
HM Procurator General and Treasury Solicitor

Accounts for the Crown's Nominee for the
year ended 31 March 2017

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for the year ended 31 March 2017

Presented to Parliament pursuant to sections 4 and 5 of the Treasury Solicitor Act 1876

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Foreword

Introduction and Background

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 1876 Act"). The Treasury Solicitor has been appointed by successive Sovereigns by Royal Warrants to be the Crown's Nominee for the purpose of collecting and disposing of bona vacantia (Latin, literally "vacant goods").

The provisions of the Royal Warrants may be varied from time to time to take account of modification or changes to the law. The current Royal Warrants are dated 21 August 1984. They appoint the Treasury Solicitor as the Crown's Nominee for the purposes of the administration of estates of persons who die intestate and without known kin entitled to inherit, and for the collection and disposal of assets of now dissolved companies and other miscellaneous bona vacantia in England (except in the Duchies of Cornwall and Lancaster), Wales and Northern Ireland. In Northern Ireland, the Crown Solicitor deals with these matters as Agent for the Crown's Nominee.

The Government Legal Department's Bona Vacantia Division acts on behalf of the Crown's Nominee to identify, collect and dispose of bona vacantia assets.

Section 4 of the 1876 Act provides that all money arising from the disposal of bona vacantia property and rights, whether as income or as proceeds of the sale or disposal, should be carried to the account directed by rules under the 1876 Act. This account is referred to as the Crown's Nominee Account and is maintained by the Government Banking Services with this account held at the Royal Bank of Scotland.

The accounts of the income and expenditure arising during the year are deemed to be public accounts and the 1876 Act provides that an abstract of those accounts shall be laid annually before the House of Commons. The 1876 Act also provides that, if a person satisfies Her Majesty's Treasury of their right to the whole or any part of unclaimed money, securities or property, Her Majesty's Treasury may direct that the sum paid to the Crown's Nominee Account be reimbursed to the entitled person.

Presentation and Format of the Account

The financial statements within this report have been prepared under an Accounts Direction of 17 April 2009 given by Her Majesty's Treasury in accordance with Sections 4 and 5 of the 1876 Act and the Treasury Solicitor (Crown's Nominee) Rules 1997 (S.I. 1997 No. 2870) emanating from the 1876 Act. The Accounts of the Crown's Nominee are presented to Parliament.

At 31 March 2017, the Crown Nominee's Statement of Financial Position shows net liabilities of £89 million (31 March 2016: £80 million), reflecting the inclusion of an estimate of liabilities to kin and formerly dissolved companies falling due in future years. Proceeds arising from the future liquidation of estates and companies assets are expected to be sufficient to meet these liabilities as they fall due. In the unlikely event that insufficient funds are available to meet a kin or company payment, the Crown's Nominee will call on funds from Her Majesty's Treasury. It is therefore appropriate to adopt the going concern basis for the preparation of these financial statements.

Objectives

The two main categories of bona vacantia dealt with by the Crown's Nominee are the assets of people who have died intestate with no relatives entitled to inherit, and the assets of companies which have subsequently been dissolved. The Crown's Nominee:

- investigates the jurisdiction and the title to assets to establish whether they should be passed to the Crown as bona vacantia;
- collects and administers those that have passed to the Crown;
- sells bona vacantia assets for the Crown so as to realise their best price;
- disclaims onerous assets; and
- makes discretionary payments where appropriate.

During the year, the objectives of the Crown's Nominee were to:

- deliver good quality casework, generate income effectively and with increased efficiency;
- provide improved services on-line through the GOV.UK website;
- meet the expectations of its client, Her Majesty's Treasury; and
- to work more effectively with its delivery partners.

Management Commentary

Net income for the 2016-17 year was £51 million (2015-16: £35 million).

Checks are made to establish that assets are true bona vacantia before they are realised, the Crown's Nominee is obliged to pay over the value of the assets to entitled kin on the subsequent receipt of a valid claim, or to the owners of a company that is restored to the Register. These payments can be made many years after the assets have been realised and therefore the most significant estimate included in the Account is the provision for future claims.

The provision for future payments to kin and companies at 31 March 2017 is £111 million (2015-16: £103 million and 2014-15: £58 million). The estimate at 31 March 2016 was increased by £45 million following a review by the Government Actuaries Department and the large increase was reflected in lower net income for 2015-16 and is the principal reason that net income for 2016-17 is significantly higher. The £8 million increase in provision at 31 March 2017 reflects the higher levels of receipts over the past few years and the change in Her Majesty's Treasury discount rate.

Crown's Nominee receipts vary from year-to-year depending on the number and value of cases referred that, after some investigation, are identified as bona vacantia. Receipts to the Crown's Nominee in 2016-17 were £103 million, being 10 per cent lower than the year before (2015-16: £115 million) but significantly higher than 2014-15 (£80 million). High value estates, or dissolved companies with significant assets, can make a material difference to annual receipts. The Bona Vacantia Division has been working with financial institutions to recover cash relating to dissolved companies. This has led to a general increase in receipts but not to the 2015-16 level where an additional £37 million was received relating to over 1,800 historic cases.

Even though receipts for 2016-17 were lower than 2015-16, the Crown's Nominee, through the Bona Vacantia Division, handled more cases. A total of 62,571 cases were handled in 2016-17, an increase of 32 per cent on the previous year (2015-16: 47,491).

The number of companies' case referrals was 57,185 in 2016-17 (2015-16: 42,179), an increase of 36 per cent. The increase in case numbers is predominantly attributed to a higher number of small value companies cases. A small value companies case is less than £300 and, in 2016-17, 33,104 of these cases were handled compared to the 23,444 the year before. Amounts realised from dissolved companies was £83 million in 2016-17 (2015-16: £90 million) and this year, £23 million was paid back to company directors/shareholders relating to previously dissolved companies (2015-16: £15 million).

The number of estates cases handled this year was 5,386 (2015-16: 5,312), an increase of 1 per cent compared to the previous year. Amounts realised from estates decreased to £19 million in 2016-17 (2015-16: £24 million) and while the number of new referrals in 2016-17 has fallen slightly, estates activity during the year has remained high due to an increased number of kin claims. Payment to entitled kin was £15 million in 2016-17 (2015-16: £15 million).

There is an annual transfer from the Crown Nominee's bank to the Consolidated Fund. The amount transferred is generally a minimum of 85 per cent of the Crown Nominee's bank balance on the last working day of January, subject to a balance of at least £5 million being retained in the bank for administrative costs and creditors. The transfer in February 2017 was £60 million (£80 million in 2016).

The Government Legal Department charges the Crown's Nominee Account for the services provided by its Bona Vacantia Division. A charge is also paid to the Crown's Solicitor for handling bona vacantia in Northern Ireland. The amounts paid are included in Note 8 of the Accounts.

Operational Framework

Payments to Kin

An action by kin to claim an estate is generally barred under the provisions of the Limitation Act 1980 after 12 years from the latest of one of the following dates:

- one year after the date of death;
- the date that letters of administration were issued;
- the date that the administration of the estate is substantially completed; or
- the date that the estate acquires a vested interest in a further asset.

The rate of interest paid for a kin claim received within the limitation period is calculated using the Bank of England's Base Rate minus 0.1 per cent. Interest is paid net of income tax, currently set at 20 per cent. Claims received after the Limitation Act 1980 period, but within 30 years of death, are currently dealt with on a discretionary basis subject to kin agreeing not to claim interest.

Payments to Companies on Restoration

Under Section 1024 (for administrative restorations) and section 1029 (for court restorations) of the Companies Act 2006, a company that has been dissolved may be restored to the Register within six years from the date of dissolution.

When a company is restored, under section 1034 of the Companies Act 2006, the Crown's Nominee is required to pay to the restored company the amount of the value of the consideration received for the bona vacantia asset dealt with during dissolution.

Provision for future payments to kin and companies

As payments are made to kin and companies in years after income from the bona vacantia estates and companies has been recognised, a provision for future payments is included in the Accounts. The provision is an estimate based on patterns of payments made to kin and companies in the past reflecting a number of years data covering a substantial number of cases. The estimate has a degree of inherent risk in the assumptions underpinning it and associated sensitivity analysis is provided in Note 6.3 of the Accounts.

Disclaimed Assets

Under section 1013 of the Companies Act 2006, the Treasury Solicitor, as the Crown's Nominee, may disclaim property vested in the Crown under section 1012 of the Act. Generally, assets that are likely to be onerous are disclaimed. The Crown's Nominee generally has three years to disclaim the property, which is reduced to one year on receipt of a specific request to disclaim from an interested party. The effect of the disclaimer is that any assets are deemed, in law, never to have vested in the Crown.

Vesting Orders

The most important exclusion from section 1012 of the Companies Act 2006 is property that was held on trust by a now dissolved company. A company can hold property on trust because, for example, it has contracted to sell property, but failed to execute a transfer or conveyance before dissolution. A trust may also arise when a company agrees to distribute its assets to its members, but fails to do so prior to dissolution. Such trust property is not bona vacantia at all, although the legal title may well vest in the Crown, but not as bona vacantia. The result is that the Crown's Nominee cannot deal with the property.

Discretionary Payments

Although all bona vacantia assets belong to the Crown, the Crown's Nominee has the power to make discretionary payments out of monies raised.

Section 46 of the Administration of Estates Act 1925 states that the Crown may make provision for people for whom the deceased might reasonably have made provision had they made a will. Discretionary payments are not currently recovered once paid, even if entitled kin come forward after a discretionary payment has been made.

Where a company can be restored, restoration to the Register of Companies is generally the appropriate remedy to enable its property and rights to be reclaimed. However, it is recognised that restoration is not always an economic proposition. The Crown's Nominee therefore currently makes discretionary payments of up to £3,000 to former members or former liquidators of dissolved companies from cash balances received from banks and

other financial institutions. Where a dissolved company cannot be restored to the Register, the Crown's Nominee may make discretionary payments under different criteria. The value of discretionary payments is included in Note 2 of the Accounts.

Crown Share

For estates cases, when a discretionary payment is made, as described above, the relevant Royal Warrant states that a percentage of the net value of the estate of a deceased person is retained for the Crown (Crown Share). Crown Share may be waived by the Crown's Nominee under authority delegated from Her Majesty's Treasury, currently up to £25,000.

Reservation

For estates cases, in addition to Crown Share, the Crown's Nominee currently retains five per cent of the net estate when making a discretionary payment. The reservation also applies where a discretionary payment is made in lieu of restoration of a dissolved company.

The reservation is designed to minimise any loss to the Crown if, after a discretionary payment has been made, kin come forward to claim the relevant estate or the company is restored to the register. For both estates and companies cases, the reservation is not taken where the net value of an estate or is under £750.

Looking Forward

The work of the Crown's Nominee is undertaken by the Bona Vacantia Division of the Government Legal Department and the Division's priorities are therefore linked to those of the Department. The Crown Nominee's priorities in part reflect that position and in the next financial year, priorities for the Crown's Nominee, will be to:

- continue to support delivery of the Government Legal Department's "Strategy for 2015 and beyond" by:
 - working to ensure that its client, Her Majesty's Treasury, remains fully confident in how it handles bona vacantia and the value for money that the Crown's Nominee brings; and
 - developing the skills and expertise of Bona Vacantia Division staff;
- continue to identify and exploit new streams of bona vacantia assets;
- continue to work with delivery partners to identify, collect and dispose of assets effectively; and
- continue to deliver a public interface that meets the government's 'Digital by Default' strategy.

External Audit

The Crown's Nominee Accounts are audited by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General. The notional audit fee is £44,000 in 2016-17 (2015-16: £44,000) and no further assurance or other advisory service has been provided by the NAO.

Provision of Information to Auditors

As the Crown's Nominee, so far as I am aware having made all reasonable enquiry, there is no relevant audit information of which the auditor is 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 2017. I, as the Crown's Nominee, authorised these accounts to be issued on 26 June 2017.

Jonathan Jones
Crown's Nominee
23 June 2017

Statement of the Crown Nominee's Responsibilities

The Accounts are to be prepared under an Accounts Direction of 17 April 2009 given by Her Majesty's Treasury in accordance with sections 4 and 5 of the Treasury Solicitor Act 1876. For further information, see the Statement of Accounting Policies.

In preparing the Accounts, the Crown's Nominee is required to:

- comply with the Accounts Direction issued by Her Majesty's Treasury on 17 April 2009;
- comply with the Treasury Solicitor (Crown's Nominee) Rules 1997 (S.I. 1997 No. 2870);
- present them to Parliament;
- observe the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis; and
- prepare the accounts on a going concern basis.

The Crown's Nominee is responsible for the propriety and regularity of the public finances for which he is accountable, for keeping proper records and for safeguarding the Crown Nominee's assets.

By agreement with Her Majesty's Treasury, an amount raised through the realisation of bona vacantia assets is transferred to the Consolidated Fund each year, after retaining sufficient funds in order to meet the Crown Nominee's routine liabilities, as they fall due, in respect of his bona vacantia duties.

The Crown's Nominee operates through the Bona Vacantia Division, a part of the Government Legal Department. The Crown's Nominee therefore looks to the Government Legal Department to provide certain services in support of the Crown Nominee's functions. The Government Legal Department is responsible for putting in place reasonable controls including the protection of the integrity of the Division's pages on the GOV.UK website; this responsibility includes accurate reproduction and maintenance of the annual audited Accounts that are made available to users of the website.

The Governance Statement

Framework

Under the Treasury Solicitor Act 1876, the Treasury Solicitor, has been appointed by successive Sovereigns by Royal Warrants to be the Crown's Nominee for the purpose of collecting and disposing of bona vacantia. This nomination is formalised by way of Royal Warrant and made on the advice and by the recommendation of the Commissioners of Her Majesty's Treasury.

As Treasury Solicitor, I have been designated the Accounting Officer for the Crown's Nominee Account. As the Crown's Nominee, I am required to comply with The Treasury Solicitor (Crown's Nominee) Rules 1997 and to maintain the Crown's Nominee Account. I am required to prepare Accounts each year for presentation to Parliament. The accounts are to be prepared under the Accounts Direction of 17 April 2009 given by Her Majesty's Treasury.

As the Crown's Nominee, I am responsible for the propriety and regularity of public finances for which I am answerable, for keeping proper records and safeguarding the Crown Nominee's assets, as well as having responsibility for day to day issues affecting the Government Legal Department's Bona Vacantia Division such as staffing, training and compliance.

Her Majesty's Treasury Commissioners advise Her Majesty on the role of the Crown's Nominee, as detailed in the Royal Warrants. There are also statutory provisions governing directly some aspects of the Crown Nominee's functions. It is also for Her Majesty's Treasury to set regulations, policy, financial delegation limits and direction for the management of the Crown's Nominee Account. A Minister of Her Majesty's Treasury is required to lay the Crown Nominee's annual accounts before Parliament.

As Crown's Nominee, I aim to provide a high quality service to my client, Her Majesty's Treasury, stakeholders including Parliament, staff and other people who will be affected by dealing with bona vacantia assets. To this end, formal quarterly meetings take place between management representatives on my behalf and Her Majesty's Treasury, to provide updates on performance, agree business plans, budgets, agree transfer of monies to the Consolidated Fund and to review risks.

To the extent that it is deemed relevant and practical, I as the Crown's Nominee, when discharging my responsibilities, apply relevant elements of the Corporate Governance Code as set out in Managing Public Money. These include:

- strategy – setting the vision;
- commercial focus – scrutinising the allocation of resources to achieve plans, ensuring controls are in place to manage risk;
- talented people – ensuring there is the capability to deliver and to plan and meet current and future needs;
- results focus – agreeing the Division's annual Business Plan and monitoring and steering performance against the Plan; and
- management information – commissions monthly performance reports containing clear, consistent and comparable performance information to drive improvements.

Operation

As Crown's Nominee, I direct the Government Legal Department's Bona Vacantia Division to identify, collect and dispose of bona vacantia assets. The day-to-day responsibility for dealing with bona vacantia rests with the Head of Bona Vacantia Division. Mayur Patel CBE was succeeded as Head of Bona Vacantia Division by Caroline Harold on 28 November 2016. The Head of Bona Vacantia Division has systems in place for regular communication with all staff, including policy, operational and financial matters, and for informing them of new developments and key issues. The Government Legal Department's Finance Director manages a discrete unit within his division that is responsible for the Crown Nominee's payments, receipts, preparation of accounts and financial and management accounting.

The Head of Bona Vacantia Division is part of the Government Legal Department's Senior Leadership Team and is subject to the Department's governance and wider control system that is described in the Government Legal Department's Annual Report and Accounts 2016-17. Regular reports are provided to me as the Crown's Nominee by the Bona Vacantia's Head of Division, with quarterly meetings arranged to discuss work priorities, progress against Business Plan targets and the steps being taken to manage risk. In addition, the Head of Bona Vacantia Division, attends the Government Legal Department's Performance and Client Committee each month where bona vacantia performance issues are discussed. Each quarter, this Committee has a standing agenda item to specifically discuss bona vacantia performance. The Head of Bona Vacantia Division is also required to provide an annual Director's Assurance Report reporting on activity during the year, the management of the resources allocated and confirming that all risks to the achievement of objectives have been reviewed and that appropriate action to manage those risks has been, or is being, taken.

As the Crown's Nominee, I seek advice and challenge from the Government Legal Department's Board, the Audit and Risk Committee and the Government Internal Audit Agency as and when required.

Each year, the Crown's Nominee annual report and accounts are reviewed and agreed by the Government Legal Department's Audit and Risk Committee and where necessary, issues are escalated to me.

Through the Head of Bona Vacantia Division I, as the Crown's Nominee, provide assurance to Her Majesty's Treasury by submitting quarterly progress reports and meeting formally once a quarter. These meetings are also used to agree budgets, business plans, seeking agreement on policy issues and to highlight risks. Ad-hoc meetings also take place to discuss urgent issues where direction or authority is sought.

As the Crown Nominee, I have delegated day-to-day management and operational functions to be carried out through the Head of Bona Vacantia Division, who has regular meetings with her senior management team to discuss and agree operational and strategic issues, including the review of risk registers. Divisional meetings also take place during the year to deliver the key messages to all staff in the Bona Vacantia Division.

Risk Management and Internal Control

As the Crown Nominee, I have a system of internal control, managed through the Bona Vacantia Division, to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement policies, aims and objectives; to evaluate the likelihood and impact of those risks being realised; and to manage them efficiently, effectively and economically. The system of internal control has been in place for the Bona Vacantia Division for the year ended 31 March 2017 and up to the date of the approval of these Accounts and accords with guidance from Her Majesty's Treasury.

The Bona Vacantia Division's risks are related to the key targets and priority work areas set out in the Division's Business Plan. Risk is managed by identifying and evaluating risks and appropriate control measures, which are set out in the Division's Risk Register. All Bona Vacantia Division staff have access to the Risk Register, which is held on the shared network. As external third party fraud is the main risk, the Division has continued to develop links with the Metropolitan Police and other delivery partners, such as the Probate Registry and Land Registry, to help address this risk. Risk and fraud awareness is also covered in the induction programme for new staff to the Division, which forms part of their training.

The Head of Bona Vacantia Division holds regular management meetings with the Division's senior management team where new risks are identified and existing risks reviewed. The Division has adapted to changes to the risk environment by focussing on the secure handling of all valuables, reducing the continued potential for fraud, and dealing more efficiently with a large increase in volume of both companies and estates work.

Risk management is embedded in the activity of the Bona Vacantia Division. The system of control underpinning the Crown's Nominee Account includes:

- a Divisional budget and Business Plan which defines priorities, key targets and accountability for delivery;
- systematic identification and management of risks through a Risk Register linked to the Division's Business Plan;
- standardised processes and procedures set out in published guidelines, practice guides and internal desk instructions, supplemented by training events;
- segregation of duties, and the "four eyes" principles in key areas, such as post opening, house searches and cheque and cash handling;
- an invigilator to oversee post opening;
- detailed procedures for handling valuables and cheques received during post opening to account for all valuable items in a secure way and ensuring there is a clear audit trail;
- a set of Divisional standards on the handling and management of bona vacantia cases;
- management arrangements, including a system of delegated financial authorities for all payments made by the Division. These delegations relate to case related payments, including the payment of discretionary grants;
- a management information system, based on information from an electronic case management and finance system, which provides details of key performance indicators on a monthly basis;

- a Business Continuity Plan setting out arrangements for dealing with a loss of infrastructure or IT; and
- money laundering procedures that are applied on the sale of appropriate bona vacantia property.

A framework is in place for handling data relevant to the Bona Vacantia Division's work and to provide assurance over the management and security of information held within the Division, including:

- the Head of Bona Vacantia Division having the role of Information Asset Owner for all information held by the Division;
- the Bona Vacantia Division identifying the information held and maintaining an Information Asset Control Register. Access to information is minimised whilst maintaining a balance between business needs and risk;
- instructions being provided to staff on the Government Legal Department's and Bona Vacantia Division's data handling and security related policies, procedures for handling information, and a system in place to authorise and record any dispensation from compliance with those policies;
- all relevant staff completing a mandatory 'Data Protection Act' training course;
- all relevant staff completing a mandatory 'Responsible for Information – General User' training course; and
- incorporation of information risks within the risk management policy and process.

The Government Legal Department's Audit and Risk Committee provides support in monitoring and reviewing the Bona Vacantia Division's risk, control and governance processes, and the associated assurance processes. The Committee is chaired by an independent Non-Executive Director and meets at least three times a year. Membership of this Committee includes one other Non-Executive Director and an additional external member.

Additionally, audit staff from the Government Internal Audit Agency provide independent assurance, as necessary, on the effectiveness of internal control arrangements in the Bona Vacantia Division.

Risk Assessment and Issues

The Risk Register for 2016-17 records the main areas of risk to the Bona Vacantia Division's work as fraud, case management system becoming out of date, loss of infrastructure or IT, failure to recruit and retain staff, failure to manage unexpected large influxes of work, and the secure handling of valuables and personal data. These risks continued to be addressed during the year and actions included:

- keeping under review measures to counter fraud, including links with the Metropolitan Police, and other delivery partners, such as the Probate Registry and Land Registry;
- having a Fraud Working Group to identify any new areas of potential fraud risk and take appropriate steps to address risks identified;
- reviewing the capability of the current and potential future case management systems;
- reviewing and updating the Business Continuity Plan;
- reviewing and updating processes for handling valuables;
- recruiting temporary staff to deal with short-term increases in work volumes and to fill job vacancies;
- continual review and simplification of recognition criteria for accruals, additional training,

- and additional checks on accruals transactions; and
- providing guidance to staff on such matters as gifts and hospitality and related party transactions.

Personal data related incidents

Government departments are required to publish information about serious personal data related incidents which have to be reported to the Information Commissioner. The Government Legal Department reported one incident that occurred in relation to bona vacantia.

In April 2016, there was a loss of an individual's passport and other documents that had been sent to the Bona Vacantia Division in support of a claim by an entitled relative. After an extensive and ultimately unsuccessful search the incident was notified to the Information Commissioner's Office (ICO). The ICO advised that no regulatory action would be taken but did make some recommendations that have been implemented.

Significant Control Issues

I am satisfied that the processes have highlighted no issues of significance in the operation of the Bona Vacantia Division in 2016-17.

Jonathan Jones
Crown's Nominee
23 June 2017

Independent Auditor's Report to the Crown's Nominee

I have audited the financial statements of the Crown's Nominee for the year ended 31 March 2017. The financial statements comprise: the Statements of Net Income, Financial Position, Cash Flows, Changes in Reserves; and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and Auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Crown's Nominee 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 the financial statements. 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 Crown's Nominee's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Crown's Nominee; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Foreword to the Accounts, the Statement of the Crown's Nominee's Responsibilities and the Governance Statement 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 report.

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 Crown's Nominee's affairs as at 31 March 2017 and of the net income for the year then ended; and
- the financial statements have been properly prepared in accordance with the Treasury Solicitor's Act 1876 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the information given in the Foreword to the Accounts 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 returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements 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.

Steven Corbishley

Date 26 June 2017

For and on behalf of the Comptroller and Auditor General

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

Statement of Net Income
for the year ending 31 March 2017

	Notes	2016-17 £000	2015-16 £000
Income	2	54,328	38,675
Expenditure	3	(3,638)	(3,993)
Net Income		<u>50,690</u>	<u>34,682</u>

All income and expenditure is derived from continuing operations

The notes on pages 19 to 25 form part of these Accounts

Statement of Financial Position

as at 31 March 2017

		31 March 2017 £000	31 March 2016 £000
	Notes		
Current assets			
Inventory	4	4,946	5,791
Trade and other receivables		1,878	3,649
Cash and cash equivalents	5	15,915	15,199
Total current assets		22,739	24,639
Current liabilities			
Trade and other payables		(611)	(1,813)
Provisions	6	(37,322)	(45,350)
Total current liabilities		(37,933)	(47,163)
Assets less current liabilities		(15,194)	(22,524)
Non-current liabilities			
Provisions	6	(73,833)	(57,237)
Net liabilities		(89,027)	(79,761)
Reserves		(89,027)	(79,761)

Jonathan Jones
Crown's Nominee
23 June 2017

The notes on pages 19 to 25 form part of these Accounts

Statement of Cash Flows
for the year ending 31 March 2017

		2016-17	2015-16
	Notes	£000	£000
Net income		50,690	34,682
<i>Adjustments for non-cash transactions arising in the year</i>			
Decrease in inventory	4	845	1,711
Decrease / (increase) in trade and other receivables		1,771	(714)
(Decrease) / increase in trade and other payables		(1,202)	453
Provisions made in year	6	39,159	65,839
Auditor's remuneration	3	44	44
<i>Less</i>			
Provisions used in year	6	(30,591)	(20,862)
Net cash inflow from operating activities		60,716	81,153
Payment to the Consolidated Fund		(60,000)	(80,000)
Increase in cash in period	5	716	1,153
Cash and cash equivalents at the beginning of the period	5	15,199	14,046
Cash and cash equivalents at the end of the period	5	15,915	15,199
Increase in cash in period	5	716	1,153

The notes on pages 19 to 25 form part of these Accounts

Statement of Changes in Reserves

for the year ending 31 March 2017

	Notes	Capital Reserve 2016-17 £000	Capital Reserve 2015-16 £000
Balance at 1 April		(79,761)	(34,487)
Net Income		50,690	34,682
Payments to the Consolidated Fund		(60,000)	(80,000)
Non cash charge for auditor's remuneration	3	44	44
Balance at 31 March		(89,027)	(79,761)

The notes on pages 19 to 25 form part of these Accounts

Notes to the Accounts

1. Statement of Accounting Policies

In exercise of the powers conferred by sections 4 and 5 of the Treasury Solicitor Act 1876, Her Majesty's Treasury have made an Accounts Direction for the preparation of the Crown's Nominee Accounts. The financial statements have been prepared in accordance with the Direction and the Treasury Solicitor (Crown's Nominee) Rules 1997 (SI 1997 No 2870) emanating from the Act and with the 2016-17 Government Financial Reporting Manual (FReM) issued by Her Majesty's Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted to the extent that it is meaningful and appropriate to public bodies. The Crown's Nominee has reviewed changes to the FReM for 2016-17 and determined that none of the changes would have an impact on the Crown's Nominee financial statements.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Crown's Nominee Account for the purpose of giving a true and fair view has been selected. The accounting policies for the Crown's Nominee Account have been applied consistently in dealing with items considered material in relation to the Account.

The Crown's Nominee has also reviewed newly issued accounting standards and has determined that none will have a significant impact on the Accounts.

1.1 Accounting Convention

The financial statements together with the notes on pages 19 to 25 have been prepared under the historical cost convention, and, where material, current asset investments and stocks at fair value as determined by the relevant accounting standard.

At 31 March 2017, the Crown Nominee's Statement of Financial Position shows net liabilities of £89 million (31 March 2016: £80 million), reflecting the inclusion of an estimate of liabilities to kin and dissolved companies falling due in future years. Proceeds arising from the future liquidation of estates and companies assets are expected to be sufficient to meet these liabilities as they fall due. A minimum of £5 million is retained from the annual payment to Consolidated Fund to meet any liabilities that crystallise in the months immediately following the annual payment. In the unlikely event that insufficient funds are available to meet a kin or company payment, the Crown's Nominee will call on funds from Her Majesty's Treasury. It is therefore appropriate to adopt the going concern basis for the preparation of these financial statements.

1.2 Income

Income comprises of:

- the sums arising from the realisation of estates passing to the Crown's Nominee under the Administration of Estates Act 1925, net of all legal liabilities relating to the estate;
- the sums arising from the realisation of property and rights which belonged to dissolved companies, and trusts, which have failed, and sums arising from the sale of miscellaneous bona vacantia, net of all legal liabilities;
- administrative restoration waiver fees; and

- the recovery of costs and disbursements incurred by the Crown's Nominee.

Income is recognised when it is probable that any economic benefits associated with the items of bona vacantia will flow to the Crown's Nominee Account and these benefits can be measured reliably at fair value. Income is stated net of the estimated future payments to kin and companies and net of discretionary payments arising during the year.

The Companies Act 2006 created an administrative restoration process which allows company members to restore a dissolved company to the Companies Register quickly and efficiently. Prior to restoration, the Crown Nominee's consent, referred to as a waiver, is required. As a result, the Crown's Nominee charges an administrative fee to recover the cost of dealing with such applications.

1.3 Inventory

The Crown's Nominee receives assets from estates of deceased intestate people and dissolved companies and trusts. These assets are normally converted into cash within a year. Non-cash assets, for which there is a ready market, are recorded as inventory at their estimated net realisable value until sold. Any movements in value are taken to the Statement of Net Income. Valuations are based on professional valuation reports, market prices or previous experience. Assets for which there is no ready market are valued at nil until realised.

1.4 Expenditure

The categories of expenditure are:

- payment to the Government Legal Department for the services of the Bona Vacantia Division and this includes staff, accommodation and ICT costs;
- general expenditure which includes administrative expenditure paid directly by the Crown's Nominee, for example, advertising for kin and Companies House searches. It also includes unwinding of provisions discount and provisions for repairs to undisclaimed assets; and
- disbursements which are third party costs directly attributable to the administration of an estate or dissolved company.

1.5 Transfer to the Consolidated Fund

By agreement with Her Majesty's Treasury, on a date after the last day of January but no later than 14 March, there shall be a transfer to the Consolidated Fund from the Crown's Nominee Account. The amount transferred is generally a minimum of 85 per cent of the net balance held in the bank at the end of January, subject to a balance of at least £5 million being retained in the bank for administration costs, kin payments, company restorations, contingencies and creditors.

1.6 Provisions

The Crown's Nominee provides for legal or constructive obligations which are of uncertain timing or amount at the reporting date on the basis of a best estimate of the expenditure required to settle those obligations having regard to historical trends. These include provisions for future claims from kin in estates cases, and applications to recover assets in relation to dissolved companies. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Her Majesty's Treasury discount rate. Note 6.2 of the Accounts explain the discount rates used.

1.7 Taxation

The Crown's Nominee is exempt from Income and Corporation Tax by way of his Crown exemption.

Where VAT is recoverable on its costs and charges, amounts are included net of VAT. Irrecoverable VAT is included in income and expenditure. The amount due to or from Her Majesty's Revenue and Customs in respect of VAT is included within receivables or payables as appropriate.

Payments to kin can include interest from which Income Tax is deducted and paid directly to Her Majesty's Revenue and Customs.

2. Income

		2016-17	2015-16
	Notes	£000	£000
Amounts arising from the realisation of estates passing to the Crown under the Administration of Estates Act 1925		19,245	23,930
Amounts arising from the realisation of property which belonged to dissolved companies and trusts which have failed or are no longer existing under the Administration of Companies Act 2006		82,500	89,597
Company restoration waiver fees		383	254
Recovery of Crown costs		1,024	1,504
Disbursement receipts (estates and companies)		139	191
		<u>103,291</u>	<u>115,476</u>
<i>Less:</i>			
Legal charges on estates		(1,621)	(1,632)
Discretionary payments to kin and companies		(7,168)	(8,946)
Provision for future payment to kin and companies	6	(40,174)	(66,223)
		<u>54,328</u>	<u>38,675</u>

3. Expenditure

		2016-17	2015-16
	Notes	£000	£000
Service charge		3,819	3,712
General expenses		105	177
Disbursements		685	444
Non-cash costs			
Auditor's remuneration		44	44
Unwinding of provisions discount	6	(1,015)	(384)
		<u>3,638</u>	<u>3,993</u>

4. Inventory

	31 March 2017 £000	31 March 2016 £000
Freehold/leasehold property	4,588	5,233
Goods, chattels and shares	358	558
	<u>4,946</u>	<u>5,791</u>

5. Cash and cash equivalents

	31 March 2017 £000	31 March 2016 £000
Balance at 1 April	15,199	14,046
Net cash inflow	716	1,153
	<u>15,915</u>	<u>15,199</u>

All balances were held by the Government Banking Service.

6. Provisions for liabilities and charges

6.1 Provisions

		2016-17 £000	2015-16 £000
Balance at 1 April		102,587	57,610
Provided in year for future payments to kin and companies	2	40,174	66,223
Unwinding of discount	3	(1,015)	(384)
		<u>39,159</u>	<u>65,839</u>
Provisions used in year		(30,591)	(20,862)
Balance at 31 March		<u>111,155</u>	<u>102,587</u>

6.2 Analysis of expected timing of discounted cash flow

	2016-17	2015-16
	£000	£000
Not later than one year	37,322	45,350
Later than one year and not later than five years	56,150	41,050
Later than five years	<u>17,683</u>	<u>16,187</u>
Sub total	<u>73,833</u>	<u>57,237</u>
	<u>111,155</u>	<u>102,587</u>

The provisions are an estimate of the anticipated future repayments as a result of kin claims or the restoration of companies. The estimated value of repayments to kin and companies is based on historical trends, which are subject to an annual review. Following this year's review, there has been no change in the estimate that overall 45 per cent of the administered estate values and 65 per cent of the now dissolved companies assets will ultimately be retained by the Crown.

The provisions are calculated by reference to the risk-adjusted net cash flows, discounted for the effect of the time value of money, using the Her Majesty's Treasury discount rate of minus 2.7 per cent in real terms up to five years from the date of the Statement of Financial Position, minus 1.95 per cent from five to ten years and minus 0.8 per cent for more than ten years. The discount factors applied last year were minus 1.55 per cent, minus 1 per cent and minus 0.8 per cent respectively. The change in the discount factors has increased the provisions by £2.9 million.

6.3 Sensitivity analysis

There are three significant factors that potentially affect the estimate of future payments to kin and companies:

- **The percentage of assets retained by the Crown:** the provisions are based on payments to kin and companies over a number of years. With continued media and public interest, payments relating to aged cases could change the assessment of the amount retained by the Crown. A one per cent increase in the estimated level of payments would increase the provisions by £6 million in the year that the increase was applied with income reduced by the same amount. In each of the years that follow the change, income will be decreased by approximately £1 million.
- **Changes in discount factor:** each one per cent positive increase to the discount factors will decrease the provisions by £2.9 million and increase income by the same amount in the year that the change was made. In each of the years that follow the change, income will be increased by approximately £320,000.

- **Changes in the number of high value estates and companies claimed:** a proportion of the provisions are accounted for by a small number of unclaimed estates and unrestored companies with a value of £1 million or more. A small variance, from historical trends, in the number of these estates and companies claimed could potentially result in changes to the provision and income of more than £2 million, being the average of these high value cases.

7. Contingent liabilities

Under section 1013 of the Companies Act 2006, the Treasury Solicitor, as the Crown's Nominee, may disclaim property vested in the Crown under section 1012 of the Act. The Treasury Solicitor has three years to disclaim, which is reduced to one year on receipt of a specific request to disclaim from a member of the public. However, there is a risk that some property held by the Crown's Nominee could give rise to third party claims. The risk arises primarily from un-disclaimed land, but the current legal view is that such claims, if identifiable, would not succeed and therefore no liability has been recognised.

Other liabilities may crystallise at any time, for example, because of a successful claim from kin, the restoration of a company to the Register of Companies for England and Wales or the Companies Register for Northern Ireland, or a personal injury claim. There are no known contingent liabilities at the reporting date.

8. Related-party transactions

The Treasury Solicitor is the Crown's Nominee. The Crown's Nominee Account is administered by the Bona Vacantia Division of the Government Legal Department in England and Wales, and by the Crown Solicitor's Office in Northern Ireland. The Crown's Nominee Account pays administration costs each year to the Government Legal Department and the Crown Solicitor's Office. The administration costs paid to the Government Legal Department for 2016-17 were £3.8 million (2015-16: £3.7m) and £34,494 to the Crown Solicitor's Office (2015-16: £46,087). Neither the Crown's Nominee, key managerial staff nor other related parties have undertaken any material transactions with the Crown's Nominee Account during the year.

9. Events after the reporting period

In accordance with the requirements of International Accounting Standard (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 of the Comptroller and Auditor General.

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