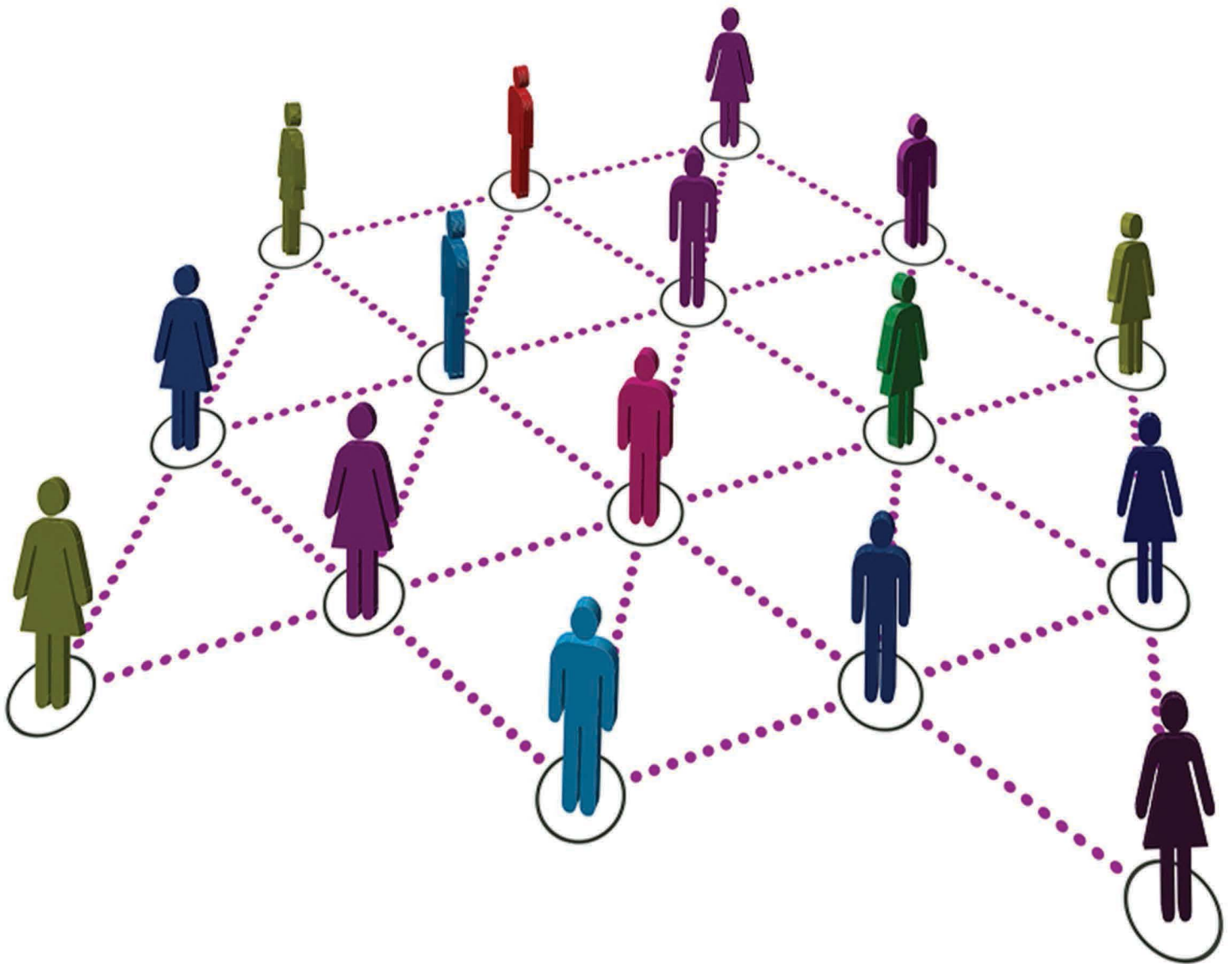




Government  
Legal Department

# Annual Report and Accounts 2016-17







Government  
Legal Department

Government Legal Department

# Annual Report and Accounts 2016–17

For the year ended 31 March 2017

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

**Ordered by the House of Commons to be printed 26 June 2017.**

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# Performance report

## Chief Executive's report



The past year has been a particularly busy one for the Government Legal Department. We consolidated and further developed the way we deliver legal services to government, at the same time as supporting the government through the EU Referendum and its outcome, and helping to deliver the rest of the government's full agenda. Our legal work, some of which is highlighted in this report, covered issues as varied as the pricing of medicines; welfare reform for Northern Ireland; litigation on junior doctors' contracts; the protection of cultural property in times of war with a new Cultural Property (Armed Conflicts) Act; and obtaining important clarification on the government's ability to deploy armed forces and conduct the UK's foreign relations globally by relying on the 'Crown act of state' doctrine. Our most high profile court case was the litigation, up to the Supreme Court, on giving notice to leave the European Union under Article 50 of the Treaty on European Union. But of course this was only one of many litigation cases: throughout the year our litigators have spent around 777,000 hours on litigation work, and took on 37,700 new cases.

The year saw further expansion of the Government Legal Department, with the legal teams supporting the newly created Department for International Trade and the Department for Business, Energy and Industrial Strategy becoming part of GLD, and the creation of a legal team for the new Department for Exiting the European Union. Reflecting this expansion, we continued to work on embedding our new ways of working as a unified legal service for government. We are close to completing a 2-year project to

deliver a series of panels of external lawyers to advise government in a way which provides better value for money and is more focussed on the needs of central government. We continue to develop our paralegal cadre, and our, now permanent, SI Hub has completed nearly 100 statutory instruments for 14 government departments. We will continue to look for opportunities to innovate, improve and make greater efficiencies in all aspects of the services we deliver. This sees us continue with our ambition to make some services available to clients online, and to find better ways to work across teams to share best practice, develop standard products and reduce duplication.

We remain committed to achieving the best outcome for our clients, and were pleased that 97% of them rated our service as "good" or "excellent" in our annual client survey, an increase of 2 points on last year's performance score. We also developed a new performance score that gives a better indication of the change in performance – using this there is a 6% increase from last year and an indication that we have achieved more "excellent" ratings.

We were also pleased with our results from the Civil Service People Survey. Our staff engagement index increased by 2 to 62%, and maintained our position at 2% higher than 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 which helps the government to govern well, within the rule of law.

*Jonathan Jones*

**Jonathan Jones**  
**Treasury Solicitor**





## Overview

### Who we are

The Government Legal Department (GLD) is a non-ministerial government department providing legal services to the majority of government departments and other publicly funded bodies in England and Wales. It was established as an executive agency on 1 April 1996.

We are currently one of the largest legal organisations in the country, with around 2,000 staff, of whom the vast majority (c1,400) are lawyers and paralegals based in more than 20 locations.

Our responsibilities include:

- legal support for the UK's exit from the European Union, including support for the negotiations, advice on the withdrawal agreement and on the UK's future relationship with the EU, preparation of the 'Great Repeal Bill', and the other primary and secondary legislation which will be necessary
- advising ministers and policymakers on domestic, public and private law, international law and human rights
- providing litigation services to government departments and public bodies, covering public and private law issues
- providing legal services to support public enquiries
- 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 bills through Parliament
- advising the Civil Service on the terms and conditions of government employees
- collecting, managing and disposing of bona vacantia (ownerless personal and corporate property and other assets) in England, Wales and Northern Ireland, on behalf of the Crown's Nominee

The Government Legal Service Secretariat supports the Treasury Solicitor in his role as the professional Head of the Government Legal Service.

GLD also provides support to the Attorney General's Office, which provides legal and policy advice to the Attorney General and the Solicitor General (the Law Officers), and HM Crown Prosecution Service Inspectorate (HMCPSI), the independent inspectorate of the Crown Prosecution Service.

The financial statements at pages 52 to 64 relate to activity carried out by GLD in the year 2016-17 and are prepared under a direction issued in December 2016 by HM Treasury, in accordance with Section 7(2) of the Government Resources and Accounts Act 2000.

## Core purpose and vision

### *We help the government to govern well, within the rule of law*

Our vision is to be:

- **trusted** by government to provide consistently excellent and value for money services so government departments want to come to us to meet their legal needs
- known throughout the legal profession for the **quality** of our legal work
- the **best employer** for our people

### *Trusted*

We will:

- provide consistently excellent, efficient and value for money services so government departments want to come to us to meet their legal needs
- add value as a result of providing government legal services from one department
- commit to achieving the best outcome for government, for clients and the public purse
- demonstrate our unique knowledge and understanding of government and public law and specialist expertise including litigation, employment and commercial law
- be proactive and anticipate client needs

### *Quality*

We will:

- focus on quality and continuous improvement and strive for excellence in all we do
- build strong relationships with the legal profession and the judiciary
- be a role model and pioneer in the leadership of professions

## *Best employer*

We will:

- provide unrivalled opportunities for interesting, varied, high quality, challenging work in a professional environment
- value individuals and support them to fulfil their potential
- be an inclusive and open organisation and involve our people in how it is run
- provide a work/life balance that meets individual and business needs

## Our strategy

Our overall goal is that by 2020 our core purpose and vision become a reality. Our strategic goals to achieve this for our work, clients and people are:

### *Work*

We will:

- continue with our existing range of work, although there may be changes at the margin
- deliver excellent quality and efficient legal services to our clients
- offer centralised expert services – commercial, litigation and employment – and look at opportunities for others
- keep our charges flat where possible or demonstrate the value for money of increases
- continue to drive up the quality of our legal work through continuous improvement
- develop stronger relationships with external legal providers, the rest of the legal profession and judiciary
- move to more flexible working, as the government's property plan is likely to reduce our presence in central London

## *Clients*

We will:

- remain the principal provider of legal services to Whitehall departments
- only act for clients beyond our core client base of Whitehall ministerial departments where we have the capacity and capability to do so without compromising the service to our existing clients and when it is the best solution for the government as a whole
- make visible efforts to help our clients reduce their legal costs as budgets are tight
- build on our good reputation for high levels of client satisfaction, demonstrating the worth of our shared legal service and the value of the outcomes clients get for their fees
- help clients to build their capability to support better decision making and reduce their call on us
- strengthen engagement with clients, building on our successful relationship management arrangements
- find innovative and more efficient ways to work, while maintaining quality and reducing costs to clients
- ensure our heads of expert services and relationship managers work closely together to deliver a joined up, coherent and complete team service to the client

## *People*

We will:

- continue our commitment to be the best employer for our people
- value and promote diversity and equality of opportunity within our organisation
- set the tone in a friendly, collegiate and supportive work environment because our values matter to us
- help all our staff to develop their careers whatever their grade and discipline
- offer a full career for government lawyers within our organisation with a range of interesting and rewarding work, much of which cannot be found with any other employer
- ensure that other professionals and specialists in our organisation will benefit from the expansion of shared services across the Civil Service
- be more proactive in helping our staff to take advantage of these greater opportunities
- support work/life balance, which is an important component of our offer
- support managers, staff and teams as we embrace more remote working

## What we do

Our principal activities are delivered as follows:



**Advisory divisions** provide legal advice to ministers and officials of all central government departments, other than the Foreign and Commonwealth Office (FCO) and HM Revenue and Customs, and to a number of smaller departments, agencies and public bodies in England and Wales. Following machinery of government changes we created a legal team for the new Department for Exiting the European Union (DExEU), based on our former European Law Group together with lawyers who joined us from the FCO. On 1 January 2017, the legal team for the new Department for International Trade (DIT), and on 1 April, the legal advisory team at the new Department for Business, Energy and Industrial Strategy (BEIS) joined GLD.



**Litigation Group** provides civil litigation services to government departments, agencies and a number of other publicly funded bodies. It is one of the largest practices of its kind in the country, handling nearly 58,000 cases in 2016-17 (62,000 in 2015-16). Among its major areas of work are: administrative law; immigration; personal injury; planning; and charity matters. The group also plays a major role in supporting 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. It handles all the government's employment litigation and the vast majority of its employment advisory work. The group undertakes 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 Unit on the large

cross-Civil Service employment issues of the day.



**Commercial Law Group** was created in June 2014, bringing together all central government's commercial advisory and litigation lawyers into a single dedicated unit. It includes a specialist commercial litigation and dispute resolution team and it also supports individual departments in their commercial arrangements. Its lawyers can expect to be involved in some of the most high profile, complex and far reaching commercial issues in government.



**Finance and Operations, and People and Change Divisions** are responsible for developing the department's strategy and plans and leading and co-ordinating programmes of activity across the department to deliver cost effective legal and support services that address the needs of our clients and staff. This essentially includes the provision of corporate services covering governance and strategy, communications and engagement, finance, planning and performance, human resources, procurement, facilities management, security, information and communications technology (ICT), business assurance and resilience, and library and records management services.



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



## Government Legal Service

**Secretariat** advises and supports the Treasury Solicitor in his role as professional 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.

## 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](http://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 2016-17 reflects the mutual relationship we have with our clients.

Division	Funding
Advisory	Fixed fees. A small proportion of work is charged at hourly rates.
Litigation	Essentially hourly rates to client departments. A small proportion of general public interest work is funded from the Parliamentary Estimate.
Employment	A mix of fixed fees and hourly rates, depending on the nature of the work.
Commercial	A mix of fixed fees and hourly rates, depending on the nature of the work.
Bona Vacantia	Costs are funded from the proceeds of bona vacantia.
Finance and Operations, and People and Change Divisions and the GLS Secretariat (GLSS)	Substantially recovered by the charges for our legal service to our clients.

## Looking to the future

Preparing to exit the European Union will be the single biggest challenge for government in 2017-18. Our priority will be to ensure that GLD provides effective legal support to the government's preparations for exiting the European Union. This will include support for the negotiations, advice on the withdrawal agreement and the UK's future relationship with the EU, preparation of the 'Great Repeal Bill' and the other primary and secondary legislation which will be necessary. At the same time we will need to deliver the full range of

legal services required by government. The demands this will place on us will require even greater agility in our planning and the use of resources. We will maintain our focus on driving out unnecessary cost or duplication and continue to explore alternative, cost effective ways of meeting our clients' needs, including our ongoing digital project.

Our specific objectives, key priorities and associated risks and opportunities for 2017-18 are included in our Business Plan that will be published at [www.gov.uk/gld](http://www.gov.uk/gld).

## How we performed

The GLD Business Plan was published in July 2016. It set out our objectives to deliver the GLD vision and our key priorities, in support of our objectives, for 2016-17. The following pages provide a commentary on our performance against these and the performance measures agreed with HM Treasury.

### Delivery of our key priorities

We have made good progress with the key priorities in support of our objectives:

Key Priority	Progress	Commentary
Creating a Statutory Instrument (SI) Hub	Implementation complete	The SI Hub was created to take on a least 20% of our statutory instrument drafting work. It also provides 'centre of excellence' work on learning, guidance and training. It brings the benefits of co-ordinating learning and guidance to support lawyers across our advisory divisions. Looking ahead it will be providing 'centre of excellence' support to all GLD teams working on Brexit related SI drafting.
Advisory Best Value Project	Project established and recommendations made	This project aims to improve the value for money of our service to advisory clients by identifying and spreading best practice, introducing greater standardisation and consistency of approach, reduce duplication of effort, and better manage demand fluctuations. A number of recommendations have been made with a view to these being rolled out in the first half of 2017-18.
Digital Project	Project established – in design phase	This project aims to develop an eKM (electronic knowledge management) solution for all lawyers in GLD and a Client Portal, which will provide initial online self-service legal information and guidance for clients. The project is currently in its Alpha phase piloting solutions for a variety of clients and GLD legal teams.
Improvements to our Case Management System (CMS)	Being implemented	We have made further investment in our CMS, which has resulted in enhanced and new templates and data capture, improved workflows and better management information, all leading to more efficient working practices, savings to clients and improved case outcomes.
External Legal Services Project	Being implemented	We have worked with clients and the Crown Commercial Service (CSS) towards delivering a reduction in the use and high cost of external legal service providers through more effective procurement and contract/supplier management. A new General Legal Services Panel has been launched this year with the procurement of Rail and Finance and Complex Transactions Panels in hand for implementation in 2017-18.

Key Priority	Progress	Commentary
Career Pathways	Achieved	We are embedding our approach to Career Pathways, supporting career development for all our people. This has involved the creation of a range of resources to help GLD people plan their careers, including a comprehensive GLD Career Pathways Skills Directory. Each of our legal divisions is supported by a career pathways single point of contact who provides information about careers in their division and access to shadowing opportunities.
Refreshed Diversity and Inclusion Action Plan	Achieved	As part of our support of the Civil Service vision of being recognised as the UK's most inclusive employer we developed a refreshed Diversity and Inclusion Action Plan. The Action Plan sets out clear and measurable diversity objectives for GLD from 2016 until March 2019. The Plan is published at: <a href="http://www.gov.uk/government/publications/gld-diversity-and-inclusion-action-plan-2016-2019">www.gov.uk/government/publications/gld-diversity-and-inclusion-action-plan-2016-2019</a> .
Accommodation and Technology Delivery Plans	In progress	The GLD Anywhere programme has been developed to deliver these plans which are intended to provide a modern, flexible and accessible working environment for everyone in GLD. On technology, we have been piloting the use of MS Office 365 across our Commercial Law Group and on accommodation, The Way We Work (TW3) approach to office design in a legal team and the Operations Division.

## Vision: Trusted by government to provide consistently excellent and value for money services so government departments want to come to us to meet their legal needs

To build on our partnership with our clients we have delivered 2 cross-GLD events for staff focusing on understanding government priorities, policy making and operational delivery and the GLD Legal Awareness Group has continued to develop standard legal awareness products for use across GLD and with clients' policy staff.

We have developed communication tools for our Relationship Managers to help demonstrate the benefit of our service to our clients and to inform their decisions about the use of legal resources. Relationship Managers now have access to regular management information to support them in managing their relationships with their clients and we have established the

Management Information Hub, (MI Hub), to improve the quality and efficiency of management information used by the business and made available to clients. The MI Hub has developed a Management Information Framework to ensure that the management information is sufficiently timely and reliable and represents value for money, with appropriate governance arrangements and processes for the provision and use of GLD data/information.

We continue to seek to identify and encourage new ways of working to reduce cost, add value and maintain quality. For example: the use of paralegals has been extended beyond the initial deployment in immigration case work; our Treasury Legal Advisers team has introduced Innovation Champions who work within the

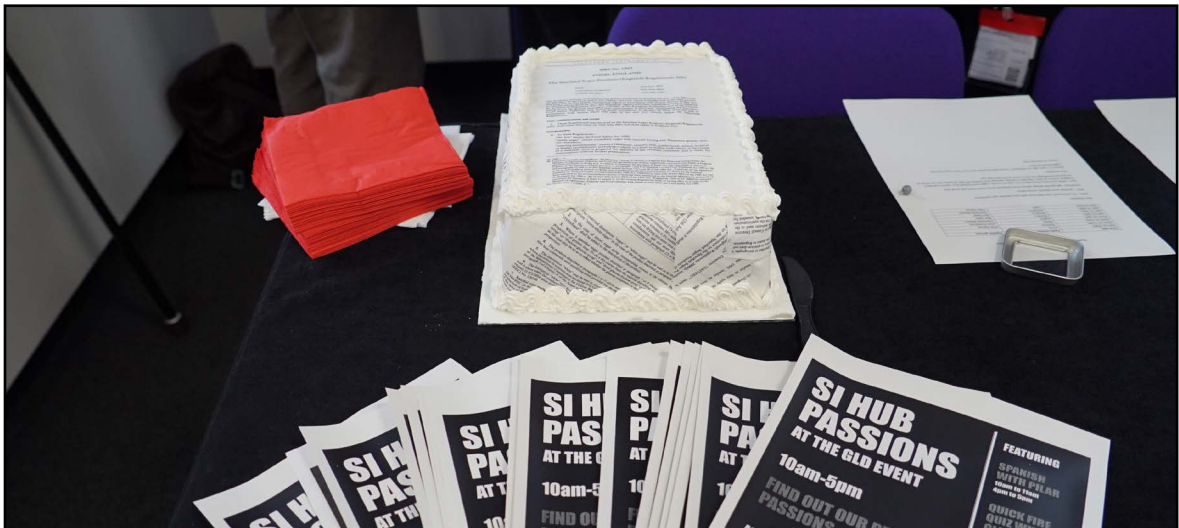


division to identify and facilitate the development of innovative ideas; the Central Administration Team in the Litigation Practice Management Unit has improved the efficiency of the case opening and closing processes,

reducing errors, improving consistency and providing better management information; and showing innovation has been introduced as a new eligibility criteria for our Special Bonus Scheme.

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## Ways of working



### Statutory Instrument Hub

In April 2016 GLD established a permanent team specialising in the drafting of statutory instruments, known as the SI Hub. GLD had run a successful pilot in 2015-16 which demonstrated that a specialist expert drafting resource had the potential to boost quality and improve value for money. The Hub demonstrated the benefits of coordinating learning and guidance across our advisory teams. The Hub now has 20 GLD lawyers and 1 Parliamentary Counsel, and is co-located with Parliamentary Counsel's Office in 1 Horse Guards Road. This is a new way of drafting statutory instruments. Instead of being drafted by lawyers based in the department who work in the relevant policy area, SIs in the Hub are drafted by a central team of drafting specialists. Since it was established, the Hub has worked on over 200 drafting projects and completed nearly 100 SIs across 14 different departments. The Hub has also established itself as the leading and authoritative voice on SIs in GLD, and coordinates the GLS training and guidance on SI drafting. The Hub is constantly looking for ways to do things more efficiently and effectively; it is now working on specialist guidance to support Brexit-related drafting.

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### External Legal Services Project – panel procurement

A key success for 2016-17 is the delivery of the External Legal Services project for central government. Work started in the autumn of 2015 on a 2 year collaboration with Crown Commercial Services (CCS) to replace the old Legal Services Framework with something more modern, better value for money and more focussed on the needs of central government. The project was led by Wendy Hardaker, Director of the Commercial Law Group. Commercial Law Group leveraged its position as a specialist shared service in the centre of government, with expertise in procurement law and a deep understanding of the requirements of users (as much of the use of external legal services by central government is on large commercial law projects) to partner with CCS on the design and delivery of a new c£140m per annum series of Panels for external lawyers.

The first of the 3 new Panels, General Legal Advice Services, was awarded on schedule in

February 2017. A specialist Rail Panel is on track for May 2017 and a Finance and Highly Complex Services Panel in August 2017. The rates under the new General Panel are highly competitive, with savings of c10% for daily rates and c50% for monthly rates against the previous framework. In addition we have secured valued added services ranging from significant quantities of free legal advice, secondments and exchanges between GLD and the private sector, and access to private sector knowledge and training.



Lincoln's Inn Fields, London

Key to our success was close joint working with CCS, and securing wide input from cross GLS stakeholder/steering groups. This enabled us to challenge, innovate and focus relentlessly on value for money within a risk managed and professional approach. Innovations include a new procurement process using the new; Light Touch' rules and a Supplier Relationship Management bringing cross government management to these suppliers for the first time.

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## Litigation practice

### Private Law litigation – External Peer Review



In order to ensure that GLD was obtaining optimum outcomes in the conduct of personal injury cases brought against the National Offender Management Service, MoJ ministers asked us to commission an external law firm to conduct a light touch independent peer review of our cases. The review was carried out in spring 2016 by a leading PI firm. The review encompassed a random selection of 10% of closed personal injury files. The reviewers found GLD's legal advice to be of a good standard and that, as a result of our effective action, a high number of claims were withdrawn at an early stage. Against a key benchmark set by the insurance industry, GLD exceeded the standard expected by the most demanding clients. The reviewers made a small number of recommendations which we have implemented through an action plan which now forms part of a wider joint programme with NOMS to reduce the cost of litigation. The wider NOMS litigation costs reduction plan focuses on reducing the risk of incidents that give risk to litigation, increasing agility in decision making where claims are to be settled, and seeking to recoup costs against unsuccessful litigants as well as enhancing claims handling capabilities in appropriate cases. GLD is working closely with NOMS to help to realise potential savings. Ministers welcomed the report and our proposed action plan, which we are now implementing.

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### Immigration Litigation Transformation Board

The Home Office, in partnership with GLD and Her Majesty's Courts & Tribunal Service (HMCTS) colleagues, is leading on a programme of activity to improve and transform the way in which immigration litigation is handled. The key objective is to drive down costs within appeals and litigation, in particular, reduce the cost by improving processes and becoming more digital, increasing the speed in the system and up-skilling Home Office staff to ensure that work is done at the lowest possible grade.

There are a number of projects working towards achieving this which are monitored through the monthly Litigation Transformation Board comprising HO and GLD colleagues.

So far the programme has piloted drafting grounds in-house for non complex cases, delivered a new case management system for litigation operations in the Home Office, promoted e-mail and e-fax for pre-action protocols and designed an allocation system for the Administrative Court cases which builds on the changes made to the allocation process for Upper Tribunal cases which were implemented in 2016.

## Vision: Known throughout the legal profession for the quality of our legal work

We are committed to delivering excellent and efficient legal services to our clients. Our legal quality programme of work supports this commitment. This has been aligned with our wider priorities within GLD.

Looking at how we deliver our advisory work is one of our key priorities. Last year we prepared guidance on what it means to be an effective advisory lawyer. This year we have continued to raise awareness of the guidance, which is aimed at new advisory lawyers, as well as providing useful tips and reminders for lawyers who have more experience or who work in our Litigation, Commercial and Employment Groups. It also provides a useful overview of the working relationship between advisory lawyers and litigators. Training has also been delivered to share experiences, ideas and best practice. The guidance ties in closely to the Advisory Best Value project, and will form part of a wider suite of material which will be pulled together in Phase 2 of that project.

Following a successful pilot we have rolled out a light-touch quality assurance process across our advisory divisions. The approach links in closely to the Advisory Best Value project, but also builds on the wider work across GLD to embed a culture of continuous improvement and encourage greater consistency and value for money in the legal support we provide. Advisory teams have been paired up to review samples of written legal work against a concise set of quality criteria and a new GLD house style guide. Reviewers will seek to identify good practice and provide constructive feedback. Data from each review will be collated centrally to identify and share best practice and feed learning into future GLD training and guidance. The aim is to help maintain and improve the consistent standard of excellence for which we want to be known. Similar quality assurance initiatives have been established in the Employment and Commercial Law Groups and Litigation Group is looking to develop a similar approach to complement the annual LEXCEL accreditation process.

The Subscription Services project aims to improve the value for money of GLD's on-line legal subscriptions services by April 2018. It has been focussed on training and raising awareness to increase usage of existing services, and a communications strategy has been implemented so GLD teams are regularly updated on the benefits of using the subscription services. The project will also be making recommendations for rationalising services for the future so we can focus on those which best support the business.

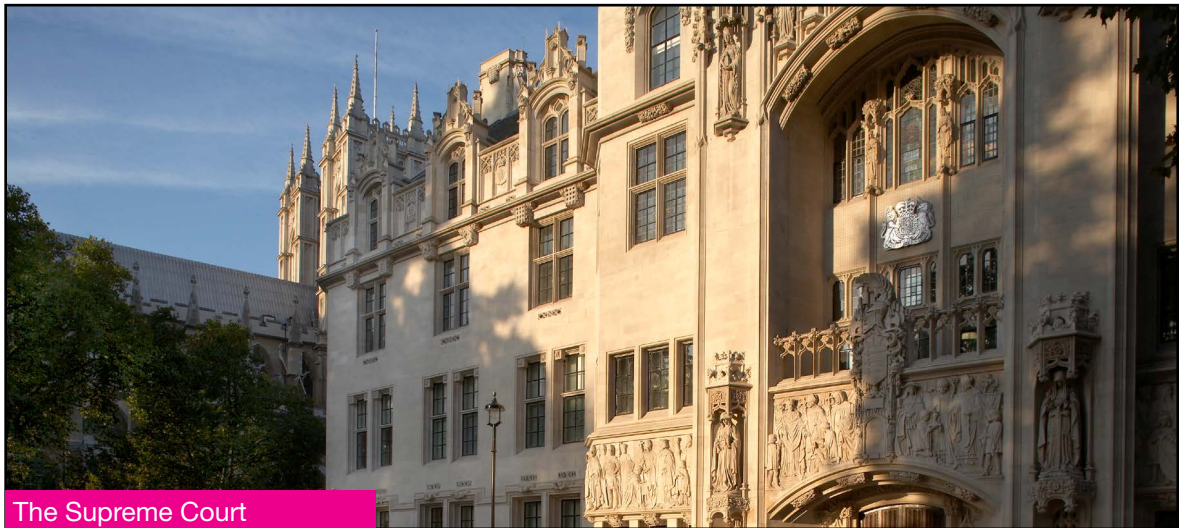
The Government Legal Training Committee has put together another comprehensive programme of training for the coming year. Work is underway to add additional training on Brexit/trade related issues. In addition, we have developed a new modular approach to core legal training, which we intend to pilot using a variety of IT based formats and styles, e.g. filmed discussions, presentations and worked examples. The Introductory Course for Lawyers has been adapted to make it more flexible and accessible. The number of places available has been increased to accommodate the increase in new recruits to GLD.

The Legal Quality Team has continued to support knowledge management (KM) across GLD, holding regular meetings with KM Champions, liaising with our Centres of Excellence and working closely with our Digital Director to ensure our approach to KM aligns with the Digital Project. The Team has continued to produce regular legal updates and has completed the annual benchmarking exercise, which provides useful data on how teams and divisions are doing. The focus to date has been on promoting a positive KM culture and encouraging compliance with essential requirements.

## Legal Achievements

### Miller & others v Secretary of State for Exiting the European Union

#### The Northern Ireland Reference in the Application by Agnew and McCord



The Supreme Court

On 24 January 2017, the Supreme Court handed down its decision in *Miller v Secretary of State & Others v Secretary of State for Exiting the European Union* which had proceeded from a hearing in the Divisional Court to the Supreme Court in just over six weeks. The government was the Appellant in the Supreme Court proceedings, which concerned the giving of notice to leave the European Union by the Prime Minister under Article 50 of the Treaty on European Union. The core issue was whether it was permissible for the Executive to use the Royal Prerogative to give notice without the prior authorisation of Parliament. The Welsh and Scottish devolved administrations intervened to argue that a Legislative Consent Motion would also be required. In addition, the Northern Ireland courts referred 5 separate devolution questions concerning the Executive's power to trigger Article 50 (*Agnew & McCord*).

The Supreme Court dismissed the government's appeal by 8 to 3, holding that the authorisation of the Article 50 notification must be given in primary legislation "passed in both Houses of Parliament and assented to by HM The Queen". The reasoning of the majority, in summary, was that the unusual structure of the European Communities Act 1972 created a source of domestic law. It would be a fundamental constitutional change to withdraw from the European Union, therefore prior legislative authority was required. The devolution arguments against the government did not succeed.

Following the Supreme Court judgment, a short Bill was introduced into Parliament and was given Royal Assent on 16 March 2017. On 29 March 2017, the Prime Minister gave formal notice to leave the European Union under Article 50 of the 2007 Lisbon Treaty.

The case involved very intensive and sustained effort by the GLD Litigation Team, working closely with departmental lawyers, to prepare the case for hearing both in the Divisional Court and the Supreme Court. It also involved close cooperation and teamwork with external Counsel, with the Attorney General and his office, as well as with senior officials across Whitehall, including with the Prime Minister's Office and the Secretary of State for Exiting the European Union.

## Medicines Pricing



The Pharmaceutical Price Regulation Scheme (PPRS) is a voluntary agreement between the Department of Health and the Association of the British Pharmaceutical Industry (ABPI) concerning the price of branded medicines sold to the NHS and the profits made on those medicines. A new PPRS agreement has historically been negotiated every 5 years and the current PPRS was agreed in 2014. The purpose of that agreement was to set a cap on the level of growth of spend on branded medicines for 5 years. A key feature of the agreement was that if the cap was exceeded companies in the scheme would make a payment, based on a percentage of their sales, back to the department.

In late 2015, the department considered that certain aspects of this cap mechanism were not operating as had been expected when the scheme was first devised and that, as a result, payments which had been expected were not likely to be forthcoming in the later years of the scheme. This situation was not due to falling spending in the NHS but to other factors outside the department's control.

This situation prompted the department to consider whether the scheme needed to be amended to ensure that something close to the expected payments continued to be received for the final 2 years of the scheme or whether the scheme should be ended early with the risks that might entail.

GLD advisory and commercial lawyers worked with DH officials and external commercial negotiators to assist the department in negotiating with the ABPI in order to agree a change to the scheme. A compromise agreement was eventually reached with the ABPI. GLD lawyers subsequently drafted and agreed an amendment to the scheme which effectively sets a fixed payment percentage for the calendar year 2017 and fixes a minimum and maximum payment percentage for the calendar year 2018. This was a satisfactory result for both sides providing both the department (and thereby the wider NHS) and the industry with a degree of financial predictability and stability for the final years of the scheme.

## Junior Doctors litigation



During much of 2016, departmental lawyers defended claims brought against the Secretary of State (SofS) for Health by the British Medical Association (BMA) and a crowd funded body set up for the litigation purpose - 'Justice for Health' (JfH). The litigation was conducted against a backdrop of industrial action, media scrutiny and parliamentary interest, with some contract renegotiation taking place in parallel. The BMA Board withdrew their claim and recommended the new contract to their members; this new contract was rejected by the doctors and the JfH litigation proceeded.

The BMA claim had rested upon the Secretary of State's public sector equality duty and equality impact assessment. Further careful consideration of equality issues as part of the ongoing contract negotiation resulted in the equality claim falling away. JfH claimed the SofS had no power to force take-up of the new contract by trusts and that the position had been unclear to trusts and doctors. The Court agreed with the department that the SofS was not overstepping his powers, that this was evident to trusts, and that at the latest during the course of litigation, the position had been made completely clear to doctors. JfH also argued that the SofS had acted unlawfully in linking the new contract with achieving an improved '7 day NHS'. Again the High Court agreed that there was adequate evidence for this to have been a reasonable decision to have taken.

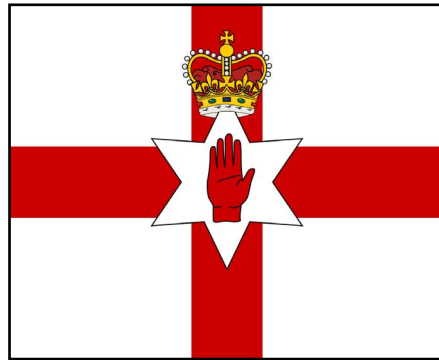
The work involved sustained and close collaboration between the department's employment law team, the litigation team and advisory lawyers familiar with the NHS legislation, as well as with external counsel, senior officials and the SofS.

The High Court found in favour of the SofS in respect of all the claims made, and the new contract is being rolled out as doctors change placements in the NHS.

## Welfare reform for Northern Ireland

Social security is devolved to Northern Ireland but, as part of the November 2015 Fresh Start agreement between the parties in Northern Ireland, it was agreed that some legislation for welfare reform in Northern Ireland should be progressed at Westminster, rather than through the Northern Ireland Assembly. Since then, a team of DWP officials and lawyers has been working with colleagues from the Department for Communities in Northern Ireland and lawyers in the SI Hub, with support from the Northern Ireland Office, to take forward this aspect of the agreement and ensure that the legislative position for social security in Northern Ireland was brought to "parity" or equivalence with Great Britain. This has involved 2 Orders in Council and over 30 pieces of secondary legislation, many delivered at short notice and over and above "business as usual"

for all the teams involved. This has only been possible to accomplish through establishing close and collaborative working relationships between the lawyers and policy leads involved, and ensuring that lines of communication have been kept open – this has included 2 reciprocal visits and many telephone and video conferences. While the project is continuing, the successful completion of each phase is testament to the good working practices established and maintained by all involved.



## Vision: The best employer for our people

We have continued to improve GLD as a place to work by developing our leadership and management skills, by promoting equality, diversity and inclusion and a “One Organisation” culture based on a strong set of GLD values, and by setting out a clear GLD career deal so that people know what we offer and what we expect of them.

The wellbeing of our people is a priority, both inside and outside work, so primacy has been given to creating a positive, inclusive environment, providing advice, counselling and practical support to those who are experiencing problems or who have specific health needs, and encouraging sporting and social activity. On 2 March 2017 (International time to talk Mental Health Day), we launched an Expressions of Interest exercise for our first ever tranche of trained Mental Health First Aiders, with 48 applications for the 16 training places available.

Jonathan Jones, the GLD Chief Executive, is the Civil Service Health and Wellbeing Champion. He will be drawing on our positive experiences in GLD and encouraging others to learn from our successes, such as our approach to flexible working, which supports our people in managing the demands of work and their domestic commitments.

To improve the consistency of practice across GLD in implementing our flexible working policy, our policy, process and guidance has been reviewed and amended. In the coming months, the guidance will be looked at again in the light of feedback from the use of commuter Hubs, TW3 office design and flexible working pilots in OKS, and further consolidation of the GLD estate.

The Senior Leadership Team has discussed improved support for those returning from maternity leave together with ways in which managers can work with staff to achieve more flexible working arrangements. That work will be built on by updating policies covering Paternity and Shared Parental Leave. In addition, the Flexible Workers Network hosted a session to look at the ways in which GLD’s flexible working policies have supported men in the organisation to achieve a greater work/life balance. Work on individual case studies will be delivered early in 2017-18.

All divisions/groups within GLD now have a broad range of working patterns operating within them, including some senior job-share arrangements at both director and deputy director level.



Building on actions identified by the Civil Service Talent Plan, the Diversity and Inclusion Committee produced a three-year action plan based around 3 main strands: inclusive culture; recruitment and selection; and talent and progression. Actions taken forward this year include better promotion of the importance of declaring sensitive data - leading to an increase in overall declaration rates; a refocus of the GLS Summer Diversity Scheme aimed at introducing students from different backgrounds to the role of a GLS lawyer; the introduction of staff panels to give junior and diverse staff a voice in senior appointments; and each member of the Board mentoring someone from an under-represented group in the SCS.

Future actions will include the introduction of the Disability Adjustments Passport, improved guidance and support to holding good career conversations and an increase in the number of trained interviewers.

Career Pathways Single Points of Contact (SPOCS) from across GLD supported the creation of a comprehensive Skills Directory, which demonstrates the range of cross-cutting skills and topics that can be developed across GLD, helping our people make better informed decisions about their career pathways and transform their knowledge about the breadth of challenges and opportunities across our 'One Organisation'. All GLD legal roles and disciplines have been catered for within this work and work has begun to map career pathways for paralegal roles in GLD. Staff in other cross government professions, such as finance, have been signposted to Career Pathway tools developed especially for them.

Our annual "Careers Week" programme took place in September to November, starting with a week of events in London and finishing with a tailor-made session for colleagues in Bristol. These events were attended by about 800 people, with over 90% reporting that the events helped them think about planning their future.

To achieve our goal of being an organisation of strong leaders and good managers we:

- are developing a GLD-centric leadership development programme for Grade 6 staff which we plan to pilot next year
- have held quarterly SCS Forums to provide opportunities to discuss and address leadership issues. A SCS leadership conference was held in February
- have encouraged senior managers to make leadership pledges

### **Partnership**

GLD has continued to maintain a positive working relationship with the Trade Unions (First Division Association and Public and Commercial Services). 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, and departmental and national union representatives. Business managers are also encouraged to meet trade union colleagues at an early stage where resourcing levels or workloads may be changing.

### **Staff Engagement**

The annual People Survey is a key measure of our success in delivering our vision to be the best for our people. In the 2016 Survey, we achieved an Engagement Index of 62% - this was 2 points higher than last year and 2 points higher than the average for the Civil Service - with a response rate of 77%. This is quite an achievement given the continued changes in the organisation. The results of the survey will be used to shape our policies and practices.

## HMT Performance Measures

Our performance measures reflect our continued commitment to high professional standards as well as delivering client satisfaction

### Client Satisfaction

	2016-17	2015-16
To improve our client satisfaction rating(s)	97%	95%
	7.71	7.30

In our annual survey of client satisfaction, 97% of our clients rated our services as good or excellent and for senior stakeholders this figure was 96%. We also developed a new performance score that gives a better indication of the change in performance – using this method we scored 7.70, which is a 6% increase from last year and an indication that we have achieved more “excellent” ratings.

This reflects well on the high quality legal work done across GLD and the strong client relationships we have established and maintained.

### Lexcel

	2016-17	2015-16
To maintain Lexcel accreditation	Achieved	Achieved

GLD received a very positive report from our annual Lexcel maintenance visit in December in relation to the litigation aspects of our business. Once again, we were awarded the Law Society’s ‘gold star legal quality mark’. The assessor said: “GLD continues to more than amply demonstrate the inherent robustness, and resilience of internal process and systems. In Lexcel terms, the organisation continues to very clearly constitute a ‘Centre of Excellence’, and continues to demonstrate an exceptionally high degree of compliance against the Lexcel Standard”.

### Recovery of operating costs

	2016-17	2015-16
To recover from clients the full operating cost of chargeable services	Achieved	Achieved

We are primarily funded from the fees charged to clients for legal services. Our fee rates are set in accordance with HM Treasury’s publication ‘Managing Public Money’ and are designed to recover the costs incurred by the organisation. As demonstrated in the Accounts, we fully recovered our costs for the year and made a small accidental surplus, which was effectively returned to HM Treasury at the end of the year.

## *Community and social matters*

GLD supports staff who want to undertake volunteering or pro bono work. In addition to the obvious benefit that this has for the wider community, we recognise that pro bono and volunteering work is an opportunity for personal development and a chance to learn new skills, so it fits well with GLD's People Strategy and our aim to be the best employer for our people.

For example this year:

- GLD launched a new partnership with Rule of Law Expertise UK (ROLE UK). Under this arrangement, GLD lawyers will have the opportunity to contribute pro bono to capability building initiatives in countries across Africa, Asia and the Middle East with which the Department for International Development is working to improve the rule of law.
- As part of the Lawyers in Schools programme (run by the Citizenship Foundation), GLD legal trainees delivered a series of six workshops on a diverse range of legal topics for Year 10 students at a school in central London, and helped the school in various other ways, such as by giving mock interviews. The results have been very rewarding for both the school children and the legal trainees.

GLD was also pleased to demonstrate its commitment to pro bono work by signing the Law Society's pro bono charter and we ran a number of events during the year to raise the profile of pro bono work within GLD.

We know that many GLD staff members are involved in a wide range of volunteering and pro bono activities, including being a school governor, a brownie leader, volunteering at a wildlife reserve and helping to serve meals to homeless people in central London.

"I began volunteering for the Citizens Advice Bureaux (CAB) in 2009, and when I moved to London in 2013 I helped out at evening sessions twice a month at the Holborn bureau. I am sure that the skills I garnered through my CAB experience helped me to obtain a training contract with GLD. Having the opportunity to help people is genuinely rewarding and the work is always challenging and interesting. Dealing with a range of issues with little prior knowledge has greatly improved my ability to quickly grasp new areas of law, and having to explain often complicated legal concepts to lay people has really made me think about the best and most helpful way to present advice to my clients".

### **Kyle Addyman, Commercial Law Group**

We hope to encourage more people to take part in these activities and to make it easier to do so. The GLD Pro Bono and Volunteering Network has, therefore, been established to support and facilitate volunteering and pro bono work and to remind staff that they may take up to six days a year special paid leave for voluntary activity.

## **Sustainability**

All departments are required to report their performance against the Greening Government Commitments (GGC). GLD's sustainability performance can be found at Annex A (page 66).

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## Legal Achievements

### Serdar Mohammed v MOD



An Afghan citizen who was detained by UK armed forces in Afghanistan in 2010 brought claims against the MOD under the Human Rights Act and Afghan tort law for unlawful detention (among other allegations). It was extremely important for the government to successfully defend this claim in order to be able to operate effectively in Afghanistan (and in other current/future conflicts).

In a judgment handed down on 17 January 2017, the Supreme Court held unanimously that the government could rely on the doctrine of ‘Crown act of state’ to preclude the court passing judgment on a foreign law tort claim, within certain parameters - mainly that the act must be (a) inherently governmental in nature; (b) with authority of the Crown; (c) be closely connected to the foreign policy of the state; and (d) could include the use of lethal force and capture/detention of persons on imperative grounds of security in the course of military operations abroad, but cannot include human rights breaches or mistreatment of detainees. The court left open whether the doctrine could run against British citizens.

The judgment means that in this case, subject to findings being made on the facts regarding circumstances of detention, the Afghan tort claim regarding detention has been successfully defended. More importantly, the government’s ability to exercise its legitimate power to deploy armed forces properly and conduct the UK’s foreign relations globally has been made more secure.

The Supreme Court also handed down a separate judgment which allowed the MOD’s appeal against findings that it had breached Article 5(1) and (3) of the ECHR: the right to liberty. The majority (7-2) considered that the ‘all necessary measures’ mandate found in the UN Security Council Resolutions (‘UNSCRs’) which covered the relevant conflict over the relevant period, provided HM armed forces with the power to detain where necessary on imperative grounds of security. The majority (again 7-2) also found that Article 5(1) must be interpreted to accommodate that international law power. This means that the reasoning of Strasbourg in *Hassan v United Kingdom* (2014), that Article 5 could be modified to accommodate detention in an international armed conflict where that detention was in accordance with the third Geneva Convention, has now been extended to a non-international armed conflict and detention based on a UNSCR power.

The 2 judgments in this case are of significant cross-cutting importance due to the:

- potential to rely on Crown act of state in the future (before this judgment the foundations of the doctrine, which had not previously been applied since the 19th century, were very uncertain); and
- demonstration of the Supreme Court’s apparent unease with the European Court of Human Rights’ expansion of jurisdiction into armed conflicts, and the widening interpretation of Article 5.

### Cultural Property (Armed Conflicts) Act



Wall and tombs in Palmyra

The conflict in Syria, and in particular the destruction of Palmyra, has focused international attention on the damage which can be done to the world’s cultural heritage in times of war.

The Cultural Property (Armed Conflicts) Act put in place the legislation necessary for the UK to become a party to the Hague Convention on the Protection of Cultural Property in the Event of Armed Conflict 1954 and its 2 Protocols. This has enabled the government to cement the UK’s position as a world leader in the protection of cultural property.

In particular, the Act created a new offence of a serious violation of the Second Protocol. This covers acts such as making cultural property the object of attack, using it in support of military action, extensive destruction and acts of vandalism. It also created an offence of dealing in cultural property unlawfully exported from occupied territory.

A draft Bill had been prepared 10 years previously, but was never introduced due to lack of Parliamentary time. When such time unexpectedly became available, GLD lawyers in DCMS worked to very short deadlines to review and update the Bill in order to have it ready for introduction on the day of the Queen’s speech. They then provided support to ministers as the Bill passed through Parliament.

This involved close liaison with other GLD lawyers across Whitehall. While GLD lawyers in DCMS focused on the protection of cultural property and overall coordination, GLD lawyers in MOD provided input in relation to the armed forces. In MOJ, GLD lawyers provided expertise on criminal offences, and lawyers advising the Territorial Offices provided support on the devolution aspects. GLD lawyers also worked effectively with lawyers in FCO and AGO.

The project was led by 2 part-time lawyers who used flexible working methods and technology to provide policy officials and ministers with a seamless first class service. The Bill received Royal Assent in February 2017.

## Financial Performance

### Income

Total operating income (excluding disbursement income) for the year was £147.7m (2015-16: £143.7m), an increase of 2.8%.

Our income from legal fees and charges to clients increased this year due to the machinery of government changes that resulted in the transfer of legal work from other government departments into GLD, increased demand for commercial law and advisory legal services and a full year's income for the MOD Legal Advisory team that transferred into GLD in May 2015.

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

### Expenditure

Our administration costs (excluding disbursements) this year were £143.2m (2015-16: £138.2m), an increase of 3.6%. Staff costs represent 87% of non-disbursement expenditure and have increased in line with the additional legal work. The ratio of staff costs to legal fees and charges income (67%) and total operating expenditure (65%) is consistent with that in 2015-16.

Staff numbers have increased by 1.3% and staff received an average pay award of 1%. We continue to employ agency and contract staff where there is a need for specialist skills, such as within ICT where for practical business reasons the GLD Board has agreed there should be a mixed economy of permanent and contract staff to provide some flexibility to cope with changes in demand. We also employ agency staff in lieu of recruitment. Spend this

year was £11.4m (2015-16: £9.2m). Agency and contract staff accounted for 11% of average staff count for the year (2015-16: 9.5%). We have undertaken several external recruitment campaigns with the aim of reducing our reliance on agency staff resulting in 117 new legal recruits and 24 other professional and support staff.

Non staff costs are mainly related to accommodation and back office services. These decreased by £452k.

Expenditure on legal disbursements varies from year to year depending on the number, type and complexity of cases. The majority of this expenditure is passed on directly to clients. It increased by 10% compared to 2015-16.

### Operating Surplus

The net operating surplus for the year was £2.7m (2015-16: £3.9m).

### Capital Budget

Capital investment was £1.6m. The main investment was in maintaining the IT infrastructure, converting our disaster recovery site in Croydon into an operational office space, and in creating a pilot modern, flexible workplace.

### **Financial Position**

The capital employed is £10.5m at 31 March 2017 comprising total assets of £45.4m (non current assets of £3m, trade and other receivables of £33.8m, and cash of £8.6m); current liabilities of £34.9m (trade and other payables). Further details are in the Notes to the Accounts.

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 receipts from our clients for the bulk of our cashflow. We ended the year with cash of £8.6m (2015-16: £2.3m) and a debtor balance of £12.1m (2015-16: £14.4m).

### **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. The Accounting Officer authorised these Accounts for issue on 20 June 2017.

**Jonathan Jones**  
**Accounting Officer**  
**12 June 2017**





# Accountability report

## Corporate Governance report

### Directors' report

#### *Directors*

The Governance Statement on page 32 includes the name of the Chief Executive and the composition of the GLD Board.

#### *Register of interests*

Oonagh Harpur, provides consultancy services and advice from time to time to the main governance board of international law firm, DLA Piper, whose UK practice has been bidding for the new External Legal Service Panel. Because of the potential conflict of interest, she has removed herself from all discussion at the Change Delivery Committee and the Board relating to the panel

procurement and all the papers/minutes she has received have been redacted accordingly.

No other directorships or other significant interests which may have caused a conflict with their management responsibilities were held by Board Members. Note 12 to the Accounts confirms that no members of the Board, including Non-Executive Directors, has any related party interests.

#### *Personal data related incidents*

All government departments are required to publish information about any serious personal data related incidents which have to be reported to the Information Commissioner.

**Table 1: Summary of protected personal data related incidents formally reported to the Information Commissioner's Office in 2016-17**

Date of Incident	Nature of Incident	Nature of data involved	Number of people potentially affected	Notification steps
April 2016	Loss of personal data	The breach involved the loss of an individual's passport, council tax account and other birth and marriage certificates sent in support of the claim by a relative to be entitled to share in an estate administered by the Bona Vacantia (BV) Division on behalf of the Crown's Nominee.	1	After extensive and ultimately fruitless searches, the incident was notified to the ICO. Following a number of exchanges of correspondence on the subject, the ICO confirmed in October 2016 that no regulatory action would be taken, although some recommendations were made in relation to BV's document handling processes. These recommendations have all been implemented.

There were no other protected personal data related incidents which have to be recorded by the department but which are deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office.

### *Statement on information risk*

GLD holds personal data relating to GLD 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 2016-17, the framework for handling data and to provide assurance over the management of information held within GLD has included:

- continued review and production of data handling policies, guidance and awareness training promoting best practice within GLD, including the mandatory completion by all staff of the Civil Service Learning – 'Responsible for Information and Data Protection' e-learning courses
- ongoing review of information assets and their associated risks, including twice yearly assessments of the third party delivery chain, and the incorporation of information risks within the risk management policy and processes
- maintaining certification against the ISO 27001:3013 information security standard. The Department also adheres to the current PSN Code of Connection and Cabinet Office Security Policy Framework requirements

### *Audit*

GLD's 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 Department's Bona Vacantia Division.

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

### *Remuneration to auditors for non audit work*

GLD did not pay any remuneration to the NAO for non audit work. The notional audit fee for the Departmental audit was £55k (2015-16: £61k).

### *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.

## Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed GLD 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 department and of its income and expenditure, changes in taxpayers' 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 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 department's assets, are set out in 'Managing Public Money', published by HM Treasury.

## 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 Government Legal Department (GLD) (formerly 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 Jeremy Wright QC, MP**, Attorney General
- **Robert Buckland QC, MP**, Solicitor General

As Chief Executive and Accounting Officer of GLD, I am accountable to the Attorney General and responsible for the management of GLD. I am supported in delivering my responsibilities by the GLD Board.

### *Board and committees*

The GLD Board is the main decision-making body and supports the Chief Executive in providing leadership of GLD, 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 GLD Board as at 31 March 2017 was as follows:

#### **Executive members:**

- **Jonathan Jones**  
HM Procurator General and Treasury Solicitor
- **Stephen Braviner Roman**  
Legal Director General A
- **Claire Johnston**  
Legal Director General B
- **Peter Fish**  
Legal Director General C
- **Valerie Cain**  
People and Change Director
- **Nick Payne**  
Finance and Operations Director

#### **Non Executive members:**

- **Celia Carlisle** (appointed September 2013, renewed July 2015) – A consultant who has spent most of the last 20 years in commercial roles working on major infrastructure projects and is currently General Counsel to the Thames Tideway Tunnel Ltd, having been appointed in January 2015. She was also elected to the London Council of the Confederation of British Industry in March 2016. 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. She is Chair of the GLD SCS Pay Committee.
- **Oonagh Harpur** (appointed September 2013, renewed July 2015) – Non-Executive Director and Senior Advisor to Boards on corporate strategy, reputation and governance. She is Chairman of Wisdom of the Crowd and a member of Walgreen Boots Alliance panel on sustainability. She advises a number of boards of professional

and financial services firms (including DLA Piper) and is a senior adviser to Tomorrow's Company and Blueprint for Better Business. 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, renewed July 2015) – A Chartered Accountant and Chair of the GLD Audit and Risk Committee. He is a Non-Executive and Chair of the Audit and Risk Committee of the Crown Prosecution Service since 2012; a Non-Executive Director and Chair of the Audit and Finance Committee of the Social Investment Business Group, and its parent charity, the Social Business Foundation, since 2013; a member of the Board of Social and Sustainable Capital LLP since February 2017; and Chair of Skills for Health and for Justice since April 2017. He was Chair of the Single Source Regulations Office from 2014 to 2016, and of the Audit Commission from October 2012 until its closure on 31 March 2015. He is a Honorary Visiting Professor at the Cass Business School. Previously Global CEO of BDO, one of the world's largest accounting firms, and prior to that Managing Partner of BDO's UK firm.

### *Work of the Board and attendance*

The Board met 10 times between April 2016 and March 2017, with attendance as follows:

<b>Executive members</b>	<b>Attendance</b>
Jonathan Jones	9/10
Peter Fish	8/10
Claire Johnston	9/10
Stephen Braviner Roman	10/10
Valerie Cain	10/10
Nick Payne	10/10
<b>Non executive members</b>	
Celia Carlisle	10/10
Oonagh Harpur	10/10
Jeremy Newman	10/10

Its work covers the 5 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 GLD 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

## *The Board's performance*

GLD adheres to centrally set standards of good governance practice for government departmental boards and follows the three-stage board effectiveness evaluation process recommended in guidance produced by the Cabinet Office.

Questionnaires were sent to members of the Board (and its committees) in February 2017 based on the Cabinet Office guidance and the recommendations arising out of the 2015-16 effectiveness evaluation process. The evaluation process consisted of desk research focusing inter alia on attendance levels, effectiveness of agenda setting and of the information flow between the Board and committees, and efficacy of the content and format of management information. The process continues as recommendations arising from the evaluation are being put to the Board.

## *Board sub-committees*

GLD has an **Audit and Risk Committee** with an independent, Non-Executive Chair, Jeremy Newman. 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 (Celia Carlisle), in addition to the Chair, and an additional external member, Jenny Rowe, the retired Chief Executive of the Supreme Court.

The Audit and Risk Committee met 4 times in 2016-17 and considered the preparation of, and External Auditors audit of, the Annual Report and Accounts for 2015-16. The committee was satisfied with the quality of the external auditors work and their approach to their responsibilities.

The committee also considered the findings contained in management letters and reports prepared by the Head of Internal Audit based on an Audit Plan agreed in advance by the committee and monitored the implementation of audit recommendations.

The Audit and Risk Committee was satisfied that assurances provided by the various internal audit reports met the requirements of the Board and the Accounting Officer.

At the end of the year, the Audit and Risk Committee conducted an effectiveness evaluation. While performance in many areas remained unchanged from the previous year, the areas for improvement included reviewing terms of reference annually, keeping members informed of key matters between meetings and considering how the end of meeting evaluations can be improved.

The **Performance and Client Committee** is responsible for overseeing the health of the business by monitoring the services delivered to all our clients and staff. It reviews GLD's performance against standards and targets, celebrating success and identifying improvement activities where needed. This committee is chaired by Stephen Braviner Roman, Legal Director General A. It met 9 times in 2016-17.

The **People Committee** is responsible for ensuring GLD has arrangements in place to recruit, retain, develop, organise and deploy our people of all grades and roles to meet the objectives of the organisation. This committee is chaired by Claire Johnston, Legal Director General B. It met 10 times in 2016-17.

The **Legal Quality Committee** looks at the quality of GLD's legal service provision to make sure it is delivering the highest possible quality to its clients. It champions improvements in quality and provides a forum to share best practice across the department. This committee is chaired by Peter Fish, Legal Director General C. It met 5 times in 2016-17.

The **Change Delivery Committee** manages change activities in GLD by taking the long term corporate strategy and policies and turning them into programmes and projects with defined outcomes. This committee is chaired by Valerie Cain, People and Change Director. It met 11 times in 2016-17.

Membership of each committee is drawn from GLD's Senior Leadership Team and has a Non-Executive Director appointed to each.

### *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 GLD; specifically the involvement of ministers and the requirement to have roughly equal numbers of ministers, senior civil servants, and Non-Executive Directors (NEDs).

Although GLD is not required to have a 'lead NED' (whose role is one of 'supporting the Secretary of State in his or her role as Chair of the Board'), Jeremy Newman has been appointed as deputy chair of the Board and the remaining Lead NED functions have been shared between all of the Non-Executive Directors.

### *Risk management*

Risk management is carried out in accordance with HM Treasury risk management guidance. Regular risk reviews are undertaken and risk registers are maintained corporately and for each group and division. The GLD Board identifies and determines the appropriate risk appetite and monitors and manages key strategic risks.

The Audit and Risk Committee provides a challenge function to the department's risk management arrangements, including deep dive reviews, and Internal Audit reviews and assurance of the processes. The committee is supported in its work by the Risk Management Group, with membership drawn from Divisional Risk Managers. Its role is to share and promote best practice, share lessons learned, encourage networking, promote risk improvement, provide additional challenge and report periodically to the ARC.

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, and 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 GLD's exposure is limited to an acceptable level.

Strategic risks are agreed by the GLD Board and assured by the Audit and Risk Committee, and each key strategic risk is owned by a Board member. The risks and actions to mitigate them are reported monthly to the Performance and Client Committee and the Board. The strategic risks and the actions to mitigate them are detailed in the GLD Business Plan.

## *Risk profile*

The UK's exit from the European Union and the forthcoming general election will determine the government's future programme and the level of legal support required from GLD by our clients. The potential impacts of these are already recognised in our key strategic risks, which are:

- demands placed on GLD do not match expected levels
- the quality of GLD's legal work falls below the standards expected by clients, the judiciary or other stakeholders
- lack of resource capacity and/or capability to deliver the service clients need
- clients are unwilling to pay for the legal services which GLD provides or procures because of budget pressures
- clients do not believe that the legal services GLD provides or procures offer the best possible value for money
- injury or harm to staff, loss of GLD or client assets, or major loss of sensitive or confidential information
- significant external events have an adverse impact on GLD's ability to deliver services to our clients and/or achieve full cost recovery

Further information on these risks and our response to them are set out in the GLD Business Plan for 2017-18 which will be published at [www.gov.uk/gld](http://www.gov.uk/gld).

## *Security and business continuity*

Client data security remains critical and is assured by GLD's adherence to Cabinet Office Security Standards, maintaining ISO 27001 certification and Public Service Network (PSN) accreditation. Cyber resilience is maintained through comprehensive penetration testing, vulnerability management and protective monitoring policies

GLD continues to contribute to work carried out by the Cabinet Office on the wider security transformation agenda and is actively contributing to the government-wide security governance review.

Further information on information risk is contained in the Directors' Report on page 29.

GLD enjoys a high level of client satisfaction and it is essential that it is able to maintain its high quality service whatever the circumstances. Business continuity is assured through the maintenance of an ISO22301 aligned business continuity management system and a comprehensive suite of recovery plans. Incident management exercises are carried out and GLD's disaster recovery facilities are tested on a regular basis. The GLD disaster recovery site has remote access capacity, resilience and security, which reduces the risk of service disruption should its central London office be unavailable.



## *Whistleblowing*

Following recommendations from the Public Accounts Committee on the need for departments to strengthen their handling of whistleblowing, Valerie Cain, People and Change Director, was appointed as Board member with overall responsibility for whistleblowing in GLD. She works closely with the nominated officers for whistleblowing in GLD and with the Audit and Risk Committee which has been given the role of assuring GLD's processes and reviewing whistleblowing numbers and cases, and the lessons to be learned from them.

The Audit and Risk Committee has considered quarterly reports on whistleblowing from the Director of People and Change throughout 2016-17, and has reported up to the Board on a 6 monthly basis. There have been no notifications of whistleblowing incidents, or near misses, in 2016-17. Attention has, therefore, focused on what more can be done to encourage potential whistleblowers to come forward and on other channels through which staff may express concerns. The Audit and Risk Committee has reviewed bullying and harassment data from the People Survey across the business between 2014 and 2016. This identified areas within the business where bullying and harassment appears to be unacceptably high. The committee has shared this information with the Executive Team with a request that they advise how they intend to respond to these findings.

## *Effectiveness of the risk management and governance framework*

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 moderate level of assurance. In his opinion, some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

Assurance on information handling is provided by the Senior Information Risk Owner, Nick Payne, Finance and Operations Director, supported by the Security Team and the work of the Security Advisory Group.

Directors provide an annual end of year Assurance Report highlighting any risks that crystallised during the year. These assurances have been reviewed by the Audit and Risk Committee and no matters of concern were raised in 2016-17.

As part of the business planning process the Treasury Solicitor holds Panel Reviews with his Directors General to review performance against the current year's Business Plan objectives, and to challenge their bids for resources and proposed client fees for the following year.

At the end of each quarter, GLD conducts a formal forecasting exercise. Directors are asked to review their income and expenditure against budget and to forecast their year-end position. This information enables the Performance and Client Committee and the Board to identify areas of concern and, if necessary, to review and consider the allocation of resources in meeting GLD objectives. From quarter two, it also enables consideration of potential in-year fee reductions and rebates/refunds, where a surplus is forecast, or increases if a deficit is forecast.

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

I am satisfied that these processes have highlighted no issues of significance to the corporate health or operations of GLD in 2016-17.

## Remuneration and staff report

### 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](http://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](http://www.ome.uk.com).

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

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

The function of the SCS Pay Committee is to determine GLD'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, before determining non-consolidated performance related pay awards, and to make final pay decisions.

The SCS Pay Committee in GLD at the relevant time (April to July 2016) comprised: Celia Carlisle – Non-Executive Director and chair, Jonathan Jones, Peter Fish, Claire Johnston, Stephen Braviner Roman, Rowena Collins Rice (Director General AGO), and Susanna McGibbon, with Mark Burch, Head of HR, acting in an advisory capacity.

### *Consolidated awards (salary increase)*

There was 1% of the SCS paybill available for distribution in 2016-17 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 GLD 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 and Group 2 performers a £500 increase to salary
- address what was perceived by the Pay Committee as an anomaly in terms of those who had been in their grade for some time being on or near the bottom of their pay scale

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

In deciding non-consolidated performance awards in 2016-17 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 2015-16:

- 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 1 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*

This information has been subject to audit.

The following sections provide details of the remuneration and pension interests of the most senior management (i.e. Board members) of the department.

*Remuneration (salary, benefits in kind and pensions)***Single total figure of remuneration**

Officials	Salary (£'000)		Bonus Payments (£'000)		Pension Benefits (to nearest £1,000) <sup>1</sup>		Total (£'000)	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
	Jonathan Jones <i>HM Procurator General, Treasury Solicitor, Permanent Secretary and Chief Executive</i>	160- 165	160- 165	15-20	-	29,000	57,000	205- 210
Stephen Braviner Roman <i>Legal Director General A</i>	120- 125	115- 120	-	-	58,000	64,000	175- 180	180- 185
Claire Johnston <i>Legal Director General B</i>	120- 125	115- 120	-	15-20	38,000	82,000	155- 160	210- 215
Peter Fish <i>Legal Director General C</i>	120- 125	120- 125	10-15	-	27,000	29,000	160- 165	150- 155
Valerie Cain <i>People and Change Director</i>	95- 100	95- 100	-	10-15	15,000	43,000	110- 115	150- 155
Nick Payne <i>Finance and Operations Director</i>	120- 125	120- 125	10-15	-	41,000	54,000	170- 175	170- 175

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. Where prior year figures have changed this is due to a retrospective update to salary data.

2. No Directors were in receipt of any benefits in kind

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

	Contract end	Salary £'000		Benefits-in-kind (to nearest £100)		Total (£'000)	
		2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
		Jeremy Newman	September 2018	15-20	15-20	1,000	600
Celia Carlisle	September 2017	15-20	15-20	200	200	15-20	15-20
Oonagh Harpur	September 2018	15-20	15-20	-	-	15-20	15-20

The department's non-executive directors necessarily incur travelling and other expenses to attend departmental meetings. The tax liability arising on their reimbursement by GLD is met by GLD 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.

## *Performance Related Awards*

Performance related pay awards (non-consolidated) are based on an individual's performance over the year and are moderated as part of the SCS appraisal process. As the timing of the appraisal process does not allow us to accrue for individual bonuses relating to 2016-17 performance, the awards reported in 2016-17 relate to performance in 2015-16 and the comparative awards reported for 2015-16 relate to the performance in 2014-15.

## *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 GLD in the financial year 2016-17 was £180k - £185k (2015-16: £160-165k). This was 3.6 times (2015-16: 3.23 times) the median remuneration of the workforce, which was £50,491 (2015-16: £49,991).

In 2016-17, no (2015-16: 0) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £21k - £185k (2015-16 £21k - £165k).

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 31/3/17 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/17 £'000	CETV at 31/3/16 <sup>1</sup> £'000	Real increase in CETV £'000	Employer contribution to partnership pension accounts to the nearest £100 £
Jonathan Jones <i>HM Procurator General, Treasury Solicitor, Permanent Secretary and Chief Executive</i>	50-55 plus a lump sum of 155-160	0-2.5 plus a lump sum of 5-7.5	1,059	986	24	–
Stephen Braviner Roman <i>Legal Director General A</i>	35-40 plus a lump sum of 90-95	2.5-5 plus a lump sum of 0-2.5	601	544	29	–
Claire Johnston <i>Legal Director General B</i>	40-45 plus a lump sum of 105-110	0-2.5 plus a lump sum of 5-7.5	890	817	35	–
Peter Fish <i>Legal Director General C</i>	35-40 plus a lump sum of 105-110	0-2.5 plus a lump sum of 5-7.5	772	712	25	–
Valerie Cain <i>People and Change Director</i>	60-65 plus a lump sum of 105-110	0-2.5 plus a lump sum of 0	1,256	1,248	13	–
Nick Payne <i>Finance and Operations Director</i>	55-60	2.5-5	866	810	18	–

1. Where prior year figures have changed this is due to a retrospective update to data.

2. Non Executive Directors do not receive pension entitlement from GLD.

## Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date, all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has 4 sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

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, nuvos and alpha are increased annually in line with pensions increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS

after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits ‘banked’, with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the 2 schemes.) 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 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. 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 3 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. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. 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 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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 0.5% 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, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the 2 schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk).

### *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.



## Staff report

### Staff costs

	2016-17			2015-16
	Permanently employed staff	Others	Total	Total
	£000	£000	£000	£000
Wages and salaries	85,795	–	85,795	84,420
Social security costs	8,974	–	8,974	7,217
Other pension costs	18,043	–	18,043	17,911
<b>Sub total</b>	<b>112,812</b>	<b>–</b>	<b>112,812</b>	<b>109,548</b>
Agency and contracted staff	–	11,408	11,408	9,231
Inward secondments	–	204	204	182
<b>Total</b>	<b>112,812</b>	<b>11,612</b>	<b>124,424</b>	<b>118,961</b>
Less recoveries in respect of outward secondments	(1,452)	–	(1,452)	(1,592)
<b>Total net costs</b>	<b>111,360</b>	<b>11,612</b>	<b>122,972</b>	<b>117,369</b>

No staff costs have been charged to capital.

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) - known as “alpha” are unfunded multi-employer defined benefit schemes but GLD is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. Details can be found in the Annual Report and Accounts of the Cabinet Office: Civil Superannuation [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk).

For 2016-17, employers’ contributions of £17,801k were payable to the PCSPS (2015-16: £17,788k) at 1 of 4 rates in the range of 20 to 24.5 per cent of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every 4 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 £183k (2015-16: £123k) were paid to 1 or more of the panel of 3 appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent (2015-16: 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 £36k (2015-16: £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 (2015-16: one); the total additional accrued pension liabilities in the year amounted to £nil (2015-16: £nil).

This information has been subject to audit.

*Average number of persons employed*

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

	2016-17			2015-16
	Number			Number
	Total	Permanent Staff	Others	Total
GLD	1,862	1,657	205	1,838
<b>Total</b>	<b>1,862</b>	<b>1,657</b>	<b>205</b>	<b>1,838</b>

This information has been subject to audit.

*Reporting of Civil Service and other compensation schemes - exit packages*

	2016-17			2015-16		
Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	-	-	-	-	-	-
£10,000 – £25,000	-	-	-	-	2	2
£25,000 – £50,000	-	3	3	-	-	-
£50,000 – £100,000	-	2	2	-	-	-
£100,000 – £150,000	-	-	-	-	-	-
£150,000 – £200,000	-	-	-	-	-	-
£200,000 – £250,000	-	-	-	-	-	-
£250,000 – £300,000	-	-	-	-	-	-
<b>Total number of exit packages by type</b>	<b>-</b>	<b>5</b>	<b>5</b>	<b>-</b>	<b>2</b>	<b>2</b>
<b>Total resource cost/£</b>	<b>-</b>	<b>312,881</b>	<b>312,881</b>	<b>-</b>	<b>34,229</b>	<b>34,229</b>

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in the year of departure. Where the Department has agreed early retirements, the additional costs are met by the Department 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.

This information has been subject to audit.

### *SCS by payband*

The number of SCS staff by SCS pay band in GLD as at 31 March 2016 was as follows:

	<b>GLD</b>
SCS 4	1
SCS 3	3
SCS 2	25
SCS 1 and 1A	122
Total	155

### *Staff composition*

We continue to promote equality for all and in particular we continue to maintain a strong profile of black and minority ethnic and disabled staff at senior civil service (SCS) level and in feeder grades to the SCS.

The gender breakdown as at 31 March 2017 was as follows:

	<b>Male</b>	<b>Female</b>
Board members	4	2
Non executive directors	1	2
SCS (excluding Board members)	72	71
Employees	635	1,154
Total	712	1,229

The proportion of black, minority and ethnic staff at SCS Pay Band 1 is 8.2%. The proportion of total staff is 16.6%. Levels of disabled staff (5.9% of SCS and 4.5% of total staff) compare favourably with comparable grades elsewhere, supported by efficient arrangements for assessments and the implementation of reasonable adjustments for those that require them.

### *Sickness absence*

Overall sickness absence was an average of 5.3 working days lost per person per year (2015-16: 5.0 days). This compares favourably with the Civil Service average of 7.1 days lost per staff year as at 30 September 2016 (most recent available figures). Managers are encouraged to actively manage sickness absence in their area, ensuring that people are supported during any illness and that any underlying causes are identified and addressed, where possible, through workplace adjustments.

### *Expenditure on consultancy*

There was no spend on consultancy (2015-16: £nil).

## Parliamentary Accountability and Audit Report

This information has been subject to audit.

### *Losses and special payments*

HMT's publication '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'.

### *Fees and Charges*

An analysis of the Department'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.

	2016-17			2015-16		
	Income	Full Cost	Surplus/ (deficit)	Income	Full Cost	Surplus/ (deficit)
	£000	£000	£000	£000	£000	£000
Income						
Legal fees and charges to clients	184,564	181,346	3,218	176,762	171,749	5,013
Recovery of costs from Bona Vacantia	3,909	3,909	–	3,710	3,710	–
Other income	4,955	4,955	–	4,776	4,776	–
Non-chargeable work	–	898	(898)	–	1,316	(1,316)
<b>Total (GLD)</b>	<b>193,428</b>	<b>191,108</b>	<b>2,320</b>	<b>185,248</b>	<b>181,551</b>	<b>3,697</b>

In accordance with HM Treasury's guidance a notional cost of capital charge of £425k 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, excluding cash balances with the Government Banking Service.

### *Remote contingent liabilities*

GLD has no contingent liabilities that need to be disclosed under Parliamentary Reporting requirements.

*Long term expenditure trends*

This information is not subject to audit.

Our planned net expenditure as agreed with HM Treasury is as follows. This covers the costs that are not recovered from our clients, but which are met from the Parliamentary Estimate.

	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
DEL Resource	1,767	5,841	10,083
DEL Capital	2,900	4,200	2,700

The Departmental Expenditure Limit (DEL) Resource funding is to cover the costs of casework on behalf of the Attorney General (time and disbursements). The Spending Review 2015 provided additional funding for GLD from 2018-19 for its future relocation of its Head Office, at the end of its lease on One Kemble Street, as part of the Government Estate Strategy.

The DEL Capital funding allows us to invest in improving and developing systems to support our business. Spending Review 2015 provided for additional funding to enable for the investment in technology as a result of the relocation and to align with the Government Digital Strategy, as well as to meet fit out costs to TW3 standards, which we are currently piloting.

**Jonathan Jones**  
**Accounting Officer**  
**12 June 2017**

## 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 Government Legal Department for the year ended 31 March 2017 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 and Staff Report and the Parliamentary Accountability Disclosures that is described in those reports and disclosures 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 Government Legal Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Government Legal Department; 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 Government Legal Department's affairs as at 31 March 2017 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 parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance Report and Accountability Report 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 and the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures 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.

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

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

**20 June 2017**



Government  
Legal Department

# Government Legal Department Annual Accounts

For the year ended 31 March 2017



*Statement of comprehensive net income*  
for the period ended 31 March 2017

		2016-17	2015-16
	Note	£000	£000
Income from sale of goods and services	5	(185,880)	(177,808)
Other operating income	5	(7,548)	(7,440)
<b>Total operating income</b>		<b>(193,428)</b>	<b>(185,248)</b>
Staff costs	2	124,424	118,961
Purchase of goods and services	3	13,024	13,255
Rentals under operating leases	3	4,180	5,747
Non-cash costs	3	1,611	265
Disbursements	4	47,444	43,106
<b>Total operating expenditure</b>		<b>190,683</b>	<b>181,334</b>
<b>Net operating income</b>		<b>(2,745)</b>	<b>(3,914)</b>
<b>Other comprehensive net expenditure</b>			
Net (gain)/loss on revaluation of property plant and equipment		–	–
Net (gain)/loss on revaluation of intangibles		–	–
<b>Total comprehensive (income)/expenditure for the year</b>		<b>(2,745)</b>	<b>(3,914)</b>

All income and expenditure is derived from continuing operations.

The notes on pages 57 to 64 form part of these accounts.

**Statement of financial position**

as at 31 March 2017

	Note	31 March 2017		31 March 2016	
		£000	£000	£000	£000
<b>Non-current assets</b>					
Property, plant and equipment		2,813		2,451	
Intangible assets		118		574	
<b>Total non-current assets</b>		<b>2,931</b>		<b>3,025</b>	
<b>Current assets</b>					
Trade and other receivables	7	33,820		34,439	
Cash and cash equivalents	8	8,620		2,305	
<b>Total current assets</b>		<b>42,440</b>		<b>36,744</b>	
<b>Total assets</b>			<b>45,371</b>		<b>39,769</b>
<b>Current liabilities</b>					
Trade and other payables	9	(33,982)		(24,642)	
Provisions		(4)		(146)	
<b>Total current liabilities</b>		<b>(33,986)</b>		<b>(24,788)</b>	
<b>Non-current assets plus net current assets</b>			<b>11,385</b>		<b>14,981</b>
<b>Non-current liabilities</b>					
Trade and other payables	9	(889)		(1,182)	
Provisions		–		(3)	
<b>Total non-current liabilities</b>			<b>(889)</b>		<b>(1,185)</b>
<b>Total assets less liabilities</b>			<b>10,496</b>		<b>13,796</b>
<b>Taxpayers' equity</b>					
General Fund			10,160		13,460
Revaluation Reserve			336		336
<b>Total taxpayers' equity</b>			<b>10,496</b>		<b>13,796</b>

The notes on pages 57 to 64 form part of these accounts.

**Jonathan Jones**  
**Accounting Officer**  
**12 June 2017**

*Statement of cash flows*  
for the period ended 31 March 2017

		2016-17	2015-16
	Note	£000	£000
<b>Cash flows from operating activities</b>			
Net operating income		2,745	3,914
Adjustments for non-cash transactions arising in the year	3	1,611	265
Decrease/(increase) in trade and other receivables	7	619	(4,224)
Increase in trade and other payables*	9	2,871	1,016
Use of provisions		(48)	(709)
<b>Net cash inflow from operating activities</b>		<b>7,798</b>	<b>262</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(1,548)	(445)
Purchase of intangible assets		(150)	(227)
<b>Net cash outflow from investing activities</b>		<b>(1,698)</b>	<b>(672)</b>
<b>Cash flows from financing activities</b>			
Net financing		215	(5,779)
<b>Net financing</b>		<b>215</b>	<b>(5,779)</b>
<b>Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>	<b>8</b>	<b>6,315</b>	<b>(6,189)</b>
Amounts due to the Consolidated Fund - received in a prior year and paid over		-	-
<b>Net increase in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>	<b>8</b>	<b>6,315</b>	<b>(6,189)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>8</b>	<b>2,305</b>	<b>8,494</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>8</b>	<b>8,620</b>	<b>2,305</b>

The notes on pages 57 to 64 form part of these accounts.

\* The movement on payables excludes movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure such as departmental balances with the Consolidated Fund

*Statement of changes in taxpayers' equity  
for the period ended 31 March 2017*

		General Fund	Revaluation Reserve	Total Reserves
	Note	£000	£000	£000
<b>Balance at 1 April 2015</b>		<b>9,072</b>	<b>339</b>	<b>9,411</b>
<b>Changes in taxpayers' equity for 2015-16</b>				
Net Financing		(5,779)	–	(5,779)
Net Parliamentary Funding – deemed		8,494	–	8,494
Supply Payable Adjustment		(2,305)	–	(2,305)
Comprehensive net expenditure for the year		3,914	–	3,914
<b>Non-cash adjustments:</b>				
Auditors' remuneration	3	61	–	61
<b>Movements in Reserves</b>				
Net gain on revaluation of plant, property and equipment		–	–	–
Net gain on revaluation of intangible assets		–	–	–
Transfer between Reserves		3	(3)	–
<b>Total recognised income and expenditure for 2015-16</b>		<b>4,388</b>	<b>(3)</b>	<b>4,385</b>
<b>Balance at 31 March 2016</b>		<b>13,460</b>	<b>336</b>	<b>13,796</b>
<b>Changes in taxpayers' equity for 2016-17</b>				
Net Financing		215	–	215
Net Parliamentary Funding: deemed		2,305	–	2,305
Supply payable adjustment		(8,620)	–	(8,620)
Comprehensive net income for the year		2,745	–	2,745
<b>Non-cash adjustments:</b>				
Auditors' remuneration	3	55	–	55
<b>Movements in Reserves</b>				
Transfer between Reserves		–	–	–
<b>Total recognised income and expenditure for 2016-17</b>		<b>(3,300)</b>	<b>–</b>	<b>(3,300)</b>
<b>Balance at 31 March 2017</b>		<b>10,160</b>	<b>336</b>	<b>10,496</b>

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 57 to 64 form part of these accounts.

# Notes to the accounts

## 1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2016-17 '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 Government Legal Department (GLD) for the purpose of giving a true and fair view has been selected. The particular policies adopted by GLD 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 Income

Income relates directly to the operating activities of the Department. It principally comprises fees and charges for legal services provided during the year by the Government Legal Department to the other central government departments, agencies and arms length bodies and recovery of disbursements incurred on their behalf. Fees and charges are set in accordance with HM Treasury's guidance set out in 'Managing Public Money'.

In addition, it includes other income such as charges for the administration costs of the Bona Vacantia Division, rental income and service charge, recovery of costs for recruitment and training services provided to other government departments.

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

### 1.3 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.

### 1.4 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 Department 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 Department recognises the contributions payable for the year.

### **1.5 Contingent liabilities**

In addition to contingent liabilities disclosed in accordance with IAS 37, the Department 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.

### **1.6 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 10 (Commitments under operating leases) are not discounted.

### **1.7 Taxation**

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

Operating income is stated net of VAT.

### **1.8 Third party assets**

The Department 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 13 to these accounts.

## 2. Staff costs

			2016-17	2015-16
	Permanently employed staff	Others	Total	Total
	£000	£000	£000	£000
Wages and salaries	85,795	–	85,795	84,420
Social security costs	8,974	–	8,974	7,217
Other pension costs	18,043	–	18,043	17,911
<b>Sub total</b>	<b>112,812</b>	<b>–</b>	<b>112,812</b>	<b>109,548</b>
Agency and contracted staff	–	11,408	11,408	9,231
Inward secondments	–	204	204	182
<b>Total</b>	<b>112,812</b>	<b>11,612</b>	<b>124,424</b>	<b>118,961</b>
Less recoveries in respect of outward secondments	(1,452)	–	(1,452)	(1,592)
<b>Total net costs</b>	<b>111,360</b>	<b>11,612</b>	<b>122,972</b>	<b>117,369</b>

No staff costs have been charged to capital.

### 3. Other expenditure

	2016-17	2015-16
	£000	£000
<b>Rentals under operating leases</b>		
Hire of plant and machinery	211	314
Other operating leases	3,969	5,433
	<b>4,180</b>	<b>5,747</b>
<b>Non-cash items</b>		
Depreciation	1,199	1,368
Amortisation	456	525
Provisions not required written back	(99)	(1,653)
Borrowing Costs (unwinding of discount)	–	(36)
Auditors' remuneration <sup>1</sup>	55	61
	<b>1,611</b>	<b>265</b>
<b>Purchase of goods and services</b>		
Accommodation	4,307	4,579
Library information services and subscriptions	2,259	1,733
IT and communications costs	1,908	1,847
Recruitment	937	659
Training	630	530
Professional and external HR services	534	577
Travel and subsistence	368	404
Early departure costs	330	16
Postal services	244	297
Stationery	229	223
Records management	214	296
Office machines and consumables	171	193
Welfare supplies and consumables	165	132
Publications	147	299
Other	581	1,470
	<b>13,024</b>	<b>13,255</b>
<b>Total other expenditure</b>	<b>18,815</b>	<b>19,267</b>

<sup>1</sup> Auditors' remuneration represents the notional external audit fees of £55k (2015-16: £61k) for the Government Legal Department Account. There was no auditor remuneration for non-audit work.



#### 4. Disbursements

	2016-17	2015-16
	£000	£000
Recoverable from client departments	45,686	41,538
Funded from Supply	626	626
Disbursements recovered from fixed fees	1,132	942
<b>Gross expenditure</b>	<b>47,444</b>	<b>43,106</b>

#### 5. Income

	2016-17	2015-16
	£000	£000
<b>Income from sales of goods and services:</b>		
Legal fees and charges to clients	138,878	135,224
Disbursement income	45,686	41,538
LION Subscription	1,316	1,046
	<b>185,880</b>	<b>177,808</b>
<b>Other operating income:</b>		
Recovery of costs Bona Vacantia	3,909	3,710
Recovery of secondments out	1,452	1,592
Rental income	1,091	1,100
Tenant service charges	601	623
Other income	495	415
	<b>7,548</b>	<b>7,440</b>
<b>Total income</b>	<b>193,428</b>	<b>185,248</b>

#### 6. Financial instruments

As the cash requirements of the Department 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 Department's expected purchase and usage requirements and the Department is therefore exposed to little credit, liquidity or market risk.

## 7. Trade receivables and other current assets

### Analysis by type

	31 March 2017	31 March 2016
	£000	£000
<b>Amounts falling due within 1 year:</b>		
Unbilled time	6,301	6,267
Unbilled disbursements	11,627	9,954
Trade receivables	12,050	14,429
Deposits and advances	549	577
Prepayments and accrued income	3,293	3,212
	<b>33,820</b>	<b>34,439</b>

## 8. Cash and cash equivalents

	2016-17	2015-16
	£000	£000
<b>Balance at 1 April</b>	<b>2,305</b>	<b>8,494</b>
Net change in cash and cash equivalents	6,315	(6,189)
<b>Balance at 31 March</b>	<b>8,620</b>	<b>2,305</b>

All balances were held with the Government Banking Service.

## 9. Trade payables and other current liabilities

### Analysis by type

	31 March 2017	31 March 2016
	£000	£000
<b>Amounts falling due within 1 year:</b>		
VAT	5,971	5,501
Other taxation and social security costs	2,690	2,347
Trade payables	194	49
Other payables	170	367
Accruals and deferred income	16,337	14,073
	<b>25,362</b>	<b>22,337</b>
Amounts issued from the Consolidated Fund for Supply and not spent at year end	8,620	2,305
	<b>8,620</b>	<b>2,305</b>
Amounts falling due after more than 1 year	889	1,182
<b>Total payables and other current liabilities</b>	<b>34,871</b>	<b>25,824</b>

## 10. Commitments under operating leases

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

	2016-17		2015-16	
	Buildings £000	Other £000	Buildings £000	Other £000
<b>Obligations under operating leases for the following periods comprise:</b>				
Not later than 1 year	4,229	121	4,229	305
Later than 1 year and not later than 5 years	7,342	197	11,571	381
Later than 5 years	-	-	-	-
	<b>11,571</b>	<b>318</b>	<b>15,800</b>	<b>686</b>

## 11. Contingent liabilities

There were no contingent liabilities as at 31 March 2017 (31 March 2016: £nil).

## 12. Related party transactions

The department has had a significant number of material transactions with other government departments and public agencies since the nature of the department'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.

The Crown Prosecution Service (CPS) provides procurement services to GLD. Jeremy Newman is a Non-Executive Director of GLD and Chair of its Audit and Risk Committee and a Non-Executive Director and Chair of the Audit and Risk Committee of CPS.

None of the other Board members, key managerial staff or other related parties have undertaken any material transactions with the department during the year. Board members' remuneration is disclosed in the Remuneration Report.

## 13. 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 department places these funds on deposit until the final costs of a case have been calculated and settled. These are not departmental 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 2017, these amounted in total to £11,408k (31 March 2016: £2,623k). An analysis of the movements on these accounts is shown in the below:

	2016-17	2015-16
	£000	£000
<b>Opening balance at 1 April</b>	<b>2,623</b>	<b>6,394</b>
Gross inflows	102,714	110,611
Gross outflows	(93,929)	(114,382)
<b>Closing balance at 31 March</b>	<b>11,408</b>	<b>2,623</b>

These balances are held with the Government Banking Service.

## 14. 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.



# Annex A

## Sustainability report for the year ended 31 March 2017

### Introduction

GLD's strategy for sustainability is to improve our performance against the Greening Government Commitments (GGC), which ran to 2015, with a 2009-10 baseline, wherever possible.

Performance relates to our central London Head Office, occupation of Floors 5-12 and 15 of One Kemble Street (OKS), and our disaster recovery site at Southern House in Croydon.

<b>Greenhouse gas emissions</b>		<b>Baseline 2009-10</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
Non-Financial Indicators (tCO <sub>2</sub> e)	Scope 1 and 2 emissions	2,411	1,782	1,918	1,636	1,642
	Scope 3 emissions (indirect – official business travel)	123	80	93	98	90
	Total emissions	2,534	1,862	2,012	1,734	1,732
Related Energy Consumption (KWh)	Electricity	4,024,487	3,317,851	3,317,771	2,830,994	2,800,089
	Oil	991,179	652,145	624,512	528,257	633,052

<b>Greenhouse gas emissions</b>		<b>Baseline 2009-10</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
Financial Indicators (£)	Expenditure on energy	349,825	365,123	364,118	302,303	307,129
	Expenditure on accredited offsets (e.g. GCOF)	1,270	42	Nil	Nil	Nil
	Expenditure on official business travel	136,724	308,857	392,579	419,588	315,602

### **Performance commentary**

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

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

Our headcount has increased considerably over the years, yet we have achieved a 30% reduction in total GHG emissions.

Electricity consumption figures have reduced slightly this year, and now stand at 30% below our baseline. Spending on energy has also increased this year due to increased oil usage due to the colder winter. However, our oil usage is still 36% below baseline.

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 our landlord, the Civil Aviation Authority. We are continuing to work with contractors and our landlord over the use of new technology and initiatives to reduce our carbon footprint. In particular, we are maintaining pressure on our landlord to take a more proactive approach to sustainability in the building as a whole.

Expenditure on official travel (rail and air) has decreased by 25% since 2015-16.

<b>Waste</b>		<b>Baseline 2009-10</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2014-15</b>	<b>2016-17</b>
Non-Financial Indicators(tonnes)	Non-Recycled	76	3	5	0	0
	Total Reused/ Recycled	90	94	93	104	100
	Energy recovery <sup>1</sup>	-	64	88	35	25
	Total waste	166	161	186	139	125
Financial Indicators (£)	Total disposal cost	17,616	25,340	26,028	26,212	27,507

1. 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

There has been a further decrease in our total waste this year, which is now 25% below baseline.

100% of waste is reused/recycled or used for energy recovery compared to the baseline year, when this figure was just over 50%. The 100% figure is due to our disposal contract that avoids any waste going to landfill. Waste per FTE is now 42% below baseline.

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



<b>Finite resource consumption:</b> <b>Paper</b>	<b>Baseline</b> <b>2009-10</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2014-15</b>	<b>2016-17</b>
Non-Financial Indicators A4 Reams	47,665	34,260	35,320	29,375	29,625

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#### **Performance commentary**

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

The paper which we currently use is recycled and is used to create closed loop paper. We do not ourselves use closed loop paper, due to issues with the print quality and increased printer maintenance.

Paper usage has increased slightly this year, potentially reflecting increased activity trends, but remains 38% below baseline.

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<b>Finite resource consumption:</b> <b>Water</b>		<b>Baseline</b> <b>2009-10</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2014-15</b>	<b>2016-17</b>
Non-Financial Indicators (M <sup>3</sup> )	Water Consumption (OKS)	6,466	6,615	7,361	7,082	6,962
Financial Indicators (£k)	Water Supply and disposal costs	13,848	11,806	16,777	16,013	15,869

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#### **Performance commentary**

The GGC are that by 2015 the government will reduce water consumption with reports on water use against best practice benchmarks (i.e. 4 M3 per FTE).

Water consumption has decreased this year, but still stands at 8% above baseline. This is due to a significant increase in staff numbers since the baseline year. Water consumption per FTE is 11% below baseline.

Our water consumption is affected by the provision of 2 cafés in the building, which are used by GLD and non-GLD staff.

The water supply and disposal costs are recharged by the landlord from the water supply company and are as much a factor of cost as they are for consumption.

## Sustainable procurement

The GGC also promotes the procurement of sustainable and efficient products while, reducing the impact of the supply chain on the environment. This includes embedding efficient procurement practices and improving and publishing data on supply chain impact.

Our overall procurement strategy principally 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 and the use of products
- buying products and services which are less environmentally damaging, for instance, the use of 'thin client' units, which use less energy than conventional 'base unit' desktop computers
- complying with environmental legislation and regulatory requirements
- including relevant environmental conditions or criteria in specifications and tender documents, and evaluating supplier offers accordingly
- raising awareness of environmental issues within the department, and among suppliers and contractors

Three of our 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 2 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

## Glossary

<b>ABPI</b>	Association of the British Pharmaceutical Industry
<b>AGO</b>	Attorney General's Office
<b>BEIS</b>	Department for Business, Energy and Industrial Strategy
<b>BMA</b>	British Medical Association
<b>CAB</b>	Citizen's Advice Bureau
<b>CCS</b>	Crown Commercial Service
<b>CETV</b>	Cash Equivalent Transfer Value
<b>CMS</b>	Case Management System
<b>DEL</b>	Departmental Expenditure Limit
<b>DExEU</b>	Department for Exiting the European Union
<b>DIT</b>	Department for International Trade
<b>DH</b>	Department for Health
<b>DWP</b>	Department for Work and Pensions
<b>ECHR</b>	European Court of Human Rights
<b>FCO</b>	Foreign and Commonwealth Office
<b>FTE</b>	Full Time Equivalent
<b>GCOF</b>	Government Carbon Offsetting Facility
<b>GGC</b>	Greening Government Commitment
<b>GHG</b>	Greenhouse Gas
<b>GLSS</b>	Government Legal Service Secretariat
<b>HMCPsi</b>	Her Majesty's Crown Prosecution Service Inspectorate
<b>HMCTS</b>	Her Majesty's Courts & Tribunal Service
<b>HMRC</b>	Her Majesty's Revenue and Customs
<b>HR</b>	Human Resources
<b>HO</b>	Home Office
<b>IAS</b>	International Accounting Standard
<b>ICO</b>	Information Commissioner's Office
<b>ICT</b>	Information, communication and technology
<b>IFRS</b>	International Financial Reporting Standard
<b>JfH</b>	Justice for Health
<b>KM</b>	Knowledge Management
<b>Lexcel</b>	Law Society's Practice Quality Mark
<b>MOD</b>	Ministry of Defence
<b>MoJ</b>	Ministry of Justice
<b>NAO</b>	National Audit Office
<b>NED</b>	Non executive director
<b>NHS</b>	National Health Service

<b>NOMS</b>	National Offender Management Service
<b>OKS</b>	One Kemble Street
<b>PCSPS</b>	Principal Civil Service Pension Scheme
<b>PI</b>	Personal Injury
<b>PPRS</b>	Pharmaceutical Price Regulation Scheme
<b>SCS</b>	Senior Civil Service
<b>SofS</b>	Secretary of State
<b>SPOC</b>	Single Point of Contact
<b>SSRB</b>	Senior Salaries Review Body
<b>TW3</b>	The Way We Work
<b>UNSCR</b>	United Nations Security Council
<b>WEEE</b>	Waste Electrical and Electronic Equipment



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