

The Insolvency Service
Annual Report and Accounts
2010-2011

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Annual Report and Accounts 2010-11

The Insolvency Service is an executive agency of the Department for Business, Innovation and Skills.

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Annual Report presented to the House of Commons by Command of Her Majesty.

Annual Report and Accounts presented to the House of Lords by Command of Her Majesty.

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INVESTOR IN PEOPLE

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Chief Executive's Introduction



Welcome to The Insolvency Service's Annual Report and Accounts for 2010-11. The 12 months covered by this report were perhaps the most challenging in The Service's 21-year history as an agency and it is therefore with operational matters that I start this year's foreword.

After a prolonged period of growth in bankruptcy numbers, we entered 2010-11 with bankruptcy numbers starting to fall. In 2010-11, that trend continued and indeed accelerated such that, overall, cases in the year were down a quarter on the year earlier. This fall represented a significant challenge for The Service coming much sooner after the end of the recession than many commentators expected.

In anticipation of the loss of income associated with this, The Service had taken a number of cost-cutting steps towards the end of the previous financial year, including starting to reduce numbers of non-permanent workers. At the height of the recession, more than one in five of our workforce were temporary workers. In autumn 2010, we took the decision to release the great majority of the remainder and we started to plan an exit scheme for permanent staff – our first ever.

The Service does not have reserves that it is able to use for exit schemes so I am grateful to BIS for agreeing to provide funding for our scheme. The Service ran a voluntary exit scheme from December which resulted in 470 – around 18% – of our permanent staff leaving just after the end of the financial year under the terms of the new Civil Service Compensation Scheme.

There were other cost pressures too. In June 2010, the new coalition Government announced as a part of its deficit reduction programme significant in-year spending cuts as a result of which The Service was asked to find savings of up to 11% in taxpayer-funded activities. I am pleased to say that The Service was able to make a very positive response to this request. Our budgets net of those reductions then formed the baseline for the Spending Review that was announced in October.

As a result of these various cost-reduction measures The Service delivered a reduction in its overall spend in 2010-11 of £25 million or 12.3% compared to 2009-10 and, as a result of our voluntary exit scheme, there will be a further £14 million reduction in our paybill this year and further cost reductions of over £3 million. This is, in my view, a significant achievement in such a short space of time.

Since the credit crunch which preceded the recession, the value of assets in insolvent estates – especially property – has fallen or stagnated, lowering the overall value of estates and hence our ability to recover the balance of our case administration fee. In our annual report last year we expressed the view that some of the effect of this could be offset by official receivers claiming compensation for payment protection insurance mis-selling. However, work we have done during the year has shown that the likely level of recoveries from this route is far lower than we had expected. As a result, it has become necessary to write down the value of assets in insolvencies yet to be realised on our balance sheet in our accounts this year.

This write-down is a significant one-off adjustment that reflects the cumulative effects of the credit crunch and the recession on our business. This measure, together with the restructuring of our fees last year and again this year and further operational measures to improve asset realisation rates should help to stabilise the position and enable us to work towards starting to reducing our reliance on the Secretary of State fee and reducing headline fees in the medium term, both of which I am very keen for us to do.

The year was not, however completely dominated by operational matters. In July, the Office of Fair Trading published a report on the market for corporate insolvency practitioner services, concluding that there was room for some improvements to strengthen the position of unsecured creditors and that reforms to the regulatory system for insolvency practitioners would also be desirable. The Service has recently consulted on proposals for regulatory reform and will be taking this forward this year with practitioners, their regulators, creditors and other interested parties.

Last summer, the coalition Government announced a review, led by BIS and HM Treasury of consumer credit and debt, including a review of the personal insolvency regime, on which The Service launched a call for evidence during the winter. We have also been active on corporate insolvency policy, consulting on changes to the pre-pack regime to strengthen the safeguards for unsecured creditors, and on aspects of corporate restructuring.

Our investigation and enforcement work continued apace with an average of six company directors being disqualified every working day, for an average of 6.1 years each and an average of more than three criminal convictions per week being obtained on the basis of initial investigations done by The Service and handed onto criminal prosecutors, with whom we work very closely. We have also invested in getting better publicity for our enforcement work so that company directors, consumers and others are clearer about the potential consequences of misconduct in insolvency or in corporate life.

The fall in compulsory insolvencies, generally lower levels of complaints about all forms of corporate misconduct and the operational effects of significant staff reductions means that we expect to see fewer enforcement outputs this year and next. But we remain as committed as ever to protecting consumers and businesses from the actions of the unscrupulous companies, directors and individuals.

Redundancy payment claims levels remained high – though not as high as the year before – and I am pleased to say that we were able to make payments on average considerably faster than the targets that Ministers set for us last year.

Indeed, in what was our most challenging year, I am pleased to be able to report that The Service has met all but one of the operational targets set for us last year. For this, I would like to pay tribute once again to our magnificent staff whose professionalism and pride in their work remains as strong as ever.



Stephen Speed
Inspector General and
Agency Chief Executive
8 July 2011

1 Agency Overview

The Insolvency Service is an executive agency of the Department for Business, Innovation and Skills (BIS). The Service fulfils a range of statutory functions and delivers a range of public services on behalf of the Secretary of State. It exercises powers and duties on behalf of the Secretary of State from the Insolvency Acts 1986 and 2000, the Company Directors Disqualifications Act 1986, the Employment Rights Act 1996 and the Companies Acts 1985 and 2006, as well as from a range of secondary legislation relating to these acts.

The role of The Insolvency Service

The Insolvency Service exists to provide the framework and the means for dealing with financial failure and misconduct. It has four main goals:

- to maintain and develop a world-class insolvency law and regulatory framework;
- to deliver key public services that support the insolvency framework;
- to deliver and promote an effective investigation and enforcement regime; and
- to ensure an organisation devoted to continuous improvement.



In fulfilment of these goals, The Service:

- administers and investigates the affairs of bankrupts, individuals subject to debt relief orders, companies, and partnerships wound up by the court, and establishes why they became insolvent;
- acts as trustee or liquidator where no private sector insolvency practitioner is appointed;
- acts as nominee and supervisor in fast-track individual voluntary arrangements;
- acts on reports of bankrupts, individuals subject to debt relief orders and directors' misconduct;
- deals with the disqualification of unfit directors in all corporate failures;
- deals with bankruptcy and debt relief restrictions orders and undertakings;
- authorises and regulates the insolvency profession;
- assesses and pays statutory entitlement to redundancy payments when an employer cannot or will not pay its employees;
- provides estate accounting and investment services for bankruptcy and liquidation estate funds;
- conducts confidential fact-finding investigations into companies where it is in the public interest to do so;
- advises BIS Ministers and other government departments and agencies on insolvency, redundancy and other related issues; and
- provides information to the public on insolvency, redundancy and investigation matters via our website, leaflets, Insolvency Enquiry Line and Redundancy Payments Helpline.

Insolvency Service published targets

BIS Ministers determine the policy framework under which The Service operates. They set and review our targets, which are announced in Parliament at the beginning of each financial year. The Inspector General and Agency Chief Executive reports to BIS Ministers on the execution of policy, our progress towards targets, and our plans and proposals for future developments. Ministers do not become involved in the administration of individual cases, which fall under the courts' jurisdiction.

Each year BIS Ministers announce in Parliament the targets that they are setting The Insolvency Service. These targets span The Service's main business areas and are aimed at driving continuous improvement in the value for money and quality of service that we deliver.

Performance against these targets is monitored throughout the year by The Service's Steering Board and Directing Board. Table 1 shows The Service's performance against these published targets for 2010-11.

TABLE 1: PUBLISHED TARGETS 2010-11

Published targets 2010-11	Target	Achieved
User Satisfaction levels as measured through our Agency User Satisfaction Index	90	90
Level of real term reduction in fees for insolvency case administration	2.5%	2.9%
Percentage of reports issued to creditors within 8 weeks		
• for bankruptcy cases	92%	94%
• for company cases	80%	81%
Stakeholder confidence in The Service's enforcement regime	68%	64%
The average time from insolvency order to the instigation of disqualification proceedings in appropriate cases	19.0 months	18.7 months
Process redundancy payment claims for payment		
• within 3 weeks	78%	82.8%
• within 6 weeks	92%	95.2%

The Insolvency Service's governance arrangements

Steering Board

The role of the Steering Board is to advise the Secretary of State, through the Director General, Market Frameworks on the strategies that The Service proposes to pursue, the development of its strategic and corporate plans, the targets to be set for quality of service and financial performance (and monitoring and advising on performance against these) and the resources needed to meet those targets. The Steering Board comprises an independent chair, four independent members, The Director General, Market Frameworks, BIS and the senior executives of The Service.



Philip Wallace, Chairman

Philip joined The Service's Steering Board in September 2006. He retired as a partner in KPMG in 2005, where he had specialised in Corporate Recovery. Before retiring, he was a vice-chairman of KPMG in the UK. He was a founder member of the Insolvency Practices Council, a former chairman of the Insolvency Practitioners' Committee of the Institute of Chartered Accountants in England and Wales (ICAEW), and a member of the councils of ICAEW and R3, The Association of Business Recovery Professionals. He is a non-executive director of the Financial Services Compensation Scheme.



Rosalind Wright CB

Rosalind is the chairman of the Fraud Advisory Panel and is a member and past chairman of the Supervisory Board of OLAF, the European Anti-Fraud Office, based in Brussels. She was Director of the Serious Fraud Office from 1997 until April 2003. Before that she was a General Counsel and an Executive Director in the Securities and Futures Authority. Rosalind is currently the complaints commissioner for the London Metal Exchange. She joined The Service's Steering Board in May 2006 and was also an external member of the BIS Legal Services Group Board from 2002–2008.



Peter Holmes

Peter retired in 2008 from Accenture, a global management consultancy, IT systems integrator and outsourcing company. During his time with Accenture Peter undertook a number of senior management roles in their public service practice. He worked closely with clients in the UK, Canada, Southern Africa and the Nordic region on large IT enabled change programmes. Peter is a director and Vice President of Operations at Intellect, the trade association representing the UK information technology, telecommunications and electronics industries. He is also an independent non-executive director of a number of software and IT services companies. Peter joined The Service's Steering Board in May 2008.



Derek Morrison

Derek joined The Service's Steering Board in May 2008 and subsequently took up the role of chairman of The Service's Audit Committee in October 2008. Derek worked for over 30 years in the automotive industry and has held a number of senior executive positions within Ford Motor Company, including Chief Financial Officer for Volvo Car Corporation. He has had board experience with Volvo and also two other international companies. In the public sector, he has been Audit Chair for a large Strategic Health Authority and is presently Chairman of an NHS Trust.



David Ereira

David is a partner in Linklaters LLP specialising in banking, restructuring and insolvency. He is a member of the City of London Law Society Financial Law Committee, INSOL Europe and the Editorial Board of the Law and Financial Markets Review. He has assisted as a legal expert with the work of HM Treasury's Banking Liaison Committee on resolution of failing banks and investment firms. He is a trustee of Marie Curie Cancer Care. He joined the Service's Steering Board in November 2010.

Louise Brittain

(Until 19 September 2010)



Bernadette Kelly CB
Director General, Market Frameworks, BIS.



Anne Willcocks
is the Director of Policy and Regulation.



Stephen Speed
is the Inspector General and Agency Chief Executive.



Lesley Beech
is the Director of Finance, Governance and Accounting Services.



Les Cramp CBE
is the Deputy Chief Executive and Head of Corporate and Business Services.



Terence Hart
is the Director of Human Resources.



Graham Horne
is the Deputy Inspector General, Senior Official Receiver and Head of Official Receiver Services.



Marian Joyce
is the Director of Strategy, Planning and Communications.



Robert Burns
is the Head of Investigation and Enforcement Services and Inspector of Companies.

Audit Committee

The Audit Committee is a sub-committee of the Steering Board. It comprises three independent members, one of whom is chair, currently Derek Morrison. Philip Wallace and David Ereira are the other independent members of the committee, David having joined in early 2011. Meetings of the Audit Committee are usually attended by The Service’s Finance Director and its external and internal auditors. The Chief Executive also has the right to attend.

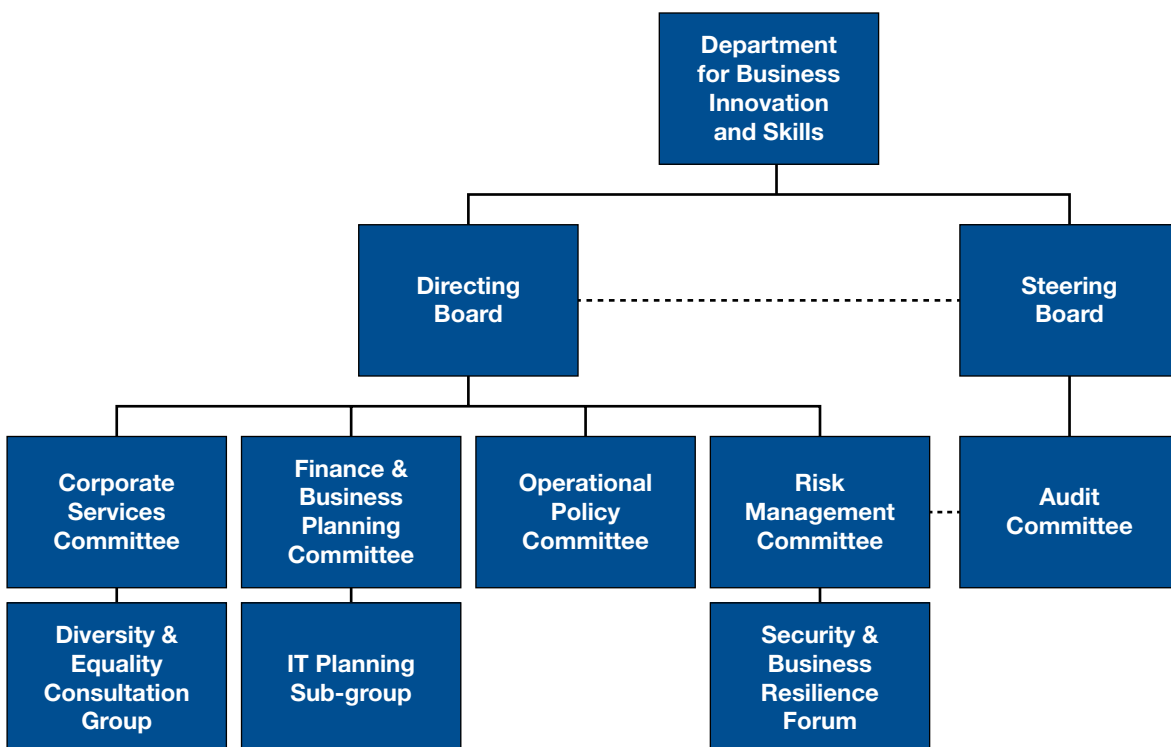
The committee advises the Chief Executive (in his capacity as Agency Accounting Officer) and the Steering Board on risk management, internal control, the annual financial statements and on any other issues on which they might request. As part of this, the committee agrees the scope and priorities for annual and longer-term audit work.

Directing Board

The Inspector General and Agency Chief Executive is the Agency Accounting Officer and is responsible for the day-to-day running of The Service. He is assisted in this by the Directing Board, The Service’s executive committee, comprising senior managers from The Service, who also provide him with advice and support on policy and strategic issues.

The Service has a corporate governance structure below its Directing Board. These Committees provide oversight and monitoring, as well as, in some cases, a professional opinion on the development of new approaches and procedures. The Committees escalate issues to the Directing Board where they raise significant Service-wide questions.

This year, we launched our staff Diversity & Equality Consultation Group (DECG), to help ensure that diversity and equality underpin what we do and how we do it. The DECG is made up of staff members who bring diverse perspectives, based on their grade, work and life experiences, knowledge and own characteristics, such as gender, age, disability, ethnicity, sexual orientation, and religion or belief. One of the DECG’s key activities is acting as an internal consultative body within The Service’s Equality Impact Assessment (EQIA) framework.



Auditors

The Service's annual accounts have been audited by the Comptroller and Auditor General (C&AG). The notional cost of the audit work for 2010-11 was £75,500. The cost is in respect of the audit services relating to the statutory audits of Agency Accounts and the Insolvency Services Account (ISA). It includes £24,000 in respect of additional work following migration to the new ISCIS IT system. There were no other services provided or assurance work undertaken by the C&AG during the year.

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

2 The Legislative and Regulatory Framework

“We will maintain and develop a world-class insolvency law and regulatory framework.”

This section covers the work of The Service during the year on policy development and delivery and on insolvency practitioner regulation.

Policy

The Service advises BIS Ministers on how to ensure that insolvency law is kept up-to-date and fit for purpose, in line with The Service’s commitment to operating a world class insolvency law and regulatory framework thus contributing to BIS’ strategic objective of building a dynamic and competitive UK economy.

In line with Government policy making more generally, there is close attention paid to the assessment of the impact of policies on those who might be affected by them.

This year, we have also launched a revised EQIA framework, underpinned by a diversity and equality resource library (see page 27). We consult on all new initiatives.

Personal insolvency

Debt relief orders (DROs)

Advice agencies raised concerns in early 2010 that a number of vulnerable debtors were unable to access a DRO because they had money held in a pension fund which exceeded the DRO asset limit of £300. These funds might not be available for some years and were unavailable to help the debtor in their current financial predicament. Following a consultation that closed in June 2010, the Minister announced in November 2010 that tax-approved pensions would be excluded from the eligibility rules. The Statutory Instrument amending the DRO rules came into force on 6th April 2011.

Personal insolvency review

In October 2010 we published the Government’s response to our consultation with the Ministry of Justice (MOJ) which had focused on debt management plans. The consultation had set out options for possible future action including the introduction of statutory debt management schemes. The response recognised that debt management plans are only one of a number of remedies that are available to people struggling with their debt and that, therefore, it is difficult to look at them in isolation.

Consequently, a Call for Evidence (Managing Borrowing and Dealing with Debt) was launched jointly with BIS and HM Treasury to look at the consumer credit and personal insolvency framework as a whole, to see whether any improvements could be made for people experiencing financial problems. The Government’s decisions on the way forward will be issued in due course.

Debtor petition reform

Earlier consultation on debtor petition reform showed that interested parties see benefits in removing the court from the bankruptcy process in circumstances where it is unnecessary for a court to resolve a dispute. During the year, we worked closely with the MOJ and HM Courts and Tribunals Service on how best to realise those benefits to produce a bankruptcy system that is suitably accessible and affordable, as well as providing an efficient service for all those who need to use it.

Corporate insolvency

Restructuring moratorium

In 2010, the Government launched a consultation on proposals for strengthening the framework for company rescue through extending the option of a moratorium for companies that need to restructure their debts. The proposal was that a restructuring moratorium would be available to companies that are seeking a contractual compromise, or are preparing a statutory compromise. In order to help safeguard creditors' interests, the directors' application for a moratorium must be sanctioned at a court hearing and a monitor would be involved at certain key stages of the process.

The consultation closed at the end of 2010, and further stakeholder discussions are planned for 2011 to refine the proposal.

Administration expenses

We have been considering the implications of a High Court decision handed down in December 2010 which ruled that the cost of complying with a Financial Support Direction issued by the Pensions Regulator after a company goes into administration ranks as an expense (rather than an unsecured claim) in the administration. We are currently considering evidence that a number of stakeholders have provided to support a request that legislative changes should be made to the administration expense regime in the light of that judgment.

Pre-pack administrations

The Service has continued to monitor compliance by insolvency practitioners with SIP16, a professional standard which practitioners are required to follow when appointed office-holder of a pre-pack administration.

Our latest report¹ was published in March 2011 and shows that overall compliance during 2010 increased to 75% from 62% in 2009 and that generally, the quality and timeliness of SIP16 reports we have received during 2010 has been much improved in comparison to those received during 2009.

Despite those improvements, the use of pre-pack sales, particularly those to connected parties (such as the existing management team), continues to attract criticism from creditors and the public. The previous Government published a consultation on pre-packs in March 2010 and the responses to that consultation² and the Government's response³ were published in March 2011.

The Government proposes that creditors are given notice where administrators intend to sell a significant proportion of the assets of a company in administration to a connected party, where there has been no open marketing of the assets. This will enable creditors to express concerns which the administrator would need to consider, or to make a higher offer for the assets, and in cases where the circumstances justify it, to apply to the court for injunctive relief. The Service will work closely with interested parties to refine the proposals with a view to introducing the changes as soon as possible by secondary legislation.

Insolvency rules

After the large number of modernisation changes which came into force on 6 April 2010, we are now engaged in a project to re-write and re-order the Insolvency Rules to make them easier to use.

In response to views expressed by users, during the year we invited comments on the proposed re-write and on an alternative and more limited option of making only necessary amendments to the existing rules. That alternative option would be less burdensome on users in terms of transition costs, but had the drawback that it would not deal with many of the structural problems inherent in the existing rules which have arisen as a result of the many amendments which have been made to them over the years.

1 <http://www.insolvency.gov.uk/insolvencyprofessionandlegislation/iparea/FINAL%20SIP%2016%20report%202010.pdf>

2 http://www.insolvency.gov.uk/insolvencyprofessionandlegislation/con_doc_register/FINAL%20Pre-packs%20summary%20of%20responses.pdf

3 http://www.insolvency.gov.uk/insolvencyprofessionandlegislation/con_doc_register/Sales%20of%20administrations%20pre%20packs%20HoC%20300311.pdf

After considering views expressed by stakeholders, Ministers decided to proceed with the full re-write but that implementation should be postponed until after October 2013. That will allow users to familiarise themselves with the modernisation changes made last year before preparing for the new instrument.

Investment bank rules

The Government introduced a new administration regime for investment banks. A bespoke system was deemed appropriate as there were considerable concerns that a protracted winding-up process in a future investment bank collapse could lead to a loss of market confidence and threaten the stability of financial markets.

Significant features included treating clients and creditors as two distinct groups of interested parties in the administration. Returning money to clients of the investment bank as quickly as possible was a key aim of the regulations. Continuity of supply services was extended to include information technology in view of the critical role such services play in investment banks.

The regulations came into force in February 2011. Associated rules have been laid before Parliament.

Scotland

The Scotland Bill, introduced on 30 November 2010, contains a clause that adjusts the powers of the Scottish Parliament to reserve fully the winding-up of all business associations. This follows a recommendation by the Commission on Scottish Devolution (the Calman Commission), which found that the current division of responsibility between the two Parliaments for corporate winding up has not always been clear, and has caused problems for users of the legislation as winding-up law changed in one jurisdiction but not the other. The Bill completed its Committee stage in the House of Commons on 15 March 2011.

International issues

In anticipation of The European Commission (EC) review of the EC Insolvency Regulation in 2011, The Service published the results of a stakeholder survey and a stakeholder group was set up to debate EU issues and assist with the UK input into the Commission's review. Topics under consideration by the group included the application of 'Centre of Main Interest' rules and the possibility of developing rules on group company insolvency.

In June 2010, UNCITRAL (the UN Commission on International Trade Law) finalised legislative guidance on the treatment of enterprise groups in cross border insolvencies. This was the culmination of work begun in 2006 which had been led by staff from the Policy team. Following this, we developed a proposal for legislative guidance on director and officer duties and responsibilities. The work was begun at the UN in Vienna in December 2010 and will continue throughout 2011. Once completed, the guidance will provide an invaluable tool for countries seeking to modernise their insolvency laws.

Research and evaluation

In November 2010 an interim evaluation report on Debt Relief Orders was published and found that DROs were readily accessible and on the whole, delivering the right kind of debt relief to the profile of debtors envisaged when the scheme was being developed.

On the corporate side, the result of a survey conducted by The Service into the functioning of the European Insolvency Regulation was published in March 2011 and a research study on the outcomes in Company Voluntary Arrangements, commissioned by The Service, was published in March 2011.

Policy funding and costs

The Service's policy work is funded from the administrative budget of BIS. Table 2 shows the costs and funding of our policy work over the past five years.

TABLE 2: POLICY FUNDING AND COSTS

Funding and costs	2006-07	2007-08	2008-09	2009-10	2010-11
	£'000	£'000	£'000	£'000	£'000
Policy funding from BIS	2,129	2,079	2,086	2,025	1,644
Policy costs	2,129	2,079	2,086*	2,025**	1,644

* 2008-09 figures have been restated as we have implemented International Financial Reporting Standards. The date of transition was 1 April 2008.

** 2009-10 figures have been restated to exclude the cost of capital. The Treasury no longer requires cost of capital to be included in the operating costs in government accounts.

Insolvency Practitioner Regulation

The Service is the oversight regulator of insolvency practitioners and ensures that the seven professional bodies (RPBs) that have been recognised by the Secretary of State to authorise their members as insolvency practitioners regulate them effectively. The Secretary of State also directly authorises a number of insolvency practitioners and this function is undertaken at arm's length by The Service's Insolvency Practitioner Unit.

Consultation on reforms to the regulation of insolvency practitioners

In June 2010 the Office of Fair Trading (OFT) published a report⁴ into the market for corporate insolvency practitioners and made a number of recommendations to Government. The study recognised that the market works well in the majority of cases, but not all. The OFT found that the current regulatory regime does not work as well for unsecured creditors as for secured creditors.

The OFT makes three broad suggestions for change:

- establishing an Independent Complaints Body;
- strengthening the regulatory regime, including setting clear objectives; and
- detailed amendments to particular regulations.

The Government is supportive of the OFT's recommendations, some of which would require primary legislation. In order to obtain the views of all stakeholders, a consultation⁵ was issued in February 2011 on a number of proposed reforms. The consultation seeks views on whether, and if so how, to implement the recommendations presented in the report. Views were invited by May 2011.

Annual review of insolvency practitioner regulation

The Service has published a further review of Insolvency Practitioner Regulation⁶, following the publication of previous reports in June 2009 (for 2008) and in March 2010 (for 2009). The Review sets out the essential features of the regulatory regime, what the public and businesses can expect from it and what The Service and the other insolvency regulators are doing to improve it. The Review also contains details of monitoring activities undertaken and provides statistical information about licence authorisations, sanctions and complaints.

Sanctions for professional misconduct may occur following a monitoring visit or the investigation of a complaint, and can range from agreeing an action plan for improvement to, in extreme cases, the removal of a practitioners licence. Of 1,733 licensed insolvency practitioners, 6 had their licences revoked or withdrawn in 2010.

4 http://www.offt.gov.uk/shared_offt/reports/Insolvency/oft1245

5 http://www.insolvency.gov.uk/insolvencyprofessionandlegislation/con_doc_register/IPConsult.pdf

6 <http://www.insolvency.gov.uk/insolvencyprofessionandlegislation/iparea/FINAL%202010%20Annual%20Review%20of%20IP%20Regulation.pdf>

Insolvency practitioner regulation funding and costs

Insolvency Practitioner (IP) regulation is operated on a cost-recovery basis. Since 6 April 2010 the fees have been:

- Individual Voluntary Agreement (IVA) registration fee, £15;
- for applicants seeking authorisation as an insolvency practitioner from the Secretary of State, an application fee of £850, and a maintenance fee of £2,400 for the first period of 12 months and thereafter a maintenance fee of £3,250; and
- a levy raised on each RPB by reference to the number of IPs they authorise, equivalent to £300 per IP.

TABLE 3: IP REGULATION

IP activity	2006-07	2007-08	2008-09	2009-10	2010-11
IVAs	47,975	38,672	39,981	49,586	49,754
IPs authorised by SoS	90	91	92	88	76
IPs authorised by RPBs	1,592	1,592	1,646	1,658	1,654*
Fees and costs	£'000	£'000	£'000	£'000	£'000
IP regulation fee income	1,155	935	991	1,473	1,547
IP regulation costs	835	1,003	1,054**	1,307***	1,505

* as at 1 January 2011.

** 2008-09 figures have been restated as The Service has implemented International Financial Reporting Standards. The date of transition was 1 April 2008.

*** 2009-10 figures have been restated to exclude the cost of capital. The Treasury no longer requires cost of capital to be included in the operating costs in government accounts.

Technical Section

Advice to official receivers is provided by Technical Section, which also provides updates to the Technical Manual, available on The Service's website. Technical Section also provides advice on responses to Freedom of Information and Data Protection Act requests directed to The Service. The section's Insolvency Enquiry Line dealt with almost 50,000 telephone enquiries and 6,000 written enquiries on insolvency issues during the year.

Statistics

The Service publishes the quarterly National Statistics covering headline personal and corporate insolvency figures and more detailed breakdowns for England and Wales, along with some key statistics for Scotland and Northern Ireland. Regional Official Statistics for individual insolvencies were published in the form of tables and maps covering the period from 2000 to 2009 and an interactive map at local authority level was added for the first time which further increased the visibility of The Service's statistics. The outcomes of Individual Voluntary Arrangements by year of registration were also published.

During the year, the insolvency statistics were assessed by the United Kingdom Statistics Authority and subsequently their designation as 'National Statistics' was confirmed, signifying compliance with the Code of Practice for Official Statistics. A consultation seeking views on the Official Statistics was carried out between July and October 2010 and the Government's response was published at the end of December. This was followed up by two stakeholder meetings, seeking users' views on how the statistical information available could be further improved.

The statistics team have supported Insolvency Service operations as well as policy by providing case number forecasts and statistical analysis.

3 Public Service Delivery

“We will deliver key public services that support the insolvency framework.”

Insolvency case administration

The efficient and effective administration of compulsory insolvency cases is one of the principal objectives of The Service.

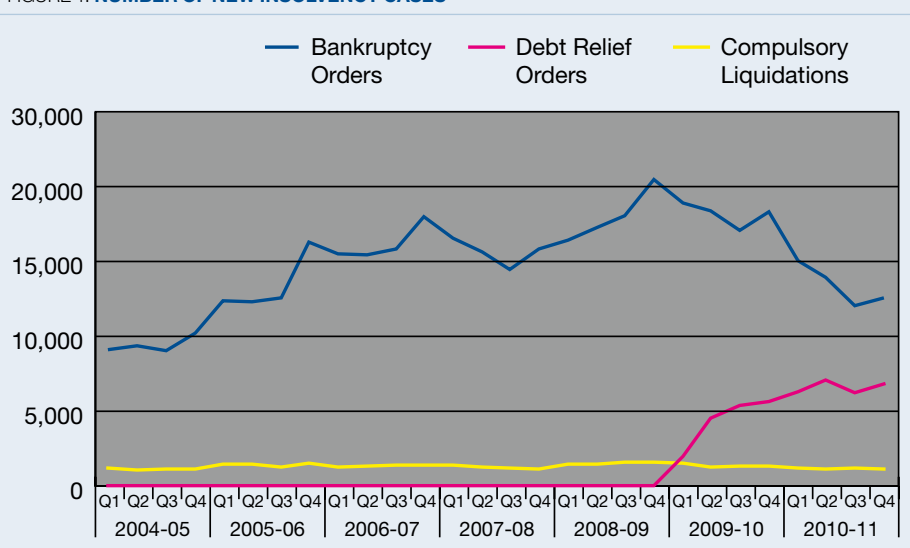
In carrying out the administration we aim to

- Identify and protect the assets pending the appointment of a trustee or liquidator;
- establish the cause of the failure; and
- if acting as trustee or liquidator realise the assets as efficiently as possible and distribute those assets to the creditors.

During the year official receivers dealt with 57,682 new cases (53,185 bankruptcies and 4,497 companies), an overall decrease of 26% against the 77,898 new cases received during 2009-10. There was a 27% decrease in the level of new bankruptcies and a 17% decrease in the number of company cases, see figure 1 below. Eighty-five percent of new bankruptcies received during 2010-11 were made by way of debtors’ petitions.

Official receivers were appointed as interim receivers⁷ and provisional liquidators⁸ on 51 occasions compared with 60 in 2009-10.

FIGURE 1: NUMBER OF NEW INSOLVENCY CASES



⁷ The court can appoint an official receiver as an interim receiver of a debtor at any time after a bankruptcy petition has been presented and before making a bankruptcy order, if it can be shown to be necessary for the protection of the debtor’s property.

⁸ The court can similarly appoint an official receiver as a provisional liquidator to take control of a company to protect the company’s assets and records until the court makes a ruling on a winding up petition. This is usually following an a petition to wind-up a company in the public interest, presented by the Secretary of State.

Income payment orders and agreements

Under an income payments order (IPO) or an income payments agreement (IPA) a bankrupt is required to make contributions towards the bankruptcy debts from their income, if they can afford to. Where a bankrupt appears to have income in excess of what he requires to pay for the reasonable domestic needs of himself and his family the official receiver will seek agreement to an IPA or, if the bankrupt does not agree, application is made to court for an IPO. Such contributions would continue for three years. If the bankrupt has any subsequent increase or decrease in income, the IPO or IPA can be reviewed and varied.

CHART 1: NUMBER OF INCOME PAYMENT ORDERS AND AGREEMENTS OBTAINED 2006-11

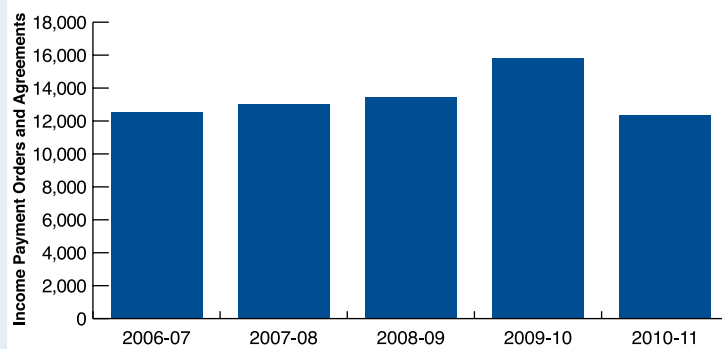


CHART 2: REALISATIONS MADE FROM INCOME PAYMENT ORDERS AND AGREEMENTS 2006-11

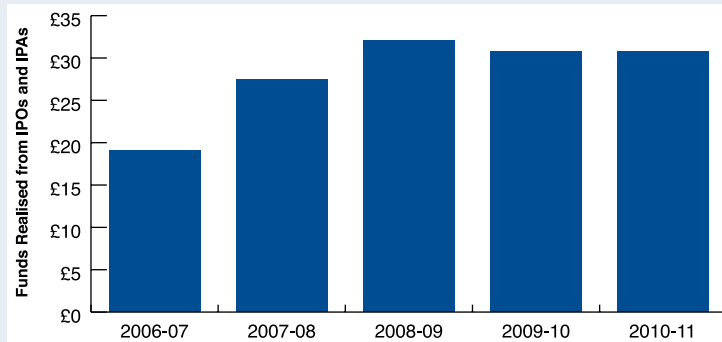
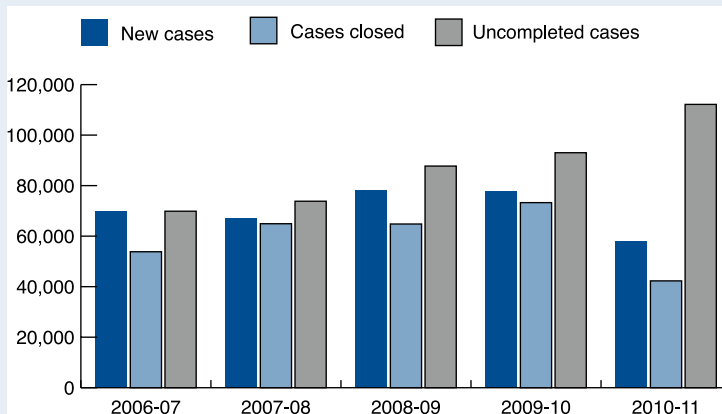


CHART 3: NEW CASES AND CASES CLOSED 2006-11



During 2010-11, official receivers secured 12,391 new Income Payment Orders and Agreements, a decrease of 22% on the 15,800 orders and agreements secured during 2009-10. During a year when the level of new bankruptcies has decreased by 27% on 2009-10 inputs, and in an economic climate where levels of disposable income available to collect through IPOs and IPAs have reduced, this outturn still clearly demonstrates that official receivers are focussed on ensuring that where bankrupts can contribute to their bankruptcy proceedings, they will be made to do so.

Despite the drop in the number of new IPOs and IPAs being secured during 2010-11 there was an increase in the amount collected in respect of IPOs and IPAs during 2010-11. Some £35.3m was collected which represents an increase of 15% in the £30.8m collected during 2009-10. As IPOs and IPAs usually run for a period of 3 years The Service anticipates that levels of monies collected will reduce accordingly in future years.

Case completions

Official receivers concluded the administration of 42,436 cases during 2010-11, a decrease of 42% on the 73,263 case completions achieved in 2009-10. This significant decrease is largely due to the fact that official receivers have been unable to complete the final closing financial transactions on cases since the introduction of ISCIS, The Service's new case administration system. This backlog is expected to be cleared during 2011-12. As a result at 31 March 2011, official receivers held a total of 112,401 uncompleted cases compared with 93,016 as at 31 March 2010. See chart 3.

Early discharge

Official receivers can apply to the court for the early discharge of a bankrupt from the bankruptcy, which would usually be one year, where they are satisfied that the bankrupt's conduct has been satisfactory and that he or she has fully complied with the official receiver's enquiries. A bankrupt's creditors are notified of an official receiver's proposal to apply for a bankrupt's early discharge from the proceedings and are given the opportunity to raise any objections to the bankrupts early discharge. During 2010-11, 38% of bankrupts were granted an early discharge, the same level as in 2009-10. The average bankruptcy period in cases which received an early discharge was 7.2 months compared to 7.3 months in 2009-10.

Issuing reports to creditors

During 2010-11, official receivers issued 54,596 reports to creditors in bankruptcy cases, of those 51,310 (94%) were issued within 8 weeks of the date of the bankruptcy order date, which exceeded the published target of 92%. Official receivers also exceeded the published target to issue reports to creditors in compulsory liquidation cases with 3,431 (81%) of the 4,228 reports being issued within 8 weeks against a published target of 80%.

National dividend unit

In January 2011 The Service's National Dividend Unit (NDU), which had until then been located in Croydon, opened small units in Stoke and Manchester. These units were introduced as a result of restructuring following the loss of a number of permanent staff and temporary agency workers from the NDU in Croydon.

During 2010-11, the NDU paid creditors a total of £14.13 million on 18,365 separate creditor claims in 3,968 insolvent estates.

Debt relief orders

During 2010-11, The Service received 27,087 applications for Debt Relief Orders (DROs) which resulted in 26,326 DROs being made. This represents an increase of 50.1% compared with the 17,446 DROs that were made during 2009-10.

The official receiver can decline DRO applications made in cases where the debtor's circumstances do not warrant a DRO. They can also revoke DROs if they establish that the circumstances do not warrant one. The official receiver can also conduct further enquiries into a debtor's personal circumstances at the request of creditors if they see fit.

Insolvency case administration income and costs

Fees are set to recover costs in accordance with principles set out in *Managing Public Money*⁹. For case administration we have set a single case administration fee of £1,715 to reflect the average cost of administering a bankruptcy case and another case administration fee of £2,235 for compulsory company liquidation cases. These fees are recovered in part from the deposit paid by the debtor or creditor when presenting a petition for bankruptcy or company liquidation. Table 4 shows the deposit levels since 1 April 2007.

TABLE 4: INSOLVENCY PETITION DEPOSITS

Petition Costs	from 1 April 2007	from 6 April 2008	from 6 April 2009	from 6 April 2010	from 1 June 2011
Debtors bankruptcy petition	£335	£345	£360	£450	£525
Creditors bankruptcy petition	£400	£415	£430	£600	£700
Creditors company petition	£670	£690	£715	£1,000	£1,165

The balance of the case administration fee is recovered from the assets realised in a particular case. However, more than 50% of cases have few or no assets. A second fee, the Secretary of State fee, is therefore also applied to those cases that have assets over £2,000. For cases where petitions were presented before 6 April 2010, the fee was charged at 17% although it is capped at £80,000 in any one case. Since 6 April 2010, the Secretary of State fee bands have been as set out in table 5.

TABLE 5: SECRETARY OF STATE FEE

	Bankruptcy	Companies
First £2,000	Nil	N/A
First £2,500	N/A	Nil
Next £1,700	100%	100%
Next £1,500	75%	75%
Next £396,000	15%	15%
Balance	1%	1%

The total Secretary of State (SoS) fee remains capped at £80,000 in any one case. The purpose of the change in the structure of the SoS fee made in April 2010 is to improve fee recovery to meet the costs of case administration.

The case administration fee is charged to the insolvency case when the insolvency order is made but in line with current accounting standards it is only recognised in The Service's accounts when it has been earned.

The Service has developed a case profile to allow it to calculate how far, on average, cases have been completed and therefore the amount of the fee that has been earned, each month. In practice the deposit will cover time spent on cases and disbursements incurred in the initial months but there will then be a delay until assets are recovered. The Secretary of State fee is only treated as earned when it is charged. Further information on fees can be found in note 5 of the Agency's annual accounts.

The bankruptcy case administration fee for 2010-11 was held at the 2007-08 level but the company administration fee was increased in line with inflation to £2,235 from 6 April 2010. Case administration fees have not been increased from April 2011.

Cost reduction

The Service undertakes an annual fees review in line with the requirements of Managing Public Money in order to set its fees to recover the costs of the case administration activity. The fees review undertaken in 2009 resulted in case administration fees being set based on costs to administer 71,500 cases compared to 78,000 cases in 2009-10. However, during the year case numbers began to fall much faster than expected. In response, The Service took a number of actions to reduce costs quickly and by a significant amount to respond to the eventual outturn of 57,682 cases.

In addition to a review of costs undertaken in late 2009 to address the planned case reduction to 71,500, The Service released all temporary workers undertaking case administration functions, implemented austerity measures along the lines introduced across central Government, made initial savings from the introduction of the new ISCIS IT system and reduced some of its overhead costs. Table 6 shows the comparative case administration costs between 2009-10 and 2010-11 both including and excluding the effect of bad debt provisioning and write offs. This shows the underlying operational cost reductions that The Service has achieved in the last two years.

Bad-debt write off

The Service's case administration fee includes the cost of expected bad-debt write off representing fees charged that we are unable to collect. Since 2004 we have estimated this bad-debt write off to amount to around 12% of the case administration fee charged.

The deposit paid at court prior to the making of an order recovers only part of the case administration fee. The balance is recovered from assets in insolvent estates. Where cases have few or no assets the recovery of the case administration fee relies on a second fee, the Secretary of State fee, which is collected on other cases where there are assets.

The recession has reduced the proportion of new cases containing sufficient assets to cover the fee as well as reducing the value of unrealised assets in older cases. For this reason we increased court deposits on 6 April 2010 and changes were made to the structure of the Secretary of State fee, as shown in table 5. These changes cannot be applied retrospectively so this measure did not mitigate the effect of the generally reduced value of unrealised assets in older cases.

In late 2009-10, The Service took a view, in the light of the information available at the time, that the effect of the reduction in assets and asset values could be offset to a considerable degree by successful claims by official receivers in relation to mis-sold payment protection insurance (PPI). As a result of this we also took a view that there was no need to adjust the value of the debtor on our balance sheet in last year's accounts. Following further work in 2010-11, it is clear that we cannot now rely on this to mitigate the effect of reduced asset values to any significant degree.

As a result of this, it is our view that it is now necessary to make a one-off adjustment in our accounts this year of £81.3m reflecting fees that we no longer expect to be able to recover as a result of the accumulated effects of the credit crunch and recession.

The impact of this write off to the taxpayer should be seen in the context of The Service's business since the fees regime came into being in 2004, as follows.

- It includes £21.3 million of fees not yet recovered on cases between April 2004 and March 2007 which have already more than covered their costs and were therefore in surplus.
- We are offsetting against the write off £22.5 million of deferred income from surpluses on pre-2004 cases.
- Since April 2004, fee surpluses of £21.8 million have been paid to the exchequer for the benefit of the taxpayer.

Net of these amounts, the impact of the bad debt write off on the taxpayer is £15.7 million. However, in 2006, the scope of the case administration fee was widened to include the investigation work carried out by the official receiver, work which had previously been paid for by the taxpayer through BIS's programme budget. The Service estimates that this fee change has, since then, saved the taxpayer a cumulative £50 million.

The financial funding regime for The Service was last reviewed in 2001 and changes were introduced under the Enterprise Act 2002 in April 2004. The significant fluctuations in case numbers since 2004 and difficulties encountered in maintaining the current financial regime following the recession has led to the fee changes since April 2010. The Service is working with BIS to conduct an internal review, which is due to produce an initial report in early 2011-12 to inform The Service's financial strategy going forward.

Debt relief order fees

The fee for an application for a debt relief order was set at a flat rate of £90. Out of this fee up to £10 is provided to pay the costs of authorised intermediaries who complete the online applications for debtors.

Table 6 shows the number of compulsory insolvency cases, debt relief orders and financial results for the last five years.

TABLE 6: INSOLVENCY CASE AND DEBT RELIEF ORDER ADMINISTRATION

Insolvency cases	2006-07	2007-08	2008-09	2009-10	2010-11
Compulsory insolvency cases	69,939	67,218	78,029	77,898	57,682
Debt Relief Orders	N/A	N/A	N/A	17,446	26,326
Fees and costs	£'000	£'000	£'000	£'000	£'000
Case administration fee income	103,673	125,904	145,284	152,591	141,821
Case administration costs	90,326	125,555	145,837*	149,981**	194,917
Case administration costs excluding bad debt	78,283	110,779	127,630	125,182	100,186
DRO fee income	N/A	N/A	N/A	1,593	2,382
DRO Administration costs	N/A	N/A	N/A	1,345**	2,095

* 2008-09 figures have been restated as The Service has implemented International Financial Reporting Standards. The date of transition was 1 April 2008.

** 2009-10 figures have been restated to exclude the cost of capital. The Treasury no longer requires cost of capital to be included in the operating costs in government accounts.

Insolvency Service case information system (ISCIS)

Delivery of the Insolvency Service Case Information System (ISCIS) in 2010 was one of the final milestones in The Service's Enabling the Future programme. The programme was designed to enable The Service to respond flexibly, efficiently and innovatively to the challenges and expectations of our customers and stakeholders. The total cost of the programme was £82.4 million, with benefits flowing estimated at £120.4 million over the period to 31 March 2015.

ISCIS was released in October 2010 and included:

- **ISCIS – Case:** A replacement for the main case management systems used by staff in official receivers offices and IES. The new system contains workflow, and improved management information, to improve case workers' and managers' efficiency.
- **ISCIS – Financials:** Replacing two existing estate accounting systems with a single system for dealing with the money held on behalf of insolvent estates. The financial system is integrated within the overall case management system and calculates the fees, maintains a general ledger package and includes elements of workflow.
- **ISCIS – Integrations:** Also included within the overall ISCIS application is a facility to produce documents automatically from the workflow, and a time recording element which allows staff to book time against cases.
- **Corporate Reporting:** The creation of a data warehouse and the delivery of enhanced reporting tools to enable improved access to and use of management information.

ISCIS was launched in October, some months later than planned, following extensive testing. When launched it became apparent that, despite operating well in the test environment, the system did not function in the live environment in the same way. There were some significant issues with data migrated from legacy systems which affected our estate accounting business; some functionality was not available to staff, especially in official receivers' offices; and there were issues with case data migrated from legacy systems which caused problems with the official Individual Insolvency Register and meant that this had to be suspended for a period.

We had also decided to delay data migration to the new general ledger in ISCIS Financials, and problems with this following the ISCIS launch meant it was not completed until after the year end. We therefore took alternative steps to produce fee reports for our accounts.

The Service has since worked with front-line staff and external stakeholders to fix the main problems and to bring ISCIS back up to the level of functionality and usability that we originally planned. We have made good progress with this and ISCIS remains on course to be a fundamental part of the development of our business in future years.

Redundancy payments

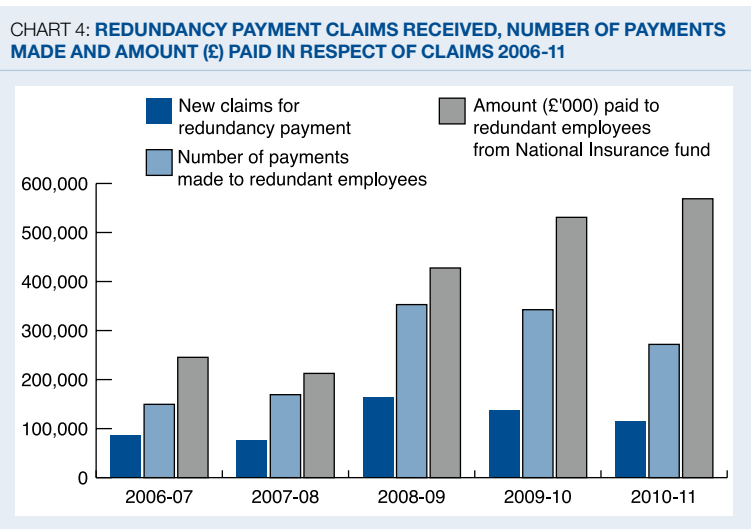
The Redundancy Payments Service (RPS) aims for accurate, efficient and quick payment of claims made by people whose employers have become insolvent or who refuse to honour an employment tribunal award. During 2010-11, the general demographic of cases received continued to be smaller cases with fewer employee claims. Our Redundancy Payments Offices in Birmingham, Edinburgh and Watford dealt with 12,356 new cases, a fall of 6.6% on the 13,237 new cases received during 2009-10, which contained 116,972 new claims for redundancy payments entitlement, a drop of 15% on the 138,287 new claims received last year. See chart 4. Total payments made to redundant employees during 2010-11 exceeded £570 million.

Claims handling efficiency remained at a high level with 82.8% of claims being paid within 3 weeks against a target of 78% (80.5% in 2009-10) and 95.2% of claims being paid within 6 weeks against a target of 92% (93.5% in 2009-10).

The number of high profile cases that RPS dealt with has continued. Among these are Connaught Partnerships, ROK Group PLC and Auto Windscreens, all national companies with over 1,000 employees each, which have been dealt with by our Birmingham offices; our Edinburgh office dealt with CJ Garland & Co Ltd, a call centre based in Middlesbrough with over 1,000 employees.

In 2010-11, RPS paid 10,424 protective awards, to a total value of £19,759,644, or 38% of the value of all payments. There were 46 requests for financial assistance regarding 271 employees at a total cost of £622,314.

RPS staff have also continued to work with both Job Centreplus (JCP) and with IPs to ensure those facing redundancy have all the information and assistance they need at the right time. RPS and JCP made a number of visits during the year to IPs and attended forums to speak about how public and private sector partnership working can assist those facing redundancy. This helps us deal with claims more quickly, providing assistance to those in need the most.



Redundancy payments funding and costs

The costs for the administration of the Redundancy Payments Scheme are met from the National Insurance Fund. An annual Service Level Agreement is in place between The Service and HM Revenue and Customs (HMRC) under which funding is agreed.

Payments made to employees under the Redundancy Payments Scheme are also met by the National Insurance Fund but are included in BIS's accounts.

TABLE 7: REDUNDANCY PAYMENTS

Activity and timeliness	2006-07	2007-08	2008-09	2009-10	2010-11
New redundancy cases	8,061	7,593	12,135	13,237	12,356
Number of new claims for redundancy payment entitlements	86,066	76,416	164,083*	138,287	116,972
Number of payments made to redundant employees	149,536	169,230	352,977	342,593	274,198
Action 78% of redundancy payment claims within 3 weeks	80.1%	78.7%	81.9%	80.5%	82.8%
Action 92% of redundancy payment claims within 6 weeks	94.1%	93.7%	94.8%	93.5%	95.2%
Funding and costs	£'000	£'000	£'000	£'000	£'000
RP funding from HMRC	8,782	8,782	8,282	11,800	9,800
RP costs	7,906	8,577	8,660**	11,466***	10,116****

* Includes 25,000 new claims in respect of Woolworths Plc.

** 2008-09 figures have been restated as The Service has implemented International Financial Reporting Standards. The date of transition was 1 April 2008.

*** 2009-10 figures have been restated to exclude the cost of capital. The Treasury no longer requires cost of capital to be included in the operating costs in government accounts.

**** RPS costs during 2010-11 were beyond the level of funding provided by HMRC. These extra costs were met by a carried forward surplus from 2009-10.

Future developments

The Redundancy Payments Service is currently developing its IT and in-house payments application which will allow claims to be made on-line and payments to be made more efficiently. It is expected that the new IT system will start to be rolled out during late summer 2011.

Estate accounts

Insolvency Practitioners and official receivers are required by statute to use the Insolvency Services Account (ISA) for estate banking and investment in relation to both bankruptcies and compulsory liquidations. Since April 2004 voluntary liquidators may choose their provider of banking services. Some continue to use our services although the overall level of use has declined since 2004.

The Service's Estate Accounts Services (EAS) administers the ISA using the Government Banking Service (GBS). Funds in excess of daily requirements are transferred to The Insolvency Service's Investment Account managed by the Commissioners for the Reduction of the National Debt. Tables 8 to 11 show the number of estates and balances held in the ISA by both insolvency practitioners and official receivers. The figures in Tables 8 to 11 are not yet audited. The audited ISA and Insolvency Service's Investment Account (ISIA) are published separately, and will be available from The Stationery Office.

TABLE 8: NUMBER OF IP ESTATES WITH ESTATE ACCOUNTS SERVICES

Number of IP estates with EAS	As at 31 March 2010	As at 31 March 2011
Bankruptcies	24,367	21,080
Compulsory liquidations	5,641	4,920
Voluntary liquidations	3,398	2,918
Total	33,406	28,918

TABLE 9: BALANCES ON IP ESTATES WITH THE ESTATE ACCOUNTS

Balances on IP estates with EAS	As at 31 March 2010	As at 31 March 2011
Bankruptcies	£84.7m	£79.5m
Compulsory Liquidations	£100.5m	£127.5m
Voluntary Liquidations	£619.7m	£508.4m
Total	£804.9m	£715.4m

TABLE 10: NUMBER OF OR ESTATES WITH ESTATE ACCOUNTS SERVICES

Number of official receiver estates with EAS	As at 31 March 2010	As at 31 March 2011
Bankruptcies	89,563	116,814
Compulsory liquidations	7,159	8,915
Total	96,722	125,729

TABLE 11: BALANCES ON OR ESTATES WITH ESTATE ACCOUNTS SERVICES

Balances on official receiver estates with EAS	As at 31 March 2010	As at 31 March 2011
Bankruptcies	(£19.9m)	(£7.6m)
Compulsory Liquidations	(£3.1m)	£0.2m
Total	(£23.0m)	(£7.4m)

During 2010-11, EAS dealt with 85,045 ISA payment requisitions from IPs making 176,404 payments. EAS were able to action 83.7% of these payment requisitions within 4 days or by the due date against a target of 98.5%. This reduction in performance from last year was a consequence of the teething problems experienced when the new IT system went live in October 2010. Up until then targets were being met. By March 2011 processing of payment requisitions had recovered to a monthly level of 93.5% and we expect that during 2011-12 we will be able to return to meeting this target. Tables 12 and 13 show EAS's transaction volumes and timeliness of processing payments.

TABLE 12: EAS TRANSACTION VOLUMES

Transaction volumes (inputs)	2009-10	2010-11
ISA payment requisitions	132,899	85,045
Transaction volumes (outputs)	2009-10	2010-11
Payments issued	233,952	176,404
Bank giro credit receipts	133,150	114,037
Balance statements issued on request	1,443	659
Total	368,545	291,100

TABLE 13: EAS TIMELINESS

EAS timeliness	2006-07	2007-08	2008-09	2009-10	2010-11
Check and action ISA payment requisitions within 4 days or by the due date	99.1%	99.5%	99.2%	99.0%	83.7%

EAS income and costs

Table 14 shows the number of insolvency practitioner accounts, transactions and financial results for the last five years. The fee income and costs relate only to cases which are being administered by insolvency practitioners. The costs of carrying out estate account functions on cases being administered by official receivers are recovered through the case administration fees.

TABLE 14: ESTATE ACCOUNTS

Transactions	2006-07	2007-08	2008-09	2009-10	2010-11
Insolvency practitioner accounts	44,324	38,579	35,955	33,406	28,918
Insolvency practitioner transactions	260,691	271,274	249,250	242,847	214,713
Interest rate paid to estate accounts as at 1 April	5.25% ¹⁰	6.5% ¹¹	7.0% ¹²	1.25% ¹³	0.5
Income and Costs	£'000	£'000	£'000	£'000	£'000
Fee income	2,818	2,503	2,319	2,498	2,439
Costs	4,411	2,139	3,570*	2,354**	2,147

* 2008-09 figures have been restated as The Service has implemented International Financial Reporting Standards. The date of transition was 1 April 2008.

** 2009-10 figures have been restated to exclude the cost of capital. The Treasury no longer requires cost of capital to be included in the operating costs in government accounts.

10 6.0% from 2 October 2006, 6.5% from 5 February 2007.

11 6.75% from 18 May 2007, 7.0% from 10 July 2007.

12 6.25% from 17 October 2008, 4.75% from 11 November 2008, 3.5% from 9 December 2008, 2.75% from 13 January 2009, 2.0% from 9 February 2009, 1.25% from 10 March 2009.

13 0.50% from 13 May 2009.

Estate accounts and IP user groups

The Estate Accounts User Group (EAUG) is a forum for EAS staff to meet and discuss operational matters with its external customers. Members of the group are IPs from smaller firms and cashiers or managers from the larger organisations. There are also external representatives who supply or support the customers' case management systems. Due to pressures associated with ISCIS delivery (see page 20), the EAUG did not meet during 2010-11 but EAS maintained close contact with key external members of the group who assisted in monitoring service levels during systems transition and agreed to further support us by becoming founding members of a Customer Advisory Group.

The IP User Group remains an important interface with a key group of customer representatives representing small, medium and large firms. They provide frank and honest feedback on EAS service levels, as well as providing indications of their business needs, helping The Service to consider appropriate resourcing to maintain or improve our service. They also give us focussed feedback on shared performance matters.

Future developments

EAS will continue to strengthen its business service model around ISCIS Financials as the product continues development in line with customer and staff feedback.

Following the decline of the use of the ISA since 2004 by voluntary liquidators, The Service undertook a consultation on the withdrawal of this facility. The results of the consultation have been published¹⁴ and will be taken forward during 2011-12.

Later in 2011, we shall complete our phased move of banking services to GBS in line with government policy; when complete, we expect to provide further benefits to stakeholders in bankruptcy managed by the OR and deliver efficiencies arising from the use of a single supplier interface.

Service delivery to our customers and stakeholders

It is of paramount importance to The Service that it delivers an excellent and efficient service to all of its customers and stakeholders. In order to achieve this we need to have effective and appropriate methods of communication and listen to our customers in order to address any deficiencies with the levels of service that we provide.

We also collect customer equality data on bankrupts and DRO debtors, and we will be introducing equality monitoring as part of the Redundancy Payment Service's new IT system. We use this information to help us understand our customers' diversity and to conduct meaningful equality analyses for any proposed service delivery changes.

¹⁴ http://www.insolvency.gov.uk/insolvencyprofessionandlegislation/con_doc_register/SummaryofResponsestoISACCondoc.doc

Customer Service Excellence



The Government Standard

Our continued customer-focused approach has been recognised by the Customer Service Excellence (CSE) standard. The Service has held this (and the formerly named Charter Mark accreditation) continuously since 1998. The Service continues to recognise the importance of providing excellent services to all of its customers and intends to build on the progress made over the past 12 years as customer service award holders.

The CSE standard is more targeted at the development and improvement of our understanding of what really is important to our customers so that we can aim to put the customer at the heart of all that we do. We continue to use customers' needs as a starting point for designing, delivering and evaluating our policies and service delivery.

We have a range of policies and processes in place to ensure our services are accessible to all. These include anticipatory reasonable adjustments, a staff guide "Providing Our Service to Disabled Customers", and consulting with our Diversity & Equality Consultation Group and external diversity and equality groups as regards any proposed service delivery changes (see page 27).

The Service was successful in applying for CSE accreditation in May 2010 and will be reapplying in May 2011.

User satisfaction index

During 2010-11, a total of 14,957 responses to our satisfaction survey were received across business areas, a decrease of 27% on the previous year. The decrease reflects the falling number of new cases administered in this period.

In 2010-11 the index score achieved across all customer groups was 90 which met The Service's published target to attain a satisfaction score of 90. Out of 15,000 customers two thirds were very satisfied with the service provided by The Service (and 95% of customers were either satisfied or very satisfied).

The response rate from bankrupts and directors continued to dominate the overall level of responses to our satisfaction survey, with 13,024 responses coming from this group, representing 87% of the overall responses received.

The index score for bankrupts and directors was 92, the same as achieved in 2009-10.

Satisfaction levels for redundancy payments claimants has remained the same during 2010-11 at 75. This has been achieved during another challenging year when staff time has been diverted to testing of the new RPS IT system which is due to go live in Summer 2011.

Satisfaction of The Service's creditors has increased from 83% in 2009-10 to 87% in 2010-11 however the response rate continues to be relatively small compared to the large size of the customer group and is not therefore statistically representative.

Satisfaction of customers commenting on The Service's handling of general enquiries coming primarily through the internet was 90 with positive comments made about the speed and accuracy of responses.

For 2011-12 our Minister has again set a combined user satisfaction score of 90.

We are committed to improving user satisfaction and have reviewed our current methodology and questionnaire design. Alternative ways of measuring satisfaction amongst our customer groups has been considered, with benchmarking of how similar organisations measure satisfaction. A new questionnaire design will enable a greater depth of feedback to understand more about how customers perceive The Service and ensure that we are accurately measuring and capturing the drivers of satisfaction. A forum for creditors will be set up to capture satisfaction levels for this group.

National consultative user group (NCUG)

We confer with user groups as a way of engaging with both user representatives and partners. The NCUG comprises representatives from The Bankruptcy Advisory Service, The Institute of Credit Management, the Federation of Small Business, Citizens Advice and the HM Courts and Tribunal Service, as well as other creditor representatives. This group usually meets twice a year and provides a useful forum for consulting on and disseminating information on policy changes. The group met once during the year in October 2010. Feedback was sought from the group on a number of issues including Charter Standards, User Satisfaction measure review, and The Service's leaflets; an update on IT related matters was also provided.

Diversity & equality consultation group (DECG)

As detailed on page 7, this year, we launched our staff Diversity & Equality Consultation Group (DECG). The DECG meets every quarter, and also works through an online forum. One of the DECG's key roles is acting as an internal consultative body within The Service's Equality Impact Assessment (EQIA) framework. This year, the DECG has reviewed EQIAs on a range of customer-related issues including the petition reform project and changes to the way we deal with a bankrupt's interest in a family home (see chapter 2).

Complaints

In 2010-11, The Service received 248 new complaints, an increase of 10% on the 2009-10 figure of 224. The Service found 70 (28%) complaints to be justified in whole or in part, compared to 59 (26%) in 2009-10. In 2010-11, 223 (90%) complaints were answered within 10 working days, against a target of 90%. This compares to 195 (87%) in the previous year.

Independent complaints adjudication

The Service aims to resolve all complaints received to the satisfaction of the complainant. However there are occasions when complainants remain unhappy with our response to their complaint.

In such cases the complainant may be able to ask the Adjudicators Office to investigate their complaint about The Service. The Adjudicators Office is an independent complaints adjudication body and their services are free of charge to the complainant.

During the year the Adjudicator took on 10 complaints for adjudication, compared to 18 in 2009-10. The Adjudicator completed her investigation into 12 complaints during 2010-11.

One complaint was withdrawn, 6 were not upheld and 5 were partially upheld.

The Adjudicator recommended letters of apology and compensatory payments ranging from £25 to £275 totalling £450 across all five partially upheld complaints.

Two of the decisions resulted in a review of the case and the complainant was advised of the outcome of that review. Another resulted in a change to the guidance which will be issued to official receivers in one aspect of their work.

Charter Standards

Table 15 shows The Service's performance against our Charter Standards for the last 2 years.

TABLE 15: PERFORMANCE AGAINST CHARTER STANDARDS

Charter standards	2009-10 Actual (Target)	2010-11 Actual (Target)
Correspondence requiring a reply will be acknowledged within 5 working days with a specified reply date or replied to within 15 working days of receipt	90.1% (90%)	92.4% (90%)
Visitors with appointments will be seen within 5 minutes of their appointment time	98.4% (95%)	98.5% (95%)
Visitors without appointments will be seen within 10 minutes of arrival	98.1% (90%)	97.5% (90%)
All calls to the insolvency enquiry line will be answered within 20 seconds	Not measured	96% (90%)
The official receiver will contact the bankrupt or director within 2 working days of The Service receiving written notification of the court order	95.2% (90%)	95.0% (90%)
Telephone interview to be carried out or the bankrupt to be telephoned within 5 minutes of the agreed interview time	98.8% (95%)	99.3% (95%)

Corporate and social responsibility

The Insolvency Service's Community Involvement Strategy (CIS) sets out our commitment to conduct ourselves as responsible corporate citizens; and to meet and deliver our responsibilities to the needs of our employees, customers and other users, the wider community and the environment. The Service's CIS can be found on our website at www.insolvency.gsi.gov.uk

Helplines

The Service operates two helplines for the public. The Insolvency Enquiry Line (IEL), (0845 602 9848), provides information about general insolvency matters. The Redundancy Payments Helpline, (0845 145 0004), assists employees made redundant as a result of insolvency. The IEL helpline is available between 8.00am and 5.00pm, and the RPS helpline is available between 9.00am and 5.00pm.

During 2010-11, the IEL received 49,777 calls, a decrease of 10.6% on the 55,649 calls received during 2009-10. Enquiries by e-mail have also decreased during the period to 6,418 compared with 7,899 in 2009-10 a decrease of 18.7%.

The Redundancy Payments helpline experienced a significant reduction in call levels, reflecting the lower levels of new claims for redundancy payments received in 2010-11. During 2010-11, 34,425 calls were received compared with 62,433 received during 2009-10, a decrease of 45%.

The Service had previously been unable to record the performance against the charter standard to answer calls received by the insolvency enquiry line or our offices. Following the implementation of new telephony software, we are now able to record the number of calls to the helplines.

4 Investigation and Enforcement

“We will deliver and promote an effective investigation and enforcement regime.”

The Service’s Investigation and Enforcement directorate carries out a range of activities aimed at supporting fair and open markets and, where necessary, taking steps to safeguard those markets from companies and individuals whose conduct is not conducive to the public interest. The Service undertakes its enforcement activities under the powers available in the Insolvency Acts 1986 and 2000, the Company Directors Disqualifications Act 1986 and the Companies Act 1985. The main activities we conduct are:

- the investigation, following complaints or other intelligence, into corporate abuse where there is suspicion of misconduct including the investigation of live companies;
- the investigation of reports of misconduct by company directors from insolvency practitioners acting under appointments;
- the investigation of misconduct by company directors, bankrupts or individuals subject to debt relief orders by official receivers in compulsory insolvencies;
- securing remedies, including the institution of civil proceedings where this is in the public interest; and
- reporting allegations of criminality to prosecuting authorities (mainly BIS).

In pursuit of our duties, we can:

- petition the court for the winding up of a company in the public interest;
- accept a disqualification undertaking from a director or seek a disqualification order from the court;
- accept a bankruptcy restriction undertaking from a bankrupt or seek a bankruptcy restriction order from the court;
- accept a debt relief restriction undertaking from an individual subject to a DRO or seek a debt relief restriction order from the court; or
- seek a suspension of a bankrupt’s automatic discharge from the bankruptcy proceedings from the court.

The Service relies on taxpayer funding for all of its enforcement activity, save for the investigation work carried out by official receivers. During the year, the budget was cut by 11% in accordance with the Government’s deficit reduction programme. In addition, during the year a number of experienced but non-permanent workers were replaced by permanent staff (in part to assist with reducing the staff levels in the official receiver business area, necessary because of falling case numbers).

Between November 2010 and January 2011, in association with the Central Office of Information (COI), The Service commissioned a survey to measure the confidence that The Service’s various stakeholders (institutional creditors, non institutional creditors, insolvency practitioners, SME company directors, accountants, and lawyers) have in it. In particular the survey sought stakeholders’ views on the effectiveness of The Service’s enforcement sanctions and prioritisation of cases.

Overall confidence with The Service's investigation and enforcement regime was measured at 64% (a 4% fall on the previous survey in 2009). However, as it was always recognised that, as the 2009 survey was a benchmark, the 2010 results may be a more accurate reflection. Creditors were most confident in The Service's investigation and enforcement regime, with 75% of non-institutional creditors, and 73% of institutional creditors claiming so in 2010.

As well as a number of encouraging comments from stakeholders, the survey mentions some areas that respondents suggested The Service should concentrate on and, therefore, in 2011-12, as well as reviewing our case prioritisation, we will focus on ways to raise the profile of those areas and improve the wider understanding of what we do. Key to this is the development of a communications action plan, which involves more specifically targeting organisations which represent SMEs, directors and advice providers; a rolling regional communications programme, and an enforcement newsletter for stakeholders.

The results of the survey continue to provide The Service with an important benchmark and the Minister has again set The Service a published target to maintain confidence levels at 68% in 2011-12. Additionally the feedback on enforcement outcomes that The Service influences will assist us in assessing resources, setting priorities, and informing future communication strategies.

Director disqualifications

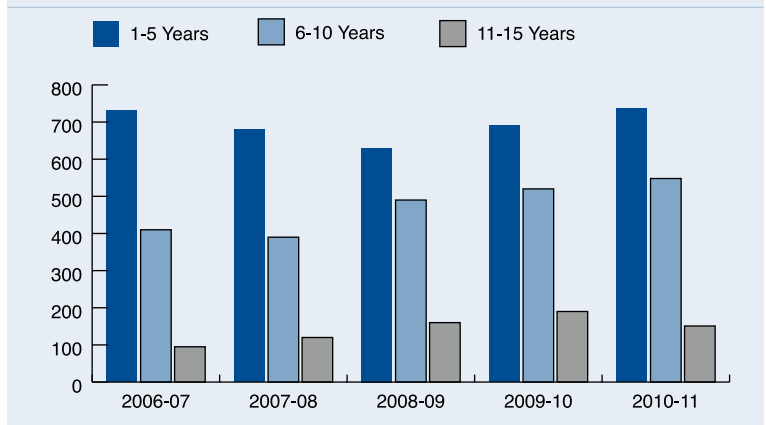
During 2010-11, The Service secured 1,437 disqualification orders or undertakings against directors of failed companies, compared to 1,388 in 2009-10. Eighty percent were achieved by way of an undertaking made by directors compared to 1,102 (79%) in 2009-10. The average length of disqualification undertakings and orders secured against directors during 2010-11, was 6.1 years. Table 16 shows a breakdown of the allegation types made in disqualification cases during the last 4 years. Multiple allegations can be made against individual directors. Chart 6 shows details of the period of disqualification orders and undertakings achieved during the last five years.

TABLE 16: **DISQUALIFICATION ORDERS AND UNDERTAKINGS**

Allegation types	2007-08	2008-09	2009-10	2010-11
Crown debts	554	563	816	636
Accounting matters	250	381	448	342
Transaction to the detriment of creditors	161	246	391	392
Criminal matters	101	174	258	259
Misappropriation of assets	53	49	68	59
Technical matters – statutory obligations	37	46	33	70
Trading at a time when company knowingly or unknowingly insolvent	36	44	40	35
Phoenix companies or multiple failures	13	14	12	7
Other	N/A	N/A	98	N/A
Total	1,205	1,517	2,164	1,800

Although the number of disqualifications in the lower bracket have increased, The Service remains committed to tackling complex and difficult cases, which is not always reflected in high tariffs. The average length of disqualification is 6.1 years.

CHART 6: **PERIOD OF DISQUALIFICATION ORDERS AND UNDERTAKINGS**



CASE STUDY 1

Director disqualification

A managing director of four failed companies was disqualified from acting as a director for 13 years, following an investigation by The Insolvency Service.

The director was disqualified for failing to properly account for payments out of the companies' accounts. He also failed to administer the companies' tax and VAT affairs, leading to debts owed to HMRC in excess of £1million. The investigation also established that he had allowed one company to use false documentation to delay winding up proceedings.

The companies were all based in Bedfordshire; three were involved in providing household maintenance services, and the fourth supplied and installed conservatories.

CASE STUDY 2

Company investigations

Two car hire brokerage companies based in London and Brighton, were wound up in the High Court in February 2011 following an investigation by The Insolvency Service.

The companies had been trading since March 2009 and February 2010 respectively. Both businesses offered their services through a number of different websites (using a number of different names) claiming to search the websites of car hire providers worldwide, for the best available deals and then offering these to their customers.

The investigation found that customers paid for their car hire through various websites and received a voucher. They later discovered that their bookings had been cancelled or they were unable to use the vouchers they had been given as the car hire provider had either not been paid or had no business relationship with these companies. The investigation also found that customers were unable to obtain refunds and those who attempted to do so received no response at all. Customers discovered the company addresses they'd been given were accommodation addresses and in fact the business was managed remotely from Latvia.

Company investigations

During 2010-11, The Service recorded 4,852 new complaints about the actions of live limited companies. Complaints vary from year to year, and 2010-11 showed a marked decrease on the very high figure for 2009-10 (5,989), though higher than 2008-09 (4,153). The complaints received about live companies included, in the first quarter, 564 complaints from BIS and the Serious Organised Crime Agency (SOCA), representing an increase in volume of complaints from these sources.

As a result of those complaints 180 investigations were commenced, a 39% decrease on the 295 investigations commenced during 2009-10. This decrease is as a consequence of the 11% cuts which reduced the amount available to outsource some investigation work, and replacing experienced non-permanent workers with permanent staff from other areas of The Service last autumn. Towards the end of the financial year, the impending departure of a number of investigators under a voluntary exit scheme also impacted on the number of cases commenced.

During 2010-11, 205 company investigations were concluded (compared with 268 in 2009-10), of which one case alone involved the investigation of 61 separate companies. One hundred and eighty one winding up orders were obtained against limited companies compared with the 251 winding up orders in 2009-10. Because an investigation may be into several companies, there is no direct correlation between the number of cases investigated and the number of companies wound up. Moreover, Court proceedings with respect to investigations concluded within a year may well not have reached a conclusion by that year end.

Bankruptcy restrictions

Bankruptcy restrictions orders and undertakings (BRO and BRUs) were introduced on 1 April 2004. In circumstances where the official receiver considers that the conduct of a bankrupt has been dishonest, reckless or blameworthy in some other way, an application can be made to the court for a restrictions order to be made against the bankrupt for a period of 2-15 years.

The Service was successful in securing 1,796 BROs and BRUs in 2010-11 (1,948 in 2009-10) with 1,557 (87%) being obtained by way of an undertaking where the bankrupt can accept the official receiver's allegations of misconduct and agree to a bankruptcy restrictions undertaking for an appropriate period (91% in 2009-10). See chart 7.

Table 17 shows a breakdown of the allegation types made in bankruptcy restrictions cases. Multiple allegations can be made against an individual bankrupt.

Debt relief restrictions

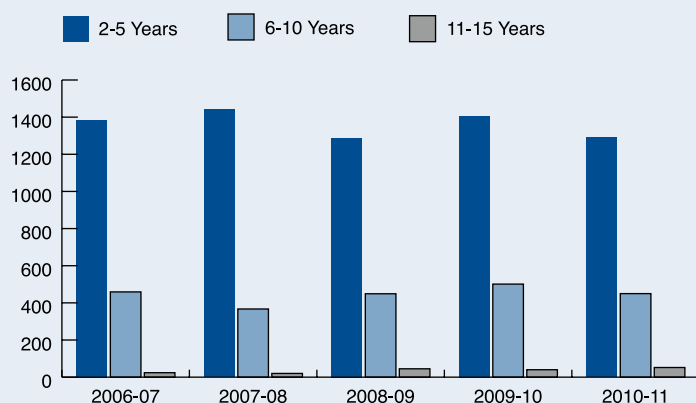
Similar to BROs and BRUs the official receiver can also apply for restrictions orders or undertakings in relation to DRO cases. During the year 8 Debt Relief Restriction Orders or undertakings were obtained.

TABLE 17: BANKRUPTCY RESTRICTIONS ORDERS AND UNDERTAKINGS

Allegation types	2007-08	2008-09	2009-10	2010-11
Incurring debt without reasonable expectation of payment	890	713	517	351
Preferences or transactions at undervalue	331	474	519	470
Other	157	152	Not Recorded	0
Gambling, rash and hazardous speculation or unreasonable extravagance	296	150	140	101
Neglect of business affairs contributing to the bankruptcy	80	140	367	443
Dissipation of assets	127	120	194	144
Failure to account for loss	99	72	68	3
Fraud	Not Recorded	67	81	105
Prosecutable matters	54	67	68	68
Failure to keep or preserve proper accounting records	34	40	42	30
Trading at a time when knowingly or unknowingly insolvent	21	17	11	10
Excessive pension contributions	5	14	5	0
Failure to supply goods or services	10	13	71	14
Non co-operation	6	13	42	11
Second bankruptcy	8	6	9	5
Non disclosure of assets	Not Recorded	Not Recorded	Not Recorded	43
Disposal of goods subject to hire purchase agreement	Not Recorded	Not Recorded	Not Recorded	24
Total	2,118	2,058	2,134	1,822*

* 29 cases which were given authority to proceed did not have an allegation type recorded.

CHART 7: PERIOD OF BANKRUPTCY RESTRICTIONS ORDERS AND UNDERTAKINGS



Since the introduction of bankruptcy restrictions there has been a shift in the allegations upon which BROs and BRUs have been achieved. The main change has been the reduction in the proportion of incurring debt with no reasonable expectation of payment (NRE) from 41% of the total in 2007-08 to 19% in 2010-11 and the increase in neglect of business affairs cases from 3.7% in 2007-08 to 24% in 2010-11.

CASE STUDY 3

Bankruptcy restriction

An individual trading as a conveyancing solicitor, from Windsor in Berkshire, had the 15-year maximum bankruptcy restriction order imposed on him in June 2010 when an investigation by The Insolvency Service revealed he had caused a £9 million loss to his creditors.

In signing his undertaking for 15 years, the solicitor admitted that he had abused his clients' trust and breached his official duties as a practising solicitor. The largest claims against the solicitor related to the receipt and disposal of funds received from a mortgage lender for approximately £4million, and a claim for almost £5million from his former employers, who are now in administration.

CASE STUDY 4

Suspension of discharge

A individual, who had been made bankrupt in September 2009, has had his discharge from bankruptcy suspended indefinitely, until he fully co-operates with the official receiver.

During his interview in September 2009 the bankrupt informed the official receiver that, after paying creditors, he had received only £20,000 from the £189,242 realised from the sale of a property. However, when asked as to the whereabouts of the rest of the proceeds, the bankrupt was unwilling to provide details of the payees.

Investigation revealed that the bankrupt had contributed £40,000 to his father's purchase of two properties, and that he had transferred £80,000 to a public house on which he owned the lease. In August 2010 the court upheld the suspension of the bankrupt's discharge until he fully accounts to the official receiver for the expenditure of the sale proceeds.

The majority of cases where neglect of business affairs is alleged involve an allegation of failure to pay HMRC for VAT, PAYE and self assessment tax, where it is necessary to show that the debtor has failed to deal with his or her tax affairs over a number of years. Given that only conduct after 1 April 2004 could be taken into account, it is only as a result of the passage of time that it has been possible to evidence the behaviour over a longer period.

Suspension of discharge

Official receivers can also take enforcement action through the courts to suspend the automatic discharge of bankrupts who refuse to co-operate, either through non-attendance on the official receiver or a failure to provide information or a satisfactory account of their financial affairs. This action may sometimes be taken instead of pursuing a bankruptcy restrictions order, as the overall effect is the same. During 2010-11, official receivers secured 1,399 suspensions of discharge against bankrupts compared with 2,024 in 2009-10.

Enforcement hotline

The Service operates a 24-hour Enforcement Hotline (0845 601 3546), which allows members of the public to provide us with information about suspected breaches of disqualifications and bankruptcy restrictions and other matters. In 2010-11 the Hotline received 617 complaints a small increase of 2% on the 605 complaints received in 2009-10.

Forty five of these calls resulted in reports alleging possible offences being submitted to the relevant prosecuting authority compared with 20 in 2009-10.

Prosecutions

The Service's Enforcement Directorate also considers reports concerning possible criminal offences committed by insolvent individuals (bankrupts) and directors of insolvent and live companies.

In 2010-11, 674 reports were submitted to the prosecutions branch of the BIS compared with 849 in 2009-10. This reduction followed discussions with BIS in relation to their capacity to handle this number of cases. This led to an initiative to limit the number of reports referred to BIS, with some of the public interest decisions being taken by The Service and some cases being referred direct to other prosecuting authorities. In addition, during 2010 a project was initiated and completed involving The Service and BIS, which has led to cases involving possible criminality being referred to BIS at an earlier stage. The combined effect of these initiatives has been to improve the efficiency of the prosecution effort for cases submitted by The Service.

Prosecution outcomes

During 2010-11, 166 defendants were sentenced having been convicted of offences following prosecutions brought by the Prosecutions Branch of BIS, with whom we work very closely, as a result of referrals from The Service. The convictions were for a range of offences relating to corporate and individual insolvencies.

Of those convicted:

- 99 defendants received custodial sentences, ranging from 5 days to 6 years;
- 21 sentences for Community Punishment Orders, ranging from 80 hours to 18 months;
- 18 were fined ranging from £185 to £3,000;
- 14 Curfew Orders were issued ranging from 2 weeks to 6 months;
- 12 supervision orders were issued ranging from 8 months to 104 months;
- 79 sentences included doing unpaid work ranging from 2 months to 36 months;
- 12 were conditionally discharged ranging for 2 months to 36 months;
- 15 confiscation orders were made totalling £217,944;
- 9 Compensation Orders were made in 6 cases totalling £105,656;
- 53 Disqualification Orders were made ranging from 12 months to 15 years; and
- 93 defendants were ordered to pay total prosecution costs of £132,398.

CASE STUDY 5

Criminal offence

An individual who petitioned for his own bankruptcy in July 2006 owing more than £205,000 in unpaid debt, was jailed for 18 months in February 2011, following an investigation by the official receiver.

At the end of 2005, the official receiver found the bankrupt had fraudulently applied for three loans: an unsecured loan of £25,000 and a mortgage of £220,500 secured against his own property, resulting in a payment of £57,712 into his own account and another mortgage of £119,930 that resulted in a payment of £44,931 into his account. Further investigation established the bankrupt had transferred the money into his company account and then, via a number of transactions, transferred £120,000 to the person he claimed was his ex-partner.

Additionally, as a result of this fraudulent activity, the bankrupt was also the subject of a 9 year BRO, which the official receiver secured in 2008.

TABLE 18: ENFORCEMENT ACTIVITY AND TIMELINESS

Activity and timeliness	2006-07	2007-08	2008-09	2009-10	2010-11
Take proceedings for disqualifications of unfit directors, orders and undertakings obtained	1,223*	1,173*	1,281*	1,388*	1,437*
Secure bankruptcy restrictions orders and undertakings against unfit bankrupts	1,867	1,827	1,781	1,950**	1,804**
Number of criminal referrals submitted to the prosecutions branch of BIS where there is evidence of criminal behaviour	606	705	793***	943***	674***
Number of Section 447 investigations completed by Company Investigations (CI)	174	193	240	268	205
Maintain enforcement outputs (disqualifications, bankruptcy restrictions, criminal referrals and concluded companies investigations)	N/A	N/A	4,095	4,549	4,120
Suspensions of bankrupts discharge secured	1,743	1,815	1,970	2,024	1,399
Winding up orders secured by CI	95	182	115	251	181
Reduce the average time (months) from the date of insolvency to instigation of disqualification proceedings to 20 months	N/A	18.5	19.7	18.7	18.7
Complaints about live companies made to CI	3,595	3,619	4,153	5,989	4,852
CI to complete consideration of 90% of vetting complaints within 2 months****	94.8%	92.6%	91.3%	83.7%	95.1%
CI to complete internal Section 447 investigations within 6 months****	93.2%	95.7%	92.7%	93.8%	94.9%
Increase the level of public confidence in The Service's enforcement regime	62.8%	65.3%	64.1%	68.0%*****	64.0%

* Includes disqualifications under Section 2 and Section 8 of the Company Directors Disqualification Act 1986.

** Includes Debt Relief Restrictions Orders and undertakings, which were introduced as part of the DRO process on 6 April 2009.

*** Includes criminal referrals and disclosures made by Company Investigations, which were not measured prior to 1 April 2008

**** CI considers complaints about the conduct of companies (or the company's officers) to determine whether there are grounds for a statutory enquiry into the company affairs, and carries out such enquiries. The power of enquiry used is almost exclusively section 447 of the Companies Act 1985.

***** A revised survey was designed in conjunction with the Central Office of Information (COI) and used in 2009-10. This survey, with minor modifications, was repeated in 2010-11. See page 30 for further information).

Investigation and enforcement costs

Between 1 April 2004 and 31 March 2007 all investigation and enforcement activity was funded through a BIS programme budget. With effect from April 2007 ministerial agreement was obtained that investigation work carried out by official receivers should be met from raising the case administration fee. However, enforcement action taken by the official receiver following such investigation continues to be funded by BIS.

Table 19 shows the financial results for enforcement, investigations and companies investigation activity.

TABLE 19: INVESTIGATION AND ENFORCEMENT

Costs and recoveries	2006-07 £'000	2007-08 £'000	2008-09 £'000	2009-10 £'000	2010-11 £'000
BIS funding	46,343	37,489	40,228	37,583	33,558
Cost recovery from disqualified directors	2,776	2,138	3,022	2,506	2,731
Investigation and enforcement costs	49,319	39,627	43,250*	39,969**	36,289

* 2008-09 figures have been restated as The Service has implemented International Financial Reporting Standards. The date of transition was 1 April 2008.

** 2009-10 figures have been restated to exclude the cost of capital. The Treasury no longer requires cost of capital to be included in the operating costs in government accounts.

5 Corporate Services

If The Service is to deliver to a very high standard for its customers it requires high quality internal service provision to its front-line staff and operations. This has been another year in which the corporate service delivery sections have striven to improve the quality and efficiency of the support they give to the rest of The Service. This section highlights some of the more significant developments in the year across the range of corporate services.

Human resources

This has been a very challenging year for The Service and its staff who have had to cope with the uncertainty arising from falling case numbers and problems associated with the new case management system (ISCIS). Whilst The Service aims to ensure that employees feel motivated and engaged in the work they do, the levels of staff engagement, as measured by the Civil Service staff survey nevertheless fell in 2010-11.

Voluntary exit scheme

The launch of our first ever exit scheme, one of the first under the new Civil Service Compensation Scheme, created new and different challenges for both HR and staff alike. It was essential for the Voluntary Exit Scheme (VES) to be successful if we were to reduce our overhead costs but the position was complicated because at the time the work commenced to set up the scheme, and during our early communications with our staff, the terms of the scheme were not yet known. These challenges were successfully overcome, leading to the departure of 470 staff after the end of the financial year. This is an 18% reduction in permanent staff levels.

Over 40 Exit Workshops were arranged, within a 3-week period. These workshops were designed to assist and support those staff who were leaving and gave them the opportunity to gain advice and discuss matters such as how best to plan their finances, and how to seek new employment opportunities.

An Equality Impact Assessment for the exit scheme was completed. It showed that the differentials seen in the leavers' data were probably due to a greater proportion of staff aged over 55 leaving under the exit scheme, which was likely to be due to the exit scheme being more attractive to staff at or near retirement age. Further, it showed that the post-exit scheme Service workforce broadly reflects the pre-exit scheme Service workforce.

Recruitment and staffing levels

Given the falling case numbers, there was a very minor increase to our permanent staffing complement from last year. However, to reduce costs, most casual and agency staff were released (see table 20 below). Some agency staff were also replaced by permanent staff (trainee examiners) who have successfully completed their qualification and are now fully competent in their role as insolvency examiners. We continue to adhere to the Civil Service freeze on external recruitment.

TABLE 20: WORKFORCE, INCLUDING PERMANENT, CASUAL STAFF AND AGENCY WORKERS

Workforce	Number of staff as of 31 March 2010	Number of staff as of 31 March 2011
Permanent staff	2,581	2,582
Casual Staff	65	2
Technical Agency Workers	215	19
Admin Agency Workers	265	79
Loanees & Secondees	6	1
Total	3,132	2,683

Very limited external recruitment has taken place where there was a need to fill frontline or business critical posts. Table 21 provides a breakdown by grade and gender of all new recruits during 2010-11.

TABLE 21: NEW RECRUITS IN 2010-11 BROKEN DOWN BY PAY RANGE AND GENDER

New external recruitment	Permanent		Casual		Total
	Male	Female	Male	Female	
Range					
A1	0	0	3	3	6
A2	0	1	6	8	15
B1	0	4	0	0	4
Bands C and above	1	0	0	0	1
Total	1	5	9	11	26

The average number of full time equivalent staff in post has therefore decreased during 2010-11 (see table 22).

TABLE 22: STAFF IN POST (AVERAGE FOR THE YEAR)

Average staff in post*	2006-07	2007-08	2008-09	2009-10	2010-11
Number	2,146	2,529	2,484	2,567	2,488

*Staff in post (full time equivalent) includes permanent and casual staff but does not include agency workers or sandwich students.

The Civil Service Commission require that all recruitment to The Civil Service is on the basis of fair and open competition, except in limited circumstances where flexibility is required to meet genuine business needs. We did not exercise any of the exceptions during 2010-11.

Employee assistance provision

On 1 July 2010, we introduced an Employee Assistance Programme (EAP), which was a move away from the more traditional Staff Counselling Service we had always used to support staff with personal or job concerns. The EAP is available to all our employees, and provides 24 hour access to counselling, advice on personal difficulties and work related issues, telephone and face to face support, information services, management support and counselling referral services. We hope that this service will provide valuable support to employees and play a role in improving staff wellbeing.

Staff sickness

Sick absence within The Service has fallen in the year, to 7.5 days lost per employee for the year to 31 March 2011. This compares favourably with both The Service's sick absence for 2009-10 (7.9 days) and the Civil Service sick absence of 8.5 days for the year September 2009 to September 2010 (the latest period for which data is available).

It should be noted that, for the first time, The Service is reporting sickness using agreed Cabinet Office methodology, and that the figure of 7.9 days for 2009-10 has been restated from the 10.7 days reported in last year's Annual Report, which was based on The Service's own internal reporting.

Staff engagement

For the second consecutive year, we participated in the Civil Service People Survey, a cross-Civil Service employee engagement survey, which was open to all permanent staff and temporary workers. The Service achieved a response rate of 75%. The survey questions asked staff to comment on a range of issues. An Employee Engagement Index score is calculated based on the responses and indicates how engaged staff feel with their organisation.

Our organisational-level results were published on its external website in January. The Service reported an Engagement Index of 51% in 2010, which as mentioned earlier, represents a decrease since 2009. There were some areas in which we scored higher than the Civil Service benchmark, these include responses to questions in the areas *My line manager*, and *Resources and workload*.

However, given the challenges The Service is facing, we decided to implement a Corporate-level Engagement Plan as opposed to the usual staff survey action plan.

The Engagement Plan draws together the key corporate issues from the People Survey as well as the broader strategic activities and covers, amongst other things:

- consulting with staff on The Service's future Vision and delivery strategy;
- consulting with staff on leadership behaviours;
- a new internal communications strategy;
- managing uncertainty and change training for senior staff; and
- reinforcing our Values.

Local action plans have also been produced dealing with issues relevant to individual offices and sections.

The results of the People Survey were also analysed from a diversity perspective and an action plan designed to address issues identified.

People development and learning

We need to ensure that we provide staff with the right skills and knowledge to enable them to carry out the tasks to which they are assigned. The Service aims to ensure that employees feel fully motivated and engaged in the work they do, so that the organisation can continue to improve and maximise effectiveness.

As part of that The Service's Learning and Development strategy ensures that all staff are trained to meet the demands of their roles and have opportunities to develop their capabilities and to continue to learn throughout their career.

All examiners complete a challenging vocational qualification (the Examiner Development Programme, EDP). This was developed in partnership with, and is accredited by, Nottingham Trent University. This year saw 99 staff complete their training programme.

The Effective Manager Programme, covers management development and leadership training, and the non-Manager training programme covers all the soft skills and generic training needed to ensure that staff are given the tools they need to carry out their job.

During the year 263 courses were organised and delivered, for 2,766 delegates and 40 exam sittings were arranged.

A successful Celebrating Professional Achievement event was held at the start of the year, where over 200 staff received certificates, either for successfully completing their Insolvency training programmes, other work-based qualifications, or received their Long Service Award.

As part of The Service response to the 2009-10 Staff Survey we ran two “train the trainer” events for 16 managers so they could then deliver Bullying and Harassment Workshops to those offices or sections whose Survey scores were above average in this regard. These events ensured that nearly 500 staff were trained to recognise incidents of bullying and harassment.

During the year PDL instigated a number of cost saving initiatives to ensure that they were able to make best use of their budget. These included bringing external courses in-house, changing the way they deliver courses by making greater use of local office facilities to deliver training and tightening the procedures for staff that drop out of courses at the last moment. All these measures contributed to better utilising the budgets available.

Diversity and equality

We aim to provide policies and services that reach everyone that needs them, both staff and customers, in a way that is accessible. We recognise that we must engage with and understand the needs of the diverse communities we serve, and plan and deliver our services to take account of those needs. Diversity and equality is therefore central to the effective development and delivery of our services.

In 2010-11, despite the challenges faced, our commitment to and work on ensuring equality in both our employment practices and service provision has continued.

We have a diversity and equality strategy and supporting delivery plan in place for 2009-12, and have made excellent progress throughout the year. We have:

- rolled out a revised equality impact assessment (“EQIA”) framework, with supporting evidence base and consultation channels. Our evidence base includes analysis of our customer and staff equality data, and internal and external research findings. We have environmental scanning processes in place to ensure that we are aware of issues arising that may be relevant to the equality impacts of our work. We have also introduced new corporate governance procedures that ensure that equality impacts are routinely considered by all parts of the business when proposing policy or process changes;
- taken steps to better benefit from our staff’s diversity – we set up the staff Diversity & Equality Consultation Group, to enable us to effectively consult and involve our diverse workforce in the development of our employment and service policies and practices. We are also a member of a number of diversity and equality advice organisations, who we consult on a regular basis;
- updated and improved our reasonable adjustments process to ensure we can meet our disabled staff’s needs in a more efficient and effective manner.

All this work is underpinned by diversity and equality communications and stakeholder engagement work. Due to our continued efforts and commitment in this area, The Service is well placed to meet the new Public Sector Equality Duty that came into force in April 2011.

We also recognise that in order to achieve accessible services, our workforce should, as far as practicable, reflect the communities that we serve. During 2010-11, the representation of women in The Service has increased slightly from 56.4% to 56.7% as at 31 March 2011. Overall, The Service has a good representation of most age groups and religions/beliefs, reflects the ethnicity of the population it serves and over 14% of staff classify themselves as having a disability. We have made good progress on trans-equality issues and achieved 4th place in the 2010 Trans-Equality Index league table of 18 entrants. We were particularly praised for “taking the bull by the horns” following the previous year’s feedback, by developing and progressing our action plan.

Finance

As well as undertaking monthly financial monitoring and reporting and producing annual financial accounts the finance team introduced a new online budgeting tool for senior budget holders. Focus during the year has been on cost reduction and finance have worked with the Directing Board and senior budget holders to make significant reductions in The Service's cost base. The annual fees review was also undertaken in the autumn of 2010 as well as a further review of unrecovered fees which resulted in a significant additional bad debt write off and further changes to case administration deposits in 2011.

The finance team also make the payments in respect of the claims handled by the Redundancy Payments Services. The team maintained their 24 hour turnaround target to enable the overall payments targets to be met. The team have also worked with the project team who are delivering the new RPS claims handling system in 2011 to ensure the financial system changes arising from this are in place.

Finance work closely with policy colleagues on the financial assessment of possible policy changes which they have consulted on. Finance have also been working with BIS colleagues on the development of the finance function across BIS and its partner organisations and finance shared services.

Payments to suppliers

In line with the Government's commitment to the prompt payment of bills for goods and services rendered, The Service aims to pay its invoices within 30 days of receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later, unless otherwise specified by contract.

The prompt payment of invoices is a key Agency target and in 2010-11 99.1% were paid within 30 days and 90.4% of invoices were paid within eight days, see Table 23.

Since October 2010 The Service has also been publishing details of monthly payments over £25,000 in line with Cabinet Office guidance on transparency. Since then The Service has made the necessary changes to its finance system which has enabled it to publish payments over £500 from April 2011.

TABLE 23: PAYMENT OF INVOICES

Timeliness of payment	2006-07	2007-08	2008-09	2009-10	2010-11
Within 30 days of receipt	99.2%	99.0%	99.0%	98.7%	99.1%
Within 8 days of receipt	N/A	N/A	87.9%	90.1%	90.4%

Internal Audit and Governance

The Service has a corporate governance team who work in partnership with BIS Internal Audit to deliver an annually agreed internal audit programme. Additionally, the team provide training and guidance in risk management and internal control to managers and staff across The Service. During 2010-11 a significant element of the corporate governance team's work was advice and audit in relation to the introduction of the ISCIS IT system. Additionally, in 2010-11 the corporate governance and finance teams started to implement the new Managing Risk of Financial Loss directive from the Cabinet Office. Further information on governance and risk management is included in the Statement on Internal Control (page 54).

Communications

Media coverage and publicity

The Service's press team has raised the profile of The Service's work in the media and gained more coverage of enforcement action, reassuring the public that there is a robust regime in place for dealing with rogue companies and that the penalties for misconduct of bankrupts or company directors are significant and can be life changing.

During 2010-11, The Service ran one national public relations campaign, issued 71 press releases and dealt with approximately 40 calls a week from journalists enquiring about a variety of issues.

The campaign 'Dealing with your debt week', delivered in-house, aimed to encourage more people to seek impartial advice early if their levels of personal debt had become unmanageable. Supported by the Money Advice Trust, Citizens Advice and the Consumer Credit Counselling Service the campaign generated national print and broadcast coverage equivalent to purchasing £500,000 worth of advertising space and reached an audience in excess of 16 million people.

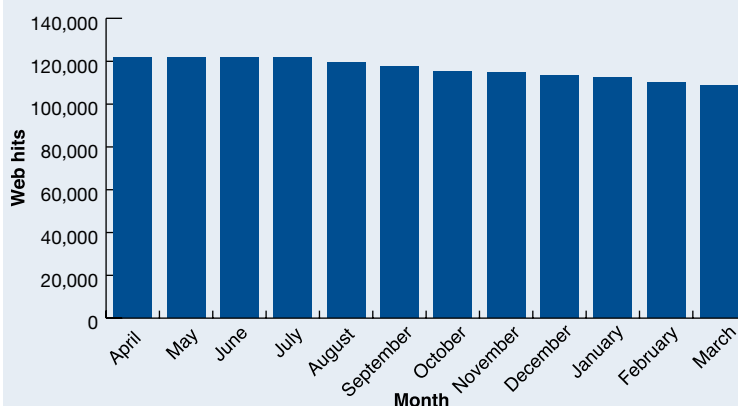
Of the 71 press releases issued by The Service, 62 related to enforcement outcomes, such as the winding up of a group of Cheshire based companies offering debt management and loan brokerage services. The remaining releases covered nine policy changes and consultations, and the 'Dealing with your debt week' campaign.

Across the year The Service generated approximately 540 media cuttings and clips with an advertising equivalent value of £2.5 million.

Website

In addition to The Service's helplines, customers can access information about The Service's work via our website. Use of our website has remained steady during the 2010-11 with an average of 108,534 unique visitors per month as at 31 March 2011. The rolling average at the end of 2010-11 has returned to normal levels following high levels of unique web visitors at the end of 2009-10. See chart 5.

CHART 5: **INSOLVENCY SERVICE WEBSITE VISITORS 2010-11 (12 MONTH ROLLING AVERAGE)**



Individual Insolvency Register

Use of the online electronic Individual Insolvency Register (eIIR) remains at a very high level with 3,348,240 searches being conducted by users. This is however a decrease of 19% compared with the 4,155,192 searches conducted during 2009-10.

Eleven new commercial organisations have registered with us to receive data downloads of the eIIR during 2010-11, a service which we provide for a small fee. The total number of organisations receiving data downloads at the end of March 2011 is now 47. As referred to on page 20, the internal IT system feeding data to the eIIR was changed during the year. As with many new IT systems, the migration was not as smooth as expected resulting in some service disruption. We have worked with stakeholders to meet their needs and restore the public register. This disruption has drawn attention to how important the data download service is to financial service organisations and the wider financial industry.

Publications

During 2010-11 The Service has been reviewing its current policy to provide its leaflets and guides in hard copy in light of the government's freeze on the publication and issue of all advertising and marketing material. All of The Service's leaflets and guides fell under this umbrella. During the end of 2010-11 The Service ceased publishing some of its leaflets and guides in hard copy. The Service will be finalising this review in 2011-12.

All of The Service's publications remain available on The Service's website, from where customers and users can download them free of charge. Eight of the most popular leaflets and guides are also available on our website in MP3 format and have also been translated into Welsh, Traditional Chinese, Urdu and Sylheti.

As a result of the publication review the level of hard copy publications distributed during 2010-11 fell by some 27%, with 898,803 being issued compared to 1,226,844 during 2009-10.

Estate management, environment and sustainability

Following the Government announcement last year that all departments should cut their carbon emissions by at least 10%, we have introduced a number of initiatives to meet this aim, and to continue, as with previous years to reduce our energy costs and outputs and promote our sustainable development programme.

The Service has implemented a number of these initiatives within its London premises, e.g. the installation of voltage reduction equipment and secondary glazing and these are helping to bring about real savings in energy reduction and reduced emissions.

The Service now sources its energy from a sole supplier for our London office and 10% of the energy supplied is classified as Green Energy, being energy that can be extracted, generated, and or consumed without any significant negative impact to the environment.

Recently released data has shown that The Service has exceeded the 10% government target and has reduced emissions by 15%.

These reduction measures also focus on travel and subsistence, and central government has asked for substantial cuts in this area. Within The Service we have agreed to achieve a reduction on the amount of travel we undertake to reduce unnecessary emissions. During 2010-11 there was an 8% reduction in the number of journeys when compared to the previous year.

During 2010-11, The Service installed video conferencing in 6 of its offices. The use of video conferencing will bring about travel cost savings for staff who would otherwise need to travel to attend meetings. This initiative will also benefit the environment and aid with reduced CO₂ emissions.

The Service continued to make progress in a number of the areas targeted by the Sustainable Operations on the Government Estate (SOGE) programme. For the last reporting year these included a 3% improvement in energy efficiency and a 2% reduction in water consumption (where we are able to collect data). Recycling arrangements are now in place within all our offices, significantly reducing the amount of our waste going to landfill.

The Service continues to utilise 'closed loop' recycling for its paper products, this ensures that waste paper removed from office premises is made into re-usable paper and returned for use by a single supplier upon collection of further waste – reducing carbon emissions from vehicles.

BIS Commercial Strategy

Working with its family of partner organisations, BIS has embarked on a major programme of cost reduction and efficiency improvement in corporate service provision during the Spending Review period, covering ICT, estates, procurement, shared services, finance and HR. The Service has been very actively involved in the development of the programme and early stage implementation work associated with it, with most of the Directing Board members and other senior officers engaging with specific work streams.

The Insolvency Service Remuneration Report

Remuneration Policy

The remuneration of senior civil servants is set by the Prime Minister 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 and 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; and
- evidence it receives about wider economic considerations and the affordability of its recommendations.

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

Service Contracts

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

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

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

Remuneration (including salary) and pension entitlements (audited)

The following sections provide details of the remuneration and pension interest of the most senior officials (i.e. Board members) of the agency.

Remuneration (salary and payments in kind)

	2010/11	2010/11	2010/11	Restated 2009/10	Restated 2009/10	Restated 2009/10
Officials	Salary	Bonus Payments	Benefits in Kind	Salary	Bonus Payments	Benefits in Kind
	£'000	£'000	£'000	£'000	£'000	£'000
Mr Stephen SPEED <i>Inspector General and Agency Chief Executive</i>	95-100	Nil	Nil	95-100	10-15	Nil
Mr Les CRAMP <i>Deputy Chief Executive – Corporate and Business Services</i>	95-100	Nil	Nil	95-100	5-10	Nil
Mr Graham HORNE <i>Deputy Inspector General and Senior Official Receiver</i>	90-95	Nil	Nil	90-95	5-10	Nil
Mr Robert BURNS <i>Inspector of Companies and Head of Investigation and Enforcement Services</i>	85-90	0-5	Nil	85-90	0-5	Nil
Mrs Anne WILLCOCKS <i>Director of Policy and Regulation (Joined on 1 April 2010 – part-time)</i>	70-75 ¹	Nil	Nil	N/A	N/A	N/A
Miss Lesley BEECH <i>Director of Finance, Governance & Accounting Services</i>	75-80	Nil	Nil	75-80	0-5	Nil
Mr Terry HART <i>Director of Human Resources</i>	70-75	Nil	Nil	70-75	0-5	Nil
Mrs Marian JOYCE <i>Director of Strategy, Planning and Communications</i>	70-75	Nil	Nil	65-70	0-5	Nil

¹ Mrs Anne WILLCOCKS' salary band reflects her part-time pay.

Remuneration of Steering Board members (audited)

The Agency Steering Board comprises 15 members, ten of whom are civil servants. The Inspector General and Agency Chief Executive, Deputy Chief Executive, Deputy Inspector General, Inspector of Companies, Director of Policy and Regulation, Director of Finance, Governance & Accounting Services, Director of Human Resources, Director of Strategy, Planning and Communications are eight of these members and their remuneration is borne by the Agency and disclosed above. The costs of two other civil servant members is borne by the Department for Business, Innovation and Skills (BIS), they do not receive any additional amount for Board duties. The Service pays the external members and remuneration for the year ended 31 March 2011 is £24,961 (total remuneration in 2009-10 was £24,467).

Non-executive board members	Salary 2010-11	Salary 2009-10
	£'000	£'000
Mr Phil WALLACE	5-10	5-10
Mr Derek MORRISON	5-10	5-10
Mrs Louise BRITAIN (until 19/9/2010)	0-5	0-5
Mrs Rosalind WRIGHT	0-5	0-5
Mr Peter HOLMES	0-5	0-5
Mr David EREIRA (joined 9/11/2010)	0-5	N/A

None of the Non-executive Board Members received any benefits in kind.

Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

This report is based on accrued payments made by The Service and thus recorded in these accounts.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by The Service and treated by HM Revenue and Customs as a taxable emolument. No director received a benefit in the year 2010-11 chargeable to tax under s163 of the Income and Corporation Taxes Act 1988.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. The appraisal process does not allow enough time to accrue for individual bonuses. Bonuses therefore relate to the performance in the previous year to that in which they become payable to the individual. The bonuses reported in 2010-11 relate to performance in 2009-10 and the comparative bonuses reported for 2009-10 relate to performance in 2008-09. The figures for 2009-10 have been restated to show bonus payments separately from salary.

Pension benefits (audited)

Officials	Accrued pension at pension age as at 31/3/11 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/11	CETV at 31/3/10 ²	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Mr Stephen SPEED <i>Inspector General and Agency Chief Executive</i>	30-35 plus lump sum of 100-105	0-2.5 plus lump sum of 0-2.5	524	479	1	2,800
Mr Les CRAMP <i>Deputy Chief Executive – Corporate and Business Services</i>	45-50 plus lump sum of 140-145	- plus lump sum of -	1,111	1,091	-	1,400
Mr Graham HORNE <i>Deputy Inspector General and Senior Official Receiver</i>	40-45 plus lump sum of 90-95	0-2.5 plus lump sum of -	798	734	-	3,200
Mr Robert BURNS <i>Inspector of Companies and Head of Investigation and Enforcement Services</i>	40-45 plus lump sum of 130-135	- plus lump sum of -	968	904	-	1,200
Mrs Anne WILLCOCKS <i>Director of Policy and Regulation (Joined on 1 April 2010 – part-time)</i>	35-40 plus lump sum of 105-110	0-2.5 plus lump sum of 0-2.5	694	642	-	4,100
Miss Lesley BEECH <i>Director of Finance, Governance & Accounting Services</i>	30-35 plus lump sum of 95-100	0-2.5 plus lump sum of 0-2.5	545	499	2	1,200
Mr Terry HART <i>Director of Human Resources</i>	25-30 plus lump sum of 80-85	0-2.5 plus lump sum of 0-2.5	439	392	12	1,100
Mrs Marian JOYCE <i>Director of Strategy, Planning and Communications</i>	25-30 plus lump sum of 80-85	0-2.5 plus lump sum of 2.5-5	490	434	18	1,100

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with Pensions Increase legislation. Members joining from 1st October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with a employer contribution (**partnership** pension account).

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

² The actuarial factors used to calculate CETVs were changed in 2010/11. The CETVs at 31/3/10 and 31/3/11 have both been calculated using the new factors, for consistency. The CETV at 31/3/10 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

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

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

Further details about the Civil Service pension arrangements can be found at the website <http://www.civilservice.gov.uk/my-civil-service/pensions/index.aspx>

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 within the guidelines and framework prescribed by the Institute and Faculty of Actuaries 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.

Compensation for loss of office

Lesley Beech is working a notice period and will be leaving under Voluntary Exit terms on 30 December 2011 as part of the voluntary exit scheme³ run for all staff in The Service below Senior Civil Servant grade between December 2010 and March 2011. She elected to take early retirement. The cost to The Service of buying out the actuarial reduction on her pension was £200,000 – £250,000 and is accrued for in these accounts. She did not receive any additional compensation.



Stephen Speed
Chief Executive
8 July 2011

³ Departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972.

Accounts

Statement of The Agency's and Chief Executive's Responsibilities

Under section 7 of the Government Resources and Accounts Act 2000 the Treasury have directed The Insolvency Service to prepare a statement of accounts for each financial year 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 Service and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing 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 the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Financial Reporting Manual, have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

The Accounting Officer for the Department for Business, Innovation and Skills has designated the Chief Executive as the Accounting Officer of The Insolvency Service. The responsibilities of an Accounting Officer, including the 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 Service's assets, are set out in Managing Public Money issued by the Treasury.

Statement on Internal Control

1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of agency policies, aims and objectives, whilst safeguarding public funds and agency assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

The agency supports the Department for Business, Innovation and Skills' (BIS) aims to create a positive business environment and to protect and empower consumers. We support BIS by providing the framework and means for dealing with financial failure and misconduct. I am advised and supported by:

- The Insolvency Service Steering Board whose role is to advise the Secretary of State, generally through the Director General, Market Frameworks (BIS), on governance of the agency, its corporate plan, targets and performance. The Steering Board meets at least five times a year to review the plans, strategic direction and performance of the agency. The Board comprises senior officials from the agency and BIS, as well as up to five independent members, one of whom chairs it;

- the Directing Board (The Insolvency Service's executive committee), which meets twice monthly to consider strategic direction, plans, continuing activity in support of these and progress and performance against them. I receive advice and support on policy, strategic and operational issues;
- an Audit Committee chaired by an independent member of the Steering Board. The Audit Committee meets four times a year and receives reports from both internal and external auditors on control, assurance, risk and other audit matters; and
- the Risk Management Committee, which considers the overall risks to the agency's objectives, the management and control of those risks, and the review and monitoring of the agency's risk register. The Risk Management Committee meets at least four times a year and reports to the Directing Board and the Audit Committee.

BIS Ministers determine the policy framework in which the agency operates, and they answer to Parliament on that policy. I report to BIS Ministers on the execution of policy, our progress towards targets and plans, and proposals for future development.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to the achievement of agency policies, aims and objectives rather than to eliminate risk completely. It can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on a set of continuous processes designed to: identify and prioritise risks to The Service; evaluate the likelihood of those risks being realised; assess their impact should they be realised; and manage them efficiently, effectively and economically. The system of internal control has been in place in The Insolvency Service for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with guidance from HM Treasury.

3. Capacity to handle risk

The Steering Board and Directing Board regularly review management information so that they can consider the performance of the Agency, including its financial performance. The Directing Board sets the policies on risk management and internal control and also promotes and supports the development of risk management and internal control activity.

The Risk Management Committee provides risk management oversight and advice to the Directing Board and Audit Committee on the Agency's corporate governance practices.

In 2009-10 The Service implemented new corporate governance arrangements designed to provide better support for and assurance to the Directing Board. Six new committees were set up and then reviewed in 2010-11 having been in place for a year. This review led to two committees merged and one covering communications being stood down. The remaining four governance committees continue to report to the Directing Board.

Training has been provided to key managers and staff in risk identification, evaluation and management. Written guidance on risk management and evaluation is published on the agency's intranet to which all staff have access.

Systems are in place to identify and escalate any significant risk or control weaknesses to ensure that prompt appropriate action is taken to manage the risk and implement improvements to internal controls to reduce the likelihood of reoccurrence. Procedures are in place for the planning, monitoring and reporting on all major projects. Furthermore, all key projects and programmes in the agency are subject to Gateway Review, which includes an assessment of the key risks they face.

Internal Audit and the Corporate Governance Section operate to Government Internal Audit Standards. Their work is informed by an analysis of the Agency's risk exposures. This analysis and the joint plans of Internal Audit and Corporate Governance Section are endorsed by the agency's Audit Committee and approved by me. A memorandum of understanding between Internal Audit and the Corporate Governance Section is in place to ensure a high standard of governance processes and provide enhanced efficiencies in the use of internal audit resource.

4. The risk and control framework

A risk appetite matrix is in place against which risk at all levels are assessed. An agency-wide risk register, which is aligned to the main business objectives of the agency, ensures the risks are evaluated by type (financial, reputation, operational) and by level of exposure (likelihood and impact).

All agency-level risks have been evaluated and allocated to the appropriate Directing Board member. Every directorate, region, office and section maintains its own risk register, which is reviewed, as a minimum, twice a year.

Risk management is tied to the business planning process at all levels and ensures that top-down and bottom-up risks are communicated and managed at the appropriate level.

During 2010-11 The Service implemented a new IT system, ISCIS, to replace both the management and accounting of insolvency case work. In advance of, during and post implementation of the IT system, new or additional risks were identified and guidance was provided by Corporate Governance Section. Risks arose in relation to new processes but workarounds were also put in place where there were deficiencies in system functionality or system bugs. Increased management and control of these risks was put in place to ensure business continuity and avoid any financial or data loss. A mixed discipline team including representation of Corporate Governance Section was in place throughout the implementation as a control process. Resources to fix bugs were prioritised based on the level of the risk identified by this team.

A Security & Business Resilience Forum meets on a regular basis to ensure the security of information and other assets and to ensure the maintenance of plans for the prompt and efficient recovery of essential operations from any incident or physical disaster. It reports to the Risk Management Committee.

Information risks are included in the agency-wide risk management identification and evaluation processes and is supplemented by quarterly reporting from the Information Asset Owners assigned to each main activity within the agency.

Each quarter the Risk Management Committee considers overall risks to the agency objectives, the management and control of those risks, and the review and monitoring of the agency's risk register, reporting outcomes to the Directing Board and the Audit Committee.

5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the joint work programme of Internal Audit and the Corporate Governance Section together with executive managers within the Agency who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been assisted in my review of the effectiveness of internal control by the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The effectiveness of the system of internal control is reviewed by my Directors who each provide me with a Statement on Risk Management, Internal Control and Corporate Governance for their directorate. The chairman of the Audit Committee and I, together with the Director of Internal Audit, review these statements, meeting with a sample of directors to directly discuss their key findings.

During the year particular attention has been given to reviewing and managing the risks associated with the introduction of the ISCIS IT system. The Service's Corporate Governance Section staff and internal audit have advised me on the adequacy of the risk management and control in response to issues as they arose and I am satisfied that they have been effective (see below).

Internal Audit and the Corporate Governance Section's audit programme is focused around the agency's main risks. They submit regular reports on the adequacy and effectiveness of internal control together with recommendations for improvement. The Director of Internal Audit provides me with an Annual Report, which contains an independent opinion on the adequacy and effectiveness of internal control.

The 2009-10 review of the effectiveness of internal control highlighted internal control issues where further improvement was required. The following progress has been made:

- In relation to procurement, weaknesses were identified in the management of procurement risks and the tendering and awarding of contracts. Further audit reviews were carried out early in the financial year and near the end of the financial year. Weaknesses still existed in the early part of the financial year but good progress was made during the year to address these, including: the issue of a revised procurement strategy aligned to business objectives, the issue of revised policies and procedures together with comprehensive guidance to staff, all published on the Intranet and cascaded to budget holders and staff with delegated authority to commit expenditure. Progress on implementing improvements will be further reviewed in 2011-12.
- In relation to contract management training has been identified and delivered to appropriate staff and contract managers and service delivery managers have been designated for specific contracts. Internal Audit have recently reported improved risk management and control in these areas of activity.

The awareness and application of active risk management continued to improve across the agency in 2010-11. No significant internal control issues have been highlighted during the year. Control processes implemented to manage the risks associated with the implementation of the new IT systems proved effective. Migration of financial data to the general ledger in ISCIS proved more complex, and was only completed after the end of the financial year. The part of the general ledger functionality which will provide automated fee recovery and reporting was therefore not operational and an alternative report was developed to produce fee information for these accounts.

Managers are aware of the potential for control weaknesses to develop in 2011-12, in particular the loss of key skills and knowledge following the departure of staff under The Service's voluntary exit scheme. Plans are in place or in development to monitor and manage risks arising in the areas most impacted.

There were no other significant internal control issues during the course of 2010-11 but where weaknesses in the control environment are identified, action to strengthen control has been taken or is planned.

6. Data handling and data security

The Agency, working closely with BIS's security and information management teams has continued to make progress in embedding the requirements of The Security Policy Framework, which now incorporates the recommendations of the Data Handling Review, including:

- Information Asset Owners representing each main business area meet on a quarterly basis to review and update information asset risks and the implementation of systems and guidance within the agency;
- quarterly review of IT and data risks by the Risk Management Committee;
- Information Asset Owners and senior managers have undertaken levels 1, 2 and 3 protecting information training and all other staff have undertaken at least the level 1 training,
- incident logging and reporting; and
- embedding of a policy and guidance on protective markings to ensure that access to information and other assets is correctly managed and safeguarded.



Stephen Speed
Chief Executive
8 July 2011

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

I certify that I have audited the financial statements of The Insolvency Service Executive Agency for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Changes in Taxpayers' Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Chief Executive and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on Regularity

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

Opinion on the financial statements

In my opinion:

- the financial statements give a true and fair view, of the state of the Agency's affairs as at 31 March 2011, and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in The Insolvency Service Agency Overview, Legislative and Regulatory Framework, Public Service Delivery, Investigation and Enforcement and the Corporate Services sections of the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

14 July 2011

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

STATEMENT OF COMPREHENSIVE NET EXPENDITURE

for the year ended 31 March 2011


				2010-11 £'000	2009-10 £'000
	Note	Staff Costs	Other Costs	Income	
Administration Costs					
Staff costs	3	5,156	–	–	5,637
Other administrative costs	4	–	6,604	–	7,854
Operating income	5(a)	–	–	(9,800)	(11,800)
Programme Costs					
Staff costs	3	101,757	–	–	92,152
Programme costs	4	–	154,287	–	104,316
Income	5(a)	–	–	(152,755)	(162,174)
Totals		106,913	160,891	(162,555)	35,985
Net Operating Cost	5(b)	–	–	105,249	35,985
Other Comprehensive Expenditure					
Net gain / (loss) on revaluation of Property Plant and Equipment				–	–
Net gain / (loss) on revaluation of Intangibles				–	–
Net gain / (loss) on revaluation available for sales financial assets				–	–
Total Comprehensive Expenditure for the year ended 31 March 2011				105,249	35,985

All income and expenditure is derived from continuing operations. The income to 31st March 2011 does not include funding from BIS of £50,815,000 programme and £1,644,000 administration (2009-10, re-stated to reflect the removal of the cost of capital charge of £124,000, note 15, £37,463,000 programme and £2,025,000 administration) as shown in notes 1(n) and 5(b) of these accounts.

STATEMENT OF FINANCIAL POSITION

as at 31 March 2011

		2011 £'000	2010 £'000	2009 £'000
	Note			
Non-current assets:				
Property, plant and equipment	6	6,752	10,434	11,791
Intangible assets	7	11,509	12,055	11,653
Total non-current assets		18,261	22,489	23,444
Current assets:				
Trade and other receivables	9	3,585	6,193	3,068
Financial assets	9	81,863	151,076	121,421
Cash and cash equivalents	10	22,020	11,810	12,833
Total current assets		107,468	169,079	137,322
Total assets		125,729	191,568	160,766
Current liabilities				
Trade and other payables	11	(104,923)	(141,830)	(109,888)
Total current liabilities		(104,923)	(141,830)	(109,888)
Non-current assets plus net current assets		20,806	49,738	50,878
Non-current liabilities:				
Provisions	12	(5,389)	(1,430)	(2,976)
Other payables	11	(1,084)	(3,703)	(7,044)
Total non-current liabilities		(6,473)	(5,133)	(10,020)
Assets less liabilities		14,333	44,605	40,858
Taxpayers' equity:				
Revaluation reserve	14(a)	–	–	121
Government grant revaluation reserve	14(b)	–	–	28
General fund	SoCTE	14,333	44,605	40,709
Total taxpayers' equity		14,333	44,605	40,858



Stephen Speed

Chief Executive

8 July 2011

The notes on pages 63 to 88 form part of these accounts.

STATEMENT OF CASH FLOWS

for the year ended 31 March 2011

		2010-11 £'000	Restated 2009-10 £'000
	Note		
Cash flows from operating activities			
Operating deficit before interest	SoCNE	(105,249)	(35,985)
Depreciation and amortisation charge	6, 7	5,354	3,881
Audit fee	4	76	70
Loss on disposal of non-current assets	4	254	124
Movement in provisions	12	3,959	(1,546)
Decrease/(Increase) in trade receivables	9	71,821	(32,780)
(Decrease)/Increase in trade payables	11	(39,526)	28,600
CFER relating to items not passing through the I&E account		–	(3,000)
Net cash outflow from operating activities		(63,311)	(40,636)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(1,017)	(2,535)
Purchase of intangible assets	7	(812)	(842)
Net cash outflow from investing activities		(1,829)	(3,377)
Cash flows from financing activities			
BIS request for resource allocation		46,154	51,420
BIS – Inter entity Creditor	14(c)	37,571	–
VAT recovered by BIS		(4,498)	(4,877)
Capital element of payments in respect of finance leases and service concession arrangements		(3,877)	(3,553)
Net financing		75,350	42,990
Net increase / (decrease) in cash and cash equivalents in the period		10,210	(1,023)
Cash and cash equivalents at the beginning of the period	10	11,810	12,833
Cash and cash equivalents at the end of the period	10	22,020	11,810

The notes on pages 63 to 88 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

for the year ended 31 March 2011

	Note	Restated General Fund £'000	Revaluation Reserve £'000	Government Grant Revaluation Reserve £'000	Total Reserves £'000
Balance at 1 April 2009		40,709	121	28	40,858
Changes in taxpayers' equity for 2009-10					
Provided in year for Government Grant	6	(328)	–	–	(328)
Transfer from Government Grant Revaluation Reserve to General fund	14(b)	28	–	(28)	–
Non-cash charges – auditor's remuneration	4	70	–	–	70
Revaluation reserve transfer to General fund	14(a)	121	(121)	–	–
CFER – Surplus Case Administration Fees		(3,000)	–	–	(3,000)
Net operating cost for the year	SoCNE	(35,985)	–	–	(35,985)
Total recognised income and expenses for 2009-10		(39,094)	(121)	(28)	(39,243)
BIS Request for Resource Allocation		51,420	–	–	51,420
Capital element of payments in respect of finance leases and service concession arrangements		(3,553)	–	–	(3,553)
VAT recovered by BIS		(4,877)	–	–	(4,877)
Balance at 31 March 2010		44,605	–	–	44,605
Changes in taxpayers' equity for 2010-11					
Provided in year for Government Grant	6	(151)	–	–	(151)
Transfer from Govt Grant reserve for disposals	6	(298)	–	–	(298)
Non-cash charges – auditor's remuneration	4	76	–	–	76
Net operating cost for the year	SoCNE	(105,249)	–	–	(105,249)
		(105,622)	–	–	(105,622)
BIS Request for Resource Allocation		46,154	–	–	46,154
BIS – Inter entity Creditor		37,571	–	–	37,571
Capital element of payments in respect of finance leases and service concession arrangements		(3,877)	–	–	(3,877)
VAT recovered by BIS		(4,498)	–	–	(4,498)
Balance at 31 March 2011		14,333	–	–	14,333

For 2009-10, the net operating cost for the year is reduced by £1,383,000 to reflect the removal of the cost of capital charge (note 15).

The notes on pages 63 to 88 form part of these accounts.

Notes to the Agency's Accounts

1. Statement of accounting policies

1(a) Basis of preparation

These financial statements have been prepared in accordance with the 2010-11 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 Service for the purpose of giving a true and fair view has been selected. The particular policies adopted by The Service are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1(b) Accounting pronouncements

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

- (i) the accounting standards i.e. International Accounting Standards (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).

1(c) Accounting convention

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

1(d) Administration and programme expenditure

The Financial Memorandum sets out the financial framework within which The Service has operated since 1 April 2004. It has been agreed between the Department for Business Innovation and Skills (BIS) and The Service and is annexed to The Service's Framework Document. Since 1 April 2004 The Service has operated under a net funding regime agreed by HM Treasury.

The Service aims to recover the full cost of its activities either from fees and charges from users of The Service, from HM Revenue & Customs in respect of the administration of the Redundancy Payment Scheme (RPS) or from direct funding from BIS 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 Service will form part of BIS Request for Resources and count against BIS's Departmental Expenditure Limit (DEL).

The Statement of Comprehensive Net Expenditure is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or as programme is set out in the Financial Memorandum and follows the definition of administration costs set out in Managing Public Money. The resource expenditure and income relating to the services listed below is classified as administration:

- (i) Administration of redundancy payments
- (ii) Policy advice and development.

The resource expenditures and income relating to all other services is classified as programme.

1(e) Management judgements and estimation uncertainties

The preparation of the financial statements requires management to make judgments, 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(f) Property, plant and equipment (PPE)

PPE are non-current assets that are held by The 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 Service's investment in its PPE and the changes in such investment.

The minimum level for capitalisation of PPE is £2,000. The Service has determined a threshold level which ensures The Service'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 Service and;
- (ii) the cost of the asset to The Service 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 Service 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.

Therefore, with effect from 1 April 2009, The Service ceased to use indices to restate PPE to current cost and brought forward balances as at 1 April 2009 are used to represent historic cost. PPE are carried at depreciated historical cost less impairment losses.

1(g) 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 Service for the 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 Service.

Computers unless otherwise stated	3 to 5 years
Office machinery	3 to 15 years
Property leasehold enhancements	10 years or life of lease if shorter

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

1(h) 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 Service as a result of events in the past and;
- (ii) something from which The Service expects its 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 Service has adopted amortised historical cost as a proxy for fair value. With effect from 1 April 2009 The Service ceased to use indices to restate intangible assets to current cost and the brought forward balances as at 1 April 2009 are used to represent historic cost. 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 Service.

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

1(i) Impairments

Impairment is a fall in value of an asset, so that its recoverable amount is less than its carrying value in the balance sheet. The carrying amount is the net value at which the asset is included in the balance sheet i.e. after deducting accumulated depreciation and any impairment losses.

The Service carries out a review of its assets at each balance sheet date 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 Service will make a formal estimate of the recoverable amount of the assets concerned.

Information about possible impairment may be from both internal sources (e.g. evidence of obsolescence or physical damage) and external sources (e.g. a larger than anticipated fall in an asset's market value or significant technological, market, economic or legal change).

The impairment loss is treated as a revaluation decrease i.e. to the extent that there is a revaluation surplus held in respect of the asset, the impairment loss is charged to the revaluation surplus. Any excess is charged to the statement of comprehensive net expenditure.

1(j) Provisions

A provision is a liability of uncertain timing or amount. A provision is recognised in the balance sheet when The Service 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.

A provision for onerous contracts is recognised when the expected benefits to be derived by The Service from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

1(k) 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 dependents' benefits. The Service recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employee's 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 elements of the schemes, The Service recognises the contributions payable for the year.

1(l) Early departure costs

The Service, operating as part of the BIS scheme, is required to meet the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The Service provides in full for this cost when any early retirement programme is announced and is binding on The Service. The Service 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 Service 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 Service has agreed early retirement, the additional costs are met by The Service and not by the Civil Service pension scheme. These costs are paid in full at the time of the exit or redundancy but included as a provision to be utilised over the period to normal retirement age.

1(m) 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 separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1(n) Operating income

Operating income is income which relates directly to the operating activities of The Service. It principally comprises statutory fees 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 Service 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 BIS under a programme allocation for investigation and enforcement activities carried out by The Service or administration funding for policy activities.

Operating income is stated at its fair value. In most cases, the 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 3.5%.

The Service sets its case administration fees in accordance with the principles in Managing Public Money in that it sets its fees to recover full costs including the cost of capital. However, it does not set its fees to recover the costs of discounting debtors to fair value as taking account of one year with the next, the discounting costs will eventually unwind. We therefore adhere to the principle that fees are not set to recover more than 100% of costs. This may lead to The Service recording a deficit on its case administration business which reflects the timing difference between the fair value of the fee income and the eventual finance credit for the unwinding of the discount.

Case administration fees are charged to the insolvent estate at the date of the event giving rise to the fee and it is treated as income in these accounts when it is earned.

1(o) 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 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 Service's costing and time recording systems. Costs to complete the case administration functions can be estimated reliably.

Where there is surplus fee income, (i.e. any amounts which exceed The Service's forecast of costs required to complete the work on pre April 2004 cases) it is recognised at the point at which no further costs associated with those revenues remain to be incurred. This can be done either at the end of the period in which those costs are incurred, or more appropriately in proportion to the surplus of those revenues over those costs being identified.

The Service expects that any surplus deferred income remaining as at 31 March 2011 will be fully recognised by 2012-13, in proportion to the caseload as it closes.

1(p) Operating leases

Rentals payable under operating leases are charged to the statement of comprehensive net expenditure account on a straight-line basis over the term of the lease.

1(q) Finance leases

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright at the present value of the total rentals payable during the primary period of the lease. The corresponding leasing commitments are shown as obligations to the lessor.

Charges are made to the income and expenditure account in respect of:

- (i) depreciation:– which is provided on a straight-line basis over the economic useful life of the asset;
- (ii) the total finance charge:– which is allocated over the primary period of the lease using the sum of digits (or rule of 78) method.

1(r) Service Concession Arrangements

IFRIC 12 Service Concession Arrangements addresses arrangements where a private sector entity (operator) constructs or upgrades the public sector infrastructure to be used and then operates and maintains the infrastructure for a specified period of time. To be within the scope of IFRIC 12, the service concession arrangement must contractually oblige the private sector operator to provide the services related to the infrastructure to the public on behalf of the grantor. In line with the FReM the infrastructure for public services includes non-current assets used for administrative purposes in delivering services to the public.

IFRIC 12 applies to the public sector those private sector service concession arrangements in which:

- (i) the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them and at what price; and
- (ii) the grantor controls, through beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the term of the arrangement.

Where the infrastructure asset is used for its entire useful life, and there is little or no residual interest, the arrangement would fall within the scope of IFRIC 12 where the grantor controls or regulates the services as described in the first condition.

The grantor will recognise the infrastructure as a non-current asset and value it in the same way as other non-current assets of that generic type. The asset will be recognised when:

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

In practice, this means that the grantor will usually only recognise the asset when the asset comes into use.

The unitary payment stream will be separated between the non-current asset element – reported as a non-current asset and related liability – and the finance charge and service element using either the contract or estimation techniques where the elements of the unitary payment stream cannot otherwise be separated.

The grantor will recognise a liability for the capital value of the contract. That liability does not include the interest charge and the service elements, which are expensed annually to the statement of comprehensive net expenditure account. Finance charges are allocated based on the primary period of the arrangement using the implicit rate of interest.

1(s) Non-cash charges

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

- (i) Audit fee (note 4)

1(t) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. Financial instruments are recognised in the balance sheet when the Service has become a party to the contractual provisions of the instruments.

1(u) Financial assets

The Service has classified its case administration debtors, estate account debtors, and debtors for disqualification costs as financial assets. Case administration debtors 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 debtors are reviewed as at the balance sheet date. Debtors are discounted to reflect the time value of money. The discount rate used is 3.5% which is recommended by HM Treasury to be used for financial assets.

1(v) Value Added Tax (VAT)

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

Where VAT is recoverable by The Service the expenditure shown in the statement of comprehensive net expenditure account is net of VAT. Outstanding recoverable VAT on expenditure is included in VAT debtors and is shown in note 9 to the accounts.

1(w) Capital charge

Since 1 April 2010, the cost of capital utilised by the agency is no longer included in operating costs. The charge was previously calculated at the real rate set by HM Treasury currently 3.5% on the average carrying amount of all assets less liabilities, except for:

- (i) property, plant and equipment and intangible assets where the cost of capital charge is based on opening values, adjusted pro rata for in-year:
 - (a) additions at cost,
 - (b) disposals as valued in the opening statement of financial position (plus any subsequent capital expenditure prior to disposal),
 - (c) impairments at the amount of the reduction of the opening statement of financial position value (plus any subsequent capital expenditure),
 - (d) depreciation of property, plant and equipment and amortisation of intangible assets;
- (ii) donated assets, and cash balances with the Office of the Paymaster General, where the charge is nil.

1(x) Cash and cash equivalents

Cash and cash equivalents comprises cash at bank.

2. Significant areas of judgement

The estimates and underlying assumptions 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 Service believes that the most critical accounting policies and significant area of judgement and estimation arise from accounting for service concession arrangements under IFRIC 12; the method of revenue recognition in relation to case administration fee income and accounting for case administration debtors.

2(a) Service concession arrangements

In assessing the fair value of assets associated with service concession arrangements, certain indicative assessments have been received from the operator. These assessments cannot be corroborated independently. The Service is satisfied that the assessments are reasonable in that the fair value has been tested against the calculation of the interest rate implicit in the service concession arrangements (note 6).

Other apportionments have been applied to the costs in relation to the infrastructure asset where the infrastructure and service elements cannot be separated. The various elements have been separated using estimation techniques. We are satisfied that our assessments are reasonable.

2(b) Case administration revenue recognition

For case administration income it is the performance of the official receiver's obligations, which gives The Service the right to recognise both income and assets, and The Service 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 Service uses these profiles to calculate the amount of fees charged that should be recognised as income (note 5(a)).

The first casework profile was agreed by senior management in November 2003 in preparation for the introduction of the new financial regime on 1 April 2004. For the financial years 2004-05, 2005-06 and 2006-07 the same agreed casework profile was used on the basis that it reflected how costs were incurred. There were no significant changes to work processes which required the case profile to be adjusted. There were also no significant changes to the legislation during the period.

Case administration fees were increased from 1 April 2007 but only in relation to cases where the insolvency order was on or after 1 April 2007. Fee increases were implemented to ensure that the cost of investigation work carried out by official receivers and previously met from BIS funding could be recovered from fees. The casework profile was amended from 1 April 2007 to reflect the change in policy.

Generally, the following assumptions in respect of when the 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.

The reasonableness of these assumptions is tested by:

- (iii) Reviewing the weightings for business planning purposes, which determine the average time spent by each grade of staff.
- (iv) Reviewing the time-recording data.
- (v) Communicating and confirming assumptions with senior managers, official receivers and their staff.

2(c) Case administration debtors

The Service must make accounting estimates and judgments regarding the recoverability of its case administration debtors (note 9). Information is provided here to allow users to understand how The Service 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 debtors 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. Judgment is also required in determining the timing of the case administration debtors. To the extent that it is not expected to recover the debt a provision for bad debt will be made (note 9).

3. Staff numbers and related costs

3(a) Staff costs

	2010-11			2009-10		
	Total £'000	Permanently employed £'000	others £'000	Total £'000	Permanently employed £'000	others £'000
Wages and salaries	72,327	68,433	3,894	80,473	68,655	11,818
Social security costs	4,953	4,953	–	5,035	5,035	–
Other pension costs	12,484	12,484	–	12,316	12,316	–
Voluntary Exit Scheme – compensation payments	17,257	17,257	–	–	–	–
Sub Total	107,021	103,127	3,894	97,824	86,006	11,818
Less recoveries in respect of outward secondments	(108)	(108)	–	(35)	(35)	–
Total net costs	106,913	103,019	3,894	97,789	85,971	11,818

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but The Service is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2010-11, employers' contributions of £12,413,582 were payable to the PCSPS (2009-10, £12,250,699) at one of four rates in the range 16.7 to 24.3 per cent (2009-10: 16.7 to 24.3 per cent) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2011-12 the rates will be in the range 16.7 to 24.3 per cent. The contribution rates are set to meet the cost of the benefits accruing during 2010-11 to be paid when the member retired and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £59,623 for 2010-11 (2009-10, £56,011) were paid to the three appointed stakeholder pension providers. Employers' contributions are age-related and range from 3 to 12.5 per cent (2009-10, 3 to 12.5 per cent) of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £4,346 (2009-10, £4,157) 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the reporting period date were £6,881 (2009-10, £4,736). Contributions prepaid at that date were nil (2009/10, £nil).

1 person (2009-10, 5 persons) retired early on ill-health grounds. The total additional accrued pension liabilities in the year amounted to £975 (2009-10, £5,705).

3(b) Average number of persons employed

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

Number	2010-11			2009-10		
	Total	Permanent staff	Others	Total	Permanent staff	Others
Directly Employed	2,565	2,536	29	2,587	2,527	60
Other	359	359		538	–	538
Staff engaged on capital projects	–	–	–	–	–	–
Total	2,924	2,895	29	3,125	2,527	598

3(c) Reporting of Civil Service and other compensation schemes – exit packages

Comparative data for the previous year are not included as there were no exit schemes.

Exit package cost band £	Number of compulsory redundancies	Number of other departure agreed	Total number of exit packages by cost band
<10,000	–	49	49
10,001 – 25,000	–	203	203
25,001 – 50,000	–	105	105
50,001 – 100,000	–	83	83
100,001 – 150,000	–	25	25
150,001 – 200,000	–	3	3
200,001 – 250,000	–	2	2
Total number of exit packages by type	–	470	470
Total Resources costs / £	–	17,257,276	17,257,276

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

All other departures were under a voluntary exit scheme based on the terms of the CSCS which was open to all of The Service's staff below Senior Civil Service grade.

4. Other operating charges

	2010-11 £'000	2009-10 £'000
Administration Costs		
General administrative expenses	1,899	3,171
Other costs	504	987
Accommodation	1,007	932
Operating leases – accommodation	1,149	1,011
Operating leases – computers	738	553
Operating leases – office machinery	61	61
BIS overhead including provision for shared services	295	286
Travel and subsistence	194	362
	5,847	7,363
Non-cash items		
Audit fee	10	8
Depreciation	532	415
Amortisation	181	53
Loss on disposal of non-current assets	34	15
	757	491
Admin other cost	6,604	7,854
Programme Costs		
Legal and other costs of investigation and enforcement	13,805	19,076
General administrative expenses	12,370	23,006
Other costs	3,287	7,201
Accommodation	6,563	6,801
Operating leases – accommodation	7,495	7,389
Operating leases – computers	4,810	4,168
Operating leases – office machinery	398	445
Disbursements funded from case administration fees	4,130	3,850
BIS overhead including provision for shared services	1,920	2,084
Travel and subsistence	1,261	2,640
	56,039	76,660
Non-cash items		
Debit balances (credited back)/written off against fees	(21)	(54)
Adjustment to bad debt provision	1,535	1,483
Bad debt provision for case administration fees	94,731	24,799
Bad and doubtful debt provision for banking fees	487	461
Case admin – unwind discounting of debtors for fees	(3,411)	(2,622)
Audit fee	66	62
Depreciation	3,464	3,026
Amortisation	1,177	387
Loss on disposal of non-current assets	220	109
Accounting – write off (General)	–	5
	98,248	27,656
Programme other costs	154,287	104,316
Total	160,891	112,170

The figures for 2009-10 have been restated to show the split between administration and programme costs and now also includes case administration – unwind discounting of debtors for fees previously shown on the income and expenditure account.

5. Income

	2010-11 £'000	2009-10 £'000
5(a) Administration income		
Redundancy payments administration	9,800	11,800
	9,800	11,800
Programme income		
Insolvency case administration	113,543	144,322
Case administration income accrued from deferred income	26,800	12,515
Discounting costs	1,478	(4,246)
Estate accounts	2,439	2,498
Regulation of insolvency practitioners	1,547	1,473
Debt relief order administration	2,382	1,593
Investigation and enforcement	2,731	2,506
Rental income	1,835	1,513
Fees recoverable in the period	152,755	162,174

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 obligations under a contractual arrangement. The contractual obligations are set out in the relevant Fees Orders.

Case administration income accrued from deferred income of £26,800,000 (2009-10, £12,514,807), has been transferred from deferred income in accordance with The Service's deferred income accounting policy (note 1(o) and note 11).

Case administration income has been increased in 2010-2011 by £1,477,582, (2009-2010, reduced by £4,245,849) to ensure the income is stated at its fair value, in accordance with our financial instruments accounting policy (notes 1(t) and 1(u)).

Debt relief orders (DRO), which were introduced from 6 April 2009, are for those who would otherwise be financially excluded from debt relief solutions such as bankruptcy. They are intended to provide cheap and easy access to debt relief for those on low incomes, with no assets of value, who are overwhelmed by relatively low levels of debt. A flat fee of £90 is paid by the debtor.

5(b) Segmental reporting

All significant activities of The Service are derived from the Insolvency Acts 1986 and 2000, The Company Disqualification Act 1986, the Employment Rights Act 1996 and the Companies Acts 1985 and 2006 and are considered for segmental purposes to be one single class of business.

The following information on the main activities of The Service is produced for fees and charges purposes and does not constitute segmental reporting under International Financial Reporting Standard 8, Operating Segments.

Administration Costs	Income		Cost of Service		Surplus/(Deficit)	
	2010-11 £'000	2009-10 £'000	2010-11 £'000	Restated 2009-10 £'000	2010-11 £'000	Restated 2009-10 £'000
Activities funded from BIS financing						
Policy advice and development	–	–	1,644	2,025	(1,644)	(2,025)
Activities funded by HMRC						
Redundancy payments administration	9,800	11,800	10,116	11,466	(316)	334
Total Administration costs	9,800	11,800	11,760	13,491	(1,960)	(1,691)
Programme Costs						
	2010-11 £'000	2009-10 £'000	2010-11 £'000	Restated 2009-10 £'000	2010-11 £'000	Restated 2009-10 £'000
Activities funded from fee income						
Insolvency case administration	141,821	152,591	194,917	149,981	(53,096)	2,610
Estate accounts	2,439	2,498	2,147	2,354	292	144
Regulation of insolvency practitioners	1,547	1,473	1,505	1,307	42	166
Debt relief order administration	2,382	1,593	2,095	1,345	287	248
Other	1,835	1,513	1,834	1,512	1	1
Total fee funded programme	150,024	159,668	202,498	156,499	(52,474)	3,169
Activities funded from BIS financing						
Investigation and enforcement	2,731	2,506	36,289	39,969	(33,558)	(37,463)
Voluntary exit scheme	–	–	17,257	–	(17,257)	–
Total BIS funded programme	2,731	2,506	53,546	39,969	(50,815)	(37,463)
Total programme costs	152,755	162,174	256,044	196,468	(103,289)	(34,294)
Total of all activities	162,555	173,974	267,804	209,959	(105,249)	(35,985)

The costs of £194,916,641 in relation to insolvency case administration include an additional bad debt write off of £81,354,024 in relation to fees charged in previous years that are now considered uncollectable (see note 9). Common costs are apportioned largely on the basis of staff employed on the main activities.

BIS agreed financing for the voluntary exit scheme but as the scheme was not completed until late March these accounts do not include the cash funding which was received in April 2011.

5(c) 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.

These accounts include the administration costs and associated income (see note 5(b)). The NI Fund payments and receipts will be published in the consolidated resource accounts of BIS.

Claims processed under the Scheme fall into two categories: RP1 (which covers redundancy pay, holiday pay and arrears of pay) and RP2 (pay in lieu of notice). The average payment for RP1 during the 2010–11 year was £2,771 (2009–10, £1,903). An average amount of £1,289 was paid during 2010–11 for RP2 (2009–10, £1,322).

There are associated receipts related to this Scheme which arise from two sources:

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.

Insolvent Recovery – BIS 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.

6. Property, plant and equipment

2010-11	Information Technology	Plant & Machinery	Property Leasehold Enhancements	Assets under Construction	Total
Cost or valuation	£'000	£'000	£'000	£'000	£'000
At 1 April 2010	16,744	1,706	1,706	–	20,156
Additions	651	–	–	366	1,017
Disposals	–	(446)	–	–	(446)
Disposal of PPE funded by Government Grant	(1,474)	–	–	–	(1,474)
At 31 March 2011	15,921	1,260	1,706	366	19,253
Depreciation					
At 1 April 2010	8,499	544	679	–	9,722
Charged in year	3,705	152	139	–	3,996
Provided in year for Government Grant	119	–	32	–	151
Disposals	–	(192)	–	–	(192)
Disposals of PPE funded by Government Grant	(1,176)	–	–	–	(1,176)
At 31 March 2011	11,147	504	850	–	12,501
Net book value at 31 March 2010	8,245	1,162	1,027	–	10,434
Net book value at 31 March 2011	4,774	756	856	366	6,752
Asset financing:					
Owned	1,328	756	856	366	3,306
Service concession arrangement	3,446	–	–	–	3,446
Net book value at 31 March 2011	4,774	756	856	366	6,752

2009-10	Information Technology	Plant & Machinery	Property Leasehold Enhancements	Assets under Construction	Total
Cost or valuation	£'000	£'000	£'000	£'000	£'000
At 1 April 2009	15,309	1,194	1,086	512	18,101
Additions	1,735	309	491	–	2,535
Disposals	(315)	(165)	–	–	(480)
Reclassifications	15	368	129	(512)	–
At 31 March 2010	16,744	1,706	1,706	–	20,156
Depreciation					
At 1 April 2009	5,260	497	553	–	6,310
Charged in year	3,164	183	94	–	3,441
Provided in year for Government Grant	296	–	32	–	328
Disposals	(221)	(136)	–	–	(357)
At 31 March 2010	8,499	544	679	–	9,722
Net book value at 31 March 2009	10,049	697	533	512	11,791
Net book value at 31 March 2010	8,245	1,162	1,027	–	10,434
Asset financing:					
Owned	2,037	1,162	1,027	–	4,226
Service concession arrangement	6,208	–	–	–	6,208
Net book value at 31 March 2010	8,245	1,162	1,027	–	10,434
2008-09	Information Technology	Plant & Machinery	Property Leasehold Enhancements	Assets under Construction	Total
Cost or valuation	£'000	£'000	£'000	£'000	£'000
At 1 April 2008	13,143	787	1,044	–	14,974
Revaluation adjustment	(241)	(19)	19	–	(241)
Additions	2,814	372	–	512	3,698
Revaluations	(407)	54	23	–	(330)
At 31 March 2009	15,309	1,194	1,086	512	18,101
Depreciation					
At 1 April 2008	2,459	398	401	–	3,258
Revaluation adjustment	(437)	(26)	34	–	(429)
Charged in year	2,975	119	77	–	3,171
Provided in year for Government Grant	295	–	32	–	327
Impairments	8	–	–	–	8
Revaluations	(40)	6	9	–	(25)
At 31 March 2009	5,260	497	553	–	6,310
Net book value at 31 March 2008	10,684	389	643	–	11,716
Net book value at 31 March 2009	10,049	697	533	512	11,791
Asset financing:					
Owned	1,797	697	533	512	3,539
Service concession arrangement	8,252	–	–	–	8,252
Net book value at 31 March 2009	10,049	697	533	512	11,791

The amount of £3,151,569 depreciation and amortisation charged to the income and expenditure account in 2008-09, represents the in year provision for PPE (£3,171,000); Intangible assets (£344,000, note 7) and impairments £7,818. The provision was reduced by £371,296 which is included in the revaluation adjustment of £456,275, (PPE £429,000) and (Intangibles £27,000, note 7).

7. Intangible assets

	Software licences £'000	Internally Developed System £'000	Asset Under Construction £'000	Total £'000
2010-11				
Cost or valuation				
At 1 April 2010	1,466	1,264	10,396	13,126
Additions	557	9	246	812
Reclassification	–	10,615	(10,615)	–
At 31 March 2011	2,023	11,888	27	13,938
Amortisation				
At 1 April 2010	890	181	–	1,071
Charged in year	419	939	–	1,358
At 31 March 2011	1,309	1,120	–	2,429
Net book value at 31 March 2010	576	1,083	10,396	12,055
Net book value at 31 March 2011	714	10,768	27	11,509
Asset financing:				
Owned	714	8,464	27	9,205
Finance leased	–	2,304	–	2,304
Net book value at 31 March 2011	714	10,768	27	11,509
2009-10				
Cost or valuation				
At 1 April 2009	1,033	–	11,251	12,284
Additions	433	–	409	842
Reclassification	–	1,264	(1,264)	–
At 31 March 2010	1,466	1,264	10,396	13,126
Amortisation				
At 1 April 2009	631	–	–	631
Charged in year	259	181	–	440
At 31 March 2010	890	181	–	1,071
Net book value at 31 March 2009	402	–	11,251	11,653
Net book value at 31 March 2010	576	1,083	10,396	12,055
Asset financing:				
Owned	576	1,083	7,914	9,573
Finance leased	–	–	2,482	2,482
Net book value at 31 March 2010	576	1,083	10,396	12,055

2008-09	Software licences £'000	Internally Developed System £'000	Asset Under Construction £'000	Total £'000
Cost or valuation				
At 1 April 2008	1,518	–	2,890	4,408
Revaluation Adjustment	(48)	–	–	(48)
Additions	–	–	7,952	7,952
Reclassification	(409)	–	409	–
Revaluation	(28)	–	–	(28)
At 31 March 2009	1,033	–	11,251	12,284
Amortisation				
At 1 April 2008	322	–	–	322
Revaluation Adjustment	(27)	–	–	(27)
Charged in year	344	–	–	344
Revaluation	(8)	–	–	(8)
At 31 March 2009	631	–	–	631
Net book value at 1 April 2008	1,196	–	2,890	4,086
Net book value at 31 March 2009	402	–	11,251	11,653
Asset financing:				
Owned	402	–	8,769	9,171
Finance leased	–	–	2,482	2,482
Net book value at 1 April 2009	402	–	11,251	11,653

There were no revaluation surpluses carried forward for intangible assets as at 31 March 2009.

Under historical cost accounting the net book value as at 31 March 2009 would be £11,682,871 (1 April 2008, £4,086,321).

8. Impairments

Financial assets includes debtors for fees for case administration. The current carrying value of the debtor is after providing for doubtful debts of £94,731,130. Of this amount £13,377,106 is a planned fee write off budgeted for by The Service and included as a cost when setting case administration fees. However, the remaining £81,354,024 represents an additional write off in 2010-11 and is charged to the statement of comprehensive net expenditure (2009-10, no impairment charges) (note 9).

9. Trade receivables, other current assets and financial assets

	2010-11 £'000	2009-10 £'000	2008-09 £'000
Trade receivables and other current assets			
Amounts falling due within one year:			
Prepayments	3,585	6,193	3,068
Total trade receivables and other current assets	3,585	6,193	3,068
Financial assets			
Amounts falling due within one year:			
Debtors for fees – case administration	41,990	41,865	38,099
Debtors for disqualification costs	1,547	1,538	1,805
Debtors for fees – estate accounts	1,004	891	773
VAT debtor	1,367	1,251	1,430
Staff receivables	190	232	226
Other receivables	265	823	731
	46,363	46,600	43,064
Amounts falling due more than one year:			
Debtors for fees – case administration	32,384	101,172	74,892
Debtors for disqualification costs	2,843	3,006	3,074
Staff receivables	273	298	391
	35,500	104,476	78,357
Total financial assets	81,863	151,076	121,421
Total debtors	85,448	157,269	124,489
An analysis of other receivables is given below:			
	2010-11 £	2009-10 £	2008-09 £
Department for Business, Innovation and Skills	3,575	18,751	2,582
Department for Health	–	–	5,057
Human Fertilisation and Embryology	–	–	6,240
Child Support Agency	–	–	46,427
HM Revenue and Customs	–	9,558	–
Bodies external to government	261,212	795,148	671,010
	264,787	823,457	731,316

The debtors for disqualification costs have been reduced by a provision for doubtful debt of £1,056,997 (2009-10, £800,132). The debtors for estate accounts fees have been reduced by a provision for doubtful debt of £510,441 (2009-10, £461,253).

The debtors for case administration are in relation to fees charged and earned on insolvency cases but not yet realised because asset realisations in insolvency cases have not yet been completed. The debtors for case administration has been reduced by a provision for doubtful debt of £94,731,130 (2009-10, £24,799,145). Case administration fees already assume that doubtful debts will be some 12% of the fee that is charged and £13,377,106 of the £94,731,130 relates to planned fee write-off. This is because insolvency case administration fees are charged to all compulsory cases at the outset of the case but many cases which do not have assets will not be able to recover the fee in full.

A deposit is charged to the debtor or creditor who petitions for the bankruptcy or compulsory liquidation and this is security for the case administration fee. However, this deposit only provides for recovery of part of the case administration fee. As assets are realised these are used to discharge the balance of the case administration fee and a further fee, the Secretary of State fee, is charged on cases where there are assets above £2,000 (in bankruptcies) and £2,500 (in companies). The Secretary of State fee is used to cross subsidise those cases which do not have assets.

The debtors for case administration for 2010-11 were £77,292,774 (2009-10, £150,844,043). The debtors have been discounted at a discount rate of 3.5% to reflect the time value of money. The fair value discount for 2010-11 was £2,918,419 (2009-10, £7,806,966). In 2010-11, The Service unwound £3,410,997 (2009-10, £2,622,101) of the previous year's discount. This reflected the fact that case administration debtors are expected to be recovered over a period of years. The movement in the fair value discount is £1,477,582 (2009-10, £4,245,849) and is reflected in an increase of case administration fee income (notes 1(u) and 5(a)). The unwinding of the discount is included as a financial item adjacent to interest on the statement of comprehensive net expenditure.

The current fee regime has been in place since 1 April 2004. Fees are reviewed annually and this has led to some increases in the case administration fee and deposits since 2004. The amount of 12% for doubtful debts has also been reviewed annually and additional provisions have been made for doubtful debts in previous years annual accounts to reflect actual asset realisations and fee recoveries from them. However, the recession has had a more significant impact on asset levels and fee recoveries which has seen lower than previously expected asset recoveries in the last two years.

Additionally, a potential asset that had been identified in a significant number of bankruptcy cases in 2009-10 and which would have countered the significant drop in other assets such as property has not now materialised at the levels assumed in 2009-10. This potential asset related to claims for the mis-selling of payment protection insurance on credit agreements. Official receivers had identified potential claims in a significant number of cases. However, although such claims still exist, further investigation and legal advice obtained in 2010-11, particularly in relation to rights of set-off in insolvency cases, has resulted in our assumption relating to the realisation of such claims being significantly reduced. Together with the lower level of recovery of other assets we have now made a much higher provision for doubtful debt for all fees still unrecovered between April 2004 and March 2010.

The Service has recognised £26,800,000 from deferred income against the deficit arising from the level of write off (note 11).

10. Cash and cash equivalents

	2010-11 £'000	2009-10 £'000	2008-09 £'000
Balance at 1 April	11,810	12,833	23,603
Net change in cash and cash equivalent balances	10,210	(1,023)	(10,770)
Balance at 31 March	22,020	11,810	12,833
The following balances at 31 March were held at:			
Office of HM Paymaster General (ISA account)	19,175	11,150	9,097
Office of HM Paymaster General	2,845	660	3,736
	22,020	11,810	12,833

11. Trade payables and other current liabilities

	2010-11 £'000	2009-10 £'000	2008-09 £'000
Amounts falling due within one year:			
Trade payables	394	227	802
Accruals	20,170	10,028	10,602
Deferred fee income	1,003	28,753	41,681
Current part of finance leases	315	867	956
Service concession arrangement	2,306	3,003	2,421
BIS Inter-entity creditor	79,183	96,962	51,441
CFER payable to the Consolidated Fund	–	–	3
Accrued employee benefits	1,552	1,990	1,982
Total	104,923	141,830	109,888
Amounts falling due after more than one year:-			
Finance leases	35	348	1,215
Service concession arrangement	1,049	3,355	5,829
Total	1,084	3,703	7,044

Capital commitments due under finance leases are £347,746 (note 13(b)) (2009-10, £1,214,665). The finance charge payable under finance leases and charged to the statement of comprehensive net expenditure is £86,147. Capital commitment due under Service concession arrangements are £3,354,849 (note 13(c)) (2009-10, £6,358,295). The finance charge payable under Service concession arrangements and charged to the statement of comprehensive net expenditure is £355,218.

The BIS inter-entity creditor of £79,183,170 (2009-10, £96,962,003) includes the payroll for March 2011 of £7,051,238 which was paid for directly by BIS and The Service re-imbursed this in the following financial year. The larger element of the inter-entity creditor is BIS cash funding of £71,703,792 (2009-10, £89,703,192) which has been retained to meet cash flow requirements. The amount of cash funding required results from the delay in realising assets in cases and collecting the fees charged on those assets. Following the increased provision for doubtful debts in relation to case administration fees (note 9) and after allowing for the release of deferred income of £26,800,000 (see below) BIS has adjusted the inter-entity creditor position with The Service by £37,571,259 to reflect fees that cannot now be recovered and used to repay BIS cash funding.

Accruals include £13,426,707 in respect of the costs of compensation payments to staff under a voluntary exit scheme.

Deferred income

Deferred income as at 1 April 2010 was £28,752,589 of which £27,992,792 related to case administration fee income. This related to 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 a Secretary of State (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.

Costs for old regime cases are matched to income in the year they occur. This has resulted in £517,550 of deferred income being recognised as income this year. Future costs of old regime cases are unlikely to exceed £1m and it is expected that the majority of this cost will be incurred in the next 2 years with minimal annual costs thereafter.

Subject to Managing Public Money principles issued by HM Treasury, the Secretary of State fees are available to cross subsidise the cost of the case administration function as provided for by the relevant Section 102 Order made under the provisions of the Finance (No.2) Act 1987. Therefore, any surplus deferred income released to the income and expenditure account can be matched to any deficit on cases with an insolvency order after 31 March 2004. Such deficits may occur because either costs were higher than expected or fees recovered failed to meet our assumptions. In 2010-11 a review of fee collections on cases since 1 April 2004 together with an assumption for much lower than previously expected recoveries from mis-sold payment protection insurance claims has resulted in all deferred income not required to match expected pre 1 April 2004 costs being released to the comprehensive net expenditure account to match deficits on pre 2010-11 cases arising from the increased provision for doubtful debts (see note 9).

Deferred income note	2010-11	2009-10	2008-09
	£'000	£'000	£'000
At 1 April	27,993	41,070	46,159
Additions in year:			
(a) Fees recovered	169	470	549
Utilised in year:			
(a) Pre 1 April 2004 costs	(518)	(1,032)	(1,485)
(b) Deficits	(26,800)	(12,515)	(553)
(c) Unexpected / unplanned items	-	-	(3,600)
At 31 March	844	27,993	41,070

12. Provision for liabilities and charges

	Fruitless payments	Pre 1996 debit balance write offs	Early departure cost	Lease dilapidations	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2010	429	201	–	36	764	1,430
Provided in the year	34	–	3,830	174	1,292	5,330
Provisions utilised in the year	(52)	(21)	–	(59)	(532)	(664)
Provisions not required written back	(341)	–	–	(21)	(345)	(707)
Balance at 31 March 2011	70	180	3,830	130	1,179	5,389

Analysis of expected timing of outflows

	Fruitless payments	Pre 1996 debit balance write offs	Early departure cost	Lease dilapidations	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
In the period 2011-12	70	30	881	130	1,179	2,290
Between 2012-17	–	150	2,518	–	–	2,668
Thereafter	–	–	431	–	–	431
Balance at 31 March 2011	70	180	3,830	130	1,179	5,389

	Fruitless payments	Pre 1996 debit balance write offs	Early departure cost	Lease dilapidations	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2009	732	255	10	36	1,943	2,976
Provided in the year	–	–	–	–	296	296
Provisions utilised in the year	(268)	–	–	–	(905)	(1,173)
Provisions not required written back	(35)	(54)	(10)	–	(570)	(669)
Balance at 31 March 2010	429	201	–	36	764	1,430

Analysis of expected timing of outflows

	Fruitless payments	Pre 1996 debit balance write offs	Early departure cost	Lease dilapidations	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
In the period 2010-11	429	29	–	36	757	1,251
Between 2011-16	–	146	–	–	7	153
Thereafter	–	26	–	–	–	26
Balance at 31 March 2010	429	201	–	36	764	1,430

	Pre 1996 debit balance write offs	Early departure cost	Lease dilapidations	Other	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2008	8	27	1,125	2,888	4,048
Provided in the year	255	–	357	1,348	1,960
Provisions not required written back	(8)	–	(819)	(829)	(1,656)
Provisions utilised in the year	–	(17)	(627)	(732)	(1,376)
Balance at 31 March 2009	255	10	36	2,675	2,976

Analysis of expected timing of outflows

	Pre 1996 debit balance write offs	Early departure cost	Lease dilapidations	Other	Total
	£'000	£'000	£'000	£'000	£'000
In the remainder of the Spending Review period (to 2011)	58	10	36	2,668	2,772
Between 2011 and 2016	146	–	–	7	153
Thereafter	51	–	–	–	51
Balance at 31 March 2009	255	10	36	2,675	2,976

Fruitless payments

This has arisen as a result of the introduction of section 283A of Insolvency Act 1986 by Section 261 of the Enterprise Act 2002 which changed the way in which the bankrupt's home is to be dealt with post 1 April 2004. There are a number of cases where, following the introduction of this provision, property interests in homes may have been lost to bankruptcy estates and the official receiver may be liable to compensate the bankruptcy estate by making fruitless payments based on the value of any assets lost. The majority of these cases have now been agreed and the remaining provision is expected to be utilised in 2011-12.

Pre 1996 debit balance write offs

Prior to 1 April 1996 fees were handed over to BIS 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 BIS. This was achieved by a write off against current year fees. In 2010-11 this amount includes the debit balance write-off of £179,226.

The annual amount of outflow for this provision remains uncertain, therefore an annual estimated outflow has been calculated based on the decrease in this provision of £228,731 over the previous seven years. The above estimated outflows have been calculated on a straight line basis.

13. Commitments under leases

13(a) Operating leases

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

Obligations under operating leases comprise:	2010-11 £'000	2009-10 £'000
Buildings		
Not later than one year	8,593	8,105
Later than one year and not later than five years	29,368	31,109
Later than five years	32,352	39,086
Total	70,313	78,300
Other		
Not later than one year	5,307	6,199
Later than one year and not later than five years	1,600	8,464
Later than five years	-	-
Total	6,907	14,663

The Service entered into a contract dated 29 June 2007 for the provision of a new desktop infrastructure. The charges include hardware, software, design and implementation services and support services. Operating lease disclosures exclude the service concession arrangement element which is reported separately (note 13(c)) but include charges for support services. It was agreed that 2,750 users would be supported. A contract change note dated 31 January 2008 was agreed to provide support for an additional 317 users. A further contract change note proposed on 5 January 2009 supports additional users up to 3,700. The first tranche of hardware has an initial term of 39 months from July 2007 and the second tranche of hardware has an initial term of 39 months from December 2007. The initial term for the software is 60 months from July 2007. The initial term of the installation services varies between 48 months and 60 months due to the fact that the services are performed over a period of time commencing July 2007. All installation services have the same end of initial term date of July 2012.

13(b) Finance leases

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

Obligations under finance leases comprise:	2010-11 £'000	2009-10 £'000
Other		
Not later than one year	352	953
Later than one year and not later than five years	41	393
	393	1,346
Less interest element	(45)	(131)
Total	348	1,215

Interest on finance leases charged in the year is £86,147 (2009-10, £132,548). The capital commitments due under finance leases are £347,746 (2009-10, £1,214,665) (note 11).

13(c) Commitments under service concession arrangement

The Service entered into a contract dated 29 June 2007 for the provision of a desktop infrastructure managed service solution delivering The Service's applications to The Services' staff. The Service's requirement was to refresh and upgrade its then current IT infrastructure, which included desktops, servers and networks. Any changes to the main contract are provided for in contract change notes. The infrastructure was constructed and/or acquired by the operator for the purpose of the service arrangement.

The core contract term is for a period of 5 years to the end of June 2012. At that stage The Service has an option to sell the equipment as agent of the operator, on arms length terms at the market value and to receive 99% of the proceeds of the sale. Alternatively, The Service could renew the contract with the agreement of the operator. As The Service has the option to sell the equipment as agent, we have concluded that we control any significant residual interest in the infrastructure at the end of the service arrangement and we have therefore accounted for it as a service concession arrangement (note 6).

The infrastructure was recognised as property, plant and equipment from 18 March 2008 being the date of completion of the Project Acceptance Phase which included User Acceptance Testing (UAT) and has been depreciated from 1 April 2008. The infrastructure includes intangible items related to software. As the software is inextricably linked to the hardware, all infrastructure has been classified as information technology assets within PPE.

Assets under the core contract and the contract change notes are depreciated over their useful life in a pattern reflecting the consumption or loss of rewards embodied in the assets. Where the asset is to be returned to the operator, then its useful life is the service concession term. To date, The Service has assumed that there will not be any material residual value.

	2010-11 £'000	2009-10 £'000
Not later than one year	2,446	3,359
Later than one year and not later than 5 years	1,055	3,501
	3,501	6,860
Less interest element	(146)	(501)
Total	3,355	6,359

Interest on the service concession arrangement charged in the year is £355,218 (2009-10, £569,562).

14. Taxpayers' equity**14(a) Revaluation Reserve**

	2010-11 £'000	2009-10 £'000	2008-09 £'000
At 1 April	–	121	78
Revaluation of property, plant, equipment	–	–	91
Revaluation realised element transfer to General Fund	–	–	(48)
Reserve amount transferred to General Fund	–	(121)	–
At 31 March	–	–	121

14(b) Government Grant Revaluation Reserve

	2010-11 £'000	2009-10 £'000	2008-09 £'000
At 1 April	–	28	39
Revaluation of Government Grant Reserve	–	–	(11)
Reserve amount transferred to General Fund	–	(28)	–
At 31 March	–	–	28

Both the revaluation reserve and the Government Grant Revaluation Reserve reflect the unrealised element of the cumulative balance of indexation and the revaluation adjustment of PPE. In accordance with the FReM, The Service has adopted depreciated historical cost as a proxy for fair value. During 2010-11 £Nil was transferred to the General Fund to reflect this change (note 1(f)).

14(c) General Fund

The general fund comprises all reserves other than set out above.

The additional write off of case administration debtors for fees of £81,354,024 (note 9) has led to additional BIS financing of £37,571,259 which is included in these accounts in the Statement of Changes in Taxpayers' Equity and a reduction in the BIS inter-entity creditor (note 11).

15. Cost of capital

The FReM no longer permits the inclusion of notional cost of capital charges when calculating The Service's expenditure (note 1(w)). In accordance with Treasury guidance, a prior period adjustment has been made, and comparative amounts have been restated. As a result, for 2009-10, net operating cost in the statement of comprehensive net expenditure is reduced by £1,383,000, of which £124,000 related to activities funded from BIS and £1,259,000 related to activities funded from fee income and HMRC (note 5(b)). There is no impact on taxpayers' equity as an equal and opposite entry was recorded in the general fund.

16. Financial Instruments

The object of IAS 32 Financial Instruments: presentation and disclosure and IFRS 7 Financial Instruments: disclosure is to enhance financial statement users' understanding of the significance of on-balance sheet and off-balance sheet financial instruments to an entity's financial position, performance and cash flows. The two main categories of disclosures required by IFRS 7 are:

- (i) Information about the significance of financial instruments
- (ii) Information about the nature and extent of risks arising from financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one entity and financial liability or equity instrument of another entity.

A financial asset is any asset that is cash or a contractual right to receive cash or another financial asset from another entity.

A financial liability is any liability that has contractual obligations to deliver cash or another financial asset to another entity.

Significance

The Service has classified its case administration fee debtors 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 debtors therefore play a significant medium to long-term role in the financial risk profile of The Service. The timing of the recoveries exposes The Service to interest rate risk (note 9). Accounting estimates and judgements regarding the recoverability of case administration debtors are disclosed (note 2(c)).

Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Service discounts its financial assets at the rate determined by HM Treasury for financial assets, currently 3.5%.

As the cash requirements of The Service 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 Service's expected purchase and usage requirements and The Service is therefore exposed to little credit, liquidity or market risk.

17. Fast Track Voluntary Arrangements

The Enterprise Act 2002 extended the provisions of the Insolvency Act 1986 to provide for a fast-track voluntary arrangement (FTVA). These schemes enable the official receiver to act as nominee and supervisor of FTVAs, which can only be entered into after an individual has been made bankrupt.

A FTVA is a binding agreement between the bankrupt and his/her creditors to pay all or part of the money owed to them. In a FTVA the official receiver acts as nominee and supervisor. The official receiver fee to act as nominee is £300, and as supervisor the official receiver also charges 15% of all sums realised. Registration fees of £15 are payable to ensure the FTVA is on the public register of all individual voluntary arrangements.

During the year 2010-11, 2 individuals attempted to enter into a FTVA (4 individuals in 2009-10). The fees received by The Service were £9,634 (2009-10, £8,886) and are included in these accounts under the case administration business. The balance of funds held in FTVA estates as at 31 March 2011 was £82,070 (2009-10, £61,960). These amounts are not included in these accounts as they represent trust monies.

18. Related party transactions

The Insolvency Service is an executive agency of BIS. BIS is regarded as a related party. During the year, The Service has had various material transactions with the Department and with other entities for which the Department is regarded as the parent Department (being the Advisory Conciliation Arbitration Service (ACAS); and Companies House).

In addition, The Service has had various material transactions with other government departments and other central government bodies. Most of these transactions have been with The Treasury Solicitor.

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

19. Commitments

There are capital commitments for property, plant and equipment of £Nil (2009-10, £898,500) and for intangible assets £400,000 (2009-10, £695,000). Planned capital expenditure for 2011-12 is currently £2,584,000 for property, plant and equipment. Planning for other capital expenditure has not yet been finalised.

20. Contingencies

Banking liabilities

Following the enactment of the Cheques Act 1992, the Secretary of State for Business, Innovation and Skills has indemnified The 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 Service.

21. Financial exposure

International accounting standards 32 and 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 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 Service in undertaking its activities.

Interest rate risk

The Service's case administration debtors 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 Service discounts its financial assets at the rate determined by HM Treasury, currently 3.5%. The Service does not face significant medium to long-term financial risks in respect of its financial instruments.

Liquidity and foreign currency risk.

The Service has no exposure to significant liquidity risks.

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

22. Performance target

The Service is required to generate sufficient fees to meet the costs of case administration, estate accounts and insolvency practitioner regulation. The Service has a Financial Memorandum commitment agreed with BIS to break-even in each of these activities over a three year period.

23. Post balance sheet events

There have been no post balance sheet events which need to be reported.

The Service's financial statements are laid before the House of Commons by the Secretary of State of the Department of Business, Innovation and Skills. FRS21 requires The Insolvency Service to disclose the date on which the accounts are authorised for issue.

The Chief Executive authorised these accounts to be issued on 14 July 2011.



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