



Official Solicitor



Public Trustee

The Stewardship Accounts of
the Official Solicitor to the Senior Courts and
of the Public Trustee

For the period 1 April 2017 to 31 March 2018

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Foreword by the Official Solicitor and by the Public Trustee

1. The Official Solicitor to the Senior Courts (the Official Solicitor) and the Public Trustee are separate independent statutory office holders. The two statutory offices remain legally separate and distinct. The Offices of the Official Solicitor to the Senior Courts and of the Public Trustee (OSPT) are our conjoined offices and treated by the Ministry of Justice (MoJ) as an arms length body of the MoJ that exists to support our respective areas of work. The working relationships between each of our separate roles with the MoJ are set out in Memoranda of Understanding dated 05.05.2010 (OS/MoJ) and 08.01.2010 (PT/MoJ).

On 26 June 2018 the substantive holder of both statutory offices passed away. The Official Solicitor's statutory responsibilities are presently being carried out by the three Deputy Official Solicitors, one of whom has been appointed interim Accounting Officer for the purposes of these Accounts. The Public Trustee's statutory responsibilities are being carried out by the Deputy Public Trustee, who has been appointed interim Accounting Officer for the purposes of these Accounts. The three Deputy Official Solicitors and the Deputy Public Trustee are collectively leading OSPT pending the appointment of a new Official Solicitor and Public Trustee.

Appointment and functions of the Official Solicitor

The Official Solicitor is appointed by the Lord Chancellor under section 90 of the Senior Courts Act 1981. The Official Solicitor is an office holder of the Senior Courts and those courts' own solicitor. The Official Solicitor's purposes include seeking to prevent injustice to the vulnerable by:

- *acting as last resort litigation friend, and in some cases solicitor, in court proceedings for adults who lack the mental capacity to conduct their own proceedings and for children (other than those who are the subject of child welfare proceedings) who have not been given the court's permission to conduct the proceedings themselves.*
- *acting as last resort administrator of estates and trustee of trusts.*
- *accepting appointment, to manage the Child Trust Funds of "looked after" children in England and Wales who have no one available, with parental responsibility, to act for them.^{1 2}*

The Official Solicitor also, as an office holder of the court:

- *acts as, or appoints an, advocate to the Court³*
- *under Harbin v Masterman⁴ makes enquires on behalf of the court.*
- *provides advice and assistance to the court.*

The Official Solicitor also, as a Senior Civil Servant:

- *through the International Child Abduction and Contact Unit carries out in England and Wales the operational functions of the Lord Chancellor, who is the Central Authority under The Hague and European Conventions on Child Abduction.*

¹ See section 3(10) of the Child Trust Funds Act 2004, and regulation 33A of the Child Trust Funds Regulations 2004 (SI 2004/1450).

² This function ceased at the end of September 2017

³ See the Attorney-General's Memorandum of 19 December 2001: "Requests for the appointment of an advocate to the court".[2002] Fam Law 229

⁴[1896] 1 Ch 351.

- *through the Reciprocal Enforcement of Maintenance Orders Unit carries out in England and Wales the operational functions of the Lord Chancellor who is the Central Authority for international maintenance claims.*
- *The holder of the office is a quasi-corporation and deemed to be a trust corporation for the purposes of the 1925 property legislation (Law of Property (Amendment) Act 1926 s.3 (1)).*

Appointment and functions of the Public Trustee

The Public Trustee is appointed by the Lord Chancellor under section 8 of the Public Trustee Act 1906 the Public Trustee's duties are to act on invitation and in line with defined criteria as executor or administrator of estates and as the appointed trustee of settlements. His aim is to provide an effective executor and trustee service of last resort. In addition, the Public Trustee:

- *is the legal holder of land under Part IV of the First Schedule to the Law of Property Act 1925 (land held in undivided shares) and Part V of the First Schedule to the Law of Property Act 1925 (Common Land).*
- *takes title on death under section 9 of the Administration of Estates Act 1925.*
- *maintains a register of notices affecting land under Section 18 of the Law of Property (Miscellaneous Provisions) Act 1994.*

By virtue of the 1906 Act the Public Trustee is a corporation sole.

Statement of Accounting Officers' responsibilities

2. We are appointed as Accounting Officers by the Principal Accounting Officer of the MoJ. We hold legal title to third party assets by virtue of our respective functions as a trustee of trusts, a judicial trustee, an executor of wills, an administrator of estates, a guardian to a child's estate and a solicitor. As Accounting Officers, we are responsible for the stewardship of the third party assets held by us and administered on our behalf by OSPT and the external investment adviser and securities manager.

3. The annual stewardship accounts are prepared in relation to our administration of those assets in accordance with the MoJ Accounts Directions.

4. The directions require us to ensure that proper financial procedures are followed and that the accounting records are maintained in a suitable form to facilitate the preparation of annual stewardship accounts.

5. The accounts are prepared as described in note 1 to the accounts and must give a true and fair view of the state of affairs of the third party assets for the financial year.

6. We must also ensure that the third party assets are properly safeguarded and managed in accordance with our legal duties as trustee, executor, administrator and solicitor.

7. These stewardship accounts are additional to the individual trust and estate accounts which are prepared in accordance with section 25 of the Administration of Estates Act 1925 and Section 22(4) of the Trustee Act 1925.

8. We have taken all the steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that our auditor is aware of that information. So far as we are aware, there is no relevant audit information of which the auditor is unaware.

9. We confirm that the stewardship accounts as a whole are fair, balanced and understandable and that we take personal responsibility for the stewardship accounts and the judgements required for determining that they are fair, balanced and understandable.

Auditor

10. These accounts have been audited by the Comptroller and Auditor General⁵. The auditor's notional remuneration for the audit of the financial statements of the Official Solicitor to the Senior Courts and of the Public Trustee for 2017/18 was £35,000 (2016/17 £35,000).

Annual review of the Official Solicitor's and of the Public Trustee's businesses to which these stewardship accounts apply

11. Our key activities during 2017/18 relating to the third party assets which are subject to these accounts were to:

11.1 continue to administer our ongoing trusts and estates, by:

- day to day case management.
- carrying out detailed case reviews of all ongoing cases.
- ensuring tax returns were completed and any necessary taxes paid by 31 January.
- regularly reviewing investment strategies for individual trusts⁶ and making investment decisions in accordance with our obligations as trustees, receiving assurance as to the investment performance of our external service provider through:
 - its reporting and benchmarking,
 - receiving quarterly assurance from 2 external industry expert advisers reviewing decisions made by the external investment manager.
 - reviewing cases on a sampling/rolling basis.
 - having two additional internal investment reviews during the year – one following the 31 March and the second following 30 September.
- preparing annual accounts and calculating and taking costs/fees annually.
- closing and retiring from trusts and estates which could properly be either closed and distributed or transferred to another trustee.
- applying a last resort criteria in respect of acceptance of new cases.
- supporting the Government Internal Audit Agency (GIAA) review of controls over management of the contract with our external investment manager, Charles Stanley, to ensure that they are robust and proportionate.
- working with Charles Stanley to ensure each trust obtains a Legal Entity Identifier (LEI) in order to continue to receive investment services after 3rd January 2018. This is a requirement of new European Legislation, the Markets in Financial Instruments Directive (MIFID II).
- where applicable completing the online registration of each trust with HMRC by 1st January 2018.

⁵ Auditor: The Comptroller and Auditor General, National Audit Office 157-197 Buckingham Palace Road, London SW1W 9SP.

⁶ I followed the investment strategy determined for each individual trust (see note 13 to the accounts).

- commencing a review of personally identifiable information in preparation for the introduction of the EU General Data Protection Regulation (GDPR).

12. We started the 2017/18 year with a total of 173 cases which had reduced to 161 by the end of the financial year. We continued to operate strict policies of accepting new cases only in the last resort. As at 31st March 2018, we had not accepted any new cases in the course of the financial year.

13. We have a robust case review system to provide assurance as to the quality and timeliness of casework activities. As part of our reconciliation process we include a review of all transactions to ensure they are properly identified, classified and accurately recorded.

14. There have been no known incidents of fraud or personal data incidents during the period of these Accounts.

15. The total combined net third party assets we held as at 1 April 2017, were £66.6 million made up of:

- cash of £3.6 million;
- properties and chattels of £8.2 million;
- securities of £53.4 million;
- debtors of £2.1 million and
- creditors of £0.7 million.

16. The total combined net third party assets we held as at as at 31 March 2018, were £64.1 million made up of:

- cash of £2.5 million;
- properties and chattels of £7.9 million;
- securities of £53.4 million;
- debtors of £1.2 million and
- creditors of £0.9 million.

Forward look for our Trust and Estates work as the Deputy Official Solicitor and as the Deputy Public Trustee

- We will continue to review, adapt and change, where appropriate, the way that we work to meet the changing requirements of, and the budgetary allocations to, our offices.
- We will focus on best outcomes, ensure that our services and resources are targeted to meet the needs of our mainly vulnerable clients, and seek to achieve best value for money.
- We will ensure that we are only accepting and, so far as is practical, acting in those cases where our involvement is necessary and meet our 'Last Resort' criteria as the Deputy Official Solicitor and the Deputy Public Trustee.
- We will continue to explore options for digitalising Title on Death notices served on the Public Trustee under section 9 of the Administration of Estates Act 1925 which are currently paper based. MoJ Legal are preparing draft legislation to enable such a change. We will continue to explore potential options with MoJ Digital for an online platform to include alternative methods for payment of the registration fee.
- We will work with MoJ Digital to implement an IT upgrade in our offices. This will include improvements to the Casper case management system and will enable more flexible ways of working.

- We will finalise the review of personally identifiable information and implement policies to ensure that our offices are compliant with GDPR legislation with effect from 25th May 2018.
- We will look to ensure that there is maximum flexibility across our Trusts and Estates team by ensuring a programme of cross-training of staff is rolled out in 2018/19.
- We will provide protection to the information we hold by managing risks to its integrity and confidentiality in proportionate ways so that our businesses always function effectively.
- We will adhere to MoJ's commitment to sustainable development and improving its environmental performance.

Elaine Brown
Deputy Official Solicitor to the Senior Courts

Date: 18 October 2018

Janet Peel
Deputy Public Trustee

Date: 18 October 2018

Governance Statement

1. In our roles as the Deputy Official Solicitor and as the Deputy Public Trustee, and as Accounting Officers, we carry out our duties and exercise our powers in accordance with the law applicable to the functions we are carrying out. For example, we act as trustee in accordance with the law of trusts; and so on. We have put in place governance arrangements to ensure that the right decisions are made at the right time, at the right level, and by the right people. We are satisfied that we have the necessary systems and processes in place which enable us to maintain an effective system of internal control throughout our offices and that supports the achievement of our respective policies, aims and objectives, whilst safeguarding third party assets for which we are personally accountable.

2. We are accountable for the performance of our offices. We have in place Memoranda of Understanding with our sponsoring Department, the MoJ, which sets out how we will work with the MoJ.

3. We are advised in the executive decisions we make by the OSPT Management Advisory Board (MAB), which is chaired by the Deputy Official Solicitors, which meets monthly and with whom we discuss progress against our annual plans and targets, budgetary matters and issues of concern. At those meetings, and on an ad hoc basis, we exercise oversight of the performance of our joint offices. The terms of reference of the MAB is to assist us in our decision-making and monitoring in respect of:

- The strategy and direction of OSPT
- Finance matters
- People resources
- Performance against budgets and plans
- Risk management
- Compliance with the Corporate Governance Code as required by Managing Public Money

4. The MAB supports us in ensuring that we quickly identify any emerging risks and put actions in place to manage them, together with regularly reviewing how well risks are being managed by action owners. We also chair a monthly Finance Sub-committee which helps us to manage our budget at a detailed level.

5. In the context of the stewardship accounts, the MAB has reviewed progress against production of these accounts, performance against the internal Trusts and Estates business performance measures, the monthly overview of the value of investments and cash held by Charles Stanley, together with internal audit activity relating to such.

6. We are satisfied that the information presented to and by the MAB is sufficient to enable us to make the necessary management decisions. The information presented to the MAB comes from senior managers who work closely with their teams to maintain appropriate monitoring and tracking.

7. We are confident that we have all the necessary and proper risk management and assurance arrangements in place.

8. Prior to our appointments as interim Accounting Officers we were members of the MAB and Finance Sub-committee assisting our predecessor in decision-making on governance. We are therefore satisfied that appropriate governance arrangements were in place during the reporting year.

Table 1: Attendance at Management Advisory Board (MAB) and Finance Sub-committee

The MAB and Finance sub-committee met eleven times during the financial year (monthly).

Executive and Non-Executive MAB and Finance sub-committee Members	Meetings attended per member out of those eligible to attend	
	MAB	Finance Committee
Alastair Pitblado, Official Solicitor & Public Trustee	2 of 11	2 of 11
Janet Ilett, Deputy Official Solicitor	9 of 11	9 of 11
Elaine Brown, Deputy Official Solicitor	8 of 11	8 of 11
Brid Breathnach, Deputy Official Solicitor	7 of 11	7 of 11
Janet Peel, Deputy Public Trustee & Head of Operations	9 of 11	9 of 11
Devone Lawrence, Litigation Services Manager	6 of 11	6 of 11
Julie Taylor, T&E, REMO & Legal Support Manager	10 of 11	10 of 11
Michelle Ruskin, Head of Costs and Finance	10 of 11	10 of 11
Helen Clift, Family Litigation Senior Lawyer	4 of 11	4 of 11
Andrea Ballard, Family Litigation Team Leader	4 of 11	4 of 11
Meetings of the Advisory Board were also attended by:		
Nina Dopson, REMO Senior Manager	1 of 11	
Joanna Collins, Finance Manager	1 of 11	
Mark Higgs, PAA Lawyer	1 of 11	
Jackie White, HCW Senior Case Manager	2 of 11	
Karen Irwin-Milbourne, Family Litigation Senior Manager	2 of 11	
Kath Hamilton, ICACU Team Leader	1 of 11	
Jacob Apenyo, T&E Team Leader	2 of 11	
Mark Stevens, REMO Team Leader	1 of 11	
Mbina Mir, Civil Team Leader	1 of 11	
Victoria Newey, PAA Lawyer	2 of 11	

Observers from the office attended from time to time on an ad hoc basis.

Governance framework

7. As Accounting Officers we have responsibility for reviewing the effectiveness of our governance arrangements. There are effective arrangements for reporting and managing any conflicts of interest, but there have been none during the year.

8. We have 6 monthly accountability review meetings with our MoJ sponsor, supported by the ALB Governance Division. At these meetings, finance and quantitative performance information is made available and discussed. This includes the Finance Report, together with the Business Activity Report which charts quantitative performance across all of our business areas month on month. We attend these meetings, together with our Head of Finance and, any other key personnel who may be required to attend, depending on the key discussion matters. Additionally, the MoJ Audit and Risk Committee reviews and endorses the annual stewardship accounts prior to its certification on behalf of the Comptroller & Auditor General.

9. All governance and risk control measures outlined in the above narrative demonstrate the sound governance that is in place and enable us to be satisfied that such is effective. We adhere in a proportionate way to the MoJ's governance structure, which has been developed with the following principles in mind: clarity of purpose, clear accountability, oversight, flexibility, light touch and avoidance of duplication. As an independent statutory office holder, we are not bound by these principles, but adhere to them as a matter of good practice.

Risk and Control Framework

10. The main process to identify and evaluate risk to us as Accounting Officers is the MoJ Corporate Risk Management framework which we follow. This highlights the key risks, assesses the impacts and the likelihood of the risk and sets out controls or actions put in place to mitigate those risks.

11. We inform the MoJ about, and discuss with the MoJ, any risks with a significantly high score and discuss mitigations and planning required. Separate Risk Registers are developed for key business changes.

12. Our risk register includes the risks relating to the preparation of these accounts. None of the business/operational risks materialised with respect to the accounts.

13. We are satisfied with our governance arrangements, management and risk control systems. We report on them in the Annual Assurance Statement we provide to the Permanent Secretary.

14. Our Head of Trust and Estates also acts as our Risk and Compliance Manager and as such carries out monthly checks on controls and formally reports to the Head of Operations each month and to the MAB every quarter. GIAA have been fully sighted on the OSPT compliance controls.

15. In August 2017, GIAA conducted a review of the adequacy and effectiveness of the controls over management of the contract with Charles Stanley. This included a review of the quarterly investment assurance meetings to understand how this body provides a key control over Charles Stanley and its management of investments made on behalf of clients. GIAA concluded that risk management and control is adequate and effective and gave a "Substantive" rating, which is their highest rating.

16. We continue to embed the concept of risk management throughout our offices and educate staff around best practices.

Risk Management

17. The systems of governance, management and risk control are designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance. The systems of governance, management and risk control are based on an ongoing process designed to identify and prioritise the risks to the achievements of our policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The systems of governance, management and risk control were in place for the whole year ending 31st March 2018 and accord with HM Treasury guidance.

18. As trustees, executors and administrators, budget holders and Accounting Officers, we acknowledge our overall responsibility for the effective management of risk in relation to our stewardship of the third party assets we hold. We have an appropriate management structure in place to ensure adequate control of risks, which includes the creation and maintenance of a risk register. Individual managers in each business area contribute to the register which is scrutinised by us at the monthly MAB meetings.

19. We have a documented Risk Management Strategy and Policy available to all OSPT staff on our Intranet. This is further supported by a Fraud Policy Statement and Fraud Response Plan.

Conclusion

20. We continue to identify our risks and develop procedures to ensure that adequate systems of governance, management and risk control operate in respect of the Third Party assets we hold and that are administered by the OSPT. We are satisfied with the effectiveness of the systems of governance, management and risk control.

Elaine Brown
Deputy Official Solicitor to the Senior Courts

Date: 18 October 2018

Janet Peel
Deputy Public Trustee

Date: 18 October 2018

Independent Auditor's Report to the Official Solicitor and to the Public Trustee

Opinion on stewardship accounts

I have audited the third party monies of the stewardship accounts of the Official Solicitor and Public Trustee for the year ended 31 March 2018. The stewardship accounts comprise the Balance Sheet, the Capital Account, the Income Account and the related notes, including the significant accounting policies. These stewardship accounts have been prepared under the accounting policies set out within them.

In my opinion:

- the stewardship accounts of the Official Solicitor and Public Trustee gives a true and fair view of the state of affairs under the stewardship of the Official Solicitor and of the Public Trustee of the held Trusts and Estates as at 31 March 2018; and
- the stewardship accounts have been properly prepared in accordance with the Ministry of Justice Accounts Direction.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the stewardship accounts section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Official Solicitor and Public Trustee in accordance with the ethical requirements that are relevant to my audit and the stewardship accounts in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Auditor's responsibilities for the audit of the stewardship accounts

My responsibility is to audit the stewardship accounts.

An audit involves obtaining evidence about the amounts and disclosures in the stewardship accounts sufficient to give reasonable assurance that the stewardship accounts are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these stewardship accounts.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the stewardship accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher

than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Official Solicitor and Public Trustee's internal control over the stewardship accounts.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Official Solicitor and Public Trustee's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the stewardship accounts or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the stewardship accounts, including the disclosures, and whether the stewardship accounts represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

Other Information

The Accounting Officers are responsible for the other information. The other information comprises information included in the foreword by the Official Solicitor and Public Trustee and the Governance Statement. My opinion on the stewardship accounts does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the stewardship accounts, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the stewardship accounts or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

the information given in the Foreword by the Official Solicitor and Public Trustee for the financial year for which the stewardship accounts are prepared is consistent with the stewardship accounts.

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:

Financial Statements

Balance Sheet as at 31 March 2018

	Notes	2017/18	2016/17
		£'000	£'000
Assets:			
Property	4	7,886	8,058
Securities	2	53,351	53,398
Chattels		63	130
Debtors	5	1,203	2,110
Cash and Bank balances	6	2,474	3,575
		<u>64,977</u>	<u>67,271</u>
Liabilities:			
Creditors	7	(860)	(711)
Net Assets		<u>64,117</u>	<u>66,560</u>
Representing			
Capital Account		62,314	64,430
Accumulation Account		1,803	2,130
		<u>64,117</u>	<u>66,560</u>

The notes on pages 18 to 25 form part of these accounts.

Accounting Officers

Elaine Brown
Deputy Official Solicitor to the Senior Courts

Date: 18 October 2018

Janet Peel
Deputy Public Trustee

Date: 18 October 2018

Capital Account for the year ended 31 March 2018

	Notes	2017/18	2016/17
		£'000	£'000
Balance at 1 April		64,430	59,171
Add:			
Unrealised revaluation movement		(1,381)	6,434
Probate cost adjustments		154	156
Surplus on disposals		705	1,123
Capital introduced from new clients		142	318
Net transfer from Income Account		775	430
		<u>64,825</u>	<u>67,632</u>
Less:			
Taxation payable	1b	(173)	(81)
Investment management charges		(404)	(343)
Professional Fees		(59)	(40)
OSPT bills and fees		(294)	(289)
Capital Distributions	1d	(1,561)	(2,412)
Other expenditure		(20)	(37)
		<u>62,314</u>	<u>64,430</u>

The notes on pages 18 to 25 form part of these accounts.

Income Account for the year ended 31 March 2018

	Notes	2017/18	2016/17
		£'000	£'000
Income			
Rental income		-	1
Investment income		1,547	1,490
Interest income		6	7
Other income		298	283
		<u>1,851</u>	<u>1,781</u>
Expenses:			
Taxation	1c	(565)	(372)
Investment management charges		-	-
Professional Fees		-	(7)
OSPT bills and fees		-	-
Net transfer to Capital Account		(775)	(430)
		<u>(1,340)</u>	<u>(809)</u>
Balance Transferred to Accumulation Account		<u>511</u>	<u>972</u>
Accumulation Account			
Balance at 1 April		2,130	1,944
Add:			
Income for the year		511	972
		<u>2,641</u>	<u>2,916</u>
Less			
Income Distributions	1e	(838)	(786)
Balance at 31 March taken to Balance Sheet		<u>1,803</u>	<u>2,130</u>

The notes on pages 18 to 25 form part of these accounts.

Notes to the Financial Statements

1. Accounting Policies

1a. Basis of Accounting

The accounts are prepared under the accounting practices commonly applied by legal and accountancy practitioners in England and Wales to the accounts of individual trusts and estates, under applicable law ('common accounting practice for trusts and estates') and in accordance with the Ministry of Justice Accounts Direction on stewardship accounts of third party monies.

The accounts are prepared under the historical cost convention, modified by revaluation of property to fair value and securities to market value at the balance sheet date. This is a departure from the accounting practices commonly applied by legal and accountancy practitioners in England and Wales to the accounts of individual trusts and estates where the usual practice would be to record the value of the properties and securities in the accounts as at the day it was received or purchased by the trustee. There is no legal requirement as to the form of the trusts and estates accounts which allows flexibility to adopt best practice standards.

The Balance Sheet of the accounts represents the aggregated value of all client assets under OSPT stewardship. Increases or decreases in the value of client funds reported in the Balance Sheet arise through transactions related either to:

- a) original client capital; or
- b) income generated by that capital (e.g. dividends).

In the majority of trusts and estates the beneficiary is entitled to either the capital or the income from the trust or estate. It is therefore important to segregate for client account purposes funds that relate to original capital and funds that arise out of subsequent income generation. For this reason, the stewardship accounts include the following statements.

i) Capital Account. This represents the total capital element of client funds and is therefore presented as a reserve in the Balance Sheet. The Capital Account is then further analysed to present capital newly introduced from clients; gains and losses on capital transactions (e.g. sales of shares); distributions to trusts and estates beneficiaries; and fees and charges which are properly chargeable against capital.

ii) Income Account. This shows the income generated by client funds during the year (e.g. through the receipt of dividends on shares) net of expenses properly chargeable against income. The Income Account is roughly the equivalent of a profit and loss account for client funds and is therefore presented as a separate statement, with the net amount being transferred each year to the Accumulation Account.

iii) Accumulation Account. This represents the accumulated total of the net income received on client funds, after the deduction of distributions to beneficiaries which are made out of income. Where beneficiaries are only entitled to receive distributions from income, they must be made out of the funds represented by this account. Together with the Capital Account, the Accumulation Account represents an analysis of the aggregated value of client funds which is presented in the Balance Sheet.

Society of Trusts and Estates Practitioners' (STEP) accounting rules require that accounts worth many thousands of pounds be prepared to the nearest £1, however the stewardship accounts depart from these guidelines by rounding to the nearest £1,000. This is in the interest of clarity, as the consolidated nature of the stewardship accounts results in balances that are larger than would generally be included in an account of an individual trust or estate.

Property

Freehold and leasehold properties are initially recognised at cost and subsequently shown at fair value. This is based on indexation using Land Registry Indices. The net impact of unrealised surpluses and deficits on revaluation are disclosed separately in the Capital Account. Surpluses and deficits realised on disposal of assets are recognised in the Capital Account.

Securities

Investments in securities are carried out on an arms-length basis following best practice standards. Securities are initially recognised at cost and subsequently stated in the accounts at the market value on the balance sheet date. The net impact of unrealised surpluses and deficits on revaluation are disclosed separately in the Capital Account. Surpluses and deficits realised on disposal of assets are recognised in the Capital Account. Probate valuations for inheritance tax purposes are disclosed separately in the Capital Account.

In accordance with STEP accounting rules, an investment schedule showing the acquisition cost of each investment, details of sales and purchases, market value of investments at accounting date, interests on securities and dividends receivable are provided along with client accounts to the beneficiaries. However, this is not included within the stewardship accounts due to the significant volume of aggregate data for all trusts and estates that would need to be disclosed.

Basis of Valuation: Other Assets – Chattels

Client assets other than cash, real property and securities are included at original cost or probate value. In our judgement these assets will not be marketed in the near future, therefore market value will not be appropriate. A caravan and a motorhome held in two different trusts are depreciated at 10% straight line over 10 years.

Foreign Currencies

All transactions in foreign currencies are converted into sterling at the rates of exchange ruling at the transaction date. Foreign currency assets and liabilities at the end of the accounting period are translated at the exchange rate at close of business on the balance sheet date.

Recognition of Capital and Income

New client capital is recognised on receipt. Dividends and interest from investments in securities that are not mandated directly to beneficiaries are credited to the Income Account when received. Following the transfer of securities and investments to Charles Stanley, there is only one case where dividends and interest from investments are directly mandated.

Interest received from bank deposits is credited to the Income Account when received.

Rental income is credited to the Income Account when received.

Other Income comprises of royalties, annuities, severe disability allowance, disability living allowance, income benefits and pensions. These are credited to the Income Account when received

Fees and Charges

Fees due to the Public Trustee are administered in accordance with the Public Trustee (Fees) Order 2008 (SI 2008/611). Provision is made in the balance sheet for Public Trustee Administration fees. Withdrawal fees, income collection fees and special fees are drawn from cash as they arise. Other expenses incurred with regard to maintenance of Trusts or Estates assets are charged against Capital or Income on a per-case basis in accordance with the terms of the individual Trust and the relevant law regarding the allocation of expenses between income and capital.

Bills due to the Official Solicitor are administered in accordance with the present Estate Fees Collection Policy. Provision is made in the balance sheet for bills which have been quantified but not yet drawn from the case. Any other expenses incurred with regard to maintenance of the assets of any of the Official Solicitor's trusts or estates are charged against Capital or Income on a per-case basis in accordance with the terms of the individual Trust and the relevant law regarding the allocation of expenses between income and capital.

An analysis of fees and charges income has not been provided as the total value is below the materiality threshold.

1b. Capital Tax

Provision is made in the Capital Account as applicable for inheritance tax and capital gains tax at the current rates. Provision is made in the Capital Account where capital gains and Inheritance Tax liabilities are known; otherwise charged to the Capital Account as cash is paid.

	31 March 2018	31 March 2017
	£'000	£'000
Tax charge to Capital Account	<u>173</u>	<u>81</u>

1c. Income Tax

Provision is made in the Income Account as applicable for Income Tax, Rate Applicable to Trusts, Accrued Income Scheme and Schedule A Tax at the current rates. Provision is made in the account where tax liabilities are known; otherwise charged to the Income Account as cash is paid.

	31 March 2018	31 March 2017
	£'000	£'000
Tax charge to Income Account	<u>565</u>	<u>372</u>

1d. Capital Distributions

The OS and the PT divests themselves of, and distributes, trusts assets. This happens when:

- cash or assets are transferred to a beneficiary as part of a distribution pursuant to the terms of the trust or estate or
- one or other of them retires as trustee in favour of an alternative trustee, in accordance with their last resort policy or
- the trust has terminated or
- one or other of them has completed the winding up of an estate.

Assets distributed comprise shares/stocks, properties and cash as well as payments made to and on behalf of beneficiaries in ongoing cases. These are recognised in the Capital Account at the point of transfer/payment in accordance with terms of the trust deed and the law applicable to the case.

	31 March 2018	31 March 2017
	£'000	£'000
Capital distributions	1,561	2,412

1e. Income Distributions

The OS and the PT divests themselves of, and distributes, trust income. This happens when:

- cash is transferred to a beneficiary as part of a distribution pursuant to the terms of the trust or estate or
- one or other of them retires as trustee in favour of an alternative trustee, in accordance with their last resort policy or
- the trust has terminated or
- one or other of them has completed the winding up of an estate.

Cash distributed comprise rental income, dividends received, bank deposit interest, royalties, annuities and other income as well as payments made to and on behalf of beneficiaries in ongoing cases. These are recognised in the Income Accounts at the point of transfer/payment in accordance with terms of the trust deed and the law applicable to the case.

	31 March 2018	31 March 2017
	£'000	£'000
Income distributions	838	786

2. Portfolio and Investment Income Statement

	Profit (Loss) on disposal Y.E 31-3-18 £'000	Net Income Y.E 31-3-18 £'000	Market Value At 31-3-18 £'000	Market Value At 31-3-17 £'000
UK				
Fixed Interest	40	27	1,319	1,724
Listed Equities & Funds	312	742	16,090	17,367
Common Investment Schemes	244	717	30,280	28,812
Non-UK				
Listed Equities	150	61	5,662	5,495
Unlisted Equities	-	-	-	-
Total Securities	<u>746</u>	<u>1,547</u>	<u>53,351</u>	<u>53,398</u>

3. Segmentation Analysis

The major categories of net assets at the Balance Sheet date are as follows:

	Estates £'000	Trusts £'000	Litigation £'000	Total at 31 March 2018 £'000	Total at 31 March 2017 £'000
Assets:					
Property	5,250	2,636	-	7,886	8,058
Securities	50,444	2,907	-	53,351	53,398
Chattels	37	26	-	63	130
Debtors	1,157	46	-	1,203	2,110
Cash and Bank Balances	1,870	484	120	2,474	3,575
Liabilities:					
Creditors	(487)	(373)	-	(860)	(711)
Net Assets	<u>58,271</u>	<u>5,726</u>	<u>120</u>	<u>64,117</u>	<u>66,560</u>

4. Property

	Freehold	Leasehold	Total at 31 March 2018
	£'000	£'000	£'000
Balance at 1 April 2017	6,631	1,427	8,058
Introduced from clients	-	-	-
Distributed to clients	-	-	-
Revaluation and indexation	(126)	(46)	(172)
Balance at 31 March 2018	<u>6,505</u>	<u>1,381</u>	<u>7,886</u>

At 31 March 2018 the OSPT managed 30 (30 as at 31st March 2017) properties on behalf of client trusts.

5. Debtors

	31 March 2018	31 March 2017
	£'000	£'000
Loans receivable and accrued income	1	73
Cash held by Brokers	1,140	2,037
Cash held by Agents	62	-
	<u>1,203</u>	<u>2,110</u>

6. Cash and Bank balances

	31 March 2018	31 March 2017
	£'000	£'000
Cash at Bank	2,270	3,482
Cash on long term deposit at other institutions	-	-
Cash in transit from Brokers	204	93
	<u>2,474</u>	<u>3,575</u>

7. Creditors

	31 March 2018	31 March 2017
	£'000	£'000
Bills payable to the Official Solicitor	98	83
Fees payable to the Public Trustee	194	210
Other creditors	568	418
	<u>860</u>	<u>711</u>

Other creditors comprise accrued tax liabilities, discretionary loans from the Ministry of Justice and accrued expenses

8. Contingent Liabilities

There were no contingent liabilities at the balance sheet date.

9. Remote Contingent Liabilities

There were no remote contingent liabilities at the balance sheet date.

10. Special Payments and losses

There were no special payments and losses at the balance sheet date.

11. Post Balance Sheet Events

Post balance sheet events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the certificate of the Comptroller and Auditor General.

12. Related Party Transactions

The Official Solicitor and the Public Trustee are independent statutory officers sponsored by the MoJ and as such are related parties. During the year the offices of the Official Solicitor and the Public Trustee had a number of material transactions with the MoJ and other bodies under the control of the MoJ, consistent with its sponsorship arrangements.

The Official Solicitor provides a last resort trustee service to a number of beneficiaries whose assets include MoJ equity investments managed by Legal & General on behalf of the Accountant General. The market value of those securities at 31 March 2018 was £3.4 million. During the year, there were disposals of MoJ equity investments of £0.3 million. There were no additions.

Other than the related party transactions disclosed above, none of the senior management staff or other related party has undertaken any material transactions with the client assets during the period.

13. Financial Instruments

The investment of the funds of each trust or estate are designed to further the objectives of the relevant trust or estate. The funds of each trust are invested on a discretionary basis in line with the investment objectives and risk parameters agreed for each trust or estate between Charles Stanley and the Official Solicitor or the Public Trustee and recorded the individual Trustee's Policy Statement for the trust or estate.

Market price risk

Market price risk is the risk that the value of the securities will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement.

Market price risk arises mainly from uncertainty about future prices of financial instruments held by the Official Solicitor or the Public Trustee as trustee, executor or administrator. The investment portfolio is exposed to market price fluctuations, which are monitored by Charles Stanley to whom we have outsourced our investment advice and securities management. The funds of each trust are invested on a discretionary basis in line, where possible, with the investment objectives and risk parameters agreed between Charles Stanley and the Official Solicitor or Public Trustee and the Trustee's Policy Statement.

Foreign currency risk

The Trusts and Estates of the Official Solicitor and of the Public Trustee are rarely exposed to foreign currencies. They do not hold any foreign currency cash. Securities denominated in foreign currencies are held in their base currencies.

Interest rate risk

Interest rate risk is the risk that interest rate movements on assets and liabilities are not aligned, resulting in a financial loss. The OSPT has negotiated competitive rates with its Bank and manages liquidity to optimise return.

Liquidity risk

Each Trust and Estates case is closely monitored to ensure there is asset and liability matching and overdrafts are prevented. Where there will be an inability to pay future creditors, measures are taken to achieve a distribution of the case in consultation with stakeholders or the Official Solicitor or the Public Trustee will provide interim disbursements in circumstances where they will be fully recoverable.

Credit risk

Certain transactions in securities that the Official Solicitor or the Public Trustee enter into expose them to the risk that the counter party will not deliver the investment for a purchase, or cash for a sale after the Official Solicitor or the Public Trustee has fulfilled their responsibilities. The OSPT only buys and sells investments through MoJ Approved Panel Brokers and Fund Managers. In addition, the MoJ Strategic Investment Board in 2005 set limits to the exposure to any individual broker that may exist at any time and changes in brokers' financial ratings are reviewed.

Ministry of Justice Accounts Direction on Stewardship Accounts of Third Party Assets under the care of the Official Solicitor and Public Trustee

The MoJ gives the following Accounts Direction:

1. The Official Solicitor and the Public Trustee (OSPT), as Accounting Officers for stewardship of third party assets under their care, shall prepare for each financial year stewardship accounts that aggregate the individual trusts and estates.
2. The accounts shall be prepared under the accounting practices commonly applied by legal and accountancy practitioners in England and Wales to the accounts of individual trusts and estates, under applicable law ('common accounting practice for trusts and estates'). These principles, which apply directly to the preparation of individual trust and estates accounts prepared by the OSPT, should be applied where practical to the stewardship accounts.
3. In addition to following these principles, the Accounting Officers should be mindful of their responsibilities under *Managing Public Money* and should include any additional narrative required by HM Treasury in associated guidance relevant to these responsibilities.
4. Accordingly, the accounts shall give a true and fair view of:
 - I. the financial position of the third party assets at the period end ('Balance Sheet');
 - II. movements in trust or estate capital ('Capital Account'), including relevant adjustments including for gains and losses on the realisation of assets, in addition to deductions for taxation, expenses and distributions properly chargeable to capital; and
 - III. the net income during the period after taxation, expenses and distributions properly chargeable to income ('Income Account').
5. In addition to the primary financial statements described above, the accounts shall include:
 - IV. a Foreword;
 - V. a statement on the responsibilities of the OSPT as Accounting Officers;
 - VI. a statement on governance, which should comply with the latest HM Treasury guidance in all applicable respects; and
 - VII. the notes to the accounts.
6. The Foreword shall include among other items:
 - VIII. a statement that the accounts have been prepared in accordance with directions given by the MoJ including such information that may be necessary to present a true and fair view; and
 - IX. relevant information in respect of the statutory background of the OSPT, developments during the year, including any incidents of fraud or personal data loss, and a forward look.
7. The Notes shall include as a minimum:
 - X. the accounting policies;

- XI. an analysis of material items within the Accounts;
- XII. an analysis of how assets and liabilities are segmented between the principal activities of the OSPT (e.g. the administration of trusts and estates respectively);
- XIII. related party transactions relating to the OSPT, following the disclosure requirements of latest HM Treasury guidance;
- XIV. a Portfolio and Investment Statement showing the movements on securities during the year by type and any difference between book and market values; and
- XV. a description of the investment strategy for third party assets and an assessment of the risks attaching to current investments, with disclosure on risks following the requirements of latest HM Treasury guidance; and
- XVI. any further notes required to give a true and fair view in accordance with common accounting practice for trusts and estates, or to comply with the latest HM Treasury guidance for disclosures regarding accountability, for instance on governance, losses and special payments.

General

- 8. The Accounting Officers will employ best endeavours to complete the stewardship accounts within 6 months of the year-end. This timetable will include sufficient time for the Comptroller & Auditor General to complete the audit.
- 9. The Accounting Officers will submit the stewardship accounts to the MoJ and arrange for them to be published on either their own or the MoJ's website.

Signed:

Ann Beasley

MoJ Director General, Finance and Corporate Services

Date: 13 March 2012