Treasury Solicitor's Department

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Annual Report and Accounts 2013–14

Practice Management Standard
Law Society Accredited
Litigation & Employment Group

Treasury
Solicitor's
Department

Treasury Solicitor's Department

Annual Report and Accounts 2013–14

For the year ended 31 March 2014

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

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Contents

1. Chief Executive's Report to the Attorney General

It has been another busy and exciting year for TSol. The wide variety of "day-to-day" legal work has seen us tackling issues ranging from the entitlements of part time judicial office holders, the deportation of Abu Qatada, advising on new household flood insurance arrangements, supporting the drafting of the Voting Eligibility (Prisoners) Bill. Once again our litigators have been busy: we spent around 620,000 hours on litigation work, and took on 29,000 new cases, including an increasing number of immigration cases. This report includes some of the many examples of our achievements, including helping to create the Help to Buy Equity Loan and Mortgage Guarantee schemes, and delivering reforms to the probation service in the Offender Rehabilitation Bill.

We continued to find ourselves at the heart of the government's shared service plan as part of Civil Service Reform. TSol has long provided a shared legal service to a number of departments. This year we expanded and enhanced that service as a further five legal teams joined TSol. We made good progress in shaping our structure and culture, and began to work increasingly across team boundaries to deliver a strong, unified legal service for government. This work will continue over the coming year.

Building on our commitment to be the best for our clients, we continued to strengthen our relationship with our increasing number of clients. As a result, 97% rated our delivery of the service as "Good" or "Excellent".

Against the backdrop of considerable change, we were pleased with our results from the Civil Service People Survey. Our overall response rate increased to 79%, and our staff engagement index increased to 61%, up 1% from last year and 3% above the Civil Service average.

We will continue to build on this good work in the coming year, as a professional, efficient and high performing organisation delivering consistently excellent legal services to government.

Jonathan Jones
Treasury Solicitor

8 May 2014

2. About TSol

Our purpose is to be the leading provider of legal services to government

Who we are

We are a non-ministerial government department providing legal services to the majority of government departments and other publicly funded bodies in England and Wales. We are going through a period of considerable change as we develop an enhanced shared legal service for government that will continue to provide high quality legal services to individual departments and government as a whole.

We are currently one of the largest legal organisations in the country and we will eventually consist of around 1,800 employees, of whom the vast majority (c1,350) will be lawyers based in more than 20 locations.

Our responsibilities include:

- providing litigation services to government departments and public bodies, focusing on three different types of litigation work – public law, private law and public inquiries
- advising ministers and policymakers on domestic, public and private law, European Community law, international law and human rights
- drafting statutory instruments and other subordinate legislation
- preparing instructions for bills to be drafted by Parliamentary counsel and advising ministers and policy administrators during the passage of the bills through Parliament
- carrying out legal work to support judicial reviews and new government initiatives
- advising the Civil Service on the modernisation of the terms and conditions of government employment
- collecting, managing and disposing of *bona vacantia* (ownerless property and other assets) in England, Wales and Northern Ireland

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 (HMCPSI), the independent inspectorate of the Crown Prosecution Service.

The financial statements at pages 53 to 74 relate to activity carried out by TSol in the year 2013-14 and are prepared under a direction issued by HM Treasury in accordance with Section 7(2) of the Government Resources and Accounts Act 2000.

Aims and Objectives

Our purpose is 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
- best in the business

Our specific objectives for 2013-14 were to:
- deliver the Civil Service Reform Plan on sharing legal services
- contribute to the delivery of the broader Civil Service Reform Plan
- provide best quality legal services for our clients demonstrating best value for money
- 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

Our values

Our values are at the heart of what we do:

- we are passionate about our professionalism
- we value and respect each other
- we take pride in working together across government
- we are one team
- we get things done

Our Strategy

Our strategic intent is to develop a comprehensive shared legal service for government. Sharing services across government is an important element of Civil Service reform and legal services are in the vanguard of this work. We are building an organisation that will provide the best possible legal services both for individual departments and for government as a whole. It will be responsible for providing practically all of central government's core legal work with a reputation for delivering professional, high quality, effective and efficient legal services. It will meet the needs of individual departments, retaining their confidence and maintaining their confidentiality. But it will also step beyond departmental boundaries to deliver a more coherent legal service to government as a whole, combining a business-like approach, detailed expertise in public law and knowledge of how government works and the unique cross-government perspective inherent in the shared service model. It will build on the success of the Government Legal Service – improving the sharing of legal knowledge and best practice, providing varied career opportunities and promoting the reputation of government lawyers – in a coordinated and consistent way. It will be a flexible, responsive and more resilient organisation, able to deal readily with peaks and troughs in workload as and where they occur.

What we do

Our principal activities 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 48,000 cases in 2013-14 (36,400 in 2012-13). 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 this approach represents good value for public funds and is appropriate to do so.

Employment Group is one of the largest employment law practices in the country. After 1 April 2014, when the HM Revenue and Customs (HMRC) employment teams in London and Manchester joined us, TSol will be doing all the government's employment litigation and the vast majority of its employment advisory work. The Group does the full range of employment litigation from unfair dismissal to large scale equal pay and pensions cases. In addition to advising departments, the Group also advises the Cabinet Office and Civil Service Employee Policy on the large cross Civil Service employment issues of the day such as the Civil Service Reform Plan and its implementation.

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), the Department for Environment, Food and Rural Affairs (Defra), the Department for Communities and Local Government (DCLG), the Ministry of Justice (MoJ – from 1 July 2013), the Home Office (HO – from 1 October 2013) and to a number of smaller departments, agencies and public bodies in England and Wales. Cabinet Office European Law Division (COELD) coordinates consideration of EU legal issues across Whitehall and represents the United Kingdom before the Court of Justice of the European Union.

Bona Vacantia Division (BVD) 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 Account and separately notified to Parliament as prescribed in the Treasury Solicitor (Crown's Nominee) Rules 1997 (SI 1997/2870).

Government Legal Service Secretariat (GLSS) 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.

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.

How we are funded

We are funded almost entirely through the fees we charge clients for legal services.

Approval to make capital investment and spend the income generated each year is obtained through the Parliamentary Supply Process and allocated in the HM Procurator General and Treasury Solicitor Main Estimate available on the HM Treasury website www.hm-treasury.gov.uk

The table below provides a more detailed analysis of how we fund our work. As agreed with HM Treasury, we do not seek to make a surplus. The charging regime for 2013-14 reflects the mutual relationship we have with our clients.

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 and hourly fees 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 *bona vacantia*.

Future spending plans

Our planned net expenditure 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.

	2013-14	**2014-15**	**2015-16**
	£'000	**£'000**	**£'000**
DEL Resource	2,579	1,989	1,446
DEL Capital	1,950	1,700	1,350

The Departmental Expenditure Limit (DEL) resource funding is to cover the costs of Attorney General's casework (time and disbursements) and the Government Legal Service Secretariat (GLSS).

The capital funding allows us to invest in improving and developing systems to support our business and meet our accommodation needs.

Looking to the future

2014-15 will be a challenging year as, building on the work done by Sir Paul Jenkins who retired as Treasury Solicitor on 28 February 2014, the rapid pace of change will persist as we continue with the creation of an enhanced shared legal service for government. As well as welcoming new teams into the organisation, there will be a new leadership team, the introduction of new operating models and a change in governance. Our key focus will be on implementing the Sharing Legal Services programme, completing the programme of mergers, embedding the new structure and organisation, and making the benefits of the new shared service a reality for our people, our departmental clients, the government as a whole, and the public purse. During this time of change we will ensure we are not distracted from our main purpose: to deliver a high quality legal service.

Our specific objectives for 2014-15 are in our Business Plan published at www.gov.uk/tsol

3. Our Performance

HMT performance measures

We have maintained our professional standards as well as delivering client satisfaction.

Each year we agree performance measures with HM Treasury. These reflect our continued commitment to maintain our high professional standards as well as delivering client satisfaction. A summary of our performance is provided below.

Client Satisfaction

% of clients rating TSol services as 'Good' or 'Excellent'	2013-14	2012-13
	97%	96%

97% of our clients rated our services as "Good" or Excellent". This is a great achievement in a time when both TSol and our client departments are going through a period of change. We are proud that our clients have displayed such faith in us and our growing shared service. This score reflects the professionalism and hard work of all our staff. There is, of course, room for improvement and we will be focusing on the lower scoring areas of our performance during the coming year.

Lexcel

To maintain Lexcel accreditation	2013-14	2012-13
	Achieved	Achieved

We have retained our Lexcel reaccreditation – the Law Society's "gold star legal quality mark."

This successful assessment recognises that we have the best practice in client care, data and file management and complaints handling. Given the degree of ongoing organisational and system change, plus the need to integrate staff from other often non Lexcel certificated teams, this continues to be a significant achievement.

Recovery of operating costs

To recover from clients the full operating cost of chargeable services	2013-14	2012-13
	Achieved	Achieved

We are primarily funded from the fees charged to clients for legal services. The fee rates are set in accordance with *Managing Public Money* and are designed to recover the direct costs incurred by the organisation. Throughout the year, performance is monitored and on a quarterly basis we undertake a formal exercise to forecast the financial outturn for the year. The organisation is committed to ensuring that clients benefit promptly from better than budgeted performance and as a consequence should a significant surplus be forecast, the underlying factors are analysed and assessed to determine whether a fee reduction or rebate should be made in-year. This year, due to the growth of the organisation, significant increases in demand for litigation services and lower corporate costs, we were able to provide a £4m rebate to our clients – £3m shared amongst our litigation clients and £1m across advisory clients – and still achieve full recovery of our operating costs.

Meeting our objectives

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

Sharing legal services

We are at the heart of the government's shared services agenda. Setting up a Shared Legal Service is a flagship project.

There are two main strands to sharing legal services: the programme of mergers with departmental legal teams, and the programme to design the new shared legal service.

The merger programme and sequencing plan were developed last year in collaboration with the legal directors of each of the legal teams in scope and agreed with the Minister for the Cabinet Office in March 2013. To the end of March 2014 five legal teams have successfully merged: litigation and employment teams from the Department for Work and Pensions (DWP) and Department of Health (DH), and legal advisory teams from DCLG, MoJ and the Home Office. DWP, DH and HMRC's employment teams who will be transferring to our expert employment service, joined on 1 April 2014. Discussions with the Department of Energy and Climate Change (DECC) and Department for Transport (DfT) were paused pending the satisfactory resolution of an issue relating to their ability to recover VAT on the fees that TSol would charge. It is anticipated that these will conclude by early summer. The programme has been characterised by close and collaborative working relationships on each merger plan which enabled the tight timescales to be met while ensuring that individual issues were also addressed properly.

The Organisation Design programme, supported by the Civil Service HR Organisation Design expert service, started with an independent diagnostic exercise about what the new legal service could achieve and what people wanted to see from it. This enabled the senior leaders of TSol and the teams due to merge with it to work together to develop the strategic intent for the new shared service so that our staff and clients were clear what we are working towards. This was published in June 2013. From this we were able to establish design principles to guide the structure, organisation, policies and processes for the new shared legal service and to identify the benefits – for government as a whole, for client departments and for our people. A new high level organisation structure was published in January 2014. This is being followed by a detailed design programme to ensure that the change is implemented effectively over the next year.

The Sharing Legal Services Ambassadors Group, made up of volunteers from across the organisation including teams due to merge with TSol, has had an important role in working through some of the issues likely to arise as part of the sharing legal services programme, contributing and sharing ideas and acting as a test bed for initiatives before they are implemented.

Key to the success of the shared service is to bring together expertise in some areas of legal work. The litigation and employment groups are examples of this and we are now adding a further expert service for commercial law. This will bring together – over time – all the government's commercial law work and people in a single team which will be better able to support both departments and the new Crown Commercial Service.

Case study: DCLG and Treasury Legal Advisors working together

Increasing the supply of housing and helping buyers onto the property ladder have been key objectives of the government's growth agenda in 2013-14.

Lawyers from the Housing Team in DCLG and HM Treasury Legal Advisers have played a central role in achieving these objectives, working together to help their client departments create the *Help to Buy* Equity Loan and Mortgage Guarantee Schemes (enabling people to buy homes with a fraction of the deposit they would normally require; and so far helping 28,000 people become homeowners). The DCLG debt aggregator, a government-backed company which is able to raise money at favourable rates and lend this on to support investment in house-building, guarantees to promote investment in affordable housing and the private rented sector by providing up to £10 billion of government guarantees.

The teams' work has been key to the design and implementation of these schemes. They have advised on the procurement of commercial partners; on state aid, regulatory and other public law aspects: and have worked in close collaboration with 'magic circle' law firms to ensure that their departments' policy outcomes were achieved in a robustly commercial manner, securing protection and value for money for the taxpayer.

Essential to the success of these projects has been the teams' close working relationships with, and in-depth knowledge of their client departments. They have also worked to establish and enhance key stakeholder relationships (for example with the Council of Mortgage Lenders and individual banks and building societies).

Equally importantly, the work has built upon and helped develop a spirit of cross-team working within TSol, and stands as a good example of government lawyers' willingness and ability to bring commercial awareness and a collaborative approach to bear in the advancement of their clients' interests.

Case study: Our Values in Action

Living by our "One Team" value has helped smooth the merger process for all involved.

Each incoming team has a dedicated TSol project manager who, with a team of colleagues, provides support and works closely with counterparts and staff representatives in the department from which the team is merging.

At every stage of the process, incoming teams are kept informed and involved. This assures them that they are part of "One Team" through a range of activities. These include Human Resources 'surgeries', Q&A documents, access to the TSol intranet, provision of training, and a bespoke "welcome event" for their team held in the run up to the merger date. All this is done to ensure that they feel part of TSol from the first day.

One lawyer from the MoJ Legal Advisers said: "We set up a subgroup of lawyers who went out to meet other advisory teams who were in TSol. This was very helpful and allowed open and honest exchange, and ensured we were far happier and more content with what we were joining."

Broader Civil Service Reform

We are playing our part in delivering the wider Civil Service Reform Plan.

In common with all government departments we are implementing the priority actions in the Civil Service Reform Plan. The progress we have made this year on the actions that are relevant to us is shown opposite.

Case study: Digital by Default

The Bona Vacantia Division (BVD) has embraced the government's Digital by Default Strategy this year by moving its services from offline to digital channels where possible.

The division introduced a method of issuing disclaimers in dissolved company cases electronically direct to the London Gazette, replacing the more traditional paper notice. The notices are collated and sent to the Gazette electronically on a daily basis. The process will provide savings of approximately £20,000 of taxpayers' money each year.

BVD moved its website onto the cross-government GOV.UK website, and is embracing the intention of the site to publish information and guidance which meets the needs of the public. The unclaimed estates list, which includes all new and historic cases yet to be claimed, is the division's largest and most popular publication and is published on GOV.UK daily, allowing people easy access to explore whether they might be entitled to share in one of the unclaimed estates listed. The new site has also made publishing information much easier for the division. GOV.UK allows the division to publish important documents and information instantly and alert their stakeholders to new updates within minutes.

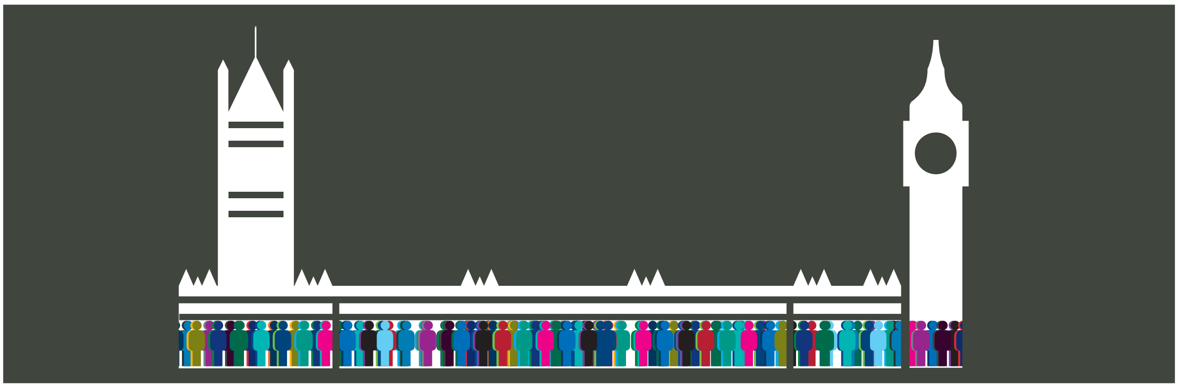
The division has joined Twitter (@bonavacantia_uk) to broaden its reach to the general public, help with general queries and inform followers of new policies and publications.

Civil Service Reform Plan Action	Progress
2. Becoming digital by default, moving more services online	We have met the requirement in the Government's digital strategy to move our publishing activities onto GOV.UK. Both the TSol and BVD websites went live on the GOV.UK platform on 11 December 2013.
3. Creating shared transactional services centres for government (HR, finance, payroll, procurement etc.)	We have opened negotiations with one of the new shared transactional service providers on the scope for transferring our payroll and finance transactional work.
4. Executing plans to share expert services across government (legal, internal audit, communications etc.)	The main action here for TSol is sharing legal services, currently regarded as a good example of progress on Civil Service Reform. TSol is also sharing services for internal audit, procurement and communications.
12. Establishing a Capabilities Plan to fill government's skills gaps	We have successfully implemented the new Civil Service competency framework, and encouraged our staff to make use of the competency self-assessment tool to help focus their learning and development and to take up their five days of learning and development.
13. Developing and managing the future leadership of the Civil Service	An approach to the handling of the annual business development review for the SCS has been agreed, with the Government Legal Service Secretariat and TSol Human Resources working closely together. We currently have four senior people in the High Potential Development Scheme and will nominate more for the 2014-15 cohorts. Common standards for promotion have been adopted.
14. Increasing secondments and interchange with the private sector	As part of a wider commitment to developing its staff, TSol supports people in undertaking secondments outside the organisation, subject to business needs. Additionally we have supported inward secondments of staff from the wider public and private sector where specific skills and expertise have been required.
17. i Creating a modern employment offer for staff	New discipline and grievance policies have been rolled out. These have been designed to reduce bureaucracy and provide simple, easy to follow procedures to ensure issues are dealt with in a fair, timely and consistent manner. In addition, changes in terms and conditions have been implemented including the consolidation in leave allowances of 1.5 privilege days for staff recruited before 1 July 2013.
17. ii Creating a modern workplace	We have well established arrangements for flexible working supported by IT and these will be further enhanced by investment in video conferencing which will enable staff to conference with colleagues, clients and suppliers across the UK, and potentially witnesses that have access to video conferencing facilities. In addition the introduction of mobile phones and tablets under the banner of "TSol Smart" and "TSol Trusted" will provide better mobile communications technology to support people working away from the office. Also, in advance of the introduction of the common security pass, we made security access better for civil servants visiting our main London office, an initiative that has been well received.

Legal services to clients

Our main purpose is to deliver a high quality legal service to our clients. We have provided timely and high quality legal services to ensure client departmental priorities have been delivered while looking for innovative solutions.

Our clients have a high regard for our services and we have developed even closer working relationships with them. We have remained focused on their needs in the midst of the sharing legal services programme, with our legal teams delivering a wide range of high quality work for our clients as the case studies in this report illustrate. We have also retained a strong focus on helping our clients to reduce their legal spend by streamlining services, finding innovative and different ways to work and doing more for less.



Case study: Transparency of Lobbying, Non-Party Campaigning and Trade Union Administration Act 2014

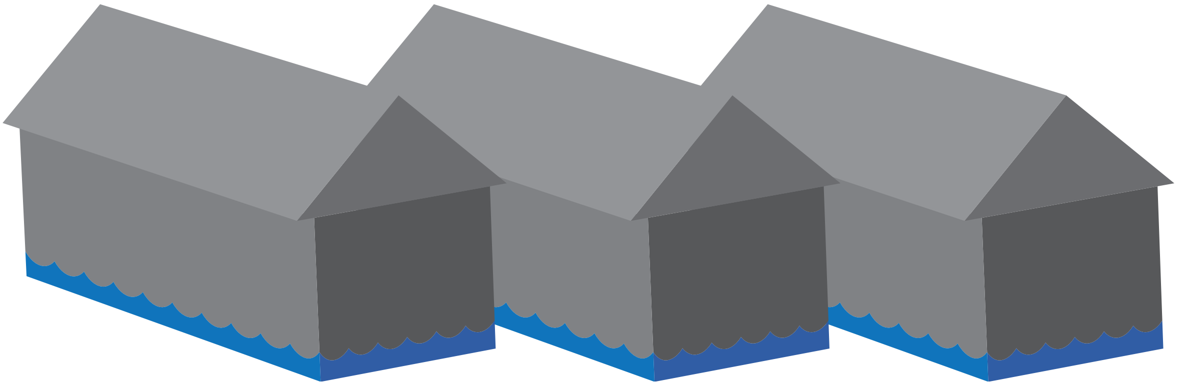
Cabinet Office lawyers had a busy year working on the complex and frequently contentious Transparency of Lobbying, Non-Party Campaigning and Trade Union Administration Act 2014.

The Bill was announced in early June 2013, and an intense period of work for TSol lawyers followed; working with Cabinet Office policy officials to support policy development and drafting instructions to parliamentary counsel. The Bill was introduced on schedule before summer recess, just six weeks after being announced.

All parts of the Bill provoked political controversy, but the most contested aspect was Part 2, which regulates the spending of 'third party' campaigners in elections. There was widespread suggestion that the Bill would prohibit campaigning on political issues by charities, voluntary groups and others. Following debate in the House of Commons, a pause in parliamentary proceedings was agreed to allow ministers and officials to consult further with representatives of civil society, campaigners and others. TSol lawyers supported ministers and officials in explaining the provisions and providing reassurance to those potentially affected, helping them explain often complex legal and drafting points.

Following the consultation, the government agreed to bring forward a significant number of amendments in the House of Lords. Again, TSol lawyers were instrumental in advising ministers, assisting policy development and working with parliamentary counsel to ensure the demanding timetable was met.

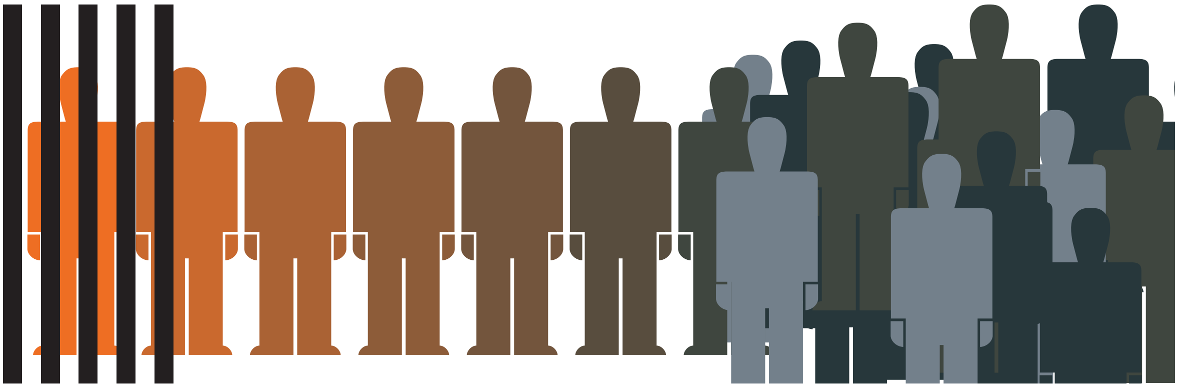
In relation to the lobbying part of the Bill, a number of difficult legal and policy issues also arose, with TSol lawyers working with colleagues across government to deliver the government's policy aims.



Case study: flood insurance

Defra Legal Advisors have been very busy over the last six months advising on new household flood insurance arrangements after the agreement between government and the Association of British Insurers expired in June 2013. DLA worked closely with Defra policy officials, HMT, DCLG, Cabinet Office and the insurance industry to find an alternative. The industry proposal to create a pool for high flood risk policies needed primary legislation to oblige all household insurers to contribute a levy to that pool. Once the Water Bill becomes law, insurers will be able to reinsure their highest risk policies in that pool enabling them to keep premiums and excesses down.

The Bill drafted by DLA gave two options, to empower the private sector to take on the design and management of the pool, and if this was not realised, to give the government the power to regulate to force the insurance industry to provide insurance. Clauses on both options were produced quickly during the summer, and were introduced into the Water Bill in time for Committee Stage in the House of Commons in November 2013. The scheme must be notified to the European Commission for approval under the state aid provisions of the European Treaties and DLA has drafted the detailed case arguing compatibility with the rules. We are also drafting regulations ready for implementation of the Bill provisions and supporting the policy team with the passage of the Bill. Once in force this Reinsurance Pool will mean insurers will be able to offer affordable home insurance to those at the highest flood risk. The scheme is expected to run for no more than 25 years, at the end of which we expect home insurance pricing which reflects the risk.



Case study: Offender Rehabilitation Bill

The Offender Rehabilitation Bill received Royal Assent on 13 March 2014. It followed ten months of impassioned debates on MoJ's wider reforms to the probation service, notwithstanding the fact that the Bill itself did not touch directly on those reforms.

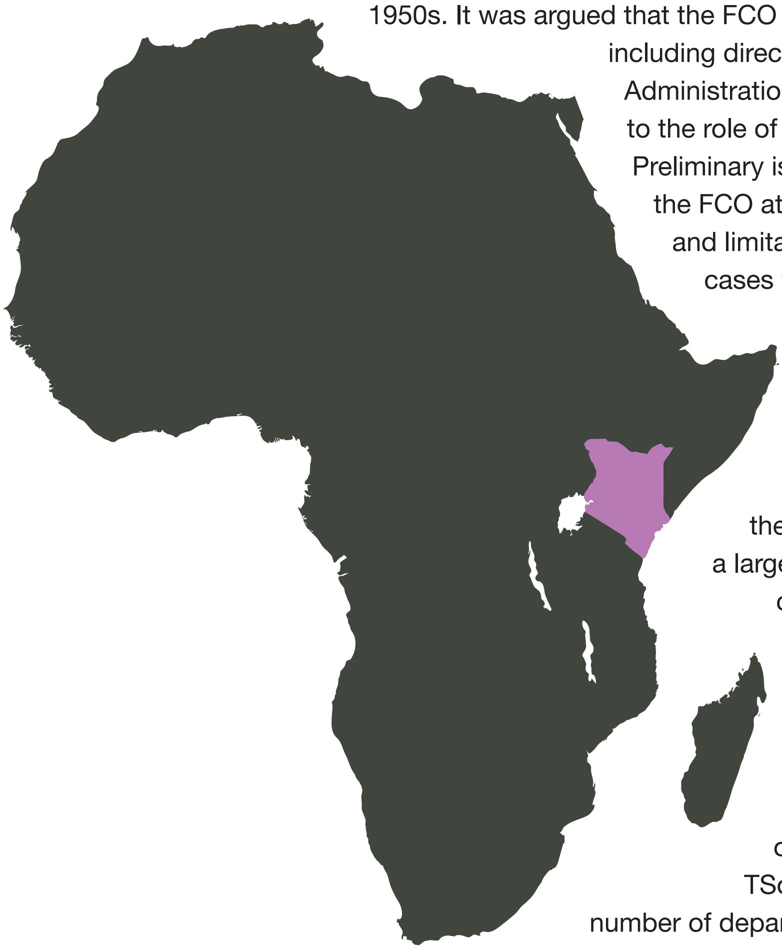
The provisions in the Bill were widely welcomed as they introduced, for the first time, a period of rehabilitative supervision in the community for the 50,000 prisoners a year released from prison sentences of less than 12 months. Preparing the Bill involved extensive work by lawyers and policy officials to design proportionate provisions that would not cut across existing sentencing practice.

Parliamentary debates however focussed on separate plans to commission supervision of low and medium risk offenders from outside the public sector. Debates took place amid Opposition criticism of these reforms, industrial action by probation unions, threats of judicial review and widespread press coverage of problems with existing electronic monitoring contracts.

The risk register for the probation reforms was leaked the night before Report Stage in the House of Lords and Lord Ramsbotham successfully introduced an amendment designed to prevent the re-organisation of probation without parliamentary approval.

Overturning that amendment and delivering the Bill intact, relied on an outstanding Bill team co-ordinating input from across the department to provide reassurance to peers and MPs, and the drafting of concessions on issues such as female offenders, young adult offenders, and restorative justice. Lawyers from across TSol, including the employment, commercial, advisory and litigation teams worked on the wider reforms to probation. Ministers thanked lawyers for working long hours, dealing with tricky issues at short notice and responding flexibly and at speed.

Case study: Mau Mau Litigation



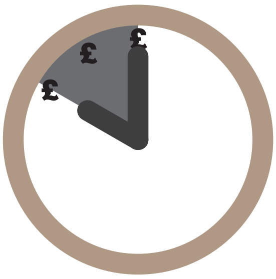
In 2009, Leigh Day issued five test cases on behalf of Kenyan nationals who alleged they suffered physical abuse at the hands of the Kenyan Colonial Administration during the 1950s. It was argued that the FCO was liable by a number of complex routes, including direct transfer of liability from the Colonial Administration on independence as well as vicariously due to the role of British Generals sent to aid the Governor. Preliminary issues were litigated for nearly four years, with the FCO attempting to strike out the claims on merits and limitation grounds. Waiting behind the five test cases were many thousands of other claimants represented by Leigh Day.

On 6 June 2013 the Foreign Secretary announced the settlement of 5,228 of the cases for a global sum of £19.9m. TSol negotiated and agreed the settlement on the FCO's behalf. The settlement represented a large discount from the full liability value of the claims, reflecting litigation risks faced by the claimants at the appeal and full trial. Legal liability was not admitted as part of the compromise, and was never established by the Court.

The settlement represented the culmination of several years of hard work, co-ordinated by TSol but involving a range of people from a number of departments including the FCO, MoD, and the Cabinet Office (who assisted with disclosure). In October 2012, the High Court had ruled that three out of five test cases could proceed to a full trial notwithstanding that they were more than 50 years out of time. This decision was being appealed by FCO with TSol preparing for a Court of Appeal hearing. TSol were simultaneously overseeing a without prejudice assessment of Leigh Day's client base with a view to advising on the value of the claims and desirable settlement parameters. This is work which ultimately led to the mutually acceptable settlement on the basis that no liability was admitted.

The settlement does not represent the end of this important work-stream, as the FCO continues to face a second phase of claims relating to the same period but on a much wider and different legal basis. These claims are subject to a group litigation order and are being defended. Until the register for notification of claims closes in May 2014 we will not know how many claims are anticipated but it is anticipated that there will be many thousands.

Case study: Litigation over pensions for part time judicial office holders



Part-time judges do not receive a judicial pension. However, in February 2012 the Supreme Court decided, following a referral to the European Court, that a Recorder, a particular type of part-time judge, was, by virtue of the Part-Time Workers Directive, entitled to a pension, pro rata, on terms equivalent to a circuit judge.

Since this claim a further 1,500 or so fee-paid judges and lay members of various Courts and Tribunals have also lodged claims for pension rights (as well as other non-pensions claims such as holiday pay and sick pay).

The Employment Group has been working to ensure that part time judicial office holders now receive their proper entitlements, in accordance with the law. Very large sums are potentially at stake and there are very many loose ends to tie up. For example, whether the period of reckonable service began on 7 April 2000, the date by which the UK government should have transposed the Directive into domestic law, or the date of appointment to the part-time post which may have been much earlier. Furthermore what sort of judges are covered? Does it extend, for example, to lay members? Does it extend to non-pension rights such as holiday pay and if so what happens in relation to claims for past years?

The Employment Group together with the MoJ Legal Team (now also part of TSol) have been working closely with MoJ policy clients to resolve these difficult points in a way that ensures that the interests of both the individuals and the tax payer are properly reconciled.

Case study: Abu Qatada

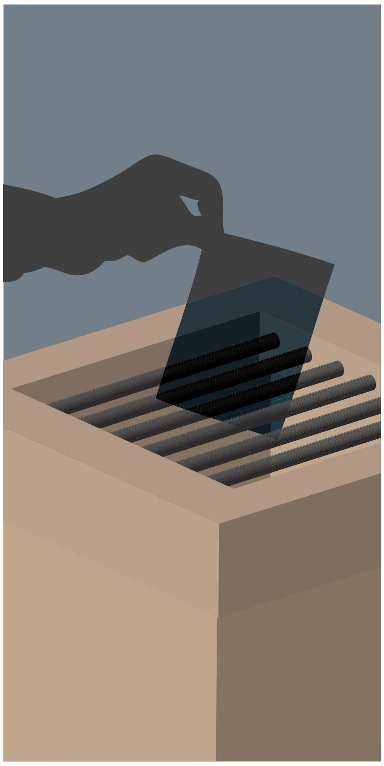
When Strasbourg blocked the decision to return Abu Qatada to Jordan it broke new ground. It was the first time a 'real risk' of 'flagrant denial of justice' had ever stopped a deportation. This was the risk of evidence obtained by torture being used in a Jordanian trial against Abu Qatada. However, the Court also approved both HMG's Deportation With Assurances programme and the closed evidence regime our system deploys to assess such risks.

We then focused on urgently gathering further evidence to permit a fresh immigration decision to be made in accordance with the new legal test. New Jordanian constitutional provisions against torture and assurances as to the civilian make-up of the prosecuting court supported our fresh decision to maintain Abu Qatada's deportation order.

Abu Qatada took this to appeal and, though the tribunal was convinced the Jordanians would do everything in their power to give him a fair trial, Abu Qatada's appeal against deportation was allowed. The Jordanian system still raised the risk that the disputed evidence might be used.

Lawyers then took a twin track approach, appealing these findings while we negotiated a Mutual Legal Assistance treaty with Jordan. Eventually, this was ratified putting it beyond doubt that Jordanian law prevented the disputed evidence being used in any Abu Qatada trial. With the ink on the Treaty still wet we dropped our appeal and made a fresh deportation decision. Abu Qatada did not challenge this and he was removed to Jordan after an appeal process stretching back eight years.

Case study: Prisoner voting



Lawyers from across TSol have been advising on the highly controversial prisoner voting litigation and the government's response to it. This year the government won the case of *Chester and McGeoch* in the Supreme Court, a crucial victory to protect the government's position.

This long-running saga began in 2004, when the European Court of Human Rights first found the UK's ban on prisoners voting to be incompatible with the right to free and fair elections in the case of *Hirst*. The Supreme Court case raised the new argument that the ban – as applied to European Parliamentary elections, local government elections and elections to the Scottish Parliament – was incompatible with European Union law and should be struck down. The Attorney General appeared personally to defend the government's position and a team of lawyers from Cabinet Office Legal, Cabinet Office European Legal Division, the Attorney General's Office, Ministry of Justice Legal Directorate and the Justice and Security Litigation Team collaborated in support. The government was successful in all of its EU law arguments and the Prime Minister described the judgment as a "great victory for common sense".

Meanwhile, a Joint Committee of MPs and peers scrutinised the government's draft Voting Eligibility (Prisoners) Bill. The Bill, drafted by Parliamentary Counsel on instructions from Cabinet Office Legal, is unusual in that it contains three options for Parliament to choose from. TSol lawyers assisted with the government's written evidence to the committee and worked in support of the ministers who gave oral evidence. The Committee has since published a report recommending that prisoners should be able to vote if they are serving a sentence of 12 months or less or are within 6 months of a scheduled release date.

Litigation and Employment Group Initiatives

The Employment Group has been helping departments to reduce their spend on external law firms. Both litigation and advisory work that would previously have been sent to external suppliers is now coming to TSol with resultant savings. In addition the Group has been increasing its involvement in the transactional employment elements of outsourcing and insourcing contracts. This sort of work has often been done by the private sector in the past and the increased capability to do this work within our Employment Group has also lead to savings. The Group has also been working with departments on producing litigation strategies aimed at getting to the desired result in cases more quickly. This is not about settling cases (although if a case is going to settle then it is better to do it sooner rather than later) but rather about getting to the end point as cost effectively as possible.

Advisory Management Information

We have successfully implemented a new system for collecting management information from across our advisory divisions. Up until that point we had a number of different systems for capturing information in our advisory divisions, making it difficult to draw together an overall picture of advisory time and outputs. However the new teams have significantly increased the size of the advisory practice and the opportunity to innovate and achieve further efficiencies. This required data to enable us to get a better understanding of the work done to enhance client reporting and communication, support business planning and resource allocation, support the identification and implementation of improved ways of working, and enable us to benchmark across the organisation and assess the success of key initiatives.

A user group has been established to help embed the system and suggest areas for improvement.

Knowledge Management

This year we have completed Phase 1 of our project to produce our Knowledge Management Strategy. This has been mainly about gathering and assessing evidence and identifying early options for change. Several quick wins and early actions have already been identified including training and looking at the use of subscription services which will assist in affirming a knowledge culture. Future phases will focus on changes to practices and procedures to embed knowledge management and will look at proposals for longer term change including the use of possible IT solutions.

Relationship Management

Client care is delivered through our relationship management network. We have 35 relationship managers covering 38 of our clients. All relationship managers have agreed objectives with their clients and these are reported on quarterly for our four largest client departments and every six months for the rest. The relationship managers of clients where we have in-house legal teams give monthly updates on the relationship as part of our monthly operational and performance reporting. We hold quarterly relationship manager forums to discuss best practice on how to deliver a value for money service focused on our clients' needs. Our relationship with our clients is part of our formal induction process and we deliver client care training as part of our in-house training programme. During 2013-14 we have produced newsletters, leaflets and delivered training on disclosure, e-disclosure and the Jackson reforms as well as more general training.

Supporting our people

Our aim is to ensure that we continue be the best for our people, both longstanding members of the department and those that have joined us more recently or are due to join in the future. Our staff say that we are a great place to work.

TSol is committed to supporting personal and career development, striving to provide access to relevant opportunities that suit the individual. We encourage regular development discussions to ensure that the individual receives the training that matters to them the most. We also operate a mentoring scheme and various career development programmes, including the opportunity to move around the organisation, so our lawyers can build skills and experience in different areas of law.

All members of staff have access to our continuing professional development accredited in house training programme We also coordinate the Government Legal Service training programme, and work alongside Civil Service Learning to help our staff to make best use of their extensive catalogue.

We delivered three in-house training programmes, involving 140 courses and providing around 12,000 professional skills training opportunities for TSol and the wider Government Legal Service during 2013-14.

All generic training is now provided by Civil Service Learning via the common online curriculum.

With TSol both changing and growing, the helping of new members of staff to settle in and learn about the organisation in which they work is more important than ever. We have therefore reviewed and refreshed our induction offerings including a new look induction day, "Top Tips" guides and new induction guides for senior staff (Director and Director General level). We are also giving our successful mentoring scheme a fresh look to provide the opportunity for more staff to develop and practice their coaching skills and increase support for those learning a new role or considering their future career.

We have begun a review of our promotion process to ensure that it is transparent and fair and meets both the business need for suitably skilled senior lawyers to fill vacancies with minimal delay, as well as the aspirations of lawyers for career development. We are also reviewing the progression of junior lawyers to lawyers in the new organisation.

A development moves pilot for lawyers, which was launched in January 2014, is trialling a new way of moving people around the organisation primarily for career development purposes. If successful it will become a formal part of our core offer to staff. Our current policy for moving lawyers is being reviewed as a result of Sharing Legal Services and we want to highlight opportunities for lawyers across the organisation in a more coherent way. Developing a more robust and transparent process will help relieve business pressures due to vacancies while providing additional opportunities for people to develop their talents and refresh their skills. The ultimate prize will be a more agile and engaged workforce, developing their skills and experience in a coherent way. Increasing the size of the organisation to c1,800 staff, with more people based outside our main London office, means we will have to look at the organisation and structure of Human Resources and our management processes to create a new Human Resources offer and ensure policies and process are workable and fair.

A major recruitment campaign was undertaken during 2013 for lawyers and junior lawyers. The campaign attracted 584 applications, demonstrating that TSol is seen as an attractive employer for lawyers. In excess of 90 lawyers were recruited to fill vacancies in Litigation and Employment Groups and our Advisory Divisions and help reduce the number of temporary legal staff.

Legal Trainee Scheme

We have also embarked on a review of our legal trainee scheme to ensure it supports the development of lawyers and continues to produce the high standard of government lawyer required to meet the needs of the new organisation. In the short term it is hoped that the review will bring immediate improvements to benefit this year's new recruits while more comprehensive proposals are developed and implemented in advance of next year's recruitment.

Case study: Natasha Glover, Legal Trainee

The TSol legal trainee scheme takes trainees through four placements or "seats" lasting six months each where we train to become qualified lawyers. I have completed three seats and have recently started the fourth, all providing very different learning opportunities.

My first seat was in the public facing Bona Vacantia Division which covered the unique law relating to *bona vacantia*, or "ownerless goods" resulting from people who have died without a will, or companies that have gone out of business. During this seat I was encouraged to attend TSol led in-house training courses which would contribute to my wider development in preparation for becoming not only a TSol lawyer, but also a GLS lawyer.

My case management, negotiation and drafting skills were tested in one of TSol's immigration litigation teams. This work was high volume and highly topical. During the seat, I attended immigration and public law training presented by immigration colleagues as well as completing the compulsory modules of the Professional Skills Course (PSC) covering advocacy, client care and professional standards and finance.

Next, I was co-located with the client at the MoD Central Legal Services (CLS) where some of the work I assisted with was high profile, giving me the opportunity to attend an inquiry and the High Court to observe the cross examination of witnesses and applications for various orders respectively. I took full advantage of the MoD CLS in-house training programme which covered areas specific to the team and the MoD.

For my final seat I am at Defra Legal Advisers where again, some of the work is high profile and highly topical, for example it is related to this year's flooding. I look forward to completing the elective modules of the PSC and attending further in-house training courses, where I can focus on developing my skills and deepening my legal knowledge in preparation for qualification in September 2014.

Staff Engagement

Against the backdrop of considerable change we were pleased with our results from the Civil Survey People Survey. Our overall response rate increased to 79% and our staff engagement index increased to 61%, up 1% from last year and 3% above the Civil Service average.

The survey helps us understand what is necessary to reinforce and maintain what people value about working in TSol and take action where challenges are identified.

We targeted our action on six main areas following the 2012 survey: leading and managing change; my line manager; pay and benefits; learning and development; resources and workload; and inclusion and fair treatment. It is encouraging that results improved in most of these areas with the most significant improvements on learning and development. This demonstrates that our career development strategy is effective. The results also recognised improvements in how we lead the organisation and manage change. As an organisation we are doing more to ensure that our people have the opportunity to contribute their views before decisions are made that affect them.

As in previous years a corporate action plan has been developed and divisional directors have developed their own action plans to ensure we continue to improve and tackle the areas with the lowest scores or where we think we can make the most difference. We will be focussing on 'one organisation' by engaging people in developing a new culture and values for the new, larger organisation.

Partnership

We have continued to maintain a positive working relationship with the trade unions. Human Resources regularly meet the unions on an informal basis to discuss a range of issues that have an impact on union members and there are also regular formal partnership meetings which include representatives from across the business. Business managers are also encouraged to meet with trade union colleagues at an early stage where resourcing levels or workloads may be changing. During 2013-14 there have been discussions on a number of topics including: chargeable hours' targets, particularly for administrative grades; distribution of box marks across diversity groupings; the shared legal services implementation programme; and accommodation issues in our main London office.

Diversity and Equality

We continue to promote equality for all regardless of gender, gender reassignment, race, age, religion or belief, sexual orientation, marriage and civil partnership, pregnancy and maternity or disability and we continue to maintain a strong profile of women, black and minority ethnic, and disabled staff at senior civil service (SCS) level and in feeder grades to the SCS, in particular.

The gender breakdown as at 31 March 2014 is as follows:

	Male	Female
Board members	4	4
Non executive directors	2	2
SCS (excluding Board members)	48	44
Employees	491	689

The proportion of black minority and ethnic staff at SCS pay band 1 is 11.0%. The proportion of total staff is 20%. Levels of disabled staff (5.1% of the SCS) compare favourably with comparable grades elsewhere, supported by efficient arrangements for assessments and the implementation of reasonable adjustments for those who require them.

We support and promote the government's agenda for "a dramatic improvement in diversity" and as part of this commitment held a diversity and equality week in January 2014. This involved a series of talks and workshops, including a talk by Sir Paul Jenkins about his role as the Civil Service Diversity Champion, and intranet updates during the week with useful links, questionnaires and details of recommended training.

TSol became the 400th signatory to the Law Society's flagship Diversity and Inclusion Charter. We are the first government department to sign up to the charter, which commits providers of legal services to diversity and inclusion in their business.

Our Diversity and Equality Group (chaired by the Deputy Treasury Solicitor) continues to play an important role, supporting our obligations under the Equality Act 2010. The group helps to ensure that equality and diversity are embedded in all of our projects and policy making. It has developed guidance and worked with project teams to ensure that diversity and equality considerations have been taken into account in a range of areas, including assisting with and reviewing equality analyses. Equality analyses are conducted by TSol for all proposed new policies developed by Civil Service Employee Policy, before they are implemented in the department.

The Group has reviewed the results of the 2013 Staff Engagement Survey to ensure that we continue to promote equality and that TSol is seen as a fair and diverse place to work, and has developed action plans for areas identified for development. This includes working with Human Resources to encourage all staff to ensure that their personal data is up to date on the Human Resources Trent system. In that way the department can monitor its employment activities to ensure there is no adverse effect on protected groups.

We have three diversity officers who act independently of management and who support colleagues in confidence with diversity issues in a variety of situations, including allegations of discrimination or harassment. One of these has a specific role as a Disability Officer.

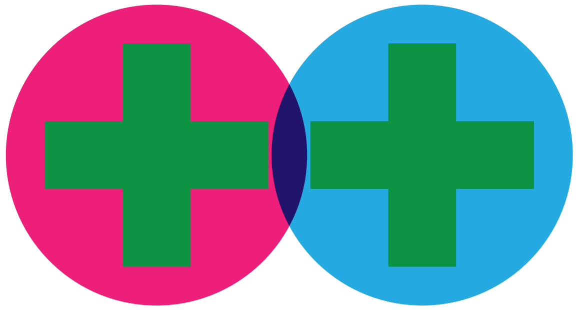
Our equality and diversity statement and information on our diversity profile and gender pay gap is available at www.gov.uk/tsol

Whitehall Internships Programme

TSol once again took part in the Whitehall Internships Programme, a scheme run by the Social Mobility Foundation (SMF) and supported by the Cabinet Office. This offers two week placements to students from less advantaged backgrounds, aimed at helping them to have better opportunities in the future. Our Communications Team prepared an exciting programme of meaningful work for our two 2013 interns, including meeting a variety of team members to learn about the work we do, visiting the courts and the Attorney General's Office, and meeting the Prime Minister in No 10 Downing Street. Feedback from this scheme has been extremely positive and we received the following thanks from the two 2013 interns:

> *"Both of us have benefitted massively from our time in the department and we had an interesting, informing and a realistic introduction into the civil service. We leave at the end of these two weeks having met some lovely people across the government who work hard. To all you who gave up your time and efforts to give us an experience that we will never forget, thank you very much!"*

This valuable scheme has become a regular fixture in our year and complements our other work experience programmes including another SMF programme run in DCLG and Home Office Legal Advisers, the Government Legal Service's Summer Vacation Placement Scheme, the Law Society's Diversity Access Scheme and the Windsor Fellowship Initiative



Health and Safety

We are committed to providing a safe and healthy working environment.

A Health and Safety Awareness Fortnight was held in October 2013 to remind everyone that health and safety is something that affects us all and that we all have a responsibility for maintaining a healthy and safe environment. This started by focusing on health and wellbeing at work, including a healthy eating road show and information on opportunities to get fitter, including how to build exercise into the working day. The second week focused on safety at work.

We signed up to the Public Health Responsibility Deal which commits us to promoting employee health and wellbeing. We have pledged to support this by:

- supporting staff with chronic and mental health conditions in the workplace
- promoting walking and cycling to work
- enabling staff to choose and maintain a healthy diet while at work
- provision of staff health checks including continued access to monthly GP services in our main London office

Overall sickness absence was an average of 6.3 working days lost per person per year (2012-13 7.3 days). A quarterly update of TSol's sickness absence can be found on www.data.gov.uk

Sustainability Performance

All departments are required to participate actively in developing action plans to achieve and report their performance against the Greening Government Commitments (GGC). Our performance is reported in the Sustainability Report at Annex A (page 47)

Community and social matters

TSol operates at the heart of government, and one of our values is "we take pride in working together across government." In 2013-14, Sir Paul Jenkins was a member of the Civil Service Steering Board, the Civil Service Capability Board and the Permanent Secretaries Employee Relations Group. He was also the Civil Service Diversity Champion and sat on the Board of the Minority Ethnic Talent Association (META).

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.

Financial Review

Our ambition is to deliver savings in line with the financial challenges faced by our clients. We are committed to ensuring that our clients benefit promptly from efficiencies made.

Income

Total operating income (excluding disbursement income) for the year was £100.5m (2012-13 £81.5m), an increase of 23%.

Our income from legal fees and charges to clients increased this year due to the increased demand for our services, in particular in relation to immigration caseload, and the new teams joining TSol.

Our other income includes income from subletting accommodation at One Kemble Street and Riverside Chambers in Taunton, income from secondments out, subscriptions for the Legal Online Network (LION) and the recovery of the cost of Bona Vacantia Division from the Crown's Nominee Account.

Expenditure

Our administration costs (excluding disbursements) this year were £95.6m (2012-13: £78.6m), an increase of 22%. 83% of our operating costs are staff costs and these are higher this year as staff numbers have increased as a result of the transfer in of in-house legal teams from other government departments to TSol and as demand for our services has increased. Staff at Grade 6 and below also received an average 1% pay award. The Senior Civil Service also received an average 1% pay award in 2013.

We continue to employ agency staff where there is an urgent need for operational front line staff and to provide some flexibility to cope with changes in demand. Spend this year was £9.1m (2012-13: £5.2m). Agency staff accounted for 15% of total headcount during the year (2012-13: 11%). To reduce our reliance on temporary staff we undertook a successful large scale external legal recruitment exercise during the year and appointed over 90 permanent members of staff as a result. A further recruitment exercise was launched in January 2014 covering our Litigation Group and Advisory Divisions. Interviews were conducted in late March and we expect to make a number of appointments before the summer. This recruitment campaign made greater use of online and social media to broaden the scope of marketing activity.

Spend on professional, programme and technical services resources, used to support the development of our Case Management System, was £296k in 2013-14 (2012-13: £251k). There was no spend on consultancy (2012-13: £1k).

Non staff costs decreased by £0.8m. These costs are mainly related to accommodation and back office services.

Expenditure on legal disbursements was £36.6m of which £35.1m was recovered from clients resulting in a net cost to TSol of £1.5m. The latter costs relate to cases where the Attorney General is the client which are funded from the Parliamentary Vote (£0.9m) and disbursements relating to Defra and DCLG which are covered by fixed fee arrangements (£0.6m). 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.

Operating Surplus

The net operating surplus for the year was £3.3m (2012-13: £1.4m).

Capital Budget

Capital investment was £1.6m. We have invested in IT to support Sharing Legal Services and to deliver the actions necessary to implement the Civil Service Reform plan. This investment will support flexible working and the provision of a modern workplace. This is in addition to IT spend to maintain the IT infrastructure. We have also had to undertake a limited accommodation programme to cater for the needs of a growing organisation requiring investment in new furniture.

Financial position

TSol employs capital of £16m at 31 March 2014 comprising total assets of £34.6m, current liabilities of £16m and non current liabilities of £2.6m.

Cash flow and debtors are both closely monitored throughout the year 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 cashflow. We ended the year with cash of £628k (2012-13: £5.9m) and a debtor balance of £11.1m (2012-13: £5.6m). The increase in debtors reflects the timing of our invoicing and the new teams.

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

Details of pension arrangements can be found in the Remuneration Report and note 1.9 to the accounts.

Payment of Suppliers

We are 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). As a small government department the government's 5-day target for SME (small and medium enterprise) suppliers to receive payment does not apply to TSol.

During the year the Department paid 80% (2012-13 80%) of all undisputed invoices within 10 days of receipt in line with the commitment to pay all suppliers promptly.

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 Account 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 2014. The accounts were authorised for issue on the same date as the certificate of the Comptroller and Auditor General to the House of Commons.

4. Governance

Governance Statement

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, 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
- **Oliver Heald MP**, Solicitor General

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 – and non executive directors. 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 2014 was as follows:

Executive members

- **Jonathan Jones**
  HM Procurator General and Treasury Solicitor
- **Peter Fish**
  Deputy Treasury Solicitor
- **Claire Johnston**
  Director General
- **Anne McGaughrin**
  Divisional Legal Director
- **Susanna McGibbon**
  Divisional Legal Director
- **Stephen Parker**
  Divisional Legal Director
- **Valerie Cain**
  Client and Corporate Resources 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. Formerly Senior Independent Director and Chair of Audit Committee of TT electronics plc; 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 for many years a senior partner of PricewaterhouseCoopers LLP.

- **Celia Carlisle** (appointed September 2013) – A consultant who has spent most of the last 20 years in commercial roles working on major infrastructure projects. Previous roles include General Counsel at the Olympic Delivery Authority 2006 to 2012; Director at Jarvis PLC 2001 to 2004; Senior Counsel at Edison Capital 1999 to 2001.
- **Oonagh Harpur** (appointed September 2013) – Senior Advisor to Tomorrow's Company. Previous roles include: Partnership Secretary at Linklaters LLP 2002 to 2011; CEO at Enterprise Insight 2000 to 2002; CEO at HUB Initiative, Institute of Directors 1997 to 2000; Principal Executive at Berwin Leighton, 1988 to 1994.
- **Jeremy Newman** (appointed September 2013) – A Chartered Accountant and member of the TSol Audit and Risk Committee. Also Chair of the Audit Commission since 2012; a non executive and Chair of the Audit and Risk Committee of the Crown Prosecution Service since 2012; and a non executive director, member of the Investment Committee and Chair of the Audit Committee of the Social Investment Business Group since 2013. Previously Global CEO of BDO, one of the world's largest accounting firms, and prior to that Managing Partner of BDO's UK firm.

During 2013-14 Board membership changed due to the appointment of three new non executive directors and some members leaving TSol. Sir Paul Jenkins KCB QC, HM Procurator General and Treasury Solicitor and Chair of the TSol Board retired on 28 February 2014 and was replaced by Jonathan Jones from 1 March. Gill Aitken, DWP Director General Legal Services joined the Board in October 2013 and left the Board in January 2014.

On 1 April 2014 the Board membership changed to reflect the new structure of the organisation. It comprises the Treasury Solicitor (Jonathan Jones), three non executive members (Celia Carlisle, Oonagh Harpur and Jeremy Newman), three Directors General (Peter Fish and Claire Johnston, with Stephen Braviner-Roman taking up post in June 2014), and a People and Change Director (Valerie Cain). In addition Nick Payne has been appointed to a new Board role of Finance and Operations Director and he will take up post on 1 June 2014. Anne McGaughrin, Susanna McGibbon and Stephen Parker stepped down from the Board on 31 March 2014. Tim Hurdle will step down on 31 May and David Crowther will leave the Board in June 2014.

Work of the Board and attendance

The Board met 10 times during 2013-14 with attendance as follows:

Executive Members	Attendance
Jonathan Jones	6/6
Sir Paul Jenkins	7/9
Peter Fish	10/10
Claire Johnston	8/10
Gill Aitken	3/3
Susanna McGibbon	10/10
Anne McGaughrin	7/10
Stephen Parker	10/10
Valerie Cain	10/10
Tim Hurdle	10/10
Non Executive Members	
David Crowther	8/10
Celia Carlisle	6/6
Oonagh Harpur	6/6
Jeremy Newman	5/6

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

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 one non-executive director, in addition to the Chair, 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 2013-14. In addition to providing the Treasury Solicitor, as Accounting Officer, with assurance over the preparation and audit of the Annual Report and Accounts for 2012-13, the Committee considered the findings contained in 18 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 Communications, Shared Services Progress Review, Security Policy Framework Overviews, Procurement Shared Services, CMS Billing, Performance Management, Fees and Charging, Data Mining, BVD Casework Management, Governance Arrangements, New Government Security Classification policy implementation plans and Internal Audit's advice to the sharing legal services programme board. In addition the Committee considered key controls, evidence supporting the Governance Statement and regular updates on the work of the Security Team. Business area reviews were introduced in 2012-13 to allow the Committee to discuss risks and particular issues with individual Heads of Group/Division. In 2013-14 there were two such reviews, of the Human Resources Division and the Sharing Legal Services Programme.

The Operations Committee, chaired by the Deputy Treasury Solicitor, oversees the performance of TSol against its Business Plan and manages departmental risks and issues. It met 11 times in 2013-14. The membership includes Directors from across the organisation and often a non executive member also attends.

Board Members' interests

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

The Board's performance

In 2013-14 the Department took action to implement the recommendations from the Board's evaluation process in the previous year in line with guidance issued by the Cabinet Office. This includes a requirement for the Board to undertake an assessment of its own effectiveness to meet the requirement for inputs from the Accounting Officer and the Board to the annual governance statement. As well as reviewing progress on previous recommendations, the Board analysed the nature of its decisions during the year and undertook an end year evaluation of its performance as a Board. This evaluation concluded that although the Board is on its way to maturity, given that TSol will have a new Board from 1 April 2014, it should repeat some of the Cabinet Office evaluation process completed in previous years and review and refresh the Board development plan, moving rapidly to the maturity and effectiveness stage by March 2015. In addition the Board agreed to improve the visibility of the Board sub-committees.

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"*) but has appointed Jeremy Newman as lead NED to support Jonathan Jones as Chair of the TSol Board.

As a result of the shared legal service programme the Department is reviewing its governance arrangements to ensure that they are fit for purpose to support a much larger and more dispersed organisation. This review is taking into account the good practice in the Corporate Governance Code, where appropriate for a small non-ministerial department, and will result in a smaller board with a greater proportion of non executive directors.

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

A Risk Improvement Group, which is not part of the governance structure, met in May 2013 to share best practice, promote risk improvement and raise awareness, share risk lessons learned and provide additional challenge to risk registers.

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 to the Operations 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, which would damage relationships with TSol and 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
- a lack of resource capacity and/or capability that impacts on the delivery of the service clients need
- TSol does not successfully 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
- the level of organisational change and our capacity and capability to deliver it

Security and business continuity

Client data security remains critical and is assured by TSol's adherence to Cabinet Office Security Standards, maintaining ISO 27001 certification and Government Secure Intranet (GSI) accreditation.

TSol is currently migrating to the new Public Sector Network, following a successful accreditation exercise in 2013. We have also implemented the new Government Security Classifications Policy from April 2014, as well as working with the Cabinet Office 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.

Our disaster recovery site has remote access capacity, resilience and security, which reduces the risk of service disruption should our main London office be unavailable.

This was tested at the end of the year, when we experienced three separate IT incidents, and allowed 250 priority users to continue working on our systems.

Lapses of data security

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 manage effectively the risk of loss of personal data held by these other bodies.

During 2013-14 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 the Cabinet Office's Responsible for 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 ISO 27001:2005 standard for information security management and adheres to Cabinet Office security requirements

In 2013-14 there were no personal data related incidents formally reported to the Information Commissioner's Office. There were no other incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office (ICO) but recorded centrally within the Department.

However, following four separate incidents previously self reported to the ICO, involving un-redacted personal information being disclosed to third parties, the ICO decided that TSol had breached the Data Protection Act and issued an undertaking for TSol to agree to.

The ICO issues undertakings committing an organisation to a particular course of action in order to improve its compliance with the Data Protection Act. The undertaking is a public document, signed by the CEO or equivalent person, which effectively promises that the organisation will take all reasonable steps to ensure that there is not another similar breakdown in data protection compliance.

In TSol's case, the undertaking requires us to agree to take the following steps:

- a clear documented procedure for staff to follow when preparing information for disclosure is implemented within six months. This should incorporate a defined checking process with emphasis on the steps to be taken prior to release. The procedure should account for both sensitive personal data and personal data relating to third parties

- the communication requirements between Junior and Senior lawyers carrying out the disclosure process is defined by a structured, formal procedure with clear lines of communication and implemented within six months. The responsibilities of staff members should be clearly explained within this procedure
- a mandatory and comprehensive training programme regarding compliance with the Act for all new and existing staff is put in place within six months. This should include how training will be presented, tested, refreshed and the frequency of delivery for each

Actions have been taken to deal with all of these requirements.

Effectiveness of our risk management

Assurance is provided, inter alia, by the work of the Internal Auditors. In his Annual Assurance Report, which offers an opinion on the adequacy and effectiveness of risk management, control and governance, the Head of Internal Audit gave a substantial assurance on the effectiveness and efficiency of the Department's governance, risk management, and control arrangements.

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. This year the process was combined with planning for 2014-15 and Review Panel meetings were introduced to which individual Directors were invited to attend to be challenged on their performance, bids and fee setting for 2014-15 as appropriate.

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 the Board to identify areas of concern and if necessary to 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.

Jonathan Jones
Accounting Officer
8 May 2014

Remuneration Report

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

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
- 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

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.

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 2013) comprised: Marilynne Morgan – external chair, Paul Jenkins, Peter Fish, Rowena Collins-Rice, Claire Johnston and Susanna McGibbon with Mark Burch acting in an advisory capacity.

Consolidated awards (salary increase)

There was 1% of the SCS paybill available for distribution in 2013 to those in performance groups 1 and 2, but not to those in performance group 3. It was for individual SCS Pay Committees to determine how the 1% was distributed in departments, and the decision by the TSol Pay Committee was to:

- move people up to the new minima of the SCS Pay Bands from 1 April, as per the Cabinet Office guidance
- award Group 1 performers (top 25%) a flat rate £1,000 increase to salary
- address what was perceived by the Pay Committee as an anomaly in terms of those in SCS Pay Band 1 who had been in the SCS for some time being on or near the bottom of the pay scale

Non-consolidated performance related pay awards

In deciding non consolidated performance awards in 2013 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 2012-13:

- 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 were awarded to those achieving Performance Group 1 (the top 25%).

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.

Notes for table opposite

1. *The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to transfer of pension rights.*
2. *Figure quoted is for the period 1 April 2012 to 30 September 2012 – the full year equivalent is 130-135k*
3. *Figure quoted is for the period 19 September 2012 to 31 March 2013 – the full year equivalent is 120-125k*
4. *This represents 0.92 of a full-time equivalent salary as the individual works part-time*
5. *Figure quoted is for the period 3 December 2012 to 31 March 2013 – the full year equivalent is 100-105k*
6. *Figure quoted is for the period 1 October 2013 to 31 March 2014. The full year equivalent as Treasury Solicitor is 160-165k*
7. *Figure quoted is for the period 1 April 2013 to 28 February 2014. The full year equivalent is 160-165k*
8. *This represents 0.92 of a full-time equivalent salary as a Divisional Legal Director and full time as a Director General. The full time equivalent as a Director General is 100-105k*
9. *Gill Aitken was also a member of the TSol Board (from 24 October 2013 until 24 January 2014) although she was not a TSol employee at the time*
10. *No Directors were in receipt of any benefits in kind*

Remuneration (salary, benefits in kind and pensions):

Single total figure of remuneration

Officials	Salary (£'000)		Bonus Payments (£'000)		Pension Benefits (to nearest £1,000)[1]		Total (£'000)	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Jonathan Jones *HM Procurator General, Treasury Solicitor and Chief Executive* (from 1 March 2014) *Divisional Legal Director* (from 1 October 2013 until 28 February 2014) *Deputy Treasury Solicitor* (until 30 September 2012)	65-70[6]	65-70[2]	–	10-15	23,000	19,000	90-95	95-100
Sir Paul Jenkins KCB QC *HM Procurator General, Treasury Solicitor and Chief Executive* (until 28 February 2014)	145-150[7]	155-160	15-20	–	30,000	24,000	195-200	180-185
Peter Fish *Deputy Treasury Solicitor*	120-125	40-45[3]	15-20	–	15,000	16,000	150-155	55-60
Claire Johnston *Director General* from 20 March 2014 *Divisional Legal Director* until 19 March	80-85[8]	80-85[4]	10-15	5-10	13,000	26,000	105-110	115-120
Susanna McGibbon *Head of Litigation Group*	100-105	30-35[5]	–	–	30,000	13,000	130-135	45-50
Anne McGaughrin *Divisional Legal Director*	90-95	90-95	10-15	10-15	(104,00)	41,000	0-5	140-145
Stephen Parker *Divisional Legal Director*	115-120	115-120	–	–	0	5,000	115-120	120-125
Valerie Cain *Client and Corporate Resources Director*	90-95	90-95	10-15	–	(1,000)	60,000	105-110	150-155
Tim Hurdle *Finance Director*	90-95	90-95	–	5-10	25,000	37,000	110-115	135-140

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

	Contract end	Salary £'000		Benefits in kind (to nearest £100)		Total (£'000)	
		2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Niall Scott	June 2013	0-5[1]	15 – 20	1,800	5,500	5-10	20-25
David Crowther	June 2014	15-20	15 – 20	1,100	1,500	15-20	15-20
Jeremy Newman	September 2015	5-10[2]	–	500	–	10-15	–
Celia Carlisle	September 2015	5-10[2]	–	100	–	5-10	–
Oonagh Harpur	September 2015	5-10[2]	–	–	–	5-10	–

1. The figures quoted are for the period 1 April 2013 to 28 June 2013. The full year equivalent was 15-20k.

2. The figures quoted are for the period 9 September 2013 to 31 March 2014. The full year equivalent is 15-20k.

The Department's non-executive directors necessarily incur travelling and other expenses to attend Departmental meetings. The tax liability arising on their reimbursement by TSol 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.

Bonus Payments

Bonus payments (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 2013-14 relate to performance in 2012-13 and the comparative awards reported for 2012-13 relate to the performance in 2011-12.

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 2013-14 was £175-180k (2012-13: £155-160k).This was about 3.64 times (2012-13: about 3.32 times) the median remuneration of the workforce, which was £48,999 (2012-13: £48,254). The highest paid director received a non consolidated performance award in 2013-14 but not in 2012-13 which explains the increase in remuneration.

In 2013-14, no (2012-13: 0) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £21k to £180k (2012-13 £21k to £160k). 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 (CETV) of pensions.

Pension Benefits

Officials	Accrued pension at pension age as at 31/3/14 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/14	CETV at 31/3/13	Real increase in CETV[1]	Employer contribution to partnership pension accounts to the nearest £100
	£'000	£'000	£'000	£'000	£'000	£
Jonathan Jones *HM Procurator General, Treasury Solicitor and Chief Executive* (from 1 March 2014) *Divisional Legal Director* (from 1 October 2013 until 28 February 2014) *Deputy Treasury Solicitor* (until 30 September 2012)	40-45 plus lump sum of 125-130	0-2.5 plus lump sum of 2.5-5	742	711	17	–
Sir Paul Jenkins KCB QC *HM Procurator General, Treasury Solicitor and Chief Executive* (until 28 February 2014)	70-75 plus lump sum of 210-215	0-2.5 plus lump sum of 5-7.5	1,595[2]	1,471	33	–
Peter Fish *Deputy Treasury Solicitor*	30-35 plus lump sum of 90-95	0-2.5 plus lump sum of 2.5-5	575	526	11	–
Claire Johnston *Director General* from 20 March 2014 *Divisional Legal Director* until 19 March	25-30 plus lump sum of 85-90	0-2.5 plus lump sum of 0-2.5	554	509	10	–
Susanna McGibbon *Head of Litigation Group*	25-30 plus lump sum of 80-85	0-2.5 plus lump sum of 2.5-5	418	372	18	-
Anne McGaughrin *Divisional Legal Director*	35-40 plus lump sum of 105-110	(2.5-5) plus lump sum of (10-15)	753	786	(97)	-
Stephen Parker *Divisional Legal Director*	45-50 plus lump sum of 145-150	0-2.5 plus lump sum of 0-2.5	1,006	945	(1)	-
Valerie Cain *Client and Corporate Resources Director*	50-55 plus lump sum of 105-110	0-2.5 plus lump sum of (0-2.5)	1,178	1,107	(1)	-
Tim Hurdle *Finance Director*	20-25	0-2.5	258	225	13	-

1. 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.

2. CETV as at 28 February 2014

3. Non Executive Directors do not receive pension entitlement from TSol

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 6.25% of pensionable earnings for **classic** and 3.5% and 8.25% for **premium, classic plus** and **nuvos.** Increases to employee contributions will apply from 1 April 2014. 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 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.

Jonathan Jones
Accounting Officer
8 May 2014

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
- prepare the accounts on a going concern basis

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 HM Treasury.

5. Further Information

Further information on the work of the Treasury Solicitor's Department, including our corporate reports, transparency data, diversity statement and diversity analysis, and complaints procedure is available at www.gov.uk/tsol

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

Email thetreasurysolicitor@tsol.gsi.gov.uk

Main office and switchboard 020 7210 3000

6. 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 (the Agency) for the year ended 31 March 2014 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 Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Agency; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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 Agency's affairs as at 31 March 2014 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 'Our Performance' 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

12 May 2014

Annex A: Sustainability Report

for the year ended 31 March 2014

Introduction

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

Performance relates to our occupation of Floors 5-12 and 15 of One Kemble Street (OKS), London, and our Disaster Recovery site in Croydon.

Summary of performance

Our main challenge on energy reduction is that we have no control over the use of oil to heat and electricity to cool One Kemble Street which we sublet from the Civil Aviation Authority. Nevertheless we have taken various initiatives over the years to improve our energy consumption including the installation of safety and security film on the windows to minimise solar gain and contributing to the cost of a new Building Management System controlled by the landlord to improve the energy efficiency of the comfort cooling system in use in the building.

We continue to encourage the landlord to take a more proactive approach to sustainability and this has been an item on our meeting agenda for the past year. Our landlord is currently looking at installing LED lighting in the lift lobbies and there are plans to implement this in our two cafés in the near future. The landlord has also introduced solenoids for the urinals which will decrease the amount of water used.

The following factors have affected our performance this year:

- the weather. A hot summer followed by a mild winter has reduced our oil consumption. However the electricity used increased as this was needed to cool the building during the summer.
- a new print room service was introduced in 2013-14 which has increased our direct paper usage. However we are pleased that we have not reached the level of paper used between 2009-12 and have a 27% reduction in paper used in comparison to the baseline figure
- an increase in the number of staff in OKS (from 807 in April 2013 to 903 in March 2014), mainly as a result of growth in demand for our services
- the sharing legal services programme which has increased the geographical spread of the organisation. At the end of March 2014 we had staff in 14 locations across England and Wales

Sustainable 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 Crown Commercial Service framework contracts and we are subject to the Sustainability Policy which it operates.

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 products and services that are less environmentally damaging; for instance when we recently updated our computer system we introduced Thin Client units which use less energy than conventional computers
- complying with environmental legislation and regulatory requirements
- including relevant environmental conditions or criteria in specification and tender documents, and evaluating supplier offers accordingly
- raising awareness of environmental issues within the Department, and amongst suppliers and contractors

Three of TSol's suppliers are ISO 14001 accredited:

- our off-site storage provider has won the Green Fleet award for their efforts to reduce the environmental impact of their transport fleet. Our catering provider is also certified Carbon Neutral. All the disposable containers and cups used within our two cafes are environmentally responsible to reduce waste associated impacts on the business
- our print service provider complies with the WEEE (Waste Electrical and Electronic Equipment) regulations for disposal of equipment

Governance

The Department's strategy is to work with the Law Officers' Departments to meet GGC targets. Our sustainability performance is monitored quarterly by the TSol Operations Committee via a sustainability dashboard. We also report our performance to the Law Officers' Departments Sustainable Development Steering Group.

A "Green Team" has been established this year to look at good practice across government and reinforce good behaviour on sustainability. It is looking at ways to:

- raise the profile of sustainability within the organisation, highlighting the Greening Government Commitments to all and engaging everyone's support to reach the targets
- identify areas where we can improve our green credentials

The Green Team has, during 2013-14, relabelled our waste bins to ensure they are user friendly and made some suggestions to the landlord to see if there is scope for further improvement. The landlord is currently looking into introducing a separate collection for food waste.

Future Activities

A new Video Conferencing facility was installed at the end of 2013-14. This will allow staff to connect with clients and colleagues virtually across the UK. This should reduce travel costs and business related travel emissions.

The Green Team is looking at its next campaign and is likely to focus on water usage.

2013-14 Treasury Solicitor's Department Sustainability Report

Greenhouse gas emissions

		Baseline 2009–10	2011-12	2012-13	2013-14
Non-Financial Indicators (tCO_2e)	Scope 1 and 2 emissions[1]	2,411	1,668	1,772	1,782
	Scope 3 emissions (indirect – official business travel)	123	57	69	80
	Total emissions	2,534	1,725	1,841	1,862
Other Non-Financial Indicators	Number of domestic flights	198[2]	126	96	161
Related Energy Consumption (KWh)	Electricity	4,024,487	3,060,495	3,056,604[3]	3,317,851
	Oil	991,179	620,345	918,345	652,145
Financial Indicators (£)	Expenditure on energy	349,825	191,910	311,309[4]	365,123
	Expenditure on accredited offsets (e.g. GCOF)	1,270	Nil	42[5]	42
	Expenditure on official business travel	136,724	202,456	233,358	308,857

1 All previous years emissions have been recalculated to the new Defra carbon factors relevant for that year.

2 The baseline is 2010-11 as figures for 2009-10 were not available.

3 2012-13 figures have been updated.

4 2012-13 figures have been updated.

5 2012-13 figures have been updated.

Performance commentary

The GGC are that by 2015, the government will reduce:

- greenhouse gas emissions by 25%
- domestic business travel flights by 20%

TSol has achieved a 27% reduction in total GHG emissions.

Electricity consumption figures have increased from the previous year due to the hot summer and the introduction of hand driers in the toilets but we still achieved an overall decrease of 18% from our baseline.

Oil usage is 34% below baseline. This was helped by the hot summer and mild winter we recently experienced.

Our two café facilities are extensively used by up to 400 non-TSol staff in the building, resulting in additional water and 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 increased since last year. This is in part due to the new teams who have joined TSol during the year who are based in Manchester, Bristol and Leeds.

This year we have introduced new computer terminals. The average power usage with the device connected to one keyboard, monitor and mouse is under 7.2 Watts which represents 30 times less power consumption than a normal PC.

We are also working with contractors and our landlord over the use of new technology and initiatives to reduce our carbon footprint. In particular we are applying increasing pressure on our landlord to take a more proactive approach to sustainability in the building.

Waste

		Baseline 2009–10	2011-12	2012-13	2013-14
Non-Financial Indicators (tonnes)	Non-Recycled	76	6	3	3
	Total Reused/Recycled	90	112	73	94
	Energy recovery[6]	–	–	51	64
	Total waste	166	118	127	161
Financial Indicators (£)	Total disposal cost	17,616	78,412	33,106	25,340

6 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.

Performance commentary

The GGC are that by 2015:

- the government will reduce waste generated by 25%
- ensure that redundant ICT equipment is re-used (within government, the public sector or wider society) or responsibly recycled

We have not sustained the reduction achieved last year and our total waste is now 3% below baseline. We have tried various ideas to reduce our waste such as replacing hand towels with hot air dryers and the Green Group has changed the collection bins on the floors to make recycling easier. It has also relabelled the waste bins in OKS using relevant pictures to ensure ease of use. We will continue to identify possible areas for further improvement. However there are now more people in the building and we have had some accommodation moves this year that are likely to have contributed to the increase in site waste.

The increase in recyclable/energy recovery waste means that we have a large reduction in our non-recycled waste and waste per full time equivalent (FTE) member of staff has decreased by 8%.

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	2011-12	2012-13	2013-14
Non-Financial Indicators A4 Reams	47,665	36,665	28,125	34,260

Performance commentary

The GGC are that by 2015 the government will achieve a reduction in paper usage.

The paper that we currently use is recycled and used to create closed loop paper. We do not ourselves use closed loop paper. It was tested during this year with the managed print supplier and this identified issues with the print quality and increased printer maintenance. Alternatives are still being investigated.

Paper usage has increased as expected following the implementation of a new internal print room service this year. However while direct paper usage has increased (we attribute 5000 reams of paper to the print room this year) this will have resulted in a reduction in paper consumption by our external suppliers. Recycling bins are placed on all floors.

Despite this increase consumption is still 28% below baseline.

Finite resource consumption: WATER

		Baseline 2009–10	2011-12	2012-13	2013-14
Non-Financial Indicators (m^3)	Water Consumption	6,466	5,110	5,477	6,615
	m^3 per FTE	7.96	6.75	7.27	7.74
Financial indicators (£k)	Water Supply and disposal costs	13,848	17,098	10,969	11,806

Performance commentary

The GGC are that by 2015 the government will reduce water consumption with reports on water use against best practice benchmarks (ie 4m^3 per FTE).

Water consumption has increased despite the installation of new sensor taps in the toilets and changes made to the cisterns to reduce the need for double flushing which it was hoped would lead to reductions in water usage. Consumption increased during the warmer months of the year and with the increase in staff numbers has not reduced to pre-summer levels.

Our water consumption is affected by the provision of two cafés in the building which are used by TSol and non-TSol staff. However our water usage month on month in one of our cafés has been less than last year, partly due to the introduction of a new eco-friendly dishwasher which uses less water per cycle then the previous model This has resulted in a 20% reduction in water usage in this area.

We continue to work with our landlord and small savings were made by monitoring overnight usage where they were able to make minor adjustments. The landlord has also introduced solenoids for the urinals which will decrease the amount of water used.

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

Treasury
Solicitor's
Department

Treasury Solicitor's Department Agency Annual Accounts

For the year ended 31 March 2014

Statement of Comprehensive Net Income

for the year ended 31 March 2014

		2013-14	2012-13
	Note	**£000**	**£000**
Administration costs			
Staff costs	2	79,326	61,504
Other costs	3	16,319	17,077
Disbursements	4	36,606	29,904
Income	5	(135,506)	(109,907)
Net Operating (Income)		**(3,255)**	**(1,422)**
Total expenditure		132,251	108,485
Total income		(135,506)	(109,907)
Net Operating (Income)		**(3,255)**	**(1,422)**

Other Comprehensive Income

	2013-14	2012-13
	£000	**£000**
Items that will not be reclassified to net operating costs:		
Net (gain) on:		
- revaluation of property, plant and equipment	–	(157)
- revaluation of intangibles	–	(191)
Total Comprehensive Net Income for the period ended 31 March 2014	**(3,255)**	**(1,770)**

All income and expenditure is derived from continuing operations.

The notes on pages 58 to 74 form part of these accounts.

Statement of Financial Position
as at 31 March 2014

		31 March 2014		31 March 2013	
	Note	**£000**	**£000**	**£000**	**£000**
Non-current assets					
Property, plant and equipment	6	2,859		2,494	
Intangible assets	7	1,451		1,784	
Total non-current assets			**4,310**		**4,278**
Current assets					
Trade and other receivables	8	29,642		23,118	
Cash and cash equivalents	9	628		5,912	
Total current assets			**30,270**		**29,030**
Total assets			**34,580**		**33,308**
Current liabilities					
Trade and other payables	10	(15,596)		(20,663)	
Provisions	11	(442)		(504)	
Total current liabilities			**(16,038)**		**(21,167)**
Non-current assets plus net current assets			**18,542**		**12,141**
Non-current liabilities					
Provisions	11	(2,574)		(3,199)	
Total non-current liabilities			**(2,574)**		**(3,199)**
Total assets less liabilities			**15,968**		**8,942**
Taxpayers' equity					
General Fund			15,629		8,594
Revaluation Reserve			339		348
Total Taxpayers' equity			**15,968**		**8,942**

The notes on pages 58 to 74 form part of these accounts.

Jonathan Jones
Accounting Officer
8 May 2014

Statement of Cash Flows

for the year ended 31 March 2014

		2013-14	2012-13
	Note	**£000**	**£000**
Cash flows from operating activities			
Net Operating Income		3,255	1,422
Adjustments for non-cash transactions arising in the year	3	1,481	3,389
(Increase) in trade and other receivables	8	(6,524)	(671)
(Decrease) in trade and other payables	10	(5,067)	(1,851)
Less movements in payables relating to items not passing through the Statement of Comprehensive Net Income		4,926	1,827
Use of provisions	11	(501)	(545)
Net cash (outflow) from operating activities		**(2,430)**	**3,571**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(921)	(989)
Purchase of intangible assets	7	(354)	(201)
Net cash (outflow) from investing activities		**(1,275)**	**(1,190)**
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		11	69
Transfer of deemed supply to other departmental entities		(1,590)	(4,193)
Net Financing		**(1,579)**	**(4,124)**
Net (decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**(5,284)**	**(1,743)**
Payments of amounts due to the Consolidated Fund		–	–
Net (decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	9	**(5,284)**	**(1,743)**
Cash and cash equivalents at the beginning of the period	9	**5,912**	**7,655**
Cash and cash equivalents at the end of the period	9	**628**	**5,912**

The notes on pages 58 to 74 form part of these accounts.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2014

	Note	General Fund	Revaluation Reserve	Total Reserves
		£000	**£000**	**£000**
Balance at 1 April 2012		**9,385**	**102**	**9,487**
Changes in taxpayer's equity for 2012-13				
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)
Comprehensive Net Income for the year		1,422	–	1,422
Non-cash adjustments:				
Auditors' remuneration	3	66	–	66
Movements in Reserves				
Net gain on revaluation of plant, property and equipment		–	157	157
Net gain on revaluation of intangible assets		–	191	191
Transfer between reserves		102	(102)	–
Total recognised income and expenditure for 2012-13		**(791)**	**246**	**(545)**
Balance at 31 March 2013		**8,594**	**348**	**8,942**
Changes in taxpayer's equity for 2013-14				
Net Parliamentary Funding: drawn down		11	–	11
Net Parliamentary Funding: deemed		5,912	–	5,912
Transfer of deemed supply to other departmental entities		(1,590)	–	(1,590)
Supply payable adjustment		(628)	–	(628)
Net Operating Income for the year		3,255	–	3,255
Non-cash adjustments:				
Auditors' remuneration	3	66	–	66
Movements in Reserves				
Net gain on revaluation of property, plant and equipment		–		–
Net gain on revaluation of intangibles		–	–	–
Transfers between reserves		9	(9)	–
Total recognised income and expenditure for 2013-14		**7,035**	**(9)**	**7,026**
Balance at 31 March 2014		**15,629**	**339**	**15,968**

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

The notes on pages 58 to 74 form part of these accounts.

Notes to the Accounts

1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2013-14 *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 and where material 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.

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.

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 2013-14 to the same pattern.

1.8 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.

1.9 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.

1.10 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.

1.11 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.

1.12 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 13 (Commitments under operating leases) are not discounted.

1.13 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 1.9 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 0.65 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.

1.14 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.

Some elements of operating income are subject to and stated net of VAT.

1.15 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 18 to these accounts.

2. Staff numbers and related costs

2.1 Staff costs comprise:

				2013–14	2012-13
		Permanently employed staff	Others	Total	Total
	Note	£000	£000	£000	£000
Wages and salaries		54,352	–	54,352	43,555
Social security costs		4,607	–	4,607	3,580
Other pension costs		11,163	–	11,163	8,945
Sub Total		**70,122**	**–**	**70,122**	**56,080**
Agency and contracted staff		–	9,095	9,095	5,248
Inward secondments		–	109	109	176
Total		**70,122**	**9,204**	**79,326**	**61,504**
Less recoveries in respect of outward secondments	5	(1,190)	–	(1,190)	(1,138)
Total Net Costs		**68,932**	**9,204**	**78,136**	**60,366**

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

For 2013-14, employers' contributions of £11,087,811 were payable to the PCSPS (2012-13: £8,868,272) 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 reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £71,426 (2012-13: £76,419) 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 (2012-13: 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 (2012-13: £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.

One member of staff retired early on ill health grounds (2012-13: Nil); the total additional accrued pension liabilities in the year amounted to £nil (2012-13: £nil).

2.2 Average number of persons employed

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

	2013–14			2012–13
	Number			Number
	Total	Permanent Staff	Others	Total
TSol	1,283	1,090	193	1,046
Total	**1,283**	**1,090**	**193**	**1,046**

No staff costs were capitalised in 2013-14.

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

	2013-14			2012-13		
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	–	1	1	–	–	–
£10,000 – £25,000	–	2	2	–	–	–
£25,000 – £50,000	–	1	1	–	1	1
£50,000 – £100,000	–	–	–	–	1	1
£100,000 – £150,000	–	1	1	–	1	1
£150,000 – £200,000	–	–	–	–	4	4
£200,000 – £250,000	–	–	–	–	–	–
£250,000 – £300,000	–	–	–	–	1	1
Total number of exit packages by type	**–**	**5**	**5**	**–**	**8**	**8**
Total resource cost/£	**–**	**204,249**	**204,249**	**–**	**1,191,993**	**1,191,993**

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

	Note	2013-14 £000	2012-13 £000
Rentals under operating leases			
Hire of plant and machinery		362	192
Other operating leases		3,690	3,720
		4,052	**3,912**
Non-cash items			
Depreciation	6	924	916
Amortisation	7	664	573
Loss on disposal of non-current assets		13	4
Increase in provisions		3	1,939
Provisions not required written back	11	(123)	(174)
Borrowing Costs (unwinding of discount)	11	(66)	65
Auditors' remuneration[1]	11	66	66
		1,481	**3,389**
Other expenditure			
Accommodation		1,938	1,647
Rates		1,641	1,610
Library information services		1,533	1,451
IT maintenance, consumables and network services		1,211	981
Recruitment		792	322
Training		409	242
Utilities and cleaning		298	236
Professional programme and technical services		296	251
Postal services		270	292
Stationery		261	215
Publications		241	153
Records management		234	210
Office machines and consumables		213	135
Early departure costs		204	1,116
Travel and subsistence		198	173
External HR Services		134	133
Communications		116	4
Welfare supplies and consumables		111	101
Subscription fees		100	82
Internal Audit		63	63
Other expenditure		523	359
		10,786	**9,776**
		16,319	**17,077**

[1] Auditors' remuneration represents the notional audit fees of £66k (2012-13: £66k) for the Treasury Solicitor's Department Agency Account. There was no auditor remuneration for non-audit work.

4. Disbursements

	Note	2013-14 £000	2012-13 £000
Recoverable from client departments	5	35,052	28,410
Funded from Supply		936	906
Disbursements recovered from fixed fees		618	588
Gross expenditure		**36,606**	**29,904**

5. Income

5.1 Analysis of income by classification and activity

	Note	2013-14 £000	2012-13 £000
Legal fees and charges to clients		92,311	73,656
Recovery of costs *Bona Vacantia*		3,779	3,775
Recovery of secondments out	2	1,190	1,138
Rental income		1,070	950
Tenant service charges		718	591
LION Subscription		1,052	1,103
Other income		334	284
Total Operating Income		**100,454**	**81,497**
Disbursements	4	35,052	28,410
Total Administration income		**135,506**	**109,907**

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.

	2013-14			2012-13		
	Income £000	Full Cost £000	Surplus/ (deficit) £000	Income £000	Full Cost £000	Surplus/ (deficit) £000
Income						
Legal fees and charges to clients	92,311	87,129	5,182	73,656	70,117	3,539
Disbursements	35,052	35,052	–	28,410	28,410	–
Recovery of costs from Bona Vacantia	3,779	3,779	–	3,775	3,775	–
Other income	4,364	4,364	–	4,066	4,066	–
Non-chargeable work	–	2,244	(2,244)	–	2,201	(2,201)
Total (TSDA)	**135,506**	**132,568**	**2,938**	**109,907**	**108,569**	**1,338**

In accordance with HM Treasury's guidance a notional cost of capital charge £317k 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 in £nil.

6. Property, plant and equipment

	Assets under construction	Leasehold improvements	Information technology and network	Furniture and fittings	Total
	£000	**£000**	**£000**	**£000**	**£000**
Cost or Valuation					
At 1 April 2013	**247**	**505**	**4,887**	**2,203**	**7,842**
Additions	982	–	249	77	1,308
Disposals	–	–	(1,238)	(30)	(1,268)
Reclassifications	(247)	–	247	–	–
At 31 March 2014	**982**	**505**	**4,145**	**2,250**	**7,882**
Depreciation					
At 1 April 2013	**–**	**112**	**3,802**	**1,434**	**5,348**
Charged in year	–	52	660	212	924
Disposals	–	–	(1,224)	(25)	(1,249)
At 31 March 2014	**–**	**164**	**3,238**	**1,621**	**5,023**
Carrying amount at 31 March 2014	**982**	**341**	**907**	**629**	**2,859**
Cost or Valuation					
At 1 April 2012	**7**	**496**	**3,939**	**2,112**	**6,554**
Additions	247	–	668	56	971
Disposals	–	–	(263)	(2)	(265)
Reclassification	(7)	–	7	–	–
Revaluations	–	9	536	37	582
At 31 March 2013	**247**	**505**	**4,887**	**2,203**	**7,842**
Depreciation					
At 1 April 2012	**–**	**58**	**3,005**	**1,205**	**4,268**
Charged in year	–	53	653	210	916
Disposals	–	–	(259)	(2)	(261)
Revaluations	–	1	403	21	425
At 31 March 2013	**–**	**112**	**3,802**	**1,434**	**5,348**
Carrying amount at 31 March 2013	**247**	**393**	**1,085**	**769**	**2,494**
Carrying amount at 31 March 2012	**7**	**438**	**934**	**907**	**2,286**

Reconciliation of cash flows to property, plant and equipment additions

	2013-14	2012-13
	£000	**£000**
Property, plant and equipment additions	1,308	971
Movement in accruals for property, plant and equipment	(387)	18
Cash flows for property, plant and equipment	**921**	**989**

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
Cost or Valuation					
At 1 April 2013	**615**	**4,247**	**847**	**43**	**5,752**
Additions	116	2	213	–	331
Disposals	–	(134)	–	(44)	(178)
Reclassification	(674)	31	53	590	–
At 31 March 2014	**57**	**4,146**	**1,113**	**589**	**5,905**
Amortisation					
At 1 April 2013	**–**	**3,462**	**470**	**36**	**3,968**
Charged in year	–	349	190	125	664
Disposals	–	(134)	–	(44)	(178)
At 31 March 2014	**–**	**3,677**	**660**	**117**	**4,454**
Carrying amount at 31 March 2014	**57**	**469**	**453**	**472**	**1,451**
Cost or Valuation					
At 1 April 2012	**597**	**3,746**	**715**	**38**	**5,096**
Additions	85	16	34	–	135
Disposals	–	(90)	–	–	(90)
Reclassification	(67)	67	–	–	–
Revaluation	–	508	98	5	611
At 31 March 2013	**615**	**4,247**	**847**	**43**	**5,752**
Amortisation					
At 1 April 2012	**–**	**2,761**	**280**	**24**	**3,065**
Charged in year	–	413	151	9	573
Disposals	–	(90)	–	–	(90)
Revaluation	–	378	39	3	420
At 31 March 2013	**–**	**3,462**	**470**	**36**	**3,968**
Carrying amount at 31 March 2013	**615**	**785**	**377**	**7**	**1,784**
Carrying amount at 31 March 2012	**597**	**985**	**435**	**14**	**2,031**

Reconciliation of cash flows to intangible asset additions

	2013-14	2012-13
	£000	£000
Intangible asset additions	331	135
Movement in accruals for intangible assets	23	66
Cash flows for intangible assets	**354**	**201**

All the assets are fully owned.

8. Trade receivables and other current assets

8.1 Analysis by type

	31 March 2014	31 March 2013
	£000	£000
Amounts falling due within one year:		
Unbilled time	5,213	4,631
Unbilled disbursements	9,731	8,901
Trade receivables	11,108	5,633
Deposits and advances	369	296
Prepayments and accrued income	3,221	3,640
	29,642	**23,101**
Amounts falling due after more than one year:		
Prepayments and accrued income	–	17
Total receivables and other current assets	**29,642**	**23,118**

8.2 Intra–government balances

	31 March 2014	31 March 2013
	£000	£000
Amounts falling due within one year:		
Balances with other central government bodies	27,893	20,251
Balances with local authorities	–	210
Balances with NHS Trusts	–	–
Balances with public corporations and trading funds	233	1,528
Sub total: **intra-government balances**	**28,126**	**21,989**
Balances with bodies external to government	1,516	1,112
Sub total	**29,642**	**23,101**
Amounts falling due after more than one year:		
Balances with bodies external to government	–	17
Total receivables and other current assets	**29,642**	**23,118**

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

	2013-14	2012-13
	£000	£000
Balance at 1 April	**5,912**	**7,655**
Net change in cash and cash equivalents	(5,284)	(1,743)
Balance at 31 March	**628**	**5,912**

All balances were held with the Government Banking Service.

10. Trade payables and other current liabilities

10.1 Analysis by type

	31 March 2014	31 March 2013
	£000	£000
Amounts falling due within one year:		
VAT	3,402	2,749
Other taxation and social security costs	1,684	1,429
Trade payables	56	72
Other payables	472	103
Accruals	9,122	10,264
Deferred income	232	134
	14,968	**14,751**
Amounts issued from the Consolidated Fund for Supply and not spent at year end	628	5,912
	628	**5,912**
Total payables and other current liabilities	**15,596**	**20,663**

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

10.2 Intra–government balances

	31 March 2014	31 March 2013
	£000	£000
Amounts falling due within one year:		
Balances with other central government bodies	6,008	11,441
Balances with local authorities	–	–
Balances with NHS Trusts	–	–
Balances with public corporations and trading funds	532	1,168
Subtotal: intra-government balances	**6,540**	**12,609**
Balances with bodies external to government	9,056	8,054
Total payables and other current liabilities	**15,596**	**20,663**

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

					2013-14	2012-13
		Early Retirement costs	**GPLA Closure costs**	**Dilapidations**	**Total**	**Total**
	Note	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1 April		**485**	**1,299**	**1,919**	**3,703**	**2,418**
Provided in the year	3	3	-	-	3	1,939
Provisions not required written back	3	-	(123)	-	(123)	(174)
Borrowing Costs (unwinding of discount)	3	-	(18)	(48)	(66)	65
		488	**1,158**	**1,871**	**3,517**	**4,248**
Provisions utilised in the year						
Costs		(193)	(580)	-	(773)	(770)
Income		-	272	-	272	225
		(193)	**(308)**	**-**	**(501)**	**(545)**
Balance at 31 March		**295**	**850**	**1,871**	**3,016**	**3,703**

Analysis of expected timing of discounted cash flows

				2013-14	2012-13
	Early Retirement costs	**GPLA Closure costs**	**Dilapidations**	**Total**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Not later than one year	110	332	–	442	504
Later than one year and not later than five years	185	518	727	1,430	2,007
Later than five years	–	–	1,144	1,144	1,192
	295	**850**	**1,871**	**3,016**	**3,703**

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.

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 1.9 per cent in real terms (2012-13: minus 1.8 per cent).

11.3 Dilapidations

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 £1.3m.

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 1.9 per cent in real terms for cash flows occurring within 5 years and minus 0.65 per cent in real terms for cash flows occurring between five and ten years of the reporting date (2012-13: minus 1.8 and minus one per cent).

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. Commitments under operating leases

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

		2013-14		2012-13
	Buildings £000	Other £000	Buildings £000	Other £000
Obligations under operating leases for the following periods comprise:				
Not later than one year	4,194	387	4,220	384
Later than one year and not later than five years	15,483	244	15,911	601
Later than five years	2,771	4	6,537	–
	22,448	**635**	**26,668**	**985**

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

		2013-14		2012-13
	Buildings £000	Other £000	Buildings £000	Other £000
Payments expected to be received under subleases for the following periods comprise:				
Not later than one year	1,044	–	1,086	–
Later than one year and not later than five years	3,375	–	3,452	–
Later than five years	417	–	1,252	–
	4,836	**–**	**5,790**	**–**

14. 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.

15. Contingent liabilities

15.1 Contingent liabilities disclosed under IAS 37

There were no contingent liabilities as at 31 March 2014 (31 March 2013: £nil).

15.2 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 2014 (31 March 2013: £nil).

16. 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 £300k in total, and those individually that exceed £300k.

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

17. 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.

18. 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 2014, these amounted in total to £7,541,997 (31 March 2013: £7,209,903). An analysis of the movements on these accounts is shown in the table below:

	2013-14	**2012-13**
	£000	**£000**
Opening balance at 1 April	**7,210**	**8,243**
Gross inflows	92,457	123,292
Gross outflows	(92,125)	(124,325)
Closing balance at 31 March	**7,542**	**7,210**

These balances are held with the Government Banking Service.

19. 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

IFRS 13 – Fair Value Measurement

20. 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

BVD	Bona Vacantia Division
CETV	Cash Equivalent Transfer Value
CMS	Case Management System
COELD	Cabinet Office European Law Division
CLS	Ministry of Defence Central legal Services
DCLG	Department for Communities and Local Government
DCMS	Department for Culture, Media and Sport
DECC	Department of Energy and Climate Change
Defra	Department for Environment, Food and Rural Affairs
DEL	Departmental Expenditure Limit
DfE	Department for Education
DfT	Department for Transport
DH	Department for Health
DLA	Defra Legal Advisers
DWP	Department for Work and Pensions
FTE	Full Time Equivalent Employee
GCOF	Government Carbon Offsetting Facility
GGC	Greening Government Commitments
GHG	Greenhouse Gas
GLSS	Government Legal Service Secretariat
GPLA	Government Property Lawyers Agency
GSI	Government Secure Intranet
HMCPSI	HM Crown Prosecution Service Inspectorate
HMRC	HM Revenue and Customs
HMT	HM Treasury
HR	Human Resources
HO	Home Office
IAS	International Accounting Standard
ICO	Information Commissioner's Office
ICT	Information, Communication and Technology
IFRS	International Financial Reporting Standard
IIP	Investors in People
Lexcel	Law Society's Practice Quality Mark
MoD	Ministry of Defence
MoJ	Ministry of Justice
NAO	National Audit Office
NED	Non-Executive Director
OKS	One Kemble Street
PCPF	Parliamentary Contributory Pension Fund
PCSPS	Principal Civil Service Pension Scheme
PSC	Professional Skills Course
QC	Queen's Council
SCS	Senior Civil Service
SME	Small and Medium Enterprise
SMF	Social Mobility Foundation
SSRB	Senior Salaries Review Body
TLA	Treasury Legal Advisers
TSol	The Treasury Solicitor's Department
VOSA	Vehicle and Operator Services Agency

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