The Insolvency Service

The Insolvency Service Annual Report and Accounts

2013–14

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

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Management report

1 Chief Executive's Introduction

The UK insolvency regime is one of the best in the world, consistently ranked in the World Bank's Top 10. In partnership with others across the sector, we ensure that this strong UK position is sustained. Our leadership is seen across a breadth of activities, ranging from our work in advising ministers and implementing insolvency policy, through to the public services we provide every day to support those affected by financial distress and failure.

The Insolvency Service's contribution links directly to the government's commitment to economic growth: fair insolvency and corporate systems directly contribute to creditor, investor and business confidence when taking commercial risks.

We clearly cannot rest on our laurels. To keep building upon our achievements requires continuous improvement: learning from front-line experience, responding to government priorities and taking advantage of technology to be innovative in our approach.

This report highlights many examples of how the Insolvency Service has delivered improvements by working alongside partners from the public, private and voluntary sectors. We have improved our levels of insolvency fee recovery by 5%, improved our disqualification levels to over 1,200 directors – a 23% increase on 2012–13 that takes us back to typical levels of disqualifications – and improved the percentage of our redundancy payments increasing those processed within three weeks from 78% to 85%.

Wider actions have included identifying a package of measures under the Red Tape Challenge to reduce the cost of insolvency processes by some £30m p.a. for business. We have targeted potential abuse of the system carried out by introducing agents, to date resulting in 9 companies being wound up in the public interest and further enforcement action being underway. We have established a cross-sector complaints gateway, which by providing a focal point for complaints against Insolvency Practitioners allows greater visibility of issues and a baseline across the sector to be established.

These achievements and the strong operational performance highlighted in this report have been delivered in the context of extensive organisational change. The agency is implementing a challenging restructuring programme in response to a step change in insolvency volumes,whilst continuing to invest for the future. We have reinvigorated professional development and leadership. We have made good progress on our journey as one of government's 25 "digital exemplars". This work on digital is a first and important step towards a much more digital future.

I would like to take this opportunity of thanking our employees for their significant contribution, and for working so hard to put the Insolvency Service on a better footing for the future.I am proud of all that we have achieved over the past year, and the robust platform for future delivery that we are creating together.

Richard Judge

Dr Richard Judge
Inspector General and Chief Executive

7 July 2014

2 Agency Overview

Our purpose

In a dynamic economy, entrepreneurialism and a drive for business growth will be accompanied by financial failures as well as successes. At an individual level, particularly in a difficult economic climate, there will always be people who stretch themselves beyond the point at which normal debt relief measures can be applied. In both cases, there is a need to handle the issues of financial distress sensitively and impartially, and to ensure that the occasional abuses of the system are dealt with.

The Insolvency Service plays a crucial role for government. We provide the frameworks that deal with insolvency and the financial misconduct that sometimes accompanies or leads to it. Most of our work is linked to delivering associated public services, with a small but integral policy function drawing on this operational expertise. We combine professionalism in all that we do that allows us to deal objectively with what is often a complex blend of competing interests. Our aim is a corporate and insolvency system which is regarded as fair and that gives investors, lenders and creditors confidence to take the commercial decisions necessary to support economic growth.

What we do

Our activities span personal and company insolvency, and investigations into trading companies. We work alongside partners from the public, private and voluntary sectors to:

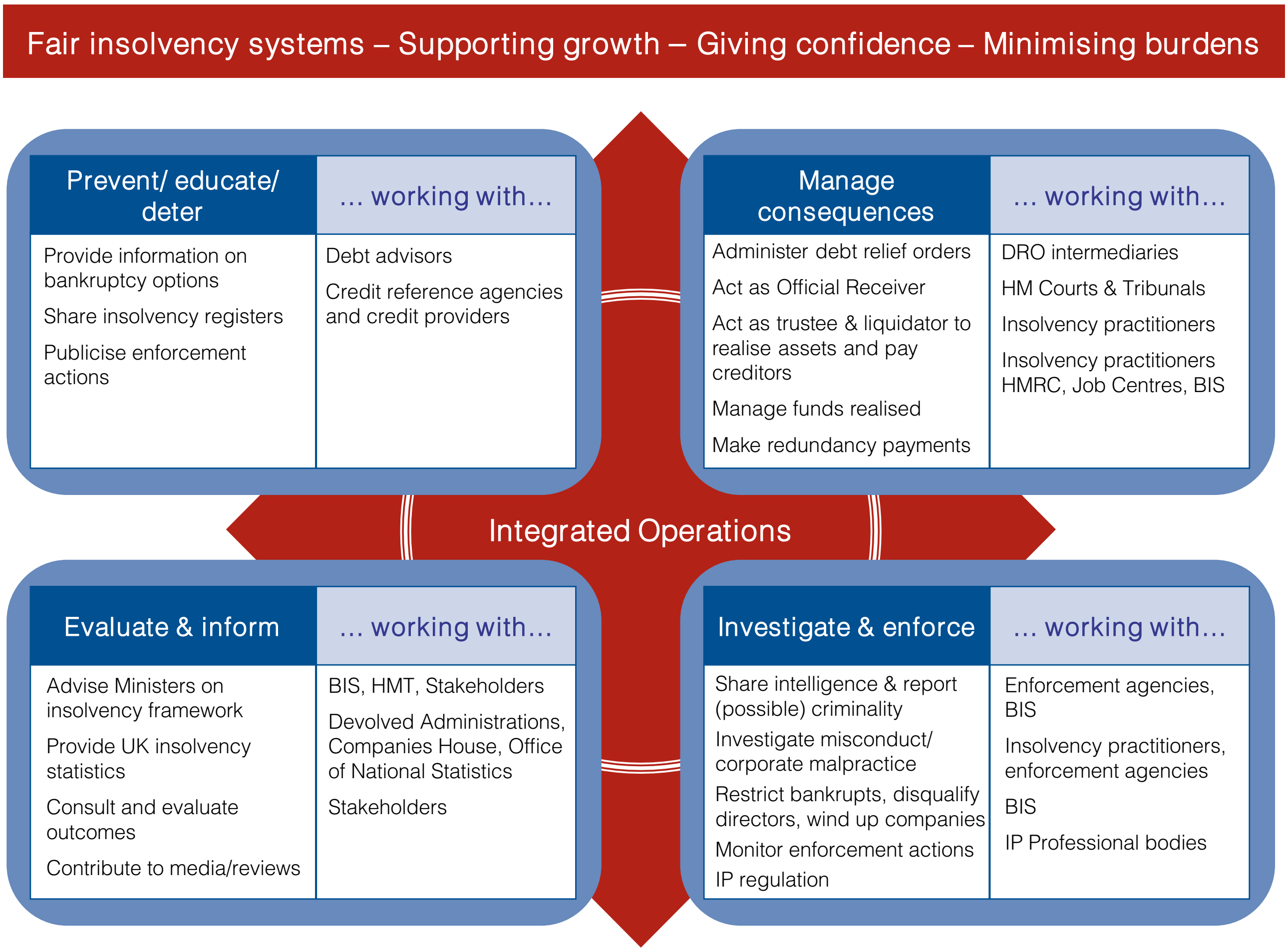
- ensure that effective options and support exist for companies and individuals in financial distress, so that they can take early action either to recover or to minimise losses
- administer bankruptcies and liquidations, including the realisation and distribution of assets to creditors
- deal with corporate malpractice and misconduct through effective investigation into companies and individuals abusing the system, disqualification of directors and restrictions on bankrupts, and building awareness of our enforcement actions
- manage the consequences of insolvency, e.g. through paying statutory redundancy payments to employees when an employer cannot or will not do so
- evolve and maintain regulatory oversight of the insolvency system
- advise ministers on the insolvency regime
- make processes as efficient as possible e.g. to deliver best value and to optimise outcomes

The Insolvency Service is part of the Department for Business, Innovation and Skills (BIS). We play a full role in supporting delivery of the BIS priority of connecting people to opportunity and prosperity.

How we deliver

Operating as “one agency” and working effectively with external organisations across the insolvency sector is fundamental to successful delivery. This coherence allows us to link frontline experience with the insolvency frameworks we develop, to be agile in the face of changing operational demands, and to sustain core capability through creating opportunities for continuous improvement and development of our people.

Our approach is illustrated in the following diagram, which also shows 4 elements of the insolvency cycle that provide focus for our work:



Effective collaboration with BIS and other relevant external partners is equally integral to our role. Examples include working alongside the National Crime Agency and other government bodies to exchange intelligence and support investigation of economic crime; liaising with industry bodies such as R3 and Institute of Credit Management and many other stakeholders to inform policy decisions; and delivering Debt Relief Orders in conjunction with intermediaries from the Debt Advice Sector.

The Insolvency Service Board

The Insolvency Service Board is independently chaired by a Non-Executive Chair. It brings together a strong blend of skills and experience, broadly balanced between non-executive and executive directors.

Insolvency Service Board

Richard Judge, Inspector General and Chief Executive

Richard joined the Insolvency Service in July 2012. He has over 10 years of Board experience, spanning the public and private sector in the UK and internationally - most recently as Chief Executive of Cefas (an agency of Defra). He is qualified as a Chartered Director, with a professional background as a Chartered Engineer.

Graham Horne, Operations Director and Deputy Chief Executive

Graham joined the Insolvency Service in 1976. Graham is an insolvency professional and has held senior roles across the agency including as interim Chief Executive.

Chris Pleass, Finance and Commercial Director

Chris joined the Insolvency Service on 13 January 2014. Chris has held senior finance roles in both the public and private sector, including HMRC and has experience of operating between Arms Length Bodies and Central Government.

Rachael Etebar, People and Capability Director

Rachael joined the Insolvency Service on 29 April 2013. Rachael has held senior HR and Employee Relations across government and in the private sector, including UK Border Agency and the Home Office.

Anne Willcocks CBE, External Affairs Director

Anne joined the Insolvency Service Board in April 2013, having previously been on the Steering Board. Anne has extensive experience across policy and external communications in government. She was responsible for leading the Enterprise and Regulatory Reform Bill through Parliament.

Non-Executive Directors

David Ereira, Chair

David joined the Insolvency Service Board in April 2013, having previously been on the Steering Board since November 2010. David's career as a partner in Linklaters LLP spans in banking, restructuring and insolvency and he is a member of the City of London Law Society Financial Law Committee, INSOL Europe and the Editorial Board of the Law and Financial Market Review.

Derek Morrison, Chair of the Audit and Risk Committee

Derek joined the Insolvency Service Board in April 2013, having previously been on the Steering Board since May 2008. Derek's career was the automotive industry, and he was Chief Finance Officer for Volvo Cars worldwide. he has Board member experience in both private and public sectors.

Pat Boyden

Pat joined the Insolvency Service Board in April 2013, having previously been on the Steering Board since March 2012. Pat was a partner in PricewaterhouseCoopers dealing with the national Personal Insolvency business and served on the IPA Investigation Committee, reviewing complaints made against IPs.

Dame Elizabeth Neville, Chair of the People and Capability Committee

Dame Elizabeth joined the Insolvency Service's Board in April 2013.Dame Elizabeth was Chief Constable of Wiltshire Constabulary and was a Non Executive Director at the Serious Fraud Office and Civil Nuclear Police Authority.

Richard Carter

Richard joined the Insolvency Service Board in April 2013. Richard is the Business Environment Director in BIS, working on company law, banking, tax, and access to finance. He is a member of the BIS Performance, Finance and Risk Committee.

Rachel James

Rachel joined the Insolvency Service Board in October 2013. Rachel was a corporate M&A lawyer at Herbert Smith and then moved to a private equity fund where she was In-house Counsel and then Chief Operating Officer. Since joining the Shareholder Executive she has worked on delivering the government's policy for the Royal Mail.

Governance Arrangements and Legal Frameworks

The Insolvency Service is an executive agency of the Department for Business, Innovation and Skills (BIS). As such it is fully accountable to Parliament through ministers.

The agency operates under statutory frameworks:

- Insolvency Acts 1986 and 2000
- Company Directors Disqualifications Act 1986
- Employment Rights Act 1996 and the Companies Acts 1985 and 2006
- a range of secondary legislation relating to these Acts.

The Minister responsible for Employment Relations and Consumer Affairs is accountable for the Insolvency Service's business in Parliament. The Department for Business, Innovation and Skills (BIS) sponsorship of the agency is delivered through the Shareholder Executive, itself part of BIS, who sit on the agency's Board.

Day-to-day responsibilities are discharged through the Chief Executive. As Accounting Officer, the Chief Executive has personal accountability to Parliament for the organisation and quality of management within the organisation, including its use and stewardship of public assets.

The Insolvency Service adopts relevant principles and protocols outlined in the "Corporate Governance in Central Government Departments: Code of Good Practice". Further information is included later in this Annual Report, within the annual governance statement.

Governance arrangements are formalised in a Framework Document that can be found here:

www.gov.uk/government/organisations/insolvency-service/about

3 Strategic Context

Responding to change

Our strategy has regard to the wider environment in which we carry out our work, taking account of the UK economy, the insolvency sector (both in the UK and internationally), and the direction taken by the UK Civil Service.

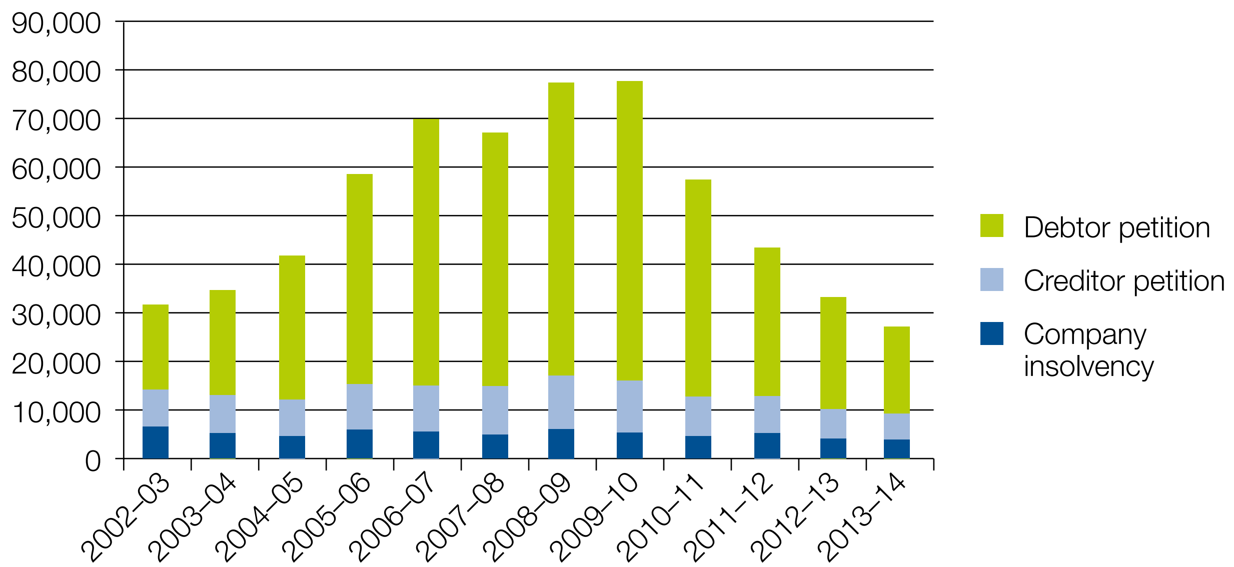
Our role in supporting creditor, investor and business confidence within the marketplace is more important than ever. The environment in which we provide services is rapidly evolving, with changes in corporate and individual lending (such as the rise in the use of “payday” loans), changing types and value of personal assets. This is most notable in the housing market, the recovery of mis-sold Payment Protection Insurance (see “Administration of insolvencies”, below) – and international regard for issues like cross-border insolvency.

An increasing proportion of business and personal transactions in the UK are conducted online. In response to that, we are aiming to provide a much greater proportion of our services through digital channels. This can be seen in our plans for our existing services, such as online delivery of redundancy payment services and improvements to other systems, and will direct us in how we approach our new role handling debtor petitions for bankruptcy.

Numbers of Insolvencies

Formal insolvencies within the UK include those carried out under the supervision of private sector insolvency practitioners – notably company administrations and voluntary liquidations, company voluntary arrangements and individual voluntary arrangements – and the compulsory liquidations, bankruptcies and debt relief orders directly overseen by the Insolvency Service.

In the early part of the last decade total formal insolvencies rose rapidly, to a peak of over 160,000 in 2009–10, but then fell considerably. By the end of 2013–14 the insolvency sector as a whole had seen subsequent reductions of over 25% from the height.



Within that fall, and linked to a change in market mix, the Insolvency Service has seen an even greater reduction. The number of bankruptcy cases we administer has fallen by two thirds and is continuing to fall. From a wider perspective, the overall decline in formal insolvencies is positive. At the same time, the reduction in our case volumes from 78,000 in 2009–10 to 27,000 in 2013–14 (excluding debt relief orders) has had a significant impact on the shape of the agency, and the funding we receive through fees.

Looking forward for the next year, our expectations are that this downward trend will continue. The assumptions we make for planning purposes regarding future numbers of cases are validated by our Consensus Group. This comprises senior managers from the Insolvency Service, statisticians and industry experts, who work together – while recognising the inherent uncertainty involved – to arrive at conclusions informed by both practical experience and statistical models.

Civil Service Reform

The Civil Service Reform agenda sets out a modernised civil service that is more skilled, less bureaucratic and more unified. Our strategy aligns with this ambition, and takes advantage of the opportunities presented, by (for example) developing our employees through the Operational Delivery Profession, and developing digital services, starting with the online redundancy payment exemplar, due to launch in 2014–15. (www.civilservice.gov.uk/reform).

As a result of the government's Red Tape Challenge we have identified ways to reduce costs of insolvency procedures, while retaining necessary protections we have also taken steps to streamline and improve our own processes.

In our role as oversight regulator for the insolvency profession, we have responded to the standards set out in the new Regulator's Code, engaging with those we regulate and publishing guidelines setting out how our monitoring procedures reflect the principles of the new Code.

Progress against our 5 year strategy

Our 5 year strategy was launched in 2012 and has directed our focus on flexibility in the face of a changing environment, external focus, and sustained improvement:

The initial phase 'a platform for delivery' is largely complete. A new board and senior management team were appointed in 2013–14, and revised

2013: a platform for delivery

A clear, agreed strategy and renewed sense of purpose, with the funds and capability (leadership and specialists) to implement our plans.

Refreshed IT infrastructure, an estates plan and a funding model in place.

Progress on simplifying processes and reinvigorating professional development.

By 2015/16... operational deficit dealt with

Achieve break-even through actions on funding and efficiencies of 10-15%. Service at the right size, with the right capability.

Customer service and stakeholder relations noticeably enhanced.

Better integration and flexibility across the organisation, with employee engagement at civil service average.

In 5 years... resilience

Changes fully embedded to secure longer term resilience. Able to respond to volatile case numbers.

Externally recognised and respected as leaders, delivering outcomes valued by our stakeholders.

Vibrant working environment with employee engagement in top quartile of the civil service.

governance arrangements are in place. A new IT system has been rolled out to employees to refresh our infrastructure and achieve financial savings. Professional development has been bolstered and key employee development packages covering leadership and frontline skills are in place, including our Management Development Programme.

There has been significant progress towards the second phase, dealing with our operational deficit and tackling our immediate operational issues. We have reduced our employees by 168 through voluntary exits (see "Employee numbers", page 24). The decisions we have taken on estates in 2013–14 will have the effect of reducing the number of buildings we occupy from 36 down to 21 by the end of 2014–15.

Estates decisions are not taken lightly, particularly relocations. We have taken into account impacts on customers and employees, the requirement to make best use of government estate, and strategic as well as financial needs. Some adverse impacts can be mitigated. For example, greater use of flexible working is helping to offset some of the personal challenges associated with relocation for employees.

Our decisions also recognise the need to maintain or improve existing levels of service. We have engaged with relevant bodies, such as advice and business bodies, to ensure adequate provision for face to face contacts. We have developed the use of remote interviewing facilities – not permanently staffed offices, but facilities in other government buildings for local interviews. This minimises change from the point of view of the customers we serve.

Our work to deal with over-capacity continues in the context of lowering income due to falling insolvency case numbers. We remain on track to achieve operational break-even by the end of 2015–16.

In parallel, we are ramping up investment to secure our longer-term goal of greater resilience for the agency. Examples include:

- improvements in leadership and management through our investment in the Management Development Programme
- sustained improvements to our operational processes
- revamping Redundancy Payments Service systems as one of government's digital exemplars, delivering improvements to customers whist reducing our running costs
- further developing our use of digital systems across our existing business, and in our new role as Adjudicator of debtor petitions for bankruptcy
- carrying out, in conjunction with HM Treasury, a review of our funding streams and the fees that we charge (this review is in progress, and will report to ministers in the 2014–15 financial year)

4 Delivery Against Targets

Targets for the Insolvency Service are set by the Minister for Employment Relations and Consumer Affairs, and published in Parliament. These targets are a mixture of efficiency measures looking at the timeliness of our processes, employees, customers and stakeholder satisfaction.

In 2013–14 we beat all of our external targets.

Table 1 – Year-end performance for 2013–14 against published targets

Measure	Target	2013–14 Achieved
Deliver against agreed 2013/14 budget, with sound financial management & robust governance	Agreed Budget	**Within Budget**
Percentage of customers who were very satisfied or satisfied with the service they received	90%	**96%**
Stakeholder confidence in the Insolvency Service's enforcement regime	>66%	**69%**
Delivery of customer impacts in Annual Plan	On time	**13 of 13**
% of reports issued to creditors within 8 weeks		
• for bankruptcy cases	92%	**97%**
• for company cases	85%	**92%**
% of appropriate disqualification cases in which proceedings are instigated in under 23 months	95%	**99%**
% of investigations in relation to live companies completed within 6 months	90%	**92%**
% Bankruptcy Restrictions authorised within 11 months of the date of insolvency	80%	**93%**
Action redundancy payment claims		
• within 3 weeks	80%	**85%**
• within 6 weeks	92%	**97%**

In addition, the Insolvency Service tracks other operational performance measures. These can be found on gov.uk at www.gov.uk/government/organisations/insolvency-service/about

5 Our Impact

We are a leading player in the insolvency field, contributing to the efficient operation of markets. This is not achieved alone.

In 2013–14 we strengthened our engagement with external bodies that have an interest in the insolvency framework, working with among others:

- recognised professional bodies to create a new Complaints Gateway
- debt management providers to agree a new Protocol which strengthens standards
- industry experts to ensure our UK position in negotiations on the EU regulation on insolvency reflected our national interests
- a range of stakeholders to identify savings in the government's Red Tape Challenge

We played an active role working with the economic crime unit of the recently established National Crime Agency.

We have continued to work to ensure that the importance of our contribution to the UK economy is recognised and understood, maintaining our focus on publicising the outcomes of enforcement and investigation activity.

Operational Impact

Administration of insolvencies

We dealt with 23,569 new bankruptcies and 3,738 new insolvent companies, and made excellent progress to conclude the outstanding case administrations we had at the start of the year (on which closure had been deferred following introduction of a new IT system in 2010–11). We made 26,871 Debt Relief Orders, providing a debt solution to some of the most vulnerable people in society; 99% of the orders were made within 48 hours of the application being made, against our target of 85%.

We significantly exceeded our published target for Reports to Creditors, by over 12% for company cases. Also of note is the work we have done when acting as trustee and liquidator: with asset recoveries buoyed by recoveries of over £10m from the mis-selling of Payment Protection Insurance (PPI), we have distributed over £32m to creditors. Our Estate Account Services dealt with 146,049 payments in and out of the Insolvency Service Account and processed 99% within 4 days, exceeding their target of 98.5%.

Our Public Interest Unit dealt with a number of high profile compulsory liquidations often where the public have lost money through a "scam", such as pressure selling of worthless carbon credit certificates.

Our investigation and enforcement regime

Our investigation and enforcement teams bring cases against individuals and companies in the public interest. Their actions in particular seek to:

- focus on trading companies and directors abusing the insolvency and corporate frameworks
- take a targeted approach to investigating consumer fraud affecting vulnerable groups in otherwise unregulated sectors
- respond to specific needs for "major" investigations of insolvent and trading companies
- nurture and reinforce links with other enforcement agencies, to share intelligence and to make best use of specific powers we and they have

In 2013–14 we wound up 168 companies, disqualified 1,273 directors and obtained 812 restriction orders against bankrupts, as well as making 596 criminal referrals to prosecuting authorities. This reflected sustained funding from ministers for our enforcement activity, recognising its importance for market confidence. The confidence our stakeholders have in our Investigation and Enforcement regime has risen in 2013/14, from 66% to 69%.

Investigation outputs

Director disqualifications:

- 23% increase in disqualifications compared to 2012–13.
- the average length of disqualification undertakings and orders secured against directors: 6 years.
- 10% of directors were disqualified for a period in excess of 10 years with 41% disqualified for a period of longer than five years
- net benefit to the market for each director disqualified: over £100,000

Trading company investigations:

- 151 investigations carried out in 2013–14 following receipt of complaints or other intelligence
- 168 companies were wound up in the public interest
- investigation of 24 Carbon Credit companies wound up in the public interest showed that at least £29m had been taken from victims

Criminal prosecutions:

- 596 criminal referrals to prosecuting authorities during 2013–14
- 170 defendants successfully prosecuted during the year, resulting from referrals made by the agency
- custodial sentences were received in 68% of cases representing 116 different defendants
- 58 received disqualification orders ranging from 1 to 15 years
- 7 defendants received compensation orders ranging from £4,000 to £25,000
- total amount of confiscation orders made: £193,000

Bankruptcy & Debt Relief Order Restrictions:

- 812 restrictions secured – an increase of 17% over 2012/13.
- average period of restriction was 5.1 years
- 33% of restrictions were for over 5 years contrasting with bankruptcy discharge being obtained for most bankrupts after 12 months

Redundancy payments

In 2013–14 we received 75,387 (101,363 in 2012–13) redundancy claims. Unlike recent years there were no failures of high profile employers during 2013/14 and the total number of cases was 26% lower than 2012–13.

Processing targets for the year were exceeded, with 84.8% of claims processed within 3 weeks and 96.7% within 6 weeks (against targets of 80% and 93% respectively). During the year we made significant progress with our new customer-facing 'RPS Digital' claims system, which will go live in the coming year. This is one of the Government Digital Service's 25 exemplar projects to meet the 'Digital by Default' initiative.

Our Service to our Customers

User satisfaction

User satisfaction measures inform our view of how our customers (personal insolvents, directors, redundant employees, creditors, insolvency practitioners and callers to our Insolvency Enquiry Line) perceive the service we deliver.

In 2013–14, we received 6,559 responses to our surveys. 95.6% were either satisfied or very satisfied with the service they received. This remains clearly in excess of the target of 90%. Of these, the majority (59.8%) were very satisfied.

- *Bankruptcy? It sucks. The people in the Service that assisted me? Fantastic, all of them!*
- *"Declaring bankruptcy was the 2nd most difficult and emotionally distressing thing I have ever had to do. However, you and your staff made the guilt and shame of it more bearable to live with"*
- *"I have been exceptionally satisfied with everything regarding the Insolvency Service"*

How we compare to other organisations

Our user satisfaction results are benchmarked against other government departments and agencies that ask the same or similar questions. In the first half of 2013–14, the agency achieved:

- the **highest** 'staff helpfulness/willingness to help' score (96.8%) out of 32 other government departments and agencies
- the **joint highest** 'staff politeness/courtesy' score (98.0%) out of 19 other government departments and agencies
- the **second highest** 'customer satisfaction' score (95.7%) out of 53 other government departments and agencies.

Customer service excellence

The agency was awarded the Customer Service Excellence standard, replacing the old Charter Mark Standard that we have held since 1998. This follows an assessment in June 2013, demonstrating our customer centric culture in the Insolvency Service. The agency's commitment to putting the customer at the heart of service delivery resulted in a 'compliance plus' assessment for this element.

Customer complaints

In 2013–14 the agency received 308 complaints. The number of justified complaints was 102 (32.9%) this year compared to 67 (21.1%) in 2012–13. This increase was due to a change in how we recorded complaint outcomes. In 2013–14 the agency commenced recording complaints that were partially justified, as well as the substantially justified complaints recorded in previous years.

In 2013–14 87.4% of complaints were answered within 10 working days, against our commitment under our Customer Standards of 90%.

The agency aims to resolve all complaints received to the satisfaction of the complainant. However, there are occasions when some remain unhappy with our response. In such cases the complainant may be able to ask the Adjudicator's Office to investigate their complaint.

In 2013–14 year the Adjudicator investigated 16 complaints, compared to 14 in 2012–13. 10 complaints were not upheld, 3 were substantially upheld and 3 partially upheld. Of the upheld complaints the Adjudicator recommended the agency issue letters of apology and make compensatory payments totalling £42,787, which were accepted. This was a significant increase on 2012–13, primarily due to two unusual cases where error resulted in a failure to deliver our normal high level of service. A full case review was carried out for each, which confirmed no systemic issues were present.

> *"The number of complaints referred to me by customers of the Insolvency Service remains small and during 2013–14 all my recommendations for resolution were accepted. I am pleased that, for even the most complex of cases, the Insolvency Service remains keen to reflect on issues and absorb learning for continuous improvement."*
>
> *Judy Clements OBE*
> *The Adjudicator*

Improving the Insolvency Regime

Our insolvency regime is one of the best in the world, and during the year was rated by the World Bank as 7th[1] in the world[1] (up from 8th the previous year) in terms of speed and amount of returns to creditors in insolvency. Standard and Poor's has recently rated the regime as A1. The UK was also rated first in the world for access to credit, to which an efficient insolvency regime contributes.

Nonetheless, 2013–14 has seen a large number of policy initiatives and improvements:

- the Enterprise and Regulatory Reform Act 2013 made provision for a new Adjudicator rather than the Courts to consider debtor petition applications provided for bankruptcy. This new role will be undertaken by the Insolvency Service and is expected to start from April 2016, and will be provided on a digital-by-default basis
- the Act also provided a power to ensure continuity of IT supplies in the event of insolvency, subject to payment safeguards for the suppliers. We plan to consult in the coming year on the detail of the use of the power
- the government consulted on a package of measures to promote transparency and trust. This included measures to strengthen provisions on director misconduct and to increase the likelihood of creditors receiving compensation, which were included in the Small Business Enterprise and Employment Bill introduced into Parliament in June 2014
- Professor Kempson undertook a review for the government of insolvency practitioner fees. Following this, the government issued a consultation on possible changes. This consultation also included proposals for strengthening oversight regulation in relation to insolvency practitioners. (The government announced the way forward after the end of the financial year, in June 2014)
- the government issued a consultation on a package of measures, which had been suggested by stakeholders, aimed at reducing the cost of insolvency under the "Red Tape Challenge". These are estimated to save over £30m every year. Some have already been included in the Deregulation Bill already before Parliament. Others were included in the Small Business Enterprise and Employment Bill. A measure also included in the Deregulation Bill would allow authorisation of insolvency practitioners either for personal or for corporate insolvency

1 *Source: The World Bank – Doing Business 2014 http://www.doingbusiness.org/data/exploreeconomies/united-kingdom?topic=resolving-insolvency

- an independent review of pre-pack administrations was also undertaken by Teresa Graham CBE. This was published in June 2014
- we have worked with interested parties to inform the government response to proposals to amend the EC Regulation on insolvency and to ensure that the practical implications were thoroughly understood

Regulation of Insolvency Practitioners

We have strengthened regulation of insolvency practitioners during the year by the introduction of the Complaints Gateway. The Gateway has handled 716 complaints against insolvency practitioners since its introduction in June 2013. It will result in:

- improved information becoming available on the effectiveness of regulators complaint handling procedures
- greater consistency in handling complaints
- improved insight into key issues, which helps target our activities
- enhanced accessibility to the complaints system

Our Annual Review of Insolvency Practitioner Regulation for 2013 focuses on the monitoring activity which is undertaken by the Insolvency Service in its role as oversight regulator, and emphasises the attention being paid to monitoring of disclosure requirements around pre-pack administrations cases and to ethical issues and professional standards. The Annual Review can be viewed at: www.gov.uk/government/publications?departments%5B%5D=insolvency-service&publication_type=corporate-reports

Proposals to remove the Secretary of State from the role of directly authorising insolvency practitioners are currently being considered by Parliament and, if approved, will result in all Secretary of State authorisations coming to an end by early 2016.

We worked with Debt Management provider firms and creditor organisations to build a Protocol aimed at increasing standards in line with the debt management industry. Most large commercial debt management service providers signed up to the Protocol, which delivered key government commitments on protections for vulnerable consumers. The Financial Conduct Authority has since taken on responsibility for regulation of debt management plans.

6 Employee Engagement

People Survey

We participate in the civil service annual People Survey, which measures employee engagement. Our engagement score for 2013–14 was 49%, the same as the previous year.

Although we did not achieve our ambition to see an overall improvement in engagement, there were positives, reflecting the investment made by the new senior team in visiting our offices and engaging in conversations with our people about the long term vision and direction of travel:

- 'I believe that the Senior Management Team has a clear vision' increased by 23%
- 'the Senior Management Team are sufficiently visible' increased by 8%
- 'confidence in the Senior Management Team' increased by 10%

With the civil service average engagement score at 58%, we still have much to do.

- reducing scores on performance management and setting objectives (down 4 – 5%) reflect that the new performance management approach – a civil service reform objective – introduced in April 2013 is taking time to settle in
- scores for 'my manager recognises when I have done my job well' and 'my manager motivates me' were both down by 3% (to 77% and 63% respectively), reflecting the period of uncertainty our employees have experienced

We have discussed the feedback with our employees throughout the year, for example through a series of roadshows to discuss the survey results with the Chief Executive. Each Senior Management Team member is now partnered with a number of offices and visits them quarterly to talk through people issues, business results and matters of concern. In addition, the four themes of the survey action plan (telling our story, improved two-way communications, development opportunities and respect) have been built into our business plan for 2014–15.

Developing our People

Our new management development programme for 300 people managers is receiving positive feedback from participants. This sits alongside our professional skills training, where we have now secured "Skills for Justice" accreditation for in-house courses.

In July we were pleased to retain the Investors in People accreditation which demonstrates our commitment to improving standards and realising the potential of our people.

We will continue the roll-out of the civil service 'Operational Delivery' profession across the Agency, which focuses on developing employees in a customer facing role.

RPS Digital is the Insolvency Service's exemplar digital service. A focus of the project has been to ensure a skills transfer of digital capability to our people, so that we can support future projects in-house using agile working techniques and to develop best practice in concert with the Government Digital Service (GDS).

Recognising Success

In order to recognise achievement throughout the agency, we launched the Going the Extra Mile (GEM) awards. Nominations were received from employees to celebrate successes, and awards presented for categories such as team of the year, volunteer of the year and making innovation happen.

Board member Anne Willcocks received her CBE in 2013/14, for services to the development of market frameworks and leadership of Parliamentary Bills.

Diversity and Equality

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

A new desktop IT system was rolled out across the agency, and ensuring improved accessibility for employees with disability issues was integral to the design of the system.

We encourage and support flexible working through policies that allow employees to work from home for up to two days a week, to work flexible hours (flexitime) and opportunities to work part time, compressed hours or job share.

The Insolvency Service gives full and fair consideration to applications for employment from people with disabilities, having regard to the nature of their employment. Similarly the Insolvency Service seeks to enable employees who may have become disabled to continue their employment, providing reasonable adjustments as appropriate.

We offer a childcare voucher scheme to support working parents with the costs of childcare.

More information on our commitment to diversity can be found at www.gov.uk/government/organisations/insolvency-service/about/equality-and-diversity

Employee Attendance

Employee sickness absence was a corporate target for 2013–14 and was incorporated into the senior management team's objectives. From 9.3 annual working days lost at the beginning of the year, absence fell to 7.7 days lost by December 2013, compared with a Civil Service average of 7.6 for Q3 2013–14.

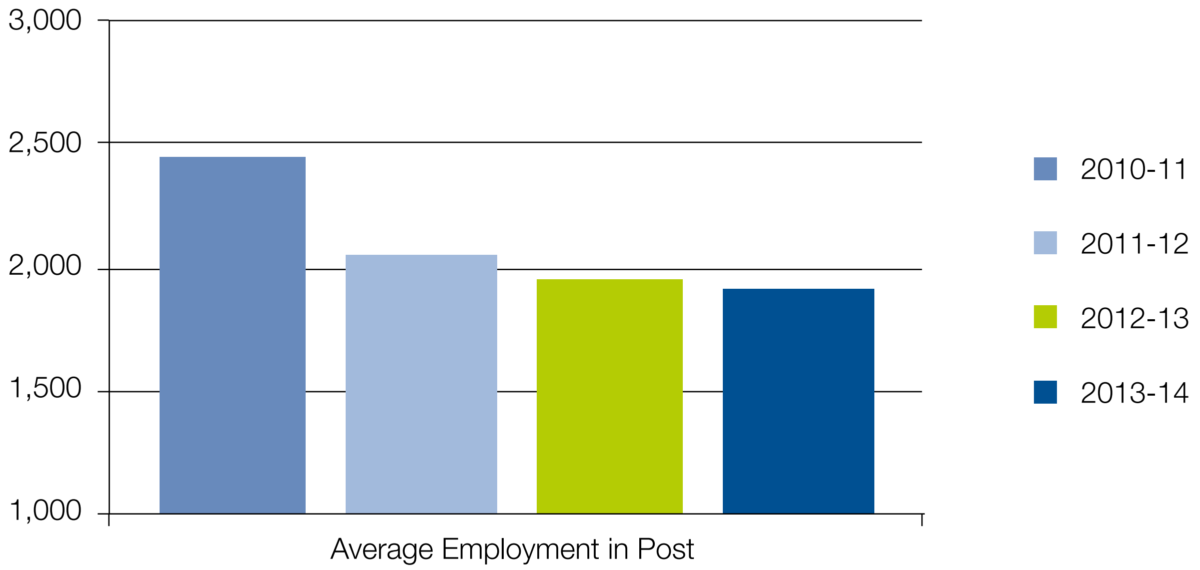
Employee Numbers

In line with falling case numbers the Insolvency Service ran a voluntary exit scheme during the year. We also reviewed management layers, overcapacity and rationalised estates, resulting in a number of employees exiting. Voluntary redundancy schemes also ran focused on office closures, for those unable to relocate to the new location. Our recognised trade unions were consulted throughout this process and provided constructive challenge. Employees were further supported through access to an employee assistance programme. In total 168 people (149 FTE) left our employment under exit schemes Thirty five employees (31.94 FTE) left in the 2013–14 financial year, and the remaining 133 (116.85 FTE) have left or will be leaving in the 2014–15 year.

The average number of full time equivalent employees in post (including permanent and casual employees but not agency workers) decreased during 2013–14.

The distribution of our employees and Non-Executive Directors by gender is:

	As at 31 March 2014		As at 31 March 2013	
	Male (%)	Female (%)	Male (%)	Female (%)
Board Directors including non-execs	64	36	63	37
Senior Civil Service	50	50	50	50
Other employees	43	57	43	57



The Civil Service freeze on external recruitment from outside of the Civil Service continued for the year, which limited external recruitment activity to critical posts only. A small number of new recruits joined us in critical posts mainly in specialist functions, as we continue to strengthen and professionalise our corporate centre (Finance and Commercial, People, Customer & Communications, Information and Technology).

The Civil Service Commission require that all recruitment to the Civil Service is on the basis of fair and open competition, except in limited circumstances where flexibility is required to meet genuine business needs. We did not exercise any of the exceptions during 2013–14.

7 Corporate Social Responsibility

Health and Safety

A new Health, Safety and Environment Committee was created during the year to provide oversight to the Board and the Accounting Officer on the health, safety, environment and welfare of our employees at work. The new committee is also the main consultation forum with the Insolvency Service's recognised trade unions on health, safety and environmental matters, in accordance with the Safety Representatives and Safety Committee Regulations 1977.

The new management development programme contains a compulsory course on 'health and safety for managers', aimed at improving our managers' understanding of their responsibilities for employees.

24 accidents were reported, a reduction of over 50% since 2012; 2 near misses were also reported. A significant reduction in accidents whilst 'handling, lifting or carrying' during this period coincides with the rollout of an electronic file system, reducing the need for manual file handling. 'Slips, trips and falls' remain the biggest cause of accidents in the workplace.

Sustainability

The Insolvency Service continues with its responsibilities to meet the Greening Government Commitments (GGCs) and monitor and control the impact our estate has on the environment. Against these commitments in 2013–14 we have:

- achieved our greenhouse gas emissions target a year early
- achieved a 5% reduction in energy consumption
- reduced water consumption by 11 %
- realised a 76% fall in the number of domestic flights from 448 in the baseline year (09/10) to 106 in 2013/14
- maintained the waste recycling target of 50%

Further detail in respect of our achievements in improving sustainability are in Annex A.

Charity fundraising

We encourage employees to donate to a charity of their choice via payroll. A range of activities took place such as a raffle on World Alzheimer's Day and a Denim for Dementia Day. In addition £25,783 was donated to a variety of good causes via 'give as you earn' through payroll during the year. During 2013–14 employees also voted for a 'charity of the year' for 2014–15, providing a focus for future fundraising.

8 Financial Performance

Overview

As expected in an organisation of the Insolvency Service's size and complexity, financial performance is both a key challenge and priority. The agency had a gross expenditure budget of £136m for 2013–14 covering four main areas of work – insolvency casework for companies and individuals, Investigation and Enforcement, administering Redundancy Payments and policy work.

We delivered a strong financial performance in tackling the underlying operating deficit (business as usual costs versus funding, excluding one-offs or exceptional issues) facing the agency in this Spending Review period. In 2013–14 this was reduced to £3.4m, a £9m improvement against budget. This reflects our early success in enhancing fee recoveries and accelerating cost savings in salaries, estates and IT.

The in-year performance was even stronger with a net surplus of £8m. This was delivered through the following exceptional spend and income areas:

Expenditure on:

- one off restructuring costs: £9.5m- covering estates rationalisation and voluntary exit schemes
- fruitless payments: £1.4m

This was offset by:

- fee write backs: £19m, including £6.1m for pre–2010 write-backs

Overall, the actions put in place in 2013–14 and continuing in 2014–15 will put the agency in a good place to achieve operational break even by March 2016. This is in line with our commitment to achieve operational breakeven at year 3 of our plan.

Asset realisations

During 2013–14 the agency reviewed its processes for recovering assets and markedly improved performance in this area. This was identified as a priority in a context of reducing case numbers – 7% (2,000) fall from 2012–13 and a change in case mix that now includes fewer asset poor cases.

This resulted in the agency fully recovering the fees due for cases administered from 2010–11 onwards when a new fee structure was introduced. We worked closely with some of the major banks to recover Payment Protection Insurance (PPI) compensation payments. We will look to sustain this achievement next year as well.

Reducing fixed costs

The agency as a whole undertook a portfolio of projects to reduce costs and improve operational efficiency to deliver our objective to achieve break even on operational activities by the end of 2015–16. As at 31 March 2014, savings realised through the portfolio projects were £7.1m compared to 2011–12 baseline data.

Reduction in the cost base across the agency, comprising a new IT contract, staffing restructure and estates rationalisation reflects the continuing reduction in case numbers. The 2014–15 Annual Plan recognises this pressure on fee income and identifies the strategy to achieve operational break even by the end of 2015–16 through actions on funding and achieving operational efficiencies and 2013–14 has seen a strong start to this work.

Cash flow

The agency has also improved its cash flow management throughout the year. As a result it has reduced its cash liability to BIS from £44m to £38m.

Capital outturn 2013–14

The Insolvency Service's initial request for capital funding was £5.5m, which rose to around £8m during the year. The portfolio of service improvement and infrastructure refresh projects were the main recipients of the capital funding, in particular IT refresh activity with Atos and the RPS Digital project. Actual expenditure in the year was £3.8m. The shortfall in the full year outturn is attributable mainly to delays with moving from our legacy IT providers to the full IT infrastructure, which will be completed in quarter 1 of 2014–15.

Payment of Creditors

In line with Cabinet Office guidance, the Insolvency Service's policy on payment to creditors is to ensure that we process payments to our suppliers within 30 days and that, in doing so, we achieve the payment of undisputed invoices within 8 days.

During 2013–14 the agency paid a total of 8,815 invoices, 78% within 8 days and 96% within 30 days

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

Pension liabilities and entitlements

Pension liabilities arising from early retirement or other enhancements are accrued in total in the year in which the liability arises. These charges are paid either to the Principal Civil Service Pension Scheme, which is responsible for meeting future pension obligations on behalf of the Insolvency Service, or to employees' stakeholder-based arrangements. Further details are provided in Notes 1(j) and 3 to the accounts.

Financial Risk

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

Auditor

Our external auditor is the Comptroller and Auditor General, whose address is:

The Comptroller and Auditor General
National Audit Office
157–197 Buckingham Palace Road
Victoria, London SW1W 9SP

The cost of work performed by the external auditor is £70,000 (2012–13: £70,000). No other fees were paid to the external auditor.

As far as I, the Accounting Officer, am aware, there is no relevant information of which the auditors are unaware. I have taken all the steps that ought to have been taken to make myself aware of any relevant audit information, and to establish that the auditors are aware of that information.

Signed:

Richard Judge

Dr Richard Judge
Inspector General and Chief Executive

7 July 2014

Section Two
Statement and Accounts

9 Remuneration Report

Remuneration Policy

The remuneration of Senior Civil Servants is set by government following independent advice from the Review Body on Senior Salaries.

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

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

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

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

Service Contracts

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

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

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

Remuneration (including salary) and pension entitlements (audited)

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

Single Total Figure of Remuneration

Officials	Salary (£'000)		Bonus Payments (£,000)		Benefits in Kind (to nearest £100)		Pension Benefits (£'000)[1]		Total (£'000)	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
Dr Richard Judge Inspector General and Chief Executive from 30 July 2012	120–125	80–85[2]	10–15	Nil	10,500	7,200[3]	22	10	**160–165**	**95–100**
Mr Graham Horne Operations Director and Deputy Chief Executive from 1 April 2013 Acting Chief Executive and Inspector General from 30 May 2012 to 29 July 2012 Deputy Inspector General and Senior Official Receiver from 1 April 2012 to 29 May 2012 and from 30 July 2012 to 31 March 2013	90–95	90–95	Nil	Nil	Nil	Nil	8	59	**100–105**	**150–155**
Mrs Rachael Etebar People and Capability Director from 29 April 2013)	80–85[4]	N/A	Nil	N/A	Nil	N/A	24	N/A	**105–110**	**N/A**
Ms Anne Willcocks CBE External Affairs Director from 1 April 2013	75–80[5]	N/A	10–15	N/A	Nil	N/A	Nil	N/A	**85–90**	**N/A**
Mrs Sharon Burd Chief Finance Officer from 2 April 2012 to 20 August 2012 and from 14 January 2013 to 31 March 2013 Left on 13 December 2013	65–70[6]	55–60[7]	Nil	Nil	Nil	Nil	23	27	**85–90**	**80–85**
Mr Christopher Pleass Finance and Commercial Director from 13 January 2014	10–15[8]	N/A	Nil	N/A	Nil	N/A	4	N/A	**15–20**	**N/A**
Mr Ian Grattidge Interim Finance and Commercial Director from 14 December 2013 to 10 January 2014 Acting Chief Finance Officer from 21 August 2012 to 13 January 2013	5–10[9]	50–55[10]	N/A	N/A	N/A	N/A	N/A	N/A	**5–10**	**50–55**
Members of the Insolvency Service Steering Board (dissolved 31 March 2013)										
Mr Stephen Speed Inspector General and Agency Chief Executive Left on 29 May 2012	N/A	15–20[11]	N/A	Nil	N/A	Nil	N/A	1	**N/A**	**15–20**
Mr Les Cramp CBE Deputy Chief Executive,Corporate and Business Services Retired on 15 February 2013	N/A	80–85[12]	N/A	Nil	N/A	Nil	N/A	Nil	**N/A**	**80–85**

Officials	Salary (£'000)		Bonus Payments (£,000)		Benefits in Kind (to nearest £100)		Pension Benefits (£'000)[1]		Total (£'000)	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
Mr Robert Burns Inspector of Companies and Head of Investigation and Enforcement Services Retired on 30 November 2012	N/A	55–60[13]	N/A	Nil	N/A	Nil	N/A	Nil	**N/A**	**55–60**
Mrs Marian Joyce Director of Strategy, Planning and Communication Not part of the Board beyond 31 March 2013	N/A	70–75	N/A	Nil	N/A	Nil	N/A	17	**N/A**	**90–95**
Ms Alex Craker Director of Change from 1 May 2012 Not part of the Board beyond 31 March 2013	N/A	70–75[14]	N/A	Nil	N/A	Nil	N/A	31	**N/A**	**100–105**
Mr Terence Hart Director of Organisational Development from 1 April 2012 to 30 April 2012	N/A	5–10[15]	N/A	Nil	N/A	Nil	N/A	1	**N/A**	**5–10**
Mrs Valentina Partellas Acting Director of Human Resources from 2 April 2012 to 31 March 2013 -not part of the Board beyond 31 March 2013	N/A	65–70	N/A	Nil	N/A	Nil	N/A	125	**N/A**	**190–195**

1 The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.
2 Dr Richard Judge, full year equivalent salary is £120k – £125k.
3 Dr Richard Judge, covering part year from date of employment (30 July 2012).
4 Ms Rachael Etebar, full year equivalent is £90k – £95k.
5 Mrs Anne Willcocks salary band reflects her part-time pay. The full year equivalent is £85k – £90k.
6 Mrs Sharon Burd, full year equivalent is £95k – £100k.
7 Mrs Sharon Burd, full year equivalent is £90k – £95k.
9 Mr Christopher Pleass, full year equivalent is £90k – £95k.
10 Mr Ian Grattidge is not directly employed by the Insolvency Service; he joined as an Interim Finance & Commercial Director on 14 December 2013, as a 'bridge' between the exiting director (Mrs Sharon Burd left on 13 December 2013) and incoming Finance & Commercial Director (Mr Christopher Pleass, joined on 13 January 2014). This figure quoted is for the period 14.12.2013 to 10.01.2014. The full year equivalent is £95K to £100K.
11 Mr Ian Grattidge, the figure quoted is for the period 21/08/2012 to 13/01/2013. The full year equivalent is £125K to £130K.
12 Mr Stephen Speed, full year equivalent is £95k – £100k.
13 Mr Les Cramp CBE, full year equivalent is £95k – £100k.
14 Mr Robert Burns, full year equivalent is £85k – £90k.
15 Ms Alex Craker, full year equivalent is £85–90k.
16 Mr Terence Hart, full year equivalent is £75k – £80k.

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the Insolvency Service in the financial year 2013–14 was £140–145k (2012–13, £125–£130k full year equivalent was the same less the bonus payment of £10–15k for performance in 2013–14). This was 6.0 times (2012–13, 5.5) the median remuneration of the workforce, which was £23,676 (2012–13, £23,261).

In 2013–14, no (2012–13, none) employees received remuneration in excess of the highest-paid director. Remuneration ranged from the bandings £14.5–£15k to £140–£145k (2012–13, £12.5–£13k to £125–£130k). Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

Descriptor	2013–14	Descriptor	2012–13
Band of highest paid director's total (£)	140–145k	**Band of highest paid director's total (£)**	125–130k[1]
Median total remuneration (£)	23,676	**Median total remuneration (£)**	23,261
Ratio	6.0	**Ratio**	5.5

1 The banding is full year equivalent and includes benefit in kind and bonus payments

The salary of the highest paid director has not increased. The overall remuneration increase is due to a combination of a bonus payment paid in 2013–14 relating to performance in 2012–13, plus a full year of Benefits in Kind as opposed to the part year in 2012–13. Therefore although the ratio of median total remuneration to the band of highest paid director's total remuneration has increased this is not driven by a salary increase.

Remuneration of Insolvency Service Board members (audited)

The Insolvency Service Board comprises eleven members; although there have been movements throughout the year where members have joined and left the Board and/or the agency.

Five of the roles are Civil Servants, whose details are shown on the previous page:

- Inspector General and Agency Chief Executive
- Operations Director and Deputy Chief Executive
- Finance and Commercial Director
- External Affairs Director
- People and Capability Director

Their remuneration is borne by the Insolvency Service and disclosed above (as well as those members who have been in post during 2013–14 but left by the year-end, and those members in post during 2012–13 who have subsequently left).

Six of the remaining roles are Non-Executive Directors, and four of those receive remuneration from the Insolvency Service. Remuneration for the year ended 31 March 2014 was £42,000 (remuneration in 2012–13 was £28,739). The increased level of payment reflects new board structure and a greater number of days paid, rather than an increase in the rate of pay.

Non-Executive Board Members all £'000	Salary 2013–14	Salary 2012–13
Mr David Ereira (Chair from 01.09.2012)	10–15	5–10
Mr Phil Wallace (Chair until left on 31.08.2012)	N/A	0–5
Mr Derek Morrison	10–15	5–10
Mr Pat Boyden	10–15	0–5
Dame Elizabeth Neville (from 01.04.2013)	10–15	N/A
Mr Richard Carter (joined on 01.04.2013)[1]	N/A	N/A
Ms Rachel James (joined on 01.10.2013)[1]	N/A	N/A

1 The cost is borne by the Department for Business, Innovation and Skills (BIS), they do not receive any additional amount for Board duties from the Insolvency Service.

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

Salary

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

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

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the Insolvency Service and treated by HM Revenue and Customs as a taxable emolument. Dr Richard Judge received £10,534 for excess fares grossed up to cover the tax and NI contributions.

Performance and Reward

The Senior Civil Service pay system consists of relative performance assessments. The highest performing individuals in BIS were awarded a non-consolidated performance reward for their performance against objectives in 2012–13 which was paid in 2013–14. These awards varied in amount within an overall cost envelope set by the Senior Salaries Review Body and approved by the Government.

Pension benefits (audited)

Officials	Accrued pension at pension age as at 31/3/14 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/14 £'000	CETV at 31/3/13 £'000	Real increase in CETV £'000
Dr Richard Judge Inspector General and Chief Executive	**50–55** plus lump sum of **Nil**	**0–2.5** plus lump sum of **No increase**	**823**	**756**	**14**
Mr Graham Horne Deputy Inspector General and Senior Official Receiver	**50–55** plus lump sum of **100–105**	**0–2.5** plus lump sum of **(0–2.5)**	**1,035**	**967**	**4**
Ms Rachael Etebar People and Capability Director from 29 April 2013	**10–15** plus lump sum of **Nil**	**0–2.5** plus lump sum of **Nil**	**160**	**135**	**14**
Ms Anne Willcocks External Affairs Director from 1 April 2013	**35–40** plus lump sum of **115–120**	**0–2.5** plus lump sum of **0–2.5**	**821**	**772**	**–8**[1]
Mrs Sharon Burd Chief Finance Officer from 13 December 2013	**0–5** plus lump sum of **Nil**	**0–2.5** plus lump sum of **No increase**	**43**	**22**	**15**
Mr Christopher Pleass Finance Director from 13 January 2014	**0–2.5** plus lump sum of **Nil**	**0–2.5** plus lump sum of **No increase**	**3**	**0**	**3**

1 Taking account of inflation, the CETV funded by the employer has decreased in real terms.

Civil Service Pensions

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

Employee contributions are salary-related and range between 1.5% and 6.25% of pensionable earnings for **classic** and 3.5% and 8.25% for **premium**, **classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2014. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

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

Cash Equivalent Transfer Values

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Compensation for Loss of Office

No compensation for loss of office was paid to any senior manager in 2013–2014.

Signed:

Richard Judge

Dr Richard Judge
Inspector General and Chief Executive

7 July 2014

10 Statement of Accounting Officer’s Responsibilities

Under section 7 of the Government Resources and Accounts Act 2000 HMTreasury has 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 the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the accounts direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether the applicable accounting standards as set out in the Financial Reporting Manual has 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 the Accounting Officer is answerable, for keeping proper records and for safeguarding the Service’s Assets, are set out in Managing Public Money issued by HM Treasury.

11 Governance Statement

Governance Statement

The Insolvency Service is an executive agency of the Department for Business, Innovation and Skills (BIS). As such it is fully accountable to Parliament through ministers.

Governance structure

This section describes the governance arrangements in place during 2013–14. These are formalised in a Framework Document that can be found here: www.bis.gov.uk/insolvency.

The Minister responsible for Employment Relations and Consumer Affairs reports on the Insolvency Service's business in Parliament. The Principal Accounting Officer (PAO) for BIS is accountable to Parliament for the issue of financial resources to the agency. Sponsorship of the agency is delivered through the Shareholder Executive, itself part of BIS, who sit on the agency's Board. The PAO and Sponsor are responsible for advising Ministers on an appropriate framework of objectives and targets for the agency; on an appropriate budget and reporting on performance and delivery of value for money.

Day-to-day responsibilities are discharged through the Chief Executive (CE). As Accounting Officer, the CE has personal responsibility and accountability to Parliament for the organisation and quality of management within the organisation, including its use and stewardship of public assets. This responsibility includes safeguarding public funds and assets, in accordance with HM Treasury guidance, in particular Managing Public Money. To deliver this role the CE is supported and challenged by the Insolvency Service Board. The Insolvency Service adopts relevant principles and protocols outlined in the *"Corporate Governance in Central Government Departments: Code of Good Practice"*.

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

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

The Insolvency Service Board

Membership:
Non-Executives, Chief Executive, 4 Directors

Meets 8 times a year

The Audit and Risk Assurance Committee

Membership:
Non-Executives,

Attendees: Chief Executive, Directors (as required)

Meets 4 times a year

The Senior Management Team

Membership: Chief Executive, Directors

Meets monthly

The People and Capability Committee

Membership:
Non-Executives, Attendees: 2 Directors

Meets 4 times a year

The Insolvency Service Board is independently chaired and led by a Non-Executive Chair who ensures its on-going effectiveness and the high standards of regularity and propriety expected of a public body. The Chair also ensures that the Board both supports and holds the executive team to account for the agency's performance, and takes a collective responsibility for the Insolvency Service's overall success. Alongside the Chair, there are five Non-Executive Board Members (one from the Shareholder Executive) and the agency's five Executive Directors (including the CE).

The Insolvency Service Board met eight times during the year. Matters considered by them included:

- regular review and scrutiny of progress against the 2013–14 Annual Plan and targets, including delivery of major projects such as the refresh of our IT infrastructure, and in-year performance on all key aspects of agency operations such as finance, people and capability, and customer feedback
- a review of the Board's effectiveness and the terms of reference for the Insolvency Service Board, Senior Management Team, Audit and Risk Assurance Committee and The People and Capability Committee
- strategic priorities for the agency, set in the context of the agreed direction of travel for the Insolvency Service, departmental and wider government aims, and changes to external insolvency markets. This formed the basis of the agreed 2014–15 Plan
- topical items such as decisions on estates rationalisation, priorities for investigation and enforcement, and funding models for the agency
- feedback from Board committees including reviewing the annual report produced by the Audit and Risk Assurance Committee
- the regular assessment of exposure to and management of risk

The outcome of the Board effectiveness review was positive and demonstrated an improvement on the previous year. The review confirmed the revised Board structure is working well and that data received is of sufficient quality for members to discharge their duties effectively. It is important to continually develop to ensure effectiveness is maintained. In this regard a formal induction process is being considered and will be implemented by September 2014; an external review of the Board's effectiveness will be undertaken in 2014–15. Board members are to be given more opportunity to meet staff across the business and strategic outlook will be strengthened by furnishing members with regular updates on progress of projects, giving them the opportunity to challenge senior management on operational decisions made and their impact on strategic objectives.

The Audit and Risk Assurance Committee (ARAC) is a sub-committee of the Insolvency Service Board. It is chaired by an appropriately qualified independent Non-executive Board Member (NEBM). Its membership is completed by two further NEBMs. The Finance and Commercial Director, internal and external auditors attend all meetings. The Chief Executive and other directors attend as required.

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

- approval of the revised risk management procedures
- scrutiny of the revised model used to determine case disbursements and fee recoveries
- approval of the internal audit plan, review of quarterly internal audit summary reports and annual audit opinion on risk management, governance and internal control
- scrutiny of the Operational Risk Register
- the Agency Annual Report and Accounts and ISA (White Paper) Accounts. Work on both was regularly reviewed including plans for 2013–14
- scrutiny of fraud and error incidents

The table below shows non-executive attendance at Board and Committee meetings held during 2013–14.

Non Executive Board Members	Insolvency Service Board (ISB)	Audit and Risk Assurance Committee (ARAC)	People and Capability Committee (PCC)
David Ereira (Chair ISB)	5/8		
Derek Morrison (Chair ARAC)	7/8	4/4	
Pat Boyden	8/8	4/4	1/1
Dame Elizabeth Neville (Chair PCC)	8/8	3/3	4/4
Richard Carter	8/8		2/2
Rachel James	2/4	0/1	

The Senior Management Team (SMT) is chaired by the Chief Executive and brings together directors from across the agency. The Senior Management Team provides operational management and day to day leadership for the agency. It has responsibility for developing and implementing the detailed plans that deliver the strategy and targets set by the Insolvency Service Board. In addition to informal weekly "catch up" meetings, the SMT has formal monthly meetings. During the year SMT reviewed progress against key targets, financial and operational performance, operational risk, major project portfolio performance and risk and other issues of strategic significance.

The People and Capability Committee was created in July 2013, and met four times in the year. It is chaired by an independent Non-Executive Board member. Membership is completed by another NEBM and a member of Civil Service HR. The Directors of People and Capability and Customer and Communications attend, together with other relevant senior managers as required. The Committee advises the Board and the Accounting Officer on the comprehensiveness, reliability and integrity of assurances provided on people matters.

Compliance with the Corporate Governance Code

Internal audit undertook a governance, risk and performance audit which reviewed the effectiveness of the structure against the HM Treasury's Corporate Governance Code. The review confirmed that the governance and risk arrangements in place are robust and documented and that the significant principles and provisions of HM Treasury's Code of Governance were adhered to. We continue to work towards embedding our governance process and will make further improvements in 2014–15.

Internal Control Framework

Delegated authorities

The context for delegated authorities is an established Business Planning process. All divisions have local plans linked to the Insolvency Service Business Plan. These are reviewed and updated as necessary at the mid-year stage. Divisional plans in turn are supported by team plans and individual performance agreements. The agency's budgets are allocated at Director level, in line with divisional plans, and monitored by the Insolvency Service Board and Senior Management Team.

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

Internal Audit

The audit programme is delivered by the Cross Departmental Internal Audit Service, and complies with government Internal Audit Standards. The annual audit programme is substantially informed by the agency's key risks and is reassessed throughout the year to ensure assignments due are still in areas deemed at highest risk.

Customer feedback and complaints processes

The Insolvency Service maintains insight on how service delivery is perceived by customers via a user satisfaction survey and a complaints process. The result of the user satisfaction survey for 2013–14 was highly positive with 95.4% either satisfied or very satisfied with the service they received. The complaints process has two internal complaint tiers. The first tier investigates and responds; the second is designed to review the decision taken at the first tier. A third tier (external) utilises the Adjudicator's Office, an independent complaints adjudication body, which investigates complaints referred by a complainant about our service. The complainant and the Insolvency Service are either given assurance that the complaint has been correctly handled or the Adjudicator advises what further action the Insolvency Service should take if the complaint is upheld.

During the year, the Adjudicator investigated 16 complaints, of which 10 were not upheld. Three complaints were upheld and three were partially upheld. The elements of the complaints that were upheld were in relation to a delay in releasing monies due, failures to respond to a complaint received, failing to apologise for an error made, failing to deal with an asset and inappropriate method used for appointing an Insolvency Practitioner as Trustee.

Information security

The agency's Senior Information Risk Owner (SIRO) oversees information risk and is supported in the role by an IT Security Officer and a network of Information Asset Owners from across the business. A self-assessment against The Cabinet Office Security Policy Framework was undertaken, which has been validated by Internal Audit. The outcome demonstrates that the business is either largely or fully compliant in the majority of areas. There were no significant lapses of protective security or data losses reported in 2013–14.

Tax arrangements

During 2012, the government reviewed the tax arrangements of public sector appointees. This highlighted the possibility of arrangements that might enable tax avoidance, such as by the use of personal service companies. Recommendations of the review were published in May 2012, including measures for departments to implement from August 2012. In response the Insolvency Service implemented a policy developed by the Department of Business, Innovation and Skills. All new contracts and contract renewals include a clause which allows us to gain assurance that individuals are paying the correct amount of tax with no contracts to be entered into or renewed without this clause. Tax assurance evidence has been sought and scrutinised to ensure it is sufficient to provide the relevant assurance.

Risk Profile

Strategic risks & opportunities

The Insolvency Service identifies its strategic risks within its Annual Plan, with actions within the Plan geared to mitigating those risks. Strategic risks are viewed as those needing long term attention (over a 3–10 year horizon). These are reviewed by the Board as part of assessing progress against our Plan. The key risks identified were:

- reliance on external assistance/funding, delays decision making leading to potential failure of organisational change and/or continued cost impacting on our deficit. The current funding model is being reviewed and discussions continue with BIS, HM Treasury and other relevant stakeholders
- inappropriate handling of wider government initiatives can lead to misalignment of our own goals to those of broader civil service/government objectives, leading to a lack of support for major investments. By embracing and aligning such initiatives there is the opportunity that mechanisms will be implemented which accelerate/support organisation change
- the scale of change/exit schemes within the organisation results in a mismatch of skills needed and capacity/capability (either specific expertise or geographic distribution)
- online digital services are introduced and fail to meet expectations or reflect customer need, leading to reputation issues and cost. By introducing online digital services, there is an opportunity to increase customer satisfaction

Operational risks

The agency maintains an Operational Risk Register that captures current financial, reputational, operational, information or legal risks and details the controls/ actions required to mitigate those risks. These risks typically affect the agency over a shorter term i.e. within 12–18 months and have a more transitory nature than the strategic risks.

The risk appetite for the agency is agreed by the Board and reviewed annually. This forms the basis of risk classification (taking account of impacts/ likelihood of any given event).

Risks are owned and assessed by individual directors. The Senior Management Team monitors the risk register on a monthly basis, including the classification of any given risk and progress on mitigation actions. Significant ('red') risks are highlighted within the quarterly Board Reports. The register is also scrutinised by the Audit and Risk Assurance Committee to ensure that the correct risks were included and that controls were consistent with risk appetite. It is used to inform the annual Audit Plan.

Key operational risks identified and managed during the year related to:

- delays in delivery of a refreshed IT infrastructure. Risks mitigated by working in close partnerships with IT partners (Atos and Thales) to address specific issues, together with negotiating commercial agreements to mitigate financial impacts
- transfer of HR and payroll services to UK SBS. Transfer risks were mitigated by extensive user acceptance testing by the Insolvency Service and clear focus on minimum acceptable requirements. Subsequent customer service performance remains well below expectations, with a broad range of on-going issues that we are working with BIS and UK SBS to resolve
- maintaining high standards of service delivery by actively managing the rate of exits and estates moves/closures as demand continued to fall. The risk created by the exit schemes was managed to ensure key skills were retained in all relevant locations with the result of reducing the impact on service delivery
- failure to realise expected costs and benefits from the organisational change programme and the associated impact on strategy. Risks were mitigated through robust programme and project management via a Portfolio Management Office. Forecasts were reviewed and updated monthly
- a cash shortfall position for 2013–14 has been managed throughout the year and has been cleared. An increase in fee recoveries has allowed the shortfall to be cleared.

The Insolvency Service implemented a revised risk process during 2013–14. The revisions have had positive results and a recent audit stated "There is a defined process for the identification, assessment, escalation and management of risk" and referred to the risk regime as robust. Although the process is working well improvements to be taken forward in 2014–15 will be providing greater challenge on the suggested mitigation actions put forward by risk owners and to ensure all members of the Insolvency Service Board fully understand the risk appetite.

Significant Issues

The Insolvency Service continues to deal with the impact of the broad range of legacy issues resulting from a reduction in caseloads following the earlier spike seen over the past decade and tackling the associated deficit. Issues managed through the year, and where further action is planned as part of our 5 year strategy, include:

- addressing overcapacity and excess estates as demand for our services falls, while maintaining service levels and ensuring on-going flexibility
- introducing reliable IT infrastructure, developing more integrated ways of working and sustaining our investment in people and professional capability to improve efficiency and secure longer term resilience
- ensuring fee structures are robust in the face of volatile case numbers and low asset values in insolvent estates
- addressing required improvements to collecting and reporting operational performance data to support day to day decision making and Board oversight
- managing the impact on staff engagement while the Service is undergoing significant change and restructuring
- managing the reputational risk resulting from the Recalc (LEAP) exercise which has commenced. The exercise is being undertaken as a result of legal advice received by the Redundancy Payments Service regarding the interpretation of section 186 of the Employment Rights Act 1986 that changes the way claims to individuals are calculated
- internal reviews highlighted instances of failure to deal with bankrupts' interests in family homes within the prescribed 3 year time limits, resulting in losses of £1.3m. The root cause was traced to a combination of the loss of key information during implementation of the new case information system (ISCIS) in October 2010 and the lack of transfer of critical case knowledge between staff during the Insolvency Service's first voluntary exit scheme in April 2011. Official Receivers have carried out extensive reviews on open and closed cases to identify the scope of the problem. Action has been taken to ensure that associated internal controls are strengthened. The ISCIS case system is now working correctly and changes to Corporate Reporting and internal processes mitigate the risk of future losses of this nature. This includes all property interests being systematically reviewed at 2 years 3 months as a matter of course and enhanced local assurance processes
- business continuity is an identified risk illustrated by recent service downtime
- the transition to shared services provided by UKSBS continues to provide a number of issues, including the scale of charges for services, and a number of service quality issues under the payroll and facilities management contract

Summary of effectiveness on internal control

As Accounting Officer I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by Internal Audit together with executive managers within the Insolvency Service who have responsibility for the development and maintenance of the internal control framework. The effectiveness of the system of internal control is reviewed by directors who provide a Statement of Governance together with an assessment of effectiveness against five key indicators (Leadership, Governance, Culture and Capability, Partnership and Stakeholder Management and Risk Management) for the areas of the business for which they have responsibility. The Chair of the Audit and Risk Assurance Committee, the Head of Internal Audit and the Corporate Governance manager review these statements, meeting a sample of Directors to discuss key issues. The Head of Internal Audit provides a report annually on the internal audit activity during the year. The report provides an opinion on the adequacy and effectiveness of internal control and for 2013–14 the assessment given is "satisfactory".

I have considered the evidence provided with regards to the production of the Annual Governance Statement. The conclusion of the review is that the overall governance and internal control structures are sound.

Signed:

Richard Judge

Dr Richard Judge
Inspector General and Chief Executive

7 July 2014

12 The Certificate and Report to the Auditor General

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 for the year ended 31 March 2014 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. 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 Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Insolvency Service's affairs as at 31 March 2014 and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the agency overview, strategic context, financial performance and corporate social responsibility sections 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 and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

9 July 2014

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

13 Accounts

Statement of Comprehensive Net Expenditure

for the period ended 31 March 2014

	Note	Staff Costs	Other Costs	Income 2013–14 £'000	2012–13 £'000
Administration Costs					
Staff Costs	3	7,206			7,042
Other Administrative Costs	4		5,956		6,507
Operating Income	6			(9,658)	(8,859)
Programme Costs					
Staff Costs	3	72,286			70,154
Programme Costs	5		22,484		39,105
Income	6			(63,747)	(76,047)
Totals		**79,492**	**28,440**	**(73,405)**	**37,902**
Net Operating Cost				**34,527**	**37,902**

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

The Notes on pages 57 to 93 form part of these Accounts

Statement of Financial Position

as at 31 March 2014

	Note	2013–14 £'000	2012–13 £'000
Non-Current Assets:			
Property, Plant and Equipment	8	5,477	1,872
Intangible Assets	9	5,697	8,073
Financial Assets	12	10,320	13,301
Total Non-Current Assets		**21,494**	**23,246**
Current Assets:			
Trade Receivables and Other Assets	12	5,731	9,861
Financial Assets	12	18,337	23,227
Cash and Cash Equivalents	13	47,751	33,227
Total Current Assets		**71,819**	**66,315**
Total Assets		**93,313**	**89,561**
Current Liabilities			
Trade and Other Payables	14	(55,789)	(57,560)
Provisions	15	(1,492)	(1,809)
Total Current Liabilities		**(57,281)**	**(59,369)**
Non-Current Assets Less Net Current Liabilities		**36,032**	**30,192**
Non-Current Liabilities:			
Provisions	15	(3,576)	(4,634)
Total Non-Current Liabilities		**(3,576)**	**(4,634)**
Assets less Liabilities		**32,456**	**25,558**
Taxpayers' Equity:			
General Fund		32,456	25,558
Total Taxpayers' Equity		**32,456**	**25,558**

Dr Richard Judge
Inspector General and Chief Executive

7 July 2014

The Notes on pages 57 to 93 form part of these Accounts

Statement of Cash Flows

for the period ended 31 March 2014

	Note	2013–14 £'000	2012–13 £'000
Cash Flows from Operating Activities			
Net Operating Cost	SoCNE	(34,527)	(37,902)
Adjustments for non-cash transactions			
Depreciation and Amortisation charge	8,9	2,559	3,357
Audit Fee	4	70	70
Loss on Disposal	8	1	176
Movement in Provisions	15	(1,375)	(3,812)
Decrease in Trade Receivables	12	12,001	14,053
(Decrease) in Trade Payables	14	(1,771)	(43,811)
Net Cash Outflow from Operating Activities		**(23,042)**	**(67,869)**
Cash Flows from Investing Activities			
Purchase of Property, Plant and Equipment	8	(3,303)	(1,153)
Purchase of Intangible Assets	9	(486)	(1,435)
Net cash Outflow from Investing Activities		**(3,789)**	**(2,588)**
Cash Flows from Financing Activities			
BIS Financing		46,680	52,811
VAT recovered by BIS		(3,253)	(3,614)
Capital element of payments in respect of Finance Leases and Service Concession Arrangements		(2,072)	(580)
Net Financing		**41,355**	**48,617**
Net Increase/(Decrease) in Cash and Cash Equivalents in the period		**14,524**	**(21,840)**
Cash and Cash Equivalents at the beginning of the period	13	**33,227**	**55,067**
Cash and Cash Equivalents at the end of the period	13	**47,751**	**33,227**

The Notes on pages 57 to 93 form part of these Accounts

Statement of Changes in Taxpayers' Equity

for the period ended 31 March 2014

	Note	General Fund £'000	Total Reserves £'000
Balance at 31 March 2012		**14,773**	**14,773**
Comprehensive Expenditure for the Year 2012–13			
Non-cash charges – Auditor's Remuneration	4	70	70
Net Operating Cost for the year	SoCNE	(37,902)	(37,902)
BIS Financing		52,811	52,811
Capital element of payments in respect of Finance Leases and Service Concession Arrangements		(580)	(580)
VAT recovered by BIS		(3,614)	(3,614)
Balance at 31 March 2013		**25,558**	**25,558**
Comprehensive Expenditure for the Year 2013–14			
Non-cash charges – Auditor's Remuneration	4	70	70
Net Operating Cost for the year	SoCNE	(34,527)	(34,527)
BIS Financing		46,680	46,680
Capital element of payments in respect of Finance Leases and Service Concession Arrangements		(2,072)	(2,072)
VAT recovered by BIS		(3,253)	(3,253)
Balance at 31 March 2014		**32,456**	**32,456**

The Notes on pages 57 to 93 form part of these Accounts

Notes to the Agency's Accounts

1 Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2013–14 government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Insolvency Service for the purpose of giving a true and fair view has been selected. The particular policies adopted by the agency are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1(a) Accounting pronouncements

There are no new accounting pronouncements which have been adopted early or which have not yet been adopted by the Insolvency 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)

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

1(b) Accounting convention

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

1(c) Administration and Programme expenditure

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

The agency aims to recover the full cost of its activities either from fees and charges from users of the Insolvency 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 Insolvency Service will count against BIS's Departmental Expenditure Limit (DEL).

The Statement of Comprehensive Net Expenditure is analysed between administration and programme income and expenditure.

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

The Insolvency Service has classified administration costs in accordance with HM Treasury Consolidated Budgeting Guidance 2013–14. The agency has developed a detailed profile of administrative costs (including overhead cost and the basis of its apportionment) which forms the basis for budgeting, monitoring, control and reporting of such costs. Methodologies used for the apportionment of costs are recorded to provide a robust audit trail.

1(d) Management judgements and estimation uncertainties

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

1(e) Property, Plant and Equipment (PPE)

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

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

(i) it is probable that future economic benefits associated with the asset will flow to the agency

(ii) the cost of the asset to the agency can be measured reliably

Initial measurement of an item of PPE will be at cost. Some costs can be included if they are directly attributable to bringing the asset to working condition for its intended use. In accordance with the FReM, the Insolvency 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 agency ceased to use indices to restate PPE to current cost and brought forward balances as at 1 April 2009 represent historic cost. PPE are carried at depreciated historical cost less impairment losses.

1(f) Depreciation

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

(i) are expected to be used during more than one accounting period

(ii) have a limited useful life

(iii) are held by the Insolvency 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 agency.

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(g) Intangible Assets and Amortisation

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

(i) controlled by the Insolvency Service as a result of events in the past

(ii) something from which the Insolvency 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 agency has adopted amortised historical cost as a proxy for fair value. With effect from 1 April 2009 the agency 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 agency.

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

1(h) Impairments

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

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

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).

1(i) Provisions

A provision is a liability of uncertain timing or amount. A provision is recognised in the balance sheet when the Insolvency 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 agency from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

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

1(j) Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependents' benefits. The Insolvency Service recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the agency recognises the contributions payable for the year.

1(k) Early Departure Costs

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

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

1(l) Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, the Insolvency Service 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(m) Operating Income

Operating income is income which relates directly to the operating activities of the Insolvency 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 Insolvency 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 agency or administration funding for policy activities.

Operating income is stated at its fair value. In most cases, consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is delayed, the fair value of the consideration may be less than the nominal amount of cash received or receivable. In relation to insolvency case administration fee income the fair value of the consideration is determined by discounting all future receipts using the discount rate for financial assets set by HM Treasury, currently 3.5%.

The Insolvency Service sets its case administration fees in accordance with the principles of Managing Public Money whereby fees were set in order to recover full costs including the cost of capital. However, fees have not been set in order to recover the costs of discounting receivables to fair value, because taking account of one year with the next, the discounting costs will eventually unwind. The agency therefore adheres to the principle that fees are not set to recover more than 100% of costs. This may lead to the agency 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. The income is treated as such in the Insolvency Service's Accounts when it is earned rather than when it is initially recognised. Income in respect of costs awarded in directors' disqualification proceedings is recognised when:

i) an order for costs (either interim or final) with a determined value has been made

ii) where the court orders the costs “to be agreed or assessed” the value of the debt will be recognised when there is an agreement in writing or a default costs order is made following assessment by the Court

1(n) Deferred Income

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

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

Surplus income, whilst not intentional (as per Note 1(m) above) can occur where amounts exceed the Insolvency Service's forecast of costs required to complete the work on pre-April 2004 cases. This suprlus income 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.

1(o) Operating Leases

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

1(p) 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 SoCNE 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(q) 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

(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

(iv) the cost of the asset can be measured reliably

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

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

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

1(r) Non-cash Charges

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

(i) Audit fee (Note 4).

1(s) 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 on the SoFP when the Insolvency Service has become a party to the contractual provisions of the instruments.

1(t) Financial Assets – IAS 32

As per IAS 32 *Financial Instruments*, the Insolvency Service has classified its Case Administration Receivables, Estate Account Receivables, and Receivables for Disqualification costs as Financial Assets. Case Administration Receivables are stated at the amount earned and carried at expected realisable values. Bad Debts are written-off when it is established that they are irrecoverable. All Receivables are reviewed as at the reporting period date. Receivables are discounted to reflect the time value of money. The discount rate used is 3.5% which is recommended by HM Treasury to be used for Financial Assets.

1(u) Value Added Tax (VAT)

The Insolvency 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 Insolvency Service.

Where VAT is recoverable by the Insolvency Service the expenditure shown in the SoCNE is net of VAT. Outstanding recoverable VAT on expenditure is included in VAT receivables and is shown in Note 12 to the accounts.

1(v) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank.

2 Significant areas of judgement

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

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

2(a) Case Administration Revenue Recognition

The performance of Official Receivers' obligations gives rise to Case Administration Income and Assets, which the Insolvency Service has the right to recognise. The agency measures this by reference to an average casework profile (one for bankruptcy and one for company cases). The casework profile shows the extent to which cases were complete over the year. The Insolvency Service uses these profiles to calculate the amount of fees charged that should be recognised as income (Note 6).

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

(i) Reviewing the weightings for business planning purposes, which determine the average time spent by each grade of staff

(ii) Reviewing the time-recording data

(iii) Communicating and confirming assumptions with senior managers, Official Receivers and their staff

During the year the Insolvency Service commenced a major Business Process Re-engineering (BPR) project with stated aims to:

(i) Improve and simplify ways of working

(ii) Achieve process efficiencies across operational delivery areas

The Insolvency Service is also exploring longer term funding options through its "Who Pays" project. The concept is to separate costs for the core components of initial administration, vetting and asset realisation which will allow a better linkage of cost to activity and volume.

A new time recording system was introduced from January 2014 which underpins the BPR and "Who Pays" initiatives. The time recording system will provide better quality data in terms of the time spent by each grade of staff and reduce the complexity of the current data. The Insolvency Service will utilise key trigger points in ISCIS (the case management system), together with the new time recording data, to verify the extent to which cases have been completed and therefore support a new income recognition model from April 2016.

The agency validated the income recognition model in 2013–14 against the time recording data before the new time recording system was introduced and will continue to rely on the current income recognition model while the above proposals are developed.

2(b) Case Administration Receivables

The Insolvency Service must make accounting estimates and judgments regarding the recoverability of its Case Administration Receivables (Note 12). Information is provided here to allow users to understand how the agency has arrived at its estimates. For all of these estimates, it should be noted that future events rarely develop exactly as forecast, and estimates require regular review and adjustment.

The measurement of Case Administration Receivables requires analysis of past trends of recoveries and a review of asset levels in insolvency cases. Asset values can be affected by economic factors e.g. property prices. Employment rates can affect the ability of bankrupts to make a financial contribution to the estate. Economic factors can determine the proportion of cases that have assets and will impact on the recoverability of fees. Judgment is also required in determining the timing of the Case Administration Receivables. To the extent that it is not expected to recover the debt a Bad Debt write-off will be made (Notes 5 and 7.1).

3 Staff numbers and related costs

			2013–14			2012–13
Staff costs comprise:	Permanently employed	Others	Total	Permanently employed	Others	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	53,361	6,082	**59,443**	54,909	3,589	**58,498**
Social security costs	4,000	–	**4,000**	4,207	–	**4,207**
Other pension costs	9,990		**9,990**	10,668	–	**10,668**
Voluntary exit scheme – compensation payments	6,162	–	**6,162**	4,033	–	**4,033**
Sub Total	**73,513**	**6,082**	**79,595**	**73,817**	**3,589**	**77,406**
Less recoveries in respect of outward secondments	(103)	–	**(103)**	(210)	–	**(210)**
Total net costs	**73,410**	**6,082**	**79,492**	**73,607**	**3,589**	**77,196**

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.gov.uk/pensions).

For 2013–14, employers' contributions of £9,943,884 were payable to the PCSPS (2012–13: £10,612,192) at one of four rates in the range 16.7 to 24.3 per cent (2012–13: 16.7 to 24.3 per cent) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2013–14 to be paid when the members retired and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, which is a stakeholder pension with an employer contribution. Employers' contributions of £43,068 (2012–13: £47,470) were paid to the three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% (2012–13: 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £2,842 (2012–13: £3,204) 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the reporting period date were nil (2012–13: £4,763). Contributions prepaid at that date were nil (2012–13: nil).

2 persons (2012–13: 1 person) retired early on ill-health grounds, with an additional accrued pension liability totalling £18,401 (2012–13: £1,635).

Average number of persons employed

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

Number	2013–14	2012–13 (Restated 'Other')
Directly Employed	**1,807**	**1,966**
Other	**151**	**136**
Staff engaged on Capital Projects	**12**	**4**
Total	**1,970**	**2,106**

Costs of £682k (2012–13 £231k) have been capitalised for 12 staff (2012–13: 4) working on capital projects. These costs are primarily for the Desktop 21 project (see Note 8 for PPE costs and Note 18 for details of the Desktop 21 project).

3.1 Reporting of Civil Service and other compensation schemes – exit packages (prior year comparator in brackets)

Exit package by cost band	Number of Compulsory Redundancies	Number of other departures agreed	Total number of exit packages by cost band
£			
<10,000	–	14 (4)	14 (4)
10,001 – 25,000	1 (0)	74 (29)	75 (29)
25,001 – 50,000	–	58 (32)	58 (32)
50,001 – 100,000	–	19 (21)	19 (21)
100,001 – 150,000	–	8 (4)	8 (4)
150,001 – 200,000	–	1 (1)	1 (1)
200,001 – 250,000	–	2 (0)	2 (0)
Total number of exit packages	**1 (0)**	**176 (91)**	**177 (91)**
Total Resource cost / £'000s	**12 (0)**	**6,149 (4,033)**	**6,162 (4,033)**

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

Departures during the year under a Voluntary Exit Scheme were based on the terms of the CSCS. The Service recognised the full cost of the departures in the SoCNE. During 2013–14, 168 staff (2012–13: 46) departed under a Voluntary Exit Scheme at a cost of £5,870,411 (2012–13: £2,689,455). There was no Voluntary Redundancy Scheme during 2013–14; however during 2012–13 45 staff departed under a Voluntary Redundancy Scheme at a cost of £1,343,575. There were 8 other departures during the year totalling £279,453 (2012–13: 1 departure).

There was 1 compulsory redundancy during the year at a cost of £12,381 (2012–13: zero).

4 Other Administrative Costs

	2013–14	2012–13
	£'000	**£'000**
IT infrastructure expenses	1,439	1,125
Accommodation	638	1,132
Operating leases – accommodation	637	1,098
Operating leases – computers	926	937
BIS overhead including provision of shared services	73	99
Other costs	307	269
General administrative expenses	388	596
Travel and subsistence	224	211
Operating leases – office machinery	51	85
Non-cash items:		
Depreciation	280	360
Amortisation	923	525
Audit Fee	70	70
Total	**5,956**	**6,507**

5 Programme Costs

	2013–14	2012–13
	£'000	£'000
Legal and other costs of investigation and enforcement	9,700	9,448
Operating leases – accommodation	6,011	5,691
Accommodation	4,720	5,955
IT infrastructure expenses	2,693	2,549
Operating leases – computers	3,782	3,798
General administrative expenses	2,590	2,915
Lease surrender costs	1,271	–
Dilapidation costs	1,092	231
Property works	941	279
Other costs	2,022	1,145
Disbursements funded from case administration fees	1,059	1,671
BIS overhead including provision of shared services	1,210	1,188
Travel and subsistence	1,043	1,001
Operating leases – office machinery	292	321
Non-cash items:		
Write offs bad debt for Investigation and Enforcement	506	565
Write offs bad debt for banking fees	481	687
Write offs for case administration fees	(19,174)	(2,106)
Bad debt provision for Investigation and Enforcement	518	366
Provision for Lease Dilapidations	(10)	619
Provision for Fruitless Payments	(42)	335
Provision for Onerous Leases	591	417
Other Provisions including adverse costs for disqualification proceedings	246	(159)
Unwinding of discount for provisions	(18)	397
Depreciation	315	1,006
Amortisation	1,041	1,466
Loss on Disposal	–	176
Impairment of non-current assets	–	–
Case admin – unwind discounting of receivables for fees	(396)	(856)
Total	**22,484**	**39,105**

6 Income

	2013–14	2012–13
	£'000	**£'000**
Administration income		
Redundancy Payments Administration	8,700	8,650
HMRC Income for ReCalc project	958	209
	9,658	**8,859**
Programme income		
Insolvency Case Administration	54,812	66,875
Case Administration Income accrued from Deferred Income	149	189
Discounting Costs	(162)	379
Estates Accounts	2,268	2,202
Regulation of Insolvency Practitioners	1,506	1,405
Debt Relief Order Administration	2,427	2,757
Investigation and Enforcement	2,482	1,942
Rental Income	254	298
Miscellaneous Income	11	–
Fees recoverable in the period	**63,747**	**76,047**

The Case Administration income (£54.182m for 2013/14) is recognised on an effort exerted basis using historic time recording data.

The Case Administration Fee is charged to the estates on the making of the insolvency order but IAS18 (Revenue Recognition) allows fee income to be recognised only in respect of the work undertaken on those cases in the year. The basic principle is that the seller (the Official Receiver) obtains the right to be paid in return for the performance of his obligations under a contractual arrangement. The contractual obligations are set out in the relevant Fees Orders.

Case Administration income accrued from deferred income of £148,720 (2012–13: £189,418), has been transferred from deferred income in accordance with The Insolvency Service's deferred income accounting policy (Note 1(n) and Note 14).

Case Administration income has been decreased in 2013–14 by £161,522 (2012–13: increased by £378,658) to ensure the income is stated at its fair value, in accordance with The Insolvency Service's Financial Instruments Accounting Policy (Notes 1(s) and 1(t)).

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

7 Segmental reporting

7.1 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 constitutes segmental reporting under International Financial Reporting Standard 8, Operating Segments. Costs and income are reported to Senior Management on a monthly basis; therefore the year-end figures are reported below. The Statement of Financial Position is not reported to Senior Management so not included below.

Administration Costs	Income		Cost of Service		Surplus/(Deficit)	
	2013–14	2012–13	**2013–14**	2012–13	**2013–14**	2012–13
Activities funded from BIS Financing	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Policy Advice and Development	–	–	**1,352**	1,228	**(1,352)**	(1,228)
Investigation and Enforcement	–	–	**2,661**	3,624	**(2,661)**	(3,624)
Activities funded by HMRC						
Redundancy Payments Administration	**8,700**	8,859	**8,191**	8,697	**509**	162
ReCalc Project	**958**	–	**958**	–	–	–
Total Administration Costs	**9,658**	**8,859**	**13,162**	**13,549**	**(3,504)**	**(4,690**

Programme Costs	Income		Cost of Service		Surplus/(Deficit)	
	2013–14	2012–13	**2013–14**	2012–13	**2013–14**	2012–13
Activities Funded from Fees	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Insolvency Case Administration	**54,799**	67,443	**42,180**	65,650	**12,619**	1,793
Estate Accounts	**2,268**	2,202	**2,322**	1,653	**(54)**	549
Regulation of Insolvency Practitioners	**1,506**	1,405	**1,293**	1,050	**213**	355
Debt Relief Order Administration	**2,427**	2,757	**2,427**	2,757	–	–
Other	**265**	298	**234**	293	**31**	5
Total Fee Funded Programme	**61,265**	**74,105**	**48,456**	**71,403**	**12,809**	**2,702**
Activities Funded from BIS Financing						
Investigation and Enforcement	**2,482**	1,942	**35,468**	32,631	**(32,986)**	(30,689)
Provision for Lease Dilapidations		–	**(28)**	1,016	**28**	(1,016)
Voluntary Exit Scheme	–	–	**6,162**	4,033	**(6,162)**	(4,033)
Transfer of Asset to BIS	–	–	–	176	–	(176)
Projects	–	–	**4,712**	–	**(4,712)**	–
Total BIS Funded Programme	**2,482**	**1,942**	**46,314**	**37,856**	**(43,832)**	**(35,914)**
Total Programme Costs	**63,747**	**76,047**	**94,770**	**109,259**	**(31,023)**	**(33,212)**
Total of all Activities	**73,405**	**84,906**	**107,932**	**122,808**	**(34,527)**	**(37,902)**

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

The costs of £42,180,450 (2012–13: £65,650,102) in relation to Insolvency Case Administration includes Bad Debt write-back of £19,173,929 (2012–13: write-back of £2,105,854) in relation to fees charged in previous years that were previously considered uncollectable. Common costs are apportioned largely on the basis of staff employed on the main activities.

7.2 National Insurance Fund

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

The accounts include the Administration costs and associated income (see Note 7.1) of administering the NI Fund; and the 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 year was £3,410 (2012–13: £1,529). An average amount of £1,334 was paid during the year for RP2 (2012–13: £1,301).

The receipts related to this scheme arise from two sources:

a) Solvent Recovery: where monies are recovered for the NI Fund over a period of up to three years from companies, that are continuing to trade but would not be able to do so if they had to meet the full costs of redundancy payments at that time

b) Insolvent Recovery: 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.

8 Property, Plant and Equipment

2013–14	Information Technology	Plant & Machinery	Property Leasehold Enhancements	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 April 2013	16,353	1,229	430	1,026	**19,038**
Additions	2,894	15	–	394	**3,303**
Disposals	(95)	(609)	(430)	–	**(1,134)**
Reclassifications	1,924	–	–	(1,026)	**898**
At 31 March 2014	**21,076**	**635**	**–**	**394**	**22,105**
Depreciation					
At 1 April 2013	16,092	644	430	–	**17,166**
Charged in year	438	157	–	–	**595**
Disposals	(95)	(608)	(430)	–	**(1,133)**
At 31 March 2014	**16,435**	**193**	**–**	**–**	**16,628**
Carrying value at 31 March 2014	**4,641**	**442**	**–**	**394**	**5,477**
Asset financing:					
Owned	430	442	–	–	**872**
Service concession arrangement	4,211	–	–	394	**4,605**
Carrying value at 31 March 2014	**4,641**	**442**	**–**	**394**	**5,477**

2012–13	Information Technology	Plant & Machinery	Property Leasehold Enhancements	Assets under Construction	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cost or valuation					
At 1 April 2012	16,195	1,194	430	242	**18,061**
Additions	92	35	–	1,026	**1,153**
Disposals	–	–	(176)	–	**(176)**
Reclassifications	66	–	176	(242)	–
At 31 March 2013	**16,353**	**1,229**	**430**	**1,026**	**19,038**
Depreciation					
At 1 April 2012	14,914	481	405	–	**15,800**
Charged in year	1,178	163	25	–	**1,366**
At 31 March 2013	**16,092**	**644**	**430**	**–**	**17,166**
Carrying value at 31 March 2013	**261**	**585**	**–**	**1,026**	**1,872**
Asset financing:					
Owned	261	585	–	–	**846**
Service concession arrangement	–	–	–	1,026	**1,026**
Carrying value at 31 March 2013	**261**	**585**	**–**	**1,026**	**1,872**

9 Intangible Assets

2013–14	Software licences	Internally developed system	Asset under construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2013	2,194	10,598	974	**13,766**
Additions	–	40	446	**486**
Reclassifications	–	–	(898)	**(898)**
At 31 March 2014	**2,194**	**10,638**	**522**	**13,354**
Amortisation				
At 1 April 2013	1,889	3,804	–	**5,693**
Charged in year	70	1,894	–	**1,964**
At 31 March 2014	**1,959**	**5,698**	**–**	**7,657**
Carrying value at 31 March 2014	**235**	**4,940**	**522**	**5,697**
Asset financing:				
Owned	235	4,940	522	**5,697**
Finance leased	–	–	–	–
Carrying value at 31 March 2014	**235**	**4,940**	**522**	**5,697**

2012–13	Software licences	Internally developed system	Asset under construction	Total
	£'000	**£'000**	**£'000**	**£'000**
Cost or valuation				
At 1 April 2012	2,023	10,305	3	**12,331**
Additions	168	–	1,267	**1,435**
Reclassifications	3	293	(296)	–
At 31 March 2013	**2,194**	**10,598**	**974**	**13,766**
Amortisation				
At 1 April 2012	1,788	1,914	–	**3,702**
Charged in year	101	1,890	–	**1,991**
At 31 March 2013	**1,889**	**3,804**	**–**	**5,693**
Carrying value at 31 March 2013	**305**	**6,794**	**974**	**8,073**
Asset financing:				
Owned	305	5,199	974	**6,478**
Finance leased	–	1,595	–	**1,595**
Carrying value at 31 March 2013	**305**	**6,794**	**974**	**8,073**

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

Risk

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

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

11 Impairments

There have been no impairments to the Insolvency Service's PPE or Intangible Assets during 2013–14.

12 Trade Receivables, Financial and Other Assets

	2013–14	2012–13
	£'000	£'000
Amounts falling due within one year:		
Financial Assets		
Receivables for Fees – Case Administration	16,513	21,119
Receivables for Disqualification Costs	996	1,309
Receivables for Fees – Estate Accounts	828	799
Trade Receivables and Other Assets		
Prepayments	2,416	3,016
VAT receivables	1,025	844
Other receivables	2,054	5,785
Staff receivables	236	216
Total	**24,068**	**33,088**
Amounts falling due after more than one year:		
Financial Assets		
Receivables for Fees – Case Administration	7,536	11,301
Receivables for Disqualification Costs	2,568	1,793
Staff receivables	216	207
Total	**10,320**	**13,301**
Total Receivables	**34,388**	**46,389**

	2013–14	2012–13
Intra-Government Balances:	£'000	£'000
Department for Business Innovation and Skills	95	5,011
Other central government Bodies	1,066	844
Bodies external to government	33,227	40,534
	34,388	**46,389**

The receivables for Disqualification Costs have been reduced by a Provision for Doubtful Debt of £2,065,449 (2012–13: £1,547,169). The receivables for Estate Accounts Fees have been reduced by a Bad Debt write-off of £440,010 (2012–13: £686,507).

Included within the above figures are Receivables for Fees – Case Administration. The balance is £16.513m for amounts expected to be recovered within one year (2012–13 £21.119m) and £7.536m for amounts expected to be recovered in more than one year (2012–13: £11.301m). This figure represents sums recoverable by the Insolvency Service for Case Administration work undertaken, but not yet received.

As explained in Notes 2(a) and 6, the Insolvency Service, in accordance with IAS18, does not recognise income on the basis of actual fee recoveries. Income is based on the average cost of work undertaken and recognised over a period of 36 months in relation to the work effort expended, regardless of when cash receipts are banked.

The costs of administering bankruptcy or companies winding up are reflected in a case fee. This fee is currently fixed at £1,715 for Bankruptcies and £2,235 for Companies Winding-Up. In practice, the Insolvency Service recovers its fees in part through the receipt of a deposit (£525 for Debtor Petitions, £700 for Creditor Petitions and £1,165 for Companies) with the balance met as assets in bankruptcy or winding up are realised. Cash recoveries from asset realisations lag behind income recognised in the accounts and the difference between the two is therefore reported as a receivable.

Not all individuals who enter bankruptcy or companies being wound up have sufficient assets to cover the case administration fees. This shortfall is in part made good by the addition of a further fee (Secretary of State fee) on cases where there are assets of more than £2,000 (Bankruptcies) and £2,500 (Companies).

As with the Case Administration fee, recoveries from asset realisations which fund the Secretary of State (SoS) fee lag behind the income attributable to Case Administration and so the difference between the two is included as part of receivables.

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

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

The main forecasting uncertainties are

- the period over which assets will be realised to fund fee recoveries
- the pattern of recovery across the life of any case
- the average realisable value of assets of Estates entering bankruptcy or liquidation
- the impact of current and future economic conditions on the value of assets realised in bankruptcy or winding up
- the impact of current and future economic conditions on the profile of cases received by the Insolvency Service
- the impact of changes made to the fee structure on future recoverability of cases
- the age of a case, where financial risk is greater when outstanding debt is at its highest
- wider economic factors eg interest rates impacting the value of assets associated with Estates
- the profile of cases undertaken by the Insolvency Service. For example, Debtor petition cases have typically low asset values making it
- more difficult to recover the fee charged

The Insolvency Service has sought to mitigate risks of under-recovery through significant changes to the fee structure since 2010–11, to better align fees charged to realisable assets.

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

i. historical trend analysis of cash received from fees recovered

ii. statistical forecasts of future cash recoveries

iii. known intelligence on future asset realisation trends

in order to estimate the fair value of the case administration receivable. The Insolvency Service's Challenge Group (internal and external stakeholders with experience and knowledge of the business and specialists from the modelling community) agreed that the conitnued use of the above principles was the most appropriate approach.

Assumptions & Sensitivity of Reported Receivables

Forecasting

The Insolvency Service bases estimates of future fee recoveries on extensive analysis of historical trends to produce forecasts of both the value and timing of future cash flows. Such forecasts are based on data with both low and high forecasting volatility. The difficulty is always identifying the rate of decline in recovery streams but close scrutiny and analysis of past recoveries has provided useful insights on degradation rates. All judgements are tested against historical trends of degradation rates across case years to confirm they are reasonable. The Insolvency Service also projects forecast recoveries based on statistical techniques and compares the results from the statistical model against the historical trend.

The historical trend forecasts take a view over the last 12 months and compare across specific case years to demonstrate an in-depth probing of the raw data to obtain a greater understanding of the underlying trends which generate the spikes and dips. This approach was supported by the Challenge Group which concluded that the Insolvency Service must use a combination of historical trends, statistical forecasts and known intelligence on future asset realisation trends.

Whilst the Insolvency Service has relied on Case Administration model forecasts, given the uncertainties around eventual fee recoveries, the statistical forecasts do provide valuable information on the sensitivity of fee recoveries and provide a helpful view as to the range of uncertainty.

Assumptions regarding underlying asset realisations are:

a) Payment Protection Insurance (PPI) claims will continue to be settled by the major banks during 2014–15 in line with their stated intention to take a proactive approach to clearing out their PPI claims

b) Long term realisations will include the bankrupt's family home and fee recoveries may be impacted by the increase in UK average house prices (notably 5.5% over the year to December 2013)

Sensitivity Analysis

Sensitivity analysis has been conducted which has looked at flexing the degradation rates of forecasting recoveries. This analysis has yielded the following results:

- increase in degradation rate of 2% results in an increased write-back of £0.383m
- increase in degradation rate of 5% results in an increased write-back of £0.957m

- increase in degradation rate of 10% results in an increased write-back of £1.914m

(decreasing the degradation rate by the same percentages yeilds the same changes but resultes in a write-off instead of a write-back)

Receivables for case years 2004–05 to 2009–10

Receivable figures for case years 2004–05 to 2009–10 are £10.881m (2012–13: £14.9m) (undiscounted). Strong asset realisations driven by the work of the Official Receivers resulted in fee recoveries in 2013–14 being higher than expected (£10.1m versus £7.141m forecasted as at 31 March 2013). The strong fee recoveries were due mainly to receipts related to Payment Protection Insurance (PPI) claims of £10.4m (2012–13 £8.3m) and long term asset realisations, primarily property interests in bankruptcies. This has enabled the agency to write back case administration fees, previously regarded as irrecoverable, totalling £6.086m (undiscounted).

Receivables for case year 2010–11

Receivable figures for case year 2010–11 onwards total £13.618m (2012–13 £18.204m) undiscounted.

The changes to the fee structure in 2010 have resulted in stronger recoveries and improved certainty of the estimate of future fee recoveries. The Service now expects to fully recover all case administration fees. During 2013–14, bad debt write-off has been reduced from 6% to 0% for all cases from 2010–11. Case Administration fees written-back in the period are £13.088m (2012–13: £2.106m).

13 Cash and Cash Equivalents

	2013–14	2012–13
	£'000	**£'000**
Balance at 1 April	33,227	55,067
Net change in cash and cash equivalent balances	14,524	(21,840)
Balance at 31 March	**47,751**	**33,227**
The following balances at 31 March were held at:		
Government Banking Service (ISA account)	32,874	20,082
Government Banking Service	14,877	13,145
Balance at 31 March	**47,751**	**33,227**

14 Trade Payables and Other Current Liabilities

	2013–14	2012–13
	£'000	**£'000**
Amounts falling due within one year:		
BIS Inter-entity creditor	35,827	44,024
Other Payables	1,056	33
Accruals	16,000	10,788
Deferred Fee Income	664	1,218
Accrued Employee Benefits	2,242	1,497
Total	**55,789**	**57,560**

	2013–14	2012–13
Intra-Government Balances:	**£'000**	**£'000**
Department for Business Innvoation and Skills	37,662	44,024
Bodies external to government	18,127	13,536
	55,789	**57,560**

Capital commitments due under finance leases are zero (2012–13: zero) as per Note 17.2. Capital commitments due under Service Concession Arrangements are £2,880,202 (2012–13: £4,952,476) (Notes 18.1–18.4).

The Intra-Government Balance with BIS of £37,661,589 (2012–13: £44,023,884) included the payroll for March 2014 of £7,694,898 (2012–13: £5,891,951) which was paid for directly by BIS and the Insolvency Service re-imbursed this in the following financial year. The larger element of the balance with BIS was cash funding of £28,131,933 (2012–13: £38,131,933) which was retained to meet cash flow requirements. The amount of cash funding required results from the delay in realising assets in cases and collecting the fees charged on those assets. The agency forecasts future cashflow requirements and this includes an assessment of the timing of future fee recoveries. A total of £10m was paid back to BIS during 2013–14.

Accruals include £5,879,627 (2012–13: £4,033,030) in respect of the costs of compensation payments to staff under a voluntary exit scheme.

Deferred income

Deferred income as at 31 March 2014 was £664,382 (2012–13: £1,218,185) of which £184,029 (2012–13: £709,122) related to Insolvency Practitioner Regulation Fees. The remaining £480,353 (2012–13: £509,062) related to Case Administration Fee income, for fees recovered on old regime cases (before 1 April 2004) that had not yet been recognised as income in the annual accounts.

The only fee that remained for old regime cases after 1 April 2004 was 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 £148,720 (2012–13: £189,418) of deferred income being recognised as income this year. Future costs of old regime cases are unlikely to exceed £0.5m and it is expected that the majority of this cost will be incurred in the next 2 years with minimal annual costs thereafter.

	2013–14	2012–13
	£'000	**£'000**
At 1 April	509	538
Additions in year:		
(a) Fees recovered	120	160
Utilised in year:		
(a) Before 1 April 2004 costs	(149)	(189)
(b) Deficits	–	–
At 31 March	**480**	**509**

15 Provisions for Liabilities and Charges

2013–14	Fruitless Payments	Pre 1996 Debit Balance Write Offs	Lease Dilapidations	Onerous Leases	Other	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April 2013	442	142	4,782	417	660	**6,443**
Provided in the year	–	–	560	592	420	**1,572**
Provisions utilised in the year	(261)	–	(1,089)	(416)	(376)	**(2,142)**
Provisions not required written back	(42)	(4)	(570)	(1)	(170)	**(787)**
Borrowing costs (unwinding of discount)	–	–	(18)	–	–	**(18)**
Balance at 31 March 2014	**139**	**138**	**3,665**	**592**	**534**	**5,068**

Analysis of expected timing of discounted flows

	Fruitless Payments	Pre 1996 Debit Balance Write Offs	Lease Dilapidations	Onerous Leases	Other	Total
	£'000	£'000	£'000	£'000	£'000	**£'000**
Not later than one year	139	23	522	274	534	**1,492**
Later than one year and not later than five years	–	92	1,871	318	–	**2,281**
Later than five years	–	23	1,272	–	–	**1,295**
Balance at 31 March 2014	**139**	**138**	**3,665**	**592**	**534**	**5,068**

2012–13	Fruitless Payments	Pre 1996 Debit Balance Write Offs	Lease Dilapidations	Onerous Leases	Other	Total
	£'000	£'000	£'000	£'000	£'000	**£'000**
Balance at 1 April 2012	124	157	3,998	–	5,976	**10,255**
Provided in the year	339	–	809	417	784	**2,349**
Provisions utilised in the year	(17)	–	(232)	–	(5,172)	**(5,421)**
Provisions not required written back	(4)	(15)	(190)	–	(928)	**(1,137)**
Borrowing costs (unwinding of discount)	–	–	397	–	–	**397**
Balance at 31 March 2013	**442**	**142**	**4,782**	**417**	**660**	**6,443**

Analysis of expected timing of discounted flows

	Fruitless Payments	Pre 1996 Debit Balance Write Offs	Lease Dilapidations	Onerous Leases	Other	Total
	£'000	£'000	£'000	£'000	£'000	**£'000**
Not later than one year	442	24	578	105	660	**1,809**
Later than one year and not later than five years	–	118	2,200	312	–	**2,630**
Later than five years	–	–	2,004	–	–	**2,004**
Balance at 31 March 2013	**442**	**142**	**4,782**	**417**	**660**	**6,443**

Fruitless payments

Fruitless payments are those losses that relate to acts or omissions where the loss would otherwise result in the non-recovery of insolvency fees or be suffered by creditors or third parties. At the year-end, provisions were held in respect of 8 cases (2012–13: 17 cases) totalling £139,212 (2012–13: £442,227).

Provisions utilised during the year include 6 payments totalling £253,196 related to lost property interest in bankruptcy estates.

Pre 1996 Debit Balance Write Offs (DBWO)

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 fess 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. As at 31 March 2014 the balance of the DBWO on cases which have not yet been completed was £138,178. An amount of £4,371 (2012–13: £15,541) has been written back as no longer required. 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 over the next six years. The above estimated outflows have been calculated on a straight line basis.

Lease Dilapidations

The Insolvency Service operates from a number of locations in England, Wales and Scotland. Since 2010 the demand for Official Receiver Services has fallen sharply.

During 2012–13 the agency developed a strategy which envisaged work that would over time reduce the Estate footprint by one third, operating from a smaller network of offices augmented where necessary with separate small interviewing facilities. Whilst the approach to future site location was be framed around a set of principles, roll out in practice has taken account of those offices where opportunities for lease breaks or terminations became available earliest. Such decisions needed to consider the ability to surrender leasehold buildings before the lease has expired and the possibility of sharing office space with other government departments. The project aligns with wider government estate strategy and agendas as led by BIS and the Government Proprty Unit (GPU).

During 2013–14, the Insolvency Service Board made decisions for the closure/retention and/or relocation of a number of offices. As offices are decommissioned and returned to the Landlord, dilapidations may become payable. Pending decisions on each of the leasehold properties, a reliable estimate for dilapidations costs has been included in these accounts.

During 2013–14, dilapidation provisions utilised were £1,088,902 (2012–13: £231,686); and provisions not required written-back were £569,611 (2012–13: £190,298). The provision for dilapidations represents the estimated settlement cost of this obligation. The Insolvency Service provided for dilapidations on 7 locations during the year and increased existing provisions, based on the increase in building costs by reference to BCIS (a cost guide provided by the Royal Institution of Chartered Surveyors). Therefore new/increased provisions for dilapidations were £559,812 (2012–13: £808,539). The provision is discounted using the general provision discount rates set by HM Treasury. The value of the provision as at 31 March 2014 is £3,664,700 (31 March 2013: £4,782,422). The undiscounted liability for the Insolvency Service as at 31 March 2014 is £3,467,642 (31 March 2013: £4,600,729).

The Insolvency Service's Annual Plan for 2014–15 envisages that the major project to rationalised the estate footprint will be completed and implemented within the year.

Onerous Leases

The opening balance of £417,013 related to 3 properties where the Insolvency Service had taken decisions to exit the properties before the lease end date. The balance has been utilised in the year as the agency exited one property at the lease end and surrendered the 2 remaining leases. During the year the agency took decisions to exit 4 properties before the lease end date. A provision of £592,158 has been made which relates to the remaining obligations under the leases following the expected exit dates.

Other Provisions

Other provisions included £659,650 (2012–13: £5,975,879) brought forward which included amounts related to amounts for potential adverse cost claims in disqualification proceedings and a potential Employment Tribunal claim.

A total of £420,223 has been provided in the year (2012–13: £784,400) for expected future costs. Provisions utilised during the year total £376,000 (2012–13: £5,172,257), and the remaining provisions not required written-back total £170,250 (2012–13: £928,371).

All amounts provided for in the year and all provisions not required and written back are recorded as non-cash Programme costs (Note 5).

16 Capital Commitments

	£'000	£'000
Contracted Capital Commitments at 31 March 2014 not otherwise included in these Accounts		
PPE – Service Concession Arrangement	2,880	4,952
	2,880	**4,952**

The total contracted capital commitments as at 31 March 2014 are for the Atos contract as detailed in Note 18.

17 Commitments under Leases

17.1 Operating Leases

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

	2013–14	2012–13
	£'000	**£'000**
Obligations under operating leases for the following periods comprise:		
Buildings		
Not later than one year	5,711	6,697
Later than one year and not later than five years	17,604	19,557
Later than five years	11,893	15,304
Total	**35,208**	**41,558**

Other

	2013–14	2012–13
Not later than one year	103	310
Later than one year and not later than five years	–	103
Later than five years	–	–
Total	**103**	**413**

Operating lease disclosures for 2013–14 exclude the Service Concession Arrangement element for an IT contract which is reported separately (Note 18).

17.2 Finance Leases

The Insolvency Service had no obligations under Finances Leases for the year ended 31 March 2014 (2012–13: nil)

18 Commitments under Service Concession Arrangements

IBM

The Insolvency Service entered into a contract dated 29 June 2007 for the provision of a desktop infrastructure managed service solution delivering the Insolvency Service's applications to staff. The Insolvency 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 was let to IBM with an initial agreed term of 5 years to the end of June 2012. Before this date, The Insolvency Service began the procurement process for a new desktop. If a new operator is appointed, the agency 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 agency could renew the contract with the agreement of the operator. As the agency has the option to sell the equipment as agent, it has been concluded that any significant residual interest in the infrastructure at the end of the service arrangement is controlled by the agency and therefore it has been accounted for it as a Service Concession Arrangement.

The infrastructure was recognised as property, plant and equipment (PPE) 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. Under IFRIC 12, these assets are treated as Assets of the Insolvency Service and shown on the Statement of Financial Position.

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 Insolvency Service has assumed that there will not be any material residual value.

The IBM contract has been extended four times since 29 June 2012 to 31 March 2014 with the option to extend from 1 April 2014 for up to three months. Notice of termination was served on IBM on 16 April 2014 with a termination date of 30 April 2014.

Atos

On 12 November 2012, the Insolvency Service entered into a contractual agreement with Atos for the provision of IT hardware, software and related services under the Desktop 21 framework. The contract runs for an initial term of 5 years from the point at which the 'IBM exit' is complete.

The contract incorporates scheduled 'milestone' payments, as well as ongoing 'fixed charges.' Further to these, 'resources charges' will be charged on use of additional resources (expected to be predominantly printing charges); 'catalogue item charges' are triggered on purchase of additional goods and 'time and material charges' relate to additional staffing and related costs.

The contract is deemed to fall within the scope of IFRIC 12 – Service Concession Arrangements and therefore the IT infrastructure made available under the contract is recognised as a service concession asset by the Insolvency Service. This includes IT Hardware and Software as well as any directly attributable costs. As all assets are considered to be inextricably linked, i.e. they are all critical to the provision of IT infrastructure, they are recognised together as PPE.

Aside from the capital elements included in the contract, service charges are to be paid by the Insolvency Service on a monthly basis. These are to cover, amongst other things, the maintenance and ongoing support of the IT infrastructure. In accordance with IFRIC 12 and the FReM, these payments are to be recognised as revenue expenditure when they are incurred and charged to the SoCNE.

The roll-out of the Desktop Delivery was materially complete by 30 November 2013 and therefore the asset was brought into use from the beginning of December 2013. There has been a delay in the transition of the "Line of Business" applications from IBM (in Warwick) to Atos (in Andover) and consequently the Hosting Delivery (the hosting of the agency's systems by Atos) has been delayed.

Included within PPE Information Technology Assets (Note 8) is £3,098,555 related to IT infrastructure which has been made available under the contract and has been recognised as a service concession asset, of which £1,026,280 was transferred from Asset under Construction.

In addition, non-contract costs totalling £1,782,711 have been incurred. In accordance with IAS17 these costs are deemed to be directly attributable to the service concession asset and have been capitalised. The costs are added to the amounts recognised from the Atos contract and capitalised in conjunction with the most appropriate contract milestone when taking into account the timing and nature of work completed. Of the £1,782,711; £394,403 is recognised as PPE – Asset Under Construction and the balance of £1,388,308 is recognised as PPE – Information Technology. Of the £1,388,308; £897,760 was reclassified from Intangibles – Asset Under Construction. As these costs were directly related to bringing the asset into use, they are inextricably linked to the service concession asset, and it is therefore appropriate that they are classified as PPE Information Technology.

18.1 Total obligations under on-balance sheet Service Concession Arrangements for IBM

There are no obligations under on-balance sheet Service Concession Arrangements for IBM, and Interest on the Service Concession Arrangement charged in the year was nil (2012–13: £5,736).

18.2 Total obligations under on-balance sheet Service Concession Arrangements for Atos for the following periods comprises:

	2013–14	2012–13
	£'000	**£'000**
Rentals due not later than one year	1,853	3,992
Rentals due later than one year and not later than 5 years	1,194	1,144
Later than five years	25	174
	3,072	**5,310**
Less interest element	(192)	(358)
Present value of obligations	**2,880**	**4,952**

Interest on the service concession arrangement charged in the year was £165,895 (2012–13: £82,159).

The majority of assets recognised under the Atos contract are matched by a milestone payment at the time they come into use and hence do not result in recognition of a lease liability. In 2014–15, a lease liability will be recognised in relation to delivery.

18.3 Charge to the Statement of Comprehensive Net Expenditure and future commitments

The total amount charged in the Statement of Comprehensive Net Expenditure in respect of the service element of off-balance sheet (SoFP) Service Concession Arrangement transactions was £4,613,261 (2012–13: £4,729,705) and the payments to which the Insolvency Service is committed is as follows:

	2013–14	2012–13
IBM	**£'000**	**£'000**
Not later than one year	176	1,421
Later than one year and not later than 5 years	–	–
Later than five years	–	–
Total	**176**	**1,421**

18.4 Charge to the Statement of Comprehensive Net Expenditure and future commitments

	2013–14	2012–13
ATOS	**£'000**	**£'000**
Not later than one year	2,512	1,346
Later than one year and not later than 5 years	8,455	7,461
Later than five years	166	690
Total	**11,133**	**9,497**

19 Other Financial Commitments

The Insolvency Service has not entered into any non-cancellable contracts (which are not leases or PFI [and other service concession arrangement] contracts).

20 Contingent Liabilities disclosed under IAS 37

The Insolvency Service has the following Contingent Liabilities:

Banking liabilities

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

21 Losses and Special Payments

During the year, the Insolvency Service made the following payments. In all cases, the Insolvency Service sought formal approval for its proposals and actions in regard to these matters from either HM Treasury direct or indirectly through BIS.

21(a) Losses Statement

Fruitless Payments are those losses that relate to acts or omissions in Insolvency cases where the loss would otherwise result in the non-recovery of Insolvency fees or be suffered by creditors or third parties. During the year the agency made 142 Fruitless Payments totalling £1,422,530 (2012–13: 55 payments totalling £172,560). Of these, there were 57 cases with payments totalling £1.3m related to the failure to deal with a bankrupt's interest in a family home, and 63 payments totalling £38k related to the failure to admit a creditors proof of debt in the dividend process. The remaining 22 payments were due to compensation following complaints and miscellaneous errors.

	2013–14	2012–13
	£'000	£'000
Total Fruitless Payments	1,423	173
Number of cases	142	55

Claims Abandoned

Costs are awarded to the Secretary of State when disqualification orders have been made or undertakings given after proceedings have been issued. Such costs would ordinarily cover legal costs. In some cases it is not possible to collect the debts and the Insolvency Service has to write off some or all the amounts awarded. During the year, the agency wrote off 93 cases totalling £505,929 (2012–13: 153 cases totalling £564,625).

	2013–14	2012–13
	£'000	£'000
Total claims abandoned	506	565
Number of cases	93	153

21(b) Special Payments

During the year the Insolvency Service made no Special Payments (2012–13: 3 Special Payments totalling £14,500 comprising 1 compensation payment for loss of office and 2 compensation payments for personal injury).

	2013–14	2012–13
	£'000	£'000
Total Special Payments	–	15
Number of payments	–	3

22 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, no individuals attempted to enter into a FTVA (also no individuals in 2012–13). The fees received by the Insolvency Service were £1,327 (2012–13: £15) and are included in these accounts under Case Administration. The balance of funds held in FTVA Estates as at 31 March 2014 was £92,771 (2012–13: £87,846). These amounts are not included in the Insolvency Service's Accounts as they represent trust monies.

23 Related-Party Transactions

The Insolvency Service is an Executive Agency of BIS; BIS is regarded as a Related-Party. During the year, the agency has had various material transactions with the department and with other entities for which the department is regarded as the parent department (being Companies House).

In addition, the Insolvency 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 and HMRC.

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

24 Third-Party Assets

The Insolvency Service does not hold any Third-Party Assets, as defined by the FReM 2013–14.

25 Financial Exposure

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

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

Interest rate risk

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

The Insolvency Service discounts its financial assets at the rate determined by HM Treasury, currently 3.5%. The agency recognises that its Case Administration receivables play a significant medium to long term role in the financial risk profile and believe that by discounting at 3.5% this is an appropriate method to calculate the level of risk faced.

Liquidity and foreign currency risk.

The Insolvency Service has exposure to significant liquidity risks due to the timing of the recoveries of the Case Administration receivables. This risk is managed by the provision of inter-entity cash funding from BIS which allows the agency to retain inter-entity balances to meet cashflow requirements.

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

26 Events after the Reporting Period Date

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

The Chief Executive authorised these accounts to be issued on 7 July 2014.

Richard Judge

Dr Richard Judge
Inspector General and Chief Executive

Annex A Sustainability

The Insolvency Service continues with its responsibilities to meet the Greening Government Commitments (GGCs) and monitor and control the impact our estate has on the environment.

Over the next 1–2 years, our estate rationalisation programme continues to form a key part of our overall strategy to reduce running costs and limit our environmental impact, reducing our physical footprint by around a third.

We encourage employee engagement with our sustainability initiatives e.g. recycling and a 'switch off' campaign. In addition there is a strategy to deploy Information and Communication Technology to reduce energy consumption of the wider organisation e.g. using hot-desking, sensors and timers to control heating, lighting and other building infrastructure services.

A new payroll system was launched in February 2014, with on-line payslips as a key feature. This removes the need for paper payslips, saving distribution and postage costs, plus saving a significant number of trees each year. We continue to use virtual team collaboration environments to reduce travel with the removal of location as a barrier for participation e.g. e-meeting technologies such as video conferencing.

Greenhouse Gas Emissions

We have a target to reduce our greenhouse gas emissions from energy use on our estate and through UK business transport, against a baseline level from 2009–10, by 25% by the end of 2014–15. This commitment has already been met, a year early with emissions in 2013–14 standing at 1,768 tCO_2e – a 26% reduction from baseline.

Figure 1: Greenhouse Gas

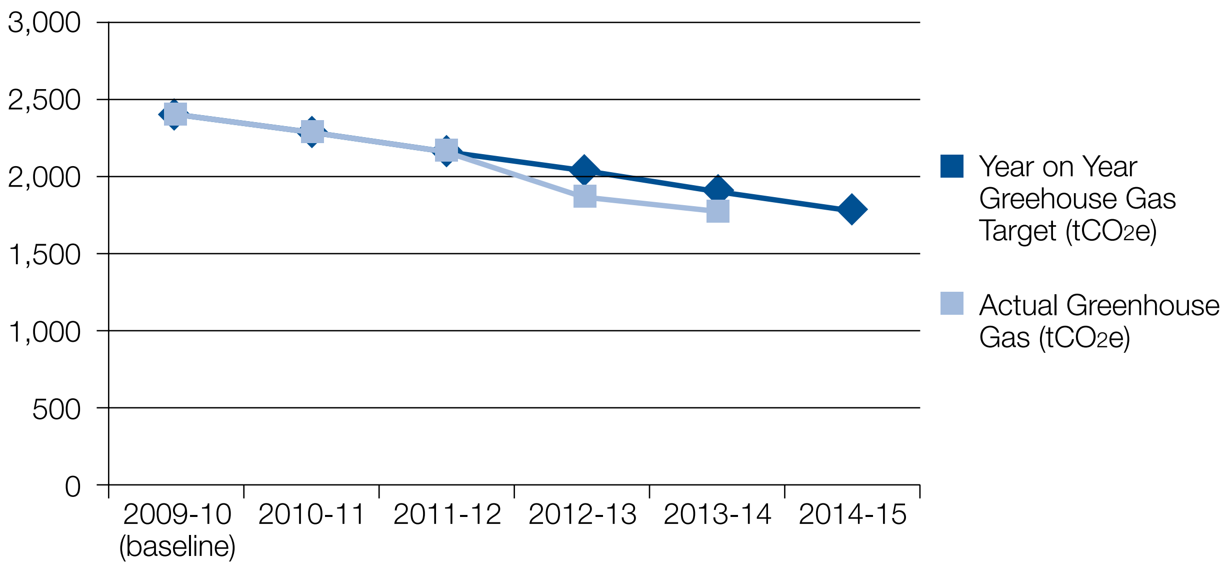


Table 1 below sets out the agency's reporting requirements for greenhouse gas emissions and costs. We continue to reduce our emissions year on year, in line with our reducing estate footprint but, because of energy price changes in the market, this has not lead to an equivalent reduction in our costs.

Table 1 – Insolvency Service Greenhouse Gas Emissions 2011–12 to 2013–14

		2011–12	2012–13	2013–14
Non-financial indicators (1,000 tCO_2e)	Total gross emissions	2165	1864	1768
	Total net emissions	–	–	–
	Gross emissions Scope 1 (gas)	211	185	169
	Gross emissions Scope 2 & 3 (electricity & travel)	1954	1721	1599
Related energy consumption (million kWh)	Electricity: non-renewable	3,871,891	3,227,129	3,079,192
	Electricity: renewable	–	–	–
	Gas	1,130,331	997,008	917,288
	LPG	–	–	–
	Other	–	–	–
	Total Energy Consumption	5,002,222	4,224,137	3,996,480
Financial indicators (£m)	Expenditure on energy	550,357	531,264	571,166
	CRC licence expenditure (2010 onwards)	–	–	–

Water and Waste

Water usage and levels of waste both show a continued reduction, with waste levels having declined sharply. This is in part due to improved data capture for our waste production, as well as the continuing reduction in the size of our estate.

Table 2 – Insolvency Service Greenhouse Gas Emissions 2011–12 to 2013–14

		2011–12	2012–13	2013–14
Estate Water	Consumption (000m^3)	15.69	16.61	14.76
	Expenditure (£k)	14.99	16.10	9.44
Estate Waste	Total waste (tonnes)	596	552	216
	Waste sent to landfill	297	265	109
	Waste incinerated/energy from waste	–	–	–
	Waste recycled/re used	298	287	107

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