



Treasury  
Solicitor's  
Department

Treasury Solicitor's Department

# Annual Report and Accounts 2012–13



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Practice Management Standard  
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Litigation & Employment Group



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IN PEOPLE**





Treasury  
Solicitor's  
Department

Treasury Solicitor's Department

# Annual Report and Accounts 2012-13

For the year ended 31 March 2013

Accounts presented to the House of Commons pursuant to section 7 of the  
Government Resources and Accounts Act 2000

Annual Report presented to the House of Commons by Command of Her Majesty

Annual Report and Accounts presented to the House of Lords by Command of Her Majesty

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# 1. Chief Executive's Report to the Attorney General



**This has been an extraordinary year for TSol. We helped to deliver the Leveson Inquiry, the Royal Succession Act and so much of the legal work around the Olympic and Paralympic Games.**

This has been on top of the wide variety of 'day to day' legal work, such as drafting emergency legislation for Defra to tackle the ash dieback outbreak and supporting the drafting of the Public Service Pensions Bill. Once again our litigation teams have been busy in the highest courts in the land – dealing with issues such as the law of negligence on the battlefield, the development of planning law following the introduction of the National Planning Policy Framework and some highly significant immigration cases such as the treatment of unaccompanied asylum seeking minors.

Our Business Strategy for 2012-13 – *Building on Success* - recognised the importance of capitalising on the exceptional progress we had made in previous years not only to provide our clients with a first class legal service, but also to reduce their costs. We lowered our charge out rates in 2011-12 by 5% and we managed to reduce these by a further 2% from December 2012 through efficient working practices alone.

We strengthened our relationships with our clients, building on the successful 'Relationship Manager' system already in place to ensure all our significant clients had a dedicated person looking across the entire scope of their work and actively seeking out efficiencies. We managed to deliver this service at the same high quality, with 96% of our clients rating us as "Good" or "Excellent".

We also honoured our commitment to be the best for our people. We launched a people strategy and career development strategy in response to the results of our Civil Service People Survey. We will continue to ensure our staff stay motivated to deliver an excellent service and have the training and opportunities to develop their careers.

Significantly, as part of Civil Service Reform, we are at the very heart of the government's shared service plan, as we begin the sharing legal services programme. Shared services benefit our clients, our people and above all the taxpayer. A shared service offers greater flexibility and resilience, including more efficient deployment of legal resources. It also brings more opportunities for savings and improved sharing of legal knowledge and expertise across government. This also brings the majority of Government lawyers together under a single employer making it easier to monitor performance, standardise processes and deliver a consistently effective service to the government as a whole as well as to individual departments.

Although sharing legal services will no doubt be a significant part of the year to come, we do not lose sight of the day-to-day efforts put in by every member of staff here at TSol. Through challenging times the teams have continually delivered to a high standard, delivering improvements, efficiencies and savings time and again. I would like to take this opportunity to thank everyone in the Department for their efforts over the past year.

**Sir Paul Jenkins KCB QC**  
**Accounting Officer**

9 May 2013

## 2. About TSol

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### Who we are

We are responsible for providing a comprehensive legal service to other government departments in England and Wales and collecting *bona vacantia* on behalf of the Crown. We are one of the largest legal organisations in the country, with 640 solicitors and barristers. The bulk of TSol's business is divided between Litigation and Advisory legal services. TSol also co-ordinates much legal work across government, in particular, litigation and European law issues.

The Government Legal Service (GLS) Secretariat supports the Treasury Solicitor in his role as Head of the Government Legal Service. It develops policies that enhance the reputation, effectiveness and corporate cohesiveness of the GLS.

TSol supports the Attorney General's Office, which provides legal and policy advice to the Attorney General and the Solicitor General (the Law Officers).

TSol also provides some support services to HM Crown Prosecution Service Inspectorate (HMCPIS), the independent inspectorate for the Crown Prosecution Service.

The financial statements at pages 52 to 74 relate to activity carried out by the Agency in the year 2012-13 and are prepared under a direction issued by HM Treasury in accordance with Section 7(2) of the Government Resources and Accounts Act 2000.

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### Aims and objectives

Our Annual Business Plan sets out our purpose as:

*To be the leading provider of legal services to Government:*

- *We enable Government to operate effectively within the rule of law.*
- *We provide, procure and manage professional, high quality and best value legal services.*

We will deliver our purpose by making sure we are the:

- *best for our clients;*
- *best for our people; and*
- *best in the business.*

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### Our values

TSol values are aligned with the Civil Service Values. They underpin the TSol culture and help us respond to the challenges faced by both TSol and our clients:

- We are passionate about our professionalism.
- We value and respect each other.
- We take pride in working together across Government.
- We are one team, "Team TSol".
- We get things done.



### Our strategy

Our strategic aim, as set out in our *Building on Success* strategy, is to provide more legal services to more Government clients to ensure that they, and the public purse, get the benefits from the increased efficiency and improvement in quality from our shared legal service. Added impetus for this came early in the year with the publication of the Civil Service Reform Plan, which recognised these benefits and made a commitment to greater sharing of legal services. This was followed by the publication in October of proposals to speed this up by coordinating legal services across government to create more flexible, resilient legal support for the government overall, by deploying resources more effectively and efficiently, generating savings and making better use of specialist legal expertise, including external legal support.

Building on the success of the transfer into TSol of the Defra Legal team, and the work of our employment law centre of excellence, the first step was to effect the transfer to TSol of the litigation and employment work carried out by the legal team for the Department of Work and Pensions and the Department of Health, and the legal advisory work for the Department of Communities and Local Government. This was successfully completed by 1 April 2013. We also put in place a programme of further change for the next 18 months, during which there will be mergers between TSol and a further six legal teams, with TSol by then providing the full range of legal support to most of central Government. We have already started work to develop the new organisation that will arise from these mergers to enable us to respond effectively to future pressures and demands in a way that provides benefits to our government clients and to our staff.

Other elements of the strategy, particularly continuing the work to deepen the relationship with our existing clients; to improve the quality of our existing services; and to ensure that our clients and staff are ambassadors for our services; will underpin this major programme of organisational change.





## Case study: Eurozone Crisis - C-370/12 Pringle

Action taken by the EU Member States in response to the Eurozone crisis was reviewed by the Court of Justice in Luxembourg, in one of the most important cases heard by the Court last year. Lawyers from both TSol's EU Litigation and Cabinet Office European Legal Advisers teams led on formulating the UK's submissions to the Court, working with lawyers across Government Departments to an extremely tight timescale.

In response to the growing instability of the Euro area in 2010, the Eurozone Member States set up a Treaty establishing the European Stability Mechanism (the ESM), outside the framework of the EU Treaties. The ESM, based in Luxembourg, was launched in October 2012 and from 2014, it will have up to 500 billion euros to help Eurozone states in financial difficulties. Loans will only be granted under strict conditions, demanding that states in trouble undertake budget reforms.

Mr Pringle, a member of the Irish Parliament, complained to the Irish Courts, challenging the ESM Treaty, and an accompanying decision made by all the Member States to amend the Treaties.

The Irish Supreme Court referred the case to the European Court of Justice. This was the first time that the Court has considered the legality of measures adopted because of the debt crisis. Given the huge amount at stake, not least the future of the Eurozone bailout fund, the Court heard the case under the accelerated procedure and, unusually, before the full Court (with all 27 judges sitting). The UK, along with 11 other Member States, made written submissions to the Court, arguing that the ESM Treaty and accompanying Decision complied with EU law. EU Litigation lawyers instructed leading counsel to represent the UK at the hearing. EU Litigation handled the case and co-ordinated cross-Whitehall input to the UK's submissions working to demanding deadlines; both the written and oral stages of the case were completed in two months.

In line with the UK's position, the Court found in its judgment in November 2012, that the ESM Treaty was compatible with EU law. The Court said Member States were free to establish mechanisms like the ESM outside the structures of the EU Treaties, provided they acted consistently with EU law.

## What we do

The principal activities of the Department are delivered as follows:



**Litigation Group** provides civil litigation services to the majority of government departments and many other publicly funded bodies, as well as providing legal advice on non-contentious commercial matters. It is one of the largest practices of its kind in the country, handling more than 36,400 cases in 2012-13 (34,500 in 2011-12). Among its major areas of work are: administrative law; immigration; commercial and property litigation; personal injury; planning; and charity matters. The Group also plays a major role in public inquiries. Its work often raises questions of constitutional importance. It instructs private-sector barristers and solicitors to undertake work on cases where it is appropriate to do so.



**Employment Group** was created on 1 April 2011 to bring all TsoI's employment lawyers, both litigation and advisory, into a single dedicated unit. It is now one of the largest employment law practices in the country and shows TsoI taking the lead on the Government's commitment to greater use of shared services.



**Advisory Divisions** provide legal advice to ministers and officials of HM Treasury, the Cabinet Office, the Department for Culture, Media and Sport (DCMS), the Department for Education (DfE), Department for Food, Environment and Rural Affairs ( Defra) and to a number of smaller departments, agencies and public bodies in England and Wales. The General Counsel Commercial is Head of Legal Profession for commercial legal services in Government, responsible for advising ERG on cross-departmental or high value commercial projects and reviewing arrangements for the provision of commercial legal advice to Government, including the organisation of the Government's commercial law function.



### **Cabinet Office European Law Division (COELD)** is a combined advisory and litigation division

consisting of the Cabinet Office European Legal Advisers (COELA) and EU Litigation. COELA provides legal advice to the Prime Minister's adviser on European and Global Issues and to the European and Global Issues Secretariat in the Cabinet Office. It also co-ordinates questions of EU law across Government, using a variety of methods ranging from formal cross-Whitehall lawyers' meetings, to providing advice to lawyers in individual Departments on cross-cutting matters. The EU Litigation team conducts all litigation on behalf of the United Kingdom in the Court of Justice of the European Union. Both teams provide extensive guidance and training on EU law to lawyers in all parts of Government.



**Bona Vacantia Division** administers the estates of persons who die intestate and without relatives entitled to inherit and collects the assets of dissolved companies and failed trusts in England, Wales and Northern Ireland, except in the Duchies of Cornwall and Lancaster. The costs of the Division are recovered from the estates and assets it administers. The proceeds of *bona vacantia* are accounted for in the Crown's Nominee Accounts and separately notified to Parliament as prescribed in the Treasury Solicitor (Crown's Nominee) Rules 1997 (SI 1997/2870).



**Government Legal Service (GLS)**

**Secretariat** advises and supports the Treasury Solicitor in his role as Head of the Government Legal Service and works with government departments to ensure lawyers of the right quality and experience are recruited, retained and have their careers properly managed. It also liaises with the Law Society and Bar Council on matters affecting the legal profession.



**Client and Corporate Resources**

**Group** is responsible for leading and co-ordinating work across TSol to ensure that we meet clients' needs with cost-effective and value for money legal and other services; leading and co-ordinating programmes of effective engagement and communication internally and for clients; and for providing the central services required to support the rest of the business including Finance, Human Resources, Facilities Management, Information and Communications Technology (ICT) and Library Services.



## Case study: Downhills Primary School

DfE advisory lawyers worked successfully with litigation colleagues to defend a judicial review in the case of Downhills Primary School.

The challenge concerned the decision to enter into Academy arrangements with the Harris Federation so that the school would convert to an Academy. There was a vocal campaign against the conversion, in which David Lammy MP was involved and much media interest.

The Secretary of State then exercised his intervention powers and in accordance with Academies Act 2010, a consultation was carried out by the IEB on whether conversion should take place. 94% of those who responded wanted the school to remain a local authority maintained school, not an Academy. The Secretary of State, however, decided the school should convert and signed a funding agreement.



Welcome to



**Harris** Primary Academy  
Philip Lane

Downhills was an underperforming local authority maintained school. In January 2011, Ofsted reported that it was inadequate and required significant improvement. This made the school “eligible for intervention” under the Education and Inspections Act 2006, empowering the Secretary of State to intervene. In December 2011 a letter was sent to the governing body stating the Secretary of State was minded to make an Academy order and to appoint an interim executive board (IEB). The governing body threatened judicial review on the grounds of unreasonableness/irrationality, alleging that a further Ofsted inspection would show the school’s performance had improved. In response, the Secretary of State asked Ofsted to inspect the school as soon as practicable. The subsequent inspection concluded that standards had, in fact, deteriorated.

Proceedings were then issued by a parent, whose objections were shared by some teachers and teaching unions, on four grounds, including that:

- the consultation was unlawful and;
- the Secretary of State ignored his statutory duty to consider the wishes of parents regarding pupils’ education.

Permission for judicial review was refused on all grounds and the Claimant ordered to pay costs. The Court of Appeal refused permission to appeal .

DfE clients were pleased that their careful decision-making processes were shown to be sound and lawful. The legal practice and procedure adopted in this case has provided a useful template for similar challenges, which have also been successfully resisted.



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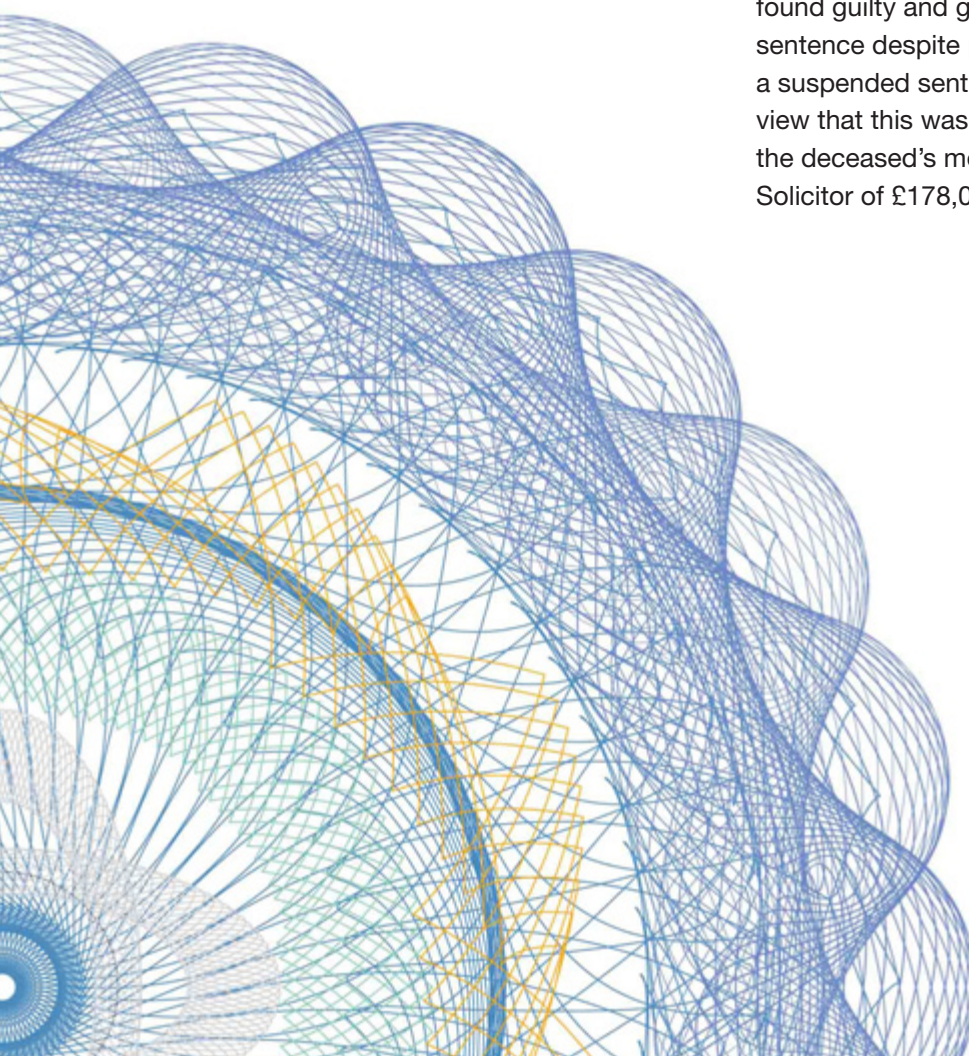
## Case study: Preventing fraud

Bona Vacantia Division (BVD) dealt with the estate of a woman who died intestate on the 7 October 2000 and in the absence of any entitled relatives obtained a grant of letters of administration to her estate on 22 August 2001. The administration of the estate with a net value of £178,000 was completed in March 2003.

In June 2011 solicitors contacted us on behalf of a person purporting to be the executor and sole beneficiary of the deceased's estate under a will dated 10 February 1999.

From the papers in our possession which included a report from social services indicating that the deceased had senile dementia and was in fact subject to a Court of Protection order to safeguard her assets. BVD considered that the Will was a forgery and had been created with the intention to illegally obtain the assets of the estate that BVD held on behalf of the Crown.

The matter was reported to the police and the case was tried in the Crown Court in December 2012 where the purported executor was found guilty and given a 12 month custodial sentence despite pleas from his Counsel for a suspended sentence. The Judge was of the view that this was a blatant attempt to obtain the deceased's money and dupe the Treasury Solicitor of £178,000.



## 3. The Year in Focus

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### *Overview of 2012-13*

Our 2012-13 Business Plan was about tackling the first year of our *Building on Success* strategy, to develop TSol services for new and existing clients, helping to share the overhead and thus reduce costs to clients, and to provide enhanced career development opportunities for our people.

Our achievements against the objectives we set ourselves for the year are as follows:

#### **Deliver Year 1 of the *Building on Success* Strategy**

The emphasis given to deepening relationships with existing clients was illustrated by the appointment of Relationship Managers to another 15 clients and strengthening the relationship management teams for the largest clients. A programme was put in place to develop Relationship Managers and deputies focusing on building effective relationships with clients, communications and engagement, and sharing knowledge and expertise.

The Business Partnership Strategy was relaunched. Its purpose is to embed a culture of business partnership and client service throughout TSol. Examples of the impact of the strategy range from the Board considering the impact on business partners of corporate decisions to Relationship Managers working with client teams to enhance client consciousness. It provides the framework for working more effectively with existing and potential business partners over the three years to 2015 so that they and the public purse benefit from TSol's shared legal services.

We reviewed our governance and implemented a new governance model in January 2013 to streamline decision making.

Our Legal Trainee Scheme was expanded to provide a greater number of training contracts to both external and internal applications so that we can grow more of our own lawyers to meet future recruitment needs; help keep the number of temporary staff at reasonable levels; and, by increasing the number of in house training contracts from two to five, provide the opportunity for existing administrative staff with legal qualifications to pursue a legal career. As a result three successful internal candidates started as Legal Trainees in September 2012 and 13 external trainees will start in 2013 with a further four in 2014. This was not as many as anticipated and steps are being taken to promote the opportunities more widely.

#### **Provide best quality service for clients demonstrating best value for money**

We have provided timely and high quality legal services to ensure client department policy priorities have been delivered:

- Following the machinery of government change and reshuffle last autumn when Maria Miller was made Minister for Women and Equalities we moved quickly to bring the Government Equalities Office (GEO) legal team (previously our Central Advisory Division) into DCMS Legal Advisers, reflecting the ministerial imperative to "fully integrate" the work of GEO into DCMS. Looking ahead, this arrangement will provide DCMS with more flexibility in resourcing its legal needs, in particular

sudden peaks in activity, across the whole of the department's business.

- In the Department for Education, TSol lawyers worked closely with policy colleagues to deliver the Secretary of State's radical structural changes to the school system in England. Lawyers advised on the contractual documentation and land arrangements for 794 converter Academies and 298 sponsored Academies opening in 2012-13. They also advised on 55 entirely new "Free Schools" which opened in September 2012, and on the new wave of 98 Free Schools planned for September 2013. Lawyers are integral to the implementation of these programmes which raise a raft of complex legal issues in company law, charity law, information law, land law and contract law.
- Cabinet Office European Law Division continued to provide significant input and support in relation to the negotiation and adoption of reforms to the Luxembourg Courts. Coordination of the Government's position was essential, because achieving efficiencies and improvements in the Courts' procedures is of benefit to all Departments. Members of the EU Litigation team worked closely with the Foreign and Commonwealth Office (FCO) to formulate the UK's position, represented the UK at Working Group meetings in Brussels to negotiate suitable reforms, supported FCO Ministers in the Parliamentary debates which are a prerequisite for the UK to be able to vote in favour of the reforms, and appeared alongside FCO Ministers to give evidence to a Parliamentary Committee about the workload of the Court.

- We continue to provide training and guidance to clients on handling legal issues. For example Defra Legal Advisors have provided advice on how debt recovery matters under the Small Claims court can be handled at lower cost by administrative staff; introduced a new improved escalation process for cases where there are perceived high risks of legal challenge to a procurement process; and, working with the DfE legal team, have developed new guidance and templates to help clients work with legal risks which may be taken up by other TSol teams and the rest of the GLS once the project is complete.
- Knowledge Management has been boosted with a growth in knowledge cafes and identifiable experts on different topics and a survey of knowledge management across the different Advisory Teams.

**Promote TSol benefits and the government's shared services agenda to provide even better value to clients**

This objective envisaged TSol promoting shared services and the benefits to all clients through better communication and developing the role of relationship management at all levels. Work on this was overtaken by the Sharing Legal Services programme as part of the Civil Service Reforms. However, the aims are similar and TSol will continue to build on the already strong client relationships to enhance partnership working, helping to drive down client legal costs. The role of Relationship Managers is key to these aims. We will use the benefits derived from the shared services approach to deliver even better client value.



**Seek new ways to deliver our work, through innovative processes, pricing models and more efficient deployment of staff resources**

Litigation and Employment Groups have continued to make improvements to systems and processes to maximise case handling efficiency including the redesign of the case closure process and improvements in the standardisation of data in the Case Management System.

For one client we identified that it was likely to be more cost effective to handle lower value private law claims in a different way and worked with them to establish the costs and benefits of doing so, with the result that from now on a significant number of these claims will now be dealt with by claims handlers rather than by the Treasury Solicitor's Department.

For one of our largest clients, who have entered into a shared service, TSol Litigation developed a new process for the recovery of costs following successful legal proceedings. The new process should ease the burden on TSol of chasing costs, enabling files to be closed more quickly following the conclusion of litigation and, most importantly, will provide significant savings for the client.

The EU Litigation team has progressively adopted e-Curia, a system for electronic service and lodging of documents with the Court of Justice of the European Union. This has allowed for considerable efficiencies and reductions in burdensome paper-based processes, allowing the team to deal rapidly with an increasing number of cases without needing additional resources.

Collaborative working across three different legal teams (DCMS, Treasury and Cabinet Office) enabled the necessary work on the Marriage (Same Sex Couples) Bill and all of its supporting instruments to be completed on time when the date for introduction was brought forward by five months.

The BV Estates Team is piloting a scheme involving a new proactive website advertising policy. This improves government transparency and provides more information on the BV website so that entitled relatives can be located more quickly and thereby only truly *bona vacantia* estates are handled.

**Provide a working environment which supports our people on training and career development to ensure TSol attracts and retains the right staff to meet clients needs**

The results of the 2011 People Survey were used to develop action plans – at corporate and divisional level – focussing on career development, more staff involvement in decisions affecting them and achieving a better understanding of the pay and reward structure. As a result we produced a new People Strategy and a new Career Development Strategy to help our people understand their career development opportunities and how to access them, have held career workshops, continued with our in house training programme and done more to keep staff informed about and help them understand central changes to pay and pensions.

We have embedded the Government Legal Service's learning and development programme, improving the learning and development offer to TSol people by delivering more events locally at better value. We have prepared for the launch of the new Civil Service Competency Framework with effect from 1 April 2013. The Sharing Legal Services programme is delivering greater career development choice to TSol people, expanding options for broadening experience and learning new skills.

**Manage business effectively over the period of the Olympics**

TSol made a commitment to positively change the Department's commuting, business travel and logistics arrangements by 50% during the period of 21 July to 9 September. This required a large amount of preparatory work, including a staff survey to get an idea of the existing travel arrangements of TSol staff. In February 2012 a trial week was held to give teams an opportunity to try out ideas and actions that could help them plan how they would deliver their business over the summer. The trial week also gave the Olympic team valuable information to help TSol to better prepare for the Games period. This and the team's

research into what were expected to become the most affected areas and public transport hotspots during the period of the games provided the basis of our "Working during the Olympics" communications campaign.

As a result of this planning and the changes made to travel arrangements and other modifications to services TSol received or provided there were no significant problems or issues experienced during the seven weeks of the games. Overall, TSol achieved a 55% positive change in its commuting, business travel and logistics arrangements. This compares well with the estimated 43% positive change across Whitehall departments.

*How we performed*

The following Performance Measures were agreed with HM Treasury:

Performance Measure		Outturn 2011-12	Outturn 2012-13
<b>Client</b>	To measure client satisfaction ratings	97% Advisory	96% Advisory
	(% of clients rating TSol services as "Good" or "Excellent")	96% Litigation	98% Litigation
		95% Employment	96% Employment
		97% Overall	96% Overall
<b>Cost</b>	To recover from clients the full operating costs of chargeable services	Met	Met
<b>Other</b>	To retain Lexcel accreditation	Met	Met

The above figures are not subject to audit by the NAO.

**Client satisfaction**

TSol's formal means of measuring client satisfaction is by an annual survey. This is supported by formal and informal feedback to Relationship Managers and supplemented by six-month sampling and periodic in-depth review of the key client relationships by a non-executive director.

The Operations Committee reviews the findings from the survey and, as part of its role to monitor the relationships with clients, discusses the issues raised. Divisional Heads, together with Team Leaders and Relationship Managers, take forward any client care work raised by the survey returns and follow up comments made about our service.

Relationship Managers for our key clients report quarterly to the Operations Committee on actions taken. Relationships with other major clients are kept under review by the Client and Corporate Resources Director and reviewed formally every six months by the Operations Committee following discussions with all Relationship Managers.



## Case Study: Ash dieback (*Chalara fraxinea*)

Defra Legal Advisers were kept very busy in the autumn of 2012 drafting emergency secondary legislation to tackle the ash dieback outbreak. *Chalara fraxinea*, a fungal pathogen that causes dieback of ash trees, was



discovered for the first time in Great Britain in 2012. The disease has seriously affected a high percentage of ash trees in northern Europe, notably Denmark, Poland, Germany and the Netherlands.

Ash is one of the most common trees in hedgerows, parks and gardens; any disease that causes leaf loss, crown dieback and death in infected trees is a matter of major concern. Accordingly, lawyers in the countryside and waste team immediately became involved in the rapid response unit set up by Defra and the Forestry Commission. The immediate focus was to ban the import and movement of infected ash material and several emergency statutory instruments had to be drafted at speed and under great time pressure. This involved close contact with clients in Defra, the Forestry Commission and the Food and Environment Research Agency. At the height of the outbreak there were daily "bird table" meetings where all the key participants met to discuss the spread of the disease and the principal efforts to tackle it.

Ministers were frequent participants in these meetings. Ministers naturally focused on reducing the rate of spread, prioritising research on resistance to dieback and encouraging surveillance and monitoring by citizens, landowners and the industry. They also showed a keen interest in the legal processes, which demonstrated just how quickly and decisively lawyers and policy officials can act as part of a well co-ordinated effort to tackle a national issue of great concern to so many people.



### Retain Lexcel and liP accreditation

Lexcel is the Law Society's Practice Quality Mark. The Lexcel Certification Scheme allows legal organisations to undertake assessment by an independent assessor who can certify that the organisation has complied with the requirements of the Lexcel standard. The certificate covers a three-year period subject to satisfactory annual maintenance visits. TSol has been Lexcel compliant since November

2006. In 2012-13 Litigation and Employment Groups underwent a Full Reassessment and were confirmed as compliant with Version Five of the Standard. We were highly commended for a very high degree of compliance, no mean feat given the degree of organisational and system change and the need to integrate staff from other departments. In Lexcel terms TSol is now a "Centre of Excellence".

### Sickness absence

TSol formally submits quarterly sickness absence figures to the Cabinet Office for publication, and additionally makes them

available to staff and the general public by publishing them on the TSol Intranet and Internet sites.

For the 2012-13 year, the sickness absence figures are as follows:

	<b>12 months ending 30/06/12</b>	<b>12 months ending 30/09/12</b>	<b>12 months ending 31/12/12</b>	<b>12 months ending 31/3/13</b>
Average Working Days Lost (AWDL) per member of staff	6.7	6.9	7.0	7.3
% of staff with no sick leave	49%	50%	51%	51%
AWDL (EO to SCS Level)	6.1	6.2	6.2	6.5
AWDL (administrative grades)	12.3	13.8	15.4	15.4
Short-term days lost: % of Total Days lost	48.4%	45.9%	45.1%	43.1%
Long-term days lost: % of Total Days lost	51.6%	54.1%	54.9%	56.9%

The above figures are not subject to audit by the NAO. The figures for the 12 months ending 31 March 2013 are estimates only. Final figures will be confirmed to the Cabinet Office and published on the TSol website in July 2013. We manage sickness absence by providing team leaders with all sickness absence information for their staff on a quarterly basis. We have continued to issue trigger letters regarding the number of incidences of sickness absence and/or the number of days taken by staff, and

regularly refer cases to Occupational Health for advice and any reasonable adjustments that are required to be put in place. Long term sickness absence is discussed each month at a case management conference that is attended by a member of the Board to ensure that any actions taken are robust but fair to the individual. Whilst the number of average days lost per person is still showing an increase, TSol's performance is better than the Civil Service average, in this area.

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## Efficiency

TSol is committed to minimising client costs through improvements in efficiency without compromising first class service.

Efficiencies this year have come from greater sharing of legal services which has allowed overheads to be shared more widely; efficiencies in our case handling and utilisation of staff; and by looking for new ways to deliver our work. We have also implemented a shared service for procurement with the CPS and are part of a shared communication service with the AGO and HMCPSI.

This has brought direct benefits to clients as these efficiencies allowed us to further reduce hourly charge out rates by 2% from 1 December 2012, this is on top of the 5% reduction from 1 April 2011. We are committed to maintaining these reduced rates until March 2015.

The Deputy Treasury Solicitor chairs the Government Legal Service (GLS) Diversity Group and the Alternative Dispute Resolution Group (which is used to encourage alternatives to litigation, thus cutting legal costs and preventing the need for lengthy court proceedings). TSol lawyers chair or are members of a significant number of other cross-Whitehall groups.

TSol and Government Legal Service (GLS) lawyers also volunteer to carry out *pro bono* work. *Pro bono* is provided for individuals and communities with legal needs but without the means to pay for help. The GLS *Pro Bono* Network was set up to support members of the GLS who undertake *pro bono* work. It facilitates the placement of volunteers with voluntary and charitable organisations, and it develops the policies and procedures necessary to ensure that *pro bono* work undertaken by the GLS is carried out effectively and without conflicting with the work of the GLS.

The Network has been widely recognised in the public and private sectors as a force for good, with both the network and its grass-roots advisers having won *pro bono* awards.

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## Corporate social responsibility

### Sustainability Performance

All departments are required to actively participate in developing actions plans to achieve, and report their performance against the "Greening Government Commitments" (GGC).

A summary of the Department's performance and action taken in 2012-13 to improve sustainability is provided in the Sustainability Report at Annex A (page 35).

### Community and social matters

TSol operates at the heart of Government, and one of its values is "We take pride in working together across Government." In 2012-13, the Treasury Solicitor was a member of the Civil Service Steering Board, the Civil Service Capability Board and the Permanent Secretaries Employee Relations Group. The Treasury Solicitor is also the Civil Service Diversity Champion and sits on the Board of the Minority Ethnic Talent Association (META).

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## Fairness and Diversity

TSol promotes equality for all regardless of gender, gender reassignment, race, age, religion or belief, sexual orientation, marriage and civil partnership, pregnancy and maternity or disability. TSol continues to perform well against both centrally and locally set targets which are intended to achieve and maintain a strong profile of women, black and minority ethnic (BME) and disabled staff at Senior Civil Service (SCS) level and in feeder grades to the SCS, in particular. As at 31 March 2013 53.1% of our SCS (including TSol, AGO and HMCPSI) are women. The proportion of BME (black and minority ethnic) staff at SCS Pay Band 1 is 16.7% whilst 4.5% are disabled. Disabled staff are supported by efficient arrangements for workplace assessments and the implementation of any appropriate reasonable adjustments for existing staff and

potential recruits who require them, including through membership of the Cross Departmental Central Adjustments Team.

TSol's Diversity and Equality Group (chaired by the Deputy Treasury Solicitor) continues to play a key role in TSol, supporting and challenging our quest to promote equality for all throughout the organisation and in support of our obligations under the Equality Act 2010, including diversity objectives to meet the Specific Duty of the Act. The Group helps other parts of the business to ensure that Equality and Diversity are embedded in all of TSol's projects and policy making.

TSol has three general Diversity Officers and a dedicated Disability Officer who act independently of management and who are available to support colleagues in confidence with equality issues in a variety of situations, including allegations of discrimination or harassment.

The Diversity and Equality Group has worked with project teams to ensure that diversity and equality considerations are properly taken into account in a range of specific areas, including assisting with and reviewing Equality Impact Assessments.

This work continues to have positive results with a score of 80% (79% in 2011) in response to the question: TSol "respects individual differences (e.g. cultures, working styles, backgrounds, ideas etc)" in the 2012 People Survey. This is nine percent above the Civil Service as a whole, and two percent above the high performance benchmark.

The Diversity and Equality Group will include results from the 2012 People Survey in taking forward its work programme for 2013-14.

TSol's Equality and Diversity Statement and information on TSol's diversity profile and gender pay gap is available at [www.tsol.gov.uk](http://www.tsol.gov.uk)

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## Transparency

TSol is supporting greater transparency by publishing online:

- Details of individual payment transactions over £25k each month.
- Details of GPC transactions over £500 each month.
- Workforce Management Information – paybill and non paybill costs and workforce numbers each month.
- In year and end of year non-consolidated performance related pay awards in 2011-12.
- Disclosure of business expenses and hospitality received by our most senior officials and non-executive directors. The data is from the start of 2009-10 and is published quarterly.
- Organisation charts, showing salary details (in £5,000 bands) for staff in grades SCS Pay Band 2 and above (also disclosed in a separate senior salaries dataset). For staff in grades below this, staff numbers have been summarised by grade with separate data sets showing summary information for senior and junior posts.
- TSol's submission to the 23 May 2012 review of tax arrangements of public sector appointees.

Details are available at [www.tsol.gov.uk](http://www.tsol.gov.uk) and [www.data.gov.uk](http://www.data.gov.uk) (where required).

Additionally, details of all new contracts and tender documents for contracts over £10k are published on the Business Link "Contracts Finder" website [www.gov.uk/contracts-finder](http://www.gov.uk/contracts-finder)

We comply fully with our obligations under Freedom of Information and Data Protection legislation.

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## *Employee engagement and consultation with employees*

### **People Survey and Staff engagement**

The 2012 People Survey took place in October. 75% of staff responded which was significantly above the Civil Service average of 62%. The 2012 survey showed improvements in some of the areas where we had taken action following previous surveys, including perceptions of career development opportunities and Pay and Reward in particular. Our Employee Engagement Index was 60% which is unchanged from last year.

The results show that TSol has a culture of respect, fair treatment and cooperation; that levels of staff interest in their work are high and that line managers and staff continue to have good working relationships. But we need to continue in our efforts to create a stronger connection with the changes underway, to embed the Career Development Strategy and consider whether our approaches to decision making are appropriate to meet the expectations of a highly qualified workforce.

Action plans have been developed to address the 2012 survey issues, focussing on communication of TSol's vision, engagement in change, career development and unreasonable behaviour.

The Staff Engagement Group provides support and a challenge mechanism to the analysis of the survey results and action planning process. There are many opportunities – at team, Divisional and corporate level – for staff to become involved in running the organisation and contributing their ideas.

The efforts and attention given to survey results over the last few years have helped to ensure that employees have confidence that action will be taken. Our strong approach to action planning will therefore continue.

### **Partnership**

The Department has continued to maintain a positive working relationship with the Trade Unions. Human Resources meet the unions on an informal basis every month to discuss a range of issues that have an impact on union members, and there are also formal monthly Partnership meetings. The formal meetings include representatives from the business. In 2012, Human Resources held negotiations with the trade unions on the pay award following the pay freeze of the previous two years and regular meetings have been held to discuss the implementation and issues arising out of the Sharing Legal Services agenda, and the implementation of the Civil Service Reform terms and conditions review.

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## *Health and Safety*

The Departmental Health and Safety Advisory Group continues to provide a consistent co-ordinated approach to the identification of Health and Safety issues within the Department to ensure they are handled within the principles of corporate governance.

Achievements in 2012-13 included:

- Health and Safety audits on all TSol floors and basement areas in One Kemble Street and Southern House and delivery of related actions to reduce risk.
- 2012 Annual Fire Risk Assessment and General Risk Assessment.
- Review of practical manual handling training provision.
- Review of health and safety policy and fire evacuation procedures.
- Development of a communications plan to help to maintain staff awareness.
- Development of a new Health and Safety Dashboard which is presented to the Operations Committee and the Board each quarter.



## Case study: HS2 Litigation

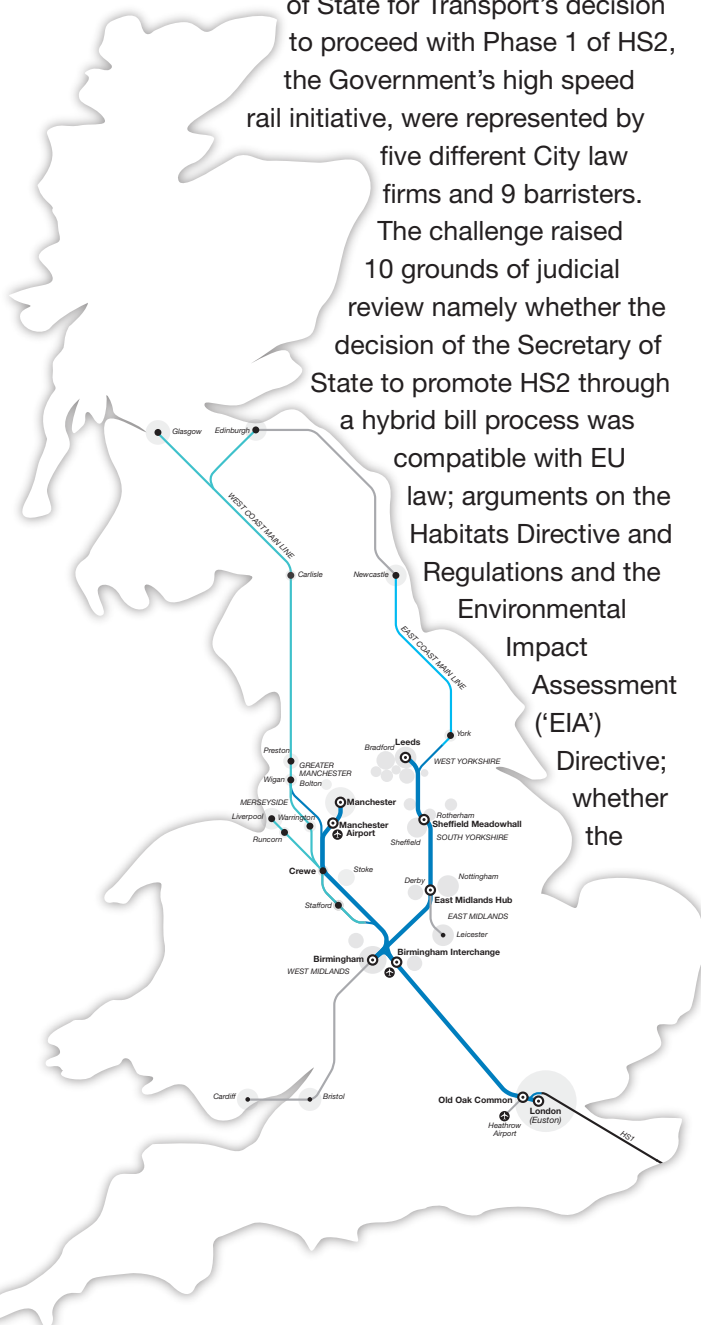
This was a high profile, heavily expedited and large scale, judicial review brought by a number of local authorities and other organisations/ individuals comprising five joined claims. The claimants, who were challenging the Secretary of State for Transport's decision to proceed with Phase 1 of HS2, the Government's high speed rail initiative, were represented by five different City law firms and 9 barristers. The challenge raised 10 grounds of judicial review namely whether the decision of the Secretary of State to promote HS2 through a hybrid bill process was compatible with EU law; arguments on the Habitats Directive and Regulations and the Environmental Impact Assessment ('EIA') Directive; whether the

consultation process was fair; arguments on irrationality, relevant considerations, reasons and the public sector equalities' duty.

The TSol team who instructed four barristers successfully dealt with a range of preliminary issues including an extensive disclosure exercise, a wide ranging application for specific disclosure and, applications for Protective Costs Orders ('PCOs'). The litigation also involved liaison with and advice to and from the Houses Authorities (through the Parliamentary Agents) regarding Parliamentary procedure for the introduction and passage of any HS2 Bill and, proposed amendments to that procedure to ensure it was compliant with both the Habitats Regulations and the EIA Directive.

Following a 10 day hearing in January 2013, judgment was handed down on 15th March 2013. TSol was successful in defending nine out of the 10 grounds. The Judge ruled that the property blight compensation scheme consultation had numerous problems. We were successful however in limiting relief in this ground only to a quashing of the property issues document and, costs capped by PCOs. This property compensation challenge turned on its own facts and the Secretary of State decided to concede that he must consult further on the compensation issues in question.

This is an excellent first instance result which the Secretary of State hailed as a "landmark victory". It means that, subject to the outcome of any appeal, Ministers will be able to proceed with this Coalition priority.





## 4. Looking Forward

Our specific objectives for 2013-14 are to:

### **Deliver the Civil Service Reform Plan commitments on sharing legal services.**

We will work closely with colleagues in departments to deliver the intended benefits of sharing legal services, implementing innovative solutions to provide an efficient and effective service to the benefit of new and existing clients and sequence the mergers to ensure that the transfers are as smooth and seamless as possible. We will:

- Complete the transfer of the remainder of the Government's employment and litigation work to TSol (subject to certain agreed exceptions)
- Develop a clear plan for merging most departments' legal teams into TSol, with implementation of the plans significantly advanced by October 2013, and completion by October 2014.
- Integrate new teams into TSol, without compromising the level and quality of service provided, and ensure that the change is a positive experience for the people involved.
- Update TSol's organisation and operational model to deliver shared legal services.

### **Contribute to the delivery of the broader Civil Service Reform Plan**

We will engage with the Cabinet Office and the Treasury on the wider Civil Service Reform plan and implement the TSol Action Plan to deliver specific strands within TSol, for example through continued implementation of Civil Service HR; delivery of the Government's Digital Strategy within TSol via the transition

of the TSol and BV websites onto a single government site; and delivery of visual and cultural changes to TSol branding to deliver the Government Unified Brand.

### **Provide best quality legal services for our clients demonstrating best value for money**

We will continue to deliver quality legal services for clients at reduced costs. We will maintain Lexcel Accreditation and the existing high levels of client satisfaction as measured by the client survey. We will invest in and enhance our knowledge management systems and capability and continue to look for innovative solutions to further improve the quality and efficiency of our service, both for now and for the larger TSol.

### **Provide a working environment which supports our people on training and career development to ensure TSol attracts and retains the right staff to meet client needs.**

We will offer high quality, interesting and high profile work with sharing legal services providing a wider range of development and progression opportunities. We will deliver the first year of the Career Development and Talent Management strategies, provide access to a wide range of learning opportunities, implement and embed the new Civil Service Competency Framework, and respond to the feedback from the 2012 People Survey.

We shall additionally continue to contribute to the Government's agenda on sustainability, equality and transparency.



## Case Study: Public Sector Pensions Bill

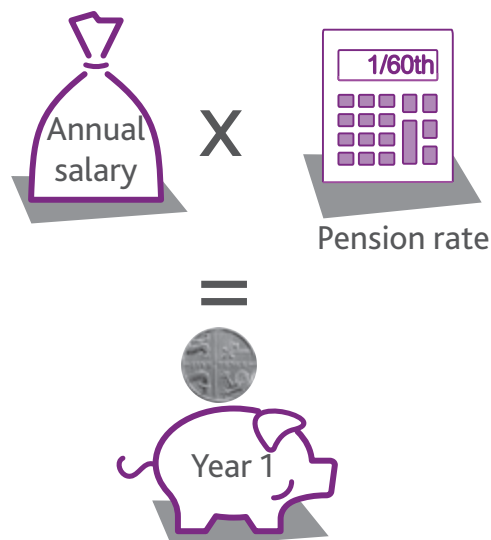


Treasury Legal Advisers worked with colleagues across Government on public sector pensions reform and the Public Service Pensions Bill, which was introduced into Parliament in September 2012.

The Bill provides powers to Ministers to create schemes within a common framework of requirements. The schemes themselves will be made in regulations, which will contain the detailed provisions for the payment of pensions. Under a shared resource arrangement, a single lawyer is working for DfE and Cabinet Office clients to draft pension schemes for teachers and the civil service. She prepared illustrative scheme regulations to support the Bill, and is working with lawyers from other schemes on cross-cutting drafting issues, helping to ensure consistency where appropriate and to save costs and meet clients' needs better and quicker.

The Treasury has policy responsibility for public service pensions, but operational responsibility for public service pension schemes rests with various Departments. The legal team worked closely with the policy clients in the Treasury, and also widely across Government with the numerous departments and schemes which will be affected by the reforms. The Bill has greatly benefited from the input of schemes and their lawyers on technical and operational matters.

Treasury Legal Advisers provides a central pool of expertise within Government on public sector pensions, as a result of advising the Cabinet Office on the PCSPS and the Government Actuaries Department (which provides actuarial analysis to the public sector) as well as the Treasury on public service pensions policy. Working for different clients means the team has to maintain Chinese walls, but provides experience of the kind of issues that can arise at both operational and policy level. This helped identify operational level issues that would impede delivery of the policy if they were not properly addressed, and to reality check the Bill's provisions.



# 5. Financial Review and Management Commentary

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## *Reporting cycle*

The TSol Annual Business Plan is submitted by the Chief Executive to the Attorney General in March and sets out TSol's priorities, objectives and annual performance measures for the forthcoming year. It is the definitive document against which the Department's annual performance will be measured.

TSol is funded primarily through fees earned for legal work. Approval to make capital investment and spend these funds is obtained through the Parliamentary Supply Process and allocated in the HM Procurator General and Treasury Solicitor Main Estimate available on the HM Treasury web site [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk).

The Annual Report and Accounts covering TSol's work for the preceding year is published each year. This includes information on TSol's performance against business plan objectives and performance measures agreed with HM Treasury. The Annual Report and Accounts is audited and laid before Parliament.

The HM Procurator General and Treasury Solicitor Annual Report and Accounts also include the Attorney General's Office (AGO) and HM Crown Prosecution Inspectorate (HMCPSI). The accounts are audited, published and laid before Parliament annually.

The Annual Business Plan and both Annual Reports and Accounts may be accessed at [www.tsol.gov.uk](http://www.tsol.gov.uk). See page 34 for details on how to obtain hard copies.

## *Resources available*

Our funding takes into account the income we generate from fees for our legal services and income generated from other sources. Details of our operating income can be found in note 5 to the accounts. We need to achieve full cost recovery of the services for which we charge.

## Funding

The table below provides a more detailed analysis of how we fund our work. Client charges are based on actual costs incurred. As agreed with HM Treasury, TSol does not seek to make a surplus. The charging regime

for 2012-13 reflects the mutual relationship we have with our clients. Litigation and Employment Group hourly rates were reduced by 2% from 1 December 2012.

Division	Funding
Litigation	Essentially hourly fees to client departments. Small proportion of general public interest work funded from TSol Parliamentary Estimate.
Advisory	Mix of fixed fees and capitation. Small proportion of work charged at hourly fees.
Employment	Mix of fixed fees, hourly fees and capitation basis depending on the nature of the work.
GLS Secretariat	Substantially TSol Parliamentary Estimate. Some staff costs recovered from GLS departments for administrative recruitment and training services.
Corporate Resources	Substantially covered by the Legal Divisions' charges to clients. A small proportion of the services are provided in support of public interest legal work and costs are apportioned to the TSol Parliamentary Estimate accordingly.
Bona Vacantia	Costs are funded from the proceeds of <i>bona vacantia</i> .

## Future spending plans

Our planned net expenditure over the Spending Review period as agreed with HM Treasury is as follows. This covers our costs that are not

recovered from clients but which are met from the Parliamentary Vote.

	2011-12	2012-13	2013-14	2014-15
	£'000	£'000	£'000	£'000
DEL Resource	3,475	3,308	2,829	2,069
DEL Capital	1,800	1,800	1,800	1,800
AME Resource	500	1,700	–	–
AME Capital	–	500	–	–

The Departmental Expenditure Limit (DEL) administration funding is to cover the costs of Attorney General's casework (time and disbursements) and the Government Legal Service (GLS) Secretariat. In 2012-13 we participated in HM Treasury's Budget Exchange Mechanism which allows a 2% reduction in Resource DEL to be carried forward to 2013-14.

The capital funding of £1.8m allows us to invest in improving and developing systems to support our business. In 2012-13 we have completed the upgrade of our accounting system and invested in our billing system and office operating systems and equipment.

Capital plans for 2013-14 will support the sharing services project and the delivery of the government's digital strategy as well as maintaining our IT capability.

## *Financial results*

### **Net Operating Costs**

Net operating surplus for the year was £1,422k (£1,365k in 2011-12).

Our operating income for the year was £81,722k (excluding disbursements). This includes the first full year of the Defra fixed fee which we were able to rebate by £600k in accordance with the fixed fee agreement due to efficiency savings and lower than predicted external legal spend; new fixed fee arrangements for DCMS and DfE; income from subletting accommodation at One Kemble Street; income from secondments out (including secondments to the Leveson Inquiry); subscriptions for the Legal Online Network (LION) and the recovery of the cost of Bona Vacantia Division from the Crown's Nominee Account. It reflects the 2% reduction in our hourly fees from 1 December 2012 which is in addition to the 5% reduction implemented from 1 April 2011. This mainly affects our litigation and employment work and arises from the efficiencies we were able to make from the expansion of our shared legal service and more efficient delivery of cases.

Our administration costs (excluding disbursements) reflect the costs of running TSol and are mainly costs related to staffing and accommodation. These were £78,581k (£73,054k in 2011-12). This year we have provided for the dilapidations on our leasehold properties at One Kemble Street and Taunton Riverside Chambers (£1,919k). The provision for One Kemble Street is made this year as the government's estates policy and the change in the landlord in 2012 mean that the assumption of continued occupancy is no longer necessarily valid.

Staff costs are higher than last year as they include a full year of the Defra legal team which joined TSol in September 2011 and a 1% pay award to staff at Grade 6 and below following a two year pay freeze. The third year of the pay freeze for the SCS meant there were no consolidated pay awards for the SCS. A limited exit scheme was run during the year, with Cabinet

Office approval, for the SCS to provide promotion opportunities for the next generation of leaders and some restructuring, at a cost of £1m.

We continue to employ and recruit agency staff where there is an urgent need for operational front line staff. Spend this year was £5,248k compared to £3,585k in 2011-12. In addition we have employed professional, programme and technical service staff to deal with work arising from the implementation of our Case Management System incurring spend of £251k in 2012-13 (£635k in 2011-12). Spend on consultancy continues to be kept to a minimum: we engaged one consultancy to provide advice on an accommodation related issue. Total spend this year was £1k compared to £29k in 2011-12 that related to two consultancies.

We have provided monthly workforce management information on the number and cost of paybill and non-paybill staff (contingent labour and consultants) to the Cabinet Office throughout the year and published this information on our website. A monthly return on Consultancy spend has also been submitted to the Cabinet Office.

Expenditure on legal disbursements was £29,904k of which £28,410k was recovered from clients resulting in a net cost to TSol of £1,494k. These costs relate to Attorney General's cases which are funded from the Vote (£906k) and disbursements relating to Defra (£588k) which are covered by the fixed fee arrangement. The amount spent on disbursements varies from year to year depending on the number, type and complexity of cases. Panel counsel rates have been maintained which continues to benefit our clients.

### **Financial position**

TSol employs capital of £8,942k at 31 March 2013 comprising total assets of £33,308k, current liabilities of £21,167k and non current liabilities of £3,199k.

Cash flow and debtors are both closely monitored to ensure that we have sufficient cash to meet our liabilities and pay our

creditors promptly: we rely on income from our clients for the bulk of our cash flow. As a result of careful cash management we have ended the year with a healthy cash balance but resources have been prioritised this year to develop a new billing system, and this coupled with absences at the year end has resulted in a modest increase in our debtor balance.

Our non current liabilities include provisions for early departure costs; costs associated with the closure of the Government Property Lawyers Agency in 1999 and provision for dilapidations obligations under the Agency's leases. These obligations are to remove the leasehold improvements and return the properties at the end of the leases to their original state.

Details of pension arrangements can be found in the Remuneration Report and note 1.10 to the accounts.

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### *Payment of Suppliers*

TSol is committed to adhering to the Late Payment of Commercial Debts (Interest) Act 1998, by paying all invoices not in dispute within agreed contractual provisions or within 30 days of the presentation of a valid invoice (or delivery, if later).

In May 2010 the Government introduced a 5-day target for SME (small and medium enterprise) suppliers to receive payment. As a small government department this requirement does not apply to TSol. Using the benefits of new technology and eliminating costly paperwork the Department has been able to pay 80% (2011-12 85%) of all undisputed invoices within 10 days of receipt in line with the commitment to promptly pay all suppliers. Based on year end balances it takes TSol 0.5 days to pay its trade creditors.

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### *Audit*

The Treasury Solicitor's Department Agency Accounts are audited by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General.

The NAO also audit the Crown's Nominee Accounts administered by the Bona Vacantia Division of the Department.

No further assurance or other advisory services were provided by the auditors.

### **Disclosure of information to the auditors**

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

### **Events after the reporting period**

There have been no events that would have a material impact on the financial statements for the year ended 31 March 2013. The accounts were authorised for issue on the same date as the certificate of the Comptroller and Auditor General to the House of Commons.

## 6. Remuneration Report

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### *Remuneration policy*

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

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

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

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

Further information about the work of the Review Body can be found at [www.ome.uk.com](http://www.ome.uk.com).

Permanent Secretaries are paid within the Permanent Secretaries pay range. The exact position on the pay range is set individually for each Permanent Secretary by the Government on the recommendation of the Permanent Secretaries Remuneration Committee (which the Government normally expects to accept). The Committee comprises members of the Senior Salaries Review Body (SSRB), the Head of the Home Civil Service and the Permanent Secretary of the Treasury.

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### *Senior Civil Service (SCS) Pay Committee*

The function of TSol's SCS Pay Committee is to determine TSol's SCS pay strategy and, after performance appraisals have been completed, to assess the relative contribution of the Department's SCS members in achieving the department's corporate objectives, and to make final pay decisions.

The SCS Pay Committee in TSol at the relevant time (April to July 2012) comprised: Marilynne Morgan – external chair, Paul Jenkins, Hugh Giles, Jonathan Jones, Claire Johnston and Peter Fish (AGO) with Mary Esplin acting in an advisory capacity.

There were no consolidated pay awards made by the SCS Pay Committee to SCS members in 2012 as TSol was in the third year of the pay freeze for the SCS.

In deciding non consolidated performance awards in 2012 the following criteria were used:

### **Performance tranche**

Jobholders were ranked and assigned to a performance group relative to their peers, as follows:

- Group 1 – top 25%
- Group 2 – next 65%
- Group 3 – bottom 10%

The assessment of performance against objectives included:

- The leadership behaviours exhibited in the achievement of objectives
- An assessment of the management of resources
- The degree to which the jobholder fostered an ethos of volunteering in their teams and/or the wider department

In addition, the following conditions applied for performance group distribution in 2011-12:

- If an individual did not meet an individual finance/efficiency objective then they were not marked higher than Group 2
- An individual was only awarded the Group 1 performance mark if they exceeded at least one finance/efficiency objective

### **Non-consolidated performance related pay awards**

Non-consolidated performance related pay awards were awarded to those achieving Performance Group 1 (the top 25%).

### **Service contracts**

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

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

Further information about the work of the Civil Service Commission can be found at [www.civilservicecommission.org.uk](http://www.civilservicecommission.org.uk)

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### *Remuneration (including salary) and pension entitlements*

The following sections provide details of the remuneration and pension interests of the most senior management (i.e. Board members) of the Department. This information has been subject to audit.



**Remuneration (salary and payments in kind):**

Officials	2012-13			2011-12		
	Salary consolidated performance related pay awards £000	Non consolidated performance related pay awards £000	Benefits in kind (to nearest £100) £	Salary consolidated performance related pay awards £000	Non consolidated performance related pay awards £000	Benefits in kind (to nearest £100) £
Sir Paul Jenkins KCB QC <i>HM Procurator General, Treasury Solicitor and Chief Executive</i>	155 – 160	–	–	155 – 160	15 – 20	–
Jonathan Jones <i>Deputy Treasury Solicitor (until 30 September 2012)</i>	65 – 70 <sup>2</sup>	10 – 15	–	130 – 135	10 – 15	–
Peter Fish <i>Deputy Treasury Solicitor (from 19 November 2012)</i>	40 – 45 <sup>3</sup>	–	–	–	–	–
Stephen Parker <i>Divisional Legal Director</i>	115 – 120	–	–	115 – 120	–	–
Hugh Giles <i>Head of Litigation Group (until 2 December 2012)</i>	65 – 70 <sup>4</sup>	10 – 15	–	95 – 100	5 – 10	–
Susanna McGibbon <i>Head of Litigation Group (from 3 December 2012)</i>	30 – 35 <sup>5</sup>	–	–	–	–	–
Mary Esplin <i>Director of Human Resources (until 31 January 2013)</i>	55 – 60 <sup>6</sup>	–	–	65 – 70	5 – 10	–
Valerie Cain <i>Client and Corporate Resources Director</i>	90 – 95	–	–	90 – 95	–	–
Claire Johnston <i>Divisional Legal Director</i>	80 – 85 <sup>7</sup>	5 – 10	–	85 – 90	5 – 10	–
Anne McGaughrin <i>Divisional Legal Director (from 1 September 2011)</i>	90 – 95	10 – 15	–	50 – 55 <sup>1</sup>	–	–
Tim Hurdle <i>Finance Director</i>	90 – 95	5 – 10	–	90 – 95	–	–

<sup>1</sup> Figure quoted is for the period 1 September 2011 to 31 March 2012. The full year equivalent is 90 – 95.

<sup>2</sup> Figure quoted is for the period 1 April 2012 to 30 September 2012. The full year equivalent is 130 – 135.

<sup>3</sup> Figure quoted is for the period 19 November 2012 to 31 March 2013. The full year equivalent is 120 – 125.

<sup>4</sup> Figure quoted is for the period 1 April 2012 to 2 December 2012. The full year equivalent is 95 – 100.

<sup>5</sup> Figure quoted is for the period 3 December 2012 to 31 March 2013. The full year equivalent is 100 – 105.

<sup>6</sup> Figure quoted is for the period 1 April 2012 to 31 January 2013. The full year equivalent is 65 – 70.

<sup>7</sup> This represents 0.92 of a full-time equivalent salary as the individual works part-time.

The non-executive directors were paid salaries in the following bands in 2012–13:

	Contract end	2012-13		2011-12	
		Salary	Benefits in kind	Salary	Benefits in kind
		£000	(to nearest £100)	£000	(to nearest £100)
Niall Scott	April 2013	15 – 20	5,500	15 – 20	5,500
David Crowther	February 2014	15 – 20	1,500	15 – 20	1,100

The Department's Non-Executive Directors necessarily incur travelling and other expenses to attend Departmental meetings. The tax liability arising on their reimbursement is met by TSol and is shown in the table above as a benefit in kind.

### Salary

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

This report is based on payments made by the Department and thus recorded in these accounts.

### Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument. The estimated monetary value of benefits in kind which relate solely to the provision of interest free loans for the purchase of season tickets for home to office travel is not included. The amounts involved are disclosed in the salary, allowances and taxable benefit table.

### Non consolidated performance related pay awards

Non consolidated performance related pay awards are based on performance levels

attained and are made as part of the appraisal process. The awards reported in 2012-13 relate to performance in 2011-12 and the comparative awards reported for 2011-12 relate to the performance in 2010-11.

### Pay multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the Treasury Solicitor's Department in the financial year 2012-13 was £155-160k (2011-12: £170-175k). This was about 3.32 times (2011-12: about 3.6 times) the median remuneration of the workforce, which was £48,254 (2011-12: £47,776).

In 2012-13, no (2011-12: none) employees received remuneration in excess of the highest-paid director. The remuneration ranged from £21k to £160k (2011-12 £20k to £155k). Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

The highest paid director received a consolidated pay increase during the 2012-13 year, but not a non consolidated performance related award. In 2011-12 no consolidated pay increase was made although a non consolidated performance related award was paid. The increase in the median remuneration

of the workforce in 2012-13 reflected the 1% pay award made to staff at grade 6 and below in 2012. The SCS (other than the highest paid director) did not receive a consolidated pay award in 2012-13 as this was the last year of their 3 year pay freeze, however a number did receive non-consolidated pay awards.

### Pension benefits

Officials	Accrued pension at pension age as at 31/3/13 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/13 £'000	CETV at 31/3/12 £'000	Real increase in CETV <sup>1</sup> £'000	Employer contribution to partnership pension accounts to the nearest £100 £
Sir Paul Jenkins KCB QC <i>HM Procurator General, Treasury Solicitor and Chief Executive</i>	65 – 70 plus lump sum of 200 – 205	0 – 2.5 plus lump sum of 2.5 – 5	1,471	1,371	22	-
Jonathan Jones <i>Deputy Treasury Solicitor (until 30 September 2012)</i>	35 – 40 plus lump sum of 110 – 115	0 – 2.5 plus lump sum of 2.5 – 5	661	619	14	-
Peter Fish <i>Deputy Treasury Solicitor (from 19 November 2012)</i>	25 – 30 plus lump sum of 85 – 90	0 – 2.5 plus lump sum of 0 – 2.5	526	516 <sup>2</sup>	4	-
Stephen Parker <i>Divisional Legal Director</i>	45 – 50 plus lump sum of 140 – 145	0 – 2.5 plus lump sum of 0 – 2.5	949	892	4	-
Hugh Giles <i>Head of Litigation Group (until 2 December 2012)</i>	25 – 30 plus lump sum of 75 – 80	(0 – 2.5) plus lump sum of (0 – 2.5)	439	413	(5)	-
Susanna McGibbon <i>Head of Litigation Group (from 3 December 2012)</i>	20 – 25 plus lump sum of 70 – 75	0 – 2.5 plus lump sum of 0 – 2.5	495	479	11	-
Mary Esplin <i>Director of Human Resources (until 31 January 2013)</i>	25 – 30 plus lump sum of 85 – 90	0 – 2.5 plus lump sum of 0 – 2.5	617	585	0	-

Valerie Cain <i>Client and Corporate Resources Director</i>	50 – 55 plus lump sum of 100 – 105	2.5 – 5 plus lump sum of 2.5 – 5	1,116	1,000	58	-
Claire Johnston <i>Divisional Legal Director</i>	25 – 30 plus lump sum of 80 – 85	2.5 – 5 plus lump sum of 10 – 15	509	398	2	-
Anne McGaughrin <i>Divisional Legal Director</i>	35 – 40 plus lump sum of 110 – 115	0 – 2.5 plus lump sum of 5 – 7.5	786	698	35	-
Tim Hurdle <i>Finance Director</i>	15 – 20	0 – 2.5	225	188	21	-

<sup>1</sup> Where the real increase in CETV is negative this is because, taking account of inflation, the CETV funded by the employer has decreased in real terms.

<sup>2</sup> CETV as at 18/11/12.

NEDs do not receive pension entitlement from TSoI.

## Civil Service Pensions

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

Employee contributions are salary related and range between 1.5% and 3.9% of pensionable earnings for **classic** and 3.5% and 5.9% for **premium**, **classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2013. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension

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

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

Further details about the Civil Service pension arrangements can be found at the website <http://www.civilservice.gov.uk/my-civil-service/pensions/index.aspx>

### Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with the Occupational Pensions Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### Real increase in CETV

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

**Sir Paul Jenkins KCB QC**  
**Accounting Officer**  
 9 May 2013

## 7. Further Information

Further information on the work of the Treasury Solicitor's Department, including the Business Plan, Equality and Diversity Statement and statistics, Equality Objectives, Green Housekeeping Policy Statement and Green Transport Plan is available at [www.tsol.gov.uk](http://www.tsol.gov.uk) or from:

**Treasury Solicitor's Department**  
**One Kemble Street**  
**London WC2B 4TS**

# Annex A: Sustainability Report

for the year ended 31 March 2013

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## *Purpose and scope*

This report shows the Department's sustainability performance as required by HM Treasury's Financial Reporting Manual.

The scope of the report is the Department's performance against the Greening Government Commitments (GGC) which run to 2015 with a 2009-10 baseline wherever possible.

The TSol buildings included in this report are:

- *One Kemble Street, London, WC2B 4TS*

TSol sublets Floors 4 to 15 of One Kemble Street from the Civil Aviation Authority. It has sublet three of these floors, from 2010-11. The main challenge for TSol on energy reduction is that it has no control over the use of oil to heat and cool the building. Nevertheless, initiatives such as replacing older catering equipment with new eco-friendly models and more energy efficient printing and copying devices have contributed to maintaining our improved performance in energy consumption even with increases in staffing levels. TSol has actively encouraged the most efficient use of the Building Management System controlled by our landlord by contributing to the cost of an upgrade to the system in March 2012 which was to enable the most energy efficient control of the comfort cooling system in use in the building. We installed new high specification safety and security film to 469 windows in 2012 which is also designed to minimise solar gain. These improvements have also contributed to maximising our energy efficiency in a building not designed with energy sustainability in mind.

- *Part 16th Floor Southern House, Wellesley Grove, Croydon, Surrey, CR9 1DY (this was not included in previous reports)*

TSol also rents part of the 16th floor of Southern House as a disaster recovery site and live data centre. The site is not occupied on a day to day basis as it is part of the organisation's disaster recovery plan.

However the server systems form part of the TSol network and are running live. The site was occupied during the Olympic period to support the commitment to reduce travel in central London. Although most of the floor activities are captured in the service charge we now have limited energy usage data for this year made available by the landlord, which indicates around 68,000 of electricity kwh used on average per month largely generated by the operation of our ICT systems.

Buildings not included in this report:

- *Riverside Chambers, Castle Street, Taunton, Somerset, TA1 4AP*

TSol is the landlord for Riverside Chambers, Taunton. This lease transferred to TSol in 1999 when what was the Government Property Lawyers were disbanded. TSol has never occupied any part of the building. The lease runs until 2016 without a break clause and TSol currently sub lets 53% of the building to a mixture of public and private sector organisations. The majority occupier is currently CPS. The rest is vacant. Following guidance from the sustainability reporting unit, HM Treasury has advised that Taunton should not be included in TSol's performance figures. Prior year figures (including the baseline) have now been adjusted accordingly.

## *Governance and strategy*

The Law Officer's Departments (LODs) Sustainable Development Steering Group is chaired by the CPS Finance Director. The CPS is secretariat of this group and represents the LODs on any relevant sustainable development committees and leads and co-ordinates activity across the LODs. TSol has appointed a co-ordinator from its Support Services Centre to liaise with and report performance each quarter to the LODs' Sustainability Manager.

The Department's strategy is to work with the LODs to meet GGC targets by reducing carbon emissions in our offices and by reducing business travel wherever possible. The Department has set yearly targets for each GGC measure to increase the immediacy.

A Dashboard system has been introduced which enables us to report sustainability information accurately and in a timely manner. It is intended that this dashboard will be presented to the TSol Operations Committee on a quarterly basis.

The Department works closely with its suppliers and sustainability is a standing agenda item at all quarterly contract review meetings to look for new initiatives which can enhance our performance and improve sustainability.



## Summary of performance<sup>1</sup>

### Greenhouse gas emissions

		Baseline 2009-10	2010-11	2011-12	2012-13
Non-Financial Indicators (tCO <sub>2</sub> e)	Scope 1 and 2 emissions <sup>2</sup>	2,360	2,060	1,759	1,840
	Scope 3 emissions (indirect – official business travel)	123	39	57	69
	Total emissions	2,483	2,099	1,816	1,909
Other Non-Financial Indicators	Number of domestic flights <sup>3</sup>	–	198	126	96
Related Energy Consumption (KWh)	Electricity <sup>4</sup>	4,024,487	3,524,830	3,060,495	3,061,759
	Oil	991,179	840,457	620,345	918,345
	Gas	–	–	–	–
Financial Indicators (£)	Expenditure on energy	349,825	268,713	191,910	310,729
	Expenditure on accredited offsets (e.g. GCOF)	1,270	1,274	Nil	Nil
	Expenditure on official business travel	136,724	188,591	202,456	233,358

<sup>1</sup> Data for 2013-14 is estimated where information for the final quarter is not available.

<sup>2</sup> Each year a different basis has been used for calculating tCO<sub>2</sub>e. The previous year's figures have been retained and include this year's figures calculated using this year's template. This is taken from the Defra document –GHG -conversion factors (PB137732012).

<sup>3</sup> The baseline year used is 2010-11 as figures for 2009-10 were not made available from our previous travel supplier.

<sup>4</sup> The figures for electricity consumption have been adjusted from previous years to take account of the inclusion of common areas in the OKS building in addition to the TSol demise. The baseline year has also been recalculated to include the acquisition of our DR site in accordance with Annex J of the Defra guidance on reporting GHG emissions (PB13309 2009).

### Targets and narrative

The GGC are that by 2015, the Government will:

- Reduce greenhouse gas emissions by 25% from a 2009-10 baseline and all ministerial HQs to publish online real time energy use information.
- Reduce domestic business travel flights by 20% by 2015 from 2009-10 baseline.

TSol has achieved a 23% reduction in total GHG emissions. Three floors were sub let in 2010-11. Electricity consumption figures remain consistent with last year and have been recalculated as the changes made this year to our figures meet the significance threshold outlined

in Annex J of the Defra guidance on reporting GHG emissions (PB13309 2009). This allows us to recalculate our baseline figures as TSol has acquired an additional facility namely our DR site in Croydon which significantly affects our calculations. Oil usage is still 7% below baseline but has significantly increased since last year due in the main to the severe, sustained winter. We have however asked for an explanation of the increased oil consumption figures from our landlord. The Café facilities on the 6th and 15th floors are extensively used by up to 400 non-TSol staff in the building, resulting in additional electricity consumption. The Café facilities also include an extensive hospitality service provided by one of our sub-tenants to its clients.

The number of domestic flights has reduced by 52% from the 2010-11 baseline.

Other actions include:

- Installation of new, more energy efficient, printers with enhanced sleep functions for out of hours use.
- Procurement and installation of a new, more eco-friendly, dishwasher into our Café. We have purchased one with a Drain Heat Recovery Unit and fully enclosed hood

which will save approx 9kw-10kw per day on our energy consumption by reusing existing heat within the system.

- Closer working arrangements with contractors (see procurement) and landlord over the use of new technology and initiatives to reduce our carbon footprint.
- We are applying increasing pressure on our landlord to take a more proactive approach to sustainability in their building. (see narrative under Water below)

**Waste**

		<b>Baseline 2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
Non-Financial Indicators (tonnes)	Non-Recycled	76	31	6	3
	Total Reused/Recycled	90	118	112	73
	Energy recovery	-	-	-	51
	Total waste	166	149	118	127
Financial Indicators (£)	Total disposal cost	17,616	63,094	78,412	33,106

**Targets and narrative**

The GGC are that by 2015 the Government will reduce waste generated by 25% from a 2009-10 baseline:

- Government will go to market with a requirement for “closed loop” recycled paper in 2011, subject to approval from the Government’s Procurement Executive Board.
- Ensure that redundant ICT equipment is re-used (within government, the public sector or wider society) or responsibly recycled.

Our total waste has already reduced by 23% but we continue to work with our service providers to reduce the total further by 2015. The reduction of waste disposal costs since last year has occurred as a result of a change of contracted supplier.

Energy recovery is the energy generated from residual waste after recycling has taken place. This is now part of GGC reporting. The waste is burnt to produce electricity and this is put back into the National Grid.

The replacement of paper towels with hand driers in the toilets will reduce the amount of waste generated balanced against a possible increase in electricity consumption.

We trialled the use of closed loop paper when it was introduced however it created significant printer and copier performance problems and we had to withdraw its use. We are in the process of introducing new printers and copiers and initial tests with the closed loop paper have proved positive. We expect to move to using closed loop paper in the copiers and printers on the floors in the new financial year. We are still testing the Banner closed loop paper in our new Print Room which is going live in April 2013. However the paper which we currently use is recycled and used to create closed loop paper. Recycling bins are placed on all floors.

Our policy and practice, is to recycle all redundant IT equipment using Waste Electrical and Electronic Equipment (WEEE) approved suppliers.

## Finite resource consumption: PAPER

	Baseline 2009-10	2010-11	2011-12	2012-13
Non-Financial Indicators A4 Reams <sup>5</sup>	47,665	44,000	36,665	28,125

<sup>5</sup> The figures for paper usage reported in 2011-12 were reported in boxes rather than reams.

**Targets and narrative**

The GGC are that by 2015 the Government will achieve a 10% cut in paper use in 2011-12. The Department achieved a 23% reduction against the 2009-10 baseline.

Initiatives to reduce unnecessary printing have been introduced such as e-fax and the increased use of electronic transmission of documents,

and the introduction of the case management system has resulted in less printing.

There was a significant reduction in paper use during the Olympic Period (June to September 2012)

The TSol infra service desk system reduces the requirement for paper records to be held for service desk requests.

## Finite resource consumption: WATER

		Baseline 2009-10	2010-11	2011-12	2012-13
Non-Financial Indicators (m <sup>3</sup> )	Water Consumption <sup>6</sup>	6,466	5,645	5,110	5,477
	m <sup>3</sup> per FTE	7.96	7.24	6.75	7.27
Financial indicators (£k)	Water Supply and disposal costs	13,848	8,767	17,098	10,969

<sup>6</sup> 2011-12 water consumption has been updated.

**Targets and narrative**

The GGC are that by 2015 the Government will reduce water consumption from a 2009-10 baseline, with reports on water use against best practice benchmarks (ie 4m<sup>3</sup> per FTE).

Water consumption has reduced by 15% from baseline.

We have expressed concerns to the Landlord about the water consumption across the whole estate including the areas that we occupy. During the year there have been problems with hand basin flooding and blocked drainage stacks. We are working closely with the landlords to monitor usage and the recent upgrade of toilet facilities has reduced the number of reported blockages from 73 in January 2013 to 32 in February 2013

Our water consumption is affected by the provision of two cafés in the building which are used by TSol and non-TSol staff.

Toilet and catering facilities which impact upon water consumption have been upgraded to further improve our performance in this area. Installation of new sensor taps in the toilets and changes made to the cisterns will reduce the need for double flushing. It is hoped that this will lead to reductions in water usage in coming years.

In addition the procurement and installation of a new, more eco-friendly, dishwasher into our staff restaurant should reduce water consumption and chemical usage by 15%.

The water supply and disposal costs are recharged by the landlord from the Water supply company

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## *Procurement*

The GGC are to ensure procurement of sustainable and efficient products whilst reducing the impact of the supply chain. This includes embedding efficient procurement practices and improving and publishing data on supply chain impact

TSol's overall procurement strategy includes the use of framework contracts under the Government Procurement Unit (GPU) and we are subject to the Sustainability Policy which it operates. This year we have made increasing use of frameworks and centrally managed contracts where all suppliers have agreed to abide by the GPU sustainability policy.

The Department promotes sustainability in procurement by:

- Working closely with its suppliers – particularly in the areas of catering, cleaning and stationery to improve sustainable processes;
- Buying less environmentally damaging products and services;
- Complying with environmental legislation and regulatory requirements;
- Including relevant environmental conditions or criteria in specification and tender documents, and evaluating supplier offers accordingly; and
- Raising awareness of environmental issues within the Department, and amongst suppliers and contractors.

TSol's off-site storage provider has won the Green Fleet award for their efforts to reduce the environmental impact of their transport fleet. It is an ISO 14001 accredited organisation.

TSol's catering provider is also an ISO14001 accredited organisation and is certified Carbon Neutral. All the disposable containers and cups used within cafe 15 and cafe 6 are environmentally responsible to reduce waste associated impacts on the business.

TSol ensured that when it procured its new cleaning services contract mid-year that a Government Framework was used and that the successful supplier was able to meet all our requirements for sustainability.

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## *Biodiversity and adaptation plans*

The Department is not required to have a biodiversity plan as the sites in question are in city centres or street front buildings.

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## *Climate Change adaption*

TSol is committed to limiting the extent to which it contributes to climate change. Reduction measures are designed to do this by reducing carbon dioxide emissions from energy use and transport. To support us in this we have engaged with the building security service provided to ensure that their use of facilities reflects energy conservation and lighting reduction during off-peak hours.

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## *Future activities*

In 2013-14 TSol is implementing a new print room service which will deliver significant savings to TSol clients. The initial review of print charges has estimated that over £400K of savings to clients could potentially be made in the first year of operation.

All the equipment used will meet ISO14001 requirements. While direct paper usage by TSol will increase as a result of print room operations, this will be offset by a reduction in paper usage by external print suppliers.

There will be a corresponding reduction to zero from the current estimate of 200 deliveries per year from our external print services. This will reduce the carbon footprint by removing the supply chain associated with these deliveries.

We are introducing a "TSol Green Team" to reinforce good behaviour on sustainability: representatives from across TSol will act as Sustainability Champions and help identify areas where TSol can improve its green credentials.

The building Landlord is installing light switches which turn off during periods of inactivity and is considering more economical lighting in our Café.

# Treasury Solicitor's Department Agency Annual Accounts

for the year ended 31 March 2013

# Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Treasury Solicitor's Department to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Treasury Solicitor's Department and of its income and expenditure, changes in tax payers equity and cash flows for the financial year.

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

- observe the Accounts Direction issued by HM Treasury including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

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

# Governance Statement

## *Governance Framework*

The Office of the Solicitor for the affairs of Her Majesty's Treasury (the Treasury Solicitor) was incorporated as a corporation sole by the Treasury Solicitor Act 1876.

The Treasury Solicitor's Department (TSol) is a non-ministerial department and was established as an Executive Agency on 1 April 1996. Ministerial responsibility lies with the Attorney General. The Department is led by HM Procurator General and Treasury Solicitor (currently Sir Paul Jenkins KCB QC), in the role of Chief Executive.

### **Ministers**

The Ministers who had responsibility for the Department during the year were:

- **The Rt Hon Dominic Grieve QC MP**, Attorney General
- **Sir Edward Garnier QC MP**, Solicitor General (until 4 September 2012)
- **Oliver Heald MP**, Solicitor General (from 5 September 2012)

The Treasury Solicitor, as Chief Executive and Accounting Officer of TSol, is accountable to the Attorney General and responsible for the management of TSol. He is supported in delivering his responsibilities by the TSol Board.

### **Board and committees**

The TSol Board comprises a small group of directors drawn from different business areas – litigation, advisory work and corporate resources. It is the main decision-making body and supports the Chief Executive in providing leadership of TSol, framing the overall strategic direction and overseeing its delivery, managing the overall performance of the organisation and governance and managing relations with key stakeholders.

Membership of the TSol Board as at 31 March 2013 was as follows:

#### *Executive members:*

- **Sir Paul Jenkins KCB QC**  
HM Procurator General, Treasury Solicitor and Chief Executive (Chair)
- **Peter Fish**  
Deputy Treasury Solicitor
- **Valerie Cain**  
Client and Corporate Resources Director.
- **Susanna McGibbon**  
Head of Litigation Group
- **Stephen Parker**  
Divisional Legal Director
- **Anne McGaughrin**  
Divisional Legal Director
- **Claire Johnston**  
Divisional Legal Director
- **Tim Hurdle**  
Finance Director

*Non Executive members:*

- **David Crowther** – A Chartered Accountant, and a NED and Audit and Risk Committee Chair of Treasury Solicitor's Department since 2008; until May 2012 also Senior Independent Director and Chair of Audit Committee of TT electronics plc. Formerly a NED of the Financial Ombudsman Service; a member of the Professional Oversight Board, part of Financial Reporting Council with oversight of the accountancy and actuarial professions; and a senior partner of PricewaterhouseCoopers LLP.
- **Niall Scott** – A solicitor and director of three companies, a Public Interest Member of the Council of The Institute of Chartered Accountants of Scotland and a director of four not-for-profit organisations. Prior to developing a portfolio of appointments, he was a partner in a UK Top 50 law firm where he held the posts of Chairman and Managing Partner.

During 2012-13 Board membership changed due to some members leaving TSol. Jonathan Jones was replaced by Peter Fish as Deputy Treasury Solicitor; Hugh Giles was replaced by Susanna McGibbon as Head of Litigation Group and Mary Esplin HR Director left the Department.

**Work of the Board and attendance**

The Board met 8 times during 2012-13 with attendance as follows:

<b>Executive Members</b>	<b>Attendance</b>
Sir Paul Jenkins	7/8
Jonathan Jones	2/3
Peter Fish	4/4
Hugh Giles	4/5
Susanna McGibbon	3/3
Claire Johnston	7/8
Anne McGaughrin	7/8
Stephen Parker	5/8
Valerie Cain	8/8
Mary Esplin	7/7
Tim Hurdle	8/8
<b>Non Executive Members</b>	
David Crowther	8/8
Niall Scott	6/8

Its work covers the five main areas expected by the Corporate Governance Code:

- Strategy – setting the vision.
- Commercial Focus – scrutinising the allocation of resources to achieve plans; ensuring controls are in place to manage risk and evaluation of the Board.
- Talented People – the Board has a People Strategy to help ensure that TSol has the capability to deliver and to plan and meet current and future needs
- Results Focus – the Board agrees the annual business plan and monitors and steers performance against the plan.
- Management Information – the Board receives a Monthly Performance Report containing clear consistent and comparable performance information to drive improvements. In 2011-12 the information in this report was reviewed by Internal Audit who confirmed that it was robust, reliable and accurate and could be agreed to underlying supporting records.



### Board sub-committees

TSol has an Audit and Risk Committee with an independent, non-executive Chair, David Crowther. The Committee supports the Accounting Officer by monitoring and reviewing the Department's risk, control and governance processes, and the associated assurance processes including external and internal audit. The membership of the committee includes both the non-executive directors and an additional external member, Paul Coombs. Paul is a qualified accountant, is a Director of VOSA and was previously Director of Finance and Planning for the Audit Commission. The Audit and Risk Committee met four times in 2012-13. In addition to providing the Treasury Solicitor, as Accounting Officer with assurance over the preparation and audit of the Annual Report and Accounts for 2011-12 the Committee considered the findings contained in 14 substantive reports prepared by the Head of Internal Audit based on an audit programme agreed in advance by the Committee and monitored the implementation of audit recommendations. These reports covered a range of issues including the review of evidence supporting the Accounting Officer Pensions Certificate; the security policy framework; preparedness for ISO 27001 accreditation; third party and delivery partner risk management arrangements; TSol's risk management arrangements; the merger of Defra Legal with TSol; knowledge management; client monies; time recording and billing; use of the Case Management System; and the security of BV assets in addition to regular annual reviews of key financial, ICT and HR controls, evidence supporting the Governance Statement and regular updates on the work of the Security Team. During the year business area reviews were introduced to allow the Committee to discuss risks and particular issues with individual Heads of Group/Division.

Following a review of governance the Board took a decision to streamline corporate decision making below Board level by replacing three existing sub committees with a single Operations Committee, chaired by the Deputy Treasury Solicitor, responsible for oversight of the day to day operational management for all aspects of the business, for monitoring

performance against TSol objectives and managing departmental risk and issues. The new model was introduced in February 2013 and the Operations Committee met twice in 2012-13. The three sub committees that it replaced, which were all chaired by the Deputy Treasury Solicitor, and met for the last time in January 2013, were:

- The Business Partnership Committee, which was responsible for overseeing TSol's business partnership strategy to ensure that TSol works closely, effectively and in partnership with all key and major clients to achieve the best legal outcome, minimise their legal risk and maximise the value of the services they receive.
- The Performance and Investment Committee which was responsible for overseeing the performance of TSol against its Business Plan to ensure the delivery of high value services in an efficient manner. It also prioritised investment and ensured performance was not disrupted by change activities.
- The People Committee, which was responsible for overseeing workforce planning and deployment, motivation and reward, learning and development and HR policies. It monitored delivery of TSol's People Strategy and assessed the impact of, and devised strategies to deal with, people related initiatives.

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### *Board Members' interests*

No directorships or other significant interests which may have caused a conflict with their management responsibilities were held by Board Members.

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## *The Board's performance*

In 2012-13 the Board undertook the second stage of a three stage effectiveness evaluation process in line with guidance issued by the Cabinet Office in order to meet the requirement for inputs from the Accounting Officer and the Board to the annual governance statement. This includes the requirement for the Board to undertake an assessment of its own effectiveness.

The review involved:

- A report on progress in implementing the recommendations agreed following the stage 1 effectiveness review last year;
- A report on progress in implementing the recommendations from the review of governance in TSol in 2012-13;
- Analysis of the type of decisions made by the Board in 2012-13;
- A discussion based on a set of questions drawn from best practice Board room behaviour.

The Board was content with the way that it was operating in line with its terms of reference with no need for significant change. The Board identified and agreed some recommendations to further improve its performance.

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## *Compliance with the Corporate Governance Code*

The Corporate Governance Code (and accompanying Protocol) apply primarily to Ministerial departments. This means that the key provisions relating to composition of boards do not apply to TSol, specifically the involvement of Ministers and the requirement to have roughly equal numbers of Ministers, senior civil servants, and Non Executive Directors (NEDs). In addition, TSol is not required to have a "Lead NED" (who is to have the role of "supporting the Secretary of State in his or her role as Chair of the Board").

A full governance review was undertaken by the Board to align TSol's governance to the delivery of the new *Building on Success* strategy and the Civil Service Reform Plan's recommendations on Sharing Legal Services. This review took into account the good practice in the Corporate Governance code, where appropriate for a small non-ministerial department. The Board agreed to implement recommendations from the review of governance.

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## *Our risk profile*

Risk management is carried out in accordance with HM Treasury risk management guidance. Regular risk reviews are undertaken and risk registers are maintained for each Group and Division. The TSol Board identifies, monitors and manages key strategic risks.

The Audit and Risk Committee provides a challenge function to the risk management arrangements and Internal Audit reviews and assures the processes.

Risk management is embedded at every level in the business by encouraging empowerment and delegation so that risks can be managed proactively by those with the local knowledge and experience, who are held accountable for the effective management of those risks.

The objective is to identify and evaluate a risk, determine an appropriate response and actively manage the response to ensure the TSol's exposure is limited to an acceptable level.

A Risk Improvement Group, which is not part of the governance structure, meets regularly to share best practice, promote risk improvement and raise awareness, share risk lessons learned and provide additional challenge to risk registers. Improvements this year include a clearly defined risk appetite statement which was accepted by the Audit and Risk Committee prior to going to the Board for final approval and work to ensure greater consistency in risk descriptions, scoring and controls at divisional level.

Strategic risks are agreed with the TSol Board and the Audit and Risk Committee. Each key strategic risk is owned by a Board member. The risks and action to mitigate them are reported monthly to the Operations Committee (and before that the Performance and Investment Committee) and the Board and risks are reviewed quarterly at Board meetings. The strategic risks and the actions to mitigate them are detailed in the Business Plan.

### **Risk Profile**

Our current key strategic risks are:

- Serious damage to TSol's reputation as a result of major loss of data or enforcement action by the Information Commissioner.
- A failure to anticipate, understand and respond effectively to client needs for value for money services leading to damaged relationships or damage to TSol's reputation.
- Damage to TSol's reputation if things go wrong due to TSol or client management of cases or failure in the management of client relationships.
- The lack of resource capacity and/or capability to deliver the service that clients need.
- Failure to deliver the Government's commitment to greater sharing of legal services.
- The cost of public interest work exceeding the budget.
- Unforeseen events (eg industrial action, transport strike, pandemic flu) that would have an adverse impact on our ability to deliver the service our clients need or would cause TSol to under recover leading to an accounts qualification or would cause TSol to suffer loss.
- The loss of a major client or other reductions in demand for our services which would expose TSol to financial risk.

### **Security and business continuity**

Client data security remains critical and is assured by TSol's adherence to Cabinet Office Security Standards, maintaining ISO27001 certification and Government Secure Intranet (GSI) accreditation.

TSol is currently migrating to the new Public Sector Network, with its application being audited by CESG, the Government's National Technical Authority for information assurance. We will also be implementing the new Government Security Classifications Policy recently announced by the Cabinet Office, as well as working with them on the wider security transformation agenda.

TSol enjoys a high level of client satisfaction and it is essential that we are able to maintain our normal quality service whatever the circumstances. Business continuity is assured through maintenance of a business continuity management system and its comprehensive suite of recovery plans. These plans were used to form the basis of TSol's approach to maintaining business as usual during the 2012 Olympics.

Our disaster recovery site has remote access capacity, resilience and security which reduces the risk of service disruption should One Kemble Street be unavailable. The disaster recovery site was used during The Olympic and Paralympics period and played a key role as part of TSol's commitment to positively change its commuting, business travel and logistics arrangements by 50% during the period of 21 July to 9 September 2012.

### **Lapses of data security**

The following tables show the required data in the format required by the Cabinet Office.

Incidents, the disclosure of which would in itself create an unacceptable risk of harm, may be excluded in accordance with an exemption contained in the Freedom of Information Act 2000 or may be subject to the limitations of other UK information legislation.

**Table 1: Summary of protected personal data related incidents formally reported to the Information Commissioner's office in 2012-13**

**Statement on information risk**

TSol holds personal data relating to TSol employees and keeps data owned by other government departments in relation to its role as solicitor to government. It continues to work with delivery partners and third parties to effectively manage the risk of loss of personal data held by these other bodies.

During 2012-13 the framework for handling data and to provide assurance over the management of information held within TSol has included:

- Continued review and production of data handling policies, guidance and awareness training promoting best practice within TSol

including completion by all staff of level 1 and level 2 of the Cabinet Office's Protecting information e-learning course.

- Continuing review of information assets and their associated risks, including quarterly assessments of the third party delivery chain, and the incorporation of information risks within the risk management policy and processes. Assurance is provided by the Information Asset Owners, and audited by the Security Team annually.
- The Department is certified to the ISO27001:2005 standard for information security management and adheres to Cabinet Office security requirements.

<b>Date of incident (month)</b>	<b>Nature of incident</b>	<b>Nature of data involved</b>	<b>Number of people potentially affected</b>	<b>Notification steps</b>
May 2012 (not reported until August 2012)	Loss of documents from outside secured government premises	Personal data	Two	None
July 2012	Unauthorised disclosure	Personal data	Two	Individuals notified in person
May 2012 (not reported until August)	Unauthorised disclosure	Personal data	Two	None
December 2012	Unauthorised disclosure	Personal data	One	None
<b>Further action on information risk</b>	The Department will continue to monitor and assess its information risks in order to identify and address any weaknesses and ensure continuous improvement of its systems. A review of guidance around handling protectively marked material was carried out, which concluded that TSol's policies comply with Cabinet Office guidelines. As a result, guidance and training materials have been updated and reissued to all relevant staff.			

**Table 2: Summary of other protected personal data related incidents in 2012-13**

Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within the Department, are set out in the table below. Small, localised

incidents are not recorded centrally and are not cited in these figures.

There will be continued compliance with Cabinet Office guidelines and ISO27001.

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	NIL
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	NIL
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	NIL
IV	Unauthorised disclosure	NIL
V	Other	NIL

### Effectiveness of our risk management

Assurance is provided, inter alia, by the work of the Internal Auditors. In his Annual Assurance Report, the Head of Internal Audit provides a reassuring opinion on the adequacy and effectiveness of risk management, control and governance.

Assurance on information handling is provided by the Senior Information Risk Owner supported by the Security Team and the Security Advisory Group.

Directors provide an annual end of year Assurance Report reporting on the control systems they have used to mitigate the risk to the achievement of objectives and any weaknesses identified. Such assurances are also provided by the Chair of each key Governance Committee. These assurances have been reviewed by the Audit and Risk Committee.

The Treasury Solicitor receives a mid year summary of Directors' Performance Accountability Review Reports. These focus on progress against the business plan, performance against budget and key performance indicators, and key risks to the delivery of objectives. Meetings are held with specific directors to address issues which emerge from these reports.

At the end of each quarter we conduct a formal forecasting exercise. Directors are asked to review their spend against budget and forecast their year end position. This information enables the Operations Committee (and before that the Performance and Investment Committee) and the Board to identify areas of concern and if necessary review and consider the allocation of resources in meeting our objectives.

In 2011-12 we undertook self assessment reviews of the risk of financial loss in all the funds flow processes in TSol – Procurement, Payroll, Expenses, Sales, Client Monies and *Bona Vacantia* – and a self assessment of our organisational capability to manage the risks of financial loss.

External assurance of standards is provided by the Law Society (the Lexcel Standard), Investors in People, and by Lloyd's Register Quality Assurance Ltd ISO27001.

These processes have highlighted no issues which are significant to the welfare of TSol.

**Sir Paul Jenkins KCB QC**  
**Accounting Officer**  
 9 May 2013

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

I certify that I have audited the financial statements of the Treasury Solicitor's Department Agency for the year ended 31 March 2013 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Income, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **Respective responsibilities of the Accounting Officer and auditor**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Treasury Solicitor's Department Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasury Solicitor's Department Agency; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the 'Financial Review and Management Commentary' and the Governance Statement to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Opinion on regularity**

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Treasury Solicitor's Department Agency's affairs as at 31 March 2013 and of the net operating income for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the 'Financial Review and Management Commentary' and the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

### **Report**

I have no observations to make on these financial statements.

**Amyas C E Morse**  
**Comptroller and Auditor General**

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

13 May 2013

**Statement of Comprehensive Net Income***for the period ended 31 March 2013*

		<b>2012-13</b>	<b>2011-12</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>
<b>Administration costs</b>			
Staff costs	2	61,504	56,789
Other costs	3	17,077	16,265
Disbursements	4	29,904	36,200
Income	5	(109,907)	(110,619)
<b>Net Operating (Income)</b>		<b>(1,422)</b>	<b>(1,365)</b>
Total expenditure		108,485	109,254
Total income		(109,907)	(110,619)
<b>Net Operating (Income)</b>		<b>(1,422)</b>	<b>(1,365)</b>

**Other Comprehensive Income**

		<b>2012-13</b>	<b>2011-12</b>
		<b>£000</b>	<b>£000</b>
<b>Net (gain) on:</b>			
- revaluation of property, plant and equipment		(157)	(22)
- revaluation of intangibles		(191)	(5)
<b>Total Comprehensive Net Income</b>		<b>(1,770)</b>	<b>(1,392)</b>

All income and expenditure is derived from continuing operations.

The notes on pages 56 to 74 form part of these accounts.



**Statement of Financial Position**

as at 31 March 2013

	Note	31 March 2013		31 March 2012	
		£000	£000	£000	£000
<b>Non-current assets</b>					
Property, plant and equipment	6	2,494		2,286	
Intangible assets	7	1,784		2,031	
<b>Total non-current assets</b>		<b>4,278</b>		<b>4,317</b>	
<b>Current assets</b>					
Trade and other receivables	8	23,118		22,447	
Cash and cash equivalents	9	5,912		7,655	
<b>Total current assets</b>		<b>29,030</b>		<b>30,102</b>	
<b>Total assets</b>			<b>33,308</b>		<b>34,419</b>
<b>Current liabilities</b>					
Trade and other payables	10	(20,663)		(22,514)	
Provisions	11	(504)		(526)	
<b>Total current liabilities</b>			<b>(21,167)</b>		<b>(23,040)</b>
<b>Non-current assets plus net current assets</b>			<b>12,141</b>		<b>11,379</b>
<b>Non-current liabilities</b>					
Provisions	11		(3,199)		(1,892)
<b>Total non-current liabilities</b>			<b>(3,199)</b>		<b>(1,892)</b>
<b>Total assets less liabilities</b>			<b>8,942</b>		<b>9,487</b>
<b>Taxpayers' equity</b>					
General Fund			8,594		9,385
Revaluation Reserve			348		102
<b>Total equity</b>			<b>8,942</b>		<b>9,487</b>

The notes on pages 56 to 74 form part of these accounts.

**Sir Paul Jenkins KCB QC**  
**Accounting Officer**  
9 May 2013

**Statement of Cash Flows**  
for the period ended 31 March 2013

		2012-13	2011-12
	Note	£000	£000
<b>Cash flows from operating activities</b>			
Net Operating Income		1,422	1,365
Adjustments for non-cash transactions arising in the year	3	3,389	2,356
(Increase) in trade and other receivables	8	(671)	(2,426)
Decrease in trade and other payables	10	(1,851)	3,482
Less movements in payables relating to items not passing through the Statement of Comprehensive Net Income		1,827	759
Use of provisions	11	(545)	(402)
<b>Net cash inflow from operating activities</b>		<b>3,571</b>	<b>5,134</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(989)	(337)
Purchase of intangible assets	7	(201)	(688)
<b>Net cash outflow from investing activities</b>		<b>(1,190)</b>	<b>(1,025)</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) – current year		69	65
Transfer of deemed supply to other departmental entities		(4,193)	(4,902)
<b>Net Financing</b>		<b>(4,124)</b>	<b>(4,837)</b>
<b>Net (decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>		<b>(1,743)</b>	<b>(728)</b>
Payments of amounts due to the Consolidated Fund		–	–
<b>Net (decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>	9	<b>(1,743)</b>	<b>(728)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	9	<b>7,655</b>	<b>8,383</b>
<b>Cash and cash equivalents at the end of the period</b>	9	<b>5,912</b>	<b>7,655</b>

The notes on pages 56 to 74 form part of these accounts.

*Statement of Changes in Taxpayers' Equity*  
for the period ended 31 March 2013

		General Fund	Revaluation Reserve	Total Reserves
	Note	£000	£000	£000
<b>Balance at 1 April 2011</b>		<b>12,004</b>	<b>137</b>	<b>12,141</b>
<b>Changes in taxpayer's equity for 2011-12</b>				
Net Parliamentary Funding – drawn down		65	–	65
Net Parliamentary Funding – deemed		8,383	–	8,383
Transfer of deemed supply to other departmental entities		(4,902)	–	(4,902)
Supply Payable Adjustment		(7,655)	–	(7,655)
Comprehensive Net Income for the year		1,365	–	1,365
<b>Non-cash adjustments:</b>				
Auditors' remuneration	3	66	–	66
<b>Movements in Reserves</b>				
Asset transfer		(3)	–	(3)
Net gain on revaluation of plant, property and equipment		–	22	22
Net gain on revaluation of intangible assets		–	5	5
Transfer between reserves		62	(62)	–
<b>Total recognised income and expenditure for 2011-12</b>		<b>(2,619)</b>	<b>(35)</b>	<b>(2,654)</b>
<b>Balance at 31 March 2012</b>		<b>9,385</b>	<b>102</b>	<b>9,487</b>
<b>Changes in taxpayer's equity for 2012-13</b>				
Net Parliamentary Funding: drawn down		69	–	69
Net Parliamentary Funding: deemed		7,655	–	7,655
Transfer of deemed supply to other departmental entities		(4,193)	–	(4,193)
Supply payable adjustment		(5,912)	–	(5,912)
Net Operating Income for the year		1,422	–	1,422
<b>Non-cash adjustments:</b>				
Auditors' remuneration	3	66	–	66
<b>Movements in Reserves</b>				
Net gain on revaluation of property, plant and equipment		–	157	157
Net gain on revaluation of intangibles		–	191	191
Transfers between reserves		102	(102)	–
<b>Total recognised income and expenditure for 2012-13</b>		<b>(791)</b>	<b>246</b>	<b>(545)</b>
<b>Balance at 31 March 2013</b>		<b>8,594</b>	<b>348</b>	<b>8,942</b>

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

The notes on pages 56 to 74 form part of these accounts.

# Notes to the accounts

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## 1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2012-13 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Treasury Solicitor's Department Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Treasury Solicitor's Department Agency are described below. 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 property, plant and equipment and intangible assets at their value to the business by reference to their current costs.

### 1.2 Property, plant and equipment

Assets are carried at estimated fair value. Expenditure on plant, property and equipment over £5,000 is capitalised on an individual or group basis. On initial recognition they are measured at cost including any costs (such as installation) directly attributable to bringing them into working condition and thereafter restated using Producer Price Indices: MM22 sourced from: <http://www.statistics.gov.uk>. (Up to December 2011, published as Price Index Numbers for Current Cost Accounting: MM17).

### 1.3 Depreciation

Plant, property and equipment assets are depreciated at rates calculated to write them down on a straight-line basis over their estimated useful lives. Leasehold improvements are depreciated over the term of the lease.

Assets under construction are not depreciated until they are in use. Once in use they are depreciated over their expected useful life.

Asset lives are normally within the following ranges:

- Leasehold improvements                      limited to period remaining on lease (up to ten years)
- Furniture, fittings and equipment        three, five or ten years
- Information technology and network    three to five years

#### 1.4 Intangible assets

Purchased and internally developed software, purchased software licences and website costs are capitalised as intangible assets. These are restated to current value each year by the use of Producer Price Indices: MM22 sourced from: <http://www.statistics.gov.uk>. (Up to December 2011, published as Price Index Numbers for Current Cost Accounting: MM17).

Intangible assets under construction are not amortised until they are in use. Once they are in use, they are amortised over the life of the associated project or their expected useful economic life.

Asset lives are normally within the following ranges:

- Software development            three to five years
- Software licences                three to five years
- Website costs                      five years

#### 1.5 Impairments

Property, plant and equipment and intangible assets are subject to an annual impairment review, if there are any indicators of such impairments arising. Any impairment will be recognised as required by IAS 36 Impairment of Assets and accounted for as set out in FReM.

#### 1.6 Revaluation reserve

The unrealised element of the Revaluation Reserve is disclosed in the Statement of Financial Position. Realised elements are transferred from the reserve to the General Fund. Downward revaluations are charged to the existing balance brought forward for that particular asset. If there is no previous balance, the charge is expensed in-year and disclosed in the Statement of Comprehensive Net Income.

#### 1.7 Income

Income relates directly to the operating activities of the Agency. It principally comprises fees and charges for legal services provided during the year by the Treasury Solicitor's Department Agency on a full-cost basis to clients external to the Agency (central government departments, agencies and NDPBs) and recovery of disbursements incurred on their behalf. Charge-out rates are set in accordance with HM Treasury's guidance on fees and charges set out in Managing Public Money to achieve full cost recovery of chargeable services.

In addition, it includes other income such as charges for the administration costs of the *Bona Vacantia* Division which are recovered from the Crown's Nominee Account, rental income and service charge, recovery of costs for recruitment and training services provided to other government departments.

Income realised from *Bona Vacantia* assets is not included but reported separately in the Crown's Nominee Account.

Work in progress is recognised as operating income as incurred. This represents unbilled time charges which are valued at the appropriate charge-out rate, equivalent to full cost, for the financial year in which the work was undertaken and the actual and accrued cost of disbursements.

The unbilled and accrued disbursements at the year-end have been estimated based upon time taken to submit invoices for work carried out in prior years, modelling the expected disbursements for 2012-13 to the same pattern.

### **1.8 Foreign exchange**

Transactions that are denominated in a foreign currency are translated into sterling at the exchange rate ruling at the date of each transaction.

### **1.9 Debt recovery**

All aged debt is regularly reviewed to ascertain the continuing prospect of recovery and that it remains economical to continue to pursue recovery. Where recovery is considered doubtful or uneconomic, the Department will provide for or write-off the debt by reducing the value of debtors within the balance sheet.

### **1.10 Pensions**

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The Agency recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' 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. In respect of the defined contribution schemes, the Agency recognises the contributions payable for the year.

### **1.11 Early departure costs**

Under the previous Civil Service Compensation Scheme (in place until 22 December 2010) the Agency was required to meet 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.

Under the new Civil Service Compensation Scheme the Department pays over a lump sum to PCSPS to cover these costs in full following agreement of the departure rather than on an ongoing basis and therefore these transactions are expensed when they occur rather than being recognised as provisions.

The provision recognised for early retirement therefore reflects costs associated with staff who retired before the transition to the new Civil Service Compensation Scheme. The Agency provided for these payments in full when the early retirement programme became binding by establishing a provision for the estimated future payments; these have not been discounted. The provision is written off to the Statement of Comprehensive Net Income, as and when the liabilities materialise.

### **1.12 Contingent liabilities**

In addition to contingent liabilities disclosed in accordance with IAS 37, the Agency discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote but which have been reported to Parliament in accordance with the requirements of Managing Public Money.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

**1.13 Operating leases**

Operating lease rentals are charged to the Statement of Comprehensive Net Income in equal amounts over the lease term from the date of occupation. Future payments as disclosed in Note 14 (Commitments under operating leases) are not discounted.

**1.14 Provisions**

The Agency provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the HM Treasury's discount rate of minus 1.8 per cent in real terms for short term provisions (applied to cash flows expected to be incurred up to 5 years from the Statement of Financial Position date) and minus 1 per cent in real terms for medium term provisions (applied to cash flows expected to be incurred between 5 and 10 years from the Statement of Financial Position date).

Provision is made for the cost of obligations arising under onerous contracts and for the estimated costs of dilapidation repairs.

**1.15 Taxation**

The Agency is exempt from Income and Corporation Tax by way of its Crown exemption.

Where VAT is recoverable by the Agency, amounts are included net of VAT. Irrecoverable VAT is included in operating costs and capital additions. The amount due to or from HM Revenue and Customs in respect of VAT is included within debtors or creditors as appropriate.

Operating income is subject to and stated net of VAT.

**1.16 Third party assets**

The Agency holds various funds on behalf of its clients. These relate to ongoing legal processes. These balances are not recognised in the Statement of Financial Position but are disclosed in Note 20 to these accounts.

**1.17 Impending application of newly issued accounting standards not yet effective**

The Agency provides disclosure in Note 21 that it has not yet applied a new accounting standard, and known or reasonable estimatable information relevant to assessing the possible impact that initial application of the new standard will have on the Agency's financial statements.

## 2. Staff numbers and related costs

### 2.1 Staff costs comprise:

	2012-13			2011-12
	Permanently employed staff Note	Others £000	Total £000	Total £000
Wages and salaries	43,555	–	43,555	41,280
Social security costs	3,580	–	3,580	3,401
Other pension costs	8,945	–	8,945	8,515
<b>Sub Total</b>	<b>56,080</b>	<b>–</b>	<b>56,080</b>	<b>53,196</b>
Agency and contracted staff	–	5,248	5,248	3,585
Inward secondments	–	176	176	8
<b>Total</b>	<b>56,080</b>	<b>5,424</b>	<b>61,504</b>	<b>56,789</b>
Less recoveries in respect of outward secondments	5	(1,138)	(1,138)	(1,180)
<b>Total Net Costs</b>	<b>54,942</b>	<b>5,424</b>	<b>60,366</b>	<b>55,609</b>

No staff costs have been charged to capital.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Treasury Solicitor's Department Agency is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the Annual Report and Accounts of the Cabinet Office: Civil Superannuation [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

For 2012-13, employers' contributions of £8,868,272 were payable to the PCSPS (2011-12: £8,438,129) at one of four rates in the range of 16.7 to 24.3 per cent of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2012-13 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £76,419 (2011-12: £76,813) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent (2011-12: 3 to 12.5 percent) of pensionable pay. Employers also match employee contributions of up to 3% of pensionable pay. In addition, employer contributions of £nil (2011-12: £nil), 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 reporting date were £nil. Contributions prepaid at that date were £nil.

No staff retired early on ill health grounds (2011-12: Nil); the total additional accrued pension liabilities in the year amounted to £nil (2011-12: £nil).



## 2.2 Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows.

	2012-13			2011-12
	Number			Number
	Permanent			
	Total	Staff	Others	Total
TSDA	1,046	927	119	987
<b>Total</b>	<b>1,046</b>	<b>927</b>	<b>119</b>	<b>987</b>

No staff costs were capitalised in 2012-13.

## 2.3 Reporting of civil service and other compensation schemes – exit packages

	2012-13			2011-12		
Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	–	–	–	–	–	–
£10,000 – £25,000	–	–	–	–	3	3
£25,000 – £50,000	–	1	1	–	2	2
£50,000 – £100,000	–	1	1	–	1	1
£100,000 – £150,000	–	1	1	–	–	–
£150,000 – £200,000	–	4	4	–	–	–
£200,000 – £250,000	–	–	–	–	–	–
£250,000 – £300,000	–	1	1	–	–	–
<b>Total number of exit packages by type</b>	<b>–</b>	<b>8</b>	<b>8</b>	<b>–</b>	<b>6</b>	<b>6</b>
<b>Total resource cost/£</b>	<b>–</b>	<b>1,191,993</b>	<b>1,191,993</b>	<b>–</b>	<b>230,964</b>	<b>230,964</b>

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the Agency has agreed early retirements, the additional costs are met by the Agency and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

### 3. Other administration costs

		2012-13	2011-12
	Note	£000	£000
<b>Rentals under operating leases</b>			
Hire of plant and machinery		192	154
Other operating leases		4,168	4,135
		<b>4,360</b>	<b>4,289</b>
<b>Non-cash items</b>			
Depreciation	6	916	939
Amortisation	7	573	609
Loss on disposal of non-current assets		4	65
Impairment of non-current assets	6 & 7	–	97
Increase in provisions	11	1,939	551
Provisions not required written back	11	(174)	–
Borrowing Costs (unwinding of discount) on GPL closure provision	11	65	29
Auditors' remuneration <sup>1</sup>		66	66
		<b>3,389</b>	<b>2,356</b>
<b>Other expenditure</b>			
Rates		1,732	1,473
Accommodation		1,578	1,804
Library information services		1,451	1,510
Early departure costs <sup>2</sup>		1,316	406
IT maintenance and consumables		752	1,028
Recruitment		322	216
Postal services		292	276
Professional programme and technical services		251	635
Training		242	371
Utilities and cleaning		236	142
IT network services		229	98
Stationery		215	160
Records management		210	218
Travel and subsistence		173	128
Publications		153	241
Office machines and consumables		135	178
External HR Services		133	120
Welfare supplies and consumables		101	68
Subscription fees		82	79
Accommodation maintenance		69	233
Internal Audit		63	59
Communications		4	363
Consultants		1	29
Translation costs		–	2
Other expenditure		358	371
		<b>10,098</b>	<b>10,208</b>
		<b>17,847</b>	<b>16,853</b>
Utilisation of provisions	11	(770)	(588)
<b>Total other administration costs</b>		<b>17,077</b>	<b>16,265</b>

<sup>1</sup> Auditors' remuneration represents the notional audit fees of £66k (2011-12: £66k) for the Treasury Solicitor's Department Agency Account. There was no auditor remuneration for non-audit work.

<sup>2</sup> Early departure costs include civil service and other compensation schemes – exit packages, as reported in Note 2.3 and amounts arising and payable to the PCSPS over the period between early departure and normal retirement date. (See Note 11).

#### 4. Disbursements

		2012-13	2011-12
	Note	£000	£000
Recoverable from clients	5	28,410	34,525
Funded from Supply		906	1,170
Disbursements recovered from fixed fees		588	505
<b>Gross expenditure</b>		<b>29,904</b>	<b>36,200</b>

#### 5. Income

##### 5.1 Analysis of income by classification and activity

		2012-13	2011-12
	Note	£000	£000
Legal fees and charges to clients		73,656	67,724
Recovery of costs <i>Bona Vacantia</i>		3,775	3,741
Recovery of secondments out	2	1,138	1,180
Rent: other government bodies		1,095	1,302
Rent: non-government bodies		26	7
Tenant service charges		645	793
LION subscriptions		1,103	989
Other income		284	544
<b>Total Operating Income</b>		<b>81,722</b>	<b>76,280</b>
Disbursements	4	28,410	34,525
<b>Total Administration income</b>		<b>110,132</b>	<b>110,805</b>
Less utilisation of provisions	11	(225)	(186)
<b>Total income</b>		<b>109,907</b>	<b>110,619</b>

## 5.2 Analysis of income from services provided

An analysis of the Agency's income and associated costs is shown below. Charges for the provision of legal services and administration services to Bona Vacantia Division are set to recover full costs in accordance with HM Treasury's guidance on fees and charges set out in *Managing Public Money*. Disbursements are recovered at cost. This analysis is not for IFRS 8 purposes.

	2012-13			2011-12		
	Income £000	Full Cost £000	Surplus/ (deficit) £000	Income £000	Full Cost £000	Surplus/ (deficit) £000
<b>Income</b>						
Legal fees and charges to clients	73,656	70,117	3,539	67,724	64,102	3,622
Disbursements	28,410	28,410	–	34,525	34,525	–
Recovery of costs from Bona Vacantia	3,775	3,775	–	3,741	3,741	–
Other income	4,066	4,066	–	4,629	4,629	–
Non-chargeable work	–	2,201	(2,201)	–	2,639	(2,639)
<b>Total (TSDA)</b>	<b>109,907</b>	<b>108,569</b>	<b>1,338</b>	<b>110,619</b>	<b>109,636</b>	<b>983</b>

In accordance with HM Treasury's guidance a notional cost of capital charge £84k is included for setting fees and charges and is also reflected in full cost figures for this analysis.

The notional cost of capital is not recognised in the financial statements.

The cost of capital charge is calculated at the real rate set by HM Treasury (currently 3.5 percent) on the average carrying amount of all assets less liabilities, except for cash balances with the Government Banking Service, where the charge is £nil.

## 6. Property, plant and equipment

	Assets under construction	Leasehold improvements	Information technology and network	Furniture and fittings	Total
	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>					
<b>At 1 April 2012</b>	<b>7</b>	<b>496</b>	<b>3,939</b>	<b>2,112</b>	<b>6,554</b>
Additions	247	–	668	56	971
Disposals	–	–	(263)	(2)	(265)
Reclassification	(7)	–	7	–	–
Revaluations	–	9	536	37	582
<b>At 31 March 2013</b>	<b>247</b>	<b>505</b>	<b>4,887</b>	<b>2,203</b>	<b>7,842</b>
<b>Depreciation</b>					
<b>At 1 April 2012</b>	<b>–</b>	<b>58</b>	<b>3,005</b>	<b>1,205</b>	<b>4,268</b>
Charged in year	–	53	653	210	916
Disposals	–	–	(259)	(2)	(261)
Revaluations	–	1	403	21	425
<b>At 31 March 2013</b>	<b>–</b>	<b>112</b>	<b>3,802</b>	<b>1,434</b>	<b>5,348</b>
<b>Carrying amount at 31 March 2013</b>					
	<b>247</b>	<b>393</b>	<b>1,085</b>	<b>769</b>	<b>2,494</b>
<b>Cost or Valuation</b>					
<b>At 1 April 2011</b>	<b>8</b>	<b>432</b>	<b>4,082</b>	<b>2,317</b>	<b>6,839</b>
Additions	7	58	216	18	299
Disposals	–	–	(371)	(178)	(549)
Reclassification	(8)	–	8	–	–
Asset transfer	–	–	–	(3)	(3)
Impairment	–	–	–	(72)	(72)
Revaluations	–	6	4	30	40
<b>At 31 March 2012</b>	<b>7</b>	<b>496</b>	<b>3,939</b>	<b>2,112</b>	<b>6,554</b>
<b>Depreciation</b>					
<b>At 1 April 2011</b>	<b>–</b>	<b>14</b>	<b>2,708</b>	<b>1,119</b>	<b>3,841</b>
Charged in year	–	44	662	233	939
Disposals	–	–	(368)	(116)	(484)
Reclassification	–	–	–	–	–
Asset transfer	–	–	–	–	–
Impairment	–	–	–	(46)	(46)
Revaluations	–	–	3	15	18
<b>At 31 March 2012</b>	<b>–</b>	<b>58</b>	<b>3,005</b>	<b>1,205</b>	<b>4,268</b>
<b>Carrying amount at 31 March 2012</b>					
	<b>7</b>	<b>438</b>	<b>934</b>	<b>907</b>	<b>2,286</b>
<b>Carrying amount at 31 March 2011</b>					
	<b>8</b>	<b>418</b>	<b>1,374</b>	<b>1,198</b>	<b>2,998</b>

**Reconciliation of cash flows to property, plant and equipment additions**

	<b>2012-13</b>	<b>2011-12</b>
	<b>£000</b>	<b>£000</b>
Property, plant and equipment additions	971	299
Movement in accruals for property, plant and equipment	18	38
<b>Cash flows for property, plant and equipment</b>	<b>989</b>	<b>337</b>

All the assets are fully owned.

## 7. Intangible assets

	Assets under construction	Development IT Software	Software licences	Website costs	Total
	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>					
<b>At 1 April 2012</b>	<b>597</b>	<b>3,746</b>	<b>715</b>	<b>38</b>	<b>5,096</b>
Additions	85	16	34	–	135
Disposals	–	(90)	–	–	(90)
Reclassification	(67)	67	–	–	–
Revaluation	–	508	98	5	611
<b>At 31 March 2013</b>	<b>615</b>	<b>4,247</b>	<b>847</b>	<b>43</b>	<b>5,752</b>
<b>Amortisation</b>					
<b>At 1 April 2012</b>	<b>–</b>	<b>2,761</b>	<b>280</b>	<b>24</b>	<b>3,065</b>
Charged in year	–	413	151	9	573
Disposals	–	(90)	–	–	(90)
Revaluation	–	378	39	3	420
<b>At 31 March 2013</b>	<b>–</b>	<b>3,462</b>	<b>470</b>	<b>36</b>	<b>3,968</b>
<b>Carrying amount at 31 March 2013</b>					
	<b>615</b>	<b>785</b>	<b>377</b>	<b>7</b>	<b>1,784</b>
<b>Cost or Valuation</b>					
<b>At 1 April 2011</b>	<b>239</b>	<b>3,593</b>	<b>596</b>	<b>38</b>	<b>4,466</b>
Additions	497	125	73	–	695
Disposals	–	–	–	–	–
Reclassification	(68)	24	44	–	–
Impairment	(71)	(1)	–	–	(72)
Revaluation	–	5	2	–	7
<b>At 31 March 2012</b>	<b>597</b>	<b>3,746</b>	<b>715</b>	<b>38</b>	<b>5,096</b>
<b>Amortisation</b>					
<b>At 1 April 2011</b>	<b>–</b>	<b>2,312</b>	<b>127</b>	<b>16</b>	<b>2,455</b>
Charged in year	–	448	153	8	609
Disposals	–	–	–	–	–
Impairment	–	(1)	–	–	(1)
Revaluation	–	2	–	–	2
<b>At 31 March 2012</b>	<b>–</b>	<b>2,761</b>	<b>280</b>	<b>24</b>	<b>3,065</b>
<b>Carrying amount at 31 March 2012</b>					
	<b>597</b>	<b>985</b>	<b>435</b>	<b>14</b>	<b>2,031</b>
<b>Carrying amount at 31 March 2011</b>					
	<b>239</b>	<b>1,281</b>	<b>469</b>	<b>22</b>	<b>2,011</b>

**Reconciliation of cash flows to intangible asset additions**

	2012-13	2011-12
	£000	£000
Intangible asset additions	135	695
Movement in accruals for intangible assets	66	(7)
<b>Cash flows for intangible assets</b>	<b>201</b>	<b>688</b>

All the assets are fully owned.

**8. Trade receivables and other current assets****8.1 Analysis by type**

	31 March 2013	31 March 2012
	£000	£000
<b>Amounts falling due within one year:</b>		
Unbilled time	4,631	4,973
Unbilled disbursements	8,901	8,724
Trade receivables	5,633	4,760
Deposits and advances	296	287
Prepayments and accrued income	3,640	3,693
	<b>23,101</b>	<b>22,437</b>
<b>Amounts falling due after more than one year:</b>		
Prepayments and accrued income	17	10
<b>Total receivables and other current assets</b>	<b>23,118</b>	<b>22,447</b>

**8.2 Intra-government balances**

	31 March 2013	31 March 2012
	£000	£000
<b>Amounts falling due within one year:</b>		
Balances with other central government bodies	20,251	20,041
Balances with local authorities	210	45
Balances with NHS Trusts	–	–
Balances with public corporations and trading funds	1,528	1,185
<b>Sub total: intra-government balances</b>	<b>21,989</b>	<b>21,271</b>
Balances with bodies external to government	1,112	1,166
<b>Sub total</b>	<b>23,101</b>	<b>22,437</b>
<b>Amounts falling due after more than one year:</b>		
Balances with bodies external to government	17	10
<b>Total receivables and other current assets</b>	<b>23,118</b>	<b>22,447</b>

This note provides an analysis of the amounts owed to the Agency by different groups of public sector bodies and bodies external to government.



## 9. Cash and cash equivalents

	2012-13	2011-12
	£000	£000
<b>Balance at 1 April</b>	<b>7,655</b>	<b>8,383</b>
Net change in cash and cash equivalents	(1,743)	(728)
<b>Balance at 31 March</b>	<b>5,912</b>	<b>7,655</b>

All balances were held with the Government Banking Service.

## 10. Trade payables and other current liabilities

### 10.1 Analysis by type

	31 March 2013	31 March 2012
	£000	£000
<b>Amounts falling due within one year:</b>		
VAT	2,749	2,695
Other taxation and social security costs	1,429	1,314
Trade payables	72	122
Other payables	103	186
Accruals	10,264	10,039
Deferred income	134	503
	<b>14,751</b>	<b>14,859</b>
Amounts issued from the Consolidated Fund for Supply and not spent at year end	5,912	7,655
	<b>5,912</b>	<b>7,655</b>
<b>Total payables and other current liabilities</b>	<b>20,663</b>	<b>22,514</b>

The Agency has no creditors falling due after more than one year.

**10.2 Intra-government balances**

	<b>31 March 2013</b>	<b>31 March 2012</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year:</b>		
Balances with other central government bodies	11,441	12,287
Balances with local authorities	–	–
Balances with NHS Trusts	–	–
Balances with public corporations and trading funds	1,168	1,549
<b>Subtotal: intra-government balances</b>	<b>12,609</b>	<b>13,836</b>
Balances with bodies external to government	8,054	8,678
<b>Total payables and other current liabilities</b>	<b>20,663</b>	<b>22,514</b>

This note provides an analysis of the amounts owed by the Agency to different groups of public sector bodies and bodies external to government (external suppliers).

**11. Provisions for liabilities and charges**

					<b>2012-13</b>	<b>2011-12</b>
		<b>Early Retirement costs</b>	<b>GPLA Closure costs</b>	<b>Dilapidations</b>	<b>Total</b>	<b>Total</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>		<b>665</b>	<b>1,753</b>	<b>–</b>	<b>2,418</b>	<b>2,240</b>
Provided in the year	3	20	–	1,919	1,939	551
Provisions not required written back	3	–	(174)	–	(174)	–
Borrowing Costs (unwinding of discount)	3	–	65	–	65	29
		<b>685</b>	<b>1,644</b>	<b>1,919</b>	<b>4,248</b>	<b>2,820</b>
Provisions utilised in the year						
Programme costs	3	(200)	(570)	–	(770)	(588)
Programme income	5	–	225	–	225	186
		<b>(200)</b>	<b>(345)</b>	<b>–</b>	<b>(545)</b>	<b>(402)</b>
<b>Balance at 31 March</b>		<b>485</b>	<b>1,299</b>	<b>1,919</b>	<b>3,703</b>	<b>2,418</b>

**Analysis of expected timing of discounted cash flows**

					<b>2012-13</b>	<b>2011-12</b>
		<b>Early Retirement costs</b>	<b>GPLA Closure costs</b>	<b>Dilapidations</b>	<b>Total</b>	<b>Total</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Not later than one year		193	311	–	504	526
Later than one year and not later than five years		292	988	727	2,007	1,890
Later than five years		–	–	1,192	1,192	2
		<b>485</b>	<b>1,299</b>	<b>1,919</b>	<b>3,703</b>	<b>2,418</b>

## Explanatory Notes

### 11.1 Provision for early retirement and pension commitments

The provision recognised for early retirement reflects costs associated with staff who retired before the transition to the new Civil Service Compensation Scheme. The Department provided for these payments in full when the early retirement programme became binding by establishing a provision for the estimated future payments; these have not been discounted. The provision is written off to the Statement of Comprehensive Net Income, as and when the liabilities materialise.

### 11.2 Provision for GPLA closure costs

The Government Property Lawyers Agency (GPLA) closed with effect from September 1999. At that time, a provision was made for the costs of closure.

In 2000, the remaining assets and liabilities of the GPLA were amalgamated with the assets and liabilities of Treasury Solicitor's Department Agency. The balance of the provision is for the ongoing lease costs of the building that GPLA occupied. The GPLA signed a 25-year fixed term lease on the building, which covered the period up to 25 March 2016. The offices have been sublet to a number of government bodies for a proportion of the lease term at current market rents. Provision has been made in respect of this onerous contract as allowed under IAS 37, for the unoccupied areas of the building or where an under lease term expires prior to the over lease end-date and reflects the agreement at the point at which the Agency took over the liabilities and provisions, that the GPLA liabilities should not impact on the operating results of the Agency.

This provision is calculated by reference to the estimated risk-adjusted net cash flows, discounted for the effect of the time value of money, using the Treasury discount rate of minus 1.8 per cent in real terms (2011-12: 2.2 per cent).

### 11.3 Dilapidations

Following a review of our leasehold estate a provision has been made for dilapidations obligations under the Agency's leases. These obligations are to remove the leasehold improvements and return the properties at the end of the leases to their original state. The valuation of the liability falls within typical industry ranges for dilapidations settlements of £5 to £20 per square foot. If the provision were to be increased to the top end of this range the liability would increase by approximately £1.1m. If the provision were to be decreased to the lower end of this range the liability would fall by approximately £1.2m.

This provision is calculated by reference to the estimated risk-adjusted net cash flows, discounted for the effect of the time value of money, using the Treasury discount rate of minus 1.8 per cent in real terms for cash flows occurring within 5 years and minus 1 per cent in real terms for cash flows occurring between five and ten years of the reporting date.

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## 12. Segmental reporting

The Agency's accounts cover the income and associated costs for the provision of legal services and administration costs for Bona Vacantia Division. There are no reported operating segments within the Agency's operating results and as such no segmental information is disclosed.

### 13. Capital commitments

There were no contracted capital commitments at 31 March 2013 not otherwise included in these financial statements.

### 14. Commitments under operating leases

**14.1 Total future minimum lease payments under operating leases are given in the table below for each of the following periods.**

	2012-13		2011-12	
	Buildings £000	Other £000	Buildings £000	Other £000
<b>Obligations under operating leases for the following periods comprise:</b>				
Not later than one year	4,220	384	4,213	273
Later than one year and not later than five years	15,911	601	16,326	446
Later than five years	6,537	–	10,302	–
	<b>26,668</b>	<b>985</b>	<b>30,841</b>	<b>719</b>

**14.2 Total future minimum sublease payments expected to be received under non-cancellable subleases are given for each of the following periods.**

	2012-13		2011-12	
	Buildings £000	Other £000	Buildings £000	Other £000
<b>Payments expected to be received under subleases for the following periods comprise:</b>				
Not later than one year	1,086	–	1,052	–
Later than one year and not later than five years	3,452	–	3,461	–
Later than five years	1,252	–	2,087	–
	<b>5,790</b>	<b>–</b>	<b>6,600</b>	<b>–</b>

### 15. Other financial commitments

The Agency has not entered into non-cancellable contracts (which are not leases, PFI contracts or other service concession arrangements).

### 16. Financial instruments

As the cash requirements of the Agency are primarily met from income from clients (other government departments) and a limited amount through the Estimates process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts to buy in non-financial items in line with the Agency's expected purchase and usage requirements and the Agency is therefore exposed to little credit, liquidity or market risk.

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## 17. Contingent liabilities

### 17.1 Contingent liabilities disclosed under IAS 37

There were no contingent liabilities as at 31 March 2013 (31 March 2012: £nil).

### 17.2 Contingent liabilities not required to be disclosed under IAS 37 but included for parliamentary reporting and accountability purposes

The Agency has not entered into quantifiable or unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort as at 31 March 2013 (31 March 2012: £nil).

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## 18. Losses and special payments

Managing Public Money requires a statement showing losses and special payments by value and by type to be shown where they exceed £250k in total, and those individually that exceed £250k.

There are no significant losses and special payments that need to be reported in accordance with *Managing Public Money*.

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## 19. Related-party transactions

The Agency has had a significant number of material transactions with other government departments and public agencies since the nature of the Agency's business is to provide legal services to central government.

The Treasury Solicitor, by virtue of the Treasury Solicitor Act 1876, is also the Crown's Nominee.

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

Board members' remuneration is disclosed in the Remuneration Report.

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## 20. Third-party assets: client monies

Funds are required in advance from clients to enable settlement of awards for damages and contributions toward the cost of court proceedings. The Agency places these funds on deposit until the final costs of a case have been calculated and settled. These are not Agency assets, as the funds are held on behalf of third parties and as a consequence do not appear in these accounts. As at 31 March 2013, these amounted in total to £7,209,903 (31 March 2012: £8,242,882). An analysis of the movements on these accounts is shown in the table below:

	2012-13	2011-12
	£000	£000
<b>Opening balance at 1 April</b>	<b>8,243</b>	<b>7,396</b>
Gross inflows	123,292	74,085
Gross outflows	(124,325)	(73,238)
<b>Closing balance at 31 March</b>	<b>7,210</b>	<b>8,243</b>

These balances are held with the Government Banking Service.

## *21. Impending application of newly issued standards not yet effective*

The Agency has reviewed the IFRSs in issue but not yet effective, to determine if it needs to make any disclosures in respect of those new IFRSs that are or will be applicable. References to 'new IFRSs' includes new Interpretations and any new amendments to IFRSs and Interpretations. It has been determined that the following new IFRSs are relevant to the Agency, but will have no significant impact on the Agency's financial statements.

### **New IFRSs**

IAS 1 – Presentation of financial statements

IAS 19 – Post-employment benefits

IFRS 13 – Fair Value Measurement

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## *22. Events after the reporting period*

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General. There are none to report.

# Glossary

AME	Annually Managed Expenditure	HMCPSI	HM Crown Prosecution Service Inspectorate
AGO	Attorney General's Office	HMT	Her Majesty's Treasury
BV	Bona Vacantia	HR	Human Resources
CETV	Cash Equivalent Transfer Value	HSE	Health and Safety Executive
CMS	Case Management System	ICT	Information, Communication and Technology
COELD	Cabinet Office European Law Division	IFRS	International Financial Reporting Standard
CPS	Crown Prosecution Service	IIP	Investors in People
DCMS	Department for Culture, Media and Sport	Lexcel	Law Society's Practice Quality Mark
Defra	Department for Environment, Food and Rural Affairs	LODs	Law Officers' Departments
DEL	Departmental Expenditure Limit	NAO	National Audit Office
DfE	Department for Education	NED	Non-Executive Director
ERG	Efficiency and Reform Group	OKS	One Kemble Street
FCO	Foreign and Commonwealth Office	PCPF	Parliamentary Contributory Pension Fund
FTE	Full Time Equivalent Employee	PIC	Performance and Investment Committee
GCOF	Government Carbon Offsetting Facility	QC	Queen's Counsel
GGC	Greening Government Commitments	SCS	Senior Civil Service
GHG	Greenhouse Gas	SSRB	Senior Salaries Review Body
GLS	Government Legal Service	TLA	Treasury Legal Advisers
GPC	Government Procurement Card	TSol	The Treasury Solicitor's Department
GPLA	Government Property Lawyers Agency	UKBA	UK Border Agency
GPU	Government Procurement Unit		
GSI	Government Secure Intranet		









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