



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 2019 to 31 March 2020

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Foreword by the Official Solicitor and 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 my conjoined offices and treated by the Ministry of Justice (MoJ) as an arms length body of the MoJ that exists to support my work. The working relationships between each of my separate roles with the MoJ are set out in Memoranda of Understanding (MoU) dated 05.05.2010 (OS/MoJ) and 08.01.2010 (PT/MoJ) for the period 2019/20. For 2020/21, the relationship between the MoJ and OSPT will be set out in a single Framework Agreement which also sets out the roles and responsibilities of the OS and the PT and details OSPT internal governance. The Framework Agreement will replace the two MoUs.

2. The new Official Solicitor and Public Trustee took up post on 4 July 2019 and at that date was appointed as Accounting Officer for these accounts. In the intervening period, the Deputy Official Solicitor, Elaine Brown, and the Deputy Public Trustee, Janet Peel, undertook the role of Accounting Officers, having been appointed as such on an interim basis by the Permanent Secretary, following the passing of the prior Official Solicitor and Public Trustee in 2018.

Appointment and functions of the Official Solicitor

3. 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.*

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

- *acts as, or appoints an, advocate to the Court¹.*
- *under Harbin v Masterman² 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.*
- *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)).*

¹ See the Attorney-General's Memorandum of 19 December 2001: "Requests for the appointment of an advocate to the court". [2002] Fam Law 229

²[1896] 1 Ch 351.

Appointment and functions of the Public Trustee

4. 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. Her 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 Officer's responsibilities

5. I was appointed as Accounting Officer by the Principal Accounting Officer of the MoJ. I hold legal title to third party assets by virtue of my 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 Officer, I am responsible for the stewardship of the third party assets held by me and administered on my behalf by OSPT and the external investment adviser and securities manager.

6. The annual stewardship accounts are prepared in relation to my administration of those assets in accordance with the MoJ Accounts Direction including such information that may be necessary to present a true and fair view.

7. The direction requires me 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.

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

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

10. 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.

11. I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that my auditor is aware of that information. So far as I am aware, there is no relevant audit information of which the auditor is unaware.

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

Auditor

13. These accounts have been audited by the Comptroller and Auditor General³. 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 2019/20 was £35,000 (2018/19 £30,000). The auditors' remuneration is included as a non-cash item in the MoJ financial statements.

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

14. The key activities during 2019/20 relating to the third party assets which are subject to these accounts were to:

continue to administer 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 income and capital gains taxes paid by 31 January.
- regularly reviewing investment strategies for individual trusts⁴ and making investment decisions in accordance with my obligations as trustee, receiving assurance as to the investment performance of the 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 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.
- reviewing personally identifiable information in accordance with the EU General Data Protection Regulation (GDPR).
- ensuring maximum flexibility of skills and resource across the Trusts and Estates team by cross-training of staff.

15. The contract for the provision of investment services to OSPT through an external investment manager expired on 3 December 2019. My Trust and Estates Manager worked with MoJ Procurement during the latter half of 2019 to agree a procurement strategy to go out to tender on a new contract. The tender was published in July 2019 and an evaluation of potential suppliers took place in September 2019. A final decision was made in October 2019

³ Auditor: The Comptroller and Auditor General, National Audit Office 157-197 Buckingham Palace Road, London SW1W 9SP.

⁴ I followed the investment strategy determined for each individual trust (see note 13 to the accounts).

to award the contract to Charles Stanley & Co (therefore continuing with our existing supplier of the contract). The contracts were signed in December 2019

16. The 2019/20 year started with a total of 155 cases which had reduced to 153 by the end of the financial year. The Trusts & Estates Team operates a strict policy of accepting new cases only in the last resort. As at 31st March 2020, 2 new cases had been accepted in the course of the financial year.

17. A robust case review system provides assurance as to the quality and timeliness of casework activities. The reconciliation process includes a review of all transactions to ensure they are properly identified, classified and accurately recorded.

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

19. The total combined net third party assets held as at 1 April 2019, were £65.4 million made up of:

- cash of £2.0 million;
- properties and chattels of £8.8 million;
- securities of £54.5 million;
- debtors of £1.2 million and
- creditors of £1.1 million.

20. The total combined net third party assets held as at as at 31 March 2020, were £57.5 million made up of:

- cash of £2.1 million;
- properties and chattels of £9 million;
- securities of £44.6 million;
- debtors of £2.8 million and
- creditors of £1 million.

Forward look for the Official Solicitor's and the Public Trustee's Trust and Estates work

- I will continue to review, adapt and change, where appropriate, the way that I work to meet the changing requirements of, and the budgetary allocations to, my offices. This will include a move to total electronic ways of working for my trust and estates work to support the office's move to more remote working following the move of my office from Victory House to 102 Petty France in August 2020 and to enhance/modernise the provision of service within Trusts and Estates.
- I will focus on best outcomes, ensure that my services and resources are targeted to meet the needs of my mainly vulnerable clients, and seek to achieve best value for money.
- I will ensure that I am only accepting and, so far as is practical, acting in those cases where my involvement is necessary and meet my 'Last Resort' criteria as Official Solicitor and as Public Trustee.
- I will continue to maximise flexibility across my Trusts and Estates team by continuing to cross-train staff.
- I will provide protection to the information I hold by managing risks to its integrity and confidentiality in proportionate ways so that my businesses always function effectively.

- I will adhere to MoJ's commitment to sustainable development and improving its environmental performance.



Sarah Castle
The Official Solicitor to the Senior Courts and the Public Trustee

Date: 14/12/2020

Governance Statement

1. In my role as the Official Solicitor and as the Public Trustee, and as Accounting Officer, I carry out my duties and exercise my powers in accordance with the law applicable to the functions I am carrying out. For example, I act as trustee in accordance with the law of trusts. Governance arrangements are in place to ensure that the right decisions are made at the right time, at the right level, and by the right people. I am satisfied that I have the necessary systems and processes in place which enable me to maintain an effective system of internal control throughout my offices and that support the achievement of my policies, aims and objectives, whilst safeguarding the third party assets for which I am personally accountable.

2. I am accountable for the performance of my offices. I have in place 2 MoUs (to be replaced by a single Framework Agreement as set out in my foreword, para.1 above) with my sponsoring Department, the MoJ, which sets out how I will work with the MoJ.

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

- The strategy and direction of OSPT
- Finance matters
- People resources
- Performance against budgets and plans
- Risk management
- Corporate Governance

4. I am not required to produce my own Annual Report and Accounts as these are included within the consolidated MoJ Annual Report and Accounts. The Accounting Officer for the Administration budget for my office is the MoJ Permanent Secretary and Principal Accounting Officer. My office is not bound by the provisions of the Corporate Governance in Central Government Departments: Code of Good Practice and whilst this is justifiable for the good governance of OSPT, I do, where possible, ensure that I apply the principles emanating from the Code of Good Practice.

5. The MAB supports me in ensuring that I quickly identify any emerging risks and put actions in place to manage them, together with regularly and proactively reviewing how well risks are being managed by action owners. Up until November 2019, I also chaired a monthly Finance Sub-Committee. However, it was collectively decided by myself and my MAB that this could be dealt with within the main MAB meeting. This brought the benefit of finance matters being discussed within the wider context of the issues discussed at the MAB with a key focus on current priorities and pressures moving forward.

6. 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 and the monthly overview of the value of investments and cash held by the external investment manager, Charles Stanley & Co Ltd.

7. I am satisfied that the information presented to and by the MAB is sufficient to enable me 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. The data is taken from the OSPT's case management system in terms of caseload volumes which enables tracking of patterns and trends. This data is maintained by team leaders in each section who in turn report to their senior manager. Other corporate data such as information as to data protection, overarching office financial data is maintained by the relevant senior manager who has responsibility for that area of work. All data that is presented at the MAB is scrutinised monthly.

8. I am satisfied that all the necessary and proper risk management and governance arrangements were in place during the reporting year and I am confident that these measures will continue. My office follows the MoJ Risk Management guidance and I have a dedicated Risk Manager who oversees the office risk register and actively works with action owners to regularly review risks, the controls that are in place and mitigating actions to reduce the likelihood of the risk materialising. I am also able to seek guidance and assistance from the Government Internal Audit agency who also began work in quarter 4 to review the corporate governance framework within OSPT and from which my office received a favourable report.

Table 1: Attendance at Management Advisory Board (MAB)

The MAB met nine times during the financial year (monthly).

Executive and Non-Executive MAB Members	MAB
Sarah Castle, Official Solicitor and Public Trustee	7 of 9
Janet Ilett, Deputy Official Solicitor	7 of 9
Elaine Brown, Deputy Official Solicitor	6 of 9
Brid Breathnach, Deputy Official Solicitor	2 of 9
Janet Peel, Deputy Public Trustee & Head of Operations	8 of 9
Devone Lawrence, Litigation Services Manager	6 of 9
Julie Taylor, T&E, REMO & Legal Support Manager	8 of 9
Michelle Ruskin, Head of Costs and Finance	8 of 9
Helen Clift, Family Litigation Senior Lawyer	9 of 9
Susan Hardie, Civil Litigation Senior Lawyer	1 of 9

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

Please note that Brid Breathnach stepped down as Deputy Official Solicitor in January 2020. Susan Hardie became the senior lawyer for Civil Litigation in December 2019.

Governance framework

9. As Accounting Officer I have responsibility for reviewing the effectiveness of my governance arrangements. There are effective arrangements for reporting and managing any conflicts of interest, but there have been none during the year.

10. I have 6-monthly 'holding to account' meetings with my MoJ sponsor, supported by the ALB Sponsorship Team. At these meetings, finance and quantitative performance information is made available, along with progress reports for change and development activity, and discussed. This includes the Finance Report, together with the Business Activity Report which charts quantitative performance across all of my business areas month on month. I attend these meetings, together with my Head of Operations and my 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.

11. All governance and risk control measures outlined in the above narrative demonstrate the sound governance that is in place and enable me to be satisfied that such is effective. I 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, I am not bound by these principles, but adhere to them as a matter of good practice.

12. Government Internal Audit agency (GIAA) undertook a review of my offices corporate governance framework in May 2020 and no significant concerns were raised. The four ratings that GIAA are able to give are unsatisfactory, limited, moderate and substantial. OSPT was awarded a moderate rating with 4 low priority recommendation, all of which have now been actioned.

Risk and Control Framework

13. The main process to identify and evaluate risk to me as Accounting Officer is the MoJ Corporate Risk Management framework which I 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.

14. I 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.

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

16. I am satisfied with my governance arrangements, management and risk control systems.

17. My Head of Trust and Estates also acts as my 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. The Government Internal Audit Agency have been fully sighted on the OSPT compliance controls and as part of their audit on my corporate governance framework (set out at 12 above) have suggested ways to further strengthen our risk management practices. This includes monthly discussions between the OSPT Risk Manager and risk action owners.

18. I continue to embed the concept of risk management throughout my offices and educate staff around best practices.

Risk Management

19. 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 my 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 2020 and accord with HM Treasury guidance.

20. As trustee, executor and administrator, budget holder and Accounting Officer, I acknowledge my overall responsibility for the effective management of risk in relation to my stewardship of the third party assets I hold. I 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 me at the monthly MAB meetings.

21. I have a documented Risk Management Strategy and Policy available to all OSPT staff on my Intranet. This is further supported by a Fraud Policy Statement and Fraud Response Plan. My Risk Manager and Head of Operations have worked to implement the Government Counter Fraud functional standards, including the implementation of a counter fraud strategy (July 2019).

Conclusion

22. I continue to identify my risks and develop procedures to ensure that adequate systems of governance, management and risk control operate in respect of the third party assets I hold and that are administered by the OSPT. I am satisfied with the effectiveness of the systems of governance, management and risk control. There were no data lapses during the accounting period.

Accountability Report

Remote Contingent Liabilities

23. In accordance with the reporting requirements of *Managing Public Money*, OSPT have no remote contingent liabilities to report at the balance sheet date (audited).

Special Payments and losses

24. There were no losses and special payments made during the year (nil in 2018–19) and no irregular spend (audited).



Sarah Castle
The Official Solicitor to the Senior Courts and the Public Trustee

Date: 14/12/2020

Independent Auditor's Report to the Board of the Ministry of Justice

Opinion on the Stewardship Accounts of the Official Solicitor and Public Trustee

I have audited the third-party monies of the stewardship accounts of the Official Solicitor and Public Trustee for the year ended 31 March 2020. 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 financial position of the third party assets held at the period end ('balance sheet), movements in trust or estate capital ('capital account') and the net income during the period after taxation, expenses and distributions properly chargeable to income ('income account'); and
- the Stewardship Accounts have been properly prepared in accordance with the Ministry of Justice Accounts Direction and HM Treasury Direction.

Emphasis of matter – basis of accounting

I draw attention to Note 1 to the financial statements, which describes in detail the basis of accounting. The financial statements are prepared under the accounting practices of the Society of Trusts and Estates Practitioners, adapted in line with the Ministry of Justice Accounts Direction where this is most appropriate to the circumstances of the Official Solicitor and Public Trustee. The financial statements are prepared to assist the Official Solicitor and Public Trustee in complying with the financial reporting provisions of the Ministry of Justice Accounts Direction. As a result, the financial statements may not be suitable for another purpose. My opinion is not modified in respect of this matter.

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 2019. 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.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Official Solicitor and Public Trustee's use of the going concern basis of accounting in the preparation of the Stewardship Accounts is not appropriate; or
- the Official Solicitor and Public Trustee have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Stewardship Accounts are authorised for issue.

Responsibilities of the Accounting Officer for the audit of the stewardship accounts

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the stewardship accounts and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the stewardship accounts

My responsibility is to audit and express an opinion on the stewardship accounts in accordance with applicable law and International Standards on Auditing (ISAs) (UK).

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.
- 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 Officer is responsible for the other information. The other information comprises information included in the foreword by the Official Solicitor and Public Trustee, the statement on the responsibilities of the OSPT as Accounting Officer 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.

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 stewardship accounts are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.



Steven Corbishley
for and on behalf of the Comptroller and Auditor General
14th December 2020

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

Financial Statements

Balance Sheet as at 31 March 2020

	Notes	2019/20	2018/19
		£'000	£'000
Assets:			
Property	4	8,903	8,645
Securities	2	44,629	54,556
Chattels		260	131
Debtors	5	2,808	1,167
Cash and Bank balances	6	2,146	1,977
		<u>58,746</u>	<u>66,476</u>
Liabilities:			
Creditors	7	(998)	(1,055)
Net Assets		<u>57,748</u>	<u>65,421</u>
Representing			
Capital Account		55,963	63,704
Accumulation Account		1,785	1,717
		<u>57,748</u>	<u>65,421</u>

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

Accounting Officer



Sarah Castle
The Official Solicitor to the Senior Courts and the Public Trustee

Date: 14/12/2020

Capital Account for the year ended 31 March 2020

	Notes	2019/20	2018/19
		£'000	£'000
Balance at 1 April		63,704	62,314
Add:			
Unrealised revaluation movement		(6,917)	1,168
Probate cost adjustments		92	1
Surplus realised on disposals		518	616
Capital introduced from new clients		331	1,053
Net transfer from Income Account		325	562
Properties & Chattels		10	
		<u>58,063</u>	<u>65,714</u>
Less:			
Taxation payable	1b	(21)	(26)
Investment management charges		(384)	(383)
Professional Fees		(22)	(21)
OSPT bills and fees		(259)	(290)
Capital Distributions	1d	(1,387)	(1,273)
Other expenditure		(27)	(17)
		<u>55,963</u>	<u>63,704</u>

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

Income Account for the year ended 31 March 2020

	Notes	2019/20	2018/19
		£'000	£'000
Income			
Investment income		1,431	1,477
Interest income		10	9
Other income		234	380
		<u>1,675</u>	<u>1,866</u>
Expenses:			
Taxation	1c	(463)	(548)
Professional Fees		(5)	(4)
Net transfer to Capital Account		(325)	(562)
		<u>(793)</u>	<u>(1,114)</u>
Balance Transferred to Accumulation Account		<u>882</u>	<u>752</u>
Accumulation Account			
Balance at 1 April		1,717	1,803
Add:			
Income for the year		882	752
		<u>2,599</u>	<u>2,555</u>
Less			
Income Distributions	1e	(814)	(838)
Balance at 31 March taken to Balance Sheet		<u>1,785</u>	<u>1,717</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 of the Society of Trusts and Estates Practitioners' (STEP). These rules are 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'). The accounts are also prepared 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, and the approach adopted gives a better presentation.

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.

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 the HM Land Registry UK House Price Index (UK HPI). The UK HPI captures monthly changes in the value of residential properties and is calculated at a regional level. STEP accounting guidelines do not include property revaluation, however OSPT consider it impractical to apply STEP thus enabling properties to be shown at fair value, as permitted by the Accounts Direction. Regular professional valuations are not used and only occur on events such as probate. 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. These two assets make up the majority of the chattels balance.

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. 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 2020	31 March 2019
	£'000	£'000
Tax charge to Capital Account	<u>21</u>	<u>26</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 2020	31 March 2019
	£'000	£'000
Tax charge to Income Account	<u>463</u>	<u>548</u>

1d. Capital Distributions

The OS and the PT divests themselves of, and distributes, trust's 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 2020	31 March 2019
	£'000	£'000
Capital distributions	1,387	1,273

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 2020	31 March 2019
	£'000	£'000
Income distributions	813	838

2. Portfolio and Investment Income Statement

	Surplus on disposal Y.E 31-3-20 £'000	Net Income Y.E 31-3-20 £'000	Market Value At 31-3-20 £'000	Market Value At 31-3-19 £'000
UK				
Fixed Interest	5	22	1,071	1,139
Listed Equities & Funds	136	649	13,196	16,260
Common Investment Schemes	206	713	24,576	30,422
Non-UK				
Listed Equities	171	47	5,785	6,735
Total Securities	518	1,431	44,628	54,556

The column totals in note 2 do not cross-cast as they are not an analysis of the difference between current and prior year market values. They instead show the impact of the securities in the capital account (surplus on disposal), income account (net income) and balance sheet (market value).

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 2020 £'000	Total at 31 March 2019 £'000
Assets:					
Property	5,275	3,628	-	8,903	8,645
Securities	42,998	1,631	-	44,629	54,556
Chattels	254	6	-	260	131
Debtors	2,709	99	-	2,808	1,167
Cash and Bank Balances	1,514	461	171	2,146	1,977
Liabilities:					
Creditors	(500)	(498)	-	(998)	(1,055)
Net Assets	52,250	5,327	171	57,748	65,421

4. Property

	Freehold	Leasehold	Total at 31 March 2020	Total at 31 March 2019
	£'000	£'000	£'000	£'000
Balance at 1 April	7,466	1,179	8,645	7,886
Introduced from clients	202	-	202	1,000
Distributed to clients	(278)	-	(278)	
Re-valuation	89		89	
Indexation	44	201	245	(241)
Balance at 31 March	<u>7,523</u>	<u>1,380</u>	<u>8,903</u>	<u>8,645</u>

At 31 March 2020 the OSPT managed 31 (32 as at 31st March 2019) properties on behalf of client trusts.

5. Debtors

	31 March 2020	31 March 2019
	£'000	£'000
Loans receivable and accrued income	-	-
Cash held by Brokers	2,808	1,167
Cash held by Agents	-	-
	<u>2,808</u>	<u>1,167</u>

6. Cash and Bank balances

	31 March 2020	31 March 2019
	£'000	£'000
Cash at Bank	2,143	1,784
Cash in transit from Brokers	3	193
	<u>2,146</u>	<u>1,977</u>

7. Creditors

	31 March 2020	31 March 2019
	£'000	£'000
Bills payable to the Official Solicitor	73	194
Fees payable to the Public Trustee	318	228
Other creditors	607	633
	<u>998</u>	<u>1,055</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. 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.

10. 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 Index Tracker Fund managed by Legal & General on behalf of the Accountant General. The market value of those securities at 31 March 2020 was £2,4 million (168,985 units) (31 March 2019 was £3.2 million). During the year, 21,671 units were sold. 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.

11. 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.

COVID-19

Due to the impacts of COVID-19, there was a dip in investment portfolios and the property market mid-March 2020 which meant that the values at the end of March were lower than expected. These have now recovered but not to the levels at the start of March 2020 in terms of investment portfolios. The property figure may not have reflected the same dip as it is based on indexation over a set period. The property market has now recovered which has resulted in minimal change.

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