



The Insolvency
Service

The Insolvency Service
Annual Report and Accounts
2017-18



The Insolvency
Service

The Insolvency Service Annual Report and Accounts 2017-18

The Insolvency Service is an executive agency of the Department for Business, Energy and Industrial Strategy

Presented to the House of Commons pursuant to Section 7 of the Government Resources and Accounts Act 2000.

Ordered by the House of Commons to be printed on 23 July 2018.



© Crown copyright 2018

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at www.gov.uk/government/publications

Any enquiries regarding this publication should be sent to us at press.office@insolvency.gsi.gov.uk

ISBN 978-1-5286-0608-0

CCS50618946608 07/18

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office

Contents

Foreword.....	7
Performance Report	
· Performance overview	10
· Supporting those in financial distress	12
· Tackling financial wrongdoing	14
· Maximising returns to creditors	19
· Delivering economic confidence	21
· Supporting an engaged and effective workforce	23
· Engaging our customers and stakeholders	26
· Corporate and social responsibility	28
· Financial performance	30
Accountability Report	
· Directors' report	34
· Statement of accounting officers responsibilities	35
· Governance statement.....	36
· Remuneration and staff report.....	45
· Parliamentary accountability and audit report.....	55
Financial Statements	
· Statement of Comprehensive Net Expenditure	60
· Statement of Financial Position.....	61
· Statement of Cash Flows.....	62
· Statement of Changes in Taxpayers' Equity	63
· Notes to the accounts.....	64



Foreword

I am pleased to report that the Insolvency Service has had another successful year, delivering against our published objectives. We have continued to provide an efficient and effective service to the public whilst handling a number of complex high profile cases.

Our online bankruptcy process has become an embedded part of the bankruptcy landscape, with customers in urgent need of help providing positive feedback around the user friendly nature of the system.

I have been pleased to see the continued progress of our redundancy payments service, making payments to redundant workers when it is most needed. They have consistently met key targets whilst handling large scale redundancy cases such as Monarch Airlines.

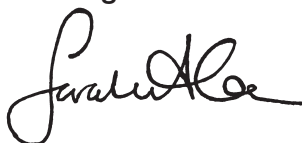
This has been the first full year of the criminal enforcement function being part of the Insolvency Service and they have proved themselves to be a great asset in our ability to tackle financial wrongdoing. They have worked closely with colleagues from across the agency and successfully brought a number of prosecutions. Their work has also resulted in the agency's first serious crime prevention order.

Alongside our continuing progress in the latter stages of a number of high profile investigations, we have continued the important work of investigating further cases of misconduct and this year we have disqualified 1,231 people from acting as directors.

The new Insolvency Rules, which came into force early this financial year, have been successfully implemented, streamlining key processes and reducing costs for many of our stakeholders.

We have faced our largest, most complex liquidation this year following the collapse of Carillion. I have been delighted to see staff from across the organisation working diligently to ensure the continuity of essential public services and providing much needed expedited redundancy payments to Carillion's UK employees. The work on Carillion continues, with the Secretary of State requesting a fast tracked investigation into the conduct of the directors.

I am confident that the progress we have made in 2017-18 will ensure our ability to meet the new challenges we will face in the year ahead.



Sarah Albon
Chief Executive



These accounts have been prepared on a going concern basis



Performance Report

Performance Overview

Performance Report

Delivering economic confidence

Supporting those in financial distress

44,633

New insolvency cases received



11,918

Online bankruptcy orders

7,396

Creditor petition bankruptcies

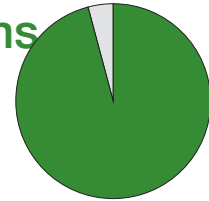
25,319

Debt Relief Orders

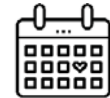
63,117

Redundancy payment requests

96.1% claims actioned within 6 weeks



On average it takes 12.6 calendar days to action payments.



Tackling financial wrongdoing

1,231

Directors disqualified for misconduct



7.6% disqualified for 10 or more years.

The average disqualification period is 5.8 years and takes 6 months to obtain.

432

Bankruptcy restrictions obtained

On average it takes 8.8 months to obtain a bankruptcy restriction.



160

Live company investigations

243

Criminal prosecutions

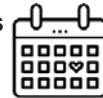


Maximising returns to creditors



£55.3m
in dividends returned
to creditors

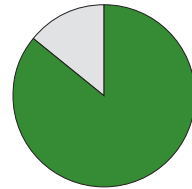
89.5% reports to creditors
issued within 15 calendar
days of an attended
interview



Customer satisfaction



84% of customers are either very satisfied
or quite satisfied with service provided by
the Insolvency Service



We achieved re-accreditation of the Customer
Service Excellence standard

We hold 17 compliance plus and 40 compliant ratings

The Insolvency Service is an executive agency of the Department for Business, Energy and Industrial Strategy (BEIS) sponsorship, located in the UK and its principal address is 4 Abbey Orchard Street, London. The agency helps to deliver economic confidence by supporting those in financial distress, tackling financial wrongdoing and maximising returns to creditors.

Supporting those in financial distress

Performance Report

We administer bankruptcy and debt relief orders (DROs), debt solutions that enable people to get back on their feet financially. The online adjudicator process takes the stress of attending court out of the debtor bankruptcy process. Our redundancy payments service ensures people receive redundancy pay and other statutory entitlements when a company fails.

Together our official receivers and redundancy payment teams play a vital role in protecting people at a time when they are most financially vulnerable.

Bankruptcy

The online bankruptcy application process has now been in place for two years and has become an established part of the debt relief system. The continuing success of the adjudicator function allows debtors to declare bankruptcy online and without attending court. The nature of the service allows it to be available 24 hours a day, 7 days a week with over 97% of orders being made within 48 hours of receipt.

The adjudicator service has continued to receive very positive feedback with 87% of those made bankrupt saying they are satisfied or very satisfied with the service.

The online process has been described as user friendly and easy to navigate, including by debtors who have limited technological literacy.

Commenting on these services, users have said, “very user friendly, even for me a 70 year old pensioner” and “all very straight forward, and easy to follow. The fact it can be completed and also paid for in stages is wonderful.”

In 2017-18, the adjudicator made 11,918 orders through the online bankruptcy service, with 7,396 creditor bankruptcy orders being made by the court.

Debt relief orders

We also provide debt solutions to some of the most vulnerable people in society through debt relief orders. These are specifically aimed at those with low levels of unmanageable debt, minimal surplus income and little by way of assets. In 2017-18, we continued to deliver our services professionally and in a timely manner through improved technology, reducing the distress that financial difficulty brings.

In 2017/18 we made 25,319 DROs, which are applied for through authorised debt advisers and approved by an official receiver.

We have fully implemented the DRO2 system and decommissioned DRO1 saving intermediaries up to 30% time in submitting applications.

We aim to process applications as quickly as possible, and this year made 99% orders within 48 hours of us receiving the petition.

Handling redundancy payments

We provide a safety net for employees where their employer is unable to make the redundancy payments owed. We are often called on at very short notice and in difficult circumstances to deliver a much needed service by getting money out to claimants at the earliest opportunity.

In 2017-18, the Insolvency Service actioned 96% of claims within 6 weeks. We paid all claimants within an average of 12.6 calendar days, exceeding our target of an average of 14 days.

“Fantastic service, took all the worry out of it.”

“The thought of it is very daunting but when you get onto the application page its quite simple to do.”

Case study: Redundancy Payments Service (RPS) - Working together to support customers facing financial distress

The UK-based airline company, Monarch Airlines, went into administration in October 2017. This administration affected approximately 2,000 Monarch employees, all of whom were made redundant.

The RPS quickly mobilised and arrived at Monarch headquarters on the day of the dismissals.

Members of RPS remained on site for several days to support the insolvency practitioner with reviewing the company’s payroll information and putting together the information needed for RPS to pay claims.

This was a complex and challenging case due to difficulties faced by the insolvency practitioner when obtaining the required payroll information.

To provide the best possible service to our customers, we changed certain operating procedures, paying each individual application components as quickly as possible.

We paid 87% redundancy pay claims within 14 days of receiving the application and 99% within 6 weeks.

In total, we processed and paid 6,596 separate components, including redundancy pay, arrears of pay, holiday pay and statutory notice payments.

We created bespoke communications, explaining how we were paying people and when to expect anything else they were owed.

Tackling financial wrongdoing

Performance Report

The work that our investigation and enforcement teams do to tackle individuals and companies who act against the public interest helps to retain confidence in Britain as a great place to do business.

Director disqualification

We are always alert to the possibility of abuse in the corporate market place, and proactively monitor intelligence received from a number of sources including complaints from the public. A fundamental part of our regime is consideration of the conduct of the directors of companies prior to insolvency, backed by powers to prevent an unfit director from running a business for up to 15 years.

In 2017-18 we obtained the disqualifications of 1,231 directors in total.

We are fully prepared and equipped to tackle the most serious cases of misconduct. The average length of disqualification undertakings and orders secured against directors was 5.7 years, with 7.6% disqualified for 10 years or more.

We estimate that the net benefit to the market for each director disqualified is around £100,000 in terms of creditor damage prevented.

Working with the Home Office Immigration Enforcement team, we have obtained the disqualification of 115 directors of companies in 2017-18 for employing illegal workers.

Case study: Miami International Bank Limited

In August we obtained maximum term disqualifications for Robert Adolf Mathilde Stitzinger and Omar Babbar Amighetti, for their part in a bank transaction scam involving Miami International Bank Ltd, a UK incorporated company.

The Insolvency Service found that the directors persuaded a US investor to pay €200,000 into a bank account held in Liechtenstein on the promise that the investment would yield an expected return of €10m within 15 days of payment. The investor paid €200,000 into the Liechtenstein bank account in the name of Mr Stitzinger. The funds were never returned to the investor and no explanation was provided as to what happened.

A similar scam was operated in New Zealand also with the name “Miami International Bank Limited”. This scam attracted the attention of the Federal Bureau of Investigation in the United States who issued warnings about that company on its website. A previous company director of the UK company was shown as president of the New Zealand company.

The original investigation by the Insolvency Service resulted in the company being wound up in 2015. These disqualifications prevent Mr Stitzinger and Mr Amighetti from acting as directors for 15 years.

Case study: Agri Firma Capital Limited

In March 2018 the Insolvency Service secured a 15-year disqualification against Renwick Robert Haddow.

Agri Firma Capital Limited offered investment in wheat-producing agricultural land in Western Australia and Lithuania.

The Insolvency Service worked closely with the Financial Conduct Authority in the UK, as well as the Malta Financial Services Authority and Australian Securities and Investments Commission to conclude this investigation.

The company misled its investors, to believe that a legitimate and valuable lease had been purchased for them for farmland in either Lithuania or Australia. However, there was no evidence that any land was purchased in Lithuania and the land purchase in Australia was never completed.

Assurances regarding the Australian wheat investment of 9% farming income and 11-15% capital gain were given, despite both professional advice was received that such was unachievable.

Deputy Registrar Baister stated in his judgment of 9 February 2018, that:

“Misleading marketing material was disseminated to investors which seriously misrepresented to lay people the value of the investments,...duping lay people into parting with their money”
“This is fraudulent conduct of the nastiest kind”

The company’s two registered directors, Robert Ross White and Richard John Lyon Henstock have also been disqualified for 8 and 9 years respectively.

Company investigations

In addition to investigating companies that become insolvent, we have a vital role in investigating live trading companies.

This work helps protect the public from dishonest and misleading company directors who abuse their corporate position through fraud, scams or sharp practice. Many of the scams target elderly and vulnerable individuals.

In 2017-18 we have investigated and obtained winding up orders against companies across a range of sectors, including property, binary options and vitamin sellers. Investigations of 73 companies wound-up in the public interest showed that at least £67m had been taken from victims and our investigations prevented the loss of a further £37m

Case study: Disqualification of Dharam Prakash Gopee

In 2017, work carried out by the company investigations team resulted in 14 unlicensed money lending companies operated by a single person being shut down.

The investigation found that of the 14 companies, only one had ever possessed a consumer credit licence permitting it to operate as a lender. That licence had been revoked in 2013, following a tribunal finding that Dharam Gopee lacked the both the integrity and the competence to operate a consumer credit business.

The unlicensed companies lent to members of the public at high interest rates, secured against the borrowers' homes and brought numerous court cases to take possession of properties belonging to borrowers who fell behind with payments.

The paperwork provided to customers was confusing and unclear and some were required to sign a declaration waiving their rights under the Consumer Credit Act. This was described as 'distressing' by the court who confirmed that an individual could not waive their rights.

Mr Gopee's companies regularly filed false and misleading accounts at Companies House claiming to be dormant when in fact they had substantial active loan books.

Mr Gopee was disqualified as a director on 5 May 2016 for 15 years, the maximum period of disqualification available.

Subsequent to Mr Gopee's disqualification and the winding up of his companies, the Financial Conduct Authority brought criminal proceedings against him, resulting in a 3 and a half year prison sentence and a 5 year serious crime prevention order, which will severely restrict his ability to carry out this type of crime in the future.

Case study: Winding up of Greenlife Wellness Limited and Naturecare Wellness Limited

In October 2017, an investigation carried out by the Insolvency Service led to the winding up of Greenlife Wellness Limited and Naturecare Wellness Limited, who made false and misleading claims in persuading elderly and vulnerable customers to purchase grossly overpriced health supplements.

The two companies purchased data lists containing details of UK-based individuals over the age of 65 with health concerns over arthritis and joint pain.

Some customers were found to have paid several hundreds of pounds a month in separate transactions spread over several years. In one case, an 81-year old customer had paid over £19,000 for supplements over a 4 year period.

Other customers felt pressured into purchasing more supplements than they wanted as sales agents were persistent and demanding.

Between January 2013 and August 2017 the companies generated a combined turnover of around £2,000,000 from the sale of health supplements.

Restriction orders

We are responsible for identifying the small proportion of bankruptcy and debt relief order cases where there has been misconduct leading up to the individual's insolvency.

In those cases we carry out investigations to ensure creditor interests and the wider public interest are protected. Where we have identified misconduct by individuals we take proceedings to place restrictions on the ability of those concerned to obtain credit in the future.

Cases targeted include those where individuals have acted dishonestly, with mal-intent or abused the protection offered by the bankruptcy regime with a view to depriving creditors of monies that were rightfully theirs.

In 2017-18, we secured 432 bankruptcy restrictions orders and 12 debt relief restrictions orders. Of those orders:

- the average period of restriction was 5 years for bankruptcy restriction orders and 4.3 years for debt relief restriction orders
- 28.5% bankruptcy restrictions and 25% debt relief restrictions were over five years.

Case study: Debt Relief Restriction

Subsequent to the approval of a Debt Relief Order (DRO), it was ascertained that the debtor had owned a motor vehicle valued at between £5,000 and £7,000, that he had gifted to his wife shortly prior to applying for a DRO.

The value of the vehicle was clearly in excess of the £1,000 vehicle and asset parameter and the debtor was not entitled to a DRO. The order was therefore revoked.

Further enquiries by the official receiver revealed that the vehicle in question was purchased on finance.

The debtor transferred ownership of the vehicle to his partner and obtained an unsecured loan from another creditor in order to settle the outstanding balance on the finance agreement.

He then obtained a DRO and included the recently obtained loan in his application.

Therefore in addition to revoking the DRO, a Debt Relief Restrictions Undertaking was obtained against the debtor for a period of 7 years in relation to this misconduct.

Criminal enforcement

This year was the first full year with the criminal enforcement team being part of the Insolvency Service.

Operating through the powers under the Data Protection Act 1998 and the Police and Criminal Evidence Act 1984 the criminal enforcement team can obtain evidence of possible criminal activity and liaise with the police to make appropriate arrests and act upon search warrants.

Prosecutions are brought in cases where our team of criminal enforcement lawyers decide there is sufficient evidence to provide a realistic prospect of conviction and that the prosecution would be in the public interest.

In 2017-18, 243 investigations were carried out which resulted in positive results.

In April 2017, the agency secured its first serious crime prevention order.

Case study: Serious Crime Prevention Order

Scott Kidd and his wife Laura Carrington committed a series of frauds in Leicester.

The Insolvency Service investigator identified that these offences were being committed by Kidd whilst he was still serving a prison sentence he had set up his company from prison in breach of his disqualification order.

Both Mr Kidd and Ms Carrington were using aliases to hide their criminality. The circumstances of the frauds meant that a very different approach was needed in the investigation so that the offending could be stopped.

HMRC and police committed to a joint operation leading to the arrest and interview of the suspects.

As a result, Scott Kidd was sentenced to a further 3.5 years imprisonment and this was the agency's first serious crime prevention order. He was disqualified from being a company director for 10 years. Laura Carrington received a 6 month prison sentence suspended for 2 years and was disqualified for 5 years.

Raising awareness

Working with the Midlands Fraud Forum, the criminal enforcement team produced a series of short films to raise awareness of common scams. In the videos, victims of common scams tell their story and share the simple steps they could have taken to avoid being scammed. The stories were told by actors but each one is a true story.

Maximising returns to creditors

Performance Report

The insolvency regime enables the assets of companies in insolvency to be realised and returned to creditors more quickly than in other jurisdictions, including the US, France and Germany.

Acting as trustee and liquidator, the Insolvency Service has distributed over £55.3m to creditors this year in dividend payments, meeting the increased target which increased from £45m to £55m this year. The agency has completed 11,625 distributions in 2017-18. Our Estate Account and Scanning Services are responsible for operating the Insolvency Service Account, where insolvency practitioners lodge monies realised in cases they handle. Last year they dealt with 64,729 payment requests resulting in 107,030 payments out of the Account and processed 99.6% of payment requests within 2 days of requisition.

This year, we had an increased ministerial target to meet 85% of reports to creditors issued within 15 calendar days of an attended interview. We exceeded this target achieving 89.6%.

Handling complex cases

Case study: Collapse of Carillion

On 15 January 2018, Carillion PLC and 5 other Carillion group companies went into compulsory liquidation. The Official Receiver was appointed liquidator with special managers from PwC appointed to assist. Further companies in the group followed into liquidation.

Carillion was a multi-billion pound enterprise employing 40,000 staff worldwide and over 18,000 in the UK. It was a significant player in the construction industry and held hundreds of service delivery contracts that covered large areas of the public and private sectors.

In order to maintain the provision of essential public services and to ensure the best outcome for creditors, the Official Receiver decided to continue trading. Trading liquidations are rare and Carillion represents the largest and most complex liquidation that the agency has ever dealt with, necessitating the involvement of staff from across the agency.

Among the many areas being addressed are:

- The maintenance of essential services to hundreds of different sites whilst contracts can be sold and new providers found
- Dealing with Carillion's UK employees, including expediting redundancy payment claims
- Engaging with Carillion's creditors and clarifying the extent of Carillion's liabilities
- The realisation of significant assets both in the UK and abroad
- Establishing the situation with the group's pension schemes
- Reviewing the large amount of electronic data including over 400 terabytes
- Dealing with the extensive public and political interest in the liquidation, including briefing Ministers, and an appearance from the Chief Executive, Sarah Albon, at a parliamentary select committee.

The Secretary of State has also requested a fast track investigation into whether the conduct of Carillion's directors led to its insolvency and whether their actions caused detriment to Carillion's creditors including its employees and to its pension schemes.

Delivering economic confidence

Performance Report

Regulating the insolvency profession

We continue to act as the gatekeepers to a fair and robust insolvency profession. We have overall responsibility for monitoring the activities of the regulatory bodies that authorise insolvency practitioners.

We have continued to improve standards within the insolvency profession through our capacity as oversight regulator. We also provide the framework to tackle wrongdoing when it has been identified through our complaints gateway or through any other source.

In 2017-18 we have:

- Continued to work with our industry partners to implement and strengthen the regulatory framework provided by the Small Business, Enterprise and Employment Act 2015.
- Handled 751 complaints received through the complaints gateway and captured improved information on regulators' complaints handling procedures.

Further information regarding the role and activities of the Insolvency Practitioner Regulatory Section (IPRS) can be found in the IPRS Annual Review.

New insolvency rules from 6 April 2017

On 6 April 2017 the new Insolvency (England & Wales) Rules 2016 came into force.

Prior to their implementation, a detailed training programme was implemented covering 3 days of presentations followed by subsequent local training. New guidance was drafted and added to the technical manual pages available to our staff.

A dedicated email inbox was created to handle queries following the implementation of the rules. All questions received were answered within 24 hours and the fact there were only a small number of questions suggests that training provided was largely successful.

Our case management system was developed to address the changes, which included enabling the conversion of 2,880 cases from receiver and manager to trustee overnight. The existing letters and notices were reviewed and amended where necessary to ensure compliance and as part of this exercise many letters and notices were developed to give improved functionality.

Our GOV.UK content has been updated to remove all the statutory forms and replaced with a smaller number of templates that assist external users when engaging with us.

This exercise resulted in building strong relationships with several external stakeholders including Lexis Nexis, Companies House and HM Courts & Tribunals Service. A year on, the rules have been successfully implemented resulting in a streamlined process that is universally applicable reducing costs to many stakeholders.

Supporting an engaged and effective workforce

Performance Report

Diversity

There are 7 network groups now established to support employees from diverse backgrounds, demonstrating our commitment to inclusion, equality and diversity. Our diverse network groups represent disability, gender, race, LGBT+, mental health, women and our newly established part time workers network.

In 2017, we were successful in being shortlisted for the Employers Network for Equality and Inclusion 'Inclusive Culture' Award. This is a significant endorsement of all of the hard work and efforts from employees to support and promote inclusion, diversity and equality across the agency.

Another endorsement of all of this work is that our People Survey result on inclusion and fair treatment was 82% in 2017, a 2% improvement on our 2016 results. This puts us amongst the Civil Service high performers in this area.



Mental health and wellbeing

We take the mental health and wellbeing of our employees very seriously and recognise the impact that poor mental health can have in the workplace.

We have developed the Insolvency Service Mental Health Strategy and Implementation Plan to enable behavioural and cultural change, improve support for managers, colleagues and individuals and to develop resilience for stressful situations.

Among the actions that we have implemented to support good mental health in the workplace is the roll out of MIND mental health awareness training and the delivery of a pilot course of mindfulness training.

Health and safety

We have been working to improve employee awareness of health and safety in the workplace. Our health and safety policy has been reviewed and a strategy produced. Additionally the health and safety intranet guidance has been reviewed and launched as a health and safety week for all staff

A range of health and safety training has been taking place across the organisation including:

- Running health and safety officer training workshops
- Instructing key trainers within the organisation to ensure sufficient Evac-Chair operators are in place across all sites
- How to perform CPR and use a defibrillator
- Manual handling training has been provided for higher risk sites

Recognising success

In order to better recognise and reward achievement throughout the agency, last June we launched the INSSpire voucher and panel award scheme, in addition to the already highly successful Going the Extra Mile (GEM) awards.

Now anyone can nominate any individual or a team they feel deserves an award and the amount that can be awarded is much more substantial, ranging from £25 to £1,000.

We have empowered employees, at all grades, to take part in the decision making process and achievements are published and celebrated on our intranet for all to see.

The scheme continues to go from strength to strength with £134,075 having been paid out in voucher awards and £322,675 in higher panel awards.

The GEM awards, held in December 2017, was the fifth such annual event. We received 116 nominations and 571 people voted on the finalists.



People survey

Engagement index – 61% (2% increase from 2016)

Response rate – 89%

High performing – 5 areas

We achieved an engagement index of 61%, which is an increase of 2% on the 2016 survey. It is our highest ever score.

This keeps us in line with both the Civil Service average and the average across BEIS. Across the 9 themes, the results show us that there have been increases in 5 themes, whilst 3 have stayed the same as in 2016.

There was a decrease for the pay and benefits theme. For every one of these themes, we are above the Civil Service average and, for 5 themes, we are now amongst the Civil Service high performers.

These were:

- Organisational objectives and purpose
- My manager
- My team
- Inclusion and fair treatment
- Resources and workload

Apprentices

In 2017-18 we have had 62 people join the Insolvency Service as apprentices.

Apprentice testimonial – Calum Manning

I joined the agency in February 2017 working towards a Business Administration Level 2 apprenticeship equivalent to four or five A*–C GCSEs with Learn Direct. I was made to feel incredibly welcome within the People and Capability directorate as well as the agency as a whole.

I completed my apprenticeship in January 2018, with my result projected to be a pass, and in light of this my job role was made permanent. Completing this apprenticeship has opened up a variety of opportunities and development in many areas for me.

Development

- 32 people have enrolled onto the trainee programme
- 18 have completed the trainee programme
- 44 people have taken up the opportunity to join a mindfulness pilot which is running across 3 locations
- 143 people have completed a Mental Health Awareness training session.
- We've had 101 people working through the Management Development Programme or Senior Leaders Programme.
- 25 coaching relationships have formed and worked together.
- We've delivered 16 competency sessions

Engaging our customers and stakeholders

Performance Report

We make every effort to maximise our engagement with customers and stakeholders to improve our services and communications.

In 2017-18 we were again awarded the Customer Service Excellence standard which recognises our continued focus on meeting the needs of our customers. We were awarded 5 new compliance plus ratings. In total we now hold 17 compliance plus and 40 compliant ratings.

In 2017-2018 the Insolvency Service used a research agency to conduct our annual Customer Satisfaction Survey for the third consecutive year. The research used a comprehensive set of measures to assess customer satisfaction with the service provided and sought to gain a better understanding of customer expectations.

The 2017-18 survey found that 84% of customers are satisfied with the service received. This is one point below the target of 85%, and two points below the 2016-17 score of 86%. We contacted a sample of around 800 individuals across 9 customer groups, including those to whom we have made redundancy payments, and company directors which may have been disqualified following our investigations. Due to the sample size, it should be noted that fluctuations of up to +/- 4% are not deemed statistically significant.

Considering the overall service provided by the Insolvency Service, how satisfied are you?		
Customer group	% Very satisfied / quite satisfied	Change from 2016/17
Institutional creditors	91%	+1%
Non-institutional creditors	73%	-7%
Insolvency practitioners	85%	+8%
Debt relief order debtors	97%	+1%
Approved intermediaries	100%	+1%
Bankrupts	87%	0%
Directors	69%	-8%
Redundancy claimants	81%	-8%
Total	84%	-2%

Customer complaints

In 2017-18 we received a total of 275 complaints.

The number of upheld and partially upheld complaints was 140 (40%) this year compared to 126 (42%) in 2016-17.

84% of complaints were answered within 10 working days against our 85% target. 90% of complaints were answered within 20 working days and acknowledged within five working days against our target of 95%.

As tier 3 complaints tend to be more complex in nature, our aim is to investigate and conclude 80% of these complaints within 3 months of receipt. This year 100% of tier 3 complaints were concluded within this timeframe.

We upheld 32% complaints at tier 2 and 14% at tier 3.

Insolvency Live!

Insolvency Live! 2017 was held in the BEIS Conference Centre with 82 delegates attending. We were able to facilitate 6 break out sessions and introduced the newly integrated criminal enforcement function to our stakeholders.



International Association of Insolvency Regulators conference

The International Association of Insolvency Regulators brings together insolvency regulators from around the world. The conference is a unique forum in which to discuss matters of insolvency law and policy, regulation of practitioners and share best practice.

The Insolvency Service hosted the event, which was held from 4 to 7 September 2017 at the Royal Institute of Chartered Surveyors in Parliament Square.

It was attended by delegates from a wide range of countries including Thailand, Chile and Uganda.

Corporate and social responsibility

Performance Report

The Insolvency Service remains committed to its environmental responsibilities and its contributions to the Greening Government Commitments (GGC) agenda reducing our impact on the environment and enabling targets to be achieved for the reporting period 2016 to 2020. The Insolvency Service is further demonstrating its commitment to a sustainable estate through the development of reporting targets for GGC 2020 and beyond, analysing estate data for additional reporting work streams to feed in directly to GGC objectives.

We remain committed to reducing their estate footprint and continues to rationalise its estate through co-location with other government departments. The Insolvency Service also remains committed to effective space utilisation in each office environment.

The Insolvency Service actively participate in sustainability action groups, enabling the sharing of best practice across the Insolvency Service estate. This enables the Insolvency Service to implement several measures to promote energy and water efficiency within our offices.

The Insolvency Service has established a staff network of sustainability contacts around the Agency. These have been used to undertake activities at a local office level in order to implement sustainable initiatives and this year undertook activities around minimising energy usage. Initiatives include:

- Installations of energy efficient lighting
- Better management of building temperature controls
- Continued introduction of 'point of use hot water'
- Teleconferencing capability across the estate and mobile working.

Video Conferencing service was implemented as the agency had a travel bill of over £1m per annum prior to the implementation. The aim of this service was to minimise the need for travel and reduce the annual travel cost. The service was delivered very successfully and in a recent IT survey, Video Conferencing was voted the number one IT service across the entire agency.

The Insolvency Service continues to support and promote the reduction of emissions through:

- Flexible working arrangements to reduce employee commuting need.
- Travel policy restricting use of certain vehicles and modes of transport, and
- The introduction of mobile devices and teleconferencing facilities reducing the need to travel.

The Insolvency Service continues to support waste minimisation and management through:

- Continued staff recycling awareness.
- Reduction of waste through increased segregation and increased recycling and re-use.
- New policy development in line with single use plastic ban; and
- Continued furniture recycling and waste avoidance.

The Insolvency Service continues to support the reduction of paper requirements through:

- Continuation of the no print culture to reduce the amount of documentation printed.
- Roll out of conferencing facilities and mobile devices for ready access to documentation, removing a reliance on paper.
- Installation of meeting room audio visual equipment to reduce need for paper handouts.

The Insolvency Service contributes to BEIS' progress on this by implementing sustainability policies (travel and paper), as well as collecting and collating data:

	BEIS operational targets	2017-18, compared to 2009-10 baseline
1	Total GHG emissions: reduce by 54%	52% reduction
2	domestic flights: reduce by 30%	67% reduction
3	Vol. of water used: reduce generally	61% reduction
4	Reams of paper procured: reduce by 50%	86% reduction
5	Total non-hazardous waste generated: reduce generally	67% reduction
6	- waste to landfill: reduce proportion to 10%	9.1% as a proportion (76.97% improvement on 2009-10)
7	- waste recycled/ reused: reduce generally	82.21% as a proportion (50.95% improvement on 2009-10)

The Insolvency Service has complied with the CRC Energy Efficiency Scheme and in year 2016-17, submitted in year 2017-18 as required, saw its 'tonnes of CO2 emitted' fall from 93 tonnes in the preceding year to 76 tonnes in 2016-17.

Financial performance

Performance Report

During 2017-18, the agency incurred expenditure of £98m. Of this, the majority was spent on staff costs which totalled £66m; an increase of £5m on the prior year. This was mainly due to filling vacancies. Further details can be found in the Remuneration & Staff Report, the Financial Statements and Note 3 to the Accounts. Other notable areas of expenditure were £9.6m for accommodation (rent, rates, etc), £2.6m on depreciation and amortisation and £8.4m on IT-related expenditure.

The agency collected income from fees of £69m for its official receiver services (ORS), as well as receiving funding from HMRC for the administration of the redundancy payments service (RPS) (£6.7m) and the parent department, BEIS, for other non-fee related work (£42.958m).

Further details can be found in the Financial Statements and Notes to the Accounts.

The accounts have been prepared in accordance with a direction issued by HM Treasury under the Government Resources and Accounts Act 2000.

Asset realisations

We have continued our efforts to improve the efficiency of our asset recovery work, ensuring that our fees are recovered and to give a better return to creditors.

Our focus on asset recovery has resulted in good/improving returns for creditors. The number of payments in relation to Payment Protection Insurance (PPI) compensation continues to decrease, as expected, and we continue to work with a number of the major banks to maximise our returns in this area.

Capital outturn

During 2017-18, the agency spent £2.4m (2016-17: £648k) on capital projects. This was mostly upgrading our IT and connectivity by investing in laptops, mobile phones and video conferencing.

Payment of suppliers

In line with Cabinet Office guidance, we aim to process all payments to our suppliers within 30 days and 80% within five days.

During 2017-18, the agency made a total of 7,694 (2016-17: 8,125) payments to suppliers, 83.8% within five days (2016-17: 90%) and 93.8% within 30 days (96%).

Every month in line with the Transparency Agenda, we publish a breakdown of our expenditure by invoice or Government Procurement Card transaction on our website.

Financial risk

The primary financial risk that we are exposed to is the recovery of our costs, either due to the insufficiency of funds in the estate related to a case, or through a defendant's inability to pay costs when we are successful in bringing proceedings.

Signed:

A handwritten signature in black ink, appearing to read 'Sarah Albon', written in a cursive style.

Sarah Albon
Chief Executive

Date: 16 July 2018



Accountability Report

Directors' report

Accountability report

Executive Members

Sarah Albon	Chief Executive
Alec Pybus	Chief Operating Officer
Graham Horne	Chief Technical Advisor
Chris Pleass	Finance & Commercial Director
Louise Alexander	People & Capability Director
Dileeni Daniel-Selvaratnam	Strategy & Change Director
Dean Beale	Strategy & Change Director (from 28 March 2018)

Non Executive Members

Stephen Allinson	(Chair from 1 January 2017)
Alan Graham	
Henry Lloyd	
Tracey Bleakley	(to 31/07/2017)
Richard Oirschot	(from 01/08/2017)
Mary Chapman	(from 01/08/2017)
William Trower	(from 01/08/2017)

Information on personal data related incidents where these have been formally reported to the information commissioner's office

2017-2018: zero incidents (2016-17: zero incidents)

The statement of Accounting Officer's responsibilities

Accountability report

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Insolvency Service 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 agency and of its net resource outturn, application of resources, changes in taxpayers' 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; and
- prepare the accounts on a going concern basis.

The Accounting Officer of the Department for Business, Energy and Industrial Strategy has appointed the Chief Executive as Accounting Officer for the Insolvency Service. 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 Insolvency Service's assets, are set out in Managing Public Money published by the HM Treasury.

I can confirm that, as far as I am aware, there is no relevant audit information of which the entity's auditors are unaware, and I have taken all the steps that I ought to have taken to make myself aware of any audit information and to establish that our auditors are aware of that information. I can confirm that the annual report and accounts as a whole is fair, balanced and understandable and I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

Signed:



Sarah Albon
Chief Executive

Date: 16 July 2018

Governance statement

Accountability report

Introduction

As Accounting Officer, I am responsible for maintaining a sound system of governance and internal control that supports the achievement of the agency's aims and objectives. I am responsible for the quality of management within the organisation, including its use and stewardship of public assets. My responsibilities include safeguarding public funds and assets, in accordance with HM Treasury guidance, in particular Managing Public Money.

The Governance Statement aims to give a clear understanding of the governance and internal control structure of the agency. It provides a synopsis of how performance and the governance structure has aided the agency in meeting its objectives during the year together with what challenges it has faced and how these were overcome.

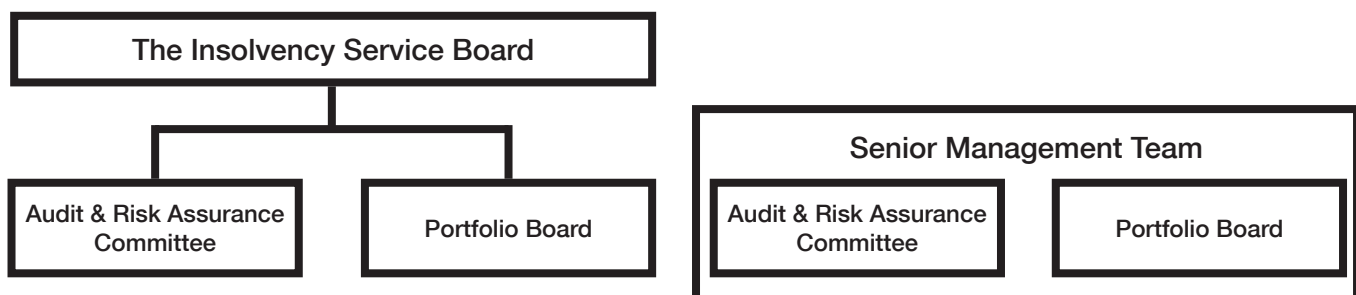
This Statement explains how the agency has complied with the principles of the HM Treasury Corporate Governance Code, together with a review of its effectiveness.

Governance structure

This section describes the governance arrangements in place during 2017/18.

As Chief Executive (CE) I am supported and challenged by the Insolvency Service Board. The agency adopts relevant principles and protocols outlined in HM Treasury's Corporate Governance in Central Government Departments: Code of Good Practice.

The governance structure within the agency is shown in the diagram below.



The Insolvency Service Board provides strategic leadership within a framework of prudent and effective controls that enable risk to be assessed and managed. It is collectively responsible for the long-term success of the agency. This includes setting strategic aims and objectives, ensuring that necessary leadership and resources are in place to deliver these aims, challenging and supporting management performance, and reporting to BEIS and externally on its stewardship. A broadly equal split of executive and non-executive board members (NEBMs) gives the appropriate balance of skills, experience, independence and knowledge to enable the board to discharge its duties and responsibilities.

The Insolvency Service Board is independently chaired and led by a non-executive Chair who ensures its ongoing effectiveness and the high standards of regularity and propriety expected of a public body. The Chair also ensures that the board both supports and holds the executive team to account for the agency's performance, and takes a collective responsibility for the Insolvency Service's overall success.

The Insolvency Service Board also comprises of five further NEBMs (including one who is a nominee from our sponsoring Department) and five executive directors (including both the Chief Executive and Chief Operating Officer).

The Insolvency Service Board met 10 times during the year. Matters considered by it included:

- regular review and scrutiny of progress against the 2017/18 Annual Plan and targets, including performance on all key aspects of agency operations including finance, people and capability, and customer feedback
- strategic priorities for the agency set in the context of the agreed Target Operating Model for the Insolvency Service, Departmental and wider Government aims, and changes to external insolvency markets
- considered major projects delivering organisational change
- topical items such as complaints handling procedures, progress on major cases of political and public interest
- feedback from board committees including reviewing the annual report produced by the Audit and Risk Assurance Committee
- regular assessment of exposure to and management of risk

The Insolvency Service Board has two sub-committees; the Audit and Risk Assurance Committee (ARAC) and the Portfolio Board (PB)

The Audit and Risk Assurance Committee is chaired by an appropriately qualified independent NEBM and its membership comprises three further non-executive Board Members (including one member who is the nominee of the agency's sponsoring department). The Chief Executive and Finance and Commercial Director, and internal and external auditors, attend all meetings. Other Senior Leaders attend as required.

ARAC supports the Chief Executive as Accounting Officer and receives reports from both internal and external auditors. It reviews the annual financial statements prior to publication and provides assurance to the Insolvency Service Board on controls and risk. ARAC met four times during the year. ARAC produced an annual report which outlined the terms of reference and provided an overview of the matters that were considered at each meeting.

The report was forwarded to the Insolvency Service Board for information. Matters considered by it included:

- approval of the internal audit plan, review of all internal audit reports issued, review of progress against the annual internal audit plan and annual audit opinion on risk management, governance and internal control
- work on the preparation and completion of both the agency Annual Report and Accounts and ISA (White Paper) Accounts was regularly reviewed
- regular reviews of the agency risk register and risk management including commissioning further work on risk management and assurance mapping
- scrutiny of fraud and error incidents
- regular reviews of the agency's finance management reports
- review of agency policy tracking
- review of agency IT resilience, capability and disaster recovery
- review of how value for money is assessed and achieved

The Portfolio Board is responsible for the governance of all Portfolio Projects, which are those identified as priority change for the agency and require a higher level of project governance due to their size, complexity and / or importance. It is chaired by the Chief Operating Officer and has two NEBMs as members. The Portfolio Board is also responsible for maintaining the overall agency Change Governance Framework, ensuring project objectives are strategically aligned, the review and approval of project business cases, and the governance of project delivery throughout the projects life cycle. This includes ensuring projects deliver to time, cost, quality and that benefits are realised.

The Portfolio Board met ten times during the year. Matters considered by it included:

- approval of key internal documentation for projects: projects business cases, closure reports, exception reports (when projects exceed their tolerances set up by the Portfolio Board)
- regular reviews of overall progress of projects
- changes/updates to the governance and assurance for the portfolio of projects
- portfolio finances, resource, risks and issues and projects' progress

As a group, the Senior Management Team (SMT) meets at monthly Performance Review Hubs and regularly attends away days. SMT is chaired by the CEO and all Directors across the agency attend. It is responsible for discussing agency risks and issues, and management information produced on a monthly basis including but not limited to the agency's specific Ministerial and other targets.

The Senior Management Team is divided thematically into two focused committees; Executive Committee and Operations Committee.

The Executive Committee (ExCo) is responsible for the overall operations of the organisation, including policy, regulatory issues and more general agency-wide matters. It is chaired by the CEO and membership comprises the Chief Operating Officer, along with Directors of Finance and Commercial, Information and Technology, People and Capability, Strategy and Change and Criminal Enforcement (Prosecutions South).

The Operations Committee (OpCo) is responsible for reviewing and improving the performance of the four operational units, Official Receiver Services, Investigation and Enforcement Services, Business Services Development and Criminal Enforcement. It is chaired by the CEO and attended by Directors and Senior Managers from the operational units.

The table below illustrates NEBM attendance at Insolvency Service Board, ARAC and Portfolio Board meetings held during 2017/18.

Non-Executive Board Members	Insolvency Service Board (ISB)	Audit and Risk Assurance Committee (ARAC)	Portfolio Board (PB)
Stephen Allinson* (Chair ISB)	10/10		7/7
Alan Graham (Chair ARAC)	10/10	4/4	
Henry Lloyd	10/10	4/4	9/10
Tracey Bleakley**	4/4	1/2	
Mary Chapman***	6/6	1/2	
Richard Oirschot***	5/6	1/2	
William Trower****	5/6		5/6

* Left PB on 30 November 2017

** Left ISB and ARAC on 31 July 2017

*** Joined ISB and ARAC on 1 August 2017

**** Joined ISB and PB on 1 August 2017

Compliance with the HM Treasury Corporate Governance Code

External reviews of Board Effectiveness are commissioned every three years. The last external Board effectiveness review was undertaken in 2015-16 and reported in the annual report of that year.

Ordinarily, in intervening years the Board conducts internal effectiveness reviews, however, as a result of the turnover of non-executive Board Members during the last financial year the decision was taken to delay the effectiveness review until the autumn of 2018.

The next internal review will take place later this year.

The Risk and Internal Control Framework

Risk Management

Risk management is a key aspect of the agency's internal control framework. The agency's risk management process continues to be challenged on individual risks from the Senior Management Team (SMT). Agency risks are maintained in a register that captures financial, reputational, operational and compliance risks and details the controls/actions required to mitigate those risks to a manageable level. The Risk Management process is scrutinised by the Audit and Risk Assurance Committee to ensure that it is operating effectively.

During the year, the key risks and issues which were likely to impact on our ability to meet our objectives were identified and assessed for likelihood and impact. Each risk/issue is owned by a Director and these are reviewed by the SMT at each monthly meeting whereby they challenge the mitigating actions put forward and collectively agree the approach to be taken to manage the risk. Risks are reported to the Board quarterly. The register is also used to inform the annual Audit Plan.

Key risks identified and managed during the year and mitigating actions taken to manage key risks during the year include:

People

A lack of succession planning and an inability to attract, recruit and retain technically-skilled personnel may lead to critical and high importance roles not being filled quickly impacting on the performance of the Agency.

Response: There has been use of agency staff and contractors to fill gaps in some business critical roles where appropriate. An improved recruitment process has also been put in place through Civil Service Recruitment to improve attraction and key vacancy posts have been filled temporarily. Improvements to the workforce planning process are underway. A Talent Strategy has been designed and is being implemented including an internal development programme that will help build a stronger internal succession pipeline.

Delivery

Given the transformational change the Agency is facing, change must be well managed in order to reduce the risk of adversely impacting on Business As Usual and staff engagement, and failure to deliver planned operational and organisational benefit.

Response: The Target Operating Model provides the strategic direction for change activity and was approved by the Insolvency Service Board. The agency has a clear and effective governance framework in place with appropriate control processes to identify and assess applications for new change including its benefits. All portfolio projects are required to comply with the same governance standards and reported delivery milestones. Projects work with operational colleagues to agree specialist business input required by projects with a view to limiting any impacts.

Inaccurate forecasting of number and/or mix of case inputs along with structural inflexibility might lead to under capacity and/or impair the Agency's ability to deliver Ministerial Targets.

Response: The models assume that previously observed correlations will hold into the future.

Models produce a range in addition to a point forecast, which takes into account the precision of the fit between case volumes and economic data. These ranges are then used to inform decisions by senior managers. Models are updated each quarter with the latest available data, which should make near-term forecasts progressively more accurate. Monthly Operational team performance reviews monitor progress against targets and KPIs and decide action to ensure they are met.

Agency one- and five-year Business Plans, Management Accounting and Financial Planning processes ensure adequate resource.

Loss of stakeholder confidence arises from the manner in which the expectations of external relationships are managed leading to reputational and financial issues as well as missed opportunities.

Response: A Stakeholder Engagement Manager has been recruited. Regular meetings are held with key stakeholders and feedback assessed.

High profile Cases: absorb so much resource that it impacts upon the achievement of other targets and Business As Usual operations; External scrutiny and the resultant accelerated pace of investigations require careful management. External expectations may not be met leading to a reputational risk for the agency.

Response: High Profile Investigations Oversight Group established to review progress of each such investigation, resource requirements and resource impacts; regular updates to ministers where appropriate and legal advice sought throughout. Planning is in place to mitigate the impact of re-allocation of resources.

Information & Technology

The risk of a disruption of business processes, due to a breach of IT security compromising our core systems.

Response: Our core line of business systems reside in a secure managed data centre, currently accredited to manage information and assets classified as “SECRET”. Our organisation regularly tests the effectiveness of the security measures in place, in line with UK Government best practice.

The risk of a disruption to business processes due to a disaster affecting all IT systems: a disaster is classified as an event causing the total loss of all applications and associated hardware for a period adversely affecting our ability to meet our statutory obligations, and Ministerial targets.

Response: Our current IT environment utilises a number of technologies to deliver resilience, enabling the environment to withstand localised hardware failures, and continue to deliver applications. It is also backed up to tape on a regular basis, enabling recovery should there be a significant failure. At a contractual level, our core line of business systems are hosted within a secure data centre, with various service level agreements in place including a commitment for the supplier to restore service within 4 hours. Other services providers have disaster recovery capability provided as part of our contracts with them.

Significant issues

Issues managed through the year include:

The agency is unable to meet its responsibilities in relation to providing Real Time Information (RTI) to HMRC in respect of deductions made by RPS.

Action taken: The agency has been partially successful in submitting historical data to HMRC via the specified electronic gateway route, however work is ongoing to complete the submission of data through to the end of 2017-18.

The agency has implemented a new finance system which will allow the appropriate transmission of real-time information from 2018-19 onwards.

Delegated authorities

The context for delegated authorities is an established business planning process. All directorates have local plans linked to the Insolvency Service Business Plan. These are reviewed and updated as necessary. Directorate plans in turn are supported by individual performance agreements. The agency’s budgets are allocated at Director-level, in line with directorate plans, and monitored by the Insolvency Service Board at agency level and SMT at directorate level.

A system of delegations and approvals is in place throughout the agency to ensure that proper processes exist for the assessment, approval and authorisation of new expenditure. The Accounting Officer’s delegations are set by BEIS and sub-delegated to directors.

Internal audit

The audit programme is delivered by the Government Internal Audit Agency, and complies with government internal audit standards. The annual audit plan is substantially informed by the agency's key risks and is reassessed throughout the year to ensure assignments due are still in areas deemed at highest risk. The internal audit plan is approved annually by the Audit and Risk Assurance Committee which receives copies of all reports and reviews progress at each meeting.

Customer feedback and complaints processes

The Insolvency Service gathers feedback from customers on their perceptions and experiences of our services via an annual customer satisfaction survey and our complaints process.

The satisfaction survey covers all eight key customer groups. It is conducted by an independent research agency via computer-assisted telephone interviews that typically lasted between 12 and 15 minutes.

The Insolvency Service's complaints process comprises of three internal complaint tiers, with tier-3 complaints investigated and responded to by the Insolvency Service Chief Executive. In August 2017, we introduced a new process to improve complaints handling across the agency.

The changes were designed to ensure a consistent approach and deliver better performance data.

Information security

The agency's senior information risk owner (SIRO) oversees information risk and is supported in the role by three security focused officers and a network of information asset owners from across the business. Government Internal Audit Agency (GIAA) undertook a review to consider what evidence the agency has to routinely assure itself that it is appropriately managing its risk in compliance with the Security Policy Framework (SPF) requirements. The review provided an objective challenge and evaluation of evidence based on that supporting the self-assessment undertaken by the agency, evaluation of the organisation's processes in place to manage its compliance with the policies and standards that apply to security risk management (SRM) in government, as set out in the SPF.

GIAA reported that following the "near miss" data breach suffered in March 2017 they saw evidence of proactive action regarding communication across the agency of data handling procedure guidance and with an emphasis on the correct procedures for handling Official Information.

Companies House and Intellectual Property Office peer reviewed the agency's Security Health Check return. There were no significant findings.

Regarding General Data Protection Regulation (GDPR) the agency has a dedicated resource to deliver the changes necessary for readiness and has made good progress in preparation for the GDPR which came into force in May 2018. An Internal Audit report on GDPR Readiness Assessment gained a Substantial opinion indicating the framework of governance, risk management and control is adequate and effective. The assessment found that there were good arrangements to monitor and manage activity.

Accounting Officer annual review of governance effectiveness

As Accounting Officer I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by internal audit together with executive managers within the Insolvency Service who have responsibility for the development and maintenance of the internal control framework. The effectiveness of the system of internal control is reviewed by directors who provide a Statement of Governance, together with an assessment of effectiveness against six key indicators (Leadership, Governance, Culture and Capability, Partnership and Stakeholder Management, Risk Management and Financial Management) for the areas of the business for which they have responsibility. The Chair of the Audit and Risk Assurance Committee, the Head of Internal Audit and the Head of Corporate Governance review these statements, meeting a sample of directors to discuss key issues.

Off-payroll tax assurance

During 2012, the government reviewed the tax arrangements of public sector appointees. This highlighted the possibility of arrangements that might enable tax avoidance, such as by the use of personal service companies. Recommendations of the review were published in May 2012, including measures for departments to implement from August 2012. In response, the Insolvency Service implemented a policy developed by the Department of Business, Energy and Industrial Strategy. For relevant contracts, this includes relevant clauses which allow us to gain assurance that individuals are paying the correct amount of tax. No contracts are entered into or renewed without this clause. Tax assurance evidence has been sought and scrutinised to ensure it is sufficient to provide the relevant assurance and is compliant with the new IR35 rules from 1 April 2017, which will include weekly reporting.

Quality assurance of analytical models

There are two business critical models which are used by the Insolvency Service in relation to planning assumptions. The first is a model which is used for forecasting case inputs and the second is a financial model which forecasts Official Receiver Services Fee Income. The Official Receiver Services Fee Income model has been reviewed and revised to improve transparency and understand ability. The External Auditors have reviewed the changes and recognise that progress has been made but have made recommendations for further improvements to controls and governance over the models. They have also tested the model for accuracy and completeness.

Effectiveness of whistleblowing policy

We work in partnership with our parent Department (Business, Energy and Industrial Strategy), to give independent oversight and assurance to our whistleblowing policy. Our aim is to create a culture where it is safe for employees to speak up and challenge suspected wrongdoing at work. Our procedure has been written with reference to the Public Interest Disclosure Act 1998, which offers protection to those in both the private and public sectors, who 'blow the whistle', in certain circumstances.

Our whistleblowing policy and procedures are on our intranet which is available to all employees. The agency does not undertake any investigations itself and all incidents are referred to BEIS for review.

Internal audit annual assurance opinion

The Head of Internal Audit provides a report annually on the internal audit activity during the year. The report provides an opinion on the adequacy and effectiveness of internal control and for 2017-18 the overall audit opinion given is Moderate; some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

In 2017-18 the agency's audit reviews found two areas where there were significant weaknesses in the framework of governance, risk and control:

- Physical Security – In some offices there were vulnerabilities in physical security.

Improvements were required to ensure better protection and safekeeping of IT assets, and hard copy papers. While risk assessments were being undertaken it was not evident that they were always acted upon to address the identified vulnerability. Finally, the agency needed to consider measures to reduce the risk to staff when they interview members of the public.


Since the audit review, the agency has undergone a review to respond robustly to the recommendations contained within the recent report. As a result of this review, the vulnerabilities highlighted in the audit review have now been addressed or are in the process of being remediated.

- Recruitment – the draft opinion is Limited, but this will not affect the overall audit opinion. We are still awaiting finalised findings and actions

Accounting Officer conclusion

I have considered the evidence provided regarding the production of the Annual Governance Statement and the independent advice and assurance provided by the Audit and Risk Committee. I conclude that the agency has satisfactory governance and risk management systems with effective plans to ensure continuous improvement.

Signed:



Sarah Albon
Chief Executive

Date: 16 July 2018

Remuneration and staff report

Accountability 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 <http://civilservicecommission.independent.gov.uk>

Remuneration policy

The remuneration of senior civil servants is set by the government following independent advice from the Review Body on Senior Salaries.

In reaching its recommendations, the review body is to have 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 will also take 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 <https://www.gov.uk/government/organisations/review-body-on-senior-salaries>

Remuneration (including salary) and pensions entitlements

The following sections provide details of the remuneration and pension interests of the most senior management of the Insolvency Service - i.e. the members of the Insolvency Service Board.

Remuneration – including salary, benefits in kind and pensions (audited)

Officials	Salary (£'000)		Bonus Payments (£'000)		Benefits in Kind (to nearest £100)		Pension benefits (£'000)		Total (£'000)	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Sarah Albon Chief Executive	100-105	100-105	5-10	10-15	Nil	Nil	24	38	135-140	150-155
Graham Horne Deputy Chief Executive and Operations Director (2 February 2015 – 30 September 2016)	Nil	45-50 ²	Nil	Nil	Nil	Nil	Nil	8	Nil	55-60
Alec Pybus Chief Operating Officer (from 19 September 2016)	95-100	50-55 ³	Nil	Nil	Nil	Nil	37	20	130-135	70-75
Louise Alexander People & Capability Director (from 29 June 2016)	95-100	70-75 ⁴	5-10	5-10	Nil	Nil	38	37	140-145	115-120
Anne Willcocks CBE External Affairs Director (1 April 2013 – 1 June 2016)	Nil	10-15 ⁵	Nil	Nil	Nil	Nil	Nil	1	Nil	15-20

Officials	Salary (£'000)		Bonus Payments (£'000)		Benefits in Kind (to nearest £100)		Pension benefits (£'000)		Total (£'000)	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Christopher Pleass Finance & Commercial Director	90-95	90-95	5-10	Nil	Nil	Nil	30	30	125-130	125-130
Dileeni Daniel-Selvaratnam Strategy & Change Director (left 17 July 2017)	25-30 ⁶	85-90	5-10	5-10	Nil	Nil	8	92	40-45	185-190
Dean Beale Strategy & Change Director (from 1 August 2017)	50-55 ⁷	Nil	Nil	Nil	Nil	Nil	47	Nil	95-100	Nil

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 value of pension benefits accrued during the year is calculated by My CSP for each individual. The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

² Graham Horne left board in 2016 and hence no salary to include during 2017-18

³ Alec Pybus – full-year equivalent salary is £95k-£100k; joined in September 2016

⁴ Louise Alexander – full-year equivalent salary is £95k-£100k; joined board in June 2016

⁵ Anna Willcocks, CBE left in 2016 and hence received no salary during 2017-18

⁶ Dileeni Daniel-Selvaratnam – left on secondment to Cabinet Office 17 July 2017

⁷ Dean Beale – acting board member from 1 August 2017

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 accrued payments made by the Insolvency Service and thus recorded in these accounts.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the Insolvency Service and treated by HM Revenue & Customs as a taxable emolument.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the previous year in which they become payable to the individual. The bonuses reported in 2017-18 relate to performance in 2016-17 and the comparative bonuses reported for 2016-17 relate to the performance in 2015-16.

Pay multiples (audited)

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 Insolvency Service in the financial year 2017-18 was £110-115,000 (2016-17, £110-115,000). This was 4.0 times (2016-17, 3.9) the median remuneration of the workforce, which was £28,079 (2016-17, £28,475).

In 2017-18, no employee received remuneration in excess of the highest-paid director, and this was also the case in 2016-17. Remuneration ranged from £16,000 to £115,000 (2016-17, £13,500-£115,000).

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 of pensions.

Remuneration of Insolvency Service Board members (audited)

The Insolvency Service Board comprises eleven members although there have been movements throughout the year where members have joined and left the Insolvency Service Board and/or the Insolvency Service. The current composition of the board is listed below.

Five of the roles are civil servants, shown on earlier pages:

- Agency Chief Executive
- Chief Operating Officer
- People & Capability Director
- Finance & Commercial Director
- Strategy & Change Director

Their remuneration is borne by the Insolvency Service and is disclosed above (as well as those members who have been in post during 2017-18 but left by the year-end, and those members in post during 2016-17 who have subsequently left).

Three new non-executive directors were appointed and one left during 2017-18, all of whom receive remuneration from the Insolvency Service. The costs of Henry Lloyd were borne by the Department for Business, Energy and Industrial Strategy (BEIS) and they did not receive any additional amount for board duties from the Insolvency Service.

Non-executive Board Members	Salary 2017-18 (£'000)	Salary 2016-17 (£'000)
Mr Stephen Allinson (Chair from 01/01/2017)	15-20	10-15
Mr David Ereira (OBE) (left on 31/12/2016)	Nil	10-15
Tracey Bleakley (left 31/07/2017)	0-5	10-15
Dame Elizabeth Neville (left 31/12/2016)	Nil	10-15
Alan Graham (MBE) (from 01/09/2014)	10-15	10-15
Richard Oirschot (from 01/08/2017)	5-10	Nil
Mary Chapman (from 01/08/2017)	5-10	Nil
William Trower (from 01/08/2017)	5-10	Nil
Mr Henry Lloyd (from 08/09/2015)	Nil	Nil

None of the Non-Executive Board members received any benefits in kind.

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

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, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) 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 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. 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 his/her 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. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. 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 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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 0.5% 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, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website <http://www.civilservicepensionscheme.org.uk>

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 Pension 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.

Pension benefits (audited)

Officials	Accrued pension at pension age as at 31/3/18 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/18 £'000	CETV at 31/3/17 £'000	Real increase in CETV £'000
Sarah Albon Chief Executive	35-40 plus lump sum of 95-100	0-2.5 plus lump sum of Nil	692	642	7
Alec Pybus Chief Operating Officer (from 19 September 2016)	0-5 plus lump sum of Nil	0-2.5 plus lump sum of Nil	36	12	16
Louise Alexander	5-10 plus lump sum of Nil	0-2.5 plus lump sum of Nil	95	72	14
People and Capability Director (from 29 June 2016)	Nil	Nil			
Mr Christopher Pleass Finance and Commercial Director	20-25 plus lump sum of Nil	0-2.5 plus lump sum of Nil	293	260	13
Dileeni Daniel-Selvaratnam Strategy & Change Director (from 1 September 2015)	20-25 plus lump sum of Nil	0-2.5 plus lump sum of Nil	237	232	2
Dean Beale Strategy & Change Director (from 1 August 2017)	25-30 plus lump sum of Nil	0-2.5 plus lump sum of Nil	414	365	28

Compensation for loss of office

There was no compensation for loss of office in 2017-18, the same as the prior year 2016-17.

Staff report

Staff costs for 2017-18 totalled £66.141m (2016-17: £61.172m). Further details can be found in Note 3 to the Accounts.

Staff composition

	Employees		SCS		All Staff	
	No	%	No	%	No	%
Female	859	54.89%	5	50.00%	864	54.86%
Male	706	45.11%	5	50.00%	711	45.14%
	1,565		10		1,575	

Sickness absence data

During the year, the number of average annual working days lost per employee was 8.1 days (2016-17: 7.4 days).

Off-payroll engagements

The cost of off-payroll engagements for 2017-18 was £0.847m (2016-17: £2.478m), relating to an average number of staff of 28 (2016-17: 215). Of these, 26 (2016-17: 35) were paid more than £220 per day; eleven of their contracts lasted less than six months, seventeen persons contracts lasted longer than six months but less than a year; and 1 person (2016-17: 30 people) were paid more than £245 per day with a contract lasting more than one year but less than two years. No contract lasted longer than two years (2016-17: 1 person).

Between 1 April 2017 and 31 March 2018 there were 23 new off-payroll engagements or those that reached 6 months in duration, for more than £245 per day. 21 of these were assessed as being caught by IR35 and the remaining 2 were not. None of these were engaged directly (via PSC contracted to BEIS) and on the BEIS payroll. All 23 were reassessed for consistency/assurance purposes during the year, and there were no changes to IR35 status following this consistency review.

Consultancy

Spend on consultancy was £0.998m (2016-17: £1.025m). This was primarily for an external professional services organisation to deliver a detailed bottom up assessment of the organisational design, infrastructure and costs. This helped the agency complete design work for its new target operating model.

Staff Exit packages

There was no voluntary exit scheme during 2017-18 or 2016-17. There was no voluntary redundancy scheme during 2017-18 or 2016-17. There were no other departures during 2017-18 or 2016-17.

No compulsory redundancies were agreed as at 31st March 2018 or 31st March 2017.

Pension scheme details

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Insolvency Service 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 resource accounts of the Cabinet Office: Civil Superannuation (<http://www.civilservice.gov.uk/pensions>).

For 2017-18, employers' contributions of £9,615k were payable to the PCSPS (2016-17: £8,788k) at one of four rates in the range 16.7 to 24.3% (2016-17: 16.7 to 24.3%) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2017-18 to be paid when the members retire and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, which is a stakeholder pension with an employer contribution. Employers' contributions of £54k (2016-17: £41k) were paid to the three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% (2016-17: 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £2,133 (2016-17: £1,893), 0.8% 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.

0 persons (2016-17: 3 persons) retired early on ill-health grounds, with an additional accrued pension liability totalling £0k (2016-17: £11k).

Average number of persons employed (audited)

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

Number	2017-18	2016-17
Directly Employed	1,435	1,362
Other	53	64
Total	1,488	1426

Costs of £0k (2016-17: £200k) have been capitalised for a total of 0 members of staff (2016-17: 21) working on capital projects (not FTE). These costs were for the Online Debt Solutions project and Business Intelligence.

Parliamentary accountability and audit report

Accountability report

Remote contingent liabilities

The Insolvency Service had no remote contingent liabilities as at 31 March 2018.

Regularity of expenditure

The expenditure of the Insolvency Service was applied to the purposes intended by Parliament.

Fees and charges income

The Insolvency Service charges a fee for work carried out by the Official Receivers (OR). More detail can be found in the Notes to the Financial Statements (Notes 1(m), 1(v), 2(a), 2(b), 5 and 11) which detail the accounting policies and the values of fee income received and receivable (ie not yet recognised in the Accounts). The Insolvency Proceedings (Fees) Order 2016 also provides further details of the fees chargeable.

The objective of the Fees is to cover the cost of the work carried out by the OR teams. During 2017-18 this objective was achieved, as the income recognised was sufficient to cover the cost of the OR service:

- The cost of the OR service to which fees were applicable was £45m
- The total income received from fees and recognised as income in the year was £59m
- £15m is due to be repaid to the Consolidated Fund as it exceeded the amount we were able to retain from fees.

Losses and special payments

Details on losses and special payments made in the year can be found in note 18 to the accounts.

The above disclosures have been audited.

Signed:



Sarah Albon
Chief Executive

Date: 16 July 2018

Audit Report

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

Opinion on financial statements

I certify that I have audited the financial statements of The Insolvency Service for the year ended 31 March 2018 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of The Insolvency Service's affairs as at 31 March 2018 and of the net expenditure 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 regularity

In my opinion, in all material respects the income and expenditure 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.

Basis of opinions

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

Responsibilities of the Accounting Officer for the financial statements

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.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and

are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Insolvency Service's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on The Insolvency Service's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

I am required to obtain evidence sufficient to give reasonable assurance that the 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.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report and Accountability Report; and

the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and have been prepared in accordance with the applicable legal requirements.

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 parts of the Accountability 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 KCB
Comptroller and Auditor General

Date: 17 July 2018

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

Financial Statements

Statement of Comprehensive Net Expenditure

for the period ended 31 March 2018

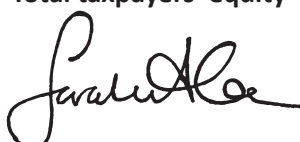
		2017-18	2016-17
		£'000	(Restated) £'000
	Note		
Income from fees recoverable	5	(69,144)	(77,148)
Other operating income	5	(6,744)	(6,887)
Total operating income:		(75,888)	(84,035)
Staff costs	3	66,141	61,172
Purchase of goods and services	4	9,049	7,935
Depreciation and impairment charges	4	2,630	3,982
Provision expense	4	(4,091)	(6,330)
Other operating expenditure	4	24,551	20,409
Total operating expenditure:		98,280	87,168
Net operating expenditure:		22,392	3,133
Finance expense	4	159	102
Total expenditure for the year:		98,439	87,270
Comprehensive net expenditure for the year:		22,551	3,235

All income and expenditure is derived from continuing operations. There is no other comprehensive expenditure.

Statement of Financial Position

as at 31 March 2018

		2017-18	2016-17 (Restated)
		£'000	£'000
	Note		
Non-current assets:			
Property, plant and equipment	7	4,245	3,697
Intangible assets	8	2,080	2,883
Financial assets	11	11,829	6,477
Total non-current assets		18,154	13,057
Current assets:			
Trade receivables and other assets	11	4,561	4,951
Financial assets	11	24,194	29,875
Cash and cash equivalents	12	97,249	77,931
Total current assets		126,004	112,757
Total assets		144,158	125,814
Current liabilities			
Trade and other payables	13	(32,539)	(32,774)
Provisions	14	(1,470)	(2,124)
Total current liabilities		(35,009)	(34,898)
Total assets Less Total Current Liabilities		110,149	90,916
Non-current liabilities:			
Trade and other payables	13	(25)	(319)
Provisions	14	(2,088)	(2,010)
Total non-current liabilities		(2,113)	(2,329)
Assets less liabilities		108,036	88,587
Taxpayers' equity:			
General fund		108,036	88,587
Total taxpayers' equity		108,036	88,587



Sarah Albon
Chief Executive

Date: 16 July 2018

The notes on pages 64 to 87 form part of these Accounts

Statement of Cash Flows

for the period ended 31 March 2018

		2017-18	2016-17
		£'000	(Restated) £'000
	Note		
Cash flows from operating activities			
Comprehensive net expenditure	SoCNE	(22,551)	(3,235)
Adjustments for non-cash transactions			
Depreciation and amortisation charge	7,8	2,630	3,982
Audit fee	4	101	101
Loss on disposal	4	43	-
Impairment	4	-	394
Use of provisions	14	(576)	364
other non-cash adjustment	SoCITE	901	
(Increase) / Decrease in trade receivables	11	719	(12,395)
(Decrease) in trade payables	13	(529)	(8,315)
Net cash outflow from operating activities		(19,262)	(19,104)
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(2,407)	(195)
Purchase of intangible assets	8	(11)	(470)
Net cash outflow from investing activities		(2,418)	(665)
Cash flows from financing activities			
BEIS financing		42,958	32,283
VAT recovered by BEIS		(1,641)	(1,194)
Capital element of payments in respect of finance leases and service concession arrangements		(319)	(608)
Net financing		40,998	30,481
Net (Decrease) / increase in cash and cash equivalents in the period		19,318	10,712
Cash and cash equivalents at the beginning of the period	12	77,931	67,219
Cash and cash equivalents at the end of the period	12	97,249	77,931

Statement of Changes in Taxpayers' Equity

for the period ended 31 March 2018

		General fund £'000	Total reserves £'000
Balance at 31 March 2016		61,240	61,240
Comprehensive expenditure for the year 2016-17			
Non-cash charges - auditor's remuneration	4	101	101
Net operating expenditure for the year	SoCNE	(3,235)	(3,235)
BEIS financing		32,283	32,283
Capital element of payments in respect of finance leases and service concession arrangements		(608)	(608)
VAT recovered by BEIS		(1,194)	(1,194)
Balance at 31 March 2017		88,587	88,587
Comprehensive expenditure for the year 2017-18			
Balance at 31 March 2017 - before re-statement		91,822	91,822
Correction of error	1(u)	(3,235)	(3,235)
Balance at 31 March 2017- as re-stated		88,587	88,587
Non-cash charges - auditor's remuneration	4	101	101
Net operating expenditure for the year	SoCNE	(22,551)	(22,551)
BEIS financing		42,958	42,958
Capital element of payments in respect of finance leases and service concession arrangements		(319)	(319)
VAT recovered by BEIS		(1,641)	(1,641)
Other movement		901	901
Balance at 31 March 2018		108,036	108,036

Notes to the Agency's Accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2017-18 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 Insolvency Service (the agency) for the purpose of giving a true and fair view has been selected. The particular policies adopted by the agency and relevant to this year's accounts are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

The Agency is considered a going concern under International Accounting Standards (IAS) 1, on the basis that it is a Statutory Body operating under the Direction of the Courts and its funding is both underwritten by its parent Department BEIS, and its source of income is largely derived from the Estates that it administers. Therefore it is considered appropriate for the Financial Statements to be prepared under the Going Concern basis.

1(a) Accounting pronouncements

There are no new accounting pronouncements which have been adopted early or which have not yet been adopted by the agency. Such pronouncements would be endorsed by the International Accounting Standards Board (IASB) and would include:

- (i) the accounting standards i.e. International Accounting Statements (IAS) and International Financial Reporting Standards (IFRS); and
- (ii) interpretations thereof issued by the Standards Interpretations Committee (SIC) or its successor, the International Financial Reporting Interpretations Committee (IFRIC).

There are impending changes to two IFRSs which will impact 2018-19 Accounts:

1. IFRS 9 - Financial Instruments could impact on how the agency estimates losses or write-offs from certain receivables.
2. IFRS 15 - Revenue from contracts with Customers, will impact on the way income is recognised across fees, especially the official receiver fee regime. An explanation of the likely effect on reported Income can be found under Note 5 Income.
3. IFRS 16 - Leases, will impact the way Operating Leases are accounted for, in that the majority of these will need to be capitalised and depreciation applied annually. The Standard will take effect from January 2019.

1(b) Accounting convention

These accounts have been prepared under the historical cost convention. Financial assets are stated at their fair value as required.

1(c) Administration and programme expenditure

The financial memorandum sets out the financial framework within which the Insolvency Service has operated since 1 April 2004. It has been agreed between the Department for Business, Energy and Industrial Strategy (BEIS) and the Insolvency Service and is annexed to the agency's framework document. Since 1 April 2004 the agency has operated under a net funding regime agreed by HM Treasury.

The Insolvency Service aims to recover the full cost of its activities either from fees and charges from users of the agency, from HM Revenue & Customs in respect of the administration of the redundancy payment scheme (RPS) or from direct funding from BEIS in respect of insolvency policy and investigation (other than official receiver investigations) and enforcement.

As a net funded regime, the resource expenditure and income of the Insolvency Service will count against BEIS's Departmental Expenditure Limit (DEL).

Administration spending covers the cost of all administration other than the cost of direct frontline service provision. Activities that are directly associated with frontline service delivery are considered to be programme. In practice administration costs include activities such as the provision of policy advice, business support services and back-office functions.

The Insolvency Service has classified administration costs in accordance with HM Treasury *Consolidated Budgeting Guidance* 2017-18. The agency has developed a detailed profile of administrative costs (including overhead cost and the basis of its apportionment) which forms the basis for budgeting, monitoring, control and reporting of such costs. Methodologies used for the apportionment of costs are recorded to provide a robust audit trail.

1(d) Management judgements and estimation uncertainties

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Judgments made by management that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the relevant note to the financial statements.

1(e) Property, plant and equipment (PPE)

PPE are non-current assets that are held by the Insolvency Service for use in the supply of services or for administrative purposes and are expected to be used during more than one accounting period. IAS 16 prescribes the accounting treatment for PPE so that users of the financial statements can discern information about the agency's investment in its PPE and the changes in such investment.

The minimum level for capitalisation of PPE is £2,000. The agency has determined a threshold level which ensures the agency's asset values are materially complete. PPE with a cost below the chosen capitalisation threshold is expensed in the period of purchase. Recognition depends on two criteria:

- (i) it is probable that future economic benefits associated with the asset will flow to the agency and;
- (ii) the cost of the asset to the agency can be measured reliably.

Initial measurement of an item of PPE will be at cost. Some costs can be included if they are directly attributable to bringing the asset to working condition for its intended use. In accordance with the FReM, the agency has adopted depreciated historical cost as a proxy for fair value, as the useful life is a realistic reflection of the life of the asset and the depreciation method provides a realistic reflection of the consumption of the assets.

1(f) Depreciation

Depreciation is the allocation of the depreciable amount of an asset over its estimated useful life. Depreciable assets are those which:

- (i) are expected to be used during more than one accounting period;
- (ii) have a limited useful life; and
- (iii) are held by the agency for use in the supply of services or for administrative purposes.

Depreciation is provided on PPE assets, at rates calculated to write-off the valuation, less any residual value, of each asset over its expected useful life. The depreciation method reflects the pattern in which the asset's economic benefits are consumed by the agency.

Computers unless otherwise stated 3 to 5 years

Office machinery 3 to 15 years

Assets held that are in the course of construction are not depreciated until they are commissioned.

1(g) Intangible assets and amortisation

Intangible assets are identifiable non-monetary assets without physical substance. They may be held for use in the supply of services or for administrative purposes. The asset must be:

- (i) controlled by the agency as a result of events in the past; and
- (ii) something from which the agency expects future economic benefits will flow e.g. computer software.

Amortisation is the allocation of the amortised amount of an asset over its estimated useful life.

The Insolvency Service has adopted amortised historical cost as a proxy for fair value. Intangible assets are carried at cost less accumulated amortisation and impairment losses. Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. The amortisation method reflects the pattern in which the asset's economic benefits are consumed by the agency.

Software licences	3 to 10 years
Internally developed systems	useful life of the system from date brought into use

1(h) Impairments

Impairment is a fall in value of an asset, so that its recoverable amount is less than its carrying value on the Statement of Financial Position (SoFP). The carrying amount is the net value at which the asset is included on the SoFP i.e. after deducting accumulated depreciation and any impairment losses.

The Insolvency Service carries out a review of its assets at each year-end to assess whether there are any indications of impairment to any assets. The concept of materiality applies, (only material impairments are identified) but if there are indications of impairment losses, the agency will make a formal estimate of the recoverable amount of the assets concerned.

1(i) Provisions

A provision is a liability of uncertain timing or amount. A provision is recognised in the Statement of Financial Position when the agency has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. It must also be possible to make a reliable estimate of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at the rate determined by HM Treasury for financial liabilities.

Each year the financing charges in the Statement of Comprehensive Net Expenditure include the adjustments to amortise one year's discount so that liabilities are shown at current price levels.

1(j) Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependants' benefits. The agency recognises the expected cost of these elements 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 agency recognises the contributions payable for the year.

1(k) Early departure costs

The Insolvency Service, operating as part of the BEIS scheme, is required to meet the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The agency provides in full for this cost when any early retirement programme is announced and is binding on the agency. The agency may, in certain circumstances, settle some or all of its liability in advance by making a payment to the Paymaster General's account at the Bank of England for the credit of the Civil Service Superannuation Vote. The amount provided is shown net of any such payments.

The agency is also required to meet the costs of early departures in respect of employees who opt to retire under voluntary exit or redundancy schemes. Where the agency has agreed early retirement, the additional costs are met by the agency and not by the Principal Civil Service Pension Scheme. These costs are paid in full at the time of the exit or redundancy.

1(l) Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, the agency 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 is separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1(m) Operating income

Operating income is income which relates directly to the operating activities of the agency. It principally comprises statutory fees which are the administration fee, Secretary of State (SoS) fee and General fee. These are recovered and recoverable from the estates of bankrupts and companies in liquidation (insolvent estates) during the year, in relation to both case administration and estate accounting activities. It also comprises fees for the administration of debt relief orders; fees generated from insolvency practitioner regulation activities; amounts recovered in respect of costs awarded by the court in directors' disqualification proceedings; property rental income and other miscellaneous income. Amounts received by the agency under a service level agreement with HM Revenue & Customs for the administration of the Redundancy Payments Scheme are also treated as operating income. Operating income does not include funding received from BEIS under a programme allocation for investigation and enforcement activities carried out by the agency or administration funding for policy activities.

Operating income is stated at its fair value. In most cases, consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is delayed, the fair value of the consideration may be less than the nominal amount of cash received or receivable. In relation to insolvency case administration fee income the fair value of the consideration is determined by discounting all future receipts using the discount rate for financial assets set by HM Treasury, currently 3.7%.

The agency sets its case administration fees in accordance with the principles of *Managing Public Money* whereby fees were set in order to recover full costs including the cost of capital. However, fees have not been set in order to recover the costs of discounting receivables to fair value, because taking account of one year with the next, the discounting costs will eventually unwind. The agency therefore adheres to the principle that fees are not set to recover more than 100% of costs.

Case administration fees are charged to the insolvent estate at the date of the event giving rise to the fee. The income is treated as such in the agency's accounts when it is earned rather than when it is initially recognised. Income in respect of costs awarded in directors' disqualification proceedings is recognised when:

- i) an order for costs (either interim or final) with a determined value has been made; or
- ii) where the court orders the costs "to be agreed or assessed" the value of the debt will be recognised when there is an agreement in writing or a default costs order is made following assessment by the court.

The fee regime was updated from 21 July 2016 which replaced the SoS fee with the General fee. The SoS fee remains applicable to those cases commencing prior to the new fees order; and the General fee applies thereafter. Consequently references to both the SoS fee and the General fee are made throughout these accounts, as both fees are applicable to the calculations of overall income and receivables.

Following the application of IFRS 15 *Revenue from Contracts with Customers* from April 2018 it is anticipated that there could be some significant changes to the amounts reported as income. This is because IFRS 15 introduces a new, principles-based five-step model to be applied to all contracts or other arrangements with those to whom the agency provides a service, which will replace the existing Standards IAS11 *Construction Contracts*, and IAS 18 *Revenue*. An assessment of how this might affect reported income in future years is given at Note 5. This note should also be read in conjunction with Notes 1(n) *Deferred Income*, Note 1(t) *Accounting for Over-Recovery of Income* and Note 2(a) and 2(b), below.

1(n) Deferred income

Deferred income is primarily made up of fees recovered on old regime cases (order dates before 1 April 2004) that have not yet been recognised as income. When the fees were recovered (after 31 March 2004) the Insolvency Service recognised deferred income in respect of its obligation to provide the case administration services.

Fee income from cases commenced before April 2004 is recognised in accordance with IAS18 *Revenue Recognition*, in that it is matched to the costs incurred in the relevant accounting period. Income is recognised to the extent that the official receiver has performed the case administration functions. The value of the services provided is calculated using the agency's costing and time recording systems. Costs to complete the case administration functions can be estimated reliably.

Surplus income, whilst not intentional (as per Note 1(m) above) can occur where amounts exceed the agency's forecast of costs required to complete the work on pre-April 2004 cases. This surplus income is recognised at the point at which no further costs associated with those revenues remain to be incurred.

1(o) Operating leases

Rentals payable under operating leases are charged to the Statement of Comprehensive Net Expenditure (SoCNE) account on a straight-line basis over the term of the lease.

1(p) Service concession arrangements

The Insolvency Service's IT system is deemed to be a service concession arrangement under IFRIC 12. The agency therefore follows the accounting treatment as prescribed in IFRIC 12 for service concession arrangements.

1(q) Non-cash charges

In accordance with HM Treasury guidance the following non-cash item is charged to the statement of comprehensive net expenditure account:

- i) audit fee (Note 4).

1(r) Financial assets - IAS 32

As per IAS 32 *Financial Instruments*, the agency has classified its case administration receivables, estate account receivables, and receivables for disqualification costs as financial assets. Case administration receivables are stated at the amount earned and carried at expected realisable values. Bad debts are written-off when it is established that they are irrecoverable. All receivables are reviewed as at the reporting period date. Receivables are discounted to reflect the time value of money. The discount rate used is 3.7% which is recommended by HM Treasury to be used for financial assets.

1(s) Value Added Tax (VAT)

The Insolvency Service is covered under the VAT registration of BEIS, which is responsible for paying over and recovering from HM Revenue & Customs any VAT on behalf of the agency.

Where VAT is recoverable by the agency the expenditure shown in the SoCNE is net of VAT. Outstanding recoverable VAT on expenditure is included in VAT receivables and is shown in Note 11 to the accounts.

1(t) Accounting for over-recovery income

The scope of IAS 18 states that this standard (IAS 18) shall be applied in accounting for revenue arising from the following transactions and events:

- i) The sale of goods
- ii) The rendering of services
- iii) The use by others of entity assets yielding interest, royalties and dividends (IAS paragraph 1).

For the rendering of services to be within the scope of IAS 18, there must be:

- i) performance by the entity (the Insolvency Service) of a contractually agreed task,
- ii) performance of such an agreed task over a period of time.

In the agency's view, no additional performance is performed by the agency to receive the SoS fee (applicable until 20 July 2016) or the General fee (applicable from 21 July 2016 onwards) and so the SoS and General fees are non-exchange transactions for the agency, hence outside of IAS 18. The SoS and General fees are akin to a tax or levy on asset-rich estates as they apply to all assets subject to insolvency proceedings regardless of whether the case is administered directly by the agency or on behalf of the agency by an Insolvency Practitioner. The SoS and General fees break the link with the initial customer, in that the fee paid (whether SoS or General will depend on the date the case commenced) by the asset-rich estate would go towards paying for the services provided to estates that have insufficient assets to pay the full Official Receiver fee. This is the cross-subsidy mechanism of the SoS and General fees.

As noted above, the Insolvency Service prepares its financial statements in accordance with the FReM. Section 8.1 of the FReM provides guidance on accounting for income, and section 8.2 advises on accounting for taxes/levies (a form of income), which is applicable to the Insolvency Service in relation to the SoS and General fees. The FReM advises that taxes are recognised when a taxable event has occurred. For the agency, the taxable event occurs when a chargeable receipt is received into the Insolvency Services' Account (i.e. when the cash is received), which only occurs once an asset is realised.

1(u) Correction of an error

The Insolvency Service's policy for correcting known errors once discovered is to follow IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, and to correct all material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery.

In the 2016-17 Accounts, deposits income amounting to £3.235m were double-counted due to an error. As a result, revenue and receivables were over-stated by £3.235m. The error has been corrected under IAS 8 by restating each of the affected financial statement line items for 2016-17, as follows:

i) Impact on SoFP (decrease in general fund):

As at 31 March 2017	£'000
Current assets:	
Financial assets	(3,235)
Total current assets	<u>(3,235)</u>
Impact on General Fund:	<u>(3,235)</u>

ii) Impact on SoCNE (increase in comprehensive net expenditure for the year):

Income from fees recoverable	(3,235)
Total operating income	<u>(3,235)</u>
Impact on comprehensive net expenditure:	<u>(3,235)</u>

The restatement does not impact the balance disclosed at 31 March 2016

1(v) Cash and cash equivalents

Cash comprises cash at bank and the cash equivalent balance is cash received during the realisation of assets by the Official Receivers, and is held by the Official Receiver against fees charged. Part of this balance is held in a bank account, and part is held in an investment account with the Commissioners for the Reduction of the National Debt (CRND), as required by legislation. The amounts held in both accounts can be drawn down on demand, and are transferred to the Agency bank account on a regular basis. For cash at bank, any bank overdraft amounts are included within trade payables and other liabilities

2 Significant areas of judgement

The Insolvency Service's estimation techniques and underlying assumptions utilised are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period.

The agency believes that the most critical accounting policies and significant areas of judgement/estimation arise from the method of revenue recognition in relation to case administration fee income and accounting for case administration receivables.

2(a) Case administration revenue recognition

The performance of official receivers' obligations gives rise to case administration income and assets, which the agency has the right to recognise. The agency measures this by reference to an average casework profile (one for bankruptcy and one for company cases). The casework profile shows the extent to which cases were complete over the year. The agency uses these profiles to calculate the amount of fees charged that should be recognised as income (Note 5).

Generally, the following assumptions in respect of when work is performed are valid:

- i) the work undertaken on cases is front loaded, i.e. a large proportion is undertaken in the first six months.
- ii) the majority of work undertaken by official receivers will be completed within three years of an insolvency order.

2(b) Case administration receivables

The Insolvency Service must make accounting estimates and judgments regarding the recoverability of its case administration receivables (Note 11). Information is provided here to allow users to understand how the agency has arrived at its estimates. For all of these estimates, it should be noted that future events rarely develop exactly as forecast, and estimates require regular review and adjustment.

The measurement of case administration receivables requires analysis of past trends of recoveries and a review of asset levels in insolvency cases. Asset values can be affected by economic factors e.g. property prices. Employment rates can affect the ability of bankrupts to make a financial contribution to the estate. Economic factors can determine the proportion of cases that have assets and will impact on the recoverability of fees. Judgement is also required in determining the timing of the case administration receivables. To the extent that it is not expected to recover the debt a bad debt write-off will be made (Note 4).

3 Employee costs

	2017-18			2016-17		
	Permanently employed	Others	Total	Permanently employed	Others	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	47,077	4,733	51,810	43,132	4,684	47,816
Social security costs	4,838	0	4,838	4,455	-	4,455
Other pension costs	9,615	0	9,615	8,957	-	8,957
Subtotal	61,530	4,733	66,263	56,544	4,684	61,228
Less recoveries in respect of outward secondments	(122)	-	(122)	(56)	-	(56)
Total net costs	61,408	4,733	66,141	56,488	4,684	61,172

Further information on employee numbers, compensation schemes and pension details can be found in the Remuneration and Staff Report.

4 Expenditure

	2017-18	2016-17
	£'000	£'000
Legal and other costs of investigation and enforcement	8,387	5,609
Operating leases - accommodation	5,017	5,099
Accommodation	4,542	4,493
IT infrastructure expenses	5,239	4,003
Operating leases - computers	3,216	2,730
General administrative expenses	2,090	1,884
Finance costs	159	103
Other costs	1,788	1,766
Disbursements funded from case administration fees	781	675
BEIS overhead including provision of shared services	856	736
Travel and subsistence	1,957	1,456
Non-cash items:		
Audit fee	101	101
Write-offs bad debt for investigation and enforcement	411	461
Write-offs bad debt for banking fees	195	319
Write-offs for case administration fees	(4,940)	(8,545)
Bad debt provision for investigation and enforcement	416	343
Provision for lease dilapidations	247	(127)
Provision for fruitless payments	(235)	736
Provision for onerous leases	-	(7)
Other provisions including adverse costs for disqualification proceedings	-	84
Unwinding of discount for provisions	(187)	9
Depreciation	1,817	1,676
Amortisation	814	2,307
Loss on Disposal	43	-
Impairment of non-current assets	-	394
Case administration - unwind discounting of receivables for fees	(416)	(207)
Total	32,298	26,098

5(a) Income

	2017-18	2016-17
	£'000	£'000
		(restated)
Redundancy payments administration	6,744	6,887
Insolvency case administration (2016-17 restated by a reduction of £3.235m)	57,645	65,558
Release of deferred income for insolvency case administration	1,262	843
Discounting costs	(320)	(516)
Estates accounts	1,593	1,849
Regulation of insolvency practitioners	1,548	1,490
Debt relief order administration	2,295	2,318
Online Debt Solutions	1,594	1,474
Investigation and enforcement	2,387	2,477
Rental income	633	927
Miscellaneous income	133	24
Criminal enforcement	374	704
Total Income	75,888	84,035

The case administration income £57.645m (2016-17: £65.558m - this has been reduced by £3.235m to reflect an error in the calculation of the deposit value for some cases) is recognised on an effort exerted basis using historic time recording data.

The case administration fee is charged to the estates on the making of the insolvency order but IAS18 (*Revenue Recognition*) allows fee income to be recognised only in respect of the work undertaken on those cases in the year. The basic principle is that the seller (the official receiver) obtains the right to be paid in return for the performance of his/her obligations under a contractual arrangement. The contractual obligations are set out in the relevant fees orders.

Online Debt Solutions came into operation from April 2016 and enables bankrupt individuals to apply for bankruptcy proceedings online in order to allow their cases to be speedily assessed by an Adjudicator before passing the case to the Official Receiver. A flat fee of £550 per applicant plus an Adjudicator fee of £130 is payable. The process replaces paper-based applications as part of the Government drive to assist those with debt problems and to streamline the use of paperless systems.

5(b) Implementation of IFRS 15 for 2018-19 and beyond: accounting consequences for reported income

Insolvency Services fees are charged for services which are provided to the user and meet the criteria in IFRS15 (9) with the exception of the General Fee which is defined as a tax.

Timing differences between recognised Income and cash recoveries due to the uncertain duration of cases would thus be accounted for at the year-end as Receivables in the SOFP. In addition, the general fee, which has no performance obligations attached, can be regarded for IFRS 15 as a tax and therefore non-adjustable.

However HMT guidance directs the application of IFRS15(15) for retained taxation, which requires the following conditions to be met before income can be recognised:

- i) There must be no remaining service obligations
- ii) Substantially all of the consideration (fees) promised have been received

We have proposed the following treatment to HMT:

Apply IFRS15(9): accepting that the requirements relating to contracts within IFRS15(9) as satisfied. The payment terms are established (payment due immediately upon the making of the order) and the general fee income is expected to be recovered, the General fee would be recognised as income at the point at which the order is made with a corresponding receivable.

Consideration of IFRS15 application to the recognition of general fee income will continue during 2018-19; this may substantially alter the basis on which income is recognised by the Agency in future and lead to significant changes in disclosure from 2018-19 onwards

6 Segmental reporting

All significant activities of the agency are derived from the Insolvency Act 1986, The Company Disqualification Act 1986, the Employment Rights Act 1996 and the Companies Act 2006 and are considered for segmental purposes to be one single class of business.

The following information on the main activities of the agency is produced for fees and charges purposes (see Note 1(m) for the policy on fees and charges) and constitutes segmental reporting under International Financial Reporting Standard 8, *Operating Segments*. Costs and income are reported to senior management on a monthly basis; therefore the year-end figures are reported below. The Statement of Financial Position is not reported to senior management so is not included below. The Criminal Enforcement team costs and income are included within 'Investigation and Enforcement' activities which are funded by BEIS.

	Income		Cost of service		Surplus/(deficit)	
	2017-18 £'000	2016-17 £'000	2017-18 £'000	2016-17 £'000	2017-18 £'000	2016-17 £'000
Activities funded from BEIS financing						
Policy advice and development	-	-	1,506	1,505	(1,506)	(1,505)
Investigation and enforcement	2,760	3,181	39,531	34,215	(36,771)	(31,034)
Total activities funded from BEIS financing	2,760	3,181	41,037	35,720	(38,277)	(32,539)
Activities funded from fees						
Insolvency case administration (income restated for 2016-17)	58,721	65,909	44,836	38,384	13,885	27,525
Estate accounts	1,593	1,849	1,858	1,637	(265)	212
Regulation of insolvency practitioners	1,548	1,490	1,860	1,578	(312)	(88)
Debt Relief Order administration	3,889	3,792	1,852	1,793	2,037	1,999
Other	633	927	252	1,149	381	(222)
Total activities funded from fees	66,384	73,967	50,658	44,541	15,726	29,426
Activities funded by HMRC						
Redundancy payments administration	6,744	6,887	6,744	6,887	-	-
ReCalc project				122	-	(122)
Total administration costs	6,744	6,887	6,744	7,009	-	(122)
Total of all activities	75,888	84,035	98,439	87,270	(22,551)	(3,235)

The figures in the table above are apportioned based on direct costs and overhead allocations.

The costs of £44.836m (2016-17: £38.384m) in relation to insolvency case administration includes bad debt write-back of £4.9m (2016-17: write-back of £8.5m) in relation to fees charged in previous years that were previously considered uncollectable. Common costs are apportioned largely on the basis of staff employed on the main activities.

7 Property, plant and equipment

2017-18

	Information Technology £'000	Plant & Machinery £'000	Assets Under Construction £'000	Total £'000
Cost or valuation				
At 1 April 2017	8,190	338	129	8,657
Additions	1,480	147	780	2,407
Disposals	-	(235)	-	(235)
Reclassifications	260	80	(340)	-
At 31 March 2018	9,930	330	569	10,829
Depreciation				
At 1 April 2017	4,764	196	-	4,960
Charged in year	1,746	71	-	1,817
Disposals	-	(193)	-	(193)
At 31 March 2018	6,510	74	-	6,584
Carrying value at 31 March 2018	3,420	256	569	4,245
Asset financing:				
Owned	-	256	-	256
Service concession arrangement (Note 16)	3,420	-	569	3,889
Carrying value at 31 March 2018	3,420	256	569	4,245

2016-17

	Information Technology £'000	Plant & Machinery £'000	Assets Under Construction £'000	Total £'000
Cost or valuation				
At 1 April 2016	8,173	340	528	9,041
Additions	-	6	189	195
Disposals	(135)	(50)	-	(185)
Reclassifications	152	42	(194)	-
Impairments	-	-	(394)	(394)
At 31 March 2017	8,190	338	129	8,657
Depreciation				
At 1 April 2016	3,264	205	-	3,469
Charged in year	1,635	41	-	1,676
Disposals	(135)	(50)	-	(185)
At 31 March 2017	4,764	196	-	4,960
Carrying value at 31 March 2017	3,426	142	129	3,697
Asset financing:				
Owned	924	142	-	1,066
Service concession arrangement (Note 16)	2,502	-	129	2,631
Carrying value at 31 March 2017	3,426	142	129	3,697

8 Intangible assets

2017-18

	Software	Internally Developed	Assets Under Construction	Total
	Licences	System		
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2017	304	13,293	40	13,637
Additions	11	-	-	11
Reclassifications	-	40	(40)	-
At 31 March 2018	315	13,333	-	13,648
Amortisation				
At 1 April 2017	244	10,510	-	10,754
Charged in year	54	760	-	814
At 31 March 2018	298	11,270	-	11,568
Carrying value at 31 March 2018	17	2,063	-	2,080
Asset financing:				
Owned	17	2,063	-	2,080
Carrying value at 31 March 2018	17	2,063	-	2,080

2016-17

	Software Licences £'000	Internally Developed System £'000	Assets Under Construction £'000	Total £'000
Cost or valuation				
At 1 April 2016	291	12,499	1,771	14,561
Additions	-	-	470	470
Reclassifications	13	2,188	(2,201)	-
Impairments	-	(1,394)	-	(1,394)
At 31 March 2017	304	13,293	40	13,637
Amortisation				
At 1 April 2016	191	9,650	-	9,841
Charged in year	53	2,254	-	2,307
Impairments	-	(1,394)	-	(1,394)
At 31 March 2017	244	10,510	-	10,754
Carrying value at 31 March 2017	60	2,783	40	2,883
Asset financing:				
Owned	60	2,783	40	2,883
Carrying value at 31 March 2017	60	2,783	40	2,883

9 Impairments

The Insolvency Service carried out an impairment review during the year (as at 31 March 2018) comparing the carrying amounts of PPE and Intangible Assets with their recoverable amount. The carrying amount is the value in the Statement of Financial Position (SoFP), while the recoverable amount is the higher of net realisable value and value in use. If the net realisable value cannot be ascertained then the value in use is taken.

There were no impairments identified within Notes 7 PPE and 8 Intangible Assets.

10 Financial instruments

The Insolvency Service has classified its case administration fee receivables as financial assets. The majority of case administration fees are recovered over a period of 6 years but a small proportion will be recovered beyond 6 years, as the recoveries can only be made when assets are recovered in an insolvent estate. The receivables therefore play a significant medium to long-term role in the financial risk profile of the agency. The timing of the recoveries exposes the agency to interest rate risk. Accounting estimates and judgements regarding the recoverability of case administration receivables are disclosed (Note 2(b)).

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Insolvency Service discounts its financial assets at the nominal rate determined by HM Treasury for financial assets, currently 3.7%.

As the cash requirements of the agency are met through the government estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the agency's expected purchase and usage requirements and the agency is therefore exposed to little credit, liquidity or market risk.

11 Trade receivables, financial and other assets

	2017-18	2016-17
	£'000	£'000
		(Restated)
Amounts falling due within one year:		
Financial assets		
Receivables for fees - case administration (restated for 2016-17)	21,540	27,548
Receivables for disqualification costs	1,710	1,487
Receivables for fees - estate accounts	943	840
Trade receivables and other assets		
Prepayments	2,314	2,717
VAT receivables	557	810
Other receivables	1,580	1,258
Employee receivables	111	166
Total	28,755	34,826
Amounts falling due after more than one year:		
Financial assets		
Receivables for fees - case administration	10,095	4,672
Receivables for disqualification costs	1,294	1,441
Trade receivables and other assets		
Employee receivables	440	364
Total	11,829	6,477
Total receivables, financial and other assets	40,584	41,303

The receivables for estate accounts fees have been reduced by a bad debt write-off of £195k (2016-17: £319k).

Included within the above figures are receivables for fees - case administration. The balance of £21.540m for amounts expected to be recovered within one year (2016-17: £27.548m - this has been reduced by £3.235m to reflect an error in the calculation of some deposits, which can also be seen as a reduction in case administration income in Note 5) and £10.095m for amounts expected to be recovered in more than one year (2015-16: £4.672m). This figure represents sums recoverable by the agency for case administration work undertaken, but not yet received.

As explained in Notes 2(a) and 5a, the agency, in accordance with IAS 18, does not recognise income on the basis of actual fee recoveries. Income is based on the average cost of work undertaken and recognised over a period of 36 months in relation to the work effort expended, regardless of when cash receipts are banked.

The costs of administering bankruptcy or companies winding-up are reflected in a case administration fee. From 21 July 2016 the fees have been set at £1,990 for debtor bankruptcy, £2,775 for creditor bankruptcies and £5,000 for companies winding-up. In practice, the agency recovers its fees in part through the receipt of a deposit (from 21 July 2016: £550 for debtor petitions, £990 for creditor petitions and £1,600 for companies) with the balance met as assets in bankruptcy or winding-up are realised. Cash recoveries from asset realisations lag behind income recognised in the accounts and the difference between the two is therefore reported as a receivable.

Not all individuals who enter bankruptcy or companies being wound up have sufficient assets to cover the case administration fees. Until 2015-16, this shortfall was in part made good by the addition of a further fee (Secretary of State fee) on cases where there are assets of more than £2,000 (bankruptcies) and £2,500 (companies). As with the case administration fee, recoveries from asset realisations which fund the Secretary of State (SoS) fee lag behind the income attributable to case administration and so the difference between the two is included as part of receivables.

From 21 July 2016 the general fee replaced the SoS fee, and was set at £6,000 and is recovered from all assets once the balance of the administration fee has been satisfied.

Factors which influence the timing, nature and amount of future fee recoveries

The determination of future receivables is subject to considerable uncertainty. It has proved difficult to establish reliable estimates of future asset realisations for cases in bankruptcy or liquidation. The agency combines evidence of past asset recoveries with statistically-based approaches in order to assess overall fee recoveries.

The main forecasting uncertainties are:

- the pattern and period over which assets will be realised to fund fee recoveries;
- the average realisable value of assets of estates entering bankruptcy or liquidation;
- the age of a case, where financial risk is greater when outstanding debt is at its highest;
- wider economic factors eg interest rates impacting the value of assets associated with estates;

The agency has sought to mitigate risks of under-recovery through significant changes to the fee structure in 2016-17, to better align fees charged to realisable assets and to ensure that the cost of the service is borne by users of the service.

Where there has been an absence of reliable asset realisation data, the agency has utilised a combination of:

- i) historical trend analysis of cash received from fees recovered
- ii) statistical forecasts of future cash recoveries
- iii) known intelligence on future asset realisation trends

in order to estimate the fair value of the case administration receivable.

The agency is constantly refining its data assets and uses these to estimate future income and receivables based on historic data. The selection of data in use has been subjected to sensitivity testing against a wider data set, which has evidenced that alternative selections do not present a material change.

Additional testing of the sensitivity of fee recoveries demonstrates that a 5% change in assets is likely to have a resulting impact on Admin and General fees of <2.3% and a 10% change a <4.7% impact.

The agency's forecasts are reviewed by internal and external stakeholders with experience and knowledge of the business and specialists from the modelling community and have agreed that the continued use of the above principles was the most appropriate approach.

Forecasting assumptions of reported receivables

The Insolvency Service bases estimates of future fee recoveries on income models and on analysis of historical trends to produce forecasts of both the value and timing of future cash flows. Changes to fee charging regimes reduce the reliability of comparative judgements between different regimes and as fee regimes have aged their contribution has changed.

Receivables for case years prior to 2010 now from <15% of the total and the reliance on forecasting recoveries has therefore decreased.

Case years from 2010-2016 are now fully recovered and will only deliver further income where further recoveries are made and costs have exceeded the fees charged.

The balance of £22m relates to the last 2 case years, where recoveries are based on income modelling using discounted fee recognition.

Assumptions regarding underlying asset realisations are:

- a) Payment Protection Insurance (PPI) claims will continue to be settled by the major banks during 2018-19 and 2019-20 in line with their stated intention to take a proactive approach to crystallising their PPI liabilities.
- b) long-term realisations will include the bankrupt's family home and fee recoveries may be impacted by the increase in UK average house prices (notably 4.2% to March 2018).

Receivable figures for all case years are expected to be £32.34m (2016-17: £32.22m) (undiscounted). Strong asset realisations driven by the work of the official receivers has resulted in fee recoveries being higher than expected. The strong fee recoveries were due mainly to receipts related to PPI claims and long-term asset realisations, including property interests in bankruptcies and pension funds. This has enabled the agency to write-back case administration fees, previously regarded as irrecoverable, totalling £4.938m (2016-17:£8.543m) (undiscounted).

12 Cash and cash equivalents

	2017-18	2016-17
	£'000	£'000
Balance at 1 April	77,931	67,219
Net change in cash and cash equivalent balances	19,318	10,712
Balance at 31 March	97,249	77,931

The following balances at 31 March were held at:

Government banking service (ISA account)	93,984	53,548
Government banking service	3,265	24,383
Balance at 31 March	97,249	77,931

Cash comprises cash at bank of £3m (2016-17: £24m) and a cash equivalent balance of £94m (£54m). The cash equivalent balance is made up of cash received during the normal course of Official Receivers' activities, and is held by the Official Receiver against fees charged. Part of this balance is held in a bank account, and part is held in an investment account with the Commissioners for the Reduction of the National Debt (CRND), as required by legislation. The amounts held in both accounts can be drawn down on demand, and are transferred to the Agency bank account on a regular basis

13 Trade payables and other current liabilities

	2017-18	2016-17
	£'000	£'000
Amounts falling due within one year:		
Payables	3,716	4,586
Accruals	10,519	9,736
Due to the Consolidated Fund	15,100	15,460
Deferred fee income	844	736
Service concession arrangement	295	289
Accrued employee benefits	2,065	1,967
Total	32,539	32,774
Amounts falling due after one year:		
Service concession arrangement	25	319
Total	25	319

Accruals made in 2017-18 for expenditure relating to the year but not yet paid total £10.519m (2016-17: £9.736m). Notable items included £2.3m (2016-17: £5m) for commitments to pay staff exit costs (for schemes formally accepted by staff during 2014-15 and 2015-16); as well as £2.3m (2016-17: £2m) in relation to rental payments due for properties the agency occupies but which had not been invoiced for as at 31 March 2018, and £1m for new laptops and £1m for IT costs.

Payments due to the Consolidated Fund for 2017-18 are £15.100m (2017-18: £15.460m).

The payables for service concession arrangements were for the IT infrastructure - Note 16.

Deferred income

Deferred income as at 31 March 2018 was £844k (2016-17: £736k) of which £595k (2016-17: £221k) related to insolvency practitioner regulation fees. The remaining £248k (2016-17: £515k) related to case administration fee income, for fees recovered on old regime cases (before 1 April 2004) that had not yet been recognised as income in the annual accounts.

The only fee that remained for old regime cases after 1 April 2004 was SoS fee. The SoS fee was left in place to recover sufficient fees to discharge the cost of completing cases with a pre-1 April 2004 insolvency order (a time and rate fee is used to recover the costs of distribution on old cases). The SoS fee in relation to old regime cases was reduced on 1 April 2006 and revoked on 1 April 2007.

£1,262k (2016-17: £843k) of deferred income was recognised as income in 2017-18 (Note 5).

14 Provisions for liabilities and charges

2017-18	Pre 1996					Total
	Debit					
	Fruitless	balance	Lease	Onerous	Other	
	payments	write-offs	dilapidations	leases		
£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 1 April 2017	741	109	3,119	-	165	4,134
Provided in the year	-	-	247	-	148	395
Provisions utilised in the year	(275)	-	-	-	(126)	(401)
Provisions not required written back	(235)	(109)	-	-	(39)	(383)
Borrowing costs (unwinding of discount)	-	-	(187)	-	-	(187)
Balance at 31 March 2018	231	-	3,179	-	148	3,558

Analysis of expected timing of discounted flows

	Pre 1996					Total
	Debit					
	Fruitless	balance	Lease	Onerous	Other	
	payments	write-offs	dilapidations	leases		
£'000	£'000	£'000	£'000	£'000	£'000	
Not later than one year	231	-	1,091	-	148	1,470
Later than one year and not later than five years	-	-	2,088	-	-	2,088
Later than five years	-	-	-	-	-	-
Balance at 31 March 2018	231	-	3,179	-	148	3,558

2016-17	Pre 1996					Total
	Debit					
	Fruitless	balance	Lease	Onerous	Other	
	payments	write-offs	dilapidations	leases		
£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 1 April 2016	96	116	3,363	60	135	3,770
Provided in the year	741	-	72	-	125	938
Provisions utilised in the year	(91)	-	(127)	(53)	(60)	(331)
Provisions not required written back	(5)	(7)	(198)	(7)	(35)	(252)
Borrowing costs (unwinding of discount)	-	-	9	-	-	9
Balance at 31 March 2017	741	109	3,119	-	165	4,134

Analysis of expected timing of discounted flows

	Pre 1996					Total	
	Fruitless payments	Debit balance		Lease dilapidations	Onerous leases		Other
		write-offs					
	£'000	£'000	£'000	£'000	£'000	£'000	
Not later than one year	741	18	1,200	-	165	2,124	
Later than one year and not later than five years	-	73	1,919	-	-	1,992	
Later than five years	-	18	-	-	-	18	
Balance at 31 March 2017	741	109	3,119	-	165	4,134	

Fruitless payments

Fruitless payments are those losses that relate to acts or omissions where the loss would otherwise result in the non-recovery of insolvency fees or be suffered by creditors or third parties. At the year-end, provisions were held in respect of 1 case (2016-17: 4 cases) totalling £231k (2016-17: £741k).

Pre 1996 debit balance write-offs (DBWO)

Prior to 1 April 1996 fees were handed over to BEIS regardless of whether there was enough money in the insolvency estate to pay them. This gave rise to debit balances being created where estates did not realise sufficient monies to pay fees and disbursements charged to them. When these cases were completed these debit balances had to be recovered from BEIS. This was achieved by a write-off against current year fees. As at 31 March 2018 the full balance was written off.

Lease dilapidations

The agency operates from a number of locations in England, Wales and Scotland. Since 2010 the demand for official receiver services has fallen sharply.

The implementation of the estates strategy to reduce the number of locations across England and Wales (reflecting the continuing fall in case numbers) was substantially carried out during 2012-13 and 2013-14. As part of the review, provision for dilapidations was created which represents the estimated cost of making good the infrastructure of the leases, under the lease terms. The agency holds provisions for dilapidations for 22 locations; as at 31 March 2018 the provision held per location was adjusted by £247k (2016-17: £72k) based on the increase in building costs by reference to BCIS (the Building Cost Information Service; a cost guide provided by the Royal Institution of Chartered Surveyors). No provision was utilised during 2017-18 (2016-17: £127k) and there were no write-backs of existing provision for any lease (2016-17: £198k for Sheffield, Hull and Bristol offices).

Onerous leases

There are no longer any onerous leases held for the agency's properties as at 31 March 2018.

Other provisions

At the start of the year, other provisions consisted of £165k (2016-17: £135k) for potential adverse cost claims in disqualification proceedings and a potential employment tribunal claim.

During the year, £126k was utilised (2016-17: £60k), and £39k (2016-17: £35k) was written-back as not required. There were three (2016-17: two) new provisions created during 2017-18 totalling £148k (2016-17: £125k).

All amounts provided for in the year and all provisions not required and written back are recorded as non-cash costs (Note 4).

15 Commitments under leases

Operating leases

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

	2017-18	2016-17
	£'000	£'000
Obligations under operating leases for the following periods comprise:		
Buildings		
Not later than one year	5,199	5,749
Later than one year and not later than five years	3,974	9,173
Later than five years	-	-
Total	9,173	14,922

16 Commitments under service concession arrangements

On 12 November 2012, the Insolvency Service entered into a contractual agreement with a private sector organisation for the provision of IT hardware, software and related services under the Desktop 21 framework. The contract runs for an initial term of 5 years from the point at which the IBM exit was completed (30 April 2014).

Total obligations under 'on-balance sheet' service concession arrangements for the following periods comprises:

	2017-18	2016-17
	£'000	£'000
Rentals due not later than one year	294	289
Rentals due later than one year and not later than five years	25	319
	319	608
Less interest element	(4)	(13)
Present value of obligations	315	595

Charge to the Statement of Comprehensive Net Expenditure and future commitments

As the commitment ends in 2019, there are no commitments later than five years.

	2017-18	2016-17
	£'000	£'000
Not later than one year	2,160	2,042
Later than one year and not later than five years	-	2,160
Total	2,160	4,202

17 Contingent liabilities disclosed under IAS 37

The Insolvency Service has the following contingent liabilities:

Banking liabilities

Following the enactment of the Cheques Act 1992, the Secretary of State for BEIS has indemnified the Insolvency Service's bankers against certain liabilities arising in respect of non-transferable "account payee" cheques due to insolvent estates and paid into the accounts of the agency.

The Police Information Technology Organisation (Home Office) provides the Criminal Enforcement Team (formerly part of BEIS) with access to data from the Police National Computer (PNC). The Insolvency Service (and BEIS) has indemnified the police against any liabilities which they might incur as a result of providing that access.

18 Losses and special payments

During the year, the Insolvency Service made the following payments. In all cases, the agency sought formal approval for its proposals and actions in regard to these matters from either HM Treasury direct or indirectly through BEIS. As per 2016-17, there were no special payments.

Losses statement

Fruitless payments are those losses that relate to acts or omissions in insolvency cases where the loss would otherwise result in the non-recovery of insolvency fees or be suffered by creditors or third parties. During 2017-18, the agency made 48 fruitless payments totalling £247k (2016-17: 133 payments totalling £191k).

Of these, there were 25 cases totalling £4k (2016-17: 91 cases totalling £45k) related to the failure to admit a creditors proof of debt in the dividend process. There were 2 cases costing £74k (2016-17: 5 cases costing £32k) for failure to deal with an asset. The remaining 21 payments were for compensation following complaints and miscellaneous errors (2016-17: 29 payments).

	2017-18	2016-17
	£'000	£'000
Total fruitless payments	247	191
Number of cases	48	133

Claims abandoned

Costs are awarded to the Secretary of State when disqualification orders have been made or undertakings given after proceedings have been issued. Such costs would ordinarily cover legal costs. In some cases it is not possible to collect the debts and the agency has to write off some or all the amounts awarded. During 2017-18 there have been 65 write-offs totalling £411k (2016-17: 77 cases totalling £804k).

	2017-18	2016-17
	£'000	£'000
Total claims abandoned	411	804
Number of cases	65	77

19 Related-party transactions

The Insolvency Service is an executive agency of BEIS; BEIS is regarded as a related-party. During the year, there have been various material transactions with the department and with other entities for which the department is regarded as the parent department (being Companies House).

There have also been various material transactions with other government departments and other central government bodies. Most of these transactions have been with the Government Legal Department and HMRC.

None of the board Members, key managerial employees or other related parties has undertaken any material transactions with the agency during the year.

The compensation of key management personnel is set out in the remuneration and staff report

20 Financial exposure

IAS 32 and IAS 39 govern the presentation, measurement, recognition and disclosure of financial instruments. Disclosures are required in relation to the financial instruments which give rise to risks that affect the entity's overall financial position, performance or cash flows.

Due to the largely non-trading nature of its activities and the way in which it is financed, the Insolvency Service is not exposed to the degree of financial risk faced by business entities. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the agency in undertaking its activities.

Interest rate risk

The agency's case administration receivables are financial assets in that there is a contractual right to receive cash. The specific risk that needs to be considered is the interest rate risk i.e. the risk that the value of a financial instrument will fluctuate due to changes in interest rate.

The agency discounts its financial assets at the rate determined by HM Treasury, currently 3.7%. The agency recognises that its case administration receivables play a significant medium to long-term role in the financial risk profile and believe that by discounting at 3.7% this is an appropriate method to calculate the level of risk faced.

Liquidity and foreign currency risk.

The agency has exposure to significant liquidity risks due to the timing of the recoveries of the case administration receivables. This risk is managed by the provision of inter-entity cash funding from BEIS which allows the agency to retain inter-entity balances to meet cash flow requirements.

The Insolvency Service has no exposure with regards to foreign currency risk.

21 National Insurance Fund

Redundancy payments are made from the National Insurance (NI) Fund to employees whose employers have failed to make payments due or who were insolvent. The Insolvency Service has a service level agreement (SLA) with HM Revenue & Customs to administer the scheme.

The accounts include the administration costs and associated income of administering the NI Fund; and the fund payments and receipts will be published in the consolidated resource accounts of BEIS.

The receipts related to this scheme arise from two sources:

- a) solvent recovery: where monies are recovered for the NI Fund over a period of up to three years from companies, that are continuing to trade but would not be able to do so if they had to meet the full costs of redundancy payments at that time.
- b) insolvent recovery: BEIS becomes a creditor of the insolvent company in place of the employee paid from the NI Fund and receives a dividend if there are sufficient funds to make a payment to creditors in the winding-up of the company.

Most of the payments made from the NI Fund are in respect of employees of insolvent companies and therefore most of the debt is unrecoverable.

22 Third Party Cash

DRO pre-application fees

Following extensive public consultation by the Government examining the accessibility of debt relief, it was established that there was a relatively large proportion of debtors who were unable to access any form of debt relief due to the costs involved in seeking relief via bankruptcy or other methods.

Therefore, in order to provide debtors with better access to debt relief, one of the measures introduced by the Tribunals, Courts and Enforcement Act 2007 was a new form of debt relief called a Debt Relief Order (DRO), which came into force from 6 April 2009.

In contrast to other forms of debt relief, DROs are delivered in partnership with debt advisors, primarily from the advice sector. Representatives from the advice sector act as 'approved intermediaries' and assist debtors in making their application for a DRO to the Insolvency Service. Intermediaries are able to apply for a DRO with or on behalf of the debtors via an online application form. It is the Official Receiver, and not the Court, who considers the DRO application. As a result of this, the costs involved in accessing debt relief have been greatly reduced in order to meet the needs of those people who would otherwise be without any other form of debt relief:-

A person must complete an application form and pay a fee of £90 to be considered for a DRO by the Official Receiver. Under Section 251B (4) of the Insolvency Act 1986,

(4) For the purposes of this part an application is not to be regarded as having been made until

- a) the application has been submitted to the official receiver; and
- b) any fee required in connection with the application by an order under section 415 has been paid to such person as the order may specify.

The fee only becomes payable to the Insolvency Service once a DRO application is submitted and subsequently determined by the Official Receiver, as outlined in paragraph 6 (4) The Insolvency Proceedings (Fees) (Amendment) Order 2009.

Applicants can pay this fee in instalments (but the application won't be considered until the full £90 is received), and as such, there is a balance of funds held on behalf of these applicants which is not included within these accounts. On a monthly basis, a procedure is followed whereby any funds due to the Insolvency Service for 'accepted' applications is paid into the agency's bank account (and amounts are accrued at year-end). The current value of the accrued funds shown as income within these accounts is £2.295m (2016-17: £2.318m). The balance remaining not yet recognised as income (due to timing and applications not yet being complete) was £614k as at 31 March 2018 (£836k as at 31 March 2017).

Redundancy Payments (RP) service bank accounts

As outlined in Note 21, the Insolvency Service makes payments to people who have been made redundant where their employer is not able to make the redundancy payments themselves. These payments are made from the National Insurance (NI) Fund on behalf of HMRC. The agency holds two bank accounts for the administration of the service. The RP Payments account is held to make payments to claimants. The balance of this account as at 31 March 2018 was £6.961m (31 March 2017: £6.973m). A daily request is made to HMRC for funds to cover payments made out of this account. The RP Receipts account is held to receive funds in from dividends realised from the estates of insolvent employers where the agency has substituted as a creditor in place of the employee. It also receives repayments made by solvent companies that have received financial assistance to fund redundancies which enable the survival of the business. The balance on this account as at 31 March 2018 was £0.550m (31 March 2017: £0.244m). As agreed with HMRC, the receipts held are sent to HMRC on a monthly basis.

23 Events after the reporting period date

There have been no events after the Statement of Financial Position and up to the date the Accounts were authorised for issue requiring an adjustment to the Financial Statements. The date the Accounts were authorised for issue is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

CCS0618946608
978-1-5286-0608-0