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HM Procurator General and Treasury Solicitor

Accounts for the Crown's Nominee for the  
year ended 31 March 2016

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for the year ended 31 March 2016

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

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## **Foreword**

### **Introduction and Background**

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

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

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

Section 4 of the 1876 Act provides that all money arising from the disposal of bona vacantia property and rights, whether as income or as proceeds of the sale or disposal, should be carried to the account directed by rules under the 1876 Act. This account is referred to as the Crown's Nominee Account and is maintained by the Government Banking Services with the accounts being held at the Royal Bank of Scotland Group (National Westminster Bank). Prior to the 18<sup>th</sup> January 2016, an account was also held with Citibank but this has now been closed.

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

### **Presentation and Format of the Account**

The financial statements within this report have been prepared under an Accounts Direction of 17 April 2009 given by Her Majesty's Treasury in accordance with Sections 4 and 5 of the 1876 Act and the Treasury Solicitor (Crown's Nominee) Rules 1997 (S.I. 1997 No. 2870) emanating from the 1876 Act. The Accounts of the Crown's Nominee are to be presented to Parliament by 31 July every year for the year ending on the preceding 31 March.

At 31 March 2016, the Crown Nominee's Statement of Financial Position shows net liabilities of £79.8 million (31 March 2015: £34.5 million), reflecting the estimate of liabilities to kin and formerly dissolved companies falling due in future years. Proceeds arising from the future liquidation of estates and companies assets are expected to be sufficient to meet these liabilities as they fall due. In the unlikely event that insufficient funds are available to meet a kin or company payment, the Crown's Nominee will call on funds from Her Majesty's Treasury. It is therefore appropriate to adopt the going concern basis for the preparation of

these financial statements, as funds will always be available to meet the liabilities as they arise.

### Objectives

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

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

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

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

### Management Commentary

Crown's Nominee receipts vary from year-to-year depending on the number and value of cases referred that, after some investigation, are identified as bona vacantia. Receipts to the Crown's Nominee in 2015-16 were £115 million, being 45 per cent higher than the year before (2014-15: £80m). High value estates, or dissolved companies with significant assets, can make a material difference to annual receipts. During 2015-16, as a result of work the Bona Vacantia Division undertook with financial institutions to recover cash from accounts relating to dissolved companies, an additional £37 million was received relating to over 1,800 historic cases and this mainly accounts for the increased receipts this year.

By agreement with Her Majesty's Treasury, there is an annual transfer from the Crown Nominee's bank balance to the Consolidated Fund. The amount to be transferred is 85 per cent of the Crown Nominee's bank balance on the last working day of January, subject always to a balance of at least £5 million being retained in the bank for administrative costs and creditors. The transfer in February 2016 was £80 million (£46 million in 2015) reflecting the higher value of receipts in 2015-16.

Although checks are made to establish that assets are true bona vacantia before they are realised, the Crown's Nominee is obliged to pay over the value of the assets to entitled kin on receipt of a valid claim, or to the owners of a company that is restored to the Register. These payments can be made many years after the assets have been realised and therefore the most significant estimate included in the Account is the provision for future claims. During 2015-16, the Crown's Nominee consulted the Government Actuaries Department on the methodology and assumptions used to determine the estimate of future payments to kin and companies. The calculation of future payments to kin has been refined resulting in an increase in the estimate. No changes have been made to the methodology used to estimate the provision for payments for company restorations.

This estimate for future payments to kin and companies at 31 March 2016 is £103 million (2014-15: £58 million). The increase relates to the higher receipts during the year and the refinement of the estates estimate that increased the provision by £20 million. The impact of the change in the estimate has resulted in lower net income despite the higher receipts. Net income in 2015-16 is £34.7 million (2014-15: £36.6 million).

Although receipts for the 2015-16 were higher than 2014-15, the Crown's Nominee, through the Bona Vacantia Division, handled less cases. A total of 47,491 cases were handled in 2015-16, a decrease of 42 per cent on the previous year (2014-15: 81,744).

The number of companies' case referrals was 42,179 in 2015-16 (2014-15: 77,412), a decrease of 46 per cent. The fall in case numbers is attributed to a lower number of small value companies cases in 2015-16. A small value companies case is less than £300 and, in 2015/16, 23,000 of these cases were handled compared to the 59,000 the year before. The average value of the individual cases handled in 2015-16 was significantly more than the average value of cases handled the year before, resulting in a higher yield per case and higher company receipts for the year. Companies receipts amount to £89.6 million (2014-15: £59.5 million). In 2015-16, £14.4 million was paid back to company directors/shareholders following restoration of dissolved companies (2014-15: £17.5 million).

The number of estates cases handled this year was 5,312 (2014-15: 4,332), an overall increase of 23 per cent compared to the previous year. Amounts realised from estates increased to £23.9 million in 2015-16 (2014-15: £18.4 million) and while the number of new referrals in 2015-16 has fallen, estates activity during the year has remained high due to an increased number of kin claims. Payment to entitled kin was £14.8 million in 2015-16 (2014-15: £15.8 million).

The Government Legal Department charges the Crown's Nominee Account for the services provided by its Bona Vacantia Division. In 2015-16 the amount charged was £3.7 million (2014-15: £3.7 million).

Personal data related incidents concerning the work of the Crown's Nominee would be reported in detail within the Government Legal Department's Annual Report and Accounts. There have been no incidents arising in 2015-16.

## Operational Framework

### Payments to Kin

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

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

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

## Payments to Companies on Restoration

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

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

## Provision for future payments to kin and companies

As payments are made to kin and companies in years after income from the bona vacantia estates and companies has been recognised, a provision for future payments is included in the Accounts. The provision is an estimate based on patterns of payments made to kin and companies in the past reflecting a number of years data covering a substantial number of cases. The estimate has a degree of inherent risk in the assumptions underpinning it and associated sensitivity analysis is provided in Note 6.

## Disclaimed Assets

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

## Vesting Orders

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

## Discretionary Payments

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

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

Where a company can be restored, restoration to the Register of Companies is generally the

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

All cases involving novel or contentious issues are referred to Her Majesty's Treasury for approval. No cases were referred to Her Majesty's Treasury in 2015-16 (nil: 2014-15).

## Crown Share

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

## Reservation

In addition to Crown Share, the Crown's Nominee currently retains five per cent of the value of assets or the net estate when making a discretionary payment. The reservation is designed to minimise any loss to the Crown if, after a discretionary payment has been made, kin come forward to claim the relevant estate or the company is restored to the register. The reservation is not taken where the net value of an estate is under £750.

## Looking Forward

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

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

### External Audit

The Crown's Nominee Account is audited by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General. The notional audit fee is £44,000 for 2015-16 (2014-15: £44,000) and no further assurance or other advisory service has been provided by the NAO.

### Provision of Information to Auditors

As the Crown's Nominee, so far as I am aware having made all reasonable enquiry, there is no relevant audit information of which the auditor is unaware.

**Jonathan Jones**  
**Crown's Nominee**  
**12 May 2016**

## **Statement of the Crown Nominee's Responsibilities**

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

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

- comply with the Accounts Direction issued by Her Majesty's Treasury on 17 April 2009;
- comply with the Treasury Solicitor (Crown's Nominee) Rules 1997 (S.I. 1997 No. 2870);
- present to Parliament by 31 July every year the financial statements for the year ending on the preceding 31 March;
- observe the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis; and
- prepare the accounts on a going concern basis.

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

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

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

## **The Governance Statement**

### **Framework**

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

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

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

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

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

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

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

## Operation

The Government Legal Department's Bona Vacantia Division acts on behalf of the Crown's Nominee to identify, collect and dispose of bona vacantia assets. Day-to-day responsibility for dealing with bona vacantia is delegated to the Head of Division. The current Director in the post of Head of Division for 2015-16 is Mayur Patel CBE. Group leaders within the Bona Vacantia Division support the Head of Division. The Head of Bona Vacantia Division has in place systems for regular communication with all staff, including policy, operational and financial matters, and for informing them of new developments and key issues. The Government Legal Department's Finance Director manages a discrete unit within his division that is responsible for the Crown Nominee's payments, receipts, preparation of accounts and financial and management accounting.

The Head of Bona Vacantia Division is part of the Government Legal Department's Senior Leadership Team and is subject to the Department's governance and wider control system that is described in the Government Legal Department's Annual Report and Accounts 2015-16. Regular reports are provided to the Crown's Nominee by the Bona Vacantia's Head of Division, with quarterly meetings arranged to discuss work priorities, progress against Business Plan targets and the steps being taken to manage risk. In addition, the Head of Bona Vacantia Division, attends the Government Legal Department's Performance and Client Committee each month where bona vacantia performance issues are discussed. Each quarter, this Committee has a standing agenda item to specifically discuss bona vacantia performance. Any issues or risks associated with bona vacantia work are escalated to the Board of the Government Legal Department as and when appropriate. The Head of Bona Vacantia Division is also required to provide an annual Director's Assurance Report reporting on activity during the year, the management of the resources allocated and confirming that all risks to the achievement of objectives have been reviewed and that appropriate action to manage those risks has been, or is being, taken.

The Crown's Nominee seeks advice and challenge from the Government Legal Department's Board, Internal Audit and the Audit and Risk Committee as and when required. Assurance on control is also gained from internal audit work undertaken during the year.

Each year, the Crown's Nominee Annual Report and Accounts are reviewed and agreed by the Government Legal Department's Audit and Risk Committee.

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

The Crown Nominee's day-to-day management and operational function is carried out through the Head of Bona Vacantia Division's monthly meetings with his senior management team to discuss and agree operational and strategic issues, including the review of risk registers. Divisional meetings also take place during the year to deliver the key messages of the Crown's Nominee to all staff in the Bona Vacantia Division.

## Risk Management and Internal Control

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

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Crown Nominee's and Government Legal Department's policies, aims and objectives; to evaluate the likelihood and impact of those risks being realised; and to manage them efficiently, effectively and economically. The system of internal control has been in place for the Crown's Nominee for the year ended 31 March 2016 and up to the date of the approval of these Accounts and accords with guidance from Her Majesty's Treasury.

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

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

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

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

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

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

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

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

### Risk Assessment and Issues

The Risk Register for 2015-16 records the main areas of risk to the Crown Nominee's work as fraud, case management system becoming out of date, loss of infrastructure or ICT, failure to recruit sufficient staff to deal with a large influx of work, failure to embed adequate accrual processes and the handling of valuables. These risks continued to be addressed during the year and actions included:

- keeping under review measures to counter fraud, including links with the Metropolitan Police, and other delivery partners such as the Probate Registry and Land Registry;
- having a Fraud Working Group to identify any new areas of potential fraud risk and take appropriate steps to address risks identified;
- reviewing capability of current and future case management systems;
- reviewing and updating the Business Continuity Plan;
- recruiting permanent and temporary staff to deal with increase workloads and to fill job vacancies;
- updating the current case management and finance system and considering options for a new system;
- reviewing and updating processes for handling valuables; and
- providing guidance to staff on such matters as gifts and hospitality and related party transactions.

### Significant Control Issues

No significant control issues were identified during the year.

### 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 2016. The Crown's Nominee authorised these Accounts to be issued on 16 May 2016.

**Jonathan Jones**  
**Crown's Nominee**  
**12 May 2016**

## **INDEPENDENT AUDITOR'S REPORT TO THE CROWN'S NOMINEE**

I have audited the financial statements of the Crown's Nominee for the year ended 31 March 2016. The financial statements comprise: the Statements of Net Income, Financial Position, Cash Flows, Changes in Reserves; and the related notes. These financial statements have been prepared under the accounting policies set out within them.

### **Respective responsibilities of the Accounting Officer and Auditor**

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

### **Scope of the audit of the financial statements**

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

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

### **Opinion on regularity**

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

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Crown's Nominee's affairs as at 31 March 2016 and of the net income for the year then ended; and

- the financial statements have been properly prepared in accordance with the Treasury Solicitor's Act 1876 and HM Treasury directions issued thereunder.

### **Opinion on other matters**

In my opinion:

- the information given in the Foreword to the Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

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

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

**Mike Suffield**

**Date 16 May 2016**

**For and on behalf of the Comptroller and Auditor General**

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

**Statement of Net Income**  
for the year ending 31 March 2016

	<b>Notes</b>	<b>2015-16 £000</b>	<b>2014-15 £000</b>
<b>Income</b>	2	38,675	40,812
<b>Expenditure</b>	3	(3,993)	(4,192)
<b>Net Income</b>		<u><b>34,682</b></u>	<u><b>36,620</b></u>

All income and expenditure is derived from continuing operations

*The notes on pages 19 to 25 form part of these accounts*

## Statement of Financial Position

as at 31 March 2016

	Notes	31 March 2016 £000	31 March 2015 £000
<b>Current assets</b>			
Inventory	4	5,791	7,502
Trade and other receivables		3,649	2,935
Cash and cash equivalents	5	15,199	14,046
<b>Total current assets</b>		<b>24,639</b>	<b>24,483</b>
<b>Current liabilities</b>			
Trade and other payables		(1,813)	(1,360)
Provisions	6	(45,350)	(28,164)
<b>Total current liabilities</b>		<b>(47,163)</b>	<b>(29,524)</b>
<b>Assets less current liabilities</b>		<b>(22,524)</b>	<b>(5,041)</b>
<b>Non-current liabilities</b>			
Provisions	6	(57,237)	(29,446)
<b>Net liabilities</b>		<b>(79,761)</b>	<b>(34,487)</b>
<b>Reserves</b>		<b>(79,761)</b>	<b>(34,487)</b>

Jonathan Jones  
Crown's Nominee  
12 May 2016

*The notes on pages 19 to 25 form part of these accounts*

**Statement of Cash Flows**  
for the year ending 31 March 2016

		<b>2015-16</b>	<b>2014-15</b>
	<b>Notes</b>	<b>£000</b>	<b>£000</b>
Net income		34,682	36,620
<i>Adjustments for non-cash transactions arising in the year</i>			
Decrease in inventory	4	1,711	93
(Increase) / decrease in trade and other receivables		(714)	1,897
Increase / (decrease) in trade and other payables		453	(176)
Provisions made in year	6	65,839	31,572
Auditor's remuneration	3	44	44
<i>Less</i>			
Provisions used in year	6	(20,862)	(27,907)
<b>Net cash inflow from operating activities</b>		<b>81,153</b>	<b>42,143</b>
Payment to the Consolidated Fund		<b>(80,000)</b>	<b>(46,000)</b>
<b>Increase / (decrease) in cash in period</b>	5	<b>1,153</b>	<b>(3,857)</b>
Cash and cash equivalents at the beginning of the period	5	14,046	17,903
Cash and cash equivalents at the end of the period	5	15,199	14,046
<b>Increase / (decrease) in cash in period</b>	5	<b>1,153</b>	<b>(3,857)</b>

*The notes on pages 19 to 25 form part of these accounts*

## Statement of Changes in Reserves

for the year ending 31 March 2016

	Notes	Capital Reserve 2015-16 £000	Capital Reserve 2014-15 £000
Balance at 1 April		(34,487)	(25,151)
Net Income		34,682	36,620
Payments to the Consolidated Fund		(80,000)	(46,000)
Non cash charge for auditor's remuneration	3	44	44
<b>Balance at 31 March</b>		<b>(79,761)</b>	<b>(34,487)</b>

*The notes on pages 19 to 25 form part of these accounts*

# Notes to the Accounts

## 1. Statement of Accounting Policies

In exercise of the powers conferred by sections 4 and 5 of the Treasury Solicitor Act 1876, Her Majesty's Treasury have made an Accounts Direction for the preparation of the Crown's Nominee Accounts. The financial statements have been prepared in accordance with the Direction and the Treasury Solicitor (Crown's Nominee) Rules 1997 (SI 1997 No 2870) emanating from the Act and with the 2015-16 Government Financial Reporting Manual (FReM) issued by Her Majesty's Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted to the extent that it is meaningful and appropriate to public bodies. The Crown's Nominee has reviewed changes to the FReM for 2015-16 and determined that none of the changes would have an impact on the Crown's Nominee financial statements.

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

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

### 1.1 Accounting Convention

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

At 31 March 2016, the Crown Nominee's Statement of Financial Position shows net liabilities of £79.8 million (31 March 2015: £34.5 million), reflecting the inclusion of an estimate of liabilities to kin and dissolved companies falling due in future years. Proceeds arising from the future liquidation of estates and companies assets are expected to be sufficient to meet these liabilities as they fall due. A minimum of £5 million is retained from the annual payment to Consolidated Fund to meet any liabilities that crystallise in the months immediately following the annual payment. In the unlikely event that insufficient funds are available to meet a kin or company payment, the Crown's Nominee will call on funds from Her Majesty's Treasury. It is therefore appropriate to adopt the going concern basis for the preparation of these financial statements.

### 1.2 Income

Income comprises of:

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

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

Income is recognised when it is probable that any economic benefits associated with the items of bona vacantia will flow to the Crown's Nominee Account and these benefits can be measured reliably at fair value. For estates cases, this is generally when probate is granted and for companies, when Companies House confirm that it has been dissolved and falls within the jurisdiction of the Crown's Nominee. For some assets there is no ready market for example, small strips of land, and for such assets, income is recognised when they are sold. Income is stated net of the estimated future payments to kin and companies and net of discretionary payments arising during the year.

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

### **1.3 Inventory**

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

### **1.4 Expenditure**

The categories of expenditure are:

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

### **1.5 Transfer to the Consolidated Fund**

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

## **1.6 Contingent Liabilities**

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

## **1.7 Provisions**

The Crown's Nominee provides for legal or constructive obligations which are of uncertain timing or amount at the reporting date on the basis of a best estimate of the expenditure required to settle those obligations having regard to historical trends. These include provisions for future claims from kin in estates cases, and applications to recover assets in relation to dissolved companies. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Her Majesty's Treasury discount rate of minus 1.55 per cent, minus 1 per cent and minus 0.8 per cent for more than ten years. Last year the discount rates used were minus 1.5 per cent, minus 1.05 per cent and 2.2 per cent respectively.

## **1.8 Taxation**

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

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

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

## 2. Income

		2015-16	2014-15
	Notes	£000	£000
Amounts arising from the realisation of estates passing to the Crown under the Administration of Estates Act 1925		23,930	18,375
Amounts arising from the realisation of property which belonged to dissolved companies and trusts which have failed or are no longer existing		89,597	59,523
Company restoration waiver fees		254	212
Recovery of Crown costs		1,504	1,440
Disbursement receipts (estates and companies)		191	211
		<u>115,476</u>	<u>79,761</u>
<i>Less:</i>			
Legal charges on estates		(1,632)	(973)
Discretionary payments to kin and companies		(8,946)	(6,103)
Provision for future payment to kin and companies	6	(66,223)	(31,873)
		<u>38,675</u>	<u>40,812</u>

## 3. Expenditure

		2015-16	2014-15
	Notes	£000	£000
Service charge		3,712	3,692
General expenses		177	265
Disbursements		444	492
<b>Non-Cash Costs</b>			
Auditor's remuneration		44	44
Unwinding of provisions discount	6	(384)	(360)
Provided in year for repairs to undisclaimed assets	6	-	59
		<u>3,993</u>	<u>4,192</u>

Service charge is paid to the Government Legal Department for the administration and collection of Bona Vacantia.

The Crown's Nominee Account is audited by the National Audit Office on behalf of the Comptroller and Auditor General and a notional fee is charged. There was no auditor remuneration for non-audit work

#### 4. Inventory

	<b>31 March 2016 £000</b>	<b>31 March 2015 £000</b>
Freehold/leasehold property	5,233	6,591
Goods, chattels and shares	558	911
	<b><u>5,791</u></b>	<b><u>7,502</u></b>

#### 5. Cash and cash equivalents

	<b>31 March 2016 £000</b>	<b>31 March 2015 £000</b>
Balance at 1 April	14,046	17,903
Net cash inflow / (outflow)	1,153	(3,857)
	<b><u>15,199</u></b>	<b><u>14,046</u></b>

All balances were held by the Government Banking Service.

#### 6. Provisions for liabilities and charges

##### 6.1 Provisions

	<b>Notes</b>	<b>2015-16 £000</b>	<b>2014-15 £000</b>
Balance at 1 April		57,610	53,945
<i>Add</i>			
Provided in year for future payments to kin and companies	2	66,223	31,873
Provided in year for repairs to undisclaimed assets	3	-	59
Unwinding of discount	3	(384)	(360)
		<b><u>65,839</u></b>	<b><u>31,572</u></b>
<i>Less</i>			
Provisions used in year		(20,862)	(27,907)
Balance at 31 March		<b><u>102,587</u></b>	<b><u>57,610</u></b>

## 6.2 Analysis of expected timing of discounted cash flow

	2015-16	2014-15
	£000	£000
Not later than one year	45,350	28,164
Later than one year and not later than five years	41,050	21,441
Later than five years	16,187	8,005
Sub total	57,237	29,446
	<b>102,587</b>	<b>57,610</b>

The provision is an estimate of the anticipated future repayments as a result of kin claims or the restoration of companies. The estimated value of repayments to kin and companies is based on historical trends. During 2015-16, the Government Actuary's Department were consulted on the methodology used to determine the provision estimate and the revised estimate recognises that higher value estates are less likely to be claimed than those of more modest value. The change in estates estimate has increased the provision by £20 million.

The provision is calculated by reference to the risk-adjusted net cash flows, discounted for the effect of the time value of money, using the Her Majesty's Treasury discount rate of minus 1.55 per cent in real terms up to five years from the date of the Statement of Financial Position, minus 1 per cent from five to ten years and minus 0.8 per cent for more than ten years. The discount factors applied last year were minus 1.5 per cent, minus 1.05 per cent and 2.2 per cent respectively. The change in the discount factors has decreased the provisions by £520k.

## 6.3 Sensitivity analysis

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

- The percentage of assets paid to kin and restored companies. The provision is based on payments to kin and companies over a number of years. With continued media and public interest, payments relating to aged cases could change the assessment of the amount paid. A one percent increase in the estimated level of payments would increase the provision by £5.4 million in the year that the increase was applied with income reduced by the same amount. In each of the years that follow the change, income will decrease by approximately £1.1 million.
- Changes in discount factor. Each one per cent positive increase to the discount factors will decrease the provision by £2.5 million and increase income by the same amount in the year that the change was made. In each of the years that follow the change, income will be decreased by approximately £501k.
- Changes in the number of high value estates and companies claimed. There are small proportion of unclaimed estates and unrestored companies with a value of £1 million or more. Historically, there are a lower number of claims for these cases, but if there was

an unexpected increase, each additional claim would increase the provision by approximately £2 million and income would be reduced by the same amount.

## **7. Contingent liabilities**

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

## **8. Related-party transactions**

The Treasury Solicitor is the Crown's Nominee. The Crown's Nominee Account is administered by the Bona Vacantia Division of the Government Legal Department in England and Wales, and by the Crown Solicitor's Office in Northern Ireland. The Crown's Nominee Account pays administration costs each year to the Government Legal Department and the Crown Solicitor's Office. The administration costs, charged to 31 March 2016 are £3.7 million (2014-15: £3.7million). The Division has outstanding administration costs for the year of £46,087 with the Crown Solicitor's Office (2014-15: £57,997). Neither the Crown's Nominee, key managerial staff nor other related parties have undertaken any material transactions with the Crown's Nominee Account during the year.

## **9. Events after the reporting period**

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



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