EXPLANATORY MEMORANDUM TO

THE COURT FUNDS (AMENDMENT) RULES (NORTHERN IRELAND) 2009

2009 No. 232

1. This explanatory memorandum has been prepared by the Ministry of Justice (Northern Ireland Court Service) and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

2.1 The Court Funds Rules (Northern Ireland) 1979 (S.R. 1979 No. 105) ("the principal Rules") make provision in relation to the management of funds in court in Northern Ireland.

2.2 This instrument amends the principal Rules so as to reduce the rate of interest payable –

- on money placed to the deposit account from 3% per annum to 0.3% per annum; and
- on money placed to the short-term investment account from 4% per annum to 0.5% per annum.

3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None.

4. Legislative Context

4.1 Under Part VII of the Judicature (Northern Ireland) Act 1978, the Accountant General manages and invests funds in court in Northern Ireland.

4.2 By virtue of rule 3 of the principal Rules, the Office of the Accountant General in the Royal Courts of Justice, Belfast, was re-named the Court Funds Office ("CFO").

4.3 Rule 32A requires the Accountant General to establish and maintain two interest-bearing accounts (a deposit account and a short-term investment account) for the investment of court funds and to have the funds in those accounts invested by the Commissioners for the Reduction of National Debt ("CRND"), whose functions are carried out within the UK Debt Management Office.

4.4 The rates paid CFO customers on these accounts under rule 32A are currently:

Deposit account	3%
Short-term investment account	4%

4.5 This instrument amends those rates to 0.3% and 0.5% respectively.

5. Territorial Extent and Application

5.1 This instrument applies to Northern Ireland only. However, the interest rates are aligned with those that will apply in England and Wales from 1 July 2009.

6. European Convention on Human Rights

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

7.1 The interest rates paid to CFO customers are deducted from the return on funds held with the CRND, which is broadly equivalent to the Bank of England base rate (currently 0.5%). As a result of recent reductions in the base rate, a review of the interest rates paid by the CFO has been carried out with a view to setting them at a more sustainable level.

7.2 In previous years, a surplus had accumulated on the funds held with CRND due to base rate having been higher than the rates paid to CFO customers under rule 32A. As an interim measure, HM Treasury had agreed that the surplus could be used to subsidise the CFO rates in the short term while the base rate was exceptionally low.

7.3 While the amended rates are higher than the affordable rate, Treasury has agreed that the surplus may still be used to subsidise interest paid to CFO clients. Nevertheless, implementing the new rates will mean that the surplus will not be exhausted during the 2009–2010 financial year nor will further reductions in the rates be necessary before the end of the financial year provided the base rate, in turn, is not reduced further.

7.4 It is considered that these rules are of limited public interest and that the amendments made by these rules are not politically or legally important.

8. Consultation outcome

8.1 No public consultation was undertaken in relation to the instrument but the CFO has liaised closely with Treasury in calculating the new interest rates.

9. Guidance

9.1 This instrument will be issued to the legal professions in Northern Ireland and published on the Northern Ireland Court Service website.

9.2 In addition, CFO investment account clients will receive a letter informing them of the reduction in the interest rate. A set of likely questions and answers

has also been prepared to assist CFO staff in responding to any queries from clients.

10. Impact

10.1 It is considered that the instrument will have no significant impact on business, charities, voluntary bodies or the Exchequer.

10.2 The impact on the public sector is negligible.

10.3 An Impact Assessment has not been prepared for this instrument.

10.4 Although individual clients with monies invested with the CRND will be paid less interest than at present, a return broadly comparable to market rates of deposit interest will still be paid. It is anticipated that there will be a positive impact on the financial strength of the fund, which will enhance its ability to make future interest payments and cover CFO running costs.

11. Regulating small business

11.1 The legislation does not apply to small business.

12. Monitoring and review

12.1 The surplus and rates of interest will continue to be monitored by CFO.

13. Contact

13.1 Michael Kelly at the Northern Ireland Court Service (Civil Policy Division) (PH: (028) 90412394 or email michaelkelly@courtsni.gov.uk) can answer any queries regarding this instrument.