

# **Crown Prosecution Service**

## **Resource Accounts 2002-03**

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# **Crown Prosecution Service Resource Accounts 2002 - 03**

**(For the year ended 31 March 2003)**

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## Annual Report

### Introduction

The Accounts report the resources that have been consumed working to deliver the Department's aim and objectives. This report has been prepared in accordance with the guidance set out in HM Treasury's Resource Accounting Manual (*RAM*).

### Nature of the Department's business

The Crown Prosecution Service (CPS) is a Government Department funded by Vote from Parliament and was set up in 1986. It is the principal prosecution service dealing with criminal cases investigated by the police in England and Wales.

The CPS is headed by the Director of Public Prosecutions, Sir David Calvert-Smith QC. The Director is superintended by the Attorney General, Lord Goldsmith QC, who is accountable to Parliament for the Service. The Chief Executive is Richard Foster, who is responsible for managing the business, allowing the Director to concentrate on prosecution and legal issues.

The CPS is responsible for advising the police in England and Wales on cases for possible prosecution, reviewing cases submitted by the police, preparing cases for court and the presentation of cases at court. The role of the Service is to prosecute criminal cases firmly, fairly and effectively, when there is sufficient evidence to provide a realistic prospect of conviction, and when it is in the public interest so to do.

The Service employs over 7,000 staff and comprises 42 Areas, each headed by a Chief Crown Prosecutor who is responsible for the delivery of a high quality prosecution service to his or her local community. Each Chief Crown Prosecutor is supported by an Area Business Manager, and their respective roles mirror, at a local level, the division of responsibilities between the DPP and the Chief Executive.

The Code for Crown Prosecutors (the Code) is central to our core business of prosecuting. Before proceeding with a prosecution, prosecutors must first review each case against the Code, which provides guidance on the general principles to be applied in every case. It is also a public statement of policy on the principles the Service applies when carrying out its work.

The CPS works in partnership with the police, the courts and other agencies throughout the criminal justice system to meet the aims and priorities set jointly by the Ministers in the Home Office, Lord Chancellor's Department and the Law Officers' Department.

### Aim and Objectives

The CPS aim is:

To contribute to the reduction both of crime and the fear of crime and to increased public confidence in the criminal justice system by fair and independent review of cases and by firm, fair, and effective prosecution at court.

The objectives are:

Dealing with prosecution cases in a timely and efficient manner in partnership with other agencies:

- to ensure that the charges proceeded with are appropriate to the evidence and to the seriousness of the offending by the consistent, fair and independent review of cases in accordance with the Code for Crown Prosecutors;
- to enable the courts to reach just decisions by fairly, thoroughly and firmly presenting prosecution cases, rigorously testing defence cases, and scrupulously complying with the duties of disclosure;
- to meet the needs of victims and witnesses within the criminal justice system, in co-operation with other criminal justice agencies.

The objectives and their associated costs for 2002-03 are set out in Schedule 5 of the Accounts.

### **Principal Activities**

The role of the CPS is to prosecute criminal cases fairly and effectively by:

- advising the police on cases for possible prosecution;
- reviewing cases submitted by the police;
- preparing cases for the magistrates' courts and the Crown Court;
- presenting cases at court and instructing private sector advocates where appropriate;
- working with others to improve the effectiveness and efficiency of the criminal justice system.

Before proceeding with a prosecution, Crown Prosecutors must first review each case against the Code for Crown Prosecutors. The Code is designed to make sure everyone knows the principles the CPS applies when carrying out its work and the tests used to determine whether there should be a prosecution. The tests are:

- whether there is enough evidence to provide a realistic prospect of conviction against each defendant on each charge and, if so,
- whether a prosecution is needed in the public interest.

The Director is under a statutory duty to publish the Code for Crown Prosecutors. The fourth edition of the Code was published in October 2000.

The CPS is a public authority for the purposes of the Human Rights Act 1998. In carrying out their role, Crown Prosecutors must apply the principles of the European Convention on Human Rights in accordance with the Act.

In 2002-2003, we dealt with 1.44 million cases in the magistrates' courts, an increase of 77,000 cases compared to the previous year. Of all cases heard in the magistrates' court in 2002-2003, 98% resulted in a conviction. In contested trials at magistrates' courts, 70% of defendants were found guilty.

In the Crown Court in 2002-2003, we dealt with 126,000 cases, an increase of 10,000 cases compared to the previous year. Of all cases heard in the Crown Court during the year, 89% resulted in a conviction. In contested Crown Court trials, 61% of defendants were found guilty.

**Events since the end of the financial year**

The Persistent Offender Scheme, which started in April 2003 and will run for three years, targets the most prolific adult offenders. When these offenders are caught, the criminal justice agencies will give priority to their cases to ensure they are brought to justice.

An important development in enabling this work to be taken forward is the creation of 42 local Criminal Justice Boards and a National Board, as proposed in the Criminal Justice White Paper *Justice for All*. The Government's Manifesto included an increase in the number of offences brought to justice, that is offences which result in a conviction or caution or in which the offence is taken into consideration by the court when passing sentence. The gap between the overall level of crimes reported and recorded by the police and offences brought to justice is known as the 'justice gap'. Each Board has tackling the justice gap as their highest priority and the Boards will work to identify and remove local blockages in the system to increase efficiency and improve delivery on the ground.

Lord Justice Auld's Review of Criminal Courts, October 2001, recommended that the CPS should take over responsibility for the decision to charge except in minor or routine cases. The CPS and the Police have been running pilots in five Areas to assess the practicalities. The CPS has provided more early pre-charge advice to the Police and the results so far show that there has been a sharp fall in the number of discontinued cases, more early guilty pleas, a significant increase in the plea rate at first hearing and that there could be significant benefits for the criminal justice system as a whole. Following pilot evaluation and the Government's decision to implement the charging initiative across England and Wales, all CPS Areas are developing shadow charging schemes in conjunction with local police partners. Areas will operate the scheme under a protocol agreed with the Association of Chief Police Officers and will be ready to introduce the statutory scheme in 2004.

The CPS and the Association of Chief Police Officers are conducting a joint pilot of visual recording of police interviews with suspects. A new Police and Criminal Evidence Act 1984 – Code F on visual recording with sound of interviews with suspects came into effect on 8 May 2002. The aim of the pilot is to establish the nature and extent of any benefits to the criminal justice system compared with the present system of audio recording. The pilot will test, by independent evaluation, a variety of technical equipment and the extent to which visual recordings represents best evidence of the police interview and the implications of this in terms of processing and outcome of cases.

The CPS successfully completed the first stage of its programme to modernise the IT, electronic communications systems and the office environment of sites across the CPS during 2001-02. We also attained Government Secure Intranet (GSI) accreditation and accreditation to the Police National Network during this period.

The second stage of modernisation requires the Private Finance Initiative (PFI) private sector supplier, LogicaCMG plc, to develop a national electronic case management system. The new Initial Case Management System (ICMS) is being rolled out across the CPS between April and December 2003. The full Case Management System (CMS) is currently being developed and will be implemented during 2004. The case management system will bring efficiency gains across the Criminal Justice System and improve the working practices and relations of both the CPS and the police. There is a detailed benefits delivery strategy that will ensure that savings are achieved and efficiencies recognised.

The CPS has a commitment to provide secure e-mail to legal partners by the end of 2003. This will be met initially using Government Secure Intranet (GSI), Criminal Justice Xtranet (CJX) and the Criminal Justice Information Technology (CJIT) secure e-mail system. This pilot system will be replaced in 2004 by a commercial service currently being procured by CJIT.

During 2002-03 the CPS commissioned an independent review of its Headquarters structure, which sought to develop a more efficient and effective centre. The review proposed the establishment of a new Business Development Directorate, whose role is to strengthen the links between Areas and HQ in co-ordinating and implementing changes and new reforms; to provide support to Areas in delivering against PSA targets; to improve CPS communications and knowledge management; and to secure the benefits of the new Compass case management system. The new Directorate commenced operations on 1 April 2003.

### Departmental Report

The CPS departmental report is presented to Parliament as part of the Law Officers' Departments – Departmental Report. The report for 2002-03 was published in May 2003.

The coverage of the report includes the following main elements:

- progress on delivering public services, including departmental objectives, Public Service Agreements, modernising government and the departmental investment strategy;
- recent developments in the CPS, including reorganisation and other new legislative and working practice initiatives;
- an analysis of cash expenditure over the previous five years and the cash plans for the next three years;
- CPS performance and achievements.

A supplementary performance information report for 2002-03 will be published in November 2003. The main emphasis of this report will be the latest outturn against PSA targets.

## Operating and Financial Review

### Operating Review

#### CPS Strategic Themes for 2001-04

The CPS Strategic Plan for 2001-04 set out a clear vision and way forward for the Service, to enable us to become the sort of organisation we want to become, and to play the role we want to play in the Criminal Justice System. The strategy is based upon five themes:

- **Performance:** to create an organisation which constantly improves its performance and thus its contribution to the CJS and the communities it serves
- **Public confidence and staff pride:** to achieve a significant increase in public confidence and understanding in the CPS

- **Professionalism:** to increase the professionalism of all staff and the Crown Prosecution Service as a whole
- **Partnerships:** to ensure the CPS plays a full and influential part in the criminal justice system
- **People:** to create an organisation whose workforce is competent and confident, positive and committed, flexible, open to change, valued and representative of the communities we serve

### CPS Priorities For 2002-03

The problem of attrition or “narrowing the justice gap”, highlighted in the Government White Paper “Criminal Justice: *The Way Ahead*”, and in the Government’s Manifesto, has been given the highest Ministerial priority.

The CPS is focusing its attention on reducing the proportion of cases that result in an unsuccessful outcome. This means the CPS getting a more effective grip on cases at the outset and in partnership with the police, managing cases to make sure that they are not lost for want of preparation, and in identifying and providing the right support to victims and witnesses so that they are able to attend court to give best evidence.

During 2002-2003, there were 978,492 convictions in cases brought by the CPS in magistrates’ courts, an increase of 45,187 or 4.8% on 2001-2002 (933,305);

Crown Court convictions rose from 62,824 in 2001-2002 to 71,723 in 2002-2003, an increase of 8,899 (14.2%), and unsuccessful outcomes fell from 26.7% of Crown Court cases in 2001-2002 to 25.5% in 2002-2003 and from 22.0% to 21.6% in magistrates’ courts.

The police, CPS and courts have worked together to target street crime in the 10 street crime ‘hot spot’ Areas. As a result, street crime has been reduced by 16% since April 2002. The CPS has played a central role by developing a ‘premium service’ under which experienced prosecutors give the police advice during investigation to strengthen the case, advise on the choice of charge appropriate to the evidence so that it is right first time, and work closely with the police after the court process has begun to make sure the case is in the best possible state by the time the case is brought to court and the trial takes place. Particular attention is being paid to the needs of victims and witnesses of street crime, in particular providing them with the necessary information and support through the trial process.

Steady progress continues to be made on restructuring police and CPS front line operations by establishing co-located Criminal Justice and Trials Units in either CPS or police premises. Such joint units aim to reduce administrative duplication and delay between the police and CPS in preparing cases for court and to improve communications and understanding between the two independent organisations. Savings from criminal justice units are redirected towards serious casework, providing better and earlier advice to the police and improving the services provided to victims and witnesses.

National implementation of the CPS Direct Communication with Victims Scheme was completed in September 2002. Under the scheme, the CPS provides victims with an explanation when a case is discontinued or charges are altered substantially. In cases involving child abuse, racial offences or homophobic crime the CPS offers to meet with victims to explain the basis for the decision if a further explanation is required. This is in addition to our obligation to meet families bereaved as a result of crime in order to explain the decision on prosecution.

Proceeds of Crime legislation enabling the recovery of assets from criminals convicted of acquisitive crimes was enacted in February 2003. The CPS has been working with CJS colleagues in an Asset Recovery Committee to prepare the CJS for the legislation, which has included establishing a network of 88 Area Champions to promote asset recovery across the CPS and detailed training for lawyers and caseworkers. The CPS is expected to recover £500,000 of assets in 2003-2004, rising to £10million in 2004-2005 as more and more cases involving restraint and confiscation come to trial.

Further detailed information on performance, including comparisons with achievements in previous years, can be found in the Attorney General's 2002-03 Annual Report on the CPS, published in July 2003.

SR2002 concluded in July 2002 when budgets were agreed for the department for the period 2003-04 to 2005-06. The CPS has also agreed a new aim and objective, which will be supported by new Public Service Agreement targets.

The aim of the Crown Prosecution Service directly supports the aims of the criminal justice system of reducing crime and the fear of crime and their social and economic costs; to dispense justice fairly and efficiently and to promote confidence in the rule of law.

Crown Prosecution Service's overall aim, which reflects the Government's priorities for the criminal justice system, is to:

- **Deliver a high quality prosecution service that brings offenders to justice, helps reduce both crime and the fear of crime and thereby promote public confidence in the rule of law through the consistent fair and independent review of cases and through their fair, thorough and firm presentation at court.**

The objective supporting this aim is to:

- **Ensure the effective delivery of justice.**

The CPS' Strategic Plan for 2003-2006 together with the Business Plan for 2003-2004 focus on how to deliver the PSA targets and are available on the CPS website: [www.cps.gov.uk](http://www.cps.gov.uk).

### **Financial Review**

The CPS net Request for Resources (RfR), as voted by Parliament, for the period to 31 March 2003 was £469 million. Our outturn on expenditure as shown in Schedule 1 of the 2002-03 Accounts was £454 million.

Note 7 of the Accounts analyses expenditure within the Departmental Expenditure Limit (DEL) and Annually Managed Expenditure Limit (AME) by the Department's two functions; Administration and Crown prosecutions and legal services.

Administration represents the costs of running the Department and includes staff salaries, including those of CPS Lawyers who act as advocates in court, other staff related expenditure, accommodation and related costs, IT support and non-cash costs such as depreciation. Overall the CPS outturn was £338 million compared to net provision of £358 million.

A large part of the difference, £11 million, relates to the depreciation cost of CPS IT assets that transferred to the department's PFI partner, LogicaCMG on 1 April 2002. Agreement on the treatment of transferred assets was obtained relatively late in the negotiations and could not be anticipated at the time of the Spending Review 2000 (SR2000) Settlement when funding decisions were made. The remaining unused provision of £9 million represents administration costs and was held to ensure that there was capacity to offset an anticipated excess on expenditure on crown prosecutions, which is explained below. Depreciation and other non-cash costs fall within the Annually Managed Expenditure control total.

Note 17 of the Accounts compares outturn against provision within the tightly defined administration costs control regime. The CPS has a single administration costs limit and the outturn was £336 million compared with provision of £348 million. The reasons for the difference of £12 million are as given above together with the fact that the Departmental Unallocated Provision of £3 million was not utilised.

Crown prosecutions and legal services cover the direct costs of taking cases to court. Most of the expenditure is associated with the costs of the more serious cases, which are heard in the Crown Court and comprise the costs of employing barristers as advocates, reimbursing the costs of prosecution witnesses who attend court, and a number of other less significant costs associated with the prosecution process. Over time the rates paid to defence and prosecution counsel have diverged. The Lord Chancellor and the Attorney General agreed that in order to achieve equality of arms there should be broad parity of fees for each case. A new mechanism for the payment of prosecution counsel was devised, the Graduated Fees Scheme, and new higher rates for the majority of cases agreed with the Bar Council. The Scheme was originally intended to be implemented from April 2001 but negotiations took longer than anticipated and the Scheme started in October 2001. However the full impact of the scheme has only really been felt since April 2002. The concept of broad parity has also created some upward pressure on the fees the CPS pays for the longer, more complex, cases that are outside the scheme. The result of these pressures is that expenditure on programme costs exceeded provision by £5.5 million. This excess is offset by the underspend on administration costs. Over £29 million of CPS provision for Programme Costs is provided by way of costs awarded against defendants and collected by the magistrates' courts on our behalf.

A further £5 million of capital funding was provided by the Capital Modernisation Fund (CMF) in 2002-03 to support the continuing work to meet the Glidewell agenda of collocation of the CPS with police, facilitating joint administration of prosecution cases. The Glidewell agenda, investment in IT through capital purchases and the PFI arrangement with LogicaCMG, will enable the CPS to develop more efficient working practices and better communications. The closer relationship with police will help ensure that advice is available early in the progress of a case reducing the number of ineffective cases. As at the 31 March 2003 89 collocated Criminal Justice Units and 21 Trial Units had been established. There are firm plans for a further 58 CJUs and 27 TUs to be established by March 2004. Chief Crown Prosecutors will be investing savings from CJUs into TUs, delivering locally on the Service's shift towards more serious casework. Some of the individual projects in the programme of works faced unforeseen complications, which led to slippage of the completion dates. As a result £2 million of the 2002-03 funding will carry forward into 2003-04.

The CMF also provided £3 million over two years to enable the CPS to develop a Public Key Infrastructure (PKI) that would support secure e-mail and data transfer with other CJS organisations and barristers and solicitors in the private sector. During the planned evaluation of options an alternative simpler solution was identified and tested and this solution will be taken forward by Criminal Justice Information Technology. Consequently most of the CMF funding will not be utilised by the CPS and £2.7 million has been returned to the Treasury.

In all the department spent a total of £5.5 million on the purchase of fixed assets and outturn was £6.5 million less than the budget.

The Department's net cash requirement outturn was £446 million against an estimate of £466 million. The difference resulted from the aggregate underspends on cash transactions and an increase in the number and value of creditors at year end caused by problems with the department's accounts system, which will be replaced in the next twelve months.

As part of the 2000 Spending Review plans, the Treasury created a criminal justice reserve worth £100 million in 2001-02 and £525 million over the three years up to 2003-04. The reserve was set aside to provide funding for unforeseen pressures and trilaterally agreed new initiatives. The Attorney General, the Home Secretary and the Lord Chancellor must all agree to the use of the reserve and the release of funding has also to be agreed by the Treasury. Ministers agreed to invest an additional £61 million from the reserve in 2002-03 in order to speed up the reform of the Service. The investment has enabled the Service to direct additional resources to the more serious cases, bring more robbery offences to justice, provide better support for victims and to implement the recommendations of Speaking up For Justice.

For 2003-04 the CPS will receive an additional £39 million resource from the Treasury to continue its modernisation programme and improve performance. Of this increase £10 million is held jointly with CJIT and will be invested in developing the full electronic case management system with LogicaCMG. The Home Office has agreed to provide funding of £3.3 million to support the department's work on Proceeds of Crime. The CPS is seeking an additional £15 million from the CJS reserve to provide the resources to deal with the increase in workload flowing from the narrowing the justice gap initiative and to support the preparatory work for assuming responsibility for determining the charge in all but the most routine cases.

### **Training and Development**

We continued to build up leadership, management and professional skill levels, and to invest in more training and development programmes in pursuit of excellence as a Service. An overall strategy for the development of a leadership and management development programme has been agreed. This will provide managers with the key skills and knowledge required to drive up performance in their teams.

The first Employment Tribunal Masterclass was designed and delivered for senior managers in December 2002. This programme aims to promote a better understanding of the employment law framework and employment tribunal issues relating to discrimination.

### **Management**

The Head of the Crown Prosecution Service is the Director of Public Prosecutions whose appointment is made by the Cabinet Office for a five year period and may be terminated by giving 6 months' notice in writing. Sir David Calvert-Smith QC was appointed the Director of Public Prosecutions in November 1998. This appointment is due to end in Autumn 2003 when Ken Macdonald QC will take over as Director of Public Prosecutions. The Director is supported by the Chief Executive whose appointment is held under a permanent contract that may only be terminated as laid down in the Civil Service Management Code. Richard Foster was appointed as Chief Executive on 7 January 2002. The Chief Executive has responsibility for finance, human resources, performance management, IT and business and administrative processes thus allowing the Director to concentrate on prosecution and legal processes.

The Director and Chief Executive are supported by the Crown Prosecution Service Board. The objectives of the Board are to provide leadership, to set direction and to review progress. Individual members are corporately responsible for decisions taken by the Board.

### CPS Board

The members of the CPS Board during the year were as follows:

Sir David Calvert-Smith	Director of Public Prosecutions
Richard Foster	Chief Executive
John Graham	Director, Finance
Chris Newell	Director, Casework
Garry Patten	Director, Policy
Lonny Carey	Director, Business Information Systems (to 31 March 03)
Claire Hamon	Director, Business Information Systems (from 13 January 03)
Angela O'Connor	Director, Human Resources (from 15 July 02)
Rohan Collier	Head of Equality and Diversity
Sue Cunningham	Head of Communication Division
Jackie Wilson	Head of Strategic Planning Unit
Dru Sharpling	Chief Crown Prosecutor, London
Roger Daw	Chief Crown Prosecutor, Hampshire & Isle of Wight
John Revell	Chief Crown Prosecutor, Dorset
Alison Kerr	Chief Crown Prosecutor, Lincolnshire
Jeff Corrighan	Chief Crown Prosecutor, Durham
Charles Ingham	Chief Crown Prosecutor, Hertfordshire
Barry Hughes	Chief Crown Prosecutor, Cheshire
Mark Lynn	Chief Crown Prosecutor, Warwickshire
Judith Walker	Chief Crown Prosecutor, South Yorkshire
Chris Woolley	Chief Crown Prosecutor, Gwent
Judith Hunt	Non-executive Director
Anjali Arya	Non-executive Director
Iain Herbertson	Non-executive Director (to 1 September 2002)

Membership of the Board comprises The Director, Chief Executive, the five Headquarters' functional Directors, Chief Crown Prosecutor for London, and nine other Chief Crown Prosecutors, each representing a group of Areas based on the Government Offices for Regions, and Wales, known as family groups. The Heads of Communication, Diversity and Strategic Planning also sit on the Board. The nine Chief Crown Prosecutors are appointed on a rotation basis.

Three new non-executive directors joined the Board in June 2002, bringing with them invaluable experience from outside the Civil Service. They are Judith Hunt OBE, Chair of Camden and Islington Health Authority and independent consultant, Anjali Arya, independent management and training consultant and Iain Herbertson, Managing Director of Manpower plc.

In January 2002 the CPS entered into a long-term partnership arrangement with LogicaCMG plc for the provision of IT services with the award of the Compass contract. In order to reflect and support effective joint working and shared risk management between the Service and the Compass service provider, Anthony Cole of LogicaCMG plc joined the Board as an observer in June 2002.

In April and October each year Chief Crown Prosecutors, Area Business Managers, and key managers in Headquarters meet together to debate strategic issues and key operational problems.

The Appointment and termination of staff who are members of the CPS Board, excluding the Acting Chief Executive and three non-executive Directors who are not employed by the CPS, is undertaken in accordance with the Civil Service Management Code. Where appropriate their remuneration, details of which can be found in Note 2 to the Accounts, is determined by reference to the Senior Salaries Review Body.

### **Disabled Staff**

The Service aims to employ 3% disabled staff. The figure of 3% is used as a target for each grade, and as the overall national target. The above target has been met for each grade, with the exceptions of the CI, E and CCP levels. As, for the CPS as a whole, the target has been exceeded during the past 2 years, it is currently being reviewed, to set an aspirational improvement target for 2005.

Although on the statistics currently available, we have exceeded the national targets, we cannot be certain we have the full picture regarding the employment of disabled staff in CPS because many disabled employees choose not to declare their disability to their employer and some are unaware that their medical condition is classified as a disability.

As at 1st April 2003, the percentage of disabled employees in the Service was 4.7%. This represents a decrease of 0.9% against the same time last year.

The Department is highlighting its support of the European Year of Disabled People in its recruitment literature and by a number of initiatives designed to raise staff awareness of disability issues.

### **Equal Opportunities**

The CPS issued an equality statement in August 1999 which outlined its commitment: 'the CPS values everybody's contribution and believes that the CPS' success and its future depend on the quality of service that we provide and on gaining the trust of the community we serve. If everyone is to feel valued and we are to help individuals give their best, our goal must be to create and sustain a working environment that is fair to all and free from discrimination, harassment, victimisation and bullying'. The CPS is also committed to ensuring that prosecution decisions are free from bias or discrimination and that all defendants, victims and witnesses are treated fairly and with respect.

### **Payment of Suppliers and Witnesses**

The CPS has adopted the British Standard for Achieving Good Payment Performance in Commercial Transactions (BS 7890) and remains committed to paying bills in accordance with agreed contractual conditions, or, where no such conditions exist, within 30 days of receipt of goods or services or the presentation of a valid invoice, whichever is the later. The CPS also seeks to pay all expenses to prosecution witnesses within 10 working days of receipt of a correctly completed claim form.

In 2002-03 the CPS settled 81% of undisputed invoices within 30 days of receipt and 99.8% of witness claims within 10 days. The CPS paid £341.59 with respect to the Interest paid under the Late Payment of Commercial Debts (Interest) Act 1988.

**Auditors**

This year's Resource Accounts have been audited by the National Audit Office on behalf of the Comptroller and Auditor General.

*Sir David Calvert-Smith QC*  
Accounting Officer

15 September 2003

## Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, the department is required to prepare resource accounts for each financial year, in conformity with a Treasury direction, detailing the resources acquired, held, or disposed of during the year and the use of resources by the department during the year.

The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the department, the net resource outturn, resources applied to objectives, recognised gains and losses, and cash flows for the financial year.

HM Treasury has appointed the Director of Public Prosecutions as Accounting Officer of the department, and the Chief Executive as an Additional Accounting Officer, with responsibility for preparing the department's accounts and for transmitting them to the Comptroller and Auditor General.

In preparing the accounts, the Accounting Officer is required to comply with the *Resource Accounting Manual* prepared by HM Treasury, and in particular to:

- observe 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 *Resource Accounting Manual*, have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on the going-concern basis.

The responsibilities of the Accounting Officers, including their responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the department's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in *Government Accounting*.

## Statement on Internal Control

### Scope of Responsibility

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

The CPS has a hierarchical management structure. A Chief Executive (CE), the CPS Board and Directors of the five Headquarters Directorates (six from 1 April 2003) support me in managing the CPS. The CPS is organised into geographical Areas each headed by a Chief Crown Prosecutor (CCP) with a direct line of accountability to me for legal decisions and casework and to the Chief Executive, in the first instance, for the efficient, economic and effective management of their Areas.

### 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 CPS 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. Certain elements of the arrangements required to manage risk and change were not fully operational throughout the year. I have commented on these in this statement under 'significant internal control problems'. However, the other key elements of the system of internal control have been in place in the CPS for the year ended 31 March 2003 and up to the date of approval of the annual report and accounts, and accord with Treasury guidance.

### Capacity to Handle Risk

The CPS Board approved the CPS risk strategy in 2000-01. It clearly states that responsibility for adequate risk management arrangements rests with myself, the Chief Executive and the CPS Board. During 2002-03 the risk strategy was revised and subsequently approved by the CPS Board in May 2003. Throughout 2002-03 the CPS Board was supported in the management of the principal risks by its Planning and Risk Sub-Group (PRSG), which is comprised of CCPs and senior HQ staff. The PRSG met regularly throughout the year, both the CPS Board and the PRSG were supported by advice and guidance from the CPS risk champion and the internal audit unit. The PRSG members and the risk champion have consistently promoted the benefits of risk management at Area and Corporate level, and issued guidance to Areas and Service Centres on how to incorporate risk management into the business planning process.

From 1 April 2003 the system was enhanced with the introduction of arrangements to identify and manage risk to the achievement of the six Directorate Business Plan aims and objectives. Previously these were only covered as part of the CPS corporate risk register.

At Area level CCPs are responsible for ensuring that Area Business Plans include risk registers that identify the principal risks to delivery of the CPS aims, objectives and priorities. In addition Areas are encouraged to identify and manage risks that are specific to their Area. All key staff have been sent copies of the risk strategy and guidance on how to identify and manage risks. The importance of following the good practice

identified in the HMT Orange Book is emphasised in CPS guidance. Training and support on risk management was provided by internal audit to senior Area staff during 2002-03 in the form of workshops and individual tuition.

In order to drive effective risk management in 2003-04, all Areas and Directorates were required to submit to CPS HQ, as part of their 2003-04 business plans for the year, the countermeasures put in place (in risk register format) for managing their key risks. The new Business Development Directorate is currently reviewing the adequacy of the risk registers and where required providing advice and guidance.

In order to embed risk management further and to provide support to management during 2003-04, the CPS will produce its own version of the Orange Book and also develop a risk-training package for managers.

### **The Risk and Control Framework**

All risk management activity is aligned to the corporate aims, objectives and service priorities as outlined above. For 2002-03 these were the CPS Five Key Priorities and for 2003-04 they are the PSA Targets. Risk analysis forms part of the departmental strategic planning, business planning and investment/project appraisal procedures. Managers and staff at all levels have a responsibility to identify, evaluate and manage risks, and are equipped to do so through risk training and relevant guidance.

The PRSG of the CPS Board identify key risks as part of the planning process. Based on an analysis of these risks, a corporate risk register is produced showing the risks, their impact and likelihood, the names of the risk owners, the countermeasures and proposed countermeasures and the status of the risk. This register is then sent to the CPS Board for approval. Once approved, the corporate risk register is then disseminated to all business units to inform their risk and planning processes. Areas and Service Centres go through a similar process to the one outlined for the Planning and Risk Sub-Group.

The Director, Chief Executive and the Board encourage the taking of risks, the grasping of new opportunities and use of innovative approaches to further the interests of the CPS and achieve its objectives provided the resultant exposures are within the CPS risk tolerance range as outlined in the CPS risk strategy.

The CPS and the Criminal Justice System (CJS) are currently undergoing major change. The key risks both in 2002-03 and for 2003-04 are around managing this change and working more effectively and efficiently with our partners across the CJS. The key countermeasures to these risks are a set of cross CJS projects managed along project management lines.

### **Review of Effectiveness**

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

The department has an internal audit function, which operates to standards defined in the Government Internal Audit Manual. They submit regular reports to the Audit Committee, including a report from the Head of Internal Audit giving an independent opinion on the adequacy and effectiveness of the department's system of internal control together with recommendations for improvement.

The Audit Committee meetings include reports on the effectiveness of the internal control system. To-date the Chief Executive has taken responsibility for chairing the Audit Committee. The aim is to have one of the CPS Board's non-executives take over the role of Chairperson, this will take place once the non-executive has acquired sufficient understanding of the business of the CPS and the Criminal Justice System.

At the end of the year each CCP/HQ Director completes a certificate of assurance. The certificates include a statement on the level of assurance achieved throughout the year by the Area/Directorate against key aspects of the business. From 2002-03 the certificate includes a statement on how well Areas have managed risk throughout the year. From 2003-04 the CPS Directorates will also be required to make this statement. The certificates are reviewed by internal audit in order to ensure that they have been completed in accordance with guidelines. In addition, selected Areas and Directorates are visited by internal audit in order to review the adequacy of the procedures used to determine the level of assurance provided in the certificates.

Performance against Area corporate targets is measured and reviewed quarterly by the Resources and Planning Group (RPG), which is responsible for reviewing performance on behalf of myself, the CE and the CPS Board, and for identifying adverse performance and for instigating appropriate remedial action.

As part of the new performance management framework, a Business Development Directorate has been established to focus on delivery of key targets in the CPS's Areas. There are now regular meetings between myself, the Chief Executive and the Head of the Business Development Directorate with the CPS Areas that make the largest contribution to overall CPS performance.

Information Technology is a key enabler for the achievement of CJS and CPS strategic objectives. A programme board in partnership with LogicaCMG our strategic IT partner oversees our information technology programme. The OGC Gateway 4 Review of our Case Management System project highlighted good practice in the involvement of users, close working with LogicaCMG and risk management.

In addition H.M.Crown Prosecution Service Inspectorate undertake regular reviews in order to promote the efficiency and effectiveness of the prosecution service through a process of inspection and evaluation, the provision of advice, and the identification and promotion of good practice. It achieves this primarily through a business unit inspection programme during which it visits and publishes reports on each of the 42 CPS Areas and the CPS Headquarters functions. It also maintains a programme of thematic reviews that involve examination of particular topics across the CPS.

### **Significant Internal Control Problems**

#### **Risk**

During 2002-03 the PRSG experienced difficulty in evaluating the effectiveness with which the corporate risks were being managed. This was mainly due to underdeveloped systems and procedures necessary to identify, record and report on the effectiveness of the countermeasures. Action has been taken to address the situation. In addition I approved the creation of a risk improvement manager post. I am content that this appointment, the revised strategy and the new procedures will ensure that risk is fully managed.

### Management of Change

The CPS change programme is one of the most demanding across the CJS. Arrangements have been put in place to manage the major projects of this programme. However, we have experienced some difficulties in developing arrangements designed to ensure that the interdependencies between projects are identified and managed. Progress continues to be made to develop more integrated change management arrangements.

### Costs Awards

The CPS receives awards of costs made against convicted defendants at the discretion of the judge or magistrates. Magistrates' courts are responsible for recording, enforcing and collecting these costs, forwarding collected monies to the CPS and, under delegated authority, for writing off awards where the amount outstanding is less than £100.

The CPS therefore relies on magistrates' courts internal financial controls and the monitoring of those controls by the Department for Constitutional Affairs' internal audit function, their external auditors and the Magistrates' Court Service Inspectorate.

We have achieved significant improvements in the management of and accounting for the collection of cost awards and will be striving for further improvements through our continuing work with the magistrates' courts.

### Counsel Fees

I have recognised the need to improve CPS quality assurance systems to ensure that existing financial controls over fees paid to counsel are properly exercised and recorded. With effect from October 2001 we introduced a revised fee structure for payments to counsel that has greatly simplified the negotiation and payment process and thereby substantially reduced risk in this area.

Sir David Calvert-Smith QC  
Accounting Officer

15 September 2003

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

I certify that I have audited the financial statements on pages 21 to 45 under the Government Resources and Accounts Act 2000. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 27 to 29.

### Respective responsibilities of the Accounting Officer and Auditor

As described on page 14, the Accounting Officer is responsible for the preparation of the financial statements in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the preparation of the other contents of the Accounts. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder, and 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. I also report if, in my opinion, the Annual Report is not consistent with the financial statements, if the Crown Prosecution Service has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Accounts, 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.

I review whether the Statement on Internal Control on pages 15 to 18 reflects the Crown Prosecution Service's compliance with Treasury's guidance Corporate Governance: Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

### Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Crown Prosecution Service in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Crown Prosecution Service's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity 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 have also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Crown Prosecution Service at 31 March 2003 and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the year then ended, and have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by Treasury; and
- 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.

I have no observations to make on these financial statements.

*John Bourn*  
Comptroller and Auditor General

Date 17 September 2003

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

**SCHEDULE 1****Summary of Resource Outturn 2002-03**

	2002-03			Outturn			Net Total Outturn compared with Estimate saving/ (excess)	2001-02
	Estimate		NET TOTAL	Outturn		NET TOTAL(a)		Prior year outturn
	Gross Expenditure 1	A in A 2		Gross Expenditure 4	A in A 5			
	£000	£000	£000	£000	£000	£000	£000	
Request for Resources 1 (Notes 6 and 7)	500,023	31,035	468,988	485,172	31,035	454,137	14,851	406,932
<b>TOTAL RESOURCES (a)</b>	<b>500,023</b>	<b>31,035</b>	<b>468,988</b>	<b>485,172</b>	<b>31,035</b>	<b>454,137</b>	<b>14,851</b>	<b>406,932</b>
<b>NON OPERATING COST A in A</b>	-	-	-	-	-	-	-	-
<b>NET CASH REQUIREMENT</b>	-	-	<b>466,032</b>	-	-	<b>446,192</b>	<b>19,840</b>	<b>383,888</b>

**Reconciliation of resources to cash requirement**

	Note	£000	£000	£000
<b>Net total resources</b>		<b>468,988</b>		<b>454,137</b>
<b>Capital:</b>				
Acquisition of fixed assets	10	12,000		5,528
Investments		-		-
<b>Non-operating A in A:</b>				
Book value of fixed asset disposals		-		-
<b>Accruals adjustments:</b>				
Non-cash items	3 and 4	(16,349)		(3,971)
Movements in working capital other than cash	11	(500)		(12,007)
Changes in creditors falling due after more than one year		-		-
Use of provision	15	1,893		2,505
<b>Net cash requirement (Schedule 4)</b>		<b>466,032</b>		<b>446,192</b>

Explanation of the variation between the Estimate and outturn (net total resources):

(i) Net total outturn was £14.851 million less than the Estimate, representing 3.2% of net provision. Depreciation costs on assets transferred under a PFI arrangement were £11 million less than anticipated and the recruitment of staff to support new initiatives has slipped slightly behind schedule.

Explanation of the variation between Estimate net cash requirement and outturn (net cash requirement):

(i) The outturn net cash requirement was £19.84 million less than the Estimate, representing 4.3% of provision. The difference results from underspends on cash transactions and an increase in the number and value of creditors because of capacity difficulties with the departmental accounts system at year-end.

(Continued overleaf)

The notes on pages 27 to 45 form part of these accounts.

### 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 2002-03		Outturn 2002-03	
		Income	<i>Receipts</i>	Income	<i>Receipts</i>
		£000	£000	£000	£000
Operating income and receipts – excess A in A	6	500	-	2,084	<i>996</i>
Non-operating income and receipts – excess A in A		-	-	-	-
Subtotal		500	-	2,084	<i>996</i>
Other operating income and receipts not classified as A in A	6	-	-	459	<i>457</i>
Other non-operating income and receipts not classified as A in A		-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund		-	-	-	-
Total (b)		<b>500</b>	<b>-</b>	<b>2,543</b>	<b><i>1,453</i></b>

**(a) Actual outturn - resources:**

Request for resources 1: Actual amount net resources outturn £454,136,865.42. Actual amount of savings in resources over Estimate £14,851,134.58.

**Actual outturn - cash:**

Net cash requirement: Outturn net requirement £446,192,017.55 which is £19,839,982.45 less than Estimate.

(b) The actual receipts were £1,453,446.64. These are surrenderable to the Consolidated Fund.

*The notes on pages 27 to 45 form part of these accounts.*

**SCHEDULE 2****Operating Cost Statement**

for the year ended 31 March 2003

	<u>Note</u>	<b>2002-03</b>		<b>2001-02</b>	
		<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
<b>Administration costs:</b>					
Staff costs	2		231,052		200,892
Other administration costs	3		<u>108,658</u>		<u>120,826</u>
<b>Gross administration costs</b>			<b>339,710</b>		<b>321,718</b>
Operating income	6		<u>(2,354)</u>		<u>(2,146)</u>
<b>Net administration costs</b>			<b>337,356</b>		<b>319,572</b>
<b>Programme costs:</b>					
Expenditure	4	145,462		116,164	
Less: income	6	<u>(31,224)</u>		<u>(30,108)</u>	
<b>Net programme costs</b>	4		<b>114,238</b>		<b>86,056</b>
<b>Net operating cost</b>	7		<b>451,594</b>		<b>405,628</b>
<b>Net resource outturn</b>	5		<b>454,137</b>		<b>406,932</b>

All income and expenditure are derived from continuing operations.

**Statement of Recognised Gains and Losses**

for the year ended 31 March 2003

	<u>Note</u>	<b>2002-03</b>	<b>2001-02</b>
		<u>£000</u>	<u>£000</u>
Net (loss)/gain on revaluation of tangible fixed assets	16	(19)	109
<b>Total recognised gains and losses for the financial year</b>		<b>(19)</b>	<b>109</b>

The notes on pages 27 to 45 form part of these accounts.

**SCHEDULE 3****Balance Sheet**

as at 31 March 2003

	Note	31 March 2003		31 March 2002	
		£000	£000	£000	£000
<b>Fixed assets:</b>					
Tangible assets	8		<b>15,678</b>		<b>12,094</b>
<b>Debtors falling due after more than one year</b>	12		<b>6,073</b>		<b>6,765</b>
<b>Current assets:</b>					
Debtors	12	40,308		35,982	
Cash at bank and in hand	13	<u>20,848</u>		<u>30,382</u>	
		61,156		66,364	
<b>Creditors (amounts falling due within one year)</b>	14	<u>(68,588)</u>		<u>(63,478)</u>	
<b>Net current (liabilities)/assets</b>			<u>(7,432)</u>		<u>2,886</u>
<b>Total assets less current liabilities</b>			<b>14,319</b>		<b>21,745</b>
<b>Provisions for liabilities and charges</b>	15		<u>(12,112)</u>		<u>(13,055)</u>
			<u>2,207</u>		<u>8,690</u>
<b>Taxpayers' equity</b>					
General fund	18		1,246		7,616
Revaluation reserve	16		<u>961</u>		<u>1,074</u>
			<u>2,207</u>		<u>8,690</u>

Sir David Calvert-Smith QC  
Accounting Officer

15 September 2003

The notes on pages 27 to 45 form part of these accounts.

**SCHEDULE 4****Cash Flow Statement**

for the year ended 31 March 2003

	<u>2002-03</u>	<u>2001-02</u>
	£000	£000
<b>Net cash outflow from operating activities (a)</b>	<b>(440,416)</b>	<b>(362,537)</b>
<b>Capital expenditure and financial investment (b)</b>	<b>(5,528)</b>	<b>(21,043)</b>
<b>Payments of amounts due to the Consolidated Fund</b>	<b>(664)</b>	<b>(5,872)</b>
<b>Financing (c)</b>	<b><u>437,074</u></b>	<b><u>412,846</u></b>
<b>(Decrease)/increase in cash in the period</b>	<b><u>(9,534)</u></b>	<b><u>23,394</u></b>

Notes:

- (a) See the table below giving a reconciliation of operating cost to operating cash flows.  
 (b) See the table below giving an analysis of capital expenditure and financial investment.  
 (c) See the table below giving an analysis of financing and a reconciliation to the net cash requirement.

**Reconciliation of operating cost to operating cash flows**

	<u>2002-03</u>	<u>2001-02</u>
Note	£000	£000
<b>Net operating cost</b>	<b>451,594</b>	<b>405,628</b>
Adjustments for non-cash transactions	3 and 4 (3,971)	(36,483)
Adjustments for movements in working capital other than cash	11 (9,712)	(8,050)
Use of provisions	15 2,505	1,442
<b>Net cash outflow from operating activities</b>	<b><u>440,416</u></b>	<b><u>362,537</u></b>

**Analysis of capital expenditure and financial investment**

	<u>2002-03</u>	<u>2001-02</u>
Note	£000	£000
Tangible fixed-asset additions	8 5,528	21,043
Proceeds of disposal of fixed assets	-	-
<b>Net cash outflow from investing activities</b>	<b><u>5,528</u></b>	<b><u>21,043</u></b>

**Analysis of financing, and reconciliation to the net cash requirement**

	<u>2002-03</u>	<u>2001-02</u>
Note	£000	£000
From the Consolidated Fund (Supply) - current year (a)	437,074	412,846
From the Consolidated Fund (Supply) - prior year	-	-
<b>Net financing</b>	<b><u>437,074</u></b>	<b><u>412,846</u></b>
<b>Decrease/(increase) in cash</b>	<b>13 9,534</b>	<b><u>(23,394)</u></b>
<b>Net cash flows other than financing</b>	<b><u>446,608</u></b>	<b><u>389,452</u></b>
<b>Adjustments for payments and receipts not related to Supply:</b>		
Amounts due to the Consolidated Fund - received in a prior-year and paid over	(218)	(5,665)
Amounts due to the Consolidated Fund - received and not paid over	1,008	1,097
Transitional adjustment	11 -	(996)
Adjustment for CFER debtors 2000-01 & 2001-02	(1,206)	-
<b>Net cash requirement (Schedule 1)</b>	<b><u>446,192</u></b>	<b><u>383,888</u></b>

(a) Amount of grant actually issued to support the net cash requirement = £437,074,436.15.

*The notes on pages 27 to 45 form part of these accounts.*

**SCHEDULE 5****Resources by Departmental Aim and Objectives**

for the year ended 31 March 2003

	2002-03			2001-02		
	Gross £000	Income £000	Net £000	Gross £000	Income £000	Net £000
Objective 1	79,275	(7,723)	71,552	91,707	(8,986)	82,721
Objective 2	381,583	(24,176)	357,407	322,492	(21,629)	300,863
Objective 3	24,314	(1,679)	22,635	23,683	(1,639)	22,044
Net operating costs	<u>485,172</u>	<u>(33,578)</u>	<u>451,594</u>	<u>437,882</u>	<u>(32,254)</u>	<u>405,628</u>

**Aim:**

To contribute to the reduction both of crime and the fear of crime and to increase public confidence in the criminal justice system by fair and independent review of cases and by firm, fair and effective presentation at court.

The aim is consistent with the wider aims of the criminal justice system.

**The department's objectives were as follows:**

Dealing with prosecution cases in a timely and efficient manner in partnership with other agencies:

**Objective 1** - To ensure that the charges proceeded with are appropriate to the evidence and to the seriousness of the offending by the consistent, fair and independent review of cases in accordance with the Code for Crown Prosecutors.

**Objective 2** - To enable the courts to reach just decisions by fairly, thoroughly and firmly presenting prosecution cases, rigorously testing defence cases, and scrupulously complying with the duties of disclosure.

**Objective 3** - To meet the needs of victims and witnesses in the criminal justice system, in co-operation with other criminal justice agencies.

See Note 25

*The notes on pages 27 to 45 form part of these accounts.*

## Notes to the Departmental Resource Accounts

### 1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2002-03 *Resource Accounting Manual (RAM)* issued by HM Treasury. The accounting policies contained in the *RAM* follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where the *RAM* 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. They have been applied consistently in dealing with items considered material in relation to the accounts.

#### 1.1 Accounting Convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current costs.

#### 1.2 Basis of Consolidation

The CPS has no agencies or other bodies that may form part of a CPS departmental group.

#### 1.3 Tangible Fixed Assets

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. With effect from 1 April 2002 all expenditure on tangible fixed assets of £500 or over is capitalised. On initial recognition they are measured at cost including any costs such as installation directly attributable to bringing them into working condition.

All tangible fixed assets are restated to current value each year. Land and buildings are restated to current value using professional valuations in accordance with FRS15 every five years and in the intervening years by the use of published indices appropriate to the type of land or building. The indices used are supplied by the Investment Property Databank.

Title to the freehold land and buildings shown in the accounts is held as follows:

- a) property on the departmental estate, title to which is held by the CPS;
- b) property held by the Department of Environment, Food and Rural Affairs in the name of the Secretary of State.

Other tangible fixed assets are restated to current value annually by indexation up to the year-end using Price Index Numbers for Current Cost Accounting, published by the Office of National Statistics.

Costs of bought-in services incurred in preparation for the implementation of IT projects are capitalised. Internal costs incurred on the same projects are not capitalised where the work can only be carried out by in-house staff.

#### 1.4 Depreciation

Tangible fixed assets are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. No depreciation is provided on freehold land since it has an unlimited useful life. Asset lives are normally in the following ranges:

Freehold buildings	20 to 50 years
Equipment	3 to 10 years
Computers	4 years

## 1.5 Operating Income

Operating income is income which relates directly to the operating activities of the department, and consists of administration and programme income. It includes not only income appropriated in aid of the Estimate but also income to the Consolidated Fund, which in accordance with *RAM* is treated as operating income. Operating income is stated net of VAT.

### *Administration Income*

Administration income principally comprises rental income from other Government Departments in jointly occupied buildings, commercial sub-tenants and Non Departmental Public Bodies. In accordance with *RAM* rental income received from other Government Departments is netted off against expenditure.

### *Programme Income*

The CPS receives awards of costs made against convicted defendants at the discretion of the judge or magistrates. Magistrates' courts are responsible for recording, enforcing and collecting these costs; forwarding collected monies to the CPS and, under delegated authority, for writing-off awards where the amount outstanding is less than £100.

Bad debts are provided for as a percentage of programme debtors.

In order to account for cost awards, the CPS uses returns submitted by the courts in respect of cash collected, transfers to and from other courts, amounts written off and cost awards outstanding. The costs reflect the cost of the prosecution but for administrative purposes are recorded against programme costs only. Cost award income is apportioned across each of the objectives in Schedule 5.

## 1.6 Administration and Programme Costs

The Operating Cost Statement is analysed between administration and programme costs. Costs are stated inclusive of VAT.

### *Administration Costs*

Administration costs reflect the costs of running the department. These include both those administrative costs controlled under the administration cost-control regime during the RAB 1 implementation phase (through the Departmental Expenditure Limits) and those which are in the Annually Managed Expenditure (capital charges and all other non-cash items), together with associated operating income. Income is analysed in the notes between that which, under the regime, is allowed to be offset against gross administrative costs in determining the outturn against the administration cost limit, and that operating income which is not.

### *Programme Costs*

Programme costs reflect non-administration costs being the external cost of prosecution including the employment of counsel and compensation paid to witnesses for costs incurred through their attendance at court. Where a Prosecution case is expected to last 25 days or less, payments are made to counsel using a revised fee structure, with a target of payment within 10 days of the case concluding. Cases expected to last in excess of 25 days are excluded from this system and payments to counsel for these cases may take considerable time to negotiate. It is not possible to ascertain the actual amount owed on these cases at year-end until some months later. In view of this the department estimates such counsel fees outstanding for inclusion in these accounts.

## 1.7 Capital Charge

A charge, reflecting the cost of capital utilised by the department, is included in operating costs. The charge is calculated at the government's standard rate of 6 per cent in real terms on the average carrying amount of all assets less liabilities, except for:

- a) cash balances with the Office of the Paymaster General and donated assets where the charge is nil; and

- b) liabilities for amounts surrendered to the Consolidated Fund for which no credit against the charge is allowed.

The government standard rate will be reduced to 3.5 per cent with effect from 1 April 2003.

### 1.8 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). This is a defined benefit scheme and is non-contributory and unfunded. The CPS recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employee's services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

### 1.9 Early Departure Costs

The department is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The department provides in full for this cost when the early retirement programme has been announced and is binding on the department. The department may, in certain circumstances, settle some or all of its liability in advance by making a payment to the Paymaster General's account at the Bank of England for the credit of the Civil Superannuation Vote. The provision and the prepayment are stated separately. The provision for early retirement costs is adjusted each year to take account of the proportion of the financial benefit (i.e. the interest receivable) derived by the department from making payment in advance see note 15.

### 1.10 Operating Leases

Rentals due under operating leases are charged to the Operating Cost Statement over the lease term on a straight-line basis, or on the basis of actual rentals payable where this fairly reflects the usage. Future payments, disclosed at Note 20, "Commitments under Operating Leases", are not discounted.

### 1.11 Private Finance Initiative (PFI) Transactions

The CPS signed a contract entering into a PFI transaction on 31 December 2001 for a 10 year period commencing 1 April 2002. This has been accounted for in accordance with Technical Note No.1 (Revised), entitled *How to account for PFI Transactions*, as required by the RAM. The balance of risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI payments are recorded as an operating cost. The CPS transferred all IT assets to the PFI operator with effect from 1 April 2002. A prepayment for their fair value is recognised and amortised over the life of the PFI contract.

### 1.12 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with FRS12, the department discloses for parliamentary reporting and accountability purposes certain contingent liabilities where the likelihood of a transfer of economic benefit is remote. These comprise:

- items over £100,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by departmental Minute prior to the Department entering into the arrangement;
- all items (whether or not they arise in the normal course of business) over £100,000 (or lower, where required by specific statute or where material in the context of resource accounts) which are required by the Resource Accounting Manual to be noted in the resource accounts.

### 1.13 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 cost of fixed assets. Where output tax is charged, the amounts are stated net of VAT.

## 2. Staff Numbers and Costs

a) Staff costs for officials of the department (including staff on secondment or loan and agency or temporary staff) consists of:

	2002-03		2001-02	
	£000	£000	£000	£000
Wages and salaries (including other personnel costs and early retirement costs in 2002-03)		191,979		161,521
Social security costs		12,965		11,940
Other pension costs		25,925		23,033
Early retirement costs (2001-02)	-		5,706	
Less: provision used in year (2001-02)	-		(1,442)	
				4,264
Staff welfare and other personnel costs (2001-02)		-		134
<b>Sub total</b>		<b>230,869</b>		<b>200,892</b>
Inward secondments		234		-
<b>Total</b>		<b>231,103</b>		<b>200,892</b>
Less recoveries in respect of outward secondments		-		-
<b>Total net costs*</b>		<b>231,103</b>		<b>200,892</b>

\* Of the total, £51,000 has been charged to capital

The PCSPS is an unfunded multi-employer defined benefit scheme but the Crown Prosecution Service is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 1999. A further valuation is being carried out as at 31 March 2003 which has yet to be completed. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2002-03, employers' contributions of £25,925,157 were payable to the PCSPS (2001-02: £23,033,376) at one of four rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands. Rates will remain the same next year, subject to revalorisation of the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £2,117 were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £165, 0.8 per cent 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 these employees.

Contributions due to the partnership pension providers at the balance sheet date were £1,432.

b) The average number of whole-time equivalent persons employed (including senior management, staff on secondment or loan into the department and agency/temporary staff, but excluding staff on secondment to other organisations) during the year was as follows:

	2002-03		2001-02	
	Number		Number	
Objective 1		1,986		1,748
Objective 2		4,753		4,182
Objective 3		355		312
<b>TOTAL</b>		<b>7,094</b>		<b>6,242</b>

(c) The salary and pension entitlements of members of the CPS Board were as follows:

Name and title	Age	Salary at 31 March 2003 (as defined below)	Real increase in pension at age 60	Total accrued pension at age 60 at 31 March 2003
	Years	£000	£000	£000
<b>2002-03</b>				
<b>Officials</b>				
Sir David Calvert-Smith <i>Director of Public Prosecutions</i>	57	135-140	(See note on page 33)	
Richard Foster* <i>Chief Executive</i>	53	100-105	7.5-10.0	35-40
Lonny Carey* <i>Director BIS (to 31 March 2003)</i>		Unable to obtain agreement to the information to be disclosed.		
Claire Hamon** <i>Director BIS (from 13 Jan 2003)</i>	37	90-95	0.0-2.5	00-05
John Graham* <i>Director Finance</i>	51	80-85	2.5-5.0	25-30
Chris Newell* <i>Director Casework</i>	52	95-100	2.5-5.0	30-35
Garry Patten* <i>Director Policy</i>	53	85-90	0.0-2.5	20-25
Angela O'Connor* <i>Director Human Resources (from 15 July 2002)</i>	43	80-85	0.0-2.5	00-05
Dr Rohan Collier* <i>Equality and Diversity</i>	(a)	70-75	0.0-2.5	00-05
Sue Cunningham* <i>Communication Division</i>	56	60-65	0.0-2.5	00-05
Jackie Wilson* <i>Strategic Planning Unit</i>	60	60-65	0.0-2.5	20-25
Barry Hughes* <i>CCP, Cheshire</i>	42	70-75	0.0-2.5	15-20
Mark Lynn* <i>CCP, Warwickshire</i>	54	65-70	0.0-2.5	10-15
Dru Sharpling* <i>CCP, London (from 1 Jun 2002)</i>	47	95-100	0.0-2.5	00-05
Judith Walker* <i>CCP, South Yorkshire</i>	48	70-75	0.0-2.5	15-20
Chris Woolley* <i>CCP, Gwent</i>	46	65-70	0.0-2.5	10-15
Roger Daw* <i>CCP, Hamps &amp; Isle of Wight</i>	44	75-80	0.0-2.5	15-20
John Revell* <i>CCP, Dorset</i>	55	65-70	0.0-2.5	10-15
Alison Kerr* <i>CCP, Lincolnshire</i>		Unable to obtain agreement to the information to be disclosed.		
Jeff Corrighan* <i>CCP, Durham</i>	51	65-70	0.0-2.5	10-15
Charles Ingham* <i>CCP, Hertfordshire</i>	55	70-75	0.0-2.5	15-20
Judith Hunt (b) <i>Non-executive Director (from 1 Jun 2002)</i>	N/a	0-5	N/a	N/a
Anjali Arya (b) <i>Non-executive Director (from 1 Jun 2002)</i>	N/a	0-5	N/a	N/a
Iain Herbertson (b) <i>Non-executive Director (from 1 Jun 2002)</i>	N/a	0-5	N/a	N/a

(a) Consent to disclosure of age withheld.

(b) Non-executive Directors receive an annual fee of £5,000 as remuneration for sitting on the board. Expenses are paid separately.

\* Classic Scheme

\*\* Premium Scheme

Name and title	Age	Salary at 31 March 2002 (as defined below)	Real increase in pension at age 60	Total accrued pension at age 60 at 31 March 2003
	Years	£000	£000	£000
<b>2001-02</b>				
<b>Officials</b>				
Sir David Calvert-Smith <i>Director of Public Prosecutions</i>	56	130-135	(See note on page 33)	
Mark Addison <i>Chief Executive</i>	51	100-105	0.0-2.5	25-30
John Halliday (b) <i>Acting Chief Executive</i>	N/a	N/a	N/a	N/a
Richard Foster <i>Chief Executive</i>	52	90-95	0.0-2.5	25-30
Lonny Carey <i>Director BIS</i>	43	60-65	0.0-2.5	00-05
John Graham <i>Director Finance</i>	50	70-75	0.0-2.5	20-25
Chris Newell <i>Director Casework</i>	51	85-90	0.0-2.5	25-30
Garry Patten <i>Director Policy</i>	52	80-85	0.0-2.5	20-25
Indi Seehra <i>Director Human Resources</i>	39	85-90	0.0-2.5	00-05
Dr Rohan Collier <i>Equality and Diversity</i>	(a)	60-65	0.0-2.5	00-05
Sue Cunningham <i>Communication Division</i>	55	50-55	0.0-2.5	00-05
Jackie Wilson <i>Strategic Planning Unit</i>	59	60-65	2.5-5.0	20-25
Peter Boeuf <i>CCP, London</i>	54	80-85	0.0-2.5	25-30
David Blundell <i>CCP, West Midlands</i>	56	70-75	2.5-5.0	25-30
Dickie Dickenson <i>CCP, Lancashire</i>	58	65-70	0.0-2.5	30-35
Bob Marshall <i>CCP, Humberside</i>	48	60-65	0.0-2.5	15-20
Simon Rowlands <i>CCP, Dyfed-Powys</i>	50	55-60	0.0-2.5	15-20
Roger Daw <i>CCP, Hamps &amp; Isle of Wight</i>	43	75-80	0.0-2.5	15-20
John Revell <i>CCP, Dorset</i>	54	55-60	0.0-2.5	20-25
Alison Kerr <i>CCP, Lincolnshire</i>	53	55-60	0.0-2.5	15-20
Jeff Corrighan <i>CCP, Durham</i>	50	55-60	2.5-5.0	15-20
Charles Ingham <i>CCP, Hertfordshire</i>	54	65-70	0.0-2.5	15-20
Lyn Salisbury <i>Communication Division</i>	54	50-55	0.0-2.5	15-20
Mike Pitt (c) <i>Non-executive Director</i>	53	0-5	N/a	N/a
Sukvinder Stubbs (c) <i>Non-executive Director</i>	39	0-5	N/a	N/a

(a) Consent to disclosure of age withheld.

(b) Interim Chief Executive employed on a part-time non-pensionable contract at a daily rate of £540 plus expenses.

(c) Non-executive Directors receive an annual fee of £5,000 as remuneration for sitting on the board.

- (i) '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.
- (ii) Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based "final salary" defined benefit schemes (**classic**, **premium**, and **classic plus**). New entrants after 1 October 2002 may choose between membership of **premium** or joining a good quality "money purchase" stakeholder based arrangement with a significant employer contribution (**partnership pension account**).

**(a) Classic Scheme**

This scheme provides benefits of a "final salary" basis at normal retirement age of 60, although some ex-local authority staff employed by the CPS have preserved rights to a 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 three years' pension is payable on retirement. Members pay contributions of 1.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

**(b) Premium Scheme**

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, but members may commute some of their pension to provide a lump sum up to a maximum of 3/80ths of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation. Members pay contributions of 3.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8ths of the member's pension (before any commutation). On death in service, the scheme pays a lump-sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

**(c) Classic Plus Scheme**

This is essentially a variation of **premium**, but with benefits in respect of service before 1 October 2002 calculated broadly as per **classic**.

Pensions payable under **classic**, **premium**, and **classic plus** are increased in line with the Retail Prices Index.

**(d) Partnership Pension Account**

This is a stakeholder-type arrangement where the employer pays a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product. The employee does not have to contribute but where they do make contributions, these will be matched by the employer up to a limit of 3% (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of risk benefit cover (death in service and ill health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up 25% of the fund as a lump sum.

- (iii) The Director of Public Prosecutions is expected to have an individually tailored contributory pension which has yet to be finalised.
- (iv) The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. Employees received no benefits in kind during the year.

## 3. Other administration costs

	Note	2002-03		2001-02	
		£000	£000	£000	£000
<b>Rental under operating leases:</b>					
Hire of office equipment		1,996		1,644	
Accommodation leases		21,228		20,877	
			23,224		22,521
<b>PFI service charges:</b>					
Off-balance sheet contracts	21		15,706		-
<b>Non cash items (Note 4a):</b>					
Auditor's remuneration (Note a)		72		60	
Depreciation	8	1,902		6,328	
Loss on revaluation		24		187	
Loss on disposal of equipment and computers		-		238	
Impairment of computers before PFI prepayment and sale	21	-		22,104	
Early retirement provision provided in year	15	925		6,258	
Unwinding of discount in early retirement provision	15	639		386	
Interest receivable, net of annual offset	15	(2)		(11)	
<b>Cost of capital charge (Administration):</b>					
Civil Estate		224		234	
Other items		247		235	
			4,031		36,019
PFI prepayment (2001-02)	21		-		(7,510)
<b>Other expenditure</b>			65,697		69,796
			<b>108,658</b>		<b>120,826</b>

Note a - There has been no auditor's remuneration for non-audit work.

## 4. Net Programme Costs

	Note	2002-03		2001-02	
		£000	£000	£000	£000
Other current expenditure		140,920		109,178	
Cost award change in bad debt allowance 2001-02		-		2,963	
Costs awarded to CPS written off	26	4,120		3,559	
			145,040		115,700
<b>Non cash items (Note a):</b>					
Cost award change in bad debt allowance 2002-03		482		-	
Cost of capital (credit)/charge (Programme)		(60)		464	
			422		464
			<b>145,462</b>		<b>116,164</b>
Less: programme income	6		(31,224)		(30,108)
			<b>114,238</b>		<b>86,056</b>

**Note a** - the total of non-cash transactions included in the Reconciliation of Operating Costs to Operating Cashflows in Schedule 4 and the Reconciliation of Resources to Net Cash Requirement in Schedule 1 comprises:

	Note	2002-03 £000	2001-02 £000
Other administration costs - non-cash items	3	4,031	
Net programme costs - non-cash items	4	422	4,453
Add: other non-cash amounts charged to operating expenditure			
Cost award change in bad debt allowance 2002-03	4		(482)
<b>Total non-cash transactions</b>			<b>3,971</b>

## 5. Reconciliation of net operating cost to control total and net resource outturn

	Note	2002-03 £000	2001-02 £000
Net operating cost (Note a)		451,594	405,628
Remove non-supply expenditure (-) and income (+), including income scored as Consolidated Fund extra receipts (CFERs):			
Operating income not classified as A in A	6	2,543	1,304
<b>Net resource outturn (Note a)</b>		<b>454,137</b>	<b>406,932</b>

Note:

a) Net operating cost is the total of expenditure and income appearing in the Operating Cost Statement (Schedule 2). Net resource outturn is the total of those elements of expenditure and income that are subject to parliamentary approval and included in the department's Supply Estimate. The outturn against the Estimate is shown in the Summary of Resource Outturn (Schedule 1).

## 6. Income and appropriations in aid

### Operating income

Operating income not appropriated-in-aid (i.e. transferred to the Consolidated Fund) is analysed for resource budget purposes between that which is included in public expenditure and that which is not (see Note 5). In 2002-03, all operating income not classified as A in A was within public expenditure.

	2002-03			Operating
	Resource	Reconciliation to Operating		Cost
	Outturn	Cost Statement		Statement
	Appropriated	Netted-off	Payable to	Income
	in aid	gross	Consolidated	
		expenditure	Fund	
	£000	in sub-head	£000	£000
<b>Administration income:</b>				
Rental receivable from external tenants	1,648	-	160	1,808
Rental receivable from other departments	-	2,662	-	-
Home Office grant to finance asset recovery training	85	-	-	85
Consolidated Fund Extra Receipts	-	-	459	459
Other	2	-	-	2
	<b>1,735</b>	<b>2,662</b>	<b>619</b>	<b>2,354</b>
<b>Programme income:</b>				
Costs awarded to the CPS	29,300	-	1,924	31,224
<b>Total</b>	<b>31,035</b>	<b>2,662</b>	<b>2,543</b>	<b>33,578</b>

	2001-02			Operating
	Resource	Reconciliation to Operating		Cost
	Outturn	Cost Statement		Statement
	Appropriated	Netted-off	Payable to	Income
	in aid	gross	Consolidated	included in
		expenditure	Fund	Operating
	£000	sub-head	£000	Cost
	£000	£000	£000	Statement
	£000	£000	£000	£000
<b>Administration income:</b>				
Rent receivable from external tenants	1,646	-	196	1,842
Rent receivable from other departments	-	2,653	-	-
Consolidated Fund Extra Receipts	-	-	300	300
Other	4	-	-	4
	<b>1,650</b>	<b>2,653</b>	<b>496</b>	<b>2,146</b>
<b>Programme income:</b>				
Costs awarded to the CPS	29,300	-	808	30,108
<b>Total</b>	<b>30,950</b>	<b>2,653</b>	<b>1,304</b>	<b>32,254</b>

## 7. Analysis of net resource outturn by function and reconciliation to Operating Cost Statement

	2002-03						2001-02	
	Administration	Other current	Gross resource expenditure	A in A	Net total	Estimate	Net Total Outturn Compared with Estimate	Prior-year outturn
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Request for Resources 1</b>								
Administration	339,710	-	339,710	(1,735)	337,975	357,953	19,978	320,068
Crown prosecutions and legal services	-	145,462	145,462	(29,300)	116,162	111,035	(5,127)	86,864
<b>Total</b>	<b>339,710</b>	<b>145,462</b>	<b>485,172</b>	<b>(31,035)</b>	<b>454,137</b>	<b>468,988</b>	<b>14,851</b>	<b>406,932</b>
<b>Resource Outturn</b>	<b>339,710</b>	<b>145,462</b>	<b>485,172</b>	<b>(31,035)</b>	<b>454,137</b>	<b>468,988</b>	<b>14,851</b>	<b>406,932</b>

## Reconciliation to Operating Cost Statement

Income payable to the Consolidated Fund	-	-	-	(2,543)	(2,543)	-	-	(1,304)
<b>Gross operating expenditure</b>	<b>-</b>	<b>-</b>	<b>485,172</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Operating income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(33,578)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net operating cost</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>451,594</b>	<b>-</b>	<b>-</b>	<b>405,628</b>

Functions represent the disaggregation of requests for control purposes and parliamentary approval. They may not correspond to departmental objectives, which in turn reflect a disaggregation of departmental aims for the management of activities. (For analysis of A in A, see Note 6)

## 8. Tangible fixed assets

	<b>Freehold Land and Buildings</b>	<b>Furniture &amp; Fittings</b>	<b>Information Technology</b>	<b>Total</b>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
<b>Cost or valuation</b>				
At 1 April 2002	4,075	15,678	-	19,753
Additions	-	5,147	381	5,528
Disposals	-	(2,977)	-	(2,977)
Revaluation	(160)	196	-	36
<b>At 31 March 2003</b>	<b><u>3,915</u></b>	<b><u>18,044</u></b>	<b><u>381</u></b>	<b><u>22,340</u></b>
<b>Depreciation</b>				
At 1 April 2002	172	7,487	-	7,659
Charged for the year	179	1,683	40	1,902
Disposals	-	(2,977)	-	(2,977)
Revaluation	-	78	-	78
<b>At 31 March 2003</b>	<b><u>351</u></b>	<b><u>6,271</u></b>	<b><u>40</u></b>	<b><u>6,662</u></b>
<b>Net Book Value:</b>				
<b>At 31 March 2003</b>	<b><u>3,564</u></b>	<b><u>11,773</u></b>	<b><u>341</u></b>	<b><u>15,678</u></b>
<b>At 1 April 2002</b>	<b><u>3,903</u></b>	<b><u>8,191</u></b>	<b><u>-</u></b>	<b><u>12,094</u></b>

Freehold land and buildings were valued on 31 March 2000 at £3,845,000 on the basis of existing use value by an external firm of Chartered Surveyors, Donaldsons. The valuations were carried out in accordance with Statement of Asset Valuation Practice no 4. This is equivalent to the Royal Institute of Chartered Surveyors (RICS) Practice Standard no 4.

The Accounting Officer is not aware of any material changes in the carrying value of freehold land and buildings and therefore there have been no interim valuations, other than indexation, since 31 March 2000. Other tangible assets are revalued on the basis of latest available indices.

All the assets shown above are owned outright by the CPS, while the majority of IT assets are held under a PFI contract as detailed in note 1.11 and 21.

## 9. Third-party assets

There are no third-party assets as at the balance sheet date.

## 10. Analysis of capital expenditure, financial investment and associated A in A

	2002-03			
	<b>Capital expenditure</b>	<b>Loans, etc.</b>	<b>A in A</b>	<b>Net total</b>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Request for resources 1	5,528	-	-	5,528
<b>Total</b>	<b><u>5,528</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>5,528</u></b>
	2001-02			
	<b>Capital expenditure</b>	<b>Loans, etc.</b>	<b>A in A</b>	<b>Net total</b>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Request for resources 1	21,043	-	-	21,043
<b>Total</b>	<b><u>21,043</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>21,043</u></b>

**11. Movements in working capital other than cash**

The movements in working capital used in the Reconciliation of resources to cash requirement comprise:

	<u>Note</u>	<u>2002-03</u> £000	<u>2001-02</u> £000
Increase in debtors	12	3,634	6,993
(Increase) in creditors	14	(13,346)	(15,043)
		<u>(9,712)</u>	<u>(8,050)</u>
Movement on debtors and deferred income (creditors) due to the Consolidated Fund when collected		(1,969)	-
Adjustment: To account for the movement on debtors for the opening balance of trade debtors 2001-02 due to the Consolidated Fund		(326)	-
Adjustment: transitional adjustment for outstanding balances relating to the department's Appropriation Accounts for 2000-01		-	(996)
<b>Net decrease in working capital other than cash</b>		<u><b>(12,007)</b></u>	<u><b>(9,046)</b></u>

The movements in working capital other than cash used in the Cash Flow Statement comprise:

	<u>Note</u>	<u>2002-03</u> £000	<u>2001-02</u> £000
Increase in debtors	12	3,634	6,993
(Increase) in creditors	14	(13,346)	(15,043)
<b>Net decrease in working capital other than cash</b>		<u><b>(9,712)</b></u>	<u><b>(8,050)</b></u>

**12. Debtors**

	<u>2002-03</u> £000	<u>2001-02</u> £000
<b>Amounts falling due within one year:</b>		
Trade debtors (Note a)	23,923	22,992
Deposits and advances	266	248
Other debtors (Note b)	36	44
Prepayments and accrued Income	16,083	12,698
Amounts due from the Consolidated Fund in respect of supply	-	-
	<u><b>40,308</b></u>	<u><b>35,982</b></u>
<b>Amounts falling due after more than one year:</b>		
Prepayments	6,073	6,765
	<u><b>46,381</b></u>	<u><b>42,747</b></u>

**Note a** - Included within trade debtors is £1,967k (2001-02: £71k) representing excess Appropriations in Aid that will be due to the Consolidated Fund once the debts are collected.

**Note b** - Included within other debtors is £3k (2001-02: £Nil) representing unexpected receipts due to the Consolidated Fund once the debts are collected.

**13. Cash at bank and in hand**

	<u>2002-03</u>	<u>2001-02</u>
	£000	£000
Balance at 1 April 2002	30,382	4,669
Net change in cash balances	<u>(9,534)</u>	<u>25,713</u>
<b>Balance at 31 March</b>	<b><u>20,848</u></b>	<b><u>30,382</u></b>

The following balances at 31 March are held at:

Office of HM Paymaster General	20,814	30,282
Commercial banks and cash in hand	<u>34</u>	<u>100</u>
<b>Balance at 31 March</b>	<b><u>20,848</u></b>	<b><u>30,382</u></b>

The balance at 31 March comprises:

Cash due to be paid to the Consolidated Fund		
Amounts issued from the Consolidated Fund for supply but not spent at year end	19,840	29,956
Consolidated Fund extra receipts received and due to be paid to the Consolidated Fund	<u>1,008</u>	<u>426</u>
	<b><u>20,848</u></b>	<b><u>30,382</u></b>

**14. Creditors**

	<u>2002-03</u>	<u>2001-02</u>
	£000	£000
<b>Amounts falling due within one year:</b>		
VAT	40	0
Trade creditors	24,476	14,932
Accruals and deferred income	21,255	17,493
Amounts issued from the Consolidated Fund for supply but not spent at year end	19,840	29,956
Consolidated Fund extra receipts received and receivable and other due amounts to be paid to the Consolidated Fund	<u>2,977</u>	<u>1,097</u>
	<b><u>68,588</u></b>	<b><u>63,478</u></b>

**15. Provisions for liabilities and charges**

	<u>Early departure costs</u>
	£000
Balance at 1 April 2002	13,055
New provision	925
Unwinding of discount	639
Interest receivable	(12)
Annual offset	10
Provision used in year	<u>(2,505)</u>
<b>Balance at 31 March 2003</b>	<b><u>12,112</u></b>

The CPS 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 the PCSPS over the period between early departure and normal retirement date. The CPS provides for this in full when the early retirement programme becomes binding on the CPS by establishing a provision for the estimated payments discounted by the Treasury discount rate of 6 per cent in real terms. In past years the CPS paid in advance some of its liability for early retirement by making a payment to the Paymaster General's Account at the Bank of England for the credit of the Civil Service Superannuation Vote. The balance remaining of £35k (2001-02 £191k) is treated as a prepayment.

**16. Reserves**

	<b>Revaluation reserve</b>
	<u>£000</u>
Balance at 1 April 2002	1,074
Transferred to general fund in respect of realised element of revaluation reserve	(94)
Arising on revaluation during the year (net)	(19)
<b>Balance at 31 March 2003</b>	<b><u>961</u></b>

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

**17. Administration cost limits**

The outturn within the administration costs control regime shown against individual administration cost limits is as follows:

	<b>2002-03</b>		<b>2001-02</b>	
	Outturn	Limits	Outturn	Limits
	£000	£000	£000	£000
Request for resources 1 (Gross Limit)	<u>336,122</u>	<u>347,949</u>	<u>285,370</u>	<u>304,241</u>
	<b><u>336,122</u></b>	<b><u>347,949</u></b>	<b><u>285,370</u></b>	<b><u>304,241</u></b>

**18. Reconciliation of net operating cost to changes in general fund**

	Note	<b>2002-03</b>		<b>2001-02</b>	
		£000	£000	£000	£000
Net operating cost for the year (Schedule 2)		(451,594)		(405,628)	
Income not appropriated in aid payable to Consolidated Fund	6	<u>(2,543)</u>		<u>(1,304)</u>	
			(454,137)		(406,932)
Net parliamentary funding			437,074		408,000
Transfer to general fund of realised element of revaluation reserve	16		94		13
Consolidated Fund creditor for cash unspent	14		(19,840)		(29,956)
Settlement of previous year creditor for cash unspent			28,958		4,846
Non-cash charges:					
Cost of capital charge (net)	3 and 4	411		933	
Auditors' remuneration	3	<u>72</u>		<u>60</u>	
			<u>483</u>		<u>993</u>
<b>Net decrease in General Fund</b>			<b>(7,368)</b>		<b>(23,036)</b>
General Fund balance brought forward		7,616		20,157	
Transitional adjustments		<u>-</u>		<u>7,580</u>	
<b>General Fund at 1 April</b>			<b><u>7,616</u></b>		<b><u>27,737</u></b>
			248		4,701
Adjustment to Consolidated Fund creditor for cash unspent			998		-
Adjustment to cost award debtors (2001-02)			-		2,319
Adjustment to bad debt provision (2001-02)			-		596
<b>General fund at 31 March (Schedule 3)</b>			<b><u>1,246</u></b>		<b><u>7,616</u></b>

**19. Capital Commitments**

	<u>2002-03</u>	<u>2001-02</u>
	<u>£000</u>	<u>£000</u>
Contracted capital commitments at 31 March 2003 for which no provision has been made which relate to costs to be incurred in relation to contracted telephony works. At 31 March 2002 commitments also included costs which related to the implementation of Criminal Justice Units funded through the Capital Modernisation Fund.	<u>292</u>	<u>60</u>

**20. Commitments under leases**

## 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.

	<b>2002-03</b>		<b>2001-02</b>	
	<u>Land and buildings</u>	<u>Other</u>	<u>Land and buildings</u>	<u>Other</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Obligations under operating leases comprise:				
Expiry within one year	950	101	680	174
Expiry within two to five years	3,635	4,278	3,743	3,646
Expiry thereafter	<u>19,831</u>	<u>-</u>	<u>18,725</u>	<u>-</u>
	<u><b>24,416</b></u>	<u><b>4,379</b></u>	<u><b>23,148</b></u>	<u><b>3,820</b></u>

**21. Commitments under PFI contracts**

The department has entered into the following PFI contract.

*Off balance sheet***Information, Communications and Technology (ICT) managed service**

The department's ICT service is provided through a managed service contract with a term of 10 years from 1 April 2002 to 31 March 2012. The contract is extendable for a further five years. The estimated capital value of the contract is £17.5m. Under the terms of the contract CPS ICT assets were transferred to the contractor with effect from 1 April 2002. A prepayment was established for the fair value of the ICT assets transferred (£7,510,233.28) and the assets were impaired to a nil value as at 31 March 2002.

## 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 was £15,705,828 (2001-02: £Nil); and the payments to which the department is committed during 2003-04, analysed by the period during which the commitment expires, is as follows.

	<u>2002-03</u>	<u>2001-02</u>
	<u>£000</u>	<u>£000</u>
Expiry within one year	-	-
Expiry within two to five years	-	-
Expiry within six to ten years (Note a)	<u>22,099</u>	<u>13,045</u>
	<u><b>22,099</b></u>	<u><b>13,045</b></u>

**Note a** - The estimated annual payments to which to the CPS is committed to make will increase by £9m from 2004-05.

## 22. Other Financial Commitments

There were no financial commitments other than the PFI contract disclosed above as at 31 March 2003, and 31 March 2002.

## 23. Contingent Liabilities disclosed under FRS 12

As at 31 March 2003 the CPS was involved in 24 Employment Tribunal cases. Four cases may result in settlements totalling £284,555 but it is not possible to estimate the financial effect of the remaining cases. The CPS was also involved in a number of personal injury claims. 13 cases are in the process of negotiation; these may result in settlements totalling £837,304 including costs. It is not possible to estimate the financial effect of the 6 remaining personal injury claims.

In addition, the CPS was also involved in negotiation of costs relating to dilapidation charges. 3 claims have been submitted by Landlords and are still in the process of negotiation; it is estimated that these may result in settlements totalling £1,042,149. A further 2 claims are expected. It is not possible to estimate the financial effect of these 2 claims.

Included in the Contingent Liabilities are three claims which exceed £100,000: One Employment Tribunal case of £256,000 (subsequently settled out-of-court in June 2003) and two Personal Injury cases, £500,000 and £111,057.

## 24. Contingent Liabilities not required to be disclosed under FRS12 but included for parliamentary reporting and accountability

There were no contingent liabilities of this nature at the year-end.

## 25. Notes to Schedule 5

Other current expenditures have been allocated as follows:

	<u>2002-03</u>	<u>2001-02</u>
	£000	£000
Objective 1	(6,040)	(6,312)
Objective 2	114,511	86,557
Objective 3	5,767	5,811
	<u>114,238</u>	<u>86,056</u>

This expenditure represents programme costs which form part of the net operating costs disclosed in Schedule 5.

### Capital employed by Departmental Aim and Objectives

At 31 March 2003

The CPS's capital is employed exclusively for administration purposes. Its distribution amongst objectives is therefore not markedly different from the proportion of the related gross administration cost.

Aim: To contribute to the reduction both of crime and the fear of crime and to increase public confidence in the criminal justice system by fair and independent review of cases and by firm, fair and effective presentation at court.

	<u>2002-03</u>	<u>2001-02</u>
	Capital employed	Capital employed
	£000	£000
Objective 1	507	2,421
Objective 2	1,590	5,828
Objective 3	110	441
	<u>2,207</u>	<u>8,690</u>

## 26. Losses and Special Payments

Included within the Operating Cost Statement are losses and special payments as follows:

	<u>2002-03</u>	<u>2001-02</u>
	£000	£000
<b>Losses Statement</b>		
<b>Total (79,446 cases)</b>	<b>4,250</b>	<b>3,951</b>

These losses include 79,278 cases relating to costs awarded to the CPS totalling £4.1 million (Note 4) of which the Magistrates' Courts, who are responsible for collecting costs awarded to the CPS, wrote off 76,154 cases with a value of £3.5 million under their delegated powers, and the CPS authorised a further write off of £0.6 million comprising 3,124 cases.

### Special Payments

<b>Total (48 cases)</b>	<b>284</b>	<b>482</b>
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## 27. Related party transactions

The CPS has close working relationships with all agencies within the criminal justice system and particularly the Courts (see note 1.6). The Courts are regarded as related parties with which the Department has had material transactions, being mainly costs awarded by the Courts to the CPS (see note 6) less amounts written off (see note 4).

In response to the recommendations of the Glidewell review the CPS and the Police are seeking to combine the administration of case files through the collocation of Criminal Justice Units. In addition the CPS has had a number of transactions with other Government bodies.

None of the Board members, key managerial staff or other related parties has undertaken any material transactions with the CPS during the year.

## 28. Financial Instruments

FRS 13, *Derivatives and Other Financial Instruments*, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which government departments are financed, the CPS 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 power to borrow or invest surplus funds and 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 which 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 revenue resource and capital requirements are financed by resources voted annually by Parliament. The CPS is not therefore exposed to liquidity risks.

### Interest-rate and Foreign currency risk.

The department has no material deposits, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate or currency risk.

## Fair values

Set out below is a comparison by category of book values and fair values of the department's financial assets and liabilities as at 31 March 2003.

	<u>Book Value</u> £000	<u>Fair Value</u> £000	<u>Basis of fair valuation</u>
<b>Primary financial instruments:</b>			
<b>Financial assets:</b>			
Cash at bank and in hand	20,848	20,848	
<b>Financial liabilities:</b>			
Provisions	(12,112)	(12,112)	Note a

**Note a** - Fair value is not significantly different from book value since, in the calculation of book value, the expected cash flows have been discounted by the Treasury discount rate of 6 per cent in real terms.









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