Treasury
Solicitor's
Department

Treasury Solicitor's Department

Annual Report and Accounts 2014–15

Lexcel
Practice Management Standard
Law Society Accredited
Litigation & Employment Group

Treasury
Solicitor's
Department

Treasury Solicitor's Department

Annual Report and Accounts 2014–15

For the year ended 31 March 2015

Accounts presented to the House of Commons pursuant to section 7 of the Government Resources and Accounts Act 2000

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Contents

Explanatory Note

Treasury Solicitor's Department was the name of the Executive Agency for the year 2014-15.

On 1 April 2015 the Executive Agency name was changed to the Government Legal Department.

1. Chief Executive's Report to the Attorney General

It has been another busy and exciting year for TSol. The wide variety of "day-to-day" legal work has seen us tackling issues as varied as migrants' access to benefits, constitutional reform, transforming probation, countering extremism, and Sharia compliant bonds. Once again our litigators have been busy: we spent around 615,000 hours on litigation work, and took on 31,000 new cases. This report includes some of the varied examples of our achievements, including helping to abolish the counterpart paper driving licence, digitising information about unclaimed estates so that kin can find them more easily, and handling the legal aspects of bringing the Tour de France to Yorkshire.

We continued to be at the heart of the government's shared service plan as part of Civil Service Reform. Building on the shared legal service we already provided to a number of departments, this year we again expanded and enhanced that service as a further four legal teams joined us. This means the Department has roughly doubled in size since 2012 and now provides the majority of the government's legal services – advisory, litigation, employment and commercial. To mark these major changes, on 1 April 2015 we renamed the Department as the Government Legal Department, which better describes who we are and what we do, and will, I believe, help to bring us together as one unified organisation. Work continues to shape our culture and ensure we work effectively and efficiently across team boundaries, so we can deliver our vision of providing consistently excellent and value for money legal services for government.

We remain committed to achieving the best outcome for our clients, and were pleased that 95% of them rated our service as "good" or "excellent" in our annual client survey. This reflects the high quality legal work done across the Department and the strong client relations we have established.

Against the backdrop of considerable change, we were pleased with our results from the Civil Service People Survey. We maintained our overall response rate at 79%, and our staff engagement index was 60%. This means that broadly our engagement index has stayed the same for three years, and at 1% higher than the civil service average this is a good achievement for a department undertaking substantial change.

We will continue to build on this good work in the coming year, as a professional, efficient and high performing organisation, which helps the government to govern well, within the rule of law.

Jonathan Jones
Permanent Secretary and Treasury Solicitor

9 May 2015

2. About TSol

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

Who we are

The Treasury Solicitor's Department is a non-ministerial government department and was established as an Executive Agency on 1 April 1996. We provide legal services to the majority of government departments and other publicly funded bodies in England and Wales.

We are currently one of the largest legal organisations in the country, with around 1,800 staff, of whom the vast majority (c1,350) are lawyers based in more than 20 locations.

Our responsibilities include:

- providing litigation services to government departments and public bodies, covering public and private law issues
- providing legal services to support public enquiries
- advising ministers and policy makers on domestic, public and private law, European Community law, international law and human rights
- drafting statutory instruments and other subordinate legislation
- preparing instructions for bills to be drafted by Parliamentary Counsel and advising ministers and policy makers during the passage of bills through Parliament
- advising the Civil Service on the modernisation of the terms and conditions of government employees
- collecting, managing and disposing of *bona vacantia* (ownerless personal and corporate property and other assets) in England, Wales and Northern Ireland

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

TSol supports the Attorney General's Office, which provides legal and policy advice to the Attorney General and the Solicitor General (the Law Officers).

TSol also provides some support services to HM Crown Prosecution Service Inspectorate (HMCPSI), the independent inspectorate of the Crown Prosecution Service.

The financial statements at pages 59 to 80 relate to activity carried out by TSol in the year 2014-15 and are prepared under a direction issued by HM Treasury in accordance with Section 7(2) of the Government Resources and Accounts Act 2000.

What we do

Our principal activities are delivered as follows:

Litigation Group provides civil litigation services to the majority of government departments and many other publicly funded bodies. It is one of the largest practices of its kind in the country, handling more than 62,000 cases in 2014-15 (48,000 in 2013-14). Among its major areas of work are: administrative law; immigration; personal injury; planning; and charity matters. The Group also plays a major role in supporting public inquiries. Its work often raises questions of constitutional importance. It instructs private-sector barristers and solicitors to undertake work on cases where this approach represents good value for public funds and is appropriate to do so.

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

Commercial Law Group was created in June 2014, bringing together the majority of central government's commercial advisory and litigation lawyers into a single dedicated unit. This is now one of the largest commercial law practices in the country. It includes a specialist commercial litigation and dispute resolution team. It also supports individual departments in their commercial arrangements and its lawyers can expect to be involved in some of the most high profile, complex and far reaching commercial issues in government.

Advisory Divisions provide legal advice to ministers and officials of all central government departments aside from BIS, DECC, HMRC and MOD, with MOD joining on 1 May 2015, and to a number of smaller departments, agencies and public bodies in England and Wales. European Law Group coordinates consideration of EU legal issues across Whitehall and represents the United Kingdom before the Court of Justice of the European Union.

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

Government Legal Service Secretariat (GLSS) advises and supports the Treasury Solicitor in his role as the professional Head of the Government Legal Service and works with government departments to ensure lawyers of the right quality and experience are recruited, retained and have their careers properly managed. It also liaises with the Law Society and Bar Council on matters affecting the legal profession.

Corporate Resources Group is responsible for leading and co-ordinating work across TSol to ensure that we meet clients' needs with cost effective and value for money legal and other services; leading and co-ordinating programmes of effective engagement and communication internally and for clients; and for providing the central services required to support the rest of the business including Communications and Engagement, Finance and Performance, Human Resources, Facilities Management, Information and Communications Technology (ICT), Business Assurance and Library Services.

Core Purpose and Vision

As an organisation our vision is to be:

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

Trusted

We will:

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

Quality

We will:

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

Best employer

We will:

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

Our objectives

Our specific objectives for 2014-15 were to:

- deliver an effective shared legal service to realise the expected benefits
- contribute to the delivery of the broader Civil Service Reform Plan
- provide best quality legal services for our clients demonstrating best value for money
- provide a working environment which supports our people on training and career development to ensure that we attract and retain the right staff to meet client needs
- develop a four year strategy for the new organisation building on our strategic intent

Our values

Our values are at the heart of what we do:

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

Our strategy

Our goal is to ensure that our core purpose and vision become a reality and this is what our strategy is all about.

Work

We will:

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

Clients

We will:

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

People

We will:

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

How we are funded

We are funded almost entirely through the fees we charge clients for legal services. Approval to make capital investment and spend the income generated each year is obtained through the Parliamentary Supply process and allocated in the HM Procurator General and Treasury Solicitor Main Estimate (available on the HM Treasury website www.hm-treasury.gov.uk).

The table below provides a more detailed analysis of how we fund our work. As agreed with HM Treasury, we do not seek to make a surplus. The charging regime for 2014-15 reflects the mutual relationship we have with our clients.

Division	**Funding**
Litigation	Essentially hourly fees to client departments. A small proportion of general public interest work is funded from the TSol Parliamentary Estimate
Advisory	Fixed fees. A small proportion of work is charged at hourly fees
Employment	A mix of fixed fees and hourly fees depending on the nature of the work
Commercial	A mix of fixed fees and hourly fees depending on the nature of the work
GLS Secretariat	Substantially the TSol Parliamentary Estimate. Some staff costs are recovered from GLS departments for recruitment and training services
Corporate Services	Substantially recovered by the charges to clients. A small proportion of the services are provided in support of public interest legal work and costs are apportioned to the TSol Parliamentary Estimate accordingly
Bona Vacantia	Costs are funded from the proceeds of *bona vacantia*.

Future spending plans

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

	2014-15	2015-16
	£'000	£'000
DEL Resource	1,989	1,333
DEL Capital	1,700	1,250

The Departmental Expenditure Limit (DEL) Resource funding is to cover the costs of public interest casework on behalf of the Attorney General (time and disbursements) and the Government Legal Service Secretariat (GLSS).

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

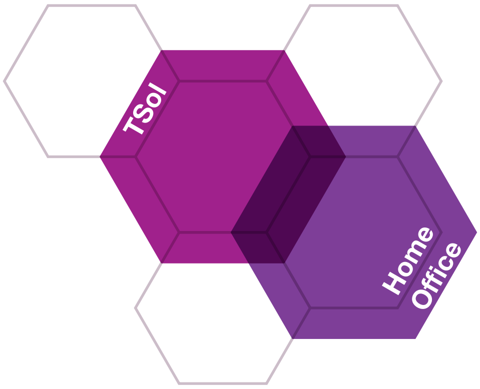
Looking to the future

Changing our name to the Government Legal Department from 1 April 2015 is an important step in the evolution of the Department. It signifies our change in size and remit and describes clearly what we are and what we do as a department.

We aim to be a professional, efficient and high performing legal organisation which helps the government to govern well, within the rule of law. Our unified structure will enable us to identify and share best practice, and eliminate duplication. This will also enable us to take a more consistent and coherent approach to the recruitment, training and development of our staff, how we develop and manage talent and help our people plan their careers and manage moves around the system. We anticipate continued high demand for our legal services and a greater expectation that we will need to work in different ways, including more remote working. Our accommodation and technology strategies will address the issues of how and where we will work in future, including action to move away from being a central London centric organisation.

Our specific objectives for 2015-16 are in our Business Plan published at www.gov.uk/gld.

Litigation generated by a Home Office enforcement operation relating to Educational Training Services



Since May 2014, litigation lawyers have been working closely with Home Office legal advisers in managing, coordinating and providing advice on major litigation generated by Home Office immigration enforcement operations: this followed a television documentary showing widespread abuse in colleges that had sub-contracted with Educational Training Services (ETS). Successful defence has been a ministerial priority and our joint role has involved working closely with senior policy and operational clients as well as senior Counsel to ensure a consistent and coordinated litigation response, pre-empting risks in advance and finding solutions to new problems by providing clear advice quickly and pragmatically.

By communicating regularly, often in advance of meetings with clients or Counsel, we have agreed an approach to problems arising during the course of the litigation. We have been particularly successful at coordinating legal advisers' strategic oversight of the client's operational objectives, through the litigator's understanding of the litigation risks in light of prevailing case law authorities and the likely judicial concerns. This joined-up approach has helped achieve a number of positive outcomes for the clients including:

- In response to judicial determinations granting students leave prior to the fraud being uncovered, legal advisers and litigators agreed that immediate enforcement action rather than withdrawal by consent was appropriate as the latter would invite new and protracted proceedings. This approach avoided litigation duplication with fast tracking enforcement action, a key client objective.
- Following unwelcome successful applications for permission to apply for judicial review, senior Counsel's preference was for staying cases behind linked lead cases. Following input from the Home Office legal advisers regarding the client's reluctance to agree to staying cases due to concerns over enforcement action being stalled, litigators advised instead that a suitable case be identified and dealt with expeditiously, while not treating it as a lead case to avoid widespread stay applications and maintaining a regular strategy review to ensure this remained the best option. Everyone agreed this was the best solution and the strategy remains in place.
- Following a number of judicial reviews that challenged decisions, we sought to anticipate and reject any claim based on Article 8 of the ECHR. Discussions took place between legal advisers and litigators about the legality of such decisions during which it was agreed this was a significant litigation risk, given the fact that no human rights claim had ever been made. The client was keen to maintain such decision-making as it was perceived to expedite enforcement. Having an agreed position presented by Litigation and Home Office legal advisers helped the client decide to seek a ministerial decision on the issue.

The close collaboration between the teams was also helpful to the client department, as the combined advice of advisory and litigation lawyers, and input from Counsel, helped them decide how robust they wanted to be in their approach to sponsors, which were also under the spotlight because large numbers of "deceptive" students suggested failings by colleges.

Close working, open communication and advance planning between the legal teams has contributed to court results being successful to date in this tranche of high profile litigation.

3. Strategic Report

HMT performance measures

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

Client Satisfaction

	2014-15	2013-14
% of clients rating TSol services as 'Good' or 'Excellent' - at least 95%	Achieved	Achieved

We met our target of 95% of our clients to rate our services as "good" or "excellent". This reflects well on the high quality legal work done across TSol and the strong client relationships we have established.

Lexcel

	2014-15	2013-14
To maintain Lexcel accreditation	Achieved	Achieved

We have retained our Lexcel accreditation – the Law Society's "gold star legal quality mark", in relation to the conduct of our litigation in our Litigation, Employment and Commercial Groups. The assessor said that "TSol should once again be very highly commended for continuing to achieve an extremely high level of compliance against the Lexcel standard. Indeed, in Lexcel terms TSol remains an extremely efficient and very well run organisation, and can now be very much regarded as a "centre of excellence" in Lexcel terms". It exemplifies our commitment to continuous improvement and how all staff can contribute to the strategic aims of TSol as a whole – in this case, delivering high quality, efficient litigation services to our clients.

Recovery of operating costs

	2014-15	2013-14
To recover from clients the full operating cost of chargeable services	Achieved	Achieved

We are primarily funded from the fees charged to clients for legal services. Our fee rates are set in accordance with HM Treasury guidance *Managing Public Money* and are designed to recover the direct costs incurred by the organisation. Throughout the year, performance is monitored and on a quarterly basis we undertake a formal exercise to forecast the financial outturn for the year. Our commitment to our clients is to ensure that they benefit promptly from better than budgeted performance; so if this forecasting exercise predicts a significant surplus, we evaluate the underlying reasons and assess whether a fee reduction or rebate should be made in-year. This year, due to the growth of the organisation, significant increases in demand for litigation services and lower corporate costs, we were able to provide a rebate of £2.78m - £2.6m shared amongst our litigation clients and £0.18m to advisory clients. This was in addition to a £4m rebate in 2013-14, and a 5% hourly fee reduction from 1 April 2011 with a further 2% reduction from 1 December 2012.

Meeting our objectives

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

Delivering an effective shared legal service

Building a shared legal service means we can deliver the highest quality, most efficient service for our clients and provide the best possible career development opportunities for our people.

In 2014-15 we made further significant progress in developing the new shared legal service for government. The legal advisory teams for DWP and DH and the HMRC Employment team joined on 1 April 2014 and the advisory team from the Department for Transport joined on 1 October 2014. The programme was completed when the MOD advisory team joined on 1 May 2015.

We also created another expert service – the Commercial Law Group – which brings together the majority of the government's commercial litigation and advisory lawyers into a single dedicated unit providing expert commercial law services to our government clients. This is now one of the largest commercial law teams in the country and its creation:

- has put us in the best position to provide expert, high quality, commercial law services to our central government clients
- offers potential to widen our client base and range of work further
- will facilitate closer working and better sharing of knowledge and expertise between our commercial lawyers
- will help us to achieve operational efficiencies and savings for clients
- will provide increased scope and greater variety of work for commercial lawyers

As a result of the programme of mergers we have changed from being a mainly central London based organisation of just over 1,000 staff, mostly working on litigation and employment work with specialist advisory lawyers embedded at the HM Treasury, Cabinet Office, Department for Education and Department for Culture, Media and Sport, to one which now employs almost 2,000 people advising multiple government departments on all aspects of legal work and working from multiple sites, not just in London but also in the south west, north west and north east of England.

We believe that what has been created is sufficiently new and different to deserve a new name, hence from 1 April 2015 we will be called the Government Legal Department. However, there will be no change to the statutory role of the Treasury Solicitor.

Develop a four year strategy for the new organisation

Our strategy was developed by looking at what needs to be done to ensure our growing Department is fit for the challenges it faces in the next four years. The strategy supports our core purpose and vision.

To lead the organisation through a period of significant transition and transformation to establish a new and much larger department the appointment of new executives and senior leadership teams were finalised in June 2014. A new governance structure was also introduced in June 2014 in readiness to support our core purpose, vision and strategy which were formally launched in December 2014. Four Committees now support our Board:

- Legal Quality
- Performance and Client
- People
- Change Delivery

To support the Department's overarching corporate strategy, underpinning technology, people, client and accommodation strategies have also been developed.

Creation of the Commercial Law Group

On 2 June 2014 the Commercial Law Group was created under the leadership of Director Wendy Hardaker, bringing together almost all commercial lawyers who worked within TSol teams at that time. The MoJ team joined the Group on 1 August.

The 130-person strong Group holds quarterly 'all staff events' at which Wendy and the senior management team update the Group on their change project. This project is working to make the commercial legal service more efficient and effective across government, as well as providing a rewarding environment in which to work. It covers five work steams:

- **Career development, succession planning and recruitment,** which seeks to understand and develop the commercial legal skills required to meet the needs of our clients, while developing an attractive recruitment and career offer for commercial lawyers
- **Communications and client engagement** which is building effective two-way communication and engagement channels with key clients, partners, stakeholders and colleagues
- **External legal strategy,** which is reviewing, challenging and refreshing our relationships with external providers of legal services and developing a new approach to procuring these services and insourcing addressable external legal spend
- **Management information** which is developing a management information base to enable the Group to work more effectively and efficiently, while delivering GLD's wider business plans and objectives
- **Training and know-how** which is ensuring that we have the appropriate training and knowledge available to our commercial lawyers to support the delivery of a quality legal service

CIVIL SERVICE REFORM

Broader Civil Service Reform

We continue to play our part in delivering the wider Civil Service Reform Plan.

The Civil Service Reform Plan was published in 2012 and we have made further progress in the key areas which are relevant to us.

BV – Digitisation

Since 2010, the Bona Vacantia Division has made publicly available a digital list of those estates which were unclaimed by entitled kin and for which the Division held an electronic record of the estate. The Division only held electronic records from 1997 onwards, which left some 17,000 potentially unclaimed estates with only a paper file. In order to increase the opportunity for people to come forward and claim monies to which they are entitled, the Division is working to upload the information held on the paper files onto the digital list.

Of those 17,000 paper files, 6,000 estates were not, in fact, claimable (for a variety of reasons, for example, kin or a Will had already been located or the estates were insolvent) and some 4,500 claimable estates now appear on the unclaimed list, which relatives can access via gov.uk. This leaves around 6,500 paper files to be reviewed and potentially made available to claim. The Division aims to complete this project by summer 2015.

Civil Service Reform Plan Action	**Progress**
Becoming digital by default, moving more services online	The TSol and BV websites are hosted on gov.uk. We have an editorial board to keep our digital content up to date.
Creating shared transactional services centres for government (HR, finance, payroll, procurement etc.)	Discussions continue with the Cabinet Office about the projected costs for Independent Shared Service Centre 1 and 2 to enable a decision on whether either is suitable for TSol in future. HR casework transfers to the CSHR caseworks service in July 2015 and work is in hand to look at a new reasonable adjustment service provided by MOJ.
Executing plans to share expert services across government (legal, internal audit, communications etc)	The main action here for TSol is implementing sharing legal services, which is seen as a good example of progress. Shared services are also used by TSol for internal audit, procurement and communications.
Establishing a Capabilities Plan to fill government's skills gaps	We have published the TSol Capabilities Plan. This seeks to grow our capabilities in the four central priorities (identified in the Civil Service Capabilities Plan) and two departmental priority areas.
Developing and managing the future leadership of the Civil Service	There has been a phased roll out of career development and talent management processes to Grade 6 and 7 staff. Talent and Succession Plans are now in place for all SCS roles. Some of our high potential leaders are participating in various Civil Service development schemes. TSol has individuals on the Future Leaders Scheme, Senior Leaders Scheme and High Potential Development Scheme.
Increasing secondments and interchange with the private sector	We reviewed our loans, secondments and interchange policy and made recommendations for doing more, to improve career development opportunities.
Creating a modern employment offer for staff	Work this year has focused on reviewing and developing terms and conditions for the new Department following the completion of the planned merger programme, with the aim of creating a single employment offer for our staff.
Creating a modern workplace	Our established flexible working arrangements have been enhanced by the phased roll out of video conferencing facilities and the provision of mobile devices to provide better mobile communication to support people working away from the office. The Common Access pass was also rolled out on schedule.

Best quality legal services for our clients

Our vision is to be known through the legal profession for the quality of our legal work

We have again delivered high quality legal services to government, enabling the delivery of departmental priorities, including through the government's legislative programme and successfully representing government in litigation. Highlights have included:

- acting for government clients in nearly 66,000 litigation, employment and commercial cases, achieving a successful outcome in judicial reviews challenging government action in 75% of cases. This has included appearing in 17 Supreme Court cases, including a challenge to the Benefits Cap, and the requested disclosure of communications between the Prince of Wales and various government departments. We have been successful in 65% of such cases
- delivering the government's primary legislation programme, including the Modern Slavery Act, the Criminal Justice and Courts Act and the Deregulation Act
- producing around 800 statutory instruments to implement government policy, including contributing to £850 million savings per year for business through the 'red tape challenge'
- providing advice on some of the highest profile issues of the year, including the Scottish Referendum and subsequent proposals for further devolution to Scotland and Wales, the decision to opt back into the EU Justice and Home Affairs measures, responding to the threat of Ebola, the reform of the benefits system to address the entitlements of migrants and the transformation of the probation service
- acting for the UK in 66 new cases in the Court of Justice of the European Union
- providing legal support to over a dozen independent reviews and inquiries

The range of high quality work our legal teams have done for our clients is illustrated by the case studies throughout this Report.

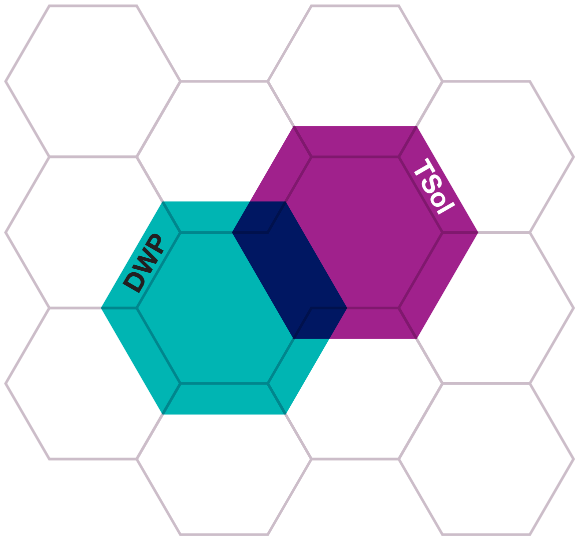
Legal quality initiatives

A new legal quality programme of work was introduced bringing together existing and new quality initiatives. A Legal Quality team was also established to support the work of the Legal Quality Committee, which provides a focus for the capture and co-ordination of quality activity across the Department. The legal quality programme includes:

- piloting a different approach to drafting Statutory Instruments (SIs), bringing together a specialist team of drafters to improve the quality and efficiency of drafting; brigading and refining the multiple sources of guidance that exist throughout the Department, and to provide oversight of the quality and efficiency of freelance drafting services
- establishing five "centres of excellence" pilots: costs team; public sector equality duty; devolution; human rights; and FoI/data protection. A centre of excellence is a lead legal team which is recognised for its expertise in a particular subject area. Each team will provide assistance and guidance on policy and handling issues, maintain cross team networks, provide training, and create and maintain knowledge management and guidance material
- adoption of a more consistent approach to analysing legal risk – guidance has been drawn up and is being implemented across GLD
- provision of guidance and training on what "excellence in advisory work" looks like
- implementation of the first two phases of our knowledge management programme requiring all divisions to have a common (minimum) knowledge management baseline plus the introduction of a benchmarking tool
- merging of the GLS and TSol Training Steering Committee into a single Government Legal Training Committee under the oversight of the Legal Quality Committee and launching a joint training programme

Migrants' Access to Benefits - Case C-333/13 Dano

The UK intervened in a German reference to the Court of Justice of the European Union (CJEU) relating to restricting EU migrants' access to benefits and avoiding benefit tourism. This case was a high profile case for the Department of Work and Pensions (DWP), with interest from Number 10, Cabinet Office and the media. DWP worked collaboratively with EU Litigation and lawyers across government to formulate arguments allowing restrictions on access to benefits. This case builds on the judgment in Case C-140/12, Brey and is a part of an emerging line of CJEU jurisprudence, which is helpful to DWP, Home Office and HM Revenue and Customs' EU welfare reform policies.



Ms Dano was a Romanian single parent with limited education, she had never worked and it seemed unlikely that she ever would. Ms Dano applied for the German subsistence benefit, which was refused under the German rules which only provide such benefits (special non-contributory benefits) to EU migrants who have a right to reside on the basis that they are self-employed or in employment. The case was referred to the CJEU asking whether it was contrary to:

- the equal treatment provisions of EU law on social security coordination (Regulation 883/2004); and
- the right to move freely within the EU to restrict access to these kinds of benefits to inactive EU migrants.

The UK intervened and submitted written observations and attended the hearing on 18 March 2014 supporting Germany's position. The Court's judgment was delivered in November 2014 and was a very favourable judgment for the UK and Germany. The judgment supports the UK's existing approach of refusing to pay benefits to inactive EU migrants who are not looking for work and do not have sufficient resources to support themselves. This judgment, together with the judgment in Brey, also supports the fact that the UK can test legal residency before a jobseeker can claim Job Seekers Allowance, which is a significant success for the UK. There are other CJEU cases which involve similar issues and which the UK will be intervening in during 2015 to build on this helpful jurisprudence.

Transforming Rehabilitation Programme

The Transforming Rehabilitation (TR) Programme has been a great example of our four expert legal services (Employment, Litigation, Commercial and Advisory) working together to provide a seamless service to clients and enable the delivery of a flagship programme. The purpose of the programme was to transform the delivery of probation services in order to reduce reoffending, and provide better value for money for the taxpayer.

It was an extremely complex, innovative and high value programme, which had to be delivered from a standing start in two years. The programme reorganised the way in which offenders were managed, and involved dissolving 35 Probation Trusts and transferring approximately 19,000 staff to either the newly formed National Probation Service (NPS) or one of 21 new Community Rehabilitation Companies (CRCs). Shares in the CRCs were then the subject of a share sale (following a competitive tender exercise) transferring ownership of the CRCs from the public to the private sector. MoJ legal advisers took the Bill, that would become the Offender Management Act 2014 conferring new powers on probation providers to supervise offenders, through Parliament and advised on the wide range of public law aspects, including international obligations, human rights and equality duties. Our commercial lawyers advised on (among other things) the major and innovative procurement exercise (worth an estimated £500 million per annum) as well as the property transfer scheme, addressing 650 properties, and worked alongside private sector lawyers to draft and settle the procurement documents and the contracts with the CRCs.

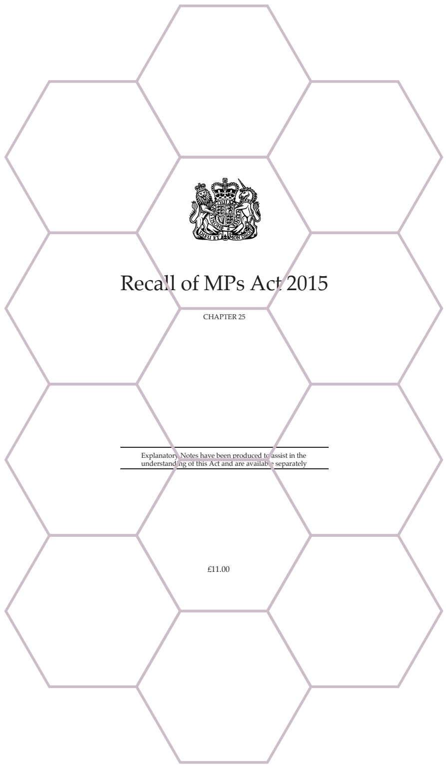
The employment group produced a number of staff transfer schemes, loan agreements and Memoranda of Understanding, working very closely with MoJ Legal Advisers in relation to the Secretary of State's powers. It was also a key partner in negotiations with the trades unions. The project required the consolidation of 42 legacy pension schemes into one fund procured for the purpose including negotiations with the European Commission and, with the help of DCLG legal advisers, amendment to the Local Government Pension Scheme Regulations.

Litigation colleagues successfully defended a last minute, highly expedited, Judicial Review brought by one probation union.

Our lawyers played a critical role in ensuring not only that the various legal strands of the programme were delivered but that the interdependencies between those strands were identified and the risks effectively mitigated. Recognition that all lawyers working on any part of the TR programme were in practice 'one team' and had to coordinate their activities as such, regardless of location or line management, was achieved by clear leadership from the legal director based in MoJ, who used techniques such as weekly cross-team catch up meetings. They also provided the legal strategy and a sense of shared endeavour which helped ensure the resilience needed to meet the exceptionally challenging workloads and pace required.

Constitutional Reform

The UK constitution has been subject to unprecedented debate recently; radical changes have been made and more are planned. Meanwhile, the role and composition of the UK Parliament is also changing, along with how elections are actually run. The Constitutional Law Team in the Cabinet Office has been at the heart of this, working alongside many colleagues across government.



The Scottish independence referendum prompted an entirely novel process of constitutional reform: the independent Smith Commission, leading to cross-party agreement on further devolution, and preparation of draft legislation *before* the UK General Election. Working with the Office of the Advocate General for Scotland, we helped develop other major constitutional innovations: entrenching a Scottish Parliament; devolving powers to lower the voting age in some elections to 16; and providing in statute for the ‘Sewel Convention’ - that the UK Parliament will usually leave the Scottish Parliament to legislate on devolved matters for Scotland. In short, law about how law-makers make law. Parallel but different changes in Wales are also now taking root – a further sign of the variety and complexity of the evolving constitution.

Meanwhile - and an odd sort of business as usual – we have helped deliver the Recall of MPs Act 2015, allowing MPs guilty of serious wrongdoing to be recalled by their constituents, we have enabled members of the House of Lords to be suspended or expelled, and women Bishops to sit sooner. Working closely with adept operational and policy colleagues, we have helped transform electoral registration through the creation of the first ever national on-line individual voter registration system - a major constitutional modernisation. More unusual still, we advised on redrafting the Royal Proclamation following the dissolution of the first fixed-term Parliament in British history, and gave effect to rules on succession to the Crown itself - putting women heirs on the same footing as men.

Sharia compliant bonds

In June 2014, the UK became the first country outside the Islamic world to issue a sovereign Islamic bond. This furthered the UK's objectives of establishing London and the UK as a western hub for Islamic finance and moving Islamic finance into the mainstream. In turn, we hope this will encourage others to consider Islamic finance when they might otherwise not have considered it.

Because Islamic finance uses specialised legal arrangements to avoid the lending of money at interest, it requires careful legal structuring and HM Treasury legal advisers (TLA) advised on identifying and procuring the relevant expert advisers. TLA, DCLG legal advisers, the Commercial Law Group and lawyers from HM Revenue and Customs worked closely together, along with expert external counsel (Linklaters) and financial advisers (HSBC), in order to:

- establish a suitable legislative regime (the Government Alternative Finance Regulations 2014), which provided HM Treasury with sufficient powers to undertake the transaction
- create a suitable package of property, which formed the basis of the transaction
- identify the tax consequences of the transaction
- establish a suitable corporate and governance structure

The collaborative approach of all departmental lawyers ensured that policy officials from the various departments involved in this novel process had the joined-up and consistent legal advice they needed to enable the UK to be at the forefront of Islamic financing. In recognition of its novel nature, the transaction won the Islamic Finance News Deal of the Year 2014, as well as the Sovereign, Sukuk and UK Deals of the year 2014.

Case Management System Optimisation

TSol's Case Management System (CMS) was first introduced in 2010-11, to enable the Litigation Group to handle an increasing workload more efficiently through IT enabled business change. Our focus this year has been on identifying scope for developing the system further to provide a more efficient and effective service to our clients. An independent review of the system was undertaken, which made a number of recommendations, and a business case for the next phase of CMS is now being prepared.

Paralegals

We successfully piloted the use of paralegals in the Immigration teams. The pilot, which was well received by the client, was a success and demonstrated the potential for paralegal case holders to litigate a range of immigration cases to a good standard at less cost than a lawyer. As a result, we are now recruiting and developing a cadre of paralegals.

Smaller pilots continue in other parts of the Litigation Group.

Supporting our people

We want to be the best employer for our people

Our objective this year was to provide a working environment which supports our people on training and career development to ensure that we attract the right staff to meet client needs.

Capabilities Plan

We published our Capabilities Plan in December 2014 which sets out how we aim to meet the four central Civil Service priorities:

- leading and managing change
- commercial skills and behaviours
- delivering successful projects and programmes
- redesigning services and delivering them digitally

In addition, we have agreed two additional contextualised priorities for the Department; namely:

- line and business management
- supporting other professions/specialists

Implementation of the Plan is underway. Progress will be monitored quarterly by the People Committee, with regular "deep dive" discussions on priority areas.

Talent Management

The talent management approach for the new organisation continues to be embedded along with a long term plan for developing all staff.

All staff should now have had focused career conversations to explore their career aspirations, development and potential to progress beyond their current grade.

There has been a phased roll out of the talent toolkit to Grade 6 and 7 staff and a more structured approach to reviewing SCS staff has been introduced, focusing on:

- succession planning – to ensure we have systematic arrangements for identifying business critical posts and ensuring that there are strong internal candidates for future vacancies
- development and stretch – identifying interventions (such as development moves) and motivating and developing talent
- demographics – focusing on equality and diversity and identifying potential risks and solutions

Abolition of the counterpart driving licence

In February 2015 legislation was made to abolish the driving licence counterpart from 8 June 2015, removing the unnecessary burden of carrying a paper counterpart from motorists across Great Britain. This change affects all 33 million holders of GB photocard licences and is expected to save the motoring public nearly £150 million over the next 10 years.

While the Department for Transport (DfT) legal team led on the legislative changes the policy could never have been delivered without close liaison with legal and policy colleagues in other departments.

DfT legal advisers worked very closely with HM Courts and Tribunal Service and the Scottish Courts Service to ensure they were aware of the proposals in plenty of time to implement the changes to the endorsement system for penalty points. DfT legal advisers considered their practical concerns about the changes and designed transitional provisions in a way that incorporated their feedback. DfT legal advisers also worked closely with MoJ legal advisers and lawyers in the Advocate General's office to examine English and Scottish Criminal Procedure rules – so that any necessary amendments could be identified and made in time for abolition.

While the counterpart was only being abolished in Great Britain, DfT legal advisers also had to examine Northern Irish legislation to ensure that GB drivers would no longer be expected to carry a GB counterpart when driving in Northern Ireland. This involved very close collaboration between us and our opposite numbers in the Department of the Environment in Northern Ireland and with the Office of the Legislative Counsel, which resulted in a set of consequential amendments to primary and secondary Northern Irish legislation that all parties understood and were happy with.

Stepping up a gear: How the Local Government and Fire Team in DCLG legal advisers and the Drivers and Roads Policy team at DfT legal advisers helped bring the Tour de France to Yorkshire

On 5 July 2014 the Grand Depart of the Tour de France finished in Harrogate.

Hosting the Tour involved a lot of bikes passing through Harrogate, and temporary road closures. But there were also wider practical and legal issues associated with hosting the Tour. Where to put 130 trucks, temporary living accommodation, facilities for 300,000 spectators, 300 toilets, car parking, emergency vehicles and a helicopter landing area?

Harrogate Borough Council had the added difficulty of statutory restrictions, contained in the Harrogate Stray Act 1985 (a local Act), relating to the use of the land identified to be used for the event, known as the Stray. Under the Localism Act 2011, the Secretary of State may disapply statutory provisions which restrict a local authority's use of the general power of competence ('GPC'). DCLG received a request that this power be exercised to enable Harrogate to host the Tour.

This was the first time the power had been used, and time was tight, so we were all on a steep learning curve. We worked closely with the relevant committee clerks to help smooth the process which was further complicated by the application of hybridity, on which Parliamentary Council advised. Numerous complex pre-conditions needed to be satisfied before the power could be exercised.

We also needed to ensure the race was run in line with the rules for cycle races on the highway. This meant amending, to a tight timetable, the Cycle Racing on Highways Regulations 1960, which would have limited the route and participant numbers. The Drivers and Roads Policy team at DfT legal advisers drafted Regulations to change temporarily these limits for the Tour de France, turning them round from start to finish within six weeks.

The Tour de France in Harrogate took place successfully. Thanks to our work with the Council on the order, they were able to use the GPC to host the Tour without breaching the restrictions and obligations in the 1985 Act.

Learning at work week

This took place in May 2014, with the theme of "Learning Connections". This reflected the changing nature of learning and development and how workplaces can take advantage of new approaches, attitudes and tools that support learning in the workplace. The week comprised a series of courses, learning events and opportunities put together by our People Development Team and Civil Service Learning and featured in Civil Service HR Headlines, circulated to all HR practitioners in the Civil Service.

Training Programme

To reflect the changing landscape of both the Department and the Government Legal Service, the learning and development team worked closely with the in-house Training Committee and GLS Training Group to review the current training offer. This saw the move to an annual rather than a seasonal approach to training from January 2015, allowing increased scope for scheduling and advertising courses, and the formation of the Government Legal Training Group, with responsibility for training across the government legal profession. This is driven by our legal quality agenda, and supported by the learning and development team.

Legal Trainee Scheme

TSol offers places through the GLS Legal Trainee Scheme which provides training contracts and pupillages to law and non-law graduates. During the course of a two year training contract, a legal trainee spends time in four main areas of practice. Pupillages last 12 months and include time in a legal team and a set of external barristers' chambers. Information about the Scheme can be found on www.gov.uk/gld

This year, we undertook a review of the Scheme to ensure that it supports the development of lawyers and continues to produce the high standard of government lawyer required to meet the needs of the new organisation. In the short term, it is hoped that the review will bring immediate benefit to this year's recruits while more comprehensive proposals are developed and implemented in advance of next year's recruitment.

TSol also offers vacation placements to undergraduates to provide an opportunity for them to find out more about our work.

Workforce planning

A workforce planning process to meet the needs of the new organisation was piloted and an agreed methodology will be introduced from April 2015 in line with the business planning cycle to enable the organisation to make genuine tactical and long-term workforce decisions. Discussions between directors and HR Business Partners are due to take place twice a year and will support divisions in addressing workforce shortages, turnover and gaps in skills/capability now and in the future.

Resourcing

The component parts of an Annual Resourcing Cycle have been finalised and agreed with the People Committee and the Board. External recruitment during the year has delivered in excess of 150 lawyers and 120 other professionals and support staff to help meet the demands of a growing organisation.

Staff Engagement

In the face of on-going departmental expansion and wider civil service change, our Engagement Index in the 2014 Civil Service People Survey was 60%, with no statistically significant change in six of the nine drivers of engagement. This was just one point lower than in 2013 and very slightly higher than the civil service average. 79% of our staff responded to the survey, which was significantly higher than the civil service average of 59%.

The feedback in many areas was encouraging, in particular on access to learning and development, confidence in decisions made by managers and belief in the action taken as a result of the survey. Understandably, less positive was the feedback on pay, benefits and reward where there were low scores across the civil service.

While there was no change to our response to questions relating to resources and work load, and inclusion and fair treatment, it was encouraging to see that we scored higher than the civil service average, especially during a period of significant change, for both.

Perhaps not surprisingly though, as we continue through our change programme and as the shape of the organisation evolves, our ratings fell slightly in answer to questions relating to organisational objectives and purpose, and some of the questions relating to leading and managing change (although on leading and managing change we still remain above the civil service average). Our core purpose and vision published in December 2014 now provides more certainty about the future of TSol.

Overall, the results show that there is still room for improvement and a corporate action plan has been agreed to address the issues raised. This has been well received by staff engagement representatives and divisions who have produced their own local action plans. The overall focus is on understanding and embedding the TSol Strategy; upskilling and supporting our managers; recognising and rewarding the work done; and on an organisation that does more to include, respect and value one another. A new People Strategy is bringing together much of this work in its focus on leadership and managing change; developing the career deal; and changing culture and behaviours.

Partnership

TSol has continued to maintain a positive working relationship with the trade unions. Human Resources regularly meet the unions on an informal basis to discuss a range of issues that have an impact on union members, and there are also formal Partnership meetings, which include representatives from across the business. Business managers are also encouraged to meet trade union colleagues at an early stage where resourcing levels or workloads may be changing. During 2014-15, there have been discussions on a number of topics including: chargeable hours targets, particularly for non-lawyers; distribution of performance box markings across diversity groups; the shared legal services implementation programme; and future accommodation issues. There has also been a series of meetings on how TSol could look to harmonise terms and conditions, and pay structures, across the organisation as a result of the series of mergers of legal teams with TSol.

Diversity and Equality

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

The gender breakdown as at 31 March 2015 is as follows:

	Male	Female
Board members	4	2
Non executive directors	1	2
SCS (excluding Board members)	66	60
Employees	683	1,101

The proportion of black, minority and ethnic staff at SCS pay band 1 is 8.3%. The proportion of total staff is 15.5%. Levels of disabled staff (3.8% of the SCS and 4.1% of staff that have declared their status) compare favourably with comparable grades elsewhere, supported by efficient arrangements for assessments and the implementation of reasonable adjustments for those who require them.

TSol supports and promotes the government's agenda for a "dramatic improvement in diversity" and published new diversity and equality objectives for 2014 to 2016 in December 2014 relating to:

- better diversity information
- positive action
- best management practice
- diversity in the legal profession

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

The Group has reviewed the results of the 2014 People Survey to ensure that we continue to promote equality and that TSol is seen as a fair and diverse place to work, and has developed action plans for areas identified for development. This includes working with Human Resources to encourage all staff to ensure that their personal data is up to date on the Human Resources system. In that way, the Department can monitor its employment activities to ensure there is no adverse effect on protected groups; this is now an objective in our Diversity Action Plan.

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

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

Health and Safety

We are committed to providing a safe and healthy working environment and have a number of initiatives in place to promote health and wellbeing in the workplace. These include:

- an annual flu jab programme
- biennial health screening check ups
- monthly GP surgeries at our One Kemble Street premises
- health and safety assessments of workstations and further ergonomic/ disability assessments if needed
- access to an employee assistance counselling service
- a health and wellbeing portal, *Health Matters*, which provides access to information, support and advice on a range of topics to help staff look after their health in work and at home

Sustainability Performance

All departments are required to participate actively in developing action plans to achieve and report their performance against the Greening Government Commitments (GGC). Our performance is reported in the Sustainability Report at Annex A (page 53)

Community and social matters

Whitehall Internships Programme

We again participated in the Whitehall Internships Programme, providing the chance for two students to complete a two week internship. The programme is organised, in partnership with the Cabinet Office, by the Social Mobility Foundation, a charity that aims to make practical improvements in social mobility for young people from low income households. It provides opportunities and networks of support for 16-17 year olds who are unable to get them from their schools or families.

This scheme complements other work experience programmes including the Windsor Fellowship Leadership Programme for Undergraduates, designed for Black, Asian and minority ethnic undergraduates who have already exhibited talent and potential. Each fellow is sponsored by a leading organisation at which they undertake their six week internship. TSol sponsored a student and provided a six week internship in the summer of 2014.

Volunteering

TSol supports staff who want to contribute to the wider community. This year we updated our Reservists Policy and a number of staff attended the Reserve Experience, a MOD run event in London to build awareness and understanding throughout the civil service of what it means to join the Armed Forces reserves.

A number of individuals and teams participate in a range of voluntary activities and the degree to which members of the SCS have fostered an ethos of volunteering in their teams and/or the wider Department is one of the criteria used to assess their individual performance.

Pro bono

TSol and Government Legal Service (GLS) lawyers also volunteer to carry out *pro bono* work. *Pro bono* is provided for individuals and communities with legal needs but without the means to pay. The GLS Pro Bono Network was set up to support members of the GLS who undertake *pro bono* work. It facilitates the placement of volunteers with voluntary and charitable organisations, and it develops the policies and procedures necessary to ensure that *pro bono* work undertaken by the GLS is carried out effectively and without conflicting with the work of the GLS.

The Network has been widely recognised in the public and private sectors as a force for good, with both the network and its grass-roots advisers having previously won *pro bono* awards.

Financial Review

Income

Total operating income (excluding disbursement income) for the year was £130.9m (2013 -14 £100.5m), an increase of 30%.

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

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

Expenditure

Our administration costs (excluding disbursements) this year were £127.9m (2013-14: £95.6m), an increase of 34%. 85% of our operating costs are staff costs which have increased again this year as a result of the further progress in developing the shared legal service: the average number of staff employed has increased by 384 FTE this year as a result of the transfer in of in-house legal teams from other government departments to TSol and to meet the increasing demand for our legal services. All staff, including the Senior Civil Service, received an average 1% pay award in 2014.

We continue to employ agency and contract staff where there is a need for their specialist skills and to provide some flexibility to cope with changes in demand. Spend this year was £11.9m (2013-14: £9.1m). Agency and contract staff accounted for 14.5% of total headcount during the year (2013-14: 15%). To reduce our reliance on temporary staff, and to resource increased demand, we undertook several external recruitment campaigns attracting a large number of applicants, demonstrating that TSol is seen as an attractive place to work by both lawyers and non-lawyers. More than 150 lawyers were recruited and 120 other professionals and support staff to meet the needs of a growing organisation.

Spend on professional, programme and technical services resources, used to support the development of our Case Management System, was £128k in 2014-15 (2013-14: £296k). There was no spend on consultancy (2013-14: £nil).

Non staff costs increased by £2.5m. These costs are mainly related to accommodation and back office services. There were increases in our rent; ICT costs; costs associated with the recruitment campaigns; and higher depreciation costs reflecting our investment in the business.

Expenditure on legal disbursements varies from year to year depending on the number, type and complexity of cases. This expenditure is passed on directly to clients and increased by 22%.

Operating Cost

The net operating cost for the year was £1.3m (2013-14: net operating surplus of £3.3m).

Capital Budget

Capital investment was £1.6m. The main investment was in maintaining the IT infrastructure. This investment supported our approach to flexible working and the provision of a more modern workplace.

Financial position

TSol employs capital of £9.4m at 31 March 2015 comprising total assets of £42.8m (non current assets of £4.0m, trade and other receivables of £30.2m and cash of £8.5m); current liabilities of £32.1m (Trade and other payables of £30.8m and provisions of less than one year of £1.3m) and non current liabilities of £1.3m (provisions greater than one year). Further details are in the notes to the accounts.

Cash flow and debtors are both closely monitored throughout the year to ensure that we have sufficient cash to meet our liabilities and pay our creditors promptly; we rely on income from our clients for the bulk of our cashflow. As the result of careful cash management, we ended the year with a healthy cash balance, which also reflects a decrease in our debtor balance at the year end.

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

Payment of Suppliers

We are committed to adhering to the Late Payment of Commercial Debts (Interest) Act 1998, by paying all invoices not in dispute within agreed contractual provisions or within 30 days of the presentation of a valid invoice (or delivery, if later). As a small government department, the government's five day target for SME (small and medium enterprise) suppliers to receive payment does not apply to TSol.

During the year, the Department paid 78% (2013-14: 80%) of all undisputed invoices within 10 days of receipt in line with the commitment to pay all suppliers promptly.

Events after the reporting period

There have been no events that would have a material impact on the financial statements for the year ended 31 March 2015. The Accounting Officer authorised these accounts to be issued on 11 June 2015.

Jonathan Jones
Accounting Officer
9 June 2015

4. Directors' Report

Directors

The Governance Statement on page 35 includes the name of the Chief Executive and the composition of the TSol Board.

Pension Liabilities

The employees of the Department are covered by the Principal Civil Service Pension Schemes, which are defined benefit schemes. The rates of the employer's contribution are determined from time to time by the Government Actuary and advised by HM Treasury.

Employees joining after 1 October 2002 could opt to open a partnership pension, a stakeholder pension with an employer contribution.

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

Register of interests

No directorships or other significant interests which may have caused a conflict with their management responsibilities were held by Board Members. Note 17 to the accounts confirms that no members of the Board, including non executives, has any related party interests.

Sickness absence data

Overall sickness absence was an average of 5.3 working days lost per person per year (2013-14 6.3 days). There has been a reduction in both short and long term absence, but the main focus has been on reducing long term absences. A quarterly update of TSol's sickness absence can be found on www.data.gov.uk

Personal data related incidents

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

Table 1: Summary of protected personal data related incidents formally reported to the Information Commissioner's Office in 2014-15

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
December	A litigant sent personal documents to TSol. The TSol caseholder filed a witness statement at Court and inadvertently exhibited these documents to it, in unredacted form.	Medical records, bank account opening documents and birth certificates	Three	Following a complaint from the data subject, TSol reported the incident to the ICO in January 2015.

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

Statement on Information Risk

TSol holds personal data relating to TSol employees and keeps data owned by other government departments in relation to its role as solicitor to government. It continues to work with delivery partners and third parties to manage effectively the risk of loss of personal data held by these other bodies.

During 2014-15, the framework for handling data and to provide assurance over the management of information held within TSol has included:

- continued review and production of data handling policies, guidance and awareness training promoting best practice within TSol including completion by all staff of the Cabinet Office's Responsible for Information e-learning course
- ongoing review of information assets and their associated risks, including twice yearly assessments of the third party delivery chain, and the incorporation of information risks within the risk management policy and processes. This year, we have reviewed our processes for collating this information with a view to streamlining the process to incorporate Information Asset Owners assurance. This revised process will be rolled out during 2015-16
- the Department updated its ISO 27001 information security certification from the 2005 standard to the 2013 standard and adheres to current Cabinet Office security requirements

In 2013-14, the ICO issued an Undertaking committing TSol to agree to implement a clear documented procedure for staff to follow when preparing information for disclosure, including a defined checking process with emphasis on the steps to be taken prior to release. All of the requirements of the ICO undertaking have been completed and the ICO is content with the work that TSol has carried out. Consequently, the Undertaking is in the process of being concluded. The Data Protection Act training for all staff associated with the Undertaking has either been completed or scheduled to complete by 13 May 2015; completion was delayed by the Kingsway fire and our evacuation from 1 to 20 April 2015.

Audit

The Treasury Solicitor's Department Agency Accounts are audited by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General.

The NAO also audit the Crown's Nominee Account administered by the Bona Vacantia Division of the Department.

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

Remuneration to auditors for non audit work

TSol did not pay any remuneration to the NAO for non audit work. The notional audit fee for the departmental audit was £66k.

Disclosure of information to the auditors

The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information. So far as the Accounting Officer is aware, there is no relevant audit information of which the entity's auditors are unaware.

Jonathan Jones
Accounting Officer
9 June 2015

5. Governance

Governance Statement

The Office of the Solicitor for the affairs of Her Majesty's Treasury (the Treasury Solicitor) was incorporated as a corporation sole by the Treasury Solicitor Act 1876.

The Treasury Solicitor's Department (TSol) is a non-ministerial department and was established as an Executive Agency on 1 April 1996. Ministerial responsibility lies with the Attorney General. The Department is led by HM Procurator General and Treasury Solicitor, in the role of Chief Executive.

From 1 April 2015, the Department was renamed the Government Legal Department, the role of the Treasury Solicitor remains unchanged.

Ministers

The ministers who had responsibility for the Department during the year were:

- **The Rt Hon Dominic Grieve QC, MP**, Attorney General (until 15 July 2014)
- **The Rt Hon Jeremy Wright QC, MP**, Attorney General (from 16 July 2014)
- **Oliver Heald MP**, Solicitor General (until 14 July 2014)
- **Robert Buckland QC, MP**, Solicitor General (from 15 July 2014)

The Treasury Solicitor, as Chief Executive and Accounting Officer of TSol, is accountable to the Attorney General and responsible for the management of TSol. He is supported in delivering his responsibilities by the TSol Board.

Board and committees

The TSol Board is the main decision-making body and supports the Chief Executive in providing leadership of TSol, framing the overall strategic direction and overseeing its delivery, managing the overall performance of the organisation and governance and managing relations with key stakeholders.

Membership of the TSol Board as at 31 March 2015 was as follows:

Executive members

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

Non Executive members:

- **Celia Carlisle** (appointed September 2013) – A consultant who has spent most of the last 20 years in commercial roles working on major infrastructure projects and is currently General Counsel to the Thames Tideway Tunnel Ltd, having been appointed in January 2015. Previous roles include: General Counsel at the Olympic Delivery Authority 2006 to 2012; Director at Jarvis PLC 2001 to 2004; Senior Counsel at Edison Capital 1999 to 2001.

- **Oonagh Harpur** (appointed September 2013) – Senior Advisor to Tomorrow's Company and the Global eHealth Foundation as well as a board member of the City Values Forum. Previous roles include: Partnership Secretary at Linklaters LLP 2002 to 2011; CEO at Enterprise Insight 2000 to 2002; CEO at HUB Initiative, Institute of Directors 1997 to 2000; Principal Executive at Berwin Leighton, 1988 to 1994.
- **Jeremy Newman** (appointed September 2013) – A Chartered Accountant and Chair of the TSol Audit and Risk Committee. Also Chair of the Single Source Regulations Office since July 2014 and the Audit Commission from October 2012 until its closure on 31 March 2015; a non executive and Chair of the Audit and Risk Committee of the Crown Prosecution Service since 2012; a non executive director, member of the Investment Committee and Chair of the Audit Committee of the Social Investment Business Group, and its parent charity, Social Investment Business Foundation, since 2013; and a member of the Council and Finance Committee of the Open University since August 2014. He is Honorary Visiting Professor at the Cass Business School. Previously Global CEO of BDO, one of the world's largest accounting firms, and prior to that Managing Partner of BDO's UK firm.

Work of the Board and attendance

The Board met eleven times during 2014-15 with attendance as follows:

Executive Members	Attendance
Jonathan Jones	11/11
Peter Fish	10/11
Claire Johnston	11/11
Stephen Braviner-Roman (joined Board in June 2014)	10/10
Valerie Cain	10/11
Nick Payne (joined Board in June 2014)	9/10
Tim Hurdle (until 31 May 2014)	1/1
Non Executive Members	
David Crowther (until June 2014)	1/1
Celia Carlisle	11/11
Oonagh Harpur	9/11
Jeremy Newman	10/11

Its work covers the five main areas expected by the Corporate Governance Code:

- strategy – setting the vision
- commercial focus – scrutinising the allocation of resources to achieve plans; ensuring controls are in place to manage risk and evaluation of the Board
- talented people – the Board has a People Strategy to help ensure that TSol has the capability to deliver and to plan and meet current and future needs
- results focus – the Board agrees the annual Business Plan and monitors and steers performance against the plan
- management information – the Board receives a Monthly Performance Report containing clear consistent and comparable performance information to drive improvements

Board sub-committees

TSol has an Audit and Risk Committee with an independent, non-executive Chair, David Crowther, until May 2014, and now Jeremy Newman. The Committee supports the Accounting Officer by monitoring and reviewing the Department's risk, control and governance processes, and the associated assurance processes, including external and internal audit. The membership of the committee includes one non-executive director (Celia Carlisle), in addition to the Chair, and an additional external member. Until May 2014, the external member was Paul Coombs, a qualified accountant, and Director of VOSA who was previously Director of Finance and Planning for the Audit Commission. Paul has been succeeded by Simon Parkes, Chief Financial Officer, Education Funding Agency.

The Audit and Risk Committee met four times in 2014-15. In addition to providing the Treasury Solicitor, as Accounting Officer, with assurance over the preparation and audit of the Annual Report and Accounts for 2013-14, the Committee considered the findings contained in 16 management letters and reports prepared by the Head of Internal Audit based on an audit programme agreed in advance by the Committee and monitored the implementation of audit recommendations. These reports covered a range of issues including the Advisory Divisions' management information and reporting, Finance key controls, financial arrangements, security of information, contracting out, ICT change governance, the Case Management System, and Directors' assurance reports. In addition, the Committee considered key controls, evidence supporting the Governance Statement and regular updates on the work of the Business Assurance Team.

As a result of the shared legal service programme, TSol reviewed its governance arrangements to ensure that they are fit for purpose to support a much larger and more dispersed organisation and to align the committee structure with our strategic objectives. This resulted in the Operations Committee, which oversaw the performance of TSol against its Business Plan and management of departmental risks and issues, and the Sharing Legal Services Programme Board, being replaced with the following governance committees, from June 2014:

- Performance and Client Committee,which is responsible for overseeing the health of the business by monitoring the services delivered to all our clients both external and internal. It reviews our performance against standards and targets, celebrating success and identifying improvement activities where needed. This Committee is chaired by Stephen Braviner-Roman, Director General A. It met eight times in 2014-15.
- People Committee, which is responsible for ensuring we have arrangements in place to recruit, retain, develop, organise and deploy our people of all grades and roles to meet the objectives of the organisation. This Committee is chaired by Claire Johnston. Director General B. It met eight times in 2014-15.
- Legal Quality Committee, which looks at the quality of our legal service provision to make sure we are delivering the highest possible quality to our clients. It champions improvements in quality and provides a forum to share best practice across the organisation. This Committee is chaired by Peter Fish, Director General C. It met four times in 2014-15.
- Change Delivery Committee, which manages change in TSol by taking the long term corporate strategy and policies and turning them into programmes and projects with defined outcomes. This Committee is chaired by Valerie Cain, People and Change Director. It met seven times in 2014-15.

Membership of each committee is drawn from TSol's Senior Leadership Team.

The Board's performance

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

TSol was due to complete the third stage evaluation, namely to review the maturity and effectiveness of the Board, in March 2014. However, as a new Board was constituted in June 2014, it was agreed that the three stage evaluation process should be repeated but over a shorter period. Stages 1 (establishing the Board) and 2 (developing the Board) were carried out over the summer 2014 and the final stage 3 (maturity and effectiveness) was completed in March 2015.

The process involved interviews with Board members and effectiveness questionnaires to the Board and its sub-committees together with an independent review by a non executive at the Ministry of Justice through a peer review of the Board and observation of two Board meetings to assess its culture and dynamics.

The results of the Board effectiveness review, which were considered in conjunction with a review of the governance structure introduced in June 2014, were positive overall and showed that the recently formed Board had strategic focus, a dynamic approach and an appropriate focus on costs, which were all key to the organisation's fundamental business of providing a high quality legal service to clients. The review identified improvements that could be made to build upon the firm foundations already in place to develop new ways of communicating messages across the Department, confirm the accountabilities of the executives and the sub-committees, continued focus on relationships at senior levels with clients, and to look for additional ways to enhance the contribution made by the Board's non executives.

Compliance with the Corporate Governance Code

The Corporate Governance Code and accompanying Protocol apply primarily to ministerial departments. This means that the key provisions relating to composition of boards do not apply to TSol; specifically the involvement of ministers and the requirement to have roughly equal numbers of ministers, senior civil servants, and non executive directors (NEDs).

In the light of the shared legal services programme, the Department reviewed its governance arrangements during 2014 to ensure they were appropriate to support a larger dispersed organisation. As a result, and taking into account good practice in the Corporate Governance Code as appropriate for a non-ministerial department, the Board reduced in size to now comprise six executive and three non executive members. Although TSol is not required to have a "Lead NED" (whose role is one of "supporting the Secretary of State in his or her role as Chair of the Board"), Jeremy Newman has been appointed as deputy chair of the Board and the remaining Lead NED functions have been shared between all of the non executive members.

Risk Management

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

The Audit and Risk Committee provides a challenge function to the risk management arrangements and Internal Audit reviews and assures the processes.

Risk management is embedded at every level in the business by encouraging empowerment and delegation so that risks can be managed proactively by those with the local knowledge and experience, and who are held accountable for the effective management of those risks.

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

The Risk Improvement Group, which is not part of the governance structure, met in July 2014 to consider options for simplifying and harmonising risk management in TSol. Its recommendations were considered by the Audit and Risk Committee, the Performance and Client Committee and the Board, which agreed the new framework to be adopted. They also reviewed and revised TSol's risk appetite.

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

Risk Profile

Our current key strategic risks are:

- demands placed on TSol do not match expected levels
- provision of legal services does not meet the requirements of our clients in terms of quality, management of cases and/or cost and outcomes
- lack of resource capacity and/or capability to deliver the service clients need
- failure to provide value for money by procuring or using resources efficiently to meet client needs
- failure of clients to use TSol efficiently
- injury or harm to staff, loss of TSol or client assets, or major loss of sensitive or confidential information
- significant external events have an adverse impact on our ability to deliver services to our clients

Security and business continuity

Client data security remains critical and is assured by TSol's adherence to Cabinet Office Security Standards, maintaining ISO 27001 certification and Public Sector Network (PSN) accreditation.

TSol implemented the new Government Security Classifications Policy from April 2014 and rolled out replacement security passes for all TSol staff in line with the Common Access Control Policy initiative. TSol has also continued to contribute to work carried out by the Cabinet Office on the wider security transformation agenda.

Further information on information risk is contained in the Directors' Report on page 33.

TSol enjoys a high level of client satisfaction and it is essential that we are able to maintain our high quality service whatever the circumstances. Business continuity is assured through the maintenance of an ISO22301 aligned business continuity management system and a comprehensive suite of recovery plans. Incident management exercises are carried out and our disaster recovery facilities are tested on a regular basis. Facilities and plans were robustly and successfully tested during a major incident between 1 and 20 April 2015, following our evacuation and denial of access to our Central London Head Office.

Our disaster recovery site has remote access capacity, resilience and security which reduces the risk of service disruption should our Central London Head Office be unavailable. Cyber resilience is maintained through comprehensive penetration testing, vulnerability management and protective monitoring policies.

Effectiveness of our risk management and governance framework

Assurance is provided, inter alia, by the work of Internal Audit. In his Annual Report and Opinion, which offers an opinion on the adequacy and effectiveness of risk management, control and governance, the Head of Internal Audit gave a Moderate level of assurance.

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

Directors provide an annual end of year Assurance Report highlighting any risks that crystallised during the year. These assurances have been reviewed by the Audit and Risk Committee.

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

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

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

These processes have highlighted no issues of significance for the corporate health or operations of TSol in 2014-15.

Jonathan Jones
Accounting Officer
9 June 2015

Remuneration Report

Service Contracts

The Constitutional Reform and Governance Act 2010 requires civil service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk

Remuneration Policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Senior Salaries Review Body. The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities
- regional/local variations in labour markets and their effects on the recruitment and retention of staff
- government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services
- the funds available to departments as set out in the government's departmental expenditure limits
- the government's inflation target

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at www.ome.uk.com.

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

Senior Civil Service (SCS) Pay Committee

The function of TSol's SCS Pay Committee is to determine TSol's SCS pay strategy and, after performance appraisals have been completed, to assess the relative contribution of the Department's SCS members in achieving the Department's corporate objectives, before determining non-consolidated performance related pay awards, and to make final pay decisions.

The SCS Pay Committee in TSol at the relevant time (April to July 2014) comprised: Celia Carlisle – Non Executive Director and chair, Jonathan Jones, Peter Fish, Rowena Collins-Rice, Claire Johnston, Stephen Braviner-Roman and Susanna McGibbon, with Mark Burch acting in an advisory capacity.

Consolidated awards (salary increase)

1% of the SCS paybill was available for distribution in 2014 to those in performance groups 1 and 2, but not to those in performance group 3. It was for individual SCS Pay Committees to determine how the 1% was distributed in departments, and the decision by the TSol Pay Committee was to:

- move people up to the new minima of the SCS Pay Bands from 1 April, as per the Cabinet Office guidance
- award group 1 performers (top 25%) a flat rate £1,000 increase to salary
- address what was perceived by the Pay Committee as an anomaly in terms of those in SCS Pay Band 1 who had been in the SCS for some time being on or near the bottom of the pay scale eg all those receiving a performance group 1 or 2 in 2014 were moved to a minimum of £70,250

The assessment of performance against objectives included:

- the leadership behaviours exhibited in the achievement of objectives
- an assessment of the management of resources
- the degree to which the jobholder fostered an ethos of volunteering in their teams and/or the wider Department

In addition, the following conditions applied for performance group distribution in 2013-14:

- if an individual did not meet an individual finance/efficiency objective then they were not marked higher than Group 2
- an individual was only awarded the Group 1 performance mark if they exceeded at least one finance/efficiency objective

Non-consolidated performance related pay awards were awarded to those achieving Performance Group 1 (the top 25%).

Non-consolidated performance related pay awards

In deciding SCS non consolidated performance awards in 2014, the following criteria were used:

Jobholders were ranked and assigned to a performance group relative to their peers, as follows:

- group 1 – top 25%
- group 2 – next 65%
- group 3 – bottom 10%

Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of the most senior management (i.e. Board members) of the Department. This information has been subject to audit.

Remuneration (salary, benefits-in-kind and pensions)

Single total figure of remuneration

Officials	Salary (£'000)		Bonus Payments (£'000)		Pension Benefits (to nearest £1,000)[1]		Total (£'000)	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Jonathan Jones *HM Procurator General, Treasury Solicitor and Chief Executive*	160-165	65-70[2]	–	–	97,000	23,000	255-260	90-95
Stephen Braviner-Roman *Director General A (from 2 June 2014)*	95-100[4]	–	–	–	59,000	–	155-160	–
Claire Johnston *Director General B*	105-110	80-85[3]	–	10-15	117,00013,000		225-250	105-110
Peter Fish *Director General C*	120-125	120-125	15-20	15-20	18,000	15,000	155-160	150-155
Valerie Cain *People and Change Director*	90-95	90-95	–	10-15	44,000	(1,000)	135-140	105-110
Nick Payne *Finance and Operations Director (from 19 May 2014)*	100-105[5]	–	–	–	13,000	–	110-115	–
Tim Hurdle *Finance Director (until 31 May 2014)*	15-20[6]	90-95	–	–	15,000	25,000	25-30	110-115

1. *The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to transfer of pension rights.*
2. *Figure quoted is for the period 1 October 2013 to 31 March 2014.*
3. *This represents 0.92 of a full-time equivalent salary as a Divisional Legal Director (until 19 March 2014) and full time as a Director General (from 20 March 2014). The full time equivalent as a Director General is 100-105k.*
4. *Full year equivalent is £115-120k*
5. *Full year equivalent is £120-125k. From 19 May to 31 May was paid by MOD.*
6. *Full year equivalent is £90-95k*
7. *No Directors were in receipt of any benefits in kind*

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

	Contract end	Salary £'000		Benefits in kind (to nearest £100)		Total (£'000)	
		2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
David Crowther	June 2014	0-5[2]	15-20	100	1,100	0-5	15-20
Jeremy Newman	September 2015	15-20	5-10[1]	700	500	15-20	10-15
Celia Carlisle	September 2015	15-20	5-10[1]	400	100	15-20	5-10
Oonagh Harpur	September 2015	15-20	5-10[1]	–	–	15-20	5-10

1. *The figures quoted are for the period 9 September 2013 to 31 March 2014. The full year equivalent is £15-20k*
2. *The figure quoted is for the period 1 April 2014- to 13 June 2014. The full year equivalent is £15-20k.*

The Department's non-executive directors necessarily incur travelling and other expenses to attend departmental meetings. The tax liability arising on their reimbursement by TSol is met by TSol and is shown in the table above as a benefit in kind.

Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on payments made by the Department and thus recorded in these accounts.

Benefits in kind

The monetary value of benefits-in-kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument. The estimated monetary value of benefits-in-kind which relate solely to the provision of interest free loans for the purchase of season tickets for home to office travel is not included. The amounts involved are disclosed in the salary, allowances and taxable benefit table.

Bonus Payments

Bonus payments (non consolidated performance related pay awards) are based on performance levels attained and are made as part of the appraisal process. As the timing of appraisal process does not allow us to accrue for individual bonuses relating to 2014-15 performance, the awards reported in 2014-15 relate to performance in 2013-14 and the comparative awards reported for 2013-14 relate to the performance in 2012-13.

Pay Multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the Treasury Solicitor's Department in the financial year 2014-15 was £160K to £165k (2013-14: £175-180k).This was about 3.23 times (2013-14: about 3.64 times) the median remuneration of the workforce, which was £49,489 (2013-14: £48,999). The increase in median remuneration represents the 1% average pay award, whilst the reduction in the highest paid director's remuneration reflects the fact the highest paid director in 2013-14, who has since retired, received a non consolidated performance award in 2013-14 but the new incumbent did not.

In 2014-15, no (2013-14: 0) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £21k to £165k (2013-14 £21k - £180k). Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value (CETV) of pensions.

Pension Benefits

Officials	Accrued pension at pension age as at 31/3/15 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/15 £'000	CETV at 31/3/14 £'000	Real increase in CETV[1] £'000	Employer contribution to partnership pension accounts to the nearest £100 £
Jonathan Jones *HM Procurator General, Treasury Solicitor and Chief Executive*	45-50 plus lump sum of 140-145	2.5-5 plus lump sum 12.5-15	858	742	75	–
Stephen Braviner-Roman *Director General A (from 2 June 2014)*	25-30 plus lump sum of 85-90	2.5-5 plus lump sum of 7.5-10	459	399	38	–
Claire Johnston *Director General B*	30-35 plus lump sum of 100-105	5-7.5 plus lump sum of 15-17.5	683	554	99	–
Peter Fish *Director General C*	30-35 plus lump sum of 95-100	0-2.5 plus lump sum of 2.5-5	621	575	14	–
Valerie Cain *People and Change Director*	55-60 plus lump sum of 105-110	2.5-5 plus lump sum of 0-2.5	1,222	1,178	42	–
Nick Payne *Finance and Operations Director (from 19 May 2014)*	45-50	0-2.5	708	665	7	–
Tim Hurdle *Finance Director (until 31 May 2014)*	20-25	0-2.5	276	258	9	–

1. *Where the real increase in CETV is negative this is because, taking account of inflation, the CETV funded by the employer has decreased in real terms.*
2. *Non Executive Directors do not receive pension entitlement from TSol*

Civil Service Pensions

Pension benefits are provided through the civil service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary related and range between 1.5% and 6.85% of pensionable earnings for **classic** and 3.5% and 8.85% for **premium, classic plus** and **nuvos.** Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the civil service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

New Career Average pension arrangements (**Alpha**) will be introduced from 1st April 2015 and the majority of classic, premium, classic plus, and nuvos members will join the new scheme. Further details of this new scheme are available at http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the civil service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with the Occupational Pensions Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Jonathan Jones
Accounting Officer
9 June 2015

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Treasury Solicitor's Department to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Treasury Solicitor's Department and of its income and expenditure, changes in tax payers equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by HM Treasury including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going concern basis

HM Treasury has appointed the Treasury Solicitor and Chief Executive as Accounting Officer of the Treasury Solicitor's Department. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Treasury Solicitor's Department's assets, are set out in *Managing Public Money* published by HM Treasury.

6. Further information

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

Government Legal Department
One Kemble Street
London
WC2B 4TS
UK

Email thetreasurysolicitor@governmentlegal.gov.uk

Main office and switchboard 020 7210 3000

7. The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Treasury Solicitor's Department Agency ('the Agency') for the year ended 31 March 2015 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Income, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Agency; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Agency's affairs as at 31 March 2015 and of the net operating income for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Financial Review and Management Commentary (Strategic Report and Directors' Report) for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

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

11 June 2015

Annex A: Sustainability Report

for the year ended 31 March 2015

Introduction

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

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

Summary of performance

Our main challenge on energy reduction is that we have no control over the use of oil to heat and electricity to cool One Kemble Street which we sublet from the Civil Aviation Authority.

Nevertheless, we have implemented various initiatives over the years to reduce our energy consumption, including the installation of safety and security film on the windows to minimise solar gain and contributed to the cost of a new Building Management System controlled by the landlord to improve the energy efficiency of the comfort cooling system in use in the building.

We continue to encourage the landlord to take a more proactive approach to sustainability and this has been a standing item on our meeting agenda for the past year. Our landlord has installed LED lighting in the communal lift lobbies and in our two cafés on the 6th and 15th floors. The landlord has also introduced solenoids for the urinals with the aim of reducing the amount of water used. They are currently trialling a food recycling initiative in CAA House which, if successful, will be implemented in OKS.

The following factors have affected our performance this year:

- the weather. There was a warmer than average summer followed by the third warmest autumn since 1910, which helped keep oil consumption down. We were also able to reduce our electricity use because, although the summer was warm, it was cooler than the previous summer
- an in-house printing service was introduced in 2013-14 which has increased our direct paper usage. However, we have still achieved a 26% reduction in paper used in comparison to the baseline figure. We have also reduced our outsourced printing requirement.
- an increase in the number of TSol staff in OKS (from 929 in April 2014 to 1,047 in March 2015), mainly as a result of growth in demand for our services
- the sharing legal service programme which has increased the geographical spread of the organisation. At the end of March, we had staff in 21 locations across England and Wales. A video conferencing facility went live across TSol, including at a number of our client sites, in October 2014. This will allow staff to connect with clients and colleagues virtually across the UK and should avoid the need to travel and reduce costs and business related travel emissions

Sustainable procurement

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

Our overall procurement strategy principally includes the use of Crown Commercial Service framework contracts and we are subject to the Sustainability Policy which it operates.

The Department promotes sustainability in procurement by:

- working closely with its suppliers – particularly in the areas of catering, cleaning and stationery, to improve sustainable processes and the use of products
- buying products and services that are less environmentally damaging; for instance, the use of "thin client" units which use less energy than conventional 'base unit' desktop computers
- complying with environmental legislation and regulatory requirements
- including relevant environmental conditions or criteria in specifications and tender documents, and evaluating supplier offers accordingly
- raising awareness of environmental issues within the Department, and amongst suppliers and contractors

Three of our suppliers are ISO 14001 accredited:

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

Governance

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

A "Green Team" has been re-established this year following a hiatus, to take another look at good practice across government and reinforce good behaviour on sustainability. Its remit is to:

- raise the profile of sustainability within the organisation, highlighting the GGC to all and engaging everyone's support to reach the targets
- identify areas where we can improve our green credentials, given the limitations of being a tenant in a managed building

Future Activities

The Green Team is considering its next campaign and is likely to focus on the challenge of reducing water usage and options to reduce food waste. Consideration will also be given to the increasing occupation of OKS and its impact on the total resources consumed and waste generated, recognising that the per capita figures are demonstrably decreasing.

2014-15 Treasury Solicitor's Department Sustainability Report

Greenhouse gas emissions

		Baseline 2009–10	2011-12	2012-13	2013-14	2014-15
Non-Financial Indicators (tCO_2e)	Scope 1 and 2 emissions[1]	2,411	1,668	1,772	1,782	1,889
	Scope 3 emissions (indirect – official business travel)	123	57	69	80	93
	Total emissions	2,534	1,725	1,841	1,862	1,982
Other Non-Financial Indicators	Number of domestic flights	198[2]	126	96	161	133
Related Energy Consumption (KWh)	Electricity	4,024,487	3,060,495	3,056,604	3,317,851	3,317,771
	Oil	991,179	620,345	918,345	652,145	488,355
Financial Indicators (£)	Expenditure on energy	349,825	191,910	311,309	365,123	364,118
	Expenditure on accredited offsets (e.g. GCOF)	1,270	Nil	42	42	Nil
	Expenditure on official business travel	136,724	202,456	233,358	308,857	392,579

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

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

Performance commentary

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

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

Our headcount has increased by 28% yet we have achieved a 22% reduction in total GHG emissions.

Electricity consumption figures have reduced marginally in year and stand at 18% below our baseline.

Oil usage is 51% below baseline.

Our two café facilities are extensively used by up to 400 non-TSol staff in the building, and there has been an increase in staff numbers resulting in additional water and electricity consumption. The café facilities also include an extensive hospitality service provided by one of our sub-tenants to its clients.

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

The total number of domestic flights has reduced by 33%.

Waste

		Baseline 2009–10	2011-12	2012-13	2013-14	2014-15
Non-Financial Indicators (tonnes)	Non-Recycled	76	6	3	3	5
	Total Reused/Recycled	90	112	73	94	94
	Energy recovery[3]	–	–	51	64	88
	Total waste	166	118	127	161	187
Financial Indicators (£)	Total disposal cost	17,616	78,412	33,106	25,340	26,028

3 Energy recovery is the energy generated from residual waste after recycling has taken place. This is now part of GGC reporting. The waste is burnt to produce electricity and this is fed back into the National Grid.

Performance commentary

The GGC are that by 2015:

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

There has been an increase in our total waste which is now 12% above baseline. However, our headcount has increased by 28% and 97.3% is reused/recycled or used for energy recovery compared to the baseline year when this was just over 50%. We have tried various ideas to reduce our waste such as replacing hand towels with hot air dryers and the Green Team has changed the collection bins on the floors to make recycling easier. It has also relabelled the waste bins in OKS using relevant pictures to ensure ease of use and we will continue to identify possible areas for further improvement. However there are now more people in the building and we have had some accommodation moves this year which are likely to have contributed to the increase in site waste.

The increase in recyclable/energy recovery waste means that we have a large reduction in our non-recycled waste and waste per full time equivalent (FTE) member of staff has decreased by 12% compared to baseline.

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

Finite resource consumption: PAPER

	Baseline 2009–10	2011-12	2012-13	2013-14	2014-15
Non-Financial Indicators A4 Reams	47,665	36,665	28,125	34,260	35,320

Performance commentary

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

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

Paper usage has increased since 2012-13, as expected, following the implementation of a new internal print room service in 2013-14. However, while direct paper usage has increased (we attribute 5,000 reams of paper to the print room this year) this will have resulted in a reduction in paper consumption by our external suppliers. Recycling bins are placed on all floors.

Despite this increase, consumption is still 26% below baseline and consumption per FTE has reduced from 58.70 reams in 2009-10 to 33.93 in 2014-15.

Finite resource consumption: WATER

		Baseline 2009–10	2011-12	2012-13	2013-14	2013-14
Non-Financial Indicators (m^3)	Water Consumption	6,466	5,110	5,477	6,615	7,361
	m^3 per FTE	7.96	6.75	7.27	7.74	7.07
Financial indicators (£k)	Water Supply and disposal costs	13,848	17,098	10,969	11,806	16,777

Performance commentary

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

Water consumption has increased due to a significant increase in staff numbers over the year. Although total usage increased, usage per FTE has decreased and is now 11% below the baseline figure.

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

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

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

Treasury
Solicitor's
Department

Treasury Solicitor's Department Annual Accounts

For the year ended 31 March 2015

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2015

		2014-15	2013-14
	Note	**£000**	**£000**
Administration costs			
Staff costs	2	109,118	79,326
Other costs	3	18,793	16,319
Disbursements	4	44,703	36,606
Income	5	(171,323)	(135,506)
Net Operating Cost for the period ended 31 March 2015		**1,291**	**(3,255)**
Total expenditure		172,614	132,251
Total income		(171,323)	(135,506)
Net Operating Cost for the period ended 31 March 2015		**1,291**	**(3,255)**

Other Comprehensive Income

	2014-15	2013-14
	£000	**£000**
Items that will not be reclassified to net operating costs:		
Net (gain) on:		
- revaluation of property, plant and equipment	–	–
- revaluation of intangibles	–	–
Total Comprehensive Net Expenditure for the period ended 31 March 2015	**1,291**	**(3,255)**

All income and expenditure is derived from continuing operations.

The notes on pages 64 to 80 form part of these accounts.

Statement of Financial Position
as at 31 March 2015

		31 March 2015		31 March 2014	
	Note	**£000**	**£000**	**£000**	**£000**
Non-current assets					
Property, plant and equipment	6	3,373		2,859	
Intangible assets	7	724		1,451	
Total non-current assets			**4,097**		**4,310**
Current assets					
Trade and other receivables	8	30,215		29,642	
Cash and cash equivalents	9	8,494		628	
Total current assets			**38,709**		**30,270**
Total assets			**42,806**		**34,580**
Current liabilities					
Trade and other payables	10	(30,848)		(15,596)	
Provisions	11	(1,276)		(442)	
Total current liabilities			**(32,124)**		**(16,038)**
Non-current assets plus net current assets			**10,682**		**18,542**
Non-current liabilities					
Provisions	11	(1,271)		(2,574)	
Total non-current liabilities			**(1,271)**		**(2,574)**
Total assets less liabilities			**9,411**		**15,968**
Taxpayers' equity					
General Fund			9,072		15,629
Revaluation Reserve			339		339
Total Taxpayers' equity			**9,411**		**15,968**

The notes on pages 64 to 80 form part of these accounts.

Jonathan Jones
Accounting Officer
9 June 2015

Statement of Cash Flows

for the year ended 31 March 2015

	Note	2014-15 £000	2013-14 £000
Cash flows from operating activities			
Net Operating Cost		(1,291)	3,255
Adjustments for non-cash transactions arising in the year	3	1,873	1,481
(Increase) in trade and other receivables	8	(573)	(6,524)
Increase in trade and other payables	10	15,252	(5,067)
Less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		(7,639)	4,926
Use of provisions	11	(439)	(501)
Net cash inflow from operating activities		**7,183**	**(2,430)**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(1,803)	(921)
Purchase of intangible assets	7	(48)	(354)
Net cash outflow from investing activities		**(1,851)**	**(1,275)**
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		1,909	11
Transfer of deemed supply to other departmental entities		625	(1,590)
Net Financing		**2,534**	**(1,579)**
Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**7,866**	**(5,284)**
Payments of amounts due to the Consolidated Fund		–	–
Net increase in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	9	**7,866**	**(5,284)**
Cash and cash equivalents at the beginning of the period	9	**628**	**5,912**
Cash and cash equivalents at the end of the period	9	**8,494**	**628**

The notes on pages 64 to 80 form part of these accounts.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2015

	Note	General Fund	Revaluation Reserve	Total Reserves
		£000	**£000**	**£000**
Balance at 1 April 2013		**8,594**	**348**	**8,942**
Changes in taxpayer's equity for 2013-14				
Net Parliamentary Funding – drawn down		11	–	11
Net Parliamentary Funding – deemed		5,912	–	5,912
Transfer of deemed supply to other departmental entities		(1,590)	–	(1,590)
Supply Payable Adjustment		(628)	–	(628)
Comprehensive Net Income for the year		3,255	–	3,255
Non-cash adjustments:				
Auditors' remuneration	3	66	–	66
Movements in Reserves				
Net gain on revaluation of plant, property and equipment		–	–	–
Net gain on revaluation of intangible assets		–	–	–
Transfer between reserves		9	(9)	–
Total recognised income and expenditure for 2013-14		**7,035**	**(9)**	**7,026**
Balance at 31 March 2014		**15,629**	**339**	**15,968**
Changes in taxpayer's equity for 2014-15				
Net Parliamentary Funding: drawn down		2,534	–	2,534
Net Parliamentary Funding: deemed		628	–	628
Supply payable adjustment		(8,494)	–	(8,494)
Comprehensive Net Expenditure for the year		(1,291)	–	(1,291)
Non-cash adjustments:				
Auditors' remuneration	3	66	–	66
Movements in Reserves				
Net gain on revaluation of property, plant and equipment		–	–	–
Net gain on revaluation of intangibles		–	–	–
Transfers between reserves		–	–	–
Total recognised income and expenditure for 2014-15		**(6,557)**	**–**	**(6,557)**
Balance at 31 March 2015		**9,072**	**339**	**9,411**

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

The notes on pages 64 to 80 form part of these accounts.

Notes to the Accounts

1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2014-15 *Government Financial Reporting Manual* (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Treasury Solicitor's Department for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Treasury Solicitor's Department are described below. They have been applied consistently in dealing with items considered material in relation to the Accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention and where material modified to account for the revaluation of property, plant and equipment and intangible assets at their value to the business by reference to their current costs.

1.2 Property, plant and equipment

Assets are carried at estimated fair value, using depreciated historic cost as a proxy. The need for revaluation is reconsidered on an annual basis. Expenditure on plant, property and equipment over £5,000 is capitalised on an individual or group basis. On initial recognition they are measured at cost including any costs (such as installation) directly attributable to bringing them into working condition.

1.3 Depreciation

Plant, property and equipment assets are depreciated at rates calculated to write them down on a straight-line basis over their estimated useful lives. Leasehold improvements are depreciated over the term of the lease.

Assets under construction are not depreciated until they are in use. Once in use they are depreciated over their expected useful life.

Asset lives are normally within the following ranges:

- Leasehold improvements — limited to period remaining on lease (up to ten years)
- Furniture, fittings and equipment — three, five or ten years
- Information technology and network — three to five years

1.4 Intangible assets

Purchased and internally developed software, purchased software licences and website costs are capitalised as intangible assets and are valued at depreciated historic cost as a proxy for fair value. The need for revaluation is reconsidered on an annual basis.

Intangible assets under construction are not amortised until they are in use. Once they are in use, they are amortised over the life of the associated project or their expected useful economic life.

Asset lives are normally within the following ranges:

- Software development three to five years
- Software licences three to five years
- Website costs five years

1.5 Impairments

Property, plant and equipment and intangible assets are subject to an annual impairment review, if there are any indicators of such impairments arising. Any impairment will be recognised as required by IAS 36 Impairment of Assets and accounted for as set out in FReM.

1.6 Revaluation reserve

The unrealised element of the Revaluation Reserve is disclosed in the Statement of Financial Position. Realised elements are transferred from the Reserve to the General Fund. Downward revaluations are charged to the existing balance brought forward for that particular asset. If there is no previous balance, the charge is expensed in-year and disclosed in the Statement of Comprehensive Net Income.

1.7 Income

Income relates directly to the operating activities of the Department. It principally comprises fees and charges for legal services provided during the year by the Treasury Solicitor's Department on a full-cost basis to clients external to the Department (central government departments, agencies and ALBs) and recovery of disbursements incurred on their behalf. Charge-out rates are set in accordance with HM Treasury's guidance on fees and charges set out in Managing Public Money to achieve full cost recovery of chargeable services.

In addition, it includes other income such as charges for the administration costs of the Bona Vacantia Division which are recovered from the Crown's Nominee Account, rental income and service charge, recovery of costs for recruitment and training services provided to other government departments.

Income realised from Bona Vacantia assets is not included but reported separately in the Crown's Nominee Account.

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

The unbilled and accrued disbursements at the year-end have been estimated based upon time taken to submit invoices for work carried out in prior years, modelling the expected disbursements for 2014-15 to the same pattern.

1.8 Debt recovery

All aged debt is regularly reviewed to ascertain the continuing prospect of recovery and that it remains economical to continue to pursue recovery. Where recovery is considered doubtful or uneconomic, the Department will provide for or write-off the debt by reducing the value of debtors within the balance sheet.

1.9 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The Department recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Department recognises the contributions payable for the year.

1.10 Early departure costs

Under the previous Civil Service Compensation Scheme (in place until 22 December 2010) the Department was required to meet the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date.

Under the new Civil Service Compensation Scheme the Department pays over a lump sum to PCSPS to cover these costs in full following agreement of the departure rather than on an ongoing basis and therefore these transactions are expensed when they occur rather than being recognised as provisions.

The provision recognised for early retirement therefore reflects costs associated with staff who retired before the transition to the new Civil Service Compensation Scheme. The Department provided for these payments in full when the early retirement programme became binding by establishing a provision for the estimated future payments; these have not been discounted. The provision is written off to the Statement of Comprehensive Net Expenditure, as and when the liabilities materialise.

1.11 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, the Department discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote but which have been reported to Parliament in accordance with the requirements of *Managing Public Money*.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.12 Operating Leases

Operating lease rentals are charged to the Statement of Comprehensive Net Expenditure in equal amounts over the lease term from the date of occupation. Future payments as disclosed in Note 13 (Commitments under operating leases) are not discounted.

1.13 Provisions

The Department provides for legal or constructive obligations which are of uncertain timing or amount at the Statement of Financial Position date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the HM Treasury's discount rate of minus 1.5 per cent in real terms for short term provisions (applied to cash flows expected to be incurred up to 5 years from the Statement of Financial Position date) and minus 1.05 per cent in real terms for medium term provisions (applied to cash flows expected to be incurred between 5 and 10 years from the Statement of Financial Position date).

Provision is made for the cost of obligations arising under onerous contracts and for the estimated costs of dilapidation repairs.

1.14 Taxation

The Department is exempt from Income and Corporation Tax by way of its Crown exemption.

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

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

1.15 Third Party Assets

The Department holds various funds on behalf of its clients. These relate to ongoing legal processes. These balances are not recognised in the Statement of Financial Position but are disclosed in Note 18 to these accounts.

2. Staff numbers and related costs

2.1 Staff costs comprise:

				2014–15	2013–14
		Permanently employed staff	Others	Total	Total
	Note	£000	£000	£000	£000
Wages and salaries		75,154	–	75,154	54,352
Social security costs		6,345	–	6,345	4,607
Other pension costs		15,544	–	15,544	11,163
Sub Total		**97,043**	**–**	**97,043**	**70,122**
Agency and contracted staff		–	11,911	11,911	9,095
Inward secondments		–	164	164	109
Total		**97,043**	**12,075**	**109,118**	**79,326**
Less recoveries in respect of outward secondments	5	(1,270)	–	(1,270)	(1,190)
Total Net Costs		**95,773**	**12,075**	**107,848**	**78,136**

No staff costs have been charged to capital.

The Principal Civil Service Pension Schemes (PCSPS) are unfunded multi-employer defined benefit schemes but the Treasury Solicitor's Department Agency is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2012. Details can be found in the Annual Report and Accounts of the Cabinet Office: Civil Superannuation www.civilservice-pensions.gov.uk

For 2014-15, employers' contributions of £15,442,911 were payable to the PCSPS (2013-14: £11,087,811) at one of four rates in the range of 16.7 to 24.3 per cent of pensionable pay, based on salary bands. The Schemes' Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £100,991 (2013-14: £71,426) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent (2013-14: 3 to 12.5 percent) of pensionable pay. Employers also match employee contributions of up to 3% of pensionable pay. In addition, employer contributions of £nil (2013-14: £nil), 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the reporting date were £nil. Contributions prepaid at that date were £nil.

Four members of staff retired early on ill health grounds (2013-14: one); the total additional accrued pension liabilities in the year amounted to £nil (2013-14: £nil).

2.2 Average number of persons employed

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

	2014–15			2013–14
	Number			Number
	Total	Permanent Staff	Others	Total
TSDA	1,667	1,426	241	1,283
Total	**1,667**	**1,426**	**241**	**1,283**

No staff costs were capitalised in 2014-15.

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

	2014–15			2013–14		
Exit package cost band	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**
<£10,000	–	–	–	–	1	1
£10,000 – £25,000	–	2	2	–	2	2
£25,000 – £50,000	–	7	7	–	1	1
£50,000 – £100,000	–	8	8	–	–	–
£100,000 – £150,000	–	1	1	–	1	1
£150,000 – £200,000	–	–	–	–	–	–
£200,000 – £250,000	–	–	–	–	–	–
£250,000 – £300,000	–	–	–	–	–	–
Total number of exit packages by type	**–**	**18**	**18**	**–**	**5**	**5**
Total resource cost/£	**–**	**936,644**	**936,644**	**–**	**204,249**	**204,249**

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the Department has agreed early retirements, the additional costs are met by the Department and not by the PCSPS. Ill-health retirement costs are met by the pension scheme and are not included in the table.

3. Other administration costs

		2014-15	2013-14
	Note	**£000**	**£000**
Rentals under operating leases			
Hire of plant and machinery		342	362
Other operating leases		3,952	3,690
		4,294	**4,052**
Non-cash items			
Depreciation	6	1,041	924
Amortisation	7	773	664
Impairment		18	–
Loss on disposal of non-current assets		5	13
Increase in provisions	11	49	3
Provisions not required written back	11	(55)	(123)
Borrowing Costs (unwinding of discount)	11	(24)	(66)
Auditors' remuneration[1]		66	66
		1,873	**1,481**
Other expenditure			
Accommodation		1,773	1,938
Rates		1,679	1,641
Library information services		1,592	1,533
IT maintenance, consumables and network services		1,575	1,211
Recruitment		1,084	792
Early departure costs		939	204
Training		499	409
Travel and subsistence		330	198
Postal services		322	270
Utilities and cleaning		283	298
Records management		281	234
Stationery		277	261
Publications		261	241
External HR Services		217	134
Office machines and consumables		187	213
Welfare supplies and consumables		173	111
Professional programme and technical services		128	296
Subscription fees		126	100
Communications		113	116
Internal Audit		63	63
Other expenditure		724	523
		12,626	**10,786**
		18,793	**16,319**

[1] Auditors' remuneration represents the notional audit fees of £66k (2013-14: £66k) for the Treasury Solicitor's Department Account. There was no auditor remuneration for non-audit work.

4. Disbursements

	2014-15	2013-14
	£000	**£000**
Recoverable from client departments	42,487	35,052
Funded from Supply	1,202	936
Disbursements recovered from fixed fees	1,014	618
Gross expenditure	**44,703**	**36,606**

5. Income

5.1 Analysis of income by classification and activity

		2014-15	2013-14
	Note	**£000**	**£000**
Legal fees and charges to clients		123,008	92,311
Recovery of costs *Bona Vacantia*		3,686	3,779
Recovery of secondments out	2	1,270	1,190
Rental income		936	1,070
Tenant service charges		706	718
LION Subscription		1,058	1,052
Other income		254	334
Total Operating Income		**130,918**	**100,454**
Disbursements		40,405	35,052
Total Administration income		**171,323**	**135,506**

5.2 Analysis of income from services provided

An analysis of the Department's income and associated costs is shown below. Charges for the provision of legal services and administration services to Bona Vacantia Division are set to recover full costs in accordance with HM Treasury's guidance on fees and charges set out in *Managing Public Money*. Disbursements are recovered at cost. This analysis is not for IFRS 8 purposes.

	2014-15			2013-14		
	Income £000	**Full Cost £000**	**Surplus/ (deficit) £000**	**Income £000**	**Full Cost £000**	**Surplus/ (deficit) £000**
Income						
Legal fees and charges to clients	163,413	162,455	958	127,363	122,181	5,182
Recovery of costs from Bona Vacantia	3,686	3,686	–	3,779	3,779	–
Other income	4,224	4,224	–	4,364	4,364	–
Non-chargeable work	–	2,334	(2,334)	–	2,244	(2,244)
Total (TSDA)	**171,323**	**172,699**	**(1,376)**	**135,506**	**132,568**	**2,938**

In accordance with HM Treasury's guidance a notional cost of capital charge £288k is included for setting fees and charges and is also reflected in full cost figures for this analysis. The notional cost of capital is not recognised in the financial statements.

The cost of capital charge is calculated at the real rate set by HM Treasury (currently 3.5 percent) on the average carrying amount of all assets less liabilities, except for cash balances with the Government Banking Service, where the charge is £nil.

6. Property, plant and equipment

	Assets under construction	Leasehold improvements	Information technology and network	Furniture and fittings	Total
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April 2014	**982**	**505**	**4,145**	**2,250**	**7,882**
Additions	99	118	1,355	6	1,578
Disposals	–	–	8	(21)	(13)
Reclassifications	(982)	22	851	109	–
Impairment	–	–	(18)	–	(18)
At 31 March 2015	**99**	**645**	**6,341**	**2,344**	**9,429**
Depreciation					
At 1 April 2014	**–**	**164**	**3,238**	**1,621**	**5,023**
Charged in year	–	61	731	249	1,041
Disposals	–	–	11	(19)	(8)
At 31 March 2015	**–**	**225**	**3,980**	**1,851**	**6,056**
Carrying amount at 31 March 2015	**99**	**420**	**2,361**	**493**	**3,373**
Cost or Valuation					
At 1 April 2013	**247**	**505**	**4,887**	**2,203**	**7,842**
Additions	982	–	249	77	1,308
Disposals	–	–	(1,238)	(30)	(1,268)
Reclassification	(247)	–	247	–	–
At 31 March 2014	**982**	**505**	**4,145**	**2,250**	**7,882**
Depreciation					
At 1 April 2013	**–**	**112**	**3,802**	**1,434**	**5,348**
Charged in year	–	52	660	212	924
Disposals	–	–	(1,224)	(25)	(1,249)
At 31 March 2014	**–**	**164**	**3,238**	**1,621**	**5,023**
Carrying amount at 31 March 2014	**982**	**341**	**907**	**629**	**2,859**
Carrying amount at 31 March 2013	**247**	**393**	**1,085**	**769**	**2,494**

Reconciliation of cash flows to property, plant and equipment additions

	2014-15	2013-14
	£000	£000
Property, plant and equipment additions	1,578	1,308
Movement in accruals for property, plant and equipment	225	(387)
Cash flows for property, plant and equipment	**1,803**	**921**

All the assets are fully owned.

7. Intangible assets

	Assets under construction	Development IT Software	Software licences	Website costs	Total
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April 2014	**57**	**4,146**	**1,113**	**589**	**5,905**
Additions	21	–	25	–	46
Disposals	–	(11)	–	–	(11)
Reclassification	(63)	(58)	121	–	–
At 31 March 2015	**15**	**4,077**	**1,259**	**589**	**5,940**
Amortisation					
At 1 April 2014	**–**	**3,677**	**660**	**117**	**4,454**
Charged in year	–	371	284	118	773
Disposals	–	(11)	–	–	(11)
At 31 March 2015	**–**	**4,037**	**944**	**235**	**5,216**
Carrying amount at 31 March 2015	**15**	**40**	**315**	**354**	**724**
Cost or Valuation					
At 1 April 2013	**615**	**4,247**	**847**	**43**	**5,752**
Additions	116	2	213	–	331
Disposals	–	(134)	–	(44)	(178)
Reclassification	(674)	31	53	590	–
At 31 March 2014	**57**	**4,146**	**1,113**	**589**	**5,905**
Amortisation					
At 1 April 2013	**–**	**3,462**	**470**	**36**	**3,968**
Charged in year	–	349	190	125	664
Disposals	–	(134)	–	(44)	(178)
At 31 March 2014	**–**	**3,677**	**660**	**117**	**4,454**
Carrying amount at 31 March 2014	**57**	**469**	**453**	**472**	**1,451**
Carrying amount at 31 March 2013	**615**	**785**	**377**	**7**	**1,784**

Reconciliation of cash flows to intangible asset additions

	2014-15	2013-14
	£000	£000
Intangible asset additions	46	331
Movement in accruals for intangible assets	2	23
Cash flows for intangible assets	**48**	**354**

All the assets are fully owned.

8. Trade receivables and other current assets

8.1 Analysis by type

	31 March 2015	31 March 2014
	£000	£000
Amounts falling due within one year:		
Unbilled time	6,890	5,213
Unbilled disbursements	10,198	9,731
Trade receivables	8,599	11,108
Deposits and advances	553	369
Other receivables	13	–
Prepayments and accrued income	3,962	3,221
	30,215	**29,642**

8.2 Intra–government balances

	31 March 2015	31 March 2014
	£000	£000
Amounts falling due within one year:		
Balances with other central government bodies	25,835	27,893
Balances with local authorities	–	–
Balances with NHS Trusts	–	–
Balances with public corporations and trading funds	1,484	233
***Sub total:* intra-government balances**	**27,319**	**28,126**
Balances with bodies external to government	2,896	1,516
Sub total	**30,215**	**29,642**
Amounts falling due after more than one year:		
Balances with bodies external to government	–	–
Total receivables and other current assets	**30,215**	**29,642**

This note provides an analysis of the amounts owed to the Department by different groups of public sector bodies and bodies external to government.

9. Cash and cash equivalents

	2014-15	2013-14
	£000	£000
Balance at 1 April	**628**	**5,912**
Net change in cash and cash equivalents	7,866	(5,284)
Balance at 31 March	**8,494**	**628**

All balances were held with the Government Banking Service.

10. Trade payables and other current liabilities

10.1 Analysis by type

	31 March 2015	31 March 2014
	£000	£000
Amounts falling due within one year:		
VAT	5,011	3,402
Other taxation and social security costs	2,215	1,684
Trade payables	21	56
Other payables	223	472
Accruals	14,578	9,122
Deferred income	306	232
	22,354	**14,968**
Amounts issued from the Consolidated Fund for Supply and not spent at year end	8,494	628
	8,494	**628**
Total payables and other current liabilities	**30,848**	**15,596**

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

10.2 Intra–government balances

	31 March 2015	31 March 2014
	£000	£000
Amounts falling due within one year:		
Balances with other central government bodies	18,415	6,008
Balances with local authorities	–	–
Balances with NHS Trusts	–	–
Balances with public corporations and trading funds	914	532
Subtotal: intra-government balances	**19,329**	**6,540**
Balances with bodies external to government	11,519	9,056
Total payables and other current liabilities	**30,848**	**15,596**

This note provides an analysis of the amounts owed by the Department to different groups of public sector bodies and bodies external to government (external suppliers).

11. Provisions for liabilities and charges

					2014-15	2013-14
		Early Retirement costs	**GPLA Closure costs**	**Dilapidations**	**Total**	**Total**
	Note	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1 April		**295**	**850**	**1,871**	**3,016**	**3,703**
Provided in the year	3	2	–	47	49	3
Provisions not required written back	3	–	(55)	–	(55)	(123)
Borrowing Costs (unwinding of discount)	3	–	(3)	(21)	(24)	(66)
		297	**792**	**1,897**	**2,986**	**3,517**
Provisions utilised in the year						
Costs		(110)	(557)	–	(667)	(773)
Income		–	228	–	228	272
		(110)	**(329)**	**–**	**(439)**	**(501)**
Balance at 31 March		**187**	**463**	**1,897**	**2,547**	**3,016**

Analysis of expected timing of discounted cash flows

				2014-15	2013-14
	Early Retirement costs	**GPLA Closure costs**	**Dilapidations**	**Total**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Not later than one year	114	463	699	1,276	442
Later than one year and not later than five years	73	–	1,198	1,271	1,430
Later than five years	–	–	–	–	1,144
	187	**463**	**1,897**	**2,547**	**3,016**

Explanatory Notes

11.1 Provision for early retirement and pension commitments

The provision recognised for early retirement reflects costs associated with staff who retired before the transition to the new Civil Service Compensation Scheme. The Department provided for these payments in full when the early retirement programme became binding by establishing a provision for the estimated future payments; these have not been discounted. The provision is written off to the Statement of Comprehensive Net Expenditure, as and when the liabilities materialise.

11.2 Provision for GPLA closure costs

The Government Property Lawyers Agency (GPLA) closed with effect from September 1999. At that time, a provision was made for the costs of closure.

In 2000, the remaining assets and liabilities of the GPLA were amalgamated with the assets and liabilities of Treasury Solicitor's Department. The balance of the provision is for the ongoing lease costs of the building that GPLA occupied. The GPLA signed a 25-year fixed term lease on the building, which covered the period up to 25 March 2016. The offices have been sublet to a number of government bodies for a proportion of the lease term at current market rents. Provision has been made in respect of this onerous contract as allowed under IAS 37, for the unoccupied areas of the building or where an under lease term expires prior to the over lease end-date.

This provision is calculated by reference to the estimated risk-adjusted net cash flows, discounted for the effect of the time value of money, using the HM Treasury discount rate of minus 1.5 per cent in real terms (2013-14: minus 1.9 per cent).

11.3 Dilapidations

A provision has been made for dilapidations obligations under the Department's leases. These obligations are to remove the leasehold improvements and return the properties at the end of the leases to their original state. The valuation of the liability falls within typical industry ranges for dilapidations settlements of £5 to £20 per square foot. If the provision were to be increased to the top end of this range, the liability would increase by approximately £1.1m. If the provision were to be decreased to the lower end of this range, the liability would fall by approximately £1.3m. The provision is subject to an annual review to consider whether its valuation remains appropriate.

This provision is calculated by reference to the estimated risk-adjusted net cash flows, discounted for the effect of the time value of money, using the HM Treasury discount rate of minus 1.5 per cent in real terms for cash flows occurring within 5 years and minus 1.05 per cent in real terms for cash flows occurring between five and ten years of the reporting date (2013-14: minus 1.9 and minus 0.65 per cent).

12. Segmental Reporting

The Department's accounts cover the income and associated costs for the provision of legal services and administration costs for Bona Vacantia Division. There are no reported operating segments within the Department's operating results and as such no segmental information is disclosed.

13. Commitments under operating leases

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

		2014-15		2013-14
	Buildings	Other	Buildings	Other
	£000	£000	£000	£000
Obligations under operating leases for the following periods comprise:				
Not later than one year	4,194	268	4,194	387
Later than one year and not later than five years	14,046	71	15,483	244
Later than five years	22	4	2,771	4
	18,262	**343**	**22,448**	**635**

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

		2014-15		2013-14
	Buildings	Other	Buildings	Other
	£000	£000	£000	£000
Payments expected to be received under subleases for the following periods comprise:				
Not later than one year	1,054	–	1,044	–
Later than one year and not later than five years	2,998	–	3,375	–
Later than five years	–	–	417	–
	4,052	**–**	**4,836**	**–**

14. Financial instruments

As the cash requirements of the Department are primarily met from income from clients (other government departments) and a limited amount through the Estimates process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts to buy in non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore exposed to little credit, liquidity or market risk.

15. Contingent liabilities

15.1 Contingent liabilities disclosed under IAS 37

There were no contingent liabilities as at 31 March 2015 (31 March 2014: £nil).

15.2 Contingent liabilities not required to be disclosed under IAS 37 but included for parliamentary reporting and accountability purposes

The Department has not entered into quantifiable or unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort as at 31 March 2015 (31 March 2014: £nil).

16. Losses and special payments

Managing Public Money requires a statement showing losses and special payments by value and by type to be shown where they exceed £300k in total, and those individually that exceed £300k.

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

17. Related party transactions

The Department has had a significant number of material transactions with other government departments and public agencies since the nature of the Department's business is to provide legal services to central government.

The Treasury Solicitor, by virtue of the Treasury Solicitor Act 1876, is also the Crown's Nominee.

None of the Board members, key managerial staff or other related parties has undertaken any material transactions with the Department during the year.

Board members' remuneration is disclosed in the Remuneration Report.

18. Third party assets: client monies

Funds are required in advance from clients to enable settlement of awards for damages and contributions toward the cost of court proceedings. The Department places these funds on deposit until the final costs of a case have been calculated and settled. These are not Department assets, as the funds are held on behalf of third parties and as a consequence do not appear in these accounts. As at 31 March 2015, these amounted in total to £6,394k (31 March 2014: £7,542k). An analysis of the movements on these accounts is shown in the table below:

	2014–15	**2013–14**
	£000	**£000**
Opening balance at 1 April	**7,542**	**7,210**
Gross inflows	75,180	92,457
Gross outflows	(76,328)	(92,125)
Closing balance at 31 March	**6,394**	**7,542**

These balances are held with the Government Banking Service.

19. Impending application of newly issued standards not yet effective

The Department has reviewed the IFRSs in issue but not yet effective, to determine if it needs to make any disclosures in respect of those new IFRSs that are or will be applicable. References to 'new IFRSs' includes new Interpretations and any new amendments to IFRSs and Interpretations. It has been determined that the new IFRSs will have no significant impact on the Department's financial statements.

20. Events after the reporting period

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General. There are none to report.

Glossary

BIS	Department for Business, Innovation and Skills
CETV	Cash Equivalent Transfer Value
CMS	Case Management System
DCLG	Department for Communities and Local Government
DECC	Department of Energy and Climate Change
DEL	Departmental Expenditure Limit
DfT	Department for Transport
DH	Department for Health
DWP	Department for Work and Pensions
FTE	Full Time Equivalent Employee
GCOF	Government Carbon Offsetting Facility
GGC	Greening Government Commitments
GHG	Greenhouse Gas
GLSS	Government Legal Service Secretariat
GSI	Government Secure Intranet
HMCPSI	HM Crown Prosecution Service Inspectorate
HMRC	HM Revenue and Customs
HMT	HM Treasury
HR	Human Resources
HO	Home Office
IAS	International Accounting Standard
ICO	Information Commissioner's Office
ICT	Information, Communication and Technology
IFRS	International Financial Reporting Standard
Lexcel	Law Society's Practice Quality Mark

MoD	Ministry of Defence
MoJ	Ministry of Justice
NAO	National Audit Office
NED	Non-Executive Director
OKS	One Kemble Street
PCPF	Parliamentary Contributory Pension Fund
PCSPS	Principal Civil Service Pension Scheme
QC	Queen's Council
SCS	Senior Civil Service
SME	Small and Medium Enterprise
SMF	Social Mobility Foundation
SSRB	Senior Salaries Review Body
TLA	Treasury Legal Advisers
TSol	The Treasury Solicitor's Department
VOSA	Vehicle and Operator Services Agency

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