The Insolvency Service Annual Report and Accounts

2009-2010

THE INSOLVENCY SERVICE
www.insolvency.gov.uk

The Insolvency Service

Annual Report and Accounts 2009-10

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

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

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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Chief Executive's Introduction and Overview

This has been an unusual year by any standards. At the start of the year, the economy was in recession and remained so until the end of the calendar year. The longest and deepest recession for generations has had very serious implications for many firms and individuals. The story, in respect of insolvency, however has been mixed.

In 2009-10, the number of individuals becoming insolvent reached record high levels. While this is obviously a matter of considerable concern, levels were already at historic highs before the recession began. Two specific features stand out. First, within that total, the number of new individual voluntary arrangements rose by around a quarter, while the number of new bankruptcies stayed more or less level. Second, at the start of the year, we introduced the new Debt Relief Order (see page 13). This new, low-cost form of insolvency is targeted specifically at those with few assets and on low income and who are overwhelmed by relatively low levels of debt. It has brought formal insolvency remedies to those who were previously denied them on the basis of cost.

The number of corporate insolvencies rose, but did not reach the highs seen in the previous recession. There are many reasons why this is the case, but I believe it is true nonetheless to say that the recession provided a very robust stress test of our corporate insolvency legislation and it has come through that test in very good shape.

The Service will continue to work with Ministers and with interested parties to develop our insolvency regime so that we can remain confident that it is world-class and continues to strike a fair balance between creditors and debtors both in times of recession and recovery.

One aspect of policy that came into the spotlight during the recession and remains there now is the issue of pre-pack administrations. These forms of administration are intrinsically controversial to many, but they can also preserve jobs and economic activity that might otherwise be lost. Views have been invited on whether current regulation strikes the right balance. The Service's role is to provide confidence in the operation of all forms of insolvency through the mechanism of insolvency practitioner regulation as well as through maintaining and developing the legislative framework. We have given specific emphasis to pre-pack administrations throughout the year, publishing two reports on compliance against the regulatory standards by insolvency practitioners. We will need to continue to work closely with the recognised professional bodies who regulate Insolvency Practitioners (IPs) individually to keep a close eye on this.

Perhaps the biggest challenge that faced The Service at the start of the year was assessing likely demand for our insolvency case administration and redundancy payments work. Most commentators predicted a very significant increase in bankruptcies and corporate failures throughout and beyond the recession, and it was important that The Service was ready for this. In the end it did not happen and so The Service was able to take measures throughout the autumn and into the New Year to manage down its cost base accordingly.

It is in the context of what was therefore a challenging year operationally, I have to report that The Service was unable in the end to meet its three-year target to reduce case administration fees by 15% in real terms. Bankruptcy case administration fees have now been frozen in cash terms for three years in succession, which represents a real terms reduction of around 6.5%, company case administration fees have increased with inflation. Some of the reasons for this were beyond our immediate control (e.g. changes to inflation assumptions and changes in the case mix and complexity and hence cost per case), while the late delivery of our new case management system (now due this summer) was also a contributory factor.

Nevertheless, I am delighted to report that The Service met or exceeded all of its other operational targets. We delivered 11% more enforcement outputs (director disqualifications, bankruptcy restrictions, criminal referrals to prosecutors and concluded company investigations) than we managed the year before, beat our target on the timeliness of getting investigations of wrongdoing through to proceedings and, crucially, reduced the average time we took to make payments to redundancy payments claimants. This last result was helped by some very effective liaison work, enshrined in a new memorandum of understanding with R3, the insolvency practitioners' professional association, and JobCentre Plus to both of whom I am grateful.

Throughout this difficult year, we maintained our record of achieving a 90% satisfaction rating overall from our customers.

That we were able to achieve all of this is a tribute to the staff of The Service. Always excellent, they surpassed themselves this year and I thank them wholeheartedly for all the effort they each put in. It is no surprise to me that with colleagues such as these, the vast majority of our customers should express satisfaction with the service they receive from us.

And our staff have had some very well deserved recognition this year from others. In April 2010 our Debt Relief Order project won one of the prestigious Guardian Government Computing Awards (see above and page 13) and our Examiner2Manager Programme (E2M) won the gold award for staff development programme of the year at the Institute of IT Training (IITT) Awards (see page 39).

The Service has also retained the Charter Mark standard during 2009-10, which we have now held continuously since 1998. We will be applying for its successor, the Customer Service Excellence standard (CSE) during 2010-11.

I should like, finally, to record my thanks to the Steering Board, chaired so ably by Phil Wallace. A special thank you is due to Louise Brittain who stands down this autumn. Louise has given us a huge amount of valuable insight and constructive challenge over the last four years. I'd like to thank too, John Alty, formerly Director General of Fair Markets at BIS, who moved on towards the end of the year, for his unfailing support for and helpful challenge to our important work. I wish him well in his new role as Chief Executive of our sister agency, The Intellectual Property Office.

Just as the old year ended on a high note, so the new year will clearly present some very significant challenges. Once again, we go into that year in good shape and confident that we can meet those challenges successfully.

Stephen Speed

Inspector General and Agency Chief Executive

12 July 2010

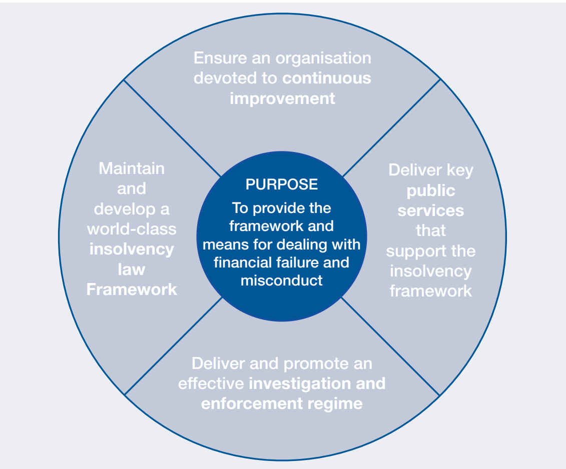
1 Introduction and Agency Overview

The Insolvency Service is an executive agency of the Department for Business, Innovation and Skills (BIS). The Insolvency 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 Disqualification Act 1986, the Employment Rights Act 1996 and the Companies Act 1985 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 framework, see chapter 2;
- to deliver key public services that support the insolvency framework, see chapter 3;
- to deliver and promote an effective investigation and enforcement regime, see chapter 4; and
- to ensure an organisation devoted to continuous improvement, see chapter 5.



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 misconduct by bankrupts, individuals subject to debt relief orders and directors;
- 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 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 live 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 falls 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 2009-10.

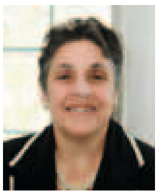
The Insolvency Service's Governance Arrangements

Steering board

The role of the Steering Board is to advise the Secretary of State, through the Director General, Fair Markets 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, Fair Markets, 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

TABLE 1: **PUBLISHED TARGETS 2009-10**

Published targets 2009-10	Target	Achieved
Reduce bankruptcy and company administration fees by 2010-11 from 1 April 2007 baseline	15%	6.5% (bankruptcy) -0.4% (company)
Increase levels of user satisfaction	90%	90%
Maintain the quantity of enforcement outputs in 2009-10 at 2008-09 levels*	3,800 to 4,220	4,549
Maintain the average time from insolvency order to the instigation of disqualification proceedings in appropriate cases	20.0 months	18.7 months
Process redundancy payment claims for payment • within 3 weeks • within 6 weeks	 78% 92%	 80.5% 93.5%

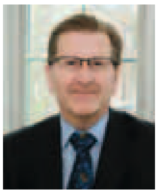
The Service met five of its six published targets in full but was unable to achieve the 3 year target to reduce bankruptcy and company administration fees – see Section 3.

*Disqualifications, bankruptcy restrictions, criminal referrals to prosecutors and concluded company investigations.

the Securities and Futures Authority. 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.

Louise Brittain

Louise is head of Deloitte's Contentious Insolvency Team encompassing London and the Regions. She is on the National R3 Council and is a member of the Fraud Advisory Panel. Louise joined The Service's Steering Board in September 2006.



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.

John Alty

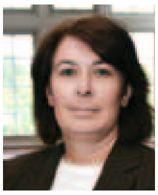
John Alty Director General, Fair Markets Group, BIS (Until 12 February 2010) (From 13 February 2010 Matthew Hilton acting Director General, Fair Markets Group, BIS. From 15 March 2010 Bernadette Kelly, Director General, Fair Markets Group, BIS).

Stephen Speed is the Inspector General and Agency Chief Executive.

Graham Horne is the Deputy Chief Executive and Head of Corporate and Business Services.

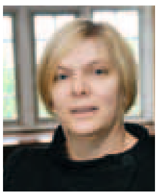
Les Cramp is the Deputy Inspector General, Senior official receiver and Head of Official Receiver Services.

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



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

Terence Hart is the Director of Human Resources.



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

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 Louise Brittain are the other independent members of the committee. 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, comprising senior managers from The Service, who also provide him with advice and support on policy and strategic issues.

Programme board

The Programme Board is a sub-committee of the Directing Board and supports the delivery of a programme of work identified in The Service's Corporate Plan aimed at improving The Service's infrastructure, quality of service and operational efficiency and effectiveness. The Board is chaired by the Deputy Chief Executive and is comprised of senior management and senior responsible owners (SROs) of projects within the programme.

Auditors

The Insolvency Service's annual accounts have been audited by the Comptroller and Auditor General (C&AG). The notional cost of the audit work for 2009-10 was £70,000. The cost is in respect of the audit services relating to the statutory audits of Agency Accounts and The Insolvency Services Account (ISA). Of this amount £18,500 was in respect of audit work undertaken in relation to The Service's move to International Financial Reporting Standards (IFRS) based accounts in 2009-10. 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.

Forecast budgets 2010-11 to 2014-15

Since agreeing indicative budget allocations for 2010-11 with BIS we have been asked to review expenditure across all of our functions and to identify savings against BIS funded budgets for policy and investigations and enforcement to contribute towards BIS reductions of 11%. We expect to accommodate this reduction whilst still meeting our liabilities as they fall due. There are uncertainties that could affect funding in the future – additional cuts for the public sector as a whole were signalled by the Chancellor's emergency budget on 22 June, and we are also aware that BIS is responding to a Cabinet Office request to review, along with all Departments, its Arm's Length Bodies. At the date of issue of this report however, we remain satisfied that the preparation of accounts on a going concern basis remains appropriate.

2 The Legislative 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 regime and BIS' strategic objectives of delivering free and fair markets, with greater competition and better regulation.

At the end of 2009, our Policy Directorate underwent a comprehensive review and restructure ensuring that The Service, on behalf of Government, will be able to respond flexibly and strategically to a broad range of future policy initiatives.

Consultation on facilitating company rescue

A consultation document, issued in June 2009 identified the importance of maintaining an effective and fair corporate insolvency framework that enables viable businesses facing temporary difficulties to turn themselves round, helping to preserve jobs and livelihoods. The document invited views on a number of possible measures to further enhance the existing regime, including moratoria for companies that need a breathing space in order to agree restructuring proposals with their creditors, and measures to promote increased access to rescue finance. The outcome of the consultation and Government response was published in November 2009.

The moratoria proposals were broadly welcomed. Respondents made a number of helpful comments and suggestions as to how the potential benefits could be maximised, whilst minimising the risks to creditors. The previous Minister announced that more detailed development of the relevant proposals would be taken forward, building on feedback received from the consultation.

In relation to rescue finance, the views of respondents were more divided and Ministers in the previous administration decided that the proposals would not be taken further for the time being, but that we would continue to work with stakeholders to monitor the position going forward.

Insolvency rules modernisation project

Work on the project to modernise insolvency legislation delivered important changes to both the Insolvency Act and Insolvency Rules which came into force on 6 April 2010.

These changes allow modern business practices to be applied to insolvency case administration and are designed to provide a more efficient and effective insolvency regime for the benefit of creditors and other users. The changes introduced in 2009 and 2010 will provide real and substantial savings in the costs of administering insolvency cases, estimated at around £45 million a year, and include:

- changes to enable office-holders to communicate electronically with creditors within insolvency proceedings, including the use of websites;
- changes to allow remote attendance by telephone or other electronic means at meetings which need no longer be convened at a physical venue;
- changes to provide a more transparent and flexible regime for the setting of office-holder remuneration and fuller reporting to creditors who have clearly defined rights to challenge any excessive remuneration and expenses;

- practical changes formulated with users of the legislation which remove the need for holding unnecessary annual meetings in liquidations, replace requirements for the swearing and provision of affidavits and reduce requirements for the filing of documents at court;
- new provisions allowing debtors who are at risk of violence to apply to the court to limit disclosure of their whereabouts and current address details in insolvency proceedings.

These changes have been delivered by amendments to the Insolvency Rules and to the Insolvency Act by means of a Legislative Reform Order (LRO)[1] and the savings achieved are expected to be passed on to creditors.

The next phase of the project will be to re-write and re-order the Insolvency Rules to make them easier to use and we plan to consult interested parties to allow them the opportunity to influence the final form of drafting.

Personal insolvency issues

A consultation was launched in September 2009 jointly with Ministry of Justice, focusing on debt management plans and setting out options for possible future action. The options included the introduction of statutory debt management schemes, or making use of non-statutory powers to improve the regulation of plan providers. A wide range of responses were received in respect of this consultation. No Government statement has yet been made in response to the outcome of consultation.

A review of the individual voluntary arrangement (IVA) Protocol[2] was conducted during the year and the resulting report published on our web-site in December 2009. The report reflected the progress that had been made on straightforward consumer IVAs since the introduction of the Protocol, particularly in terms of standardisation of the proposals which helps bring certainty for debtors who are considering putting forward an IVA proposal. There are still issues remaining to be addressed and the report highlighted some key findings where further work may need to be carried out. A revised version of the Protocol, incorporating a number of improvements and clarifications, was also completed with the assistance of the IVA Standing Committee.

Following representations made by the debt advice sector, a further consultation was launched in March 2010 relating to eligibility requirements for Debt Relief Orders (DROs). A number of otherwise eligible debtors are unable at present to access the DRO regime as they have built up small levels of funds in pension schemes, even though those funds are not currently accessible. The consultation asks whether the rules should be revised to allow such debtors to apply for a DRO.

We also consulted during the year on proposals to reform the process whereby a debtor makes application for his or her own bankruptcy. The proposals would remove the courts from this process, and instead put in place an administrative process which could be accessed on-line. Respondents to the consultation highlighted the importance of ensuring that the process is taken seriously by those considering making an application, and of encouraging debtors to take advice before proceeding.

International issues

The European Commission (EC) is due to commence a review of the EC Insolvency Regulation in 2011, and we have been consulting with interested parties to gather information on the current working of cross-border insolvencies. This work will continue in the coming year and will allow us to make a full contribution to the EC review once it has commenced.

Advising government

During the year we have also provided strategic and technical advice and assistance to policy officials from a range of other departments across Whitehall regarding the insolvency implications of policy and legislative proposals they are developing.

Insolvency statistics

The Service continued to publish the quarterly insolvency statistics, which now include numbers of Debt Relief Orders. Their visibility was increased by release through the UK Statistics Authority's official statistics Publication Hub. Regional personal

1. A LRO is a deregulatory device that can be used to amend primary legislation in certain circumstances. It is an alternative to making changes to statute by way of a Parliamentary Bill, but can only be used for non-controversial changes which have the support of key stakeholders and which lift burdens on business.

2 http://www.insolvency.gov.uk/insolvencyprofessionandlegislation/policychange/ivaprotocol/IVAProtocolReview.DOC

TABLE 2: **POLICY FUNDING AND COSTS**

Funding and costs	2005-06 £'000	2006-07 £'000	2007-08 £'000	2008-09 £'000	2009-10 £'000
Policy funding from BIS	1,858	2,129	2,079	2,086	2,029
Policy costs	1,858	2,129	2,079	2,086*	2,029

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

insolvency statistics and rates per 10,000 population were published as official statistics for the first time.

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. From 1 April 2006 certain statisticians' costs were transferred from BIS.

Insolvency Practitioner Regulation

The Service is the oversight regulator of insolvency practitioners and ensures that the seven professional bodies that have been recognised by the Secretary of State to authorise their members as insolvency practitioners regulate them effectively and apply better regulation principles. The Secretary of State also directly authorises a number of insolvency practitioners and this function, and the regulation of them, is undertaken by The Service's Insolvency Practitioner Unit. During the year, this authorisation function was put at arm's length from The Service's oversight role and since January 2010 has been undertaken in The Service's Corporate and Business Services Directorate.

Pre-pack administrations[3]

The Service has continued to monitor compliance by all insolvency practitioners with SIP16[4], a professional standard which practitioners are required to follow when appointed office-holder of a pre-pack administration. Findings from the first 6 months' monitoring were published in July 2009[5] and disclosed that in only 65% of cases were practitioners fully complying with the SIP. Further guidance was issued to insolvency practitioners in October 2009 and a series of presentations was given by regulatory staff during December 2009 and January 2010 at regional meetings attended by a large number of practitioners, their staff and other interested parties.

The second report by The Service on the monitoring of SIP16 was published in March 2010[6]. The report showed that in the period from July to December 2009 full compliance by practitioners declined slightly to 62%. Following the issue of that report, the then Minister for Business, Innovation and Skills announced a consultation and call for evidence[7] on strengthening transparency of, and confidence in, pre-packaged sales in administrations. The consultation closed on 24 June 2010.

Annual review of insolvency practitioner regulation

The Service has published Reviews of Insolvency Practitioner Regulation in June 2009 (for 2008) and in March 2010 (for 2009)[8]. The Reviews set 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.

3. Where a sale of all or part of the business is negotiated prior to the administrator's appointment and the sale executed on or shortly after their appointment.
4. Statement of Insolvency Practice 16 (Pre-packaged sales in administrations).

5. http://www.insolvency.gov.uk/insolvencyprofessionandlegislation/policychange/sip16-final.pdf.
6. http://www.insolvency.gov.uk/insolvencyprofessionandlegislation/sip16/Report%20on%20 the%20Operation%20of%20Statement%20of%20Insolvency%20Practice%2016,%20July%20-%20December%202009.pdf.
7. http://www.insolvency.gov.uk/insolvencyprofessionandlegislation/con_doc_register/Pre-pack%20consultation%2031march%2010.pdf.
8. http://www.insolvency.gov.uk/insolvencyprofessionandlegislation/iparea/INS_Practitioners.pdf; and http://www.insolvency.gov.uk/insolvencyprofessionandlegislation/iparea/2009%20Annual%20Review%20f%Insolvency%20Practitioner%20Regulation%20FINAL.doc

Changes arising from transposition of the EU services directive

During the year work was undertaken on ensuring that insolvency legislation was fully compliant with the EU Services Directive and on 29 December 2009 the following principal changes were made to the legislative framework:

- To reduce the insolvency experience requirement for applicants seeking authorisation from the Secretary of State from 7,000 hours to 2,000 hours.
- To provide for fixed periods of authorisation of 12 months for practitioners authorised by the Secretary of State which will be renewed automatically subject to continued fulfilment of conditions.
- To separate the application fee from the monitoring element of the fee currently paid by applicants to the Secretary of State for authorisation.
- To enable practitioners authorised by the Department of Enterprise, Trade and Industry in Northern Ireland to act in Great Britain.
- To allow, in certain cases, an insolvency practitioner from another European Economic Area state to rely on existing professional liability insurance cover to meet the bonding requirements.

Insolvency practitioner regulation funding and costs

Following the introduction of the Enterprise Act on 1 April 2004, fees reflecting the cost of authorising and monitoring Insolvency Practitioners (IPs) and recognised professional bodies (RPBs) were introduced and IP regulation is now operated on a cost-recovery basis.

Since 6 April 2009 the fees have been:

- IVA registration fee, £15;
- For applicants seeking authorisation as an insolvency practitioner from the Secretary of State, an application fee of £3,250 and a maintenance fee of a similar amount, and from 29 December 2009 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 shows the financial results and volumes for the IP regulation activity.

Future developments

IP regulation fees are reviewed at least annually and no changes were made in April 2010.

TABLE 3: **IP REGULATION**

IP activity	2005-06	2006-07	2007-08	2008-09	2009-10
IVAs	24,938	47,975	38,672	39,981	49,586
IPs authorised by SoS	83	90	91	92	88
IPs authorised by RPBs	1,598	1,592	1,592	1,646	1,658
Fees and costs	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
IP regulation fee income	1,211	1,155	935	991	1,473
IP regulation costs	808	835	1,003	1,054*	1,310

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

3 Public Service Delivery

Insolvency Case Administration

The efficient and effective administration of compulsory insolvency cases is one of the principal objectives of The Service and everyone in an official receiver's office, including regional trustee and liquidator units, the national dividend unit and our petitions and transfers team contributes directly towards its achievement.

During the year official receivers dealt with 77,898 new cases (72,480 bankruptcies and 5,418 companies), a very small overall decrease of 0.2% against the 78,029 new cases received during 2008-09. There was a 0.6% increase in the level of new bankruptcies but a 9.2% decrease in the number of company cases. See chart 1.

Eighty-six percent of new bankruptcies received during 2009-10 were made by way of debtors' petitions.

Official receivers were appointed as interim receivers[9] and provisional liquidators[10] on 60 occasions compared with 33 in 2008-09.

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.

The level of new IPOs and IPAs secured by official receivers rose by 17% (from 13,447 to 15,800) during 2009-10, compared with the previous year. However the £30.8m collected in respect of income payment orders and agreements during 2009-10, was 4% down on the amount collected during 2008-09.

The economic climate has had an adverse impact on the general levels of surplus income that is available for the official receiver to collect through income

CHART 1: **INSOLVENCY SERVICE MONTHLY NEW COMPULSORY INSOLVENCY CASE INPUTS**

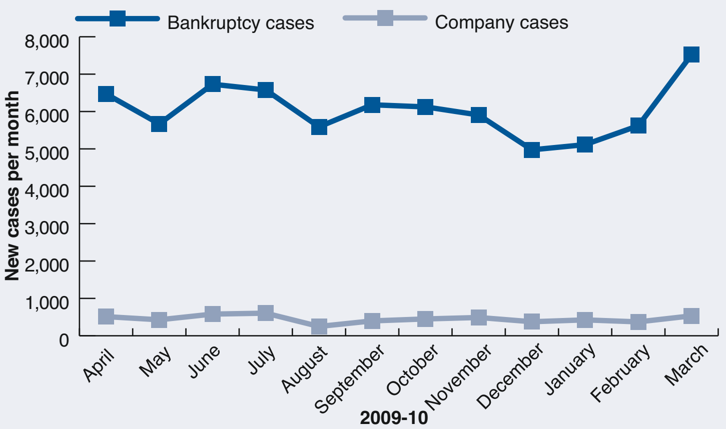


Chart 1 Note: The increase in the level of new bankruptcies experienced in March 2010 is attributable to more bankruptcy petitions being presented prior to the increase in petition deposit costs on 6 April 2010.

9. 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.
10. 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. An official receiver is usually appointed provisional liquidator following an investigation by Company Investigations which leads to a petition to wind-up a company in the public interest.

payment orders and agreements. However, we expect that the significant increase in the number of IPOs and IPAs secured in 2009-10 will lead to an increased level of collections in 2010-11. See charts 2 and 3.

CHART 2: **NUMBER OF INCOME PAYMENT ORDERS AND AGREEMENTS OBTAINED 2005-10**

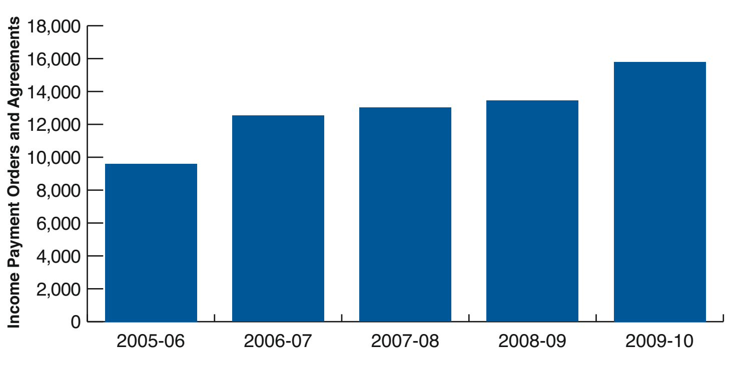


CHART 3: **REALISATIONS MADE FROM INCOME PAYMENT ORDERS AND AGREEMENTS 2005-10**

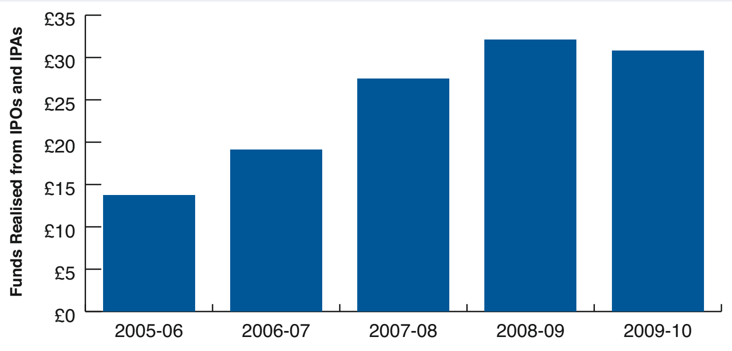
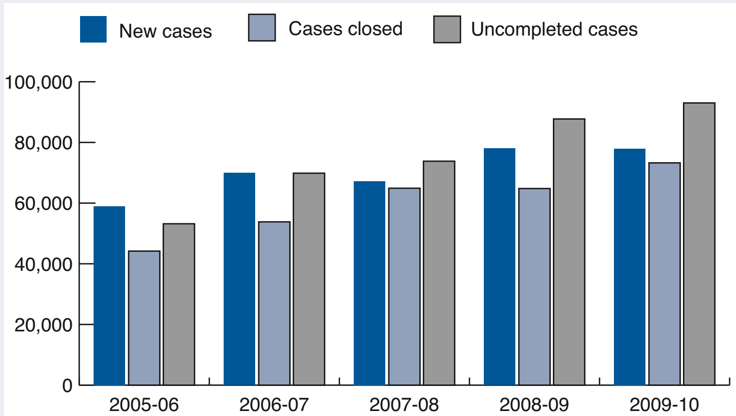


CHART 4: **NEW CASES AND CASES CLOSED 2005-10**



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 bankrupt's early discharge. During 2009-10, 37% of bankrupts were granted an early discharge compared with 38% in 2008-09. The average bankruptcy period in cases which received an early discharge was 7.3 months compared to 7.2 months in 2008-09.

Case completions

Official receivers concluded 73,263 cases during 2009-10, an increase of 13% on the 64,801 case completions achieved in 2008-09. At 31 March 2010, official receivers held a total of 93,016 uncompleted cases compared with 87,733 as at 31 March 2009. See chart 4.

Regional trustee liquidator units

The Regional Trustee Liquidator Units (RTLU) are specialist units that deal with compulsory insolvency asset cases in which there is likely to be a distribution to creditors or cases in which complex, or lengthy, asset realisations limit their economic viability for the insolvency profession. In 2009-10, the RTLUs received 23,346 bankruptcy cases and 476 company cases from official receivers to administer.

National dividend unit

During the course of its first full financial year of operation the National Dividend Unit (NDU), based in Croydon, paid a total of £17.75 million on 30,400 separate creditors claims in 5,325 insolvent estates. During 2009-10 significant process improvements were agreed and put in place with the Unit's major stakeholders in anticipation of the introduction of The Service's new Insolvency Service Case Information System (ISCIS) (see page 15) and to further the Unit's ethos of strong customer focussed service delivery.

TABLE 5: **INSOLVENCY PETITION DEPOSITS**

Petition Costs	from 1 April 2006	from 1 April 2007	from 6 April 2008	from 6 April 2009	from 6 April 2010
Debtors bankruptcy petition	£325	£335	£345	£360	£450
Creditors bankruptcy petition	£390	£400	£415	£430	£600
Creditors company petition	£655	£670	£690	£715	£1,000

Debt relief orders

A new form of personal insolvency remedy, the Debt Relief Order (DRO), was introduced from 6 April 2009. DROs are aimed at people with few assets and very little disposable income but who are struggling with relatively low levels of debt. Applicants must apply for a DRO through an authorised intermediary who will complete an online form for the debtor and submit it electronically to the official receiver. An application fee of £90 is payable upon the submission of a DRO application.

During 2009-10, The Service received 17,687 applications for DROs with 17,446 orders being made. The official receiver can decline DRO applications or subsequently revoke orders made in cases where the debtor's circumstances do not warrant a DRO. The official receiver can also conduct further enquiries into a debtor's personal circumstances at the request of creditors if they see fit.

Guardian government computing awards – debt relief orders

In April 2010 The Service won one of the prestigious Guardian Government Computing Awards. The awards are given for using technology to raise the game in public services and reward excellence in public sector IT. They were established to highlight the excellent work done by public servants across the UK, and to disseminate projects' contributions to best practice. We nominated our Debt Relief Order project, which is delivered entirely through a web based IT system using intermediaries drawn from the debt advice sector as delivery partners.

From the original 245 entries, there was a shortlist of 3-4 entries in each of the five categories: collaborative working, shared services, delivering efficiency, transformation and customer services. The Service was announced the winner in the category of customer services.

Insolvency case administration income and costs

Fees are set to recover costs in accordance with principles set out in *Managing Public Money*[11]. 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 £2,160 for compulsory company liquidation cases. The company fee was increased to £2,235 from 6 April 2010. 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 5 shows the deposit levels since 1 April 2006.

The balance of the case administration fee is recovered from the assets realised in a particular case. However, more than 50% of cases have little or no assets. A second fee, the Secretary of State (SoS) 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 revised. See table 6.

TABLE 6: **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%

11. HM Treasury publication on the proper handling of public money. http://www.hm-treasury.gov.uk/psr_mpm_index.htm.

The total SoS fee remains capped at £80,000 in any one case. The change in the structure of the SoS fee 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 6 of the Agency's annual accounts (on page 65).

The bankruptcy case administration fee for 2009-10 was held at the 2007-08 level but the company administration fee at the 2008-09 level. The bankruptcy case administration fee will continue to be held at the 2007-08 level from 6 April 2010 but the company case administration has increased in line with inflation. The Service's target was to reduce case administration fees by 15% over three years; the bankruptcy fee represents a saving of 6.5% but there has been no saving in the company fee. A number of factors have contributed to the non achievement of this target. The main factors have been a change in the mix of cases, the delayed delivery of the new ISCIS system (see next page) and lower case numbers than anticipated. In relation to the case mix, The Service has seen an increase in more complex bankruptcy cases which has increased costs. The delay to ISCIS has also increased costs and delayed the realisation of benefits although we still expect these benefits to flow once the new system is in place in 2010-11. The Service had, prudently, geared up for higher case numbers than we, in the end, received in the recession. While we responded to reduce variable costs it is not possible to reduce fixed costs quickly.

Debt relief order fees

The fee for a debt relief order was set at £90. This included up to £10 in respect of the costs of persons acting as approved intermediaries.

Table 7 shows the number of compulsory insolvency cases and financial results for the last five years.

Future developments

For 2010-11, The Service has put in place plans for dealing with a range of new bankruptcy and winding-up cases: from 71,500 to 80,000 and a range of 20,000 to 26,000 Debt Relief Orders. During 2009-10 case volumes did fall and these assumptions assume that this trend will continue into 2010-11.

The fall in 2009-10 has led to lower staffing numbers dealing with casework and further reductions will occur during 2010-11 when ISCIS is introduced, which will enable ORs to make efficiency gains through workflow technology and the speeding up of basic processes.

TABLE 7: **INSOLVENCY CASE AND DEBT RELIEF ORDER ADMINISTRATION**

Insolvency cases	2005-06	2006-07	2007-08	2008-09	2009-10
Compulsory insolvency cases	58,991	69,939	67,218	78,029	77,898
Debt Relief Orders	N/A	N/A	N/A	N/A	17,446
Fees and costs	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Case administration fee income	97,332	103,673	125,904	145,284	152,591
Case administration costs	75,174	90,326	125,555	145,837*	151,196
DRO fee income	N/A	N/A	N/A	N/A	1,593
DRO Administration costs	N/A	N/A	N/A	N/A	1,348

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

Insolvency Service Case Information System (ISCIS)

ISCIS is a new, workflow-based case information system for use by official receivers, The Service's Investigation and Enforcement Services, Insolvency Practitioner Unit and by Estate Accounting Services. It will replace the current case information systems for official receivers and for non-compulsory investigations carried out by The Service's Investigations Directorate, as well as the financial systems used for managing the funds of insolvent estates.

ISCIS has been developed through a project within The Service's Enabling the Future (EtF) programme (see page 31). Full implementation of ISCIS is scheduled for July 2010.

ISCIS contains workflow applications which will assist staff in completing tasks more efficiently and it integrates case administration, investigation and enforcement work across The Service instead of the constituent parts being dealt with by different IT systems. The combination of ISCIS with the Information Capture Management project (ICM) will enable The Service to move rapidly to fully electronic case files, which will reduce storage requirements and enable more flexibility in staff working patterns and case work allocation, factors that will assist in reducing expenditure.

Redundancy Payments

We aim 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 2009-10, the demographic of cases received changed from a few cases with large numbers of employees' claims (e.g. Woolworths), to more cases with fewer employees. Our redundancy payments offices in Birmingham, Edinburgh and Watford dealt with 138,287 new individual claims for redundancy payments entitlement, this was 76.8% of the level of claims received in the previous year. Some 342,593 payments were made to redundant employees during 2009-10 with the total of these payments exceeding £530 million from the National Insurance Fund.

The increase in workloads from last year has continued through this year and claims handling efficiency remained at a high level with 80.5% of claims being paid within 3 weeks against a target of 78% (81.9% in 2008-09) and 93.5% of claims being paid within 6 weeks against a target of 92% (94.8% in 2008-09).

During the year redundancy payments processed a number of large and high profile cases. Among these our Birmingham offices dealt with Dairy Farmers of Britain which processed milk for small farmers across the country, Borders UK Ltd, a national bookseller, Principles Retail Ltd, a ladies fashion outlet and Royal Worcester/Spode; our Edinburgh office dealt with Globespan Airways Ltd, a major Scottish airline, the Ethel Austin Retail Group; and our Watford office dealt with First Quench Retailing, which incorporated the Threshers brand.

In addition to an increase in 'regular' claims there has also been a corresponding increase in protective award payments, from 8,627, totalling £17,125,359 in 2008-09, to 12,975 totalling £26,827,838. Whilst numbers of initial claims appear to have fallen the numbers of subsequent claims has risen noticeably and there have been increased levels of telephone calls being handled. Despite this redundancy payments has continued to perform above target.

CHART 5: **REDUNDANCY PAYMENT CLAIMS RECEIVED, NUMBER OF PAYMENTS MADE AND AMOUNT (£) PAID IN RESPECT OF CLAIMS 2005-10**

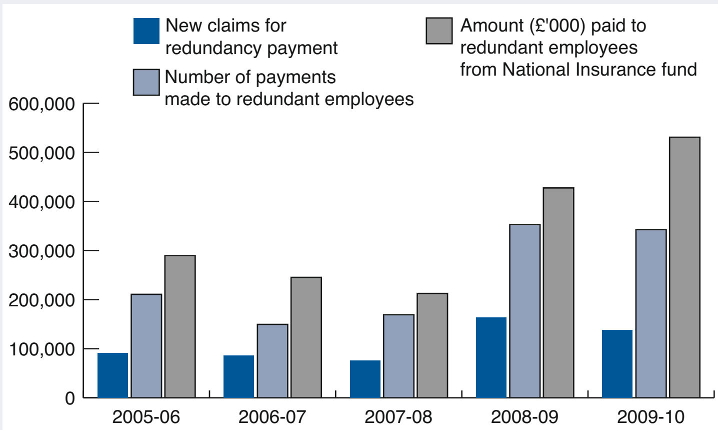


TABLE 8: **REDUNDANCY PAYMENTS**

Activity and timeliness	2005-06	2006-07	2007-08	2008-09	2009-10
New redundancy cases	N/A	8,061	7,593	12,135	13,237
Number of new claims for redundancy payment entitlements	91,516	86,066	76,416	164,083*	138,287
Number of payments made to redundant employees	210,818	149,536	169,230	352,977	342,593
Action 78% of redundancy payment claims within 3 weeks	78.6%	80.1%	78.7%	81.9%	80.5%
Action 92% of redundancy payment claims within 6 weeks	92.6%	94.1%	93.7%	94.8%	93.5%
Funding and costs	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
RP funding from HMRC	8,782	8,782	8,782	8,282	11,800
RP costs	8,991	7,906	8,577	8,660**	11,496

* 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.

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. For 2009-10 increased funding was agreed to meet the costs of developing a new IT claims handling system (known as CHAMP).

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

Table 8 shows the financial results and volumes for redundancy payments.

Future developments

Redundancy Payments is currently going through a major development programme of 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 anticipated that the new IT system will be in place during the second half of 2010-11.

Estate Accounts Services

Insolvency practitioners (IPs) 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. Many continue to use our services, which are specifically tailored to insolvency estate account management and competitively priced.

The Service's Estate Accounts Services (EAS) section administers the ISA using the Government Banking Service. 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 9 to 12 show the number of estates and balances held in the ISA by both insolvency practitioners and official receivers. The proportion of bankruptcy cases retained by official receivers has increased while the number of company cases with official receivers and the number of cases with insolvency practitioners has declined. This reflects the fact that official receivers are retaining cases with straightforward realisations as such cases can be administered within the limits of the case administration fee and the money realised will mostly go to creditors by way of dividend.

The figures in tables 9 to 12 are not audited. The audited ISA and Insolvency Service's Investment Account (ISIA) are published separately, and will be available from The Stationery Office.

TABLE 9: **NUMBER OF IP ESTATES WITH ESTATE ACCOUNTS SERVICES**

Number of IP estates with EA	As at 31 March 2009	As at 31 March 2010
Bankruptcies	26,055	24,367
Compulsory liquidations	5,581	5,641
Voluntary liquidations	4,319	3,398
Total	**35,955**	**33,406**

TABLE 10: **BALANCES ON IP ESTATES WITH THE ESTATE ACCOUNTS**

Balances on IP estates with EA	As at 31 March 2009	As at 31 March 2010
Bankruptcies	£99.6m	£84.7m
Compulsory Liquidations	£137.7m	£100.5m
Voluntary Liquidations	£981.1m	£619.7m
Total	**£1,218.4m**	**£804.9m**

TABLE 11: **NUMBER OF OR ESTATES WITH ESTATE ACCOUNTS SERVICES**

Number of official receiver estates with EA	As at 31 March 2009	As at 31 March 2010
Bankruptcies	82,820	89,563
Compulsory liquidations	7,462	7,159
Total	**90,282**	**96,722**

TABLE 12: **BALANCES ON OR ESTATES WITH ESTATE ACCOUNTS SERVICES**

Balances on official receiver estates with EA	As at 31 March 2009	As at 31 March 2010
Bankruptcies	£48.7m	£60.2m
Compulsory Liquidations	£5.5m	£5.7m
Total	**£54.2m**	**£65.9m**

During 2009-10, EAS dealt with 132,899 ISA payment requisitions from insolvency practitioners making 233,952 payments. EAS were able to action 99% of these payment requisitions within 4 days or by the due date. Tables 13 and 14 show EAS' transaction volumes and timeliness of processing payments.

TABLE 13: **EAS TRANSACTION VOLUMES**

Transaction volumes	2008-09	2009-10
ISA payment requisitions	134,612	132,899
Payments issued	225,887	233,952
Bank giro credit receipts	128,056	133,150
Balance statements issued on request	2,008	1,443
Total	**355,951**	**368,545**

Usage of our online services by insolvency practitioners rose by 3% in the reporting period, contributing to a further 28% fall in the number of statements we issued in addition to the fall of 11% recorded last year.

EAS income and costs

Table 15 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: **EAS TIMELINESS**

EAS timeliness	2005-06	2006-07	2007-08	2008-09	2009-10
Check and action ISA payment requisitions within 4 days or by the due date	98.5%	99.1%	99.5%	99.2%	99.0%

Changes to banking arrangements for The Insolvency Services Account (ISA)

The Government Banking Service (GBS) was launched on 1 April 2008 as a shared service for government departments, which include the Office of HM Paymaster General (OPG) and its customers. Following the Bank of England's decision to withdraw from retail banking, OPG had been providing banking services to EAS in the operation of the ISA. In March 2010 EAS started using GBS. This is a direct-to-bank model with two commercial banks, CITIBANK and RBS, and has replaced services previously supplied to EAS by OPG.

The new business model has allowed EAS to improve service cut-offs and speed of service provision for our customers and stakeholders. For example EAS can now request CHAPS and SWIFT payments directly to the bank which has resulted in us being able to offer improved cut-off times for instructions. The change process went smoothly and as we were able to retain and use the same collection account customer inconvenience was minimised.

Future Developments

The new financial system 'ISCIS Financials' for EAS is now undergoing final development and testing and is planned to go live in summer 2010.

The introduction of the new system will help EAS to streamline their processes by introducing a system that covers both official receivers' and insolvency practitioners' estates in one financial system.

TABLE 15: **ESTATE ACCOUNTS**

Transactions	2005-06	2006-07	2007-08	2008-09	2009-10
Insolvency practitioner accounts	49,770	44,324	38,579	35,955	33,406
Insolvency practitioner transactions	281,416	260,691	271,274	249,250	242,847
Interest rate paid to estate accounts as at 1 April	4.5%[12]	5.25%[13]	6.5%[14]	7.0%[15]	1.25%[16]
Income and Costs	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Fee income	3,291	2,818	2,503	2,319	2,498
Costs	3,362	4,411	2,139	3,570*	2,362

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

12. 5.0% from 1 August 2005, 5.25% from 1 December 2005.
13. 6.0% from 2 October 2006, 6.5% from 5 February 2007.
14. 6.75% from 18 May 2007, 7.0% from 10 July 2007.
15. 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.
16. 0.50% from 13 May 2009.

4 Investigation and Enforcement

The Service carries out a range of investigation and enforcement 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 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 an individuals subject to debt relief orders by official receivers in cases they are handling;
- the securing of 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.

Director Disqualifications

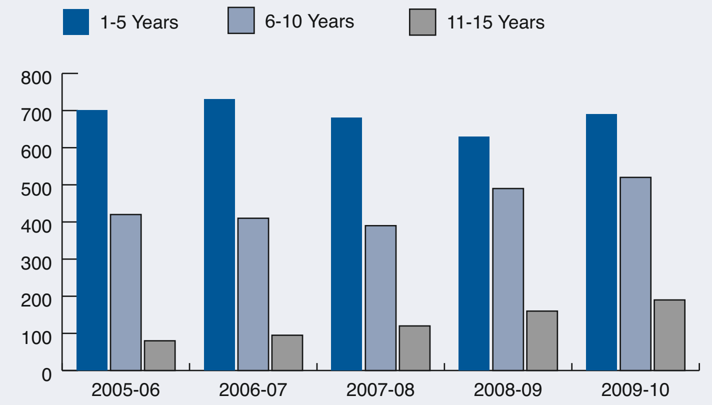
During 2009-10, The Service secured 1,388 disqualification orders or undertakings against directors of failed companies, compared to 1,281 in 2008-09. Of the 1,388 disqualifications 1,102 (79%) were achieved by way of an undertaking made by directors compared to 997 (80%) in 2008-09. The average length of disqualification undertakings and orders secured against directors during 2009-10, was 6.4 years.

Table 17 shows a breakdown of the allegation types made in disqualification cases during the last 3 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 17: **DISQUALIFICATION ORDERS AND UNDERTAKINGS**

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

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



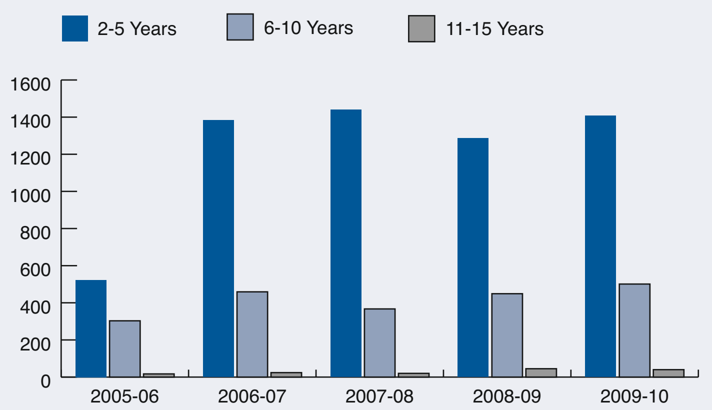
Note for Chart 6: The period of disqualification is not known in respect of 5 disqualifications in 2007-08, 1 disqualification in 2008-09 and for 3 disqualifications in 2009-10.

Company Investigations

On behalf of the Secretary of State, The Service's Company Investigations team (CI) exercises a power under the Companies Act 1985 to conduct confidential investigations into the affairs of live companies, in response to complaints from the public, other regulators, prosecuting authorities and others. These investigations are fact finding and may lead to a number of outcomes including the winding up of the company, disqualification of its directors or disclosure of information obtained to prosecuting authorities or to other regulators.

During 2009-10 CI received 5,989 new complaints about the actions of live limited companies, the highest levels of complaints ever received during a financial year, which represents a 44% increase on the 4,153 complaints received during 2008-09.

CHART 7: **PERIOD OF BANKRUPTCY RESTRICTIONS ORDERS AND UNDERTAKINGS**



As a result of those complaints 295 investigations were commenced, a 7% increase on the 275 investigations commenced during 2008-09.

In 2009-10 268 investigations were concluded compared with 240 in 2008-09, with 251 winding up orders being obtained against limited companies during 2009-10 compared with the 115 winding up orders secured through the courts in 2008-09.

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 succesful in securing 1,948 BROs and BRUs in 2009-10 (1,781 in 2008-09) with 1,766 (91%) 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. See chart 7.

Table 18 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 first year that DROs were available as a form of personal insolvency two debt relief restrictions were obtained.

CASE STUDY 1

Director disqualification

Four members of the same family were disqualified for a total of 35 years for their management of a company which provided up to 1,800 staff to retail outlets, mainly a major national supermarket. The company went into administration in September 2007 with a deficiency of £2.1 million, of which £1.5 million was due to HMRC.

The father was disqualified for 14 years and his wife for 9 years, with their sons being disqualified for 6 years each. The father and mother had already been disqualified for 7 and 4 years respectively in 2006.

The other three directors were disqualified for a combined total of 21 years making a total disqualification period of 56 years for this single company.

The unfit conduct of the mother and father included:–

- Acting as directors of a limited company while disqualified to do so;
- Making payments of £1.6 million not for the benefit of the company, including:
  - £800k on their sons motor racing activities;
  - £460k on funding a non league football club;
  - £56k on premier league season tickets; and
  - £24k on recording a CD for a friend.

CASE STUDY 2

Company investigations

In January 2010 a group of seven companies who falsely claimed to be accredited by the European Union were wound up in the public interest following an investigation by The Service's Company Investigations. The companies each claimed they were a 'Notified Body' authorised to test the safety of products entering the European market.

A Notified Body is an organisation that has been nominated by Government and the European Union to test the safety of products and award the CE marking to confirm minimum safety and conformity standards have been met.

Company Investigations found that the companies had made false representations about being Notified Bodies and being accredited to test in accordance to restriction of hazardous substances, low voltage and machinery safety directives; and that none of the companies had any direct trading presence in the UK other than the use of a common accommodation address, a mailbox address which had not been authorised, and mail forwarding agents who sent mail on to a network of agents overseas.

The investigation found that 101 fake compliance certificates had been issued by the companies to 44 manufacturing companies. Mostly based overseas the manufacturers mainly produced electric chain hoists, electric fans, gas stoves, generators and motor parts.

The companies' officers, who failed to co-operate with the investigation, were all recorded as citizens and residents of another country.

TABLE 18: **BANKRUPTCY RESTRICTIONS ORDERS AND UNDERTAKINGS**

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

CASE STUDY 3

Bankruptcy restriction

An individual trading as an accountant had the maximum 15 year bankruptcy restriction order imposed on him in June 2009 when an investigation revealed that he had obtained almost £500,000 for investments that did not exist.

Between January and October 2008 the individual obtained at least £485,801 from 26 investors by offering them varying rates of return through a range of different investment schemes. During the investigation the bankrupt admitted that he had lied in order to obtain money and he had incurred gambling losses of approximately £285,965. The remaining money was used to fund living expenses, make payments to creditors and pay dividend payments to private investors for investments made.

The official receiver also discovered that the bankrupt had used his qualified position to act as a trustee for a local church and that over a period of two years he wrote cheques totalling £175,525 to a company for which he was a director by forging the signature of another trustee of the church. At the date of the bankruptcy order he had assets of £123,975 and debts of over £2m.

CASE STUDY 4

Bankruptcy restriction

A nightclub owner and property developer with more than £8 million of unpaid debt agreed to a 10-year Bankruptcy Restriction following an investigation by the official receiver.

The business man was declared bankrupt in October 2008 when the two businesses he drew his income from went into administration. As a result of the administrations he became personally responsible for £7.6 million of the companies' debts as well as his personal ones.

The official receiver found that despite being on the verge of bankruptcy and being aware of his liabilities an attempt was made to put personal assets of more than £500,000 beyond the reach of creditors.

It was established that £100,000 was transferred to a US bank account; almost £300,000 from the sale of property was paid into a relative's bank account and more than £150,000 in cash was withdrawn from UK bank accounts.

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 2009-10 official receivers secured 2,024 suspensions of discharge against bankrupts compared with 1,970 in 2008-09.

Enforcement Hotline

The Service operates an enforcement Hotline, which allows members of the public to provide us with information about suspected breaches of disqualifications and bankruptcy restrictions and other matters. In 2009-10 the Hotline received 605 complaints, a decrease of 21% on the 769 complaints received in 2008-09.

Twenty of these calls resulted in reports alleging possible offences being submitted to the relevant prosecuting authority compared with 18 in 2008-09.

Prosecutions

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

In 2009-10, 849 reports were submitted to the prosecutions branch of BIS compared with 686 in 2008-09.

Investigations into the affairs of live companies by Company Investigations (CI) can also uncover evidence of possible criminal offences. During 2009-10 CI submitted 94 reports to the prosecutions branch of BIS.

Prosecution outcomes

During the year April 2009 to March 2010, 151 defendants were sentenced, having been convicted of offences following prosecutions brought by the Prosecutions Branch of BIS as a result of referrals from The Insolvency Service. The convictions were for a range of offences relating to corporate and individual insolvencies.

Of those convicted:

- 96 defendants received custodial sentences, ranging from 1 month to 3.5 years;
- 26 defendants were sentenced to Community Punishment Orders, ranging from 40 hours to 240 hours;
- 26 defendants were fined. The fines imposed ranged from £150 to £17,000;
- 14 Confiscation Orders were made totalling £2,754,279;
- 9 Compensation Orders were made in 6 cases, totalling £234,541*;
- 56 Disqualification Orders were made ranging from 12 months to 10 years; and
- 143 defendants were ordered to pay total prosecution costs of £267,326.

* Note – £215,807 of these amounts of compensation are to be paid out of some of the Confiscation Orders made.

CASE STUDY 5

Suspension of discharge

In April 2009 the official receiver applied to a court to suspend the automatic discharge of a bankrupt when it was established that he had put more than £175,000 beyond the reach of his creditors.

The bankruptcy order was made against the individual in June 2008. During an interview with the official receiver in February 2009 it was established that despite having an income of £7,500 per month (from rents on property he still owned) the bankrupt was not making the necessary payments to his creditors.

The bankrupt admitted he could only account for £77,000 worth of withdrawals from his bank accounts, which totalled more than £145,000. He also admitted that much of the money could have been spent on socialising. Direct enquiries established the bankrupt often ate at high end restaurants and regularly used the services of an escort agency, often spending £4,500 per night. At interview the bankrupt stated his average socialising expenditure was £3,000 per week, not including the tips given to drivers, waitresses and doormen which ranged from £50-£100.

The court upheld the suspension until the bankrupt complies with his duty to fully account for his expenditure.

TABLE 19: **ENFORCEMENT ACTIVITY AND TIMELINESS**

Activity and timeliness	2005-06	2006-07	2007-08	2008-09	2009-10
Take proceedings for disqualifications of unfit directors, orders and undertakings obtained	1,200*	1,223*	1,173*	1,281*	1,388*
Secure bankruptcy restrictions orders and undertakings against unfit bankrupts	843	1,867	1,827	1,781	1,950**
Number of criminal referrals submitted to the prosecutions branch of BIS where there is evidence of criminal behaviour	1,295	606	705	793***	943***
Suspensions of bankrupts discharge secured	1,581	1,743	1,815	1,970	2,024
Winding up orders secured by Company Investigations	124	95	182	115	251
Maintain enforcement outputs (disqualifications, bankruptcy restrictions, criminal referrals and concluded companies investigations) at 2008-09 level	N/a	N/a	N/a	4,095	4,549
Reduce the average time (months) from the date of insolvency to instigation of disqualification proceedings to 20 months	N/a	N/a	18.5	19.7	18.7
Complaints about live companies made to CI	3,711	3,595	3,619	4,153	5,989
Number of Section 447 investigations completed by CI	160	174	193	240	268
CI to complete consideration of 90% of vetting complaints within 2 months****	N/a	94.8%	92.6%	91.3%	83.7%
CIB to complete internal Section 447 investigations within 6 months****	N/a	93.2%	95.7%	92.7%	93.8%
Increase the level of public confidence in The Service's enforcement regime	64.8%	62.8%	65.3%	64.1%	68.0%*****

* Includes disqualifications under Section 2 and Section 8 of the Company Directors Disqualification Act 1986.
** Includes Debt Relief Restrictions Orders, which were introduced as part of the DRO process on 6 April 2009.
*** Includes criminal referrals 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. (See below).

Business confidence survey

Between September and October 2009, 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 [both solicitors and barristers]) have in it. In particular the survey sought stakeholders' views on the effectiveness of The Service's enforcement sanctions, prioritisation of cases, and current communications strategy.

Overall confidence in The Service's investigation and enforcement regime was high, with over two-thirds (68%) confident. Institutional Creditors (78%) and Lawyers (84%) were particularly confident.

The results of the survey have provided The Service with an important benchmark and the then Minister has set The Service a published target to maintain confidence levels at 68% in 2010-11.

Additionally the feedback on enforcement outcomes that The Service influences will assist us in assessing resources, setting priorities, and informing future communication strategies.

Investigation and enforcement costs

Between 1 April 2004 and 31 March 2006 all investigation and enforcement activity was funded

CASE STUDY 6

Criminal offence

In February 2010 a former bankrupt and company director of a food company from Leicester was sentenced to sixteen months in prison for running a company and obtaining credit whilst bankrupt.

The director pleaded guilty to one charge contrary to section 360 of the Insolvency Act 1986 and one charge contrary to sections 11 and 13 of the Company Directors Disqualification Act 1986 at Leicester Crown Court. He was first made bankrupt in 1983 and then made bankrupt for a second time in May 2003 when he was told that he could not obtain credit or be director of a company. However, whilst a bankrupt he ignored his ban and obtained more than £18,000 on credit, and ran a company which was liquidated with a deficiency of almost £34,000.

On passing sentence the judge described the bankrupt as "an absolute menace to commerce", "completely unrepentant" and having a "total disregard for the law."

TABLE 20: **INVESTIGATION AND ENFORCEMENT**

Costs and recoveries	2005-06 £'000	2006-07 £'000	2007-08 £'000	2008-09 £'000	2009-10 £'000
BIS funding*	31,879 Restated 41,640	46,343	37,489	40,228	37,583
Cost recovery from disqualified directors*	1,862 Restated 2,295	2,776	2,138	3,022	2,506
Investigation and enforcement costs*	33,741 Restated 46,465	49,319	39,627	43,250**	40,089

*Funding and costs since 1 April 2006 include the costs of Company Investigations. Prior to 1 April 2006 CI were part of the main BIS but the 2005-06 figures have been restated to include CI for comparative purposes.
** 2008-09 figures have been restated as The Service has implemented International Financial Reporting Standards. The date of transition was 1 April 2008.

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 20 shows the financial results and outputs for enforcement, investigations and companies investigation activity including the costs of CI since 1 April 2006.

Future developments

The Service is committed to further developing the IES performance framework, and will continue to refine its stakeholder engagement and its approach to the targeting and prioritisation of cases. The Service will seek to use the outcome based measures of performance and confidence survey to guide front line enforcement and to better-target its communication activity. The Service will increase its efforts to raise awareness of the powers it has at its disposal, and to demonstrate publicly our commitment and success in exercising them. In 2010-11 we will evaluate the extent of exposure achieved and the success of this initiative.

5 Corporate Services

If The Service is to deliver its services to a very high standard for its customers then 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.

Enabling the Future (EtF)

The Insolvency Service is in the final stages of delivering a major programme of investment in our systems and the way that we work. Enabling the Future (EtF) is a £82 million programme which is designed to realise benefits of over £132 million by 2015.

Aimed at giving us modern tools and processes, to support the highest quality of customer service; reducing costs and so improving the value for money we offer; and making The Service a better and more rewarding place for our staff to work, the programme has already delivered £30 million of benefits.

Central to the delivery of these benefits was the replacement of our ageing IT infrastructure with a modern thin client architecture, delivering enhancements to our environmental sustainability and to the security surrounding the use of personal data. This has allowed us to offer new flexible ways of working, principally at our Birmingham, Manchester and London offices, again reducing our environmental impact.

The programme received recognition by the UK IT Industry for its environmental achievements, being runner up at the UK IT Industry 2009 awards in the Environmental Project category. The IT system to support Debt Relief Orders was delivered in April 2009 and also received national recognition, winning the Guardian Government Computing Award for Customer Services in April 2010 (see page 13).

The current focus of the programme is on delivering a new case management system which will transform the way that we work. This system is scheduled for delivery in summer 2010 and encompasses:

- ISCIS, the new casework application, which will be used predominantly by OR offices, Investigations and Enforcement offices and the Insolvency Practitioner Unit. This will contain over 1.6 million cases, migrated across from the 7 legacy database applications.
- ISCIS Financials, the new financial and banking application, which will be used predominantly by the Estate Accounts Service, National Dividend Unit and, to a lesser extent, cashiers within OR offices. This will contain over 97 million transactions, migrated across from LOLA and BANCS (our existing systems).
- Document Production, working within ISCIS to produce standardised service-wide letter and document templates. ISCIS will draw on over 80 templates of the most commonly used correspondence.
- Corporate Reporting, a management information tool, which will draw on overnight data storage, to provide managers with more accurate, reliable and faster information. The application will be pre-populated with the 200 most commonly used reports.
- Time Recording, a standardised system for recording time spent on casework.
- ‘Wisdom’, a new electronic data records management system (EDRMS) for both casework and non-casework, which

encompasses local and centralised scanning for all documentation received by The Service. A staggered delivery of non casework use began in September 2009 and is due to complete in December 2010. Case delivery will take place in line with the delivery of ISCIS in July 2010.

- CHAMP, the replacement for the application CHIRPS, used by the Redundancy Payment Service, is progressing well and is due for delivery in the latter part of 2010-11.

Service Transformation Plan

Building on this platform of refreshed, fit-for-purpose technology, under the banner of our Service Transformation Plan, we will look at how the overall customer experience can be enhanced and delivered at considerably lower cost. This will include looking at: the cost of contact; customer experience; channel shift strategies (e.g. from face-to-face to telephone or web interactions) to reduce cost and manage demand; reducing unnecessary customer contact; delivering information, transactions and guidance on the web; and identifying opportunities for co-location and sharing services with other parts of government.

The main elements of the plan are:

- an **access channel strategy**, which sets out our understanding of our customer groups, our current strategy for delivering services to these groups and our how we intend to provide services in the future.
- **shared services**, that covers a range of back office services and describes how we currently operate these services and the opportunities for future sharing.

The plan indicates a desire substantially to increase the use of electronic self service to all customer groups, but particularly institutional creditors and insolvency practitioners (IPs) where there are higher levels of access to IT. Around 90 of our current interactions have been identified that would benefit from a channel shift to an electronic environment and the plan presents a strategic business case for the development of a 'Service Transformation Platform' to deliver these services. Delivery of the platform is dependent upon an appropriate funding mechanism being identified in 2010-11.

At the same time as improving online access The Service will seek to tackle the causes of avoidable contact for our customers, so that they receive the service or information they need the first time they contact us. We will do this by undertaking a review our public information, such as revising standard letters to make them clearer, improving our guidance and leaflets and ensuring accurate signposting of the scope and purpose of the help lines and enforcement complaint lines.

Estate Management, Environment and Sustainability

2009-10 saw the completion of a major refresh of the IT equipment used throughout our 36 offices. Amongst other changes this involved the replacement of a desktop PC on every desk with a 'thin client' (a much smaller device) which links directly with a remote server. This is significantly more energy efficient and has substantially reduced our electricity consumption. The system will also be the foundation for a series of developments in coming years. These include a possible extension of our flexible working arrangements, cutting down the amount of travel undertaken between our offices. It will also facilitate the move towards the paperless office, reducing the space and resources required for hardcopy documents.

Following this green IT initiative, The Service won an award in the 2009 UK IT Industry Awards for delivering benefits to the environment through its IT strategies and, in addition, The Service was awarded a medal under the 'Environmental Project of the Year' section for its 'Enabling the Future' project.

The official receiver's offices in Swansea and Bristol were relocated to new premises during the year, adding to the portfolio of BRE Environmental Assessment Method (BREEAM) 'Excellent' rated buildings within The Service.

The Service continued to make good progress in a number of the areas targeted by the Sustainable Operations on the Government Estate (SOGE) programme. For the last reporting year these

TABLE 21: **PAYMENT OF INVOICES**

Timeliness of payment	2005-06	2006-07	2007-08	2008-09	2009-10
Within 30 days of receipt	99.1%	99.2%	99.0%	99.0%	98.7%

included a 6% improvement in energy efficiency and a 7% reduction in water consumption (where we are able to collect data). These reductions have been made against a backdrop of an increase in staff numbers (see table 24). The roll-out to more offices of arrangements to increase recycling has continued, reducing the amount of our waste going to landfill.

As foreshadowed in last year's report, 'green leases' were agreed with the landlords of our offices in Reading and Exeter. At present this is a pilot project sponsored by the Office of Government Commerce (OGC), but it is hoped it will form the basis for a move towards green leases across the Government estate.

The Service continued to improve the efficiency of its use of space. This now equates to 10m^2 per person.

Finance

As well as undertaking monthly financial monitoring and reporting, and producing annual financial accounts, the finance team also completed the transition to International Financial Reporting Standards (IFRS) with the 2009-10 accounts being prepared under the new standards including a restatement of the 2008-09 accounts. The annual fees review was also undertaken in the autumn of 2009 and this led to a restructuring of fees in relation to case administration.

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 been working with the project team to ensure the financial system changes arising from the new IT system will be implemented on time in 2010-11.

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 2009-10 98.7% were paid within 30 days, see table 21.

During 2008-09 the Government also instructed departments and agencies to maximise the levels of payments, particularly to small and medium sized enterprises within eight days. During 2009-10 The Service paid 90.1% of invoices within eight days.

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. Further information is included in the Statement on Internal Control (page 45).

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 we also need to listen to our customers in order to address any deficiencies with the levels of service that we provide.

Charter Mark

Our continued customer-focused approach has been recognised by the Charter Mark accreditation, which The Service has held 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 11 years as a Charter Mark standard holder through the Customer Service Excellence (CSE) standard.

The CSE, which recently replaced the Charter Mark 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 using customers' needs as a starting point for designing, delivering and evaluating our policies and service delivery.

The Service was successful in applying for CSE accreditation in May 2010.

User satisfaction index

During 2009-10, a total of 20,845 responses to our satisfaction survey were received across business areas, an increase of 12% on the previous year where 18,529 responses were received.

In 2009-10 the index score achieved across all customer groups was 90% which met The Service's published target to attain a satisfaction score of 90%.

The response rate from bankrupts and directors continued to dominate the overall level of responses to our satisfaction survey, with 18,458 responses coming from this group, representing 88% of the overall responses received.

The index score for bankrupts and directors was 92%, slightly up on the 91% achieved in 2008-09.

Satisfaction levels for redundant employees has increased during 2009-10 to 75% from 72% in 2008-2009, this has been achieved during a challenging year with the main areas of satisfaction focused on the speed of payment of claims.

Satisfaction of The Service's creditors has increased from 82% in 2008-09 to 83% in 2009-10 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 89% with positive comments made about the speed and accuracy of responses.

For 2010-11 we have set a combined user satisfaction score of 90%.

We are committed to improving user satisfaction and will be reviewing our current methodology and considering alternative ways of measuring satisfaction amongst our customer groups. Ideally we want to understand more about how customers perceive The Service and ensure that we are accurately measuring and capturing the drivers of satisfaction. To assist us with this we are looking at how similar organisations measure satisfaction across different customer groups.

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 Court Service Agency. This group meets twice a year and provides a useful forum for consulting on and disseminating information on policy changes.

The group met twice during the year in April 2009 and January 2010. Feedback was sought from the group on a number of issues including the application for Customer Service Excellence, the Business Confidence Survey and matters relating to the advertisement of customer details on the electronic Individual Insolvency Register (eIIR).

Estate accounts user group

The Estate Accounts User Group (EAUG) is for external customers of EAS. The attendees are IPs from smaller firms and cashiers/managers from the larger organisations. There are also representatives who supply or support the customers' case management systems.

The EAUG met twice during 2009-10. Specific issues discussed included EAS' service delivery, banking services for the ISA – moving from the Office of HM Paymaster General to Government Banking Service, results of an on-line services survey, the deployment of ISCIS and ISCIS Financials and the replacement of BANCS on-line with ISCIS on-line.

Complaints

In 2009-10, The Service received 224 new complaints, which is an increase of 32 complaints on the 2008-09 figure of 192.

The Service found 59 (26%) complaints to be justified in whole or in part, compared to 56 (29%) in 2008-09.

In 2009-10, 195 (87%) were answered within 10 working days, against a target of 90%. This compares to 168 (88%) in the previous year.

Independent complaints adjudication

During the year the Adjudicator has taken on 18 complaints for adjudication, compared to 9 in 2008-09. The Adjudicator completed her investigation into 10 complaints during 2009-10.

One complaint was wholly upheld following mediation. The Service fully accepted this outcome, which resulted in our making a payment to the complainant of £4,072.30 in respect of costs incurred owing to our mistake.

One complaint was substantially upheld. The Service accepted that it had made mistakes and acted to put the complainant back into the position he would have been had no mistake been made. It also accepted that its failings caused worry and distress to the complainant and offered compensation totalling £125, which the Adjudicator considered reasonable.

One complaint was partially upheld and the Adjudicator recommended that The Service apologise and make a payment of £50 in recognition of the worry and distress suffered by the complainant.

Improvements made as a result of feedback

We are committed to seeking the views of our customers about the service that we provide in a variety of different ways. Having got this information we use it to improve our interactions with our customers where improvement opportunities are identified. During 2009-10 this feedback has resulted in a number of changes being made to our current guidance material and leaflets, some new leaflets being drafted and a review of some of our standard letters. Our National Customer Service Week was operated in a number of The Service's provincial offices, which further highlights our commitment to serving our customers as best we can. We plan to extend the National Customer Service Week initiative at further offices during 2010-11.

Charter standards

Table 22 shows The Service's performance against our charter standards for the last 2 years.

TABLE 22: **PERFORMANCE AGAINST CHARTER STANDARDS**

Charter standards	2008-09 Actual (Target)	2009-10 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	89.1% (90%)	90.1% (90%)
Visitors with appointments will be seen within 5 minutes of their appointment time	98.1% (95%)	98.4% (95%)
Visitors without appointments will be seen within 10 minutes of arrival	96.0% (90%)	98.1% (90%)
All calls to offices or sections between 9am and 5pm, Monday to Friday, will be answered within 16 seconds	95.9%* (95%)	See Note**
All calls to the insolvency enquiry line will be answered within 20 seconds	See Note**	See Note**
The official receiver will contact the bankrupt or director within 2 working days of The Service receiving written notification of the court order	95.8% (90%)	95.2% (90%)
Telephone interview to be carried out or the bankrupt to be telephoned within 5 minutes of the agreed interview time	99.3% (95%)	98.8% (95%)

* Due to problems with the telephone monitoring system this figures only relates to calls to some of our offices between April to July 2008.
** The Service has been unable to record performance against the charter standard to answer calls received by the insolvency enquiry line during 2008-9 and 2009-10. Similarly, because of system incompatabilities, we have not been able to record performance for all of our offices and sections timeliness in answering telephone calls since July 2008.

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.gov.uk.

Charity of the year

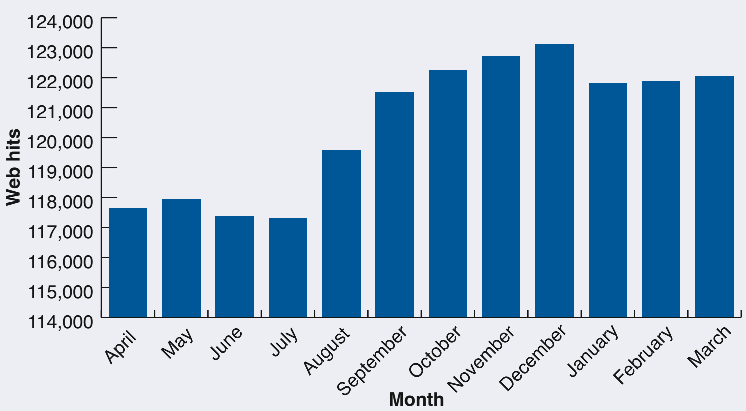
In line with our Community Involvement Strategy, The Service decided to adopt a national charity of the year between 1 April 2009 to 31 March 2010, aiming to bring together the considerable charitable efforts which were already taking place on a local basis. After a consultation exercise with staff across The Service, Macmillan Cancer Support was chosen as The Service's national charity of the year.

During this campaign staff across The Service managed to raise in excess of £20,000 for Macmillan, well in excess of the initial target of raising £12,000.

A variety of fund raising activities were undertaken by staff including:

- One member of staff cycled from John O'Groats to Lands End over a 15 day period;
- a number of sponsored runs, walks and cycles;
- the donation of money that would usually be spent on giving colleagues Christmas cards; and
- Coffee mornings and cake sales.

CHART 8: **INSOLVENCY SERVICE WEBSITE VISITORS 2008-09 (12 MONTH ROLLING AVERAGE)**



The end of the fundraising year was marked with a tribute and cheque presentation to Richard Scott, a representative from Macmillan, who congratulated The Service's staff on their 'magnificent achievement in raising a huge amount of money for Macmillan', saying that their efforts were 'vital' to raising much needed research funds. In thanking The Service, Richard said that he thought our value of 'Pride' had been at the fore during this fundraising campaign.

Communications

Website

In addition to The Service's helplines, customers can access information about our work via The Service's website. Use of our website has increased steadily during the year to an average of 122,052 visitors per month at 31 March 2010. See Chart 8.

Individual insolvency register

Use of the online electronic Individual Insolvency Register (eIIR) remains at a very high level with 4,155,192 searches being conducted by users during the year an increase of some 16% compared with the 3,583,620 searches conducted during 2008-09.

A further 14 commercial organisations have registered with us to receive data downloads of the IIR during 2009-10, a service which we provide for a small fee. The total number of organisations receiving data downloads at the end of March 2010 is now 39.

Publications

The Service's publications can be downloaded from The Service's website free of charge but to ensure our customers have a choice in accessing our services, printed copies are also available. Eight of our most popular leaflets are available in MP3 format and have also been translated into Welsh, Traditional Chinese, Urdu and Sylheti, all of which are available on our website.

Demand for our publications decreased during 2009-10 with 1,226,844 distributed in 2009-10 compared with 1,325,258 distributed in 2008-09 a decrease of 7%.

During 2010-11, The Service will be conducting a review of all of its current printed guidance material and leaflets. The review will be looking to remove any duplication of information available in its guides and leaflets. Additionally, it will consider when users receive this material, which is also available from many advice agencies and the courts, in order to avoid users receiving duplicate copies of our publications.

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 (RHL) (0845 145 0004), assists employees made redundant as a result of insolvency. Both lines are available from Monday to Friday from 9.00am to 5.00pm.

During 2009-10 the IEL received 55,649 calls, an increase of 8% on the 51,382 calls received during 2008-09. Enquiries by e-mail have also increased during the period to 7,899 compared with 6,827 in 2008-09 an increase of 16%.

The RHL experienced a reduction in call levels, which reflects the lower levels of new claims for redundancy payments during 2009-10. During 2009-10 62,433 calls were received compared with 77,415 received during 2008-09, a decrease of 19%.

Human Resources

We need to ensure that we recruit the right people to get the job done, as well as providing staff with the 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.

Recruitment and staffing levels

The Service's permanent staffing complement increased during the year (see table 25) until November 2009, when a recruitment freeze was put in place to assist in planning for the future following lower than anticipated case numbers. Since November, some limited internal recruitment has taken place where there is a business requirement to fill the post. Table 23 provides a breakdown by grade and gender of all new recruits during 2009-10.

The average number of staff in post has increased during 2009-10 year (see table 24), as a consequence of increases to case numbers at the beginning of the year, although case numbers have since fallen. The number of agency staff employed has decreased during the year (see table 25), mainly due to the lower than anticipated case numbers, but also as they have been replaced by permanent staff (trainees) who have successfully completed their

TABLE 23: **NEW RECRUITS IN 2009-10 BROKEN DOWN BY PAY RANGE AND GENDER**

New external recruitment	Permanent		Casual		
Range	Male	Female	Male	Female	**Total**
A1	11	26	18	12	**67**
A2	24	59	19	32	**134**
B1	6	3	1	0	**10**
B2	2	4	0	0	**6**
B3	0	0	0	0	**0**
L1	5	6	0	0	**11**
L2	19	36	0	0	**55**
L3	0	0	0	0	**0**
Bands C and above	5	2	0	0	**7**
Total	**72**	**136**	**38**	**44**	**290**

TABLE 24: **STAFF IN POST (AVERAGE FOR THE YEAR)**

Average staff in post	2005-06	2006-07	2007-08	2008-09	2009-10
Number*	1,825	2,146	2,529	2,484*	2,577*

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

qualification and are now fully competent in their role.

The Civil Service Commissioners 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. The Service exercised this exception on 4 occasions in 2009-10.

TABLE 25: **WORKFORCE, INCLUDING PERMANENT, CASUAL STAFF AND AGENCY WORKERS**

Workforce	Number of staff as of 31 March 2009	Number of staff as of 31 March 2010
Permanent staff	2,473	2,581
Casual Staff	33	65
Technical Agency Workers	258	215
Admin Agency Workers	339	265
Loanees & Secondees	14	6
Total	**3,117**	**3,132**

As table 25 illustrates, The Service draws on the experience of a number of agency workers who provide The Service with the flexibility to cope with fluctuating case numbers and workloads, and to fill gaps in staffing caused by permanent staff taking unexpected leave (such as sick or maternity leave). The Service aims to ensure that agency workers are used in the most efficient way possible, and that their numbers are kept to a minimum.

Restructuring policy

Following the recruitment freeze and in order to assist with workforce planning, The Service and Agency Trade Union Side (ATUS) agreed a restructuring policy which enables business areas to restructure and place staff into posts using an open and transparent process. In addition, the policy also assists surplus staff in finding new posts both within The Service and other Government Departments.

Staff engagement

In November 2009, The Service took part in the Civil Service People Survey, the first cross-Civil Service employee engagement survey. The survey is the largest of its kind in Britain and involved over 340,000 staff from 96 organisations across the Civil Service. Civil servants were asked to comment on a range of issues affecting their work to ascertain, in particular, how engaged they felt with their organisation – a measure of their willingness and ability to invest their personal effort in the success of the organisation. Our results are published on our external website.

The Service compares favourably with other survey participants, scoring above the benchmark median in the Employee Engagement Index (a measure of how engaged employees are in their work). There were 56 questions in the survey linked to engagement and, in 42 of the questions we scored above the median; 3 were at the median; and 11 below the median.

Action plans to tackle areas of weakness have been developed at corporate and local levels with the aim of delivering improvements for our staff, leading to increased engagement and therefore better quality public service.

Wellbeing

Sick absence within The Service has risen steadily during the year to 10.7 average working days per employee to 31 March 2010 (Civil Service avg. Sep 08 - Sep 09, 8.7 days). A small part of this increase will be attributable to changes in how absence levels are calculated, additionally the swine flu epidemic also had an impact on absence levels. Analysis shows that the proportion of staff taking no sick absence in the year has decreased, with the proportion taking short, medium and long term absence increasing.

The Service is in the process of tendering for the provision of an employee assistance programme, to support staff with personal or job concerns. This should aid staff wellbeing and help reduce sickness absence in future years.

Retirement

In April 2010 The Service introduced a no age retirement policy. The implementation of this policy has meant that staff can continue to work for as long as they wish, without needing to request to do so. The policy will enable The Service to offer staff greater flexibility and choice over when they retire, while also retaining the wealth of experience, knowledge, and valuable skills that longer-serving staff can offer to the organisation. The Service is committed to being a preferred employer, and it is envisaged that this policy will contribute to driving the mainstreaming of equality and diversity into every aspect of our business going forward. On a wider level, the policy will enable us as an organisation to respond strategically and effectively to demographic change.

Employee relations

The Service enjoys good working relationships with its two trade unions. The next year is likely to be very challenging as the organisation faces an uncertain environment, including the need to make efficiency savings. We will be relying on our staff to respond positively to these challenges and need to ensure that we maintain good employee relations, including working closely and in partnership with the trades unions.

Pay and reward – performance pay

As part of the 2009 pay award, The Service introduced individual performance pay. This is based on an individual's performance in their day-to-day role and requires nomination from the individual's Reporting Officer. The objective of this scheme is to identify and reward individuals who have contributed to organisational performance by consistently performing to a high standard and demonstrated positive attitude and behaviours throughout the year.

People development & learning (PDL)

PDL is responsible for The Service's Learning & Development strategy. It ensures that all staff (administrative, insolvency specialists, other specialists, mangers and leaders) are trained to meet the demands of their roles and have opportunities to develop their capabilities and to continue to learn throughout their career.

Examiner development programme (EDP)

The Service requires all its Examiners and Investigators to complete a challenging vocational qualification, the EDP, which has been developed in partnership with – and is accredited by – Nottingham Trent University. The EDP is a suite of qualifications at 3 levels. This year saw over 90 Examiners complete the EDP with a further 70 starting their training last Autumn.

In 2009-10 the Qualifications Team within PDL delivered 154 courses for 1,903 delegates over 347 training days. A total of 49 exam sittings were also held during this time for 1,045 delegates (most delegates will have attended more than one course or exam).

Manager and non-manager training

The Service's Effective Manager Programme (EMP), providing management and leadership training for all its managers and leaders and has now been running for two years.

In 2009-10 the Learning & Development team delivered courses for 1,719 delegates over 264 training days. As above, some delegates would have attended more than one event.

Institute of IT training (IITT) awards

During 2009-10, The Service's Examiner2Manager Programme (E2M) won the Gold Award for Staff Development Programme of the Year at the Institute of IT Training (IITT) Awards. The Service beat off very strong competition from large private sector organisations and previous award winners.

The IITT are a leading authority throughout the UK and Europe on IT training and development. Their annual awards recognise outstanding examples of high standards, best practice, innovation and excellence within the training industry.

Diversity and equality

During 2009-10:

- 56.1% of our workforce were women
- 17.9% of our workforce were recorded as having an ethnic minority background

- 14.1% of our workforce indicated through self declaration that they have a disability or long term health condition

In July 2009, The Service published its 3-year diversity and equality strategy, with an overall aim of improving delivery through diversity – to ensure diversity and equality is our reality and habit with a view to improving our business.

The strategy seeks to meet the challenge of delivering real and lasting change to The Service. It provides a framework for action to establish a climate that enables a supported, diverse workforce to provide a service that is closer to, and has an effective relationship with, the public in order to improve the service provided to all sections of our community, as well as tackle any current inequalities and promote equality between different groups in line with legislative requirements.

The strategy requires action by all business units, supported by The Service's Diversity & Equality Team.

Organisational Values

Our values have been incorporated into our performance management and pay systems, and provide the foundation on which we carry out our work and engage with colleagues, our customers and others with an interest in our work.

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.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

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

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

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

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

Service Contracts

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

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 Commissioners can be found at www.civilservicecommissioners.gov.uk

Salary and pension entitlements (audited)

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

Remuneration

	2009-10		2008-09	
Officials	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
Mr Stephen SPEED *Inspector General and Agency Chief Executive*	110-115	–	100-105	–
Mr Les CRAMP *Deputy Inspector General and Senior Official Receiver*	100-105	–	95-100	–
Mr Graham HORNE *Deputy Chief Executive – Corporate and Business Services*	95-100	–	95-100	–
Mr Robert BURNS *Inspector of Companies and Head of Investigation and Enforcement Services*	90-95	–	85-90	–
Miss Lesley BEECH *Director of Finance, Governance and Estate Accounts*	75-80	–	75-80	–
Mr Terry HART *Director of Human Resources*	70-75	–	65-70	–
Mrs Marian JOYCE *Director of Strategy, Planning and Communications (Joined 16 June 2008)*	65-70	–	50-55 (60-65 full year equivalent)	–

Remuneration of Steering Board members (audited)

The Agency Steering Board comprises 13 members, eight of whom are civil servants. The Inspector General and Agency Chief Executive, Deputy Inspector General, Deputy Chief Executive, Inspector of Companies, the Director of Finance, Governance & Estate Accounts, Director of Human Resources, the Director of Strategy, Planning and Communications are seven of these members and their remuneration is borne by the Agency and disclosed above. The costs of one other civil servant member 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 2010 is £24,467 (total remuneration in 2008-09 was £22,148).

Non-executive board members	Salary 2009-10	Salary 2008-09
	£'000	£'000
Mr Phil WALLACE	5-10	5-10
Mr Derek MORRISON	5-10	5-10
Mrs Louise BRITTAIN	0-5	Nil
Mrs Rosalind WRIGHT	0-5	0-5
Mr Peter HOLMES	0-5	0-5

None of the non-executive board members received any benefits in kind.

Salary

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

This report is based on payments made by The 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 2009-10 chargeable to tax under s163 of the Income and Corporation Taxes Act 1988.

Pension Benefits (audited)

Officials	Real increase in pension	Real increase in lump sum	Pension at 31/3/10	Lump sum at 31/3/10	CETV at 31/3/09*	CETV at 31/3/10	Employee contri-butions and transfers	Real increase in CETV funded by employer
	£'000	£'000	£'000	£'000	To nearest £'000	To nearest £'000	To nearest £'000	To nearest £'000
Mr Stephen SPEED *Inspector General and Agency Chief Executive*	**0-2.5**	**5-7.5**	**30-35**	**95-100**	**482**	**546**	**2.8**	**34**
Mr Les CRAMP *Deputy Inspector General and Senior Official Receiver*	**0-2.5**	**5-7.5**	**45-50**	**135-140**	**1,052**	**1,138**	**1.4**	**52**
Mr Graham HORNE *Deputy Chief Executive – Corporate and Business Services*	**0-2.5**	**0-2.5**	**40-45**	**90-95**	**722**	**804**	**3.2**	**40**
Mr Robert BURNS *Inspector of Companies and Head of Investigation and Enforcement Services*	**0-2.5**	**5-7.5**	**40-45**	**125-130**	**879**	**963**	**1.3**	**37**
Miss Lesley BEECH *Director of Finance, Governance and Estate Accounts*	**0-2.5**	**2.5-5**	**30-35**	**90-95**	**494**	**552**	**1.2**	**26**
Mr Terry HART *Director of Human Resources*	**0-2.5**	**5-7.5**	**25-30**	**75-80**	**388**	**445**	**1.1**	**30**
Mrs Marian JOYCE *Director of Strategy, Planning and Communications*	**0-2.5**	**5-7.5**	**25-30**	**75-80**	**408**	**478**	**1.0**	**42**

* These figures have been updated since the publication of the 2008-2009 Remuneration Report. This is due to CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

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. Pension payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Retail Prices Index. Members joining from 1 October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase', stakeholder pension with a significant 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' 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 in respect of service before 1 October 2002 calculated broadly as per classic and benefits from October 2002 calculated 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 up rated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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

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

Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk.

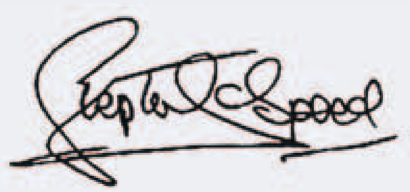
Cash Equivalent Transfer Values

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

The CETV figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service Pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing 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 effectively 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.



Stephen Speed
Chief Executive
12 July 2010

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 Insolvency 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;
- 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 Accounting Officer is answerable, for keeping proper records and for safeguarding The Insolvency 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) ambition of creating the conditions for business success through competitive and flexible markets that create value for businesses, consumers and employees. BIS also drives regulatory reform, and works across Government and regions to raise the level of UK productivity. We support BIS by ensuring that financial failure is dealt with fairly and effectively and that we detect, tackle and deter fraud and financial misconduct. I am advised and supported by:

- the Agency Steering Board whose role is to advise the Secretary of State, generally through the Director General, Fair Markets Group (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;

- the Directing Board, 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 risk and other audit issues; and
- the Risk Management Committee 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 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 Agency; 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 2010 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.

In 2009-10 the restructured corporate governance arrangements identified during 2008-09 and designed to produce clearer definitions of responsibility and reporting lines to the Directing Board have been in place. This restructure included the replacement of the Risk Management Group by an executive Risk Management Committee providing risk management oversight and advice to the Directing Board and Audit Committee on the Agency's corporate governance practices.

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 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 main risks have been evaluated and allocated to appropriate managers. 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.

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.

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.

The Risk Management Committee advises me, the Directing Board and the Audit Committee on embedding risk management within the organisation. During the year weaknesses in some areas including procurement, the management of certain contracts and the updating of guidance documentation have shown that internal controls and risk management have not been fully embedded in some cases. Action has been taken to address these weaknesses. In certain instances these weaknesses have resulted from the reliance on manual processes which will now be reconsidered by the Risk Management Committee including the costs and benefits of automating manual processes. The Audit Committee advises on the internal audit work programme and the chairman also sits as an independent board member on the Steering Board.

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 2008-09 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 the Estate Accounts System, project weaknesses were identified in relation to slippage and delays in the project. All of these had been addressed during 2008-09 and a revised project schedule agreed. Further project controls have been introduced during the year to address progress within user acceptance testing (UAT) of complex financial modules and UAT is now close to completion.

The awareness and application of active risk management continues to improve across the Agency in 2009-10 although some significant internal control issues have been highlighted during the year as follows:

- In relation to procurement, weaknesses were identified in the management of procurement risks and the tendering and awarding of contracts. Action has already been taken or is underway to address these weaknesses including the issue of a procurement strategy aligned to the business objectives, identification of further training needs and resources, a review of contract monitoring and a review of delegations and responsibilities.
- In relation to contract management, weaknesses were identified in the control of certain contracts arising from a lack of a clear understanding of contractual terms and conditions. Action is being taken to ensure there is adequate contract knowledge or where necessary specialist advice is sought.

There were no other significant internal control issues during the course of 2009-10 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' security and information management teams has continued to make progress in embedding the requirements of data handling and security 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;
- Information Asset Owners and senior managers have undertaken level 1 and 2 protecting information training and all other staff have undertaken the level 1 training;
- Incident logging and reporting; and
- Issue of a policy and revised guidance on protective markings to ensure that access to information and other assets is correctly managed and safeguarded.

Stephen Speed
Chief Executive
12 July 2010

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 2010 under the Government Resources and Accounts Act 2000. These comprise the Income and Expenditure Account, 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 the financial statements in accordance with applicable law and 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 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 2010, and of the deficit, changes in taxpayers' equity and cash flows 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 comprising The Insolvency Service Targets, Steering Board, Sections 2, 3 and 4 and the Estate Management, Environment and Sustainability Section for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept; or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit.

- 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 2010

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

INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 March 2010

	Notes	2009-10 £'000	2008-09 £'000
Income			
Fee income	6(a)	158,155	148,594
Other operating income	6(b)	15,819	12,516
Gross income	6(c)	**173,974**	**161,110**
Expenditure			
Staff costs	4(a)	97,789	91,309
Depreciation and amortisation	7, 8	3,881	3,152
Other operating charges	5	110,209	110,657
Finance lease charges	14(b),(c)	702	849
Total expenditure		**212,581**	**205,967**
Operating deficit before interest		**(38,607)**	**(44,857)**
Cost of capital	16	(1,383)	(1,143)
Finance – unwinding of discount	10	2,622	1,435
Deficit for the year	6(c)	**(37,368)**	**(44,565)**

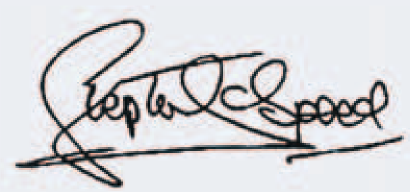
All income and expenditure is derived from continuing operations. The deficit for the year does not include funding from BIS of £39,612,000 (2008-09, £42,314,000) as shown in notes 1(n) and 6(c) of these accounts.

The notes on pages 54 to 79 form part of these accounts.

STATEMENT OF FINANCIAL POSITION

as at 31 March 2010

	Note	2010 £'000	2009 £'000	01-Apr-08 £'000
Non-current assets:				
Property, plant and equipment	7	10,434	11,791	11,716
Intangible assets	8	12,055	11,653	4,086
Total non-current assets		**22,489**	**23,444**	**15,802**
Current assets:				
Trade and other receivables	10	6,193	3,068	3,193
Financial assets	10	151,076	121,421	80,762
Cash and cash equivalents	11	11,810	12,833	23,603
Total current assets		**169,079**	**137,322**	**107,558**
Total assets		**191,568**	**160,766**	**123,360**
Current liabilities				
Trade and other payables	12	(141,830)	(109,888)	(77,575)
Total current liabilities		**(141,830)**	**(109,888)**	**(77,575)**
Non-current assets plus net current assets		**49,738**	**50,878**	**45,785**
Non-current liabilities:				
Provisions	13	(1,430)	(2,976)	(4,048)
Other payables	12	(3,703)	(7,044)	(8,283)
Total non-current liabilities		**(5,133)**	**(10,020)**	**(12,331)**
Assets less liabilities		**44,605**	**40,858**	**33,454**
Taxpayers' equity:				
Government grant revaluation reserve	15(a)	–	121	78
Revaluation reserve	15(b)	–	28	39
General fund	SoCTE	44,605	40,709	33,337
Total taxpayers' equity		**44,605**	**40,858**	**33,454**



Stephen Speed
Chief Executive
12 July 2010

The notes on pages 54 to 79 form part of these accounts.

STATEMENT OF CASH FLOWS

for the year ended 31 March 2010

	Note	2009-10 £'000	2008-09 £'000
Cash flows from operating activities			
Operating deficit before interest	I&E	(37,368)	(44,565)
Reversal of cost of capital	I&E	1,383	1,143
Depreciation charge	7, 8	3,881	3,152
Audit fee	5	70	54
Loss on disposal of non-current assets	5	124	–
Loss on revaluation of non-current assets	5	–	565
Movement in Government Grant Revaluation Reserve	15(b)	–	(11)
Movement in provisions	13	(1,546)	(1,072)
Increase in trade receivables	10	(32,780)	(40,534)
Increase in trade payables	12	28,600	31,074
CFER relating to items not passing through the I&E account	15(c)	(3,000)	–
Net cash outflow from operating activities		**(40,636)**	**(50,194)**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(2,535)	(3,698)
Purchase of intangible assets	8	(842)	(7,952)
Net cash outflow from investing activities		**(3,377)**	**(11,650)**
Cash flows from financing activities			
BIS request for resource allocation		51,420	59,487
VAT recovered by BIS		(4,877)	(5,061)
Capital element of payments in respect of finance leases and service concession arrangements		(3,553)	(3,352)
Net financing		**42,990**	**51,074**
Net decrease in cash and cash equivalents in the period		**(1,023)**	**(10,770)**
Cash and cash equivalents at the beginning of the period	11	**12,833**	**23,603**
Cash and cash equivalents at the end of the period	11	**11,810**	**12,833**

The notes on pages 54 to 79 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

for the year ended 31 March 2010

	Note	General Fund £'000	Revaluation Reserve £'000	Government Grant Revaluation Reserve £'000	Total Reserves £'000
Balance at 1 April 2008		**33,337**	**78**	**39**	**33,454**
Changes in taxpayers' equity for 2008-09					
Net gain/(loss) on revaluation of property, plant and equipment		–	91	(11)	80
Revaluation realised element transfer to General Fund	15(a)	48	(48)	–	–
Provided in year for Government Grant		(382)	–	–	(382)
Non-cash charges – cost of capital	16	1,143	–	–	1,143
Non-cash charges – auditor's remuneration	5	54	–	–	54
Net operating cost for the year	I&E	(44,565)	–	–	(44,565)
Total recognised income and expenses for 2008-09		**(43,702)**	**43**	**(11)**	**(43,670)**
BIS Request for Resource Allocation		59,487	–	–	59,487
Capital element of payments in respect of finance leases and service concession arrangements		(3,352)	–	–	(3,352)
VAT recovered by BIS		(5,061)	–	–	(5,061)
Balance at 31 March 2009		**40,709**	**121**	**28**	**40,858**
Changes in taxpayers' equity for 2009-10					
Provided in year for Government Grant	7	(328)	–	–	**(328)**
Transfer from Government Grant Revaluation Reserve to General fund	15(b)	28	–	(28)	**–**
Non-cash charges – cost of capital	16	1,383	–	–	**1,383**
Non-cash charges – auditor's remuneration	5	70	–	–	**70**
Revaluation reserve transfer to General fund	15(a)	121	(121)	–	**–**
CFER – Surplus Case Administration Fees	15(c)	(3,000)	–	–	**(3,000)**
Net operating cost for the year	I&E	(37,368)	–	–	**(37,368)**
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**

The notes on pages 54 to 79 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 2009-10 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.

Since agreeing indicative budget allocations for 2010-11 with BIS we have been asked to review expenditure across all of our functions and to identify savings against BIS funded budgets for policy and investigations and enforcement to contribute towards BIS reductions of 11%. We expect to accommodate this reduction whilst still meeting our liabilities as they fall due.

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 Statements (IAS) and International Financial Reporting Standards (IFRS) and
(ii) interpretations thereof issued by the Standards Interpretations Committee (SIC) or its successor, the International Financial Reporting Interpretations Committee (IFRIC).

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 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 expenditure and income relating to all other services is classified as programme.

1(e) Management judgement 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 as a proxy for 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 as a proxy for 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 income and expenditure account.

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.

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 Insolvency 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 2010 will be recognised over the next 3 years i.e. 2010-11, 2011-12 and 2012-13, in proportion to the caseload as it closes.

1(p) Operating leases

Rentals payable under operating leases are charged to the income and 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 income an 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 items are charged to the income and expenditure account:

(i) Interest on the average cost of capital employed (note 16)
(ii) Audit fee (note 5)

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 income and expenditure account is net of VAT. Outstanding recoverable VAT on expenditure is included in VAT debtors and is shown in note 10 to the accounts.

1(w) Capital charge

A charge, reflecting the cost of capital utilised by The Service, is included in operating costs. The charge is 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. First Time Adoption of IFRS

IFRS1 First Time Adoption of International Financial Reporting Standards requires that there must be a reconciliation between taxpayers' equity as at 31 March 2008 under UK GAAP and restated taxpayers' equity at 1 April 2008 being the effective date of transition to IFRS.

2(a) Reconciliation of taxpayers' equity under UK GAAP to IFRS as at 1 April 2008

	31-Mar-08 UK GAAP £'000	IAS 19 £'000	Reclassification of Financial Assets £'000	IAS 38 £'000	IFRIC 12 £'000	**1-Apr-08 IFRS** £'000
Non-current assets						
Property, plant and equipment	6,765	–	–	(4,086)	9,037	11,716
Intangible assets	–	–	–	4,086	–	4,086
Total non-current assets	**6,765**	**–**	**–**	**–**	**9,037**	**15,802**
Current assets						
Trade receivables and other current assets	83,955	–	(80,762)	–	–	3,193
Financial assets	–	–	80,762	–	–	80,762
Cash and cash equivalents	23,603	–	–	–	–	23,603
Total current assets	**107,558**	**–**	**–**	**–**	**–**	**107,558**
Total assets	**114,323**	**–**	**–**	**–**	**9,037**	**123,360**
Current liabilities						
Trade payables and other current liabilities <1 year	(74,369)	(1,375)	–	–	(1,831)	(77,575)
Total current liabilities	**(74,369)**	**(1,375)**			**(1,831)**	**(77,575)**
Non-current assets plus net current assets	**39,954**	**(1,375)**	**–**	**–**	**7,206**	**45,785**
Non-current liabilities						
Provisions	(4,048)	–	–	–	–	(4,048)
Other payables	(1,755)	–	–	–	(6,528)	(8,283)
Total non-current liabilities	**(5,803)**	**–**	**–**	**–**	**(6,528)**	**(12,331)**
Assets less liabilities	**34,151**	**(1,375)**	**–**	**–**	**678**	**33,454**
Taxpayers' equity						
Revaluation reserve	78	–	–	–	–	78
Government grant revaluation reserve	39	–	–	–	–	39
General fund	34,034	(1,375)	–	–	678	33,337
Total taxpayers' equity	**34,151**	**(1,375)**	**–**	**–**	**678**	**33,454**

The standards giving rise to the most significant changes to the taxpayers' equity are:

IAS19 Employees' benefits

IAS 19 requires that the cost of providing employee benefits should be recognised in the period in which the benefit is earned by the employee, rather than when it is paid or payable.

The Service should recognise a liability when an employee has provided service in exchange for employee benefits to be paid in the future and recognise an expense when The Service consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

Employees accrue their annual leave entitlement evenly over a year. If an employee has untaken annual leave at the date at which the annual accounts are prepared, The Service has had the benefit of the employee providing a service but the annual leave will be taken in a different accounting period. The Service has identified the level of untaken leave at both 31 March 2008 and 31 March 2009. The fair value of the untaken leave has been recognised as a liability in the Statement of Financial Position.

IAS38 Intangible assets

Under UK GAAP all capitalised computer software was included within tangible fixed assets. IAS 38 "Intangible Assets" requires software that is not an integral part of an item of computer hardware to be classified within intangible assets. An adjustment has been made to reclassify such computer software from property, plant and equipment to intangible assets.

IFRIC 12 Service Concession Arrangements

Under UK GAAP The Service accounted for a contract related to the provision of IT infrastructure as an operating lease with all rentals payable under the lease being charged to the income and expenditure account on a straight-line basis over the lease term.

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. The Service reviewed the IT infrastructure contract and deemed that the arrangement was within the scope of IFRIC 12 as interpreted for the public sector by the FReM

The impact on the financial statements was that PPE increased by £9,036,853 to reflect the recognition of information technology assets and liabilities increased by £8,358,722 to reflect the capital liability. The overall impact was an increase in net assets of £678,131.

2(b) Reconciliation of the impact of conversion to IFRS on the Income and Expenditure Account for 2008-2009

	2008-2009 UK GAAP £'000	IAS 19 £'000	IFRIC 12 £'000	**2008-2009 IFRS** £'000
Income				
Fee income	148,594	–	–	**148,594**
Other operating income	12,516	–	–	**12,516**
Gross income	**161,110**	–	–	**161,110**
Expenditure				
Staff costs	90,701	608	–	**91,309**
Depreciation and amortisation	652	–	2,500	**3,152**
Other administrative costs	113,820	–	(3,163)	**110,657**
Finance charges	179	–	670	**849**
Total expenditure	**205,352**	**608**	**7**	**205,967**
Operating deficit before interest	**(44,242)**	(608)	(7)	**(44,857)**
Cost of capital	**(1,143)**	–	–	**(1,143)**
Finance – unwinding of discount	**1,435**	–	–	**1,435**
Deficit for the year	**(43,950)**	**(608)**	**(7)**	**(44,565)**

There are no changes to the figures included in the Statement of Cash Flows as a result of the transition from UK GAAP to IFRS and therefore no reconciliation is shown.

3. 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.

3(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 7).

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.

3(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 6(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.

3(c) Case administration debtors

The Service must make accounting estimates and judgments regarding the recoverability of its case administration debtors (note 10) . 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.

4. Staff numbers and related costs

4(a) Staff costs

	2009-10 Total £'000	Permanently employed £'000	others £'000	2008-09 Total £'000	Permanently employed £'000	others £'000
Wages and salaries	**80,473**	68,655	11,818	74,469	64,255	10,214
Social security costs	**5,035**	5,035	–	4,690	4,690	–
Other pension costs	**12,316**	12,316	–	12,194	12,194	–
Sub Total	**97,824**	86,006	11,818	91,353	81,139	10,214
Less recoveries in respect of outward secondments	**(35)**	(35)	–	(44)	(44)	–
Total net costs	**97,789**	**85,971**	**11,818**	**91,309**	**81,095**	**10,214**

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

For 2009-10, employers' contributions of £12,250,699 were payable to the PCSPS (2008-09, £12,181,708) at one of four rates in the range 16.7 to 24.3 per cent (2008-09: 17.1 to 26.5 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 2010-11 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 2009-10 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 £56,011 (2008-09, £46,925) were paid to the three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent (2008-09, 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 £4,157 (2008-09, £3,501) 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 £4,736 (2008-09, £3,935). Contributions prepaid at that date were nil.

5 persons (2008-09, 0 persons) retired early on ill-health grounds. The total additional accrued pension liabilities in the year amounted to £5,705 (2008-09, Nil).

4(b) Average number of persons employed

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

Number	2009-10 Total	Permanent staff	Others	2008-09 Total	Permanent staff	Others
Directly Employed	**2,587**	2,527	60	2,498	2,464	34
Other	**538**	–	538	541	–	541
Staff engaged on capital projects	**–**	–	–	–	–	–
Total	**3,125**	**2,527**	**598**	**3,039**	**2,464**	**575**

5. Other operating charges

	2009-10 £'000	2008-09 £'000
Legal and other costs of investigation and enforcement	**19,076**	21,168
General administrative expenses	**26,177**	22,740
Other costs	**8,188**	10,576
Accommodation	**7,733**	7,255
Operating leases – accommodation	**8,400**	9,477
Operating leases – computers	**4,019**	6,841
Operating leases – office machinery	**506**	525
Disbursements funded from case administration fees	**3,850**	5,673
BIS overhead including provision for shared services	**2,370**	2,170
Travel and subsistence	**3,002**	3,821
Hospitality	**–**	9
	83,321	**90,255**
Non-cash items		
Debit balances (credited back)/written off against fees	**(54)**	255
Adjustment to bad debt provision	**1,483**	930
Bad debt provision for case administration fees	**24,799**	18,207
Bad and doubtful debt provision for banking fees	**461**	391
Audit fee	**70**	54
Loss on disposal of non-current assets	**124**	–
Loss on revaluation of non-current assets	**–**	565
Accounting – write off (General)	**5**	–
	26,888	**20,402**
Total	**110,209**	**110,657**

The audit fee includes £18,500 (2008-09, £14,500) in relation to work carried out towards the adoption of International Financial Reporting Standards in 2009-10.

6. Income

	2009-10 £'000	2008-09 £'000
6(a) Fee income		
Insolvency case administration	**144,322**	146,167
Case administration income accrued from deferred income	**12,515**	4,153
Discounting costs	**(4,246)**	(5,036)
Estate accounts	**2,498**	2,319
Regulation of Insolvency Practitioners	**1,473**	991
Debt relief order administration	**1,593**	–
Fees recoverable in the period	**158,155**	**148,594**

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.

The Insolvency Case administration fee income includes £12,514,807 (2008-09, £4,152,864), transferred from deferred income in accordance with The Service's deferred income accounting policy (note 1(o) and note 12).

Case administration income has been reduced in 2009-2010 by £4,245,849 (2008-2009, £5,035,574) to ensure the income is stated at its fair value, in accordance with our financial instruments accounting policy (notes 1(t) and 1(u)). During the year time and rate fees that are included in insolvency case administration income were charged at an incorrect rate in a number of cases. The charges were less than provided for in the Fees Order and although individual cases were only undercharged by a few pounds the total undercharged was £160,152.

Debt relief orders (DRO) were introduced from 6 April 2009 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.

	2009-10 £'000	2008-09 £'000
6(b) Other operating income		
Investigation and enforcement	**2,506**	3,022
Redundancy payments administration	**11,800**	8,282
Rental income	**1,513**	1,212
Total	**15,819**	**12,516**

6(c) Segmental reporting

All significant activities of The Service are derived from the Insolvency Act 1986, the Company Disqualification Act 1986, the Employment Rights Act 1996 and the Companies Act 1985 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.

Activities funded from fee or other income		Income		Cost of Service		Surplus/(Deficit)
	2009-10 £'000	2008-09 £'000	2009-10 £'000	2008-09 £'000	2009-10 £'000	2008-09 £'000
Insolvency case administration	**152,591**	145,284	**151,196**	145,837	**1,395**	(553)
Estate accounts	**2,498**	2,319	**2,362**	3,570	**136**	(1,251)
Regulation of insolvency practitioners	**1,473**	991	**1,310**	1,054	**163**	(63)
Redundancy payments administration	**11,800**	8,282	**11,496**	8,660	**304**	(378)
Debt relief order administration	**1,593**	–	**1,348**	–	**245**	–
Other	**1,513**	1,212	**1,512**	1,218	**1**	(6)
Total	**171,468**	**158,088**	**169,224**	**160,339**	**2,244**	**(2,251)**

Activities funded from BIS financing		Income		Cost of Service		Deficit
	2009-10 £'000	2008-09 £'000	2009-10 £'000	2008-09 £'000	2009-10 £'000	2008-09 £'000
Investigation and enforcement	**2,506**	3,022	**40,089**	43,250	**(37,583)**	(40,228)
Policy advice and development	**–**	–	**2,029**	2,086	**(2,029)**	(2,086)
Total	**2,506**	**3,022**	**42,118**	**45,336**	**(39,612)**	**(42,314)**
Total of all activities	**173,974**	**161,110**	**211,342**	**205,675**	**(37,368)**	**(44,565)**

Common costs are apportioned largely on the basis of staff employed on the main activities.

6(d) 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 6(c)). 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 2009–10 year was £1,903 (2008–09, £2,660). An average amount of £1,322 was paid during 2009-10 for RP2 (2008-09, £1,877).

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.

7. Property, plant and equipment

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 8) and impairments (£7,818, Note 9). 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 8).

8. Intangible assets

2009-10	Software Licences £'000	Internally developed system £'000	Asset under construction £'000	Total £'000
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).

9. Impairments

There are no impairment charges for 2009-10 (2008-09, £7,818).

10. Trade receivables, other current assets and financial assets

	2009-10 £'000	2008-09 £'000	01 April 2008 £'000
Trade receivables and other current assets			
Amounts falling due within one year:			
Prepayments	6,193	3,068	3,193
Total trade receivables and other current assets	**6,193**	**3,068**	**3,193**
Financial assets			
Amounts falling due within one year:			
Debtors for fees – case administration	41,865	38,099	31,978
Debtors for disqualification costs	1,538	1,805	1,916
Debtors for fees – estate accounts	891	773	759
VAT debtor	1,251	1,430	1,412
Staff receivables	232	226	211
Other receivables	823	731	706
	46,600	**43,064**	**36,982**
Amounts falling due more than one year:			
Debtors for fees – case administration	101,172	74,892	40,990
Debtors for disqualification costs	3,006	3,074	2,343
Staff receivables	298	391	447
	104,476	**78,357**	**43,780**
Total financial assets	**151,076**	**121,421**	**80,762**
Total	**157,269**	**124,489**	**83,955**

An analysis of other receivables is given below:	2009-10 £	2008-09 £	01 April 2008 £
Department for Business, Innovation and Skills	18,751	2,582	511,197
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	795,148	671,010	194,611
	823,457	**731,316**	**705,808**

The debtors for disqualification costs have been reduced by a provision for doubtful debt of £800,132 (2008-09, £597,256). The debtors for fees 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 fees have been reduced by a provision for doubtful debt of £24,799,145 (2008-09, £18,206,868). The debtors for estate accounts fees have been reduced by a provision for doubtful debt of £461,253 (2008-09, £391,291).

The debtors for case administration for 2009-10 were £150,844,043 (2008-09, £119,174,228). The debtors have been discounted at a discount rate of 3.5% to reflect the time value of money. The fair value discount for 2009-10 was £7,806,966 (2008-09, £6,183,249). In 2009-10, The Service unwound £2,622,101 (2008-09, £1,434,903) 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 £4,245,849 (2008-09, £5,035,574) and is reflected in a reduction of case administration fee income (notes 1(u) and 6(a)). The unwinding of the discount is included as a financial item adjacent to interest on the income and expenditure account.

11. Cash and cash equivalents

	2009-10 £'000	2008-09 £'000	01 April 2008 £'000
Balance at 1 April	12,833	23,603	42,534
Net change in cash and cash equivalent balances	(1,023)	(10,770)	(18,931)
Balance at 31 March	**11,810**	**12,833**	**23,603**
The following balances at 31 March were held at:			
Office of HM Paymaster General (ISA account)	11,150	9,097	16,654
Office of HM Paymaster General	660	3,736	6,949
	11,810	**12,833**	**23,603**

12. Trade payables and other current liabilities

	2009-10 £'000	2008-09 £'000	01 April 2008 £'000
Amounts falling due within one year:			
Trade payables	227	802	2,665
Accruals	10,028	10,602	6,053
Deferred fee income	28,753	41,681	46,666
Current part of finance leases	867	956	739
Service concession arrangement	3,003	2,421	1,831
BIS Inter-entity creditor	96,962	51,441	18,019
CFER payable to the Consolidated Fund	–	3	227
Accrued employee benefits	1,990	1,982	1,375
Total	**141,830**	**109,888**	**77,575**
Amounts falling due after more than one year:-			
Finance leases	348	1,215	1,755
Service concession arrangement	3,355	5,829	6,528
Total	**3,703**	**7,044**	**8,283**

Capital commitments due under finance leases are £1,214,665 (note 14(b)) (2008-09, £2,154,201). The finance charge payable under finance leases and charged to the income and expenditure account is £132,548. Capital commitment due under service concession arrangements are £6,358,295 (note 14(c)) (2008-09, £8,249,010). The finance charge payable under service concession arrangements and charged to the income and expenditure account is £569,562.

The BIS inter-entity creditor of £96,962,003 (2008-09, £51,441,000) includes BIS cash funding of £89,703,192 (2008-09, £44,193,480) which has been retained to meet cash flow requirements. It also includes the payroll for March 2010 of £7,229,624 which was paid for directly by BIS and The Service re-imbursed in the following financial year.

The Consolidated Fund Extra Receipts (CFER) payable to the Consolidated Fund is Nil (2008-09, £3,285) in respect of miscellaneous receipts.

Deferred income as at 1 April 2009 was £41,680,926 of which £41,069,760 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 £1,032,211 of deferred income being recognised as income this year. Future costs of old regime cases are unlikely to exceed £5m and it is expected that the majority of this cost will be incurred in the next 3 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.

Any surplus income remaining after any such matching will be surrendered to the Consolidated Fund.

The Service has reviewed the income, costs and fee recoveries for all case administration activities. Judgements made by management reflected reasonable assessments of future costs and recoveries of fees and do not pose a significant risk of material adjustment in future years.

Case administration income includes £12,514,807 transferred from deferred income for the following:

- Fees recovered to date in respect of cases commenced in 2004-05, 2005-06, 2006-07 and 2007-08 have been lower than expected. A transfer of £7,785,348 matches a write off of case administration debtors.
- Costs to date in respect of cases commenced in 2008-09 have been higher than expected. A transfer of £4,729,459 represents managements' reasonable assessment of the expected deficit.

Deferred income relating to case administration as at 31 March 2010 was £27,992,793, of which £5,000,000 is retained for future costs for old regime cases and £22,992,793 is to be accrued over the next 3 years.

Deferred income note	**2009-10 £'000**	2008-09 £'000
At 1 April	**41,070**	46,159
Additions in year:		
(a) Fees recovered	**470**	549
(b) Transferred from income and expenditure	**–**	–
Utilised in year:		
(a) Pre 1 April 2004 costs	**(1,032)**	(1,485)
(b) Deficits	**(12,515)**	(553)
(c) Unexpected / unplanned items	**–**	(3,600)
(d) Transferred to Consolidated Fund	**–**	–
At 31 March	**27,993**	**41,070**

13. 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 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 the 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 2010-11.

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 2009-10 this amount includes the debit balance write-off of £200,314.

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 £174,322 over the previous six years. The above estimated outflows have been calculated on a straight-line basis.

Other

The balance in the other provision of £1,943,000 above, at 1 April 2009 is made up of the following:

(i) £79,000, being the refund of previously recovered fees following the decision in the Leyland DAF Limited case. None of the provision was utilised in year but it has been released over five years to provide for possible claims. 2009-10 was the fifth year of releasing the provision so there is no longer any remaining provision at 31 March 2010.

(ii) £1,275,000 in relation to adverse costs in investigation and disqualification proceedings. These costs are included in the cost of legal and other costs of investigation and enforcement (note 5). During 2009-2010 The Service utilised provisions of £535,000 and estimates of £491,000 included in the provision at 31 March 2009 which were not fully utilised were written back during the year. New provisions during the year were £40,000. The balance at 31 March 2010 is £289,000. The outflow of costs under this provision is assessed based on solicitor advice.

(iii) £589,000, in relation to the commitments on leases which has been provided for in these accounts under general administrative expenses (note 5). These leases were in respect of an element of the development of the ISCIS and CHAMP projects that was treated as a constructive loss in the 2007-08 accounts. The calculation of this provision has been based on the agreed payment terms. During 2009-2010 new provisions during the year were £255,547 which related to further losses incurred on these leases and which have been disclosed at note 18. Provisions utilised during the year were £369,758. The remaining provision is therefore £475,498, which will be fully utilised by 31 March 2012.

14. Commitments under leases

14(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:	**2009-10 £'000**	2008-09 £'000
Buildings		
Not later than one year	**8,105**	6,981
Later than one year and not later than five years	**31,109**	30,769
Later than five years	**39,086**	46,089
Total	**78,300**	**83,839**
Other		
Not later than one year	**6,199**	5,292
Later than one year and not later than five years	**8,464**	10,050
Later than five years	**–**	–
Total	**14,663**	**15,342**

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 14(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.

14(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:	**2009-10 £'000**	**2008-09** £'000
Other		
Not later than one year	**953**	1,089
Later than one year and not later than five years	**393**	1,346
	1,346	2,435
Less interest element	**(131)**	(264)
Total	**1,215**	**2,171**

Interest on finance leases charged in the year is £132,548 (2008-09, £178,949). The capital commitments due under finance leases are £1,214,665 (2008-09, £2,154,201) (note 12). In 2008-09 included in the figure of £2,171,052 is expenditure of £16,851 which has not been capitalised, as the costs are not directly attributable to bringing the assets into working condition.

14(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 7).

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.

	2009-10 £'000	2008-09 £'000
Not later than one year	**3,359**	2,952
Later than one year and not later than 5 years	**3,501**	6,287
Later than five years	**–**	–
	6,860	**9,239**
Less interest element	**(501)**	(990)
Total	**6,359**	**8,249**

Interest on the service concession arrangement charged in the year is £569,562 (2008-09, £670,373).

15. Taxpayers' equity

15(a) Revaluation Reserve

	2009-10 £'000	**2008-09 £'000**	**01 April 2008 £'000**
At 1 April	121	78	52
Revaluation of property, plant, equipment	–	91	26
Revaluation realised element transfer to General Fund	–	(48)	–
Reserve amount transferred to General Fund	(121)	–	–
At 31 March	**–**	**121**	**78**

15(b) Government Grant Revaluation Reserve

	2009-10 £'000	2008-09 £'000	01 April 2008 £'000
At 1 April	28	39	34
Revaluation of Government Grant Reserve	–	(11)	5
Reserve amount transferred to General Fund	(28)	–	–
At 31 March	**–**	**28**	**39**

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 2009-10 £149,000 was transferred to the General Fund to reflect this change (note 1(f)).

15(c) General Fund

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

A surplus has arisen in respect of case administration cases commenced in 2004-2005. The Service ensures that it measures and forecasts costs but surpluses and deficits are bound to arise from time to time. The surplus is due to costs being lower than expected over the life of those cases. In accordance with Managing Public Money, The Service has remitted the excess of £3,000,000 to BIS for payment to the consolidated fund.

16. Cost of capital

In accordance with Treasury guidance the charge is calculated at 3.5% of the average net assets employed at current value during the year.

17. 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 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 10). Accounting estimates and judgements regarding the recoverability of case administration debtors are disclosed (note 3(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.

18. Losses

The Service recognised a constructive loss in its 2007-08 annual accounts in relation to leases entered into for the development of both the ISCIS and CHAMP IT projects. The losses represented future commitments on five lease arrangements which had been entered into and were due to expire in 2009-10 and beyond. The Service failed to give the contractor notice of its intention to terminate these leases on the required date and has incurred liabilities of £157,034, included in these accounts, which could have been avoided.

The Service also entered into leases with the same supplier for hardware, software, and IT contractors. However, although hardware and software under these leases are still in use The Service could have purchased the assets at a lower cost and avoided future lease payments. The Service has incurred additional liabilities, under fourteen leases, totalling £169,502 which could have been avoided. The full cost of the additional commitments has been expensed in these accounts although £98,513 falls due in 2010-11.

Total losses included in these accounts resulting from the above are £326,536. An amount of £255,547 has been included in the "Other" provision provided in the year (note 13).

19. 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 2009-10, 4 individuals attempted to enter into a FTVA (6 individuals in 2008-09). The fees received by The Service were £8,886 (2008-09, £4,160) and are included in these accounts under the case administration business. The balance of funds held in FTVA estates as at 31 March 2010 was £61,960 (2008-09, £63,656). These amounts are not included in these accounts as they represent trust monies.

20. 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.

21. Commitments

There are capital commitments for property, plant and equipment of £898,500 (2008-09, £1,060,000) and for intangible assets £695,000 (2008-09, £940,000). Planned capital expenditure for 2010-11 is currently £2,785,000 of which £1,750,000 is for property, plant and equipment and £1,035,000 is for intangible assets.

22. Contingencies

Banking liabilities

Following the enactment of the Cheques Act 1992, the Secretary of State for Business, Enterprise and Regulatory Reform 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.

23. 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 it 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.

24. Performance target

The Service is required to generate sufficient fees to meet the costs of case administration, debt relief order 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.

25. Post balance sheet events

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

The Insolvency 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 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 2010.

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