cannot be reliably predicted at this time.

The Department is involved in seven cases before the Employment Tribunal. They involve fee paid judicial office holders claiming retrospective pension rights. 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 5000 other office holders with potential claims dating back 20 years.

In a separate employment tribunal case, the Department is being sued in respect of discrimination by a judicial post holder. The aim is to settle the case for a total of no more than £0.150m excluding costs.

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 Department is involved in a court case relating to dilapidation on a building that has now been vacated. The final outcome and costs to the Department cannot be reliably predicted at this time.

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 £0.375m.

As detailed in Note 13 Tangible Fixed Assets, the result of the July 2005 High Court challenge has meant that the Department has not been able to gain control over a number of properties intended to come within the 31 March 2005 Property Transfer Scheme. In addition to the contingent assets, the Department faces a contingent accommodation liability for the properties it has yet to gain control of. If it 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 current market rental yields, it is estimated the Department could be exposed to additional costs of up to £21m per annum.

Contingent assets

In addition to creating an accommodation contingent liability, the July 2005 High Court challenge has created a contingent property asset of approximately £527m. Note 13 Tangible Fixed Assets provides further details on this contingency and the process the Department is working through to facilitate its crystallisation.

As a result of past property sales the Department may, at a future date, be entitled to receipts from further development of these properties by developers. It is estimated that these contingent assets could entitle the Department to future income streams of up to £6 m.

29. Losses and special payments

Losses Statement

There were 6,370 (2004-05 23,575) cases involving losses totalling £6.221m (2004-05 £7.814m)

This statement includes two amounts of £0.250m. These have been written off as irrecoverable as the debtors were insolvent and there was no realistic prospect of recovery.

Special payments

There were 1,201 (2004-05 534) special payments totalling £0.652m (2004-05 £0.303m)

Fees remitted

There were 47,914 (2004-05 35,652) cases where fees were remitted. The total value was £5.990m (2004-05 £3.835m)

30. Related parties

Associated Departments and other central Government bodies

The Department for Constitutional Affairs is the parent of HMCS and the PGO and sponsor of the Legal Services Commission and the Information Commissioner's Office. 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 National Assembly for Wales. The National Assembly for Wales is thus regarded as a related party with which the Wales Office has had various material transactions during the year.

In addition the Department for Constitutional Affairs 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 Judgments. 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 2006 amounted to £0.127m (2004-05 £0.121m) with a total debtor balance as at 31 March 2005-06 of £0.04m (2004-05 £0m).

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 Lord Chancellor's spouse, Marianna Hildyard QC, is a Family barrister in receipt of such payments. Details of the payments made to Marianna Hildyard QC are disclosed in the related parties note in the Legal Services Commission 2005-06 Annual Report.

There have been no changes to this scheme during the 2005-06 financial year.

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 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 £6,360 (2004-05 £10,808).

Legal Aid

Legal Aid Payments have been made to Harman and Harman totalling £475,144 where Harriet Harman's sister, Sarah Harman, is a Senior Partner. Legal Aid payments have also been made to Denniss Matthews totalling £61,900 where Harriet Harman's sister, Virginia Harman, is the Head of Family Law Department. Payments totalling £126,404 have also been made to Marianna Hildyard QC for Legal Aid casework.

Legal Services

Payments have been made for Legal Services to Cripps Harries Hall LPP totalling £107,683. Harriet Harman's sister, Janet Higbee, is an employee of the company.

Information Technology Services

Payments to Electronic Data Systems Ltd (EDS) have been made for £64.6 million, primarily for the provision of I.T. services on the CCS project (formerly LOCCS) [see note 26: Commitments under PFI Contracts]. The partner of Annette Vernon, Chief Information Officer for 2005-06 and a DCA Board member from 24 November 2005, is an employee of EDS, being Regional Manager (Information Technology Outsourcing) for UK, Ireland, Middle East and Africa. He has no responsibility for, or influence over, contractual decisions affecting the DCA, but is responsible for the day to day operation of EDS systems for all clients in the geography.

Council for Licensed Conveyancers

The Council for Licensed Conveyancers (CLC) was established by the Administration of Justice Act 1985 ('the Act'). The CLC makes rules under section 38 of the Act with the concurrence of the Lord Chancellor. The Lord Chancellor is also responsible for concurring any changes in the fees imposed by the Council for Licensed Conveyancers.

31. Third party assets

The Department holds additional third party assets, over and above those monies disclosed in notes 16 and 17 of this account. It holds these through its two agencies, HMCS and the PGO, and also through an associated office, the Official Solicitor and Public Trustee (OSPT). Its current systems do not support full disclosure of third party assets but the Department is taking the necessary steps to address this.

HMCS

	31 March 2005	HMCS opening balance adjustment	Gross inflow	Outflows	31 March 2006
	£000	£000	£000	£000	£000
Third Party Monies	3,844	(3,844)	70,317	(60,360)	9,957

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, under the Court of Protection, who are not able to manage their property and affairs; or children under the age of 18. These are non-agency assets and are not included in the financial accounts. The assets held at the balance sheet date comprised cash, the Index Tracker Funds and securities.

The main items, with their market value as at 28 February 2006 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 (CRND) – £4,470m (2004-05 £4,260m).

- The Index Tracker Fund (formerly the Common Investment Fund) - administered on behalf of the Accountant General by an appointed Fund Manager. The beneficiaries have unit shares in the fund. The fund itself consists of a balanced portfolio managed by the Fund Manager in accordance with the investment strategy in force at the time - net asset value of £57.9m (2004-05 £36.300m).
- Securities – a combination of units and stock holdings held in the name of the Accountant General - market valuation of approximately £208m.

Public Guardianship Office (PGO)

The Agency holds as custodian certain assets belonging to third parties. These are not recognised in the Accounts since neither the Agency nor government more generally has a direct beneficial interest in them. The Chief Executive of the Public Guardianship Office has a duty as Receiver of Last Resort (Receiver) to account for clients' financial position in a manner which ensures accuracy and efficiency and allows for timely recording and reporting. The Chief Executive is therefore responsible for the effective stewardship of clients' assets and monies including the maintenance of proper financial control and accounting systems. The Chief Executive responsibility remains until another Receiver is appointed and assets transferred or in the event of a client's death, the client's nominated Personal Representative accepts transfer of assets to them. Once a new Receiver or Personal Representative has been appointed, the Chief Executive has custodial responsibility of assets until the actual transfer has taken place. The assets held have declined significantly during the financial year due to a reduction in the number of last resort cases being administered. This decline will continue as this activity is being progressively migrated out to external Receivers.

	31 March 2006 £000	31 March 2005 £000
Cash Balances at PGO	476	1,537
Securities	1,627	3,508

In addition to the above amounts there is also a Cash Balance of £2.899m (2004-05 £11.747m) held at the Court Funds Office which is included in their respective figures above.

Other significant assets held at the balance sheet date to which it was not practical to ascribe monetary values comprised physical assets, being of the number and asset category as listed below:

	31 March 2006	31 March 2005
Unlisted financial assets	49	198
Residential property	34	66
Other property assets	-	3
Chattels	1,194	1,064

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 2006 £000	31 March 2005 £000
Cash and deposits		
Cash	40,541	49,268
Investments	177,732	242,648
Non Cash Assets	31,526	33,709

32. Financial Instruments

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 the currency profile.

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.

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 variable rate of interest. This interest is paid over directly to the Consolidated Fund.

Foreign currency risk

Foreign currency income and expenditure are negligible.

33. Post Balance Sheet events

There have been no events since 31 March 2006 that would have a material effect on these accounts.

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