

**Department of  
Finance and Personnel  
Memorandum on the Twenty Eighth  
Report from the  
Public Accounts Committee  
Mandate 2011-2016**

**Managing and Protecting Funds Held in Court**

**Presented to the Northern Ireland Assembly  
by the Minister of Finance and Personnel**

**9 July 2015**

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# **Glossary of Abbreviations**

<b>CFO</b>	Court Funds Office
<b>DOJ</b>	Department of Justice
<b>IT</b>	Information Technology
<b>JLG</b>	Judicial Liaison Group
<b>NICTS</b>	Northern Ireland Courts and Tribunals Service

## Twenty Eighth Report

### Department of Justice

#### Managing and Protecting Funds Held in Court

##### *PAC Recommendation 1*

**The Committee recommends that the NICTS establishes the necessary independent financial expertise within the governance structures of the CFO to ensure that investment decisions taken on behalf of its clients are robustly challenged. A statutory committee should be established at the earliest possible juncture.**

The Northern Ireland Courts and Tribunals Service (NICTS) partially accepts this recommendation.

NICTS accepts that robust governance arrangements are necessary to ensure the Court Funds Office (CFO) operates effectively. The Judicial Liaison Group (JLG), which has been in place since 2008, is a key part of the governance structures of CFO and provides a key forum for the judiciary to challenge and discuss investment and other important issues with CFO and the stockbrokers. As these issues are often financial in nature, it is recognised that the provision of independent investment management expertise is central to ensuring JLG is appropriately resourced to fulfil this important oversight role. In 2011 NICTS appointed one of its non-executive directors with extensive senior management experience in the banking sector to serve on JLG, and in January 2015 NICTS appointed a second independent member with wide-ranging investment and fund management experience.

Working with these two independent members, who have the necessary financial expertise, NICTS will review whether any further measures are required to strengthen the current governance arrangements. NICTS is also currently reviewing the terms of reference for JLG.

Legal advice has indicated that the statutory advisory committee, as envisaged in the legislation (Judicature (Northern Ireland) Act 1978), must deliver advice on an individual basis. However, this is not practical due to the number of clients now within CFO. The individual decision making is currently undertaken by the court, which NICTS believe is a more appropriate approach. However the need for strategic oversight is recognised and JLG performs this vital function. Therefore, in the context of consulting on wider legislative reform, NICTS will, in the next mandate, bring forward proposals aimed at establishing the appropriate oversight arrangements for CFO in statute.

##### *PAC Recommendation 2*

**It is unacceptable that little or no progress has been made in putting in place the legislative changes required to support modernisation. The Department and the NICTS should pursue these reforms as a matter of urgency to modernise the CFO.**

The Department of Justice (DOJ) and NICTS accept this recommendation.

Both DOJ and NICTS are committed to the modernisation of CFO, indeed significant progress has been made, including the introduction of standardised investment portfolios, the widespread use of collective investment vehicles, the provision of annual statements to clients and the introduction of public procurement in contracting for stockbroking services.

In November 2014, NICTS established a further programme of reform to focus specifically on implementing the recommendations of the Northern Ireland Audit Office report “Managing and Protecting Funds Held in Court”. The objective of that programme, which is being overseen by JLG and the NICTS Agency Board, is to further enhance governance arrangements; implement the recently procured new Information Technology (IT) system; enhance transparency, communication and customer service; and put in place a new CFO cost recovery model. These can all be achieved without the delays associated with legislative change and NICTS is committed to achieving these by 2016.

In parallel, NICTS will consult on policy options in respect of the extent to which funds should be held in court. The outcome of this consultation will enable DOJ and NICTS to develop proposals for wider legislative reform.

*PAC Recommendation 3*

**The implementation of modern business processes supported by a new IT system would help to make the service provided by the CFO more efficient and the Committee recommends that it should be implemented as a priority.**

NICTS is implementing this recommendation.

The contract for the provision of an IT package has been awarded and an action plan has been developed to ensure full implementation by April 2016. Work to meet that timetable has commenced and is currently on course.

The new technology will allow CFO to improve efficiency and further enhance the information available to clients and their representatives.

*PAC Recommendation 4*

**While investments should take account of liquidity needs, this should not be at the expense of investment returns. The Committee recommends that the NICTS introduces a new model of investment, utilising pooled investment funds, to maintain returns while managing investment risk effectively and reducing the administrative burden.**

NICTS partially accepts this recommendation.

NICTS accepts the principle of utilising pooled investment funds in the context of ensuring an appropriate balance between investment returns and liquidity. Many of NICTS non-cash investments are already held in pooled funds by the stockbroker and the majority of cash holdings, i.e. funds that are not required by clients on a day to day basis, are held by the Debt Management Office in a pooled fund. As the current flexible model used by NICTS already utilises pooled investment funds, and provides better investment returns than for example the England and Wales Common Investment Fund, NICTS considers that there is no immediate reason to implement change and introduce a new model of investment.

However, NICTS is mindful of the need to reduce the administrative burden placed on CFO and will consider what action is possible in terms of extending the existing pooled fund arrangements within the constraints of the protective role of CFO and the governing legislation.

NICTS will ensure this matter is considered further by JLG and is kept under regular review.

*PAC Recommendation 5*

**The Committee recommends that the CFO establishes fair and equitable arrangements for recovering its costs from clients.**

NICTS accepts this recommendation.

NICTS has undertaken a review of the current cost recovery mechanism. Proposals have been developed for a more transparent, easily understood and equitable arrangement, which will ensure full cost recovery. NICTS has prepared a consultation document aimed at seeking the views of the public on the proposed new arrangements and following the Justice Committee consideration on 18 June, this issued for public consultation on 22 June 2015. The consultation will be open until September 2015, and NICTS aims to implement a new cost recovery model by April 2016.

*PAC Recommendation 6*

**Regular client satisfaction surveys should be a feature of the CFO's operations.**

NICTS has already implemented this recommendation.

NICTS introduced an online customer satisfaction survey in February 2015. This will be open for a minimum period of 12 months during which time NICTS will use every available opportunity to encourage client participation. Following the initial 12 month period, a review of how effective this has been as a method of client engagement will be undertaken, and a plan drawn up to address issues raised, where it is within the power of CFO to do so.











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