The Insolvency Service

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Annual Report and Accounts

2015-16

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Foreword

This is my first full year as Chief Executive of the Insolvency Service, and I am very pleased to report on a highly successful year. We have dealt with a number of challenges whilst maintaining a strong focus on improving the quality of service offered to the public.

A key achievement for the year was the introduction of an online service for those making claims for redundancy pay when their employer is unable to pay. In doing so we are responding to a growing demand for services to be made online, and have improved the process to make it more efficient as well as more user friendly. Building on this success, towards the end of the year we launched the new online bankruptcy petition service providing relief for those struggling with unmanageable debt. The process saves time and money for those making the applications, and replaces the previous paper based process where applications were made to the Courts.

We have been involved in a number of challenging and high profile insolvencies, including those of Keeping Kids Company and Sahaviriya Steel Industries UK Limited (SSI). We have handled the very sensitive issues that have emerged from the public scrutiny of these cases. Throughout, our work has demonstrated the professionalism and skill that we can bring to tackling complex cases, helping all those impacted by insolvency, including employees and those left out of pocket. This work continues, as demonstrated by the support we have given on high profile insolvencies such as BHS.

We have sustained our efforts to maximise returns for creditors, ensuring for example that PPI claims are properly pursued and entitlements claimed. To provide the best possible returns it is vital that we are efficient in realising assets owned by insolvent individuals and companies, and in distributing funds to those owed money.

We are evolving our operations to meet the changing demand for our service. Overall the level of cases we have been dealing with has continued to fall, with bankruptcy numbers in particular dropping sharply. We have had to adapt as a result, to closely align our resources to changing circumstances, whilst keeping customer focus at the heart of what we do.

In a year of such challenges, I continue to be impressed by the skill and dedication of the people who work here. There is a real pride taken in the work we do, and the way in which we deliver this critical public service, particularly for our most vulnerable customers.

This report presents our accounts, and shows we have made good progress in improving our financial position. More needs to be done though, and recently announced changes to our fee structure will help provide us with a more robust funding structure.

The work we have done in 2015/16 has laid a great foundation to enable us to face with confidence the challenges of the year ahead.

Sarah Albon
Chief Executive
30 June 2016

Performance Report

Key Statistics for the Year

Our insolvency regime

18,006 Cases Opened

35,811 Cases Closed

Creditors reports issued within 8 weeks

Over £33m distributed to creditors

24,684 Debt Relief Orders approved

Our enforcement regime

1208 Directors Disqualified for misconduct

2417 Enforcement cases processed to conclusion

434 restrictions orders made

131 companies wound up in the public interest

483 criminal referrals made

113 individuals prosecuted

Redundancy Payments

60,063
Redundancy payment claims received

81% Claims actioned within 3 weeks

99.8% Claims processed correctly

100% Claims made digitally (Feb & March)

82% Customer satisfaction

Customer Service

40,773
Calls to the enquiry line

6,682,815
Views on GOV.UK

868,222
Individual Insolvency Register searches

192,930
Guidance views

36 Publications refreshed

3,300
Twitter followers

13,386
GovDelivery subscribers

93%
Customer satisfaction

83%
Complaints answered within 10 working days (target 75%)

Overview

The Insolvency Service is the Government agency that provides an internationally respected insolvency regime that helps rescue struggling businesses and allows those in debt to make a fresh start.

The Insolvency service aims to provide confidence in the marketplace through:

- **providing support for those in financial distress**
- **tackling financial wrong-doing**
- **maximising returns to creditors**

The breadth of our remit means we play a crucial role in commercial markets and personal finances:

- we provide access to online debt solutions by way of Debt Relief Orders and bankruptcies on debtors' own petitions
- our official receivers deal with personal debt and insolvent businesses – realising and distributing assets, helping people get back on their feet financially
- we carry out investigations where appropriate, identifying and tackling misconduct by directors or those made bankrupt. Our investigators scrutinise director and corporate behaviour, investigating and disqualifying those who abuse the system
- our Redundancy Payments Service ensures people receive redundancy pay and other statutory entitlements when a company fails – protecting people at a time when they are at their most financially vulnerable
- we provide oversight regulation of the insolvency profession, by monitoring the performance of the authorising bodies responsible for licensing insolvency practitioners
- we deliver and improve the legislative framework for insolvency to take account of government priorities and changes in the marketplace

This year, we have made good progress in delivery across our range of services. The context of delivery this year has been challenging, not least ensuring that the delivery of our services takes account of the wider economic environment in which we carry out our work. We continue to adapt and have made positive first steps to meet the growing demand for services to be available online.

This work takes place in the context of a falling number of insolvency case administrations. Our expectations are that this downward trend will continue although the rate of decline appears to be decreasing. We have initiated work to look at our current operating model to ensure we deliver our services in the most effective manner and meet expectations of modern service delivery.

Risks and issues are discussed in the governance section on page 48.

The Insolvency Service is an Executive Agency of the Department for Business, Innovation and Skills (BIS) and the Department's estimates and forward plans include provision for its continuation. It has therefore been considered appropriate to prepare these accounts on a going concern basis.

The result of the referendum held on 23 June 2016 was in favour of the UK leaving the European Union.

Our Performance in 2015-16

Year-end performance for 2015-16 against published targets

	Measure	Target	Performance to March 2016
Customer	Stakeholder confidence in the effectiveness of our enforcement actions	73%	70%
	Customer satisfaction is sustained in upper quartile of comparable public bodies	90%	93%
Processes & Continuous Improvement	Issue reports to creditors within eight weeks (bankruptcy cases & company cases)	95%	98%
	Authorise disqualification proceedings within 23 months	97%	98%
	Authorise bankruptcy restrictions proceedings within 11 months	80%	87%
	Action redundancy payment claims within 3 weeks	80%	81%
	Action redundancy payment claims within 6 weeks	92%	95%
Finance & Resources	Deliver against agreed budget, with sound financial management & robust governance.	Achieve	Achieved

We measure the confidence stakeholders have in our investigation and enforcement regime. We achieved 70% this year, slightly down on the 73% reported in 2014/15 which was the basis for our target in 2015/16.

Confidence in the marketplace

We are responsible for delivering and maintaining the legislative framework for our insolvency regime, and in 2015-16 we continued our work on improving and strengthening that regime.

Delivering changes to the insolvency regime

We respond to Government commitments in ensuring that our insolvency legislation underpins a dynamic rescue culture and keeps pace with commercial developments so that the reputation of our corporate rescue regime is maintained.

To enhance the regulation of insolvency practitioners, we have introduced new regulatory principles for insolvency regulators and strengthened powers for the Insolvency Service as oversight regulator. We have also worked to improve transparency around the fees charged by insolvency practitioners, and enabled creditors to have greater control, through the introduction of a requirement for up-front fee estimates to be provided.

We have helped ensure that struggling businesses have the best chance of being rescued by ensuring that essential supplies like broadband and IT continue to be delivered whilst rescue plans are put in place. This will deliver over £38m per annum in better returns to creditors.

Dealing with distressed companies

We play a critical role in helping struggling companies that need a fair process for winding up their affairs.

“We dealt with 2,794 new insolvent companies in 2015/16

We dealt with 2,794 new insolvent companies in 2015/16, including high profile cases such as Keeping Kids Company and Sahaviriya Steel Industries UK Limited (SSI).

case study

SSI UK (Sahaviriya Steel Industries UK Limited)

A winding up order was made by the court on the petition of a creditor, with the Official Receiver getting only two hours notice that he was to be appointed. This was a winding up where there was enormous local interest – the steel plant was a major local employer and had a major effect on the local community and there was huge and continuing political and press interest.

There were major challenges to overcome from what was the largest insolvency we have dealt with since becoming an Agency.

SSI operated from a 16 square mile site with in excess of 500 buildings on site. Securing the perimeter of the site to keep the public safe was a prime concern.

The directors were foreign nationals, and there was no direct engagement with the Official Receiver ahead of the order. There were a number of complex legal and practical issues to be dealt with from the outset.

When the Official Receiver took over the site, there were over 2,000 employees, enormous coke ovens that had to be kept working for safety reasons, operating power stations and a blast furnace that needed to be kept in a steady state. Over 800 employees were kept on to deal with the safe shut down and continuing maintenance of the site. The Official Receiver faced potential exposure as this was a high risk site with significant risk of environmental damage if not carefully handled, ranking in the Health and Safety Executive's highest tier of hazardous sites.

There was a big challenge to ensure that employees received monies due to them by way of redundancy and payment in lieu of statutory notice periods. Our Redundancy Payments Services again played a major role in organising these.

The Official Receiver kept the coke ovens working initially whilst a buyer was sought, but a lack of interested bids led to us announcing their closure on 12 October 2015, a highly sensitive decision given the impact on the local economy.

We continue to maintain the site pending action to transfer responsibility to a new Government owned company set up specifically for this purpose.

case study

"Kids Company" (Keeping Kids Company)

A Winding up order was made on 20 August 2015, and the company operated from 17 different premises plus 37 schools.

It is well known that sums in excess of £40m had been paid by government to the charity, including £3m shortly before trading ceased.

We had to act with care in helping provide information essential to the safe transfer of vulnerable children to local authorities.

We had to arrange for access to the premises to take possession of sensitive records, asset collection and dealing with issues around squatters moving into premises. We had to identify and establish ownership of large quantities of third party assets and deal with the sale of significant quantities of company owned assets (including freehold property).

There was an enormous amount of press interest, and over 600 employees who were dismissed on the making of the order and not retained. We needed to deal quickly and effectively with statutory payments due to them – this was taken forward by our Redundancy Payments Team. We also had to deal with around 850 self-employed staff.

We have recognised the key role that will be played by other authorities, and have been liaising with the Charity Commissioners amongst others.

Supporting those in financial distress

Dealing with Bankruptcy and Debt Relief Orders

We dealt with 15,212 new bankruptcies in the year, the majority of which were as a result of the debtors own application. Our staff have dealt sensitively with people who have struggled with debt problems for many years, helping to give them the confidence to get back on their feet and make a fresh start.

We provide a supportive and professional service which we continue to improve and proactively seek feedback on performance to ensure we are meeting our customer needs.

> **"1st class. Although the experience of going bankrupt can never be pleasant, this office is very understanding and helpful." (Insolvency enquiry line caller)**

We made 24,684 Debt Relief Orders (DROs), providing a debt solution to some of the most vulnerable people in society. DROs are specifically aimed at those with low levels of unmanageable debt, low levels of income and little by way of assets. The cost of applying for a DRO is kept to a minimum to make sure it is affordable for all, and we ensured that applications were processed as quickly as possible, with 97% of the orders made within 48 hours of the application being made.

To enable the more vulnerable debtors access to debt relief we raised the thresholds for DROs from October 2015. The liability limit was increased from £15,000 to £20,000 and the asset limit from £300 to £1,000.

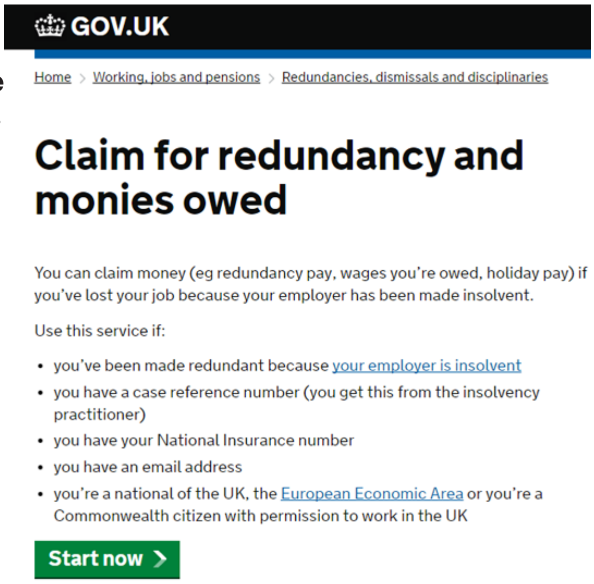
Handling Redundancy Payments

We step in to provide support to employees, where the employer is unable to make redundancy payments themselves. We are often called on at very short notice and in desperate circumstances, and deliver a much welcomed service by getting money out to claimants at the earliest opportunity.

In 2015-16, 60,063 individuals made a redundancy claim to the Insolvency Service.

We aim to provide prompt payment to our redundancy pay claimants. Targets for processing those claims were exceeded with 81% of claims processed within 3 weeks and 95% actioned within 6 weeks (against targets of 80% and 92% respectively).

> **"At a difficult time personally, I found the service to be very reliable and responses were always well within the time quoted." (RPS claimant)**



case study

Redundancy Payments receives praise for paying Caparo employees

In October a public announcement was made that Caparo Industries had been placed into administration. The company which was active in the UK steel industry, is made up of around 20 businesses, mostly based in the West Midlands.

Six of the companies within the group made approximately 400 staff redundant, with significant impact on the local community.

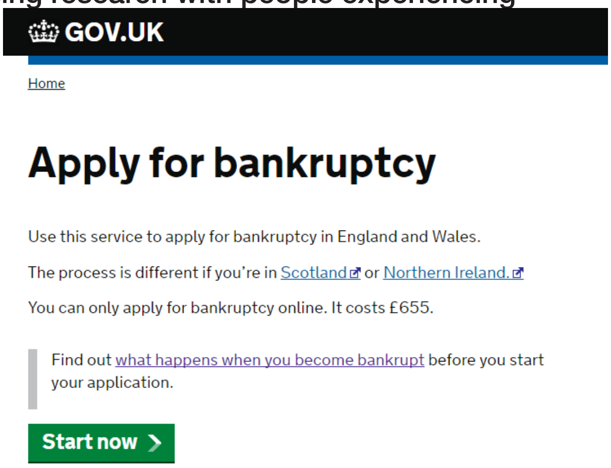
Our redundancy policy and operational teams worked together to establish an immediate dialogue with the insolvency practitioner to offer assistance and from the outset both parties collaborated to resolve any issues that could delay payment.

The redundancies took place on 30 October and of the 304 claims received, 285 had a payment processed by 10 November. Feedback from claimants and the insolvency practitioner was overwhelmingly positive.

Our new online claims system came live during the year and we achieved a 100% uptake of the service in February and March. This service was one of the Government Digital Service's 25 exemplar projects to meet the 'Digital by Default' initiative. We are now able as a result to provide an improved, faster service to customers at a very distressing time.

Improving our services

A significant achievement this year has been our work done to develop the new online bankruptcy application. This will allow debtors to apply for bankruptcy without having to go to court. The application form and process have been developed using research with people experiencing problem personal debt, former bankrupts, debt advice charities and other organisations to ensure it is simple and easy to use.



From April 2016 debtors complete an online application on GOV.UK, which is submitted to the newly formed Exeter -based adjudicator team for decision by the adjudicator. New rules were prepared by our policy team to facilitate the introduction of the new function.

The online applications are cheaper and allow customers to pay by instalments. They are accessible 24 hours a day, 7 days a week. It also removes the stigma of having to go to court; a factor that our research shows can prevent many people from addressing their debt problems through bankruptcy.

Alongside the new bankruptcy application we also completed the work required to launch a new interactive smart tool. This helps people with personal debt problems choose which debt solution is right for them.

Tackling financial wrongdoing

We continue to deliver confidence in the marketplace by ensuring directors guilty of misconduct are robustly dealt with.

Our investigation and enforcement teams bring proceedings against individuals and companies in the public interest. In 2015-16 we disqualified 1,208 directors and obtained 434 restriction orders against insolvent individuals, as well as making 483 criminal referrals to prosecuting authorities and 25 further disclosures to other regulators.

We have successfully wound up 131 companies. Often these actions were taken following complaints about members of the public losing money through a “scam”, such as pressure selling of coloured diamonds at vastly inflated prices and inappropriate sales of health supplements. Many of these scams have been targeted at elderly and vulnerable people.

Director Disqualifications

The purpose of Disqualification Orders is to prevent those directors guilty of misconduct from taking part in the management of companies in future. In 2015-16:

- the average length of disqualification undertakings and orders secured against directors was 6 years
- 10% of directors were disqualified for a period in excess of 10 years with 43% disqualified for a period of five years or longer
- net benefit to the market (in terms of creditor damage prevented) for each director disqualified: estimated at over £100,000

We ensure we keep up to date with emerging trends in director misconduct and focus on issues of public interest.

case study

Case Study: 7 year disqualification for director who employed illegal workers

Clothing manufacturer AJ Design (Leic) Limited went into liquidation on 12 June 2015 owing £270,600 to creditors, including £255,000 for a fine imposed by Home Office immigration enforcement for employing illegal workers. The company was found to be employing 17 workers who were not eligible to work in the UK. As a result of our enforcement action, the director is now banned from acting as a company director or from managing or in any way controlling a limited company until 2023. Our chief investigator for the case said:

“illegal workers are not protected under employment law, and cheat legitimate job seekers out of employment opportunities. Those who employ them defraud the taxpayer and undercut honest competitors. This should serve as a warning to other directors who may feel tempted to break the law”.

Trading company investigations

We have powers to investigate companies that are not subject to any formal insolvency procedure. 153 such investigations were carried out in 2015/16 following receipt of complaints or other intelligence, and as a result:

- 131 companies were wound up in the public interest
- 25 disclosures were made to other regulators
- investigation of 103 investment and other scams wound up in the public interest showed that at least £195,913,755 had been taken from victims and our interventions have prevented the further loss of £228,001,021
- 48 disqualification orders or undertakings were obtained against directors of companies that had previously been wound up in the public interest following investigations under the Companies Act

10 year disqualification undertakings for 3 tax consultants

Robust action taken by Insolvency Service investigators led in February 2015 to three of the directors of a company that offered a council tax rebanding service to householders entering into a 10 year disqualification undertaking.

We had earlier acted swiftly to wind up the company in the public interest for trading whilst making misleading statements and selling services that provided little benefit to customers.

In giving the undertaking, the directors agreed not to be a director of a company or be involved in the promotion, formation or management of a company without the permission of the court.

Criminal prosecutions

There were 483 criminal referrals to prosecuting authorities during 2015-16, of which 391 were made to BIS. During the year, as a result of our referrals, BIS achieved the following outcomes:

- 113 individuals were successfully prosecuted during the year, resulting from referrals made by the agency
- custodial sentences were received in 69% of cases representing 78 different defendants
- 47 individuals received disqualification orders ranging from 2 to 15 years
- 3 individuals had compensation orders imposed, totalling £145,000
- fines totalling £20,615 were imposed upon 11 individuals

We have had particular success in identifying and tackling those individuals who try to keep their assets out of the hands of those they owe money to.

case study

Prison for bankrupt found guilty of fraudulently transferring his interest in a property to his children

The Insolvency Service brought criminal proceedings against a former bankrupt. He was as a result found guilty on 21 September 2015 of transferring his interest in his matrimonial home to his three children for no monetary value. The official receiver estimated that the interest in his home was worth £193,000.

The individual, an optician, was previously convicted of defrauding the NHS having been found guilty of obtaining money from primary care trusts for the payment of eye tests that he hadn't carried out. The NHS commenced civil recovery proceedings against him for the value of £136,008. The individual acknowledged the service of the claim against him, but transferred his interest in the property the very next day in attempt to deny his asset to his creditors.

He was sentenced to 9 months imprisonment and ordered to pay the prosecution costs of £16,000.

Bankruptcy and Debt Relief Order Restrictions

We are responsible for protecting creditors, and identify the small proportion of bankruptcy cases where there is reason to enquire further. In those cases we carry out investigations to ensure both creditor interests and the wider public interest are protected.

Where we identify misconduct on the part of those subject to bankruptcy or debt relief orders, we take proceedings to place restrictions on their ability to obtain credit in future. During 2015-16, 419 bankruptcy restrictions orders and 15 debt relief restrictions orders were secured:

- the average period of restriction was 5 years
- 34% of restrictions were for over 5 years

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

case study

12 year Bankruptcy Restrictions Order for woman who failed to disclose assets

A debtor had declared herself bankrupt on 23 January 2013 with debts of £31,281 and was subsequently discharged twelve months later.

In July 2014 the Official Receiver later learned the bankrupt had failed to disclose assets held at the time she presented her bankruptcy petition.

Subsequent investigations found the bankrupt had learned she was due to receive an inheritance cheque for £57,698 which was received in February 2014. She spent the majority of this money, and as a result the official receiver was unable to collect the funds for the benefit of the bankruptcy estate and its creditors remained unpaid.

The bankruptcy restrictions order was made on 4 November 2015 and will apply until November 2027.

Conduct assessment service

The new conduct assessment service was successfully delivered in time for an April 2016 launch. The new service will replace the current paper system used by insolvency practitioners to report on the conduct of directors in companies in formal insolvency. In delivering the new process we worked closely with the insolvency profession to ensure that it will deliver both a saving in time spent by the insolvency practitioner and an effective means of early intelligence gathering for our enforcement teams.

Returning money to creditors

It is one of our prime aims to get money to those who are entitled to it at the earliest possible opportunity.

We exceeded our published target by issuing 98% of reports to creditors within 8 weeks. Acting as trustee and liquidator we have distributed over £33m. Our Estate account services dealt with 111,528 payments out of the Insolvency Service Account and processed 94% within 2 days of requisition.

The type of personal assets we deal with changes frequently. The recovery of mis-sold Payment Protection Insurance (PPI) is an example of where we have had to adapt our approach, with our dedicated team making 14,117 claims this year alone.

Where necessary in order to maximise returns to creditors, we will pursue the recovery of monies from those guilty of wrongdoing. We use information received from a variety of sources to make sure monies are returned to creditors.

£500,000 realised in 14 year old bankruptcy case

An individual, who was made bankrupt on his own petition in 2001, had his discharge suspended for failing to provide details of his income and expenditure.

Many years later the Official Receiver's Manchester Customer and Court Liaison Unit was contacted by solicitors handling the sale of a limited company in which the bankrupt had a substantial share holding expected to be worth some £500,000. The existence of the undischarged bankruptcy had been discovered during the due diligence checks.

The notice for claiming the funds as after-acquired property was issued and the bankrupt issued court proceedings to lift the suspension. If backdated this would have led to the funds not being available for distribution to creditors.

The judge ruled that the original suspension of the discharge order stood and the bankrupt's share of the proceeds of £504,024 was paid to the Official Receiver in July 2015.

The newly acquired funds were distributed to the 14 known creditors.

Meeting customer needs

Customer insight

In 2015-16 we continued to build our external focus, improving our engagement with customers and stakeholders and gathering insight to improve our services and external communications.

> **"Claims were dealt with within the specified time and my case officer was polite, professional and efficient. Keep up the professionalism I enjoyed with my case officer." (RPS claimant)**

Our customer satisfaction measures inform our view of how our customers (bankrupts, directors, RPS claimants and enquiry line callers) perceive the service we deliver.

We received 2,493 responses to our surveys and 93% were either satisfied or very satisfied with the service they received, which is in excess of our 90% target. Of these, the majority (60%) were very satisfied.

How we compare to other organisations

Our customer satisfaction results are benchmarked against a selection of other government departments, agencies and directorates that ask the same or similar questions. In 2015–16, the Insolvency Service achieved:

- the highest 'staff helpfulness/willingness to help' score (96%) out of 20 other government departments, agencies and directorates
- the joint highest 'staff politeness/courtesy' score (97%) out of 12 other government departments, agencies and directorates
- the second joint highest 'customer satisfaction' score (93%) out of 32 other government departments, agencies and directorates

Customer complaints

In 2015–16 the Insolvency Service received 340 complaints. The number of upheld and partially upheld complaints was 138 (41%) this year compared to 166 (40%) in 2014–15.

83% of complaints were answered within 10 working days against our 75% target. 92% of complaints were answered within 20 working days and acknowledged within 5 working days, which exceeded our target of 90%.

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

The Adjudicator completed 28 complaint investigations, of which 19 complaints were not upheld, 7 were partially upheld and 2 substantially upheld. In the upheld complaints the Adjudicator recommended that the agency issue letters of apology and make compensatory payments totalling £650, which we accepted.

Customer service excellence

The Customer Service Excellence standard, which replaced Charter Mark, has been held continuously by the Insolvency Service since 1998. The standard is an independent quality mark that recognises organisations that have a strong customer focus, and is held by many leading public and private sector organisations.

> **"The level of professionalism made a traumatic experience easier to bear. Whilst completely impartial, the advice, guidance and questioning was appropriate and welcomed." (bankrupt)**

Information for those using our services

We have helped many people in distressed situations find the right advice to get them on the road to recovery. Our enquiry line provides customers with general information about insolvency, redundancy, and what the Official Receivers and redundancy payments offices do. In 2015-16 we received 40,773 calls to the enquiry line and responded to 5,060 email enquiries.

Throughout the year we also carried out a review of our customer guidance publications. A total of 36 publications have been rewritten to Government Digital Service standards and are now hosted on GOV.UK.

Developing an engaged workforce

Developing an engaged workforce

A successful year of delivery has been underpinned by the engagement and diligence of our diverse and highly skilled workforce.

Recognising success

We ran our third Going the Extra Mile awards in December 2015. Nominations were received from employees to celebrate successes and awards presented for categories such as “making innovation happen” and “leading by example”.

In March 2016 we rounded up our year long celebrations for our 25th year as an executive agency. Throughout the year our newly formed internal communications team has highlighted individual team successes in order to encourage employee pride in our organisation.

Staff engagement

We participate in the Civil Service annual People Survey, which measures employee engagement. This year we had our highest response rate of 85%.

Our engagement score for 2015 was 51%. This is a decrease of 1% on the previous year and is 7% behind the Civil Service average. Whilst this decrease could be expected given the considerable and continuing changes taking place, work has begun to understand more fully the factors that have influenced our 2015 scores. We have already established engagement champions in every part of the business, and have ensured each different unit has an action plan in place to address local issues. The Senior Management Team is leading work to refresh our organisation’s values and deliver a new Purpose Statement.

Diversity, equality and inclusion

As an agency we pride ourselves on providing the right working conditions and culture so that all our employees perform to the best of their abilities.

We’ve launched two new employee diversity network groups for gender and ethnicity and race.

In November 2015 we held two positive action career events focussing on our employees who are disabled and/or have long term health conditions.

Our 2015 People Survey showed a reduction in employees who have experienced discrimination at work, down to 11%. We hope to see further reductions in this score by continuing our efforts celebrating diversity.

Developing our people

We have a dedicated Learning and Capability team that works to ensure employees have access to learning opportunities that enhance their skills, capability and professionalism whilst contributing to delivering our business priorities. Employees are encouraged to undertake five days of professional development activity and we offer a range of training and learning schemes to support this.

In 2015 we launched our coaching policy which provides all permanent employees with access to 11 specially trained coaches to support their development needs and goals. To date 40 employees have used the coaching support with positive results.

We also introduced an agency wide Skills Share initiative that allows employees to undertake job shadowing or gain experience in another department or role.

Performance management

We have introduced changes to our performance management system following comments provided in the 2015 people survey and consultation with employees through focus groups. This brings our performance management policy in line with other government departments.

We have also introduced Civil Service Employee Policy measures to ensure appropriate action is taken to address under performance.

Employee numbers

In 2015-16 the average number of full time equivalent employees in post (including permanent and fixed term but not agency workers) was 1441. A voluntary exit scheme was completed in 2014-15 and alongside redundancy this resulted in 66 employees leaving us in this financial year.

The Insolvency Service ran a second voluntary exit scheme during 2015-16. The primary objective of this scheme was to tackle both existing and anticipated over capacity in the agency, particularly in the official receiver services division due to falling case numbers.

In total, 111 applications for voluntary exit have been accepted and the employees will be leaving the agency during 2016-17.

Corporate and Social Responsibility

We take very seriously our wider social responsibilities.

Health and safety

A Health, Safety and Environment Committee is in place to provide oversight to the Board and Accounting Officer on the health, safety, environment and welfare of employees at work. The committee is also the main consultation forum with the Insolvency Service's recognised trade unions on health, safety and environmental matters. A new Head of Health and Safety is now in place to drive the direction and performance of health and safety issues.

The management development programme and operational delivery core practice programmes contain compulsory courses on health and safety, along with the Civil Service e-learning packages.

The 2015–16 Health, Safety & Wellbeing report will soon be published. There were 29 reported accidents for the year and, no near misses. The main cause of accidents was due to 'Handling, Lifting or Carrying' (38% of all accidents).

Charity fundraising and volunteering

We encourage people to donate to a charity of their choice via payroll. £22,905 was donated by 203 employees to a variety of good causes during the year.

Employees also chose 'Together for Short Lives' to be our corporate charity and £5,619 was raised by March 2016.

Our volunteering policy allows people to spend up to 5 days a year volunteering for a good cause. This helps employees to build their skills whilst giving back to the community. We have recorded 237 hours of volunteering activity for the armed forces, special constables, charity work, school governors, sport related and community projects.

Sustainability

The Insolvency Service has achieved all of the Greening Government Commitments (GGCs) as set out in 2011 for completion by 2014/15, and has continued to build on that strong performance throughout 2015/16.

In comparison to 2009-10, this year we have reduced:

- greenhouse gas emissions by 52%
- estate water consumption by 50%
- paper consumption by 77%
- waste by over 1,000 tonnes or 92%
- the number of domestic flights by 55%

(Detailed Report in Annex A)

Financial Performance

Overview

The agency has a gross expenditure budget of £105m for 2015-16 covering four main areas of work – insolvency casework for companies and individuals, investigation and enforcement, administering redundancy payments and policy work.

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

Asset realisations

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

Our focus on asset recovery has resulted in good returns for creditors and has led to the agency fully recovering its fees. The number of payments in relation to PPI compensation has begun to decrease, as expected, and we continue to work with a number of the major banks to maximise our returns in this area.

We are also due to introduce a new fee structure in 2016-17 that is designed to be more resilient to fluctuations in asset profiles and to ensure the official receiver service is able to recover its costs.

Capital outturn 2015-16

During 2015-16, the agency spent £1.794m on capital items. Most notably £1.6m was spent on the Online Debt Solutions and Business Intelligence Projects.

Payment of suppliers

In line with Cabinet Office guidance, we aim to process all payments to our suppliers within 30 days and 80% within 5 days.

During 2015-16 the agency made a total of 13,387 payments to suppliers, 80% within 5 days and 92% within 30 days.

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

Financial risk

The primary financial risk that we are exposed to is the recovery of our costs, either due to the insufficiency of funds in the estate related to a case, or through the individual's 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. 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

Sarah Albon
Chief Executive
30 June 2016

Accountability Report

Directors' report

Throughout 2015-16 our board was made up of both executive and non-executive members.

The executive members were:

- Sarah Albon, Inspector General and Chief Executive
- Graham Horne, Deputy Chief Executive and Director of Operations
- Chris Pleass, Finance and Commercial Director
- Anne Willcocks, External Affairs Director
- Dileeni Daniel-Selvaratnam, Strategy and Change Director (from 14 September 2015)

The non-executive members were:

- David Ereira, Chair
- Alan Graham
- Dame Elizabeth Neville
- Tracey Bleakley
- Rachel James (until 31 July 2015)
- Richard Carter (until 31 December 2015)
- Henry Lloyd (from 1 September 2015)
- Stephen Allinson (from 1 June 2015)

Reporting of personal data related incidents

Within the organisation: 2
Outside the organisation (involving the public/citizen): nil

Statement of accounting officers' responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Insolvency Service to prepare for each financial year a statement of accounts in the form and on the basis set out in the accounts direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the agency and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis

The Accounting Officer of BIS has designated the Chief Executive as Accounting Officer of the Insolvency Service. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Insolvency Service's assets, are set out in Managing Public Money published by HM Treasury.

Signed

Sarah Albon
Chief Executive
30 June 2016

Governance statement

Introduction

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

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

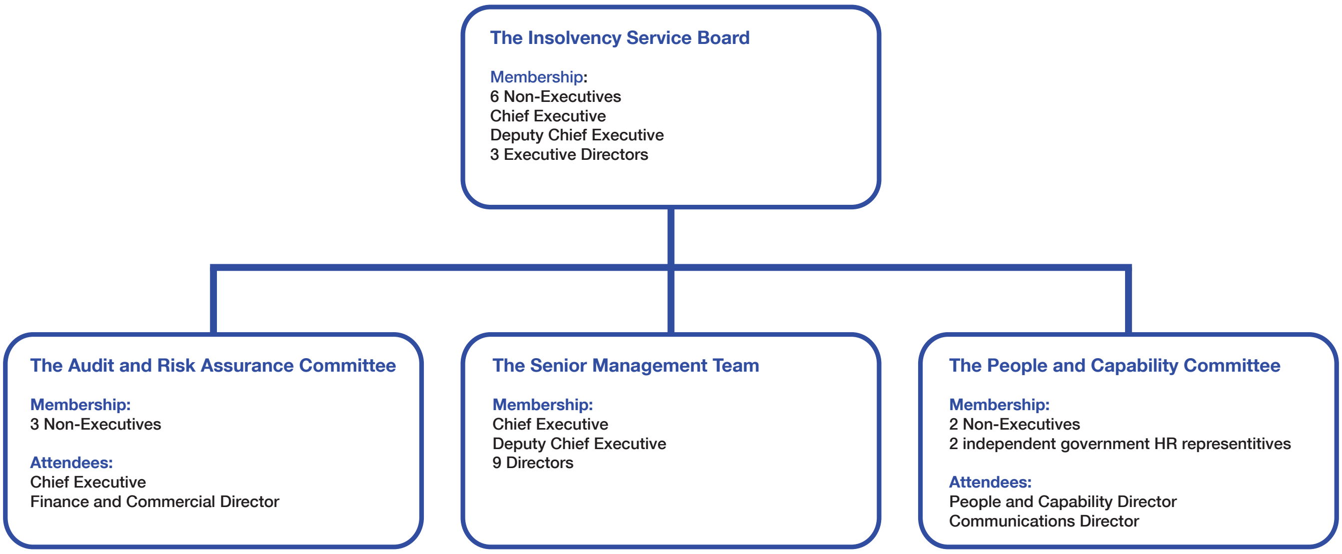
This statement explains how the agency has complied with the principles of the Corporate Governance Code together with a review of its effectiveness.

Governance structure

This section describes the governance arrangements in place during 2015-16.

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

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



The 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 (NEBMs) gives the appropriate balance of skills, experience, independence and knowledge to enable the board to discharge its duties and responsibilities.

The Insolvency Service Board is independently chaired and led by a non-executive Chair who ensures its 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 six non-executive board members (one from the Shareholder Executive) and the agency's four executive directors (including the CE and Deputy CE).

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

- regular review and scrutiny of progress against the 2015/16 Annual Plan and targets, including 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 2015-16 Annual Plan
- topical items such as cost benefits from restructuring, and fees and funding models for the agency
- feedback from board committees including reviewing the annual report produced by the Audit and Risk Assurance Committee
- regular assessment of exposure to and management of risk

The effectiveness of the Insolvency Service Board was externally assessed by an independent consultant. The review was carried out in the period between January and April 2016.

The Audit and Risk Assurance Committee (ARAC) is a sub-committee of the Insolvency Service Board. It is chaired by an appropriately qualified independent 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 provides assurance to the Insolvency Service Board on controls and risk. ARAC met five times during the year. ARAC produced an annual report which outlined the terms of reference and provided an overview of the matters that were considered at each meeting. The report was forwarded to the Insolvency Service Board for information. Matters considered by them included:

- approval of the internal audit plan, review of all internal audit reports issued, review of progress against the annual internal audit plan and annual audit opinion on risk management, governance and internal control
- 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 2015–16
- scrutiny of fraud and error incidents
- review of the agency's risk management money laundering and whistleblowing policies

The table below shows non-executive attendance at board and ARAC meetings held during 2015-16.

Non-Executive Board Members	Insolvency Service Board (ISB)	Audit and Risk Assurance Committee (ARAC)	People and Capability Committee (PCC)
David Ereira (Chair ISB)	9/9	1/5	
Alan Graham (Chair ARAC)	9/9	5/5	
Dame Elizabeth Neville (Chair PCC)	8/9		4/4
Tracey Bleakley	8/9	4/5	1/1
Richard Carter *	5/5		2/2
Rachel James **	3/3	2/3	
Henry Lloyd ***	6/6	3/3	
Stephen Allinson ****	7/7		1/2
* Appointment expired 31 December 2015 ** Appointment expired 31 July 2015 *** Appointed 1 September 2015 **** Appointed 1 June 2015			

The senior management team (SMT) is chaired by the chief executive and brings together directors from across the agency. The SMT 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 the 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 met four times in the year. It is chaired by an independent non-executive board member. Membership is completed by two NEBMs and two independent members 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.

Board performance and effectiveness

An external review on the effectiveness of the Insolvency Service Board was undertaken during February and March 2016. A draft report recommending a number of improvements was issued in April 2016. The content of the report was discussed at the Insolvency Service Board meeting in May 2016 and an action plan for improvement will be drafted to address the recommendations and implemented during 2016-17.

Compliance with the Corporate Governance Code

The external Board effectiveness review included in its scope the organisation's arrangements compared to what is generally regarded as best practice with particular reference to HM Treasury's Code of Good Practice on the "Corporate Governance for Central Government Departments" of July 2011. A number of minor areas of non-compliance were identified by the reviewers. These issues will be addressed in the coming year and will form part of an improvement action plan.

The Risk and Internal Control Framework

Risk Management

Risk management is a key aspect of the agency's internal control framework. The agency's risk management process was reviewed and amended during the year and the main revisions include a change of approach to risk appetite and more challenge on individual risks from the Senior Management Team (SMT). Agency risks are maintained in a register that captures financial, reputational, operational and compliance risks and details the controls/actions required to mitigate those risks to a manageable level.

During the year a risk workshop was held with the SMT whereby the key risks and issues which were likely to impact on our ability to meet our objectives were identified and assessed for likelihood and impact. Each risk/issue is owned by a Director and these are reviewed by the SMT at each monthly meeting whereby they challenge the mitigating actions put forward and collectively agree the approach to be taken to manage the risk. Significant ("Red") risks are reported to the Board quarterly. Risks are also scrutinised by the Audit and Risk Assurance Committee to ensure that appropriate risks have been identified and that controls were consistent with risk appetite. The register is also used to inform the annual Audit Plan.

Significant Issues

Issues managed through the year, and where further action is planned, include:

- the service provided by our shared services provider is below expectations. Issues identified during the year included a number of service quality issues under the payroll and facilities management contract as well as insufficient business continuity and disaster recovery plans. The agency regularly met with our shared services provider to discuss and address issues that arose and where necessary included BIS HR as part of any wider issues that affected all shared services clients
- last year we reported weaknesses identified in the contract management process. A new contracts register is now maintained and key suppliers are actively being managed. A revised contract management policy and processes are due to be implemented in Q1 2016-17. The SMT are seeking to establish contract management plans for key contracts, the definition of a key contract is to be established as part of the policy and process implementation
- over-capacity as a result of a continuing decline in insolvency case inputs has been managed by running a Voluntary Exit Scheme and a managed moves exercise. The managed moves exercise identified gaps in resources and these will be filled by moving resources from areas with over-capacity
- following on from the IT outage which I reported in last year's Governance Statement, communications have been ongoing with the IT contractor to ensure suitable disaster recovery plans are in place. Progress has been made but further work is ongoing to ensure the IT infrastructure is more robust and flexible to meet our changing needs. All Divisions have business continuity plans which have been updated during the year. Testing of the plans has commenced and will continue into 2016-17
- delays in processing supplier invoices have led to payments not being paid in line with one of our internal prompt payment targets (100% of payment supplier invoices to be paid within 30 days). Increased volume and frequency of MI available has helped to identify and manage specific issues. A more robust process for goods receipting has been implemented which in part has led to delays in payment. An in-depth review of the whole purchase to pay process is taking place with a view to bringing about efficiencies in 2016-17. Improvements made to the process within the year meant the internal target to pay 80% of payment supplier invoices within five days was met
- the agency failed to ensure that payments were fully up to date in relation to the lease for our Bristol site. The property was later vacated when the office moved premises and as a result of the account being in arrears we were unable to effect the planned lease break. The agency has

dealt with the error, by negotiating the surrender of the lease. The total cost paid is £605,701 including legal fees

- following a tax audit originally held in 2014-15 by HMRC, it has been concluded that an error had been made with regards to VAT for payments made to solicitors under the legal services framework. HMRC established that VAT should not have been recovered on all services that fell outside "advisory" and, therefore, monies were due from the agency. The estimated cost due to HMRC has been assessed at £4million and an accrual has been made for this amount in the accounts

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. Divisional Plans in turn are supported by 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 SMT.

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

Internal audit

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

Customer feedback and complaints processes

The Insolvency Service gathers feedback from customers on their perceptions and experiences of our services via a customer satisfaction survey and our complaints process. The result of the customer satisfaction survey for 2015–16 was highly positive with 93% either satisfied or very satisfied with the service they received. This figure includes the following customer groups only – bankrupts, directors, RPS claimants and enquiry line callers. From next year we will be introducing a new customer satisfaction survey which will include all eight of our key customer groups – bankrupts, directors of insolvent companies, RPS claimants, institutional creditors, non-institutional creditors, insolvency practitioners, DRO debtors and approved intermediaries

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 external tier is provided by the Adjudicator's Office, an independent complaints adjudication body, which investigates unresolved complaints referred by a complainant. The complainant and the Insolvency Service are either given assurance that the complaint has been correctly handled or, where a complaint is upheld, the Adjudicator recommends what further action the Insolvency Service should take.

During 2015–16 the Adjudicator investigated 28 complaints, of which 19 complaints were not upheld, 7 were partially upheld and 2 substantially upheld. The elements of the complaints that were upheld and partially upheld were in relation to delays in responding to correspondence and failing to address a complaint in accordance with the Insolvency Service's complaints procedure.

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 member of the BIS security team undertook a peer review of the agency's compliance with HM Treasury's Security Policy Framework. There were no significant findings identified or reported. There were no significant lapses of protective security or data losses reported in 2015-16.

In June 2014 central government published the "Cyber Essentials" scheme covering basic cyber security controls for IT systems. Our IT providers have self-assessed our systems, supported by independent assurance in key areas. We meet and exceed the Cyber Essentials requirements, and satisfy government security requirements that allow us to be part of the Public Services Network (government-wide IT network). This gives us assurance that we have an information and cyber security regime that is effective, proportionate and under regular review and challenge. A presentation on cyber security was provided to ARAC members in November 2015 with the aim of improving their knowledge and understanding.

Accounting Officer annual review of governance effectiveness

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

Off-payroll tax assurance

During 2012, the government reviewed the tax arrangements of public sector appointees. This highlighted the possibility of arrangements that might enable tax avoidance, such as by the use of personal service companies. Recommendations of the review were published in May 2012, including measures for departments to implement from August 2012. In response, the Insolvency Service implemented a policy developed by the Department for 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.

Quality assurance of analytical models

There are two business critical models which are used by the Insolvency Service in relation to planning assumptions. The first is a model which is used for forecasting case inputs and the second is a financial model which forecasts case administration receivables. The forecasting case input model has been scrutinised by the board and the financial model has been scrutinised by the Audit and Risk Assurance Committee. A challenge group comprised of stakeholders is held annually where the models are tested for accuracy and reliability.

Effectiveness of whistleblowing policy

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

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

The process has been used by one individual and this case has been brought to a conclusion.

The Audit and Risk Assurance Committee asked questions in relation to the policy in November 2015 and was content with responses that the procedures met requirements.

Internal Audit Annual Assurance Opinion

The Head of Internal Audit provides a report annually on the internal audit activity during the year. The report provides an opinion on the adequacy and effectiveness of internal control and for 2015-16 the assessment given is "Moderate - Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control."

Four out of the seven audits conducted during the year achieved the rating of "substantial - the framework of governance, risk management and control is adequate and effective. The ratings were awarded to audits conducted on the following processes:

- flexible working arrangements;
- methodology for reporting invoice payments performance;
- CIPFA self-assessment tool; and
- change management.

Weaknesses in controls were identified in the remaining three audits, details of which are provided below, together with actions management are taking to implement improvements:

Estate accounts restructure: the management team is due to commence testing of both the business continuity plans and disaster recovery arrangements. Once tested, outcomes will be reported and any improvements identified will be implemented.

Contract management: consideration is being given to develop an overarching delivery plan, which pulls the key strands of Commercial development together to provide clarity and oversight on what needs to be done, by whom and when. The plan will include updating and defining policies and procedures including implementing procedures to ensure reliable engagement with the wider business.

Key financial controls: a review of the bank reconciliation process is underway with a view to ensuring the process includes sufficient controls; the controls are to be tested; roles and responsibilities are to be clearly defined; the process is to be fully documented, circulated and training provided to all relevant staff.

Accounting Officer conclusion

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

Signed

Sarah Albon
Chief Executive
30 June 2016

Remuneration and staff report

Service Contracts

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

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

Further information about the work of the Civil Service Commission can be found at http://civilservicecommission.independent.gov.uk

Remuneration Policy

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

In reaching its recommendations, the review body is to have regard to the following considerations:

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

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

Further information about the work of the review body can be found at https://www.gov.uk/government/organisations/review-body-on-senior-salaries

Remuneration (including salary) and pensions entitlements

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

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

Officials	Salary (£'000)		Bonus Payments (£'000)		Benefits in Kind (to nearest £100)		Pension benefits[1] (£'000)		Total (£'000)	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Mrs Sarah Albon Chief Executive	101-105	15-20	Nil	Nil	Nil	Nil	112	17	215-220	30-35
Dr Richard Judge Inspector General and Chief Executive 30 July 2012 - 7 November 2014	Nil[4]	80-85	Nil	10-15	Nil	Nil	Nil	43	Nil	130-135
Mr Graham Horne Operations Director & Deputy Chief Executive 1 April 2013 - 10 November 2014; 2 February 2015 Acting Chief Executive 10 November 2014 - 30 January 2015	90-95	90-95	Nil	Nil	Nil	Nil	43	44	135-40	135-140
Mrs Rachael Etebar People & Capability Director 29 April 2013 - 13 May 2015	15-20[2]	90-95	10-15	10-15	Nil	Nil	6	33	35-40	130-135
Ms Anne Willcocks CBE External Affairs Director	60-65[6]	70-75[5]	Nil	10-15	Nil	Nil	10	6	70-75	85-90
Mr Christopher Pleass Finance & Commercial Director	90-95	90-95	Nil	Nil	Nil	Nil	38	26	130-135	110-115
Ms Dileeni Daniel-Selvaratnam Strategy & Change Director	45-50[3]	Nil	Nil	Nil	Nil	Nil	13	Nil	50-55	Nil

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 value of pension benefits accrued during the year is calculated by My CSP for each individual. The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.
2. Mrs Rachel Etebar – full year equivalent salary is £95k-£100k; left in May 2015
3. Mrs Dileeni Daniel-Selvaratnam – full year equivalent salary is £85k-£90k; joined in September 2015
4. Dr Richard Judge left in 2014 and hence received no salary during 2015-16
5. Mrs Anne Willcocks, CBE salary band reflects her part-time pay. The full year equivalent is £90k - £95k
6. Mrs Anne Willcocks, CBE salary band reflects her part-time pay. The full year equivalent is £90k - £95k

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.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2015-16 relate to performance in 2015-16 and the comparative bonuses reported for 2014-15 relate to the performance in 2014-15.

Pay multiples

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 2015-16 was £100-£105,000 (2014-15: £130-135,000). This was 4.1 times (2014-15: 5.5) the median remuneration of the workforce, which was £24,500 (2014-15: £24,064).

In 2015-16, no employee received remuneration in excess of the highest-paid director, and this was also the case in 2014-15. Remuneration ranged from £13,500 - £14,000 banding to £100-105,000 banding (2014-15: £14,500-£15,000 banding to £130-135,000 banding).

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Remuneration of Insolvency Service Board Members (audited)

The Insolvency Service Board comprises 11 members although there have been movements throughout the year where members have joined and left the Insolvency Service Board and/or the Insolvency Service. One former board member was a civil servant (the People & Capability Director). This board member has since left so the role is no longer listed below.

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

- Agency Chief Executive
- Operations Director & Deputy Chief Executive
- External Affairs Director
- Finance & Commercial Director
- Strategy & Change Director

Their remuneration is borne by the Insolvency Service and disclosed above (as well as those members who have been in post during 2015-16 but left by the year-end, and those members in post during 2014-15 who have subsequently left).

6 of the remaining roles are non-executive directors, all of whom receive remuneration from the Insolvency Service. The costs of the other former civil servant members were borne by BIS) and they did not receive any additional amount for board duties from the Insolvency Service.

Non-executive Board Members	Salary 2015-16	Salary 2014-15
Mr David Ereira (Chair from 01/09/2012)	10-15	10-15
Mr Derek Morrison (left on 31/07/2014)	Nil	0-5
Mr Pat Boydon (left on 31/12/2014)	Nil	5-10
Dame Elizabeth Neville (from 01/04/213)	10-15	10-15
Alan Graham (MBE) (from 01/09/2014)	10-15	5-10
Tracey Bleakley (from 01/09/2014)	10-15	5-10
Mr Richard Carter (left 31/12/2015)	N/A	N/A
Ms Rachel James (left 08/09/2015)	N/A	N/A
Mr Stephen Allinson (from 01/06/2015)	10-15	Nil
Mr Henry Lloyd (from 08/09/2015)	N/A	N/A

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

Civil Service Pensions

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha.

Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his/her pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate in 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement). The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Cash Equivalent Transfer Values

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

benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

Pension benefits (audited)

Officials	Accrued pension at pension age as at 31/3/16 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/16 £'000	CETV at 31/3/15 £'000	Real increase in CETV £'000
Dr Richard Judge Inspector General and Chief Executive	Nil plus lump sum of Nil	Nil plus lump sum of Nil	Nil	890	Nil
Sarah Albon Chief Executive (from 2nd February 2015)	30-35 plus lump sum of 95-100	5.0-7.5 plus lump sum of 7.5-10	598	476	73
Mr Graham Horne Operations Director and Deputy Chief Executive	55-60 plus lump sum of 100-105	0-2.5 plus lump sum of 0-2.5	1,265	1,142	43
Mrs Rachael Etebar People and Capability Director (29 April 2013 - 13 May 2015)	15-20 plus lump sum of Nil	0-2.5 plus lump sum of Nil	204	194	3
Ms Anne Willcocks CBE External Affairs Director	40-45 plus lump sum of 120-125	0-2.5 plus lump sum of 0-2.5	913	871	9

Officials	Accrued pension at pension age as at 31/3/16 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/16 £'000	CETV at 31/3/15 £'000	Real increase in CETV £'000
Mr Christopher Pleass Finance and Commercial Director (from 13 January 2014)	15-20 plus lump sum of Nil	0-2.5 plus lump sum of Nil	233	191	18
Ms Dileeni Daniel-Selvaratnam Strategy & Change Director (from 1 September 2015)	10-15 plus lump sum of Nil	0-2.5 plus lump sum of Nil	172	152	4

Compensation for loss of office

There was no compensation for loss of office in 2015-16, the same as the prior year 2014-15.
Staff Report

The audited staff costs analysis can be found in Note 3 to the Accounts.

Staff composition

Gender	Employees		SCS		All Staff	
	No	%	No	%	No	%
Female	828	56.36%	6	66.67%	834	56.43%
Male	641	43.64%	3	33.33%	644	43.57%
Total	**1,469**		**9**		**1,478**	

Sickness absence data

During the year, the number of average annual working days lost per employee was 7.7 days (2014-15: 7.9 days).

Staff policies applied during the year

The Insolvency Service is committed to employing disabled people and we have been awarded the "two-ticks" symbol as part of the Positive about Disabled People Scheme. Where an applicant has indicated they have a disability and have demonstrated the minimum essential criteria for the post, they will be guaranteed to progress to the next stage of the selection process. To reduce potential bias:

- a competency-based recruitment approach is used to ensure that the applicant is being assessed for skills, knowledge etc directly related to the job role
- when short listing applications, all application forms are anonymised
- it is expected that all selection panel members should have an understanding of
- competency-based recruitment and at least one member who has completed the recruitment and selection and unconscious bias training

Additionally, all disabled applicants may request reasonable adjustments at any stage of the recruit process.

We ensure we support our disabled employees and workers, including those who have recently become disabled by:

- ensuring all our employees are aware of and apply our Diversity and Equality and Dignity at work policies; the key provisions of which are to ensure that there is equality of opportunity for all and no discrimination against people on the grounds of any protected characteristics (race, ethnic origin, gender, marital status, religion or belief, age, disability, sexual orientation, working pattern, gender reassignment, pregnancy or maternity). so that colleagues can achieve their full potential and need not fear unfair treatment, bullying or harassment People who do not adhere to these policies may be subject to disciplinary action
- providing reasonable adjustments when required and ensuring managers are equipped to support disabled employees with specific guidance on this topic
- ensuring access to training materials, learning events and career development opportunities for disabled employees through accessible versions of materials or by making reasonable adjustments
- by using the recruitment processes shown above when considering applications from disabled employees for promotion

Off-payroll engagements

The cost of off-payroll engagements for 2015-16 was £4.250m (2014-15: £4.676m), relating to an average number of staff of 146 (2014-15: 134). Of these, 33 (2014-15: 3) were paid more than £220 per day and their contract lasted longer than 6 months but less than a year; and one person (2014-15: 9 persons) was paid more than £220 per day with a contract lasting more than one year but less than two years. No contracts lasted for longer than 2 years (2014-15: 1 person).

Staff Exit packages (audited)

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	-	4 (9)	4 (9)
10,001 - 25,000	7 (1)	36 (82)	43 (83)
25,001 - 50,000	-	36 (46)	36 (46)
50,001 - 100,000	-	33 (27)	33 (27)
100,001 - 150,000	-	0 (2)	0 (2)
150,001 - 200,000	-	0 (1)	0 (1)
Total number of exit packages	7 (1)	109 (167)	116 (168)
Total Resource cost / £'000s	148 (23)	4,232 (5,285)	4,380 (5,308)

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.

There was a voluntary exit scheme during 2015-16, with 109 staff (2014-15: 167) departures agreed prior to 31st March 2016. At the year-end, not all staff had left but all departures had been formally agreed and the costs have been accrued for during 2015-16 and the full cost of this was recognised in the SoCNE. There was no voluntary redundancy scheme during 2015-16; during 2014-15 163 employees departed under a voluntary redundancy scheme totalling £5,227k. There were no other departures during the year (2014-15: 4 departures costing £58k).
There were 7 compulsory redundancies agreed as at 31st March 2016 (although staff had not yet departed) the full cost of £148k has been accrued and recognised in the SoCNE (2014-15: 1 compulsory redundancy costing £23k).

Pension scheme details

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Insolvency Service is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).
For 2015-16, employers' contributions of £9,379k were payable to the PCSPS (2014-15: £8,967k) at one of four rates in the range 16.7 to 24.3 per cent (2014-15: 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 2015-16 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 £45k (2014-15: £38k) were paid to the three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% (2014-15: 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £2,568 (2014-15: £2,585) 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.

No employees retired early on ill-health grounds (2014-15: 0 persons) creating no additional pension liability.

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

Number	2015-16	2014-15
Directly Employed	1,430	1,566
Other	146	121
Total	1,576	1,687

Costs of £1,380k (2014-15: £1,509k) have been capitalised for a total of 30 members of staff (2014-15:14) working on capital projects (not FTE). These costs were for the Online Debt Solutions project and Business Intelligence.

Sarah Albon
Chief Executive
30 June 2016

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of The Insolvency Service for the year ended 31 March 2016 under the Government Resources and Accounts Act 2000. The financial statements comprise: Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows, Statement of 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 and Staff Report that is described in that report as having been audited.

Respective responsibilities of the Board, Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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. 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 2016 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder

Opinion on other matters

In my opinion:

- the part of the Remuneration and Staff Report and Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements

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 and Staff 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 CE Morse
Comptroller and Auditor General
7 July 2016

Financial Statements

Statement of comprehensive net expenditure

For the period ended 31 March 2016

			2015-16 £'000	2014-15 £'000
	Note			
Income from fees recoverable	6		(67,677)	(66,943)
Other operating income	6		(8,276)	(9,374)
Total operating income:			**(75,953)**	**(76,318)**
Staff costs	3		67,559	70,023
Purchase of goods and services	4, 5		7,844	10,610
Depreciation and impairment charges	4, 5		3,875	3,364
Provision expense	5		(5,112)	(13,117)
Other operating expenditure	4, 5		26,156	28,561
Total operating expenditure:			**100,322**	**99,441**
Net operating expenditure:			**24,369**	**23,123**
Finance Income/Expenditure	4,5		187	172
Net Expenditure for the year:			**100,509**	**99,613**
Comprehensive Net Expenditure for the year:			**24,556**	**24,556**

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

Statement of financial position

As at 31 March 2016

	Note	2015-16 £'000	2014-15 £'000
Non-current assets:			
Property, plant and equipment	8	5,572	7,179
Intangible assets	9	4,720	5,194
Financial assets	11	7,597	7,382
Total non-current assets		**17,889**	**19,755**
Current assets:			
Trade receivables and other assets	11	5,494	4,191
Financial assets	11	15,817	18,661
Cash and cash equivalents	12	67,219	77,583
Total current assets		**88,530**	**100,435**
Total assets		**106,419**	**120,190**
Current liabilities			
Trade and other payables	13	(40,801)	(61,340)
Provisions	14	(1,459)	(1,149)
Total current liabilities		**(42,260)**	**(62,488)**
Non-current assets less net current liabilities		**64,159**	**57,702**
Non-current liabilities:			
Trade and other payables	13	(608)	(891)
Provisions	14	(2,311)	(2,908)
Total non-current liabilities		**(2,919)**	**(3,799)**
Assets less liabilities		**61,239**	**53,903**
Taxpayers' equity:			
General fund		61,239	53,903
Total taxpayers' equity		**61,239**	**53,903**

Sarah Albon
Chief Executive
30 June 2016

The notes on pages 75 to 102 form part of these Accounts

Statement of cash flows
For the period ended 31 March 2016

	Note		2015-16 £'000	2014-15 £'000
	Note			
Cash flows from operating activities				
Net operating cost	SoCNE		(24,556)	(23,295)
Adjustments for non-cash transactions				
Depreciation and amortisation charge	8,9		3,875	3,364
Audit fee	4		91	70
Loss on disposal	8		-	105
Movement in provisions	14		(287)	(1,011)
Decrease in trade receivables	11		1,326	4,153
(Decrease) / increase in trade payables	13		(20,821)	6,442
Net cash outflow from operating activities			**(40,372)**	**(10,171)**
Cash flows from investing activities				
Purchase of property, plant and equipment	8		(178)	(3,175)
Purchase of intangible assets	9		(1,616)	(1,494)
Net cash outflow from investing activities			**(1,794)**	**(4,669)**
Cash flows from financing activities				
BIS financing			35,111	49,304
VAT recovered by BIS			(2,419)	(3,531)
Capital element of payments in respect of finance leases and service concession arrangements			(890)	(1,101)
Net financing			**31,802**	**44,672**
Net (Decrease) / increase in cash and cash equivalents in the period			**(10,364)**	**29,832**
Cash and cash equivalents at the beginning of the period	**12**		**77,583**	**47,751**
Cash and cash equivalents at the end of the period	**12**		**67,219**	**77,583**

Statement of changes in taxpayers' equity

For the period ended 31 March 2016

			General fund £'000	Total reserves £'000
Balance as at 31 March 2014			32,456	32,456
	Note			
Comprehensive expenditure for the year 2014-15				
Non-cash charges - auditor's remuneration	4		70	70
Net operating cost for the year	SoCNE		(23,295)	(23,295)
BIS financing			49,304	49,304
Capital element of payments in respect of finance leases and service concession arrangements			(1,101)	(1,101)
VAT recovered by BIS			(3,531)	(3,531)
Balance at 31 March 2015			**53,902**	**53,902**
Comprehensive expenditure for the year 2015-16				
Non-cash charges - auditor's remuneration	4		91	91
Net operating cost for the year	SoCNE		(24,556)	(24,556)
BIS financing			35,111	35,111
Capital element of payments in respect of finance leases and service concession arrangements			(890)	(890)
VAT recovered by BIS			(2,419)	(2,419)
Balance at 31 March 2016			**61,240**	**61,240**

Notes to the Agency's accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2015-16 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Insolvency Service (the agency) for the purpose of giving a true and fair view has been selected. The particular policies adopted by the agency and relevant to this year's accounts are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

As per IAS1, these accounts have been prepared on a going concern basis.

1(a) Accounting pronouncements

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

(i) the accounting standards i.e. International Accounting Statements (IAS) and International Financial Reporting Standards (IFRS); and

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

1(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 Insolvency Service and is annexed to the agency's framework document. Since 1 April 2004 the agency has operated under a net funding regime agreed by HM Treasury.

The Insolvency Service aims to recover the full cost of its activities either from fees and charges from users of the agency, from HM Revenue & Customs in respect of the administration of the redundancy payment scheme (RPS) or from direct funding from 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).

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 2015-16. The agency has developed a detailed profile of administrative costs (including overhead cost and the basis of its apportionment) which forms the basis for budgeting, monitoring, control and reporting of such costs. Methodologies used for the apportionment of costs are recorded to provide a robust audit trail.

1(d) Management judgements and estimation uncertainties

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

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

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

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

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

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

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

1(f) Depreciation

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

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

(ii) have a limited useful life; and

(iii) are held by the agency for 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 agency as a result of events in the past; and

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

Software 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.

1(i) Provisions

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

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 agency recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the agency recognises the contributions payable for the year.

1(k) Early departure costs

The Insolvency Service, operating as part of the 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 agency may, in certain circumstances, settle some or all of its liability in advance by making a payment to the Paymaster General's account at the Bank of England for the credit of the Civil Service Superannuation Vote. The amount provided is shown net of any such payments.

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

1(l) Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, the agency discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Managing Public Money.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1(m) Operating income

Operating income is income which relates directly to the operating activities of the agency. It principally comprises statutory fees recovered and recoverable from the estates of bankrupts and companies in liquidation (insolvent estates) during the year, in relation to both case administration and estate accounting activities. It also comprises fees for the administration of debt relief orders; fees generated from insolvency practitioner regulation activities; amounts recovered in respect of costs awarded by the court in directors' disqualification proceedings; property rental income and other miscellaneous income. Amounts received by the agency under a service level agreement with HM Revenue & Customs for the administration of the Redundancy Payments Scheme are also treated as operating income. Operating income does not include funding received from 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 2.2%.

The agency sets its case administration fees in accordance with the principles of Managing Public Money whereby fees were set in order to recover full costs including the cost of capital. However, fees have not been set in order to recover the costs of discounting receivables to fair value, because taking account of one year with the next, the discounting costs will eventually unwind. The agency therefore adheres to the principle that fees are not set to recover more than 100% of costs. 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 agency's accounts when it is earned rather than when it is initially recognised. Income in respect of costs awarded in directors' disqualification proceedings is recognised when:
i) an order for costs (either interim or final) with a determined value has been made; or
ii) where the court orders the costs "to be agreed or assessed" the value of the debt will be recognised when there is an agreement in writing or a default costs order is made following assessment by the court.

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 IAS 18 Revenue Recognition, in that it is matched to the costs incurred in the relevant accounting period. Income is recognised to the extent that the official receiver has performed the case administration functions. The value of the services provided is calculated using the agency's costing and time recording systems. Costs to complete the case administration functions can be estimated reliably.

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

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

1(q) Non-cash charges

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

(i) audit fee (Note 4).

1(r) Financial 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 agency has become a party to the contractual provisions of the instruments.

1(s) Financial assets - IAS 32

As per IAS 32 Financial Instruments, the agency has classified its case administration receivables, estate account receivables, and receivables for disqualification costs as financial assets. Case administration receivables are stated at the amount earned and carried at expected realisable values. Bad debts are written-off when it is established that they are irrecoverable. All receivables are reviewed as at the reporting period date. Receivables are discounted to reflect the time value of money. The discount rate used is 2.2% which is recommended by HM Treasury to be used for financial assets.

1(t) 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 agency.

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

1(u) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

1(v) Accounting for over-recovery income

The scope of IAS 18 states that this standard (IAS 18) shall be applied in accounting for revenue arising from the following transactions and events:
i) The sale of goods
ii) The rendering of services
iii) The use by others of entity assets yielding interest, royalties and dividends (IAS paragraph 1).

For the rendering of services to be within the scope of IAS 18, there must be:
i) performance by the entity (the Insolvency Service) of a contractually agreed task,
ii) performance of such an agreed task over a period of time.

In the Insolvency Service's view, no additional performance is performed by the agency to receive the Secretary of State (SoS) fee (see Note 11) and so the SoS fee is a non-exchange transaction for the agency. In essence the SoS fee is akin to a tax or levy on asset rich estates as it applies to all assets subject to insolvency proceedings regardless of whether the case is administered directly by the agency or on behalf of the agency by an Insolvency Practitioner. The SoS fee breaks the link with the initial customer, in that the fee paid by the asset rich estate would go towards paying for the services provided to estates that have insufficient assets to pay the full OR fee. This is the cross subsidy mechanism of the SoS fee.

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

2 Significant areas of judgement

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

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

2(a) Case administration revenue recognition

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

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.

In 2015-16 the agency updated the income recognition model based on casework profiles extracted from the time recording system from cases worked on from 2013 to 2015

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 employee.
(ii) reviewing the time-recording data.
(iii) communicating and confirming assumptions with senior managers, official receivers and their employees.

2(b) Case administration receivables

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

The measurement of case administration receivables requires analysis of past trends of recoveries and a review of asset levels in insolvency cases. Asset values can be affected by economic factors e.g. property prices. Employment rates can affect the ability of bankrupts to make a financial contribution to the estate. Economic factors can determine the proportion of cases that have assets and will impact on the recoverability of fees. 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 Employee costs

	2015-16			2014-15		
	Permanently employed £'000	Others £'000	Total £'000	Permanently employed £'000	Others £'000	Total £'000
Wages and salaries	46,002	4,234	50,236	47,728	4,676	52,403
Social security costs	3,819	-	3,819	3,715	-	3,715
Other pension costs	9,378	-	9,378	9,005	-	9,005
Voluntary exit scheme - compensation payments	4,380	-	4,380	5,114	-	5,114
Sub Total	**63,579**	**4,234**	**65,320**	**67,813**	**4,676**	**70,238**
Less recoveries in respect of outward secondments	(254)	-	(253)	(254)	-	(215)
Total net costs	**63,325**	**4,234**	**67,559**	**65,347**	**4,676**	**70,023**

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

4 Other administrative costs

	2015-16 £'000	2014-15 £'000
IT infrastructure expenses	855	1,456
Accommodation	628	670
Operating leases - accommodation	664	620
Operating leases - computers	341	699
BIS overhead including provision of shared services	70	35
Other costs	406	239
General administrative expenses	409	389
Finance costs	15	9
Travel and subsistence	303	246
Operating leases - office machinery	10	31
Non-cash items:		
Depreciation	616	424
Amortisation	721	605
Audit Fee	91	70
Total	**5,129**	**5,493**

5 Programme costs

	2015-16 £'000	2014-15 £'000
Legal and other costs of investigation and enforcement	13,025	10,203
Operating leases - accommodation	4,785	4,824
Accommodation	3,680	4,867
IT infrastructure expenses	2,382	3,600
Operating leases - computers	1,449	3,402
General administrative expenses	1,580	2,128
Finance costs	172	163
Dilapidations and lease surrender costs	168	416
Property works	141	765
Other costs	1,739	1,854
Disbursements funded from case administration fees	(928)	594
BIS overhead including provision of shared services	895	794
Travel and subsistence	1,216	1,253
Operating leases - office machinery	91	174
Non-cash items:		
Write offs bad debt for investigation and enforcement	642	608
Write offs bad debt for banking fees	364	370
Write offs for case administration fees	(6,040)	(15,152)
Bad debt provision for investigation and enforcement	134	1,265
Provision for lease dilapidations	(19)	(166)
Provision for fruitless payments	(16)	11
Provision for onerous leases	(75)	(140)
Other provisions including adverse costs for disqualification proceedings	64	173
Unwinding of discount for provisions	(32)	(85)
Depreciation	1,169	962
Amortisation	1,369	1,373
Loss on disposal	-	105
Case admin - unwind discounting of receivables for fees	(134)	(264)
Total	**27,821**	**24,097**

6 Income

	2015-16 £'000	2014-15 £'000
Redundancy payments administration	7,852	8,265
HMRC income for ReCalc project	424	1,109
Insolvency case administration	58,436	57,934
Case administration income accrued from deferred income	256	106
Discounting costs	10	(110)
Estates accounts	1,990	2,099
Regulation of insolvency practitioners	1,280	1,457
Debt relief order administration	2,229	2,380
Investigation and enforcement	2,306	2,576
Rental income	1,109	490
Miscellaneous income	61	11
Total income	75,953	76,317

The case administration income £58.436m (£57.934m for 2014-15) is recognised on an effort exerted basis using historic time recording data.

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

Case administration income accrued from deferred income of £256k (2014-15: £106k), has been transferred from deferred income in accordance with the agency's deferred income accounting policy (Note 1(n) and Note 13).

Case administration income has been increased in 2015-16 by £10k (2014-15: decreased by £110k) to ensure the income is stated at its fair value, in accordance with the agency's financial instruments accounting policy (Notes 1(r) and 1(s)).

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 agency 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 agency is produced for fees and charges purposes (see Note 1(m) for the policy on fees and charges) and constitutes segmental reporting under International Financial Reporting Standard 8, Operating Segments. Costs and income are reported to senior management on a monthly basis; therefore the year-end figures are reported below. The Statement of Financial Position is not reported to senior management so not included below.

Administration costs	Income		Cost of service		Surplus/(deficit)	
	2015-16 £'000	2014-15 £'000	2015-16 £'000	2014-15 £'000	2015-16 £'000	2014-15 £'000
Activities funded from BIS financing						
Policy advice and development	-	-	1,512	1,521	(1,512)	(1,521)
Investigation and enforcement	-	-	2,897	2,014	(2,897)	(2,014)
Activities funded by HMRC						
Redundancy payments administration	7,852	8,265	6,188	7,860	1,664	405
ReCalc project	424	1,109	424	1,109	-	-
Total administration costs	**8,276**	**9,374**	**11,021**	**12,504**	**(2,745)**	**(3,130)**

Programme costs	Income		Cost of service		Surplus/(deficit)	
	2015-16 £'000	2014-15 £'000	2015-16 £'000	2014-15 £'000	2015-16 £'000	2014-15 £'000
Activities funded from fees						
Insolvency case administration	58,762	57,930	43,221	41,240	15,541	16,690
Estate accounts	1,990	2,099	1,333	1,877	657	221
Regulation of insolvency practitioners	1,280	1,468	1,499	1,741	(219)	(273)
Debt Relief Order administration	2,229	2,380	1,814	2,209	415	171
Other	1,109	490	1,109	490	-	-
Total fee funded programme	**65,370**	**64,367**	**48,974**	**47,557**	**16,779**	**16,809**

Activities funded from BIS financing						
Investigation and enforcement	2,306	2,576	36,129	36,286	(33,823)	(33,710)
Projects	-	-	4,385	3,266	(4,385)	(3,266)
Total BIS funded programme	**2,306**	**2,576**	**40,514**	**39,552**	**(38,208)**	**(36,976)**
Total programme costs	**67,677**	**66,943**	**89,488**	**87,109**	**(21,812)**	**(20,167)**
Total of all activities	**75,952**	**76,317**	**100,509**	**99,613**	**(24,557)**	**(23,297)**

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

The costs of £42.836m (2014-15: £41.240m) in relation to insolvency case administration includes bad debt write-back of £6.040m (2014-15: write-back of £15.152m) 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 £3,343 (2014-15: £2,950). An average amount of £1,350 was paid during the year for RP2 (2014-15: £1,278).

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

2015-16	Information Technology £'000	Plant & Machinery £'000	Assets Under Construction £'000	Total £'000
Cost or valuation				
At 1 April 2015	7,773	759	1,454	9,986
Additions	178	-	-	178
Disposals	(704)	(419)	-	(1,123)
Reclassifications	926	-	(926)	-
At 31 March 2016	**8,173**	**340**	**528**	**9,041**
Depreciation				
At 1 April 2015	2,274	533	-	2,807
Charged in year	1,694	91	-	1,785
Disposals	(704)	(419)	-	(1,123)
At 31 March 2016	**3,264**	**205**	**-**	**3,469**
Carrying value at 31 March 2016	**4,909**	**135**	**528**	**5,572**
Asset financing:				
Owned	2,407	135	-	2,542
Service concession arrangement (Note 15)	2,502	-	528	3,030
Carrying value at 31 March 2016	**4,909**	**135**	**528**	**5,572**

2014-15	Information Technology £'000	Plant & Machinery £'000	Assets Under Construction £'000	Total £'000
Cost or valuation				
At 1 April 2014	21,076	635	394	22,105
Additions	2,115	-	1,060	3,175
Disposals	(14,889)	(405)	-	(15,294)
Reclassifications	(529)	529	-	-
At 31 March 2015	**7,773**	**759**	**1,454**	**9,986**
Depreciation				
At 1 April 2014	16,435	193	-	16,628
Charged in year	1,230	156	-	1,386
Disposals	(15,391)	184	-	(15,207)
At 31 March 2015	**2,274**	**533**	**-**	**2,807**

Carrying value at 31 March 2015	**5,499**	**226**	**1,454**	**7,179**
Asset financing:				
Owned	1,841	226	-	2,067
Service concession arrangement (Note 16)	3,658	-	1,454	5,112
Carrying value at 31 March 2015	**5,499**	**226**	**1,454**	**7,179**

9 Intangible assets

2015-16	Software Licences £'000	Internally Developed System £'000	Assets Under Construction £'000	Total £'000
Cost or valuation				
At 1 April 2015	2,100	10,733	1,921	14,754
Additions	-	-	1,616	1,616
Disposals	(1,809)	-	-	(1,809)
Reclassifications	-	1,766	(1,766)	-
At 31 March 2016	**291**	**12,499**	**1,771**	**14,561**
Amortisation				
At 1 April 2015	1,949	7,611	-	9,560
Charged in year	51	2,039	-	2,090
Disposals	(1,809)	-	-	(1,809)
At 31 March 2016	191	9,650	-	9,841
Carrying value at 31 March 2016	**100**	**2,849**	**1,771**	**4,720**
Asset financing:				
Owned	100	2,849	1,771	4,720
Finance leased	-	-	-	-
Carrying value at 31 March 2016	**100**	**2,849**	**1,771**	**4,720**

2014-15	Software Licences £'000	Internally Developed System £'000	Assets Under Construction £'000	Total £'000
Cost or valuation				
At 1 April 2014	2,194	10,638	522	13,354
Additions	-	-	1,494	1,494
Disposals	(94)	-	-	(94)
Reclassifications	-	95	(95)	-
At 31 March 2015	**2,100**	**10,733**	**1,921**	**14,754**
Amortisation				
At 1 April 2014	1,959	5,698	-	7,657
Charged in year	65	1,913	-	1,978
Disposals	(75)	-	-	(75)
At 31 March 2015	**1,949**	**7,611**	**-**	**9,560**
Carrying value at 31 March 2015	**151**	**3,122**	**1,921**	**5,194**
Asset financing:				
Owned	151	3,122	1,921	5,194
Finance leased	-	-	-	-
Carrying value at 31 March 2015	**151**	**3,122**	**1,921**	**5,194**

10 Financial instruments

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

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Insolvency Service discounts its financial assets at the rate determined by HM Treasury for financial assets, currently 2.2%.

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

11 Trade receivables, financial and other assets

	2015-16 £'000	2014-15 £'000
Amounts falling due within one year:		
Financial assets		
Receivables for fees - case administration	13,434	16,562
Receivables for disqualification costs	1,562	1,265
Receivables for fees - estate accounts	821	834
Trade receivables and other assets		
Prepayments	2,128	1,304
VAT receivables	604	681
Other receivables	2,510	1,880
Employee receivables	252	326
Total	**21,311**	**22,852**
Amounts falling due after more than one year:		
Financial assets		
Receivables for fees - case administration	5,817	5,513
Receivables for disqualification costs	1,513	1,737
Employee receivables	267	132
Total	**7,597**	**7,382**
Total receivables	**28,908**	**30,234**

The receivables for estate accounts fees have been reduced by a bad debt write-off of £364k (2014-15: £370k).

Included within the above figures are receivables for fees - case administration. The balance of £13.434m for amounts expected to be recovered within one year (2014-15 £16.562m) and £5.817m for amounts expected to be recovered in more than one year (2014-15: £5.513m). This figure represents sums recoverable by the agency for case administration work undertaken, but not yet received.

As explained in Notes 2(a) and 6, the agency, in accordance with IAS 18, does not recognise income on the basis of actual fee recoveries. Income is based on the average cost of work undertaken and recognised over a period of 36 months in relation to the work effort expended, regardless of when cash receipts are banked.

The costs of administering bankruptcy or companies winding up are reflected in a case fee. This fee is currently fixed at £1,990 for bankruptcies and £2,520 for companies winding-up. In practice, the agency 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 agency 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 agency;
- 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 agency. For example, debtor petition cases have typically low asset values making it more difficult to recover the fee charged.

The agency 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 agency's Challenge Group (internal and external stakeholders with experience and knowledge of the business and specialists from the modelling community) agreed that the continued use of the above principles was the most appropriate approach.

Assumptions and 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 agency 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 agency must use a combination of historical trends, statistical forecasts and known intelligence on future asset realisation trends.

Whilst the agency 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 2016-17 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 ma be impacted by the increase in UK average house prices (notably 1% to March 2016).

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 £297k
- increase in degradation rate of 5% results in an increased write-back of £742k
- increase in degradation rate of 10% results in an increased write-back of £1,483k (decreasing the degradation rate by the same percentages yeilds the same changes but resultes in a write-off instead of a write-back).

Receivable figures for all case years are expected to be £19.405m (2014-15: £22.075m) (undiscounted). Strong asset realisations driven by the work of the official receivers resulted in fee recoveries in 2015-16 being higher than expected. The strong fee recoveries were due mainly to receipts related to Payment Protection Insurance (PPI) claims 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 £6.04m (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 agency now expects to fully recover all case administration fees relating to case years 2010-11 onwards. As per last year, bad debt write-off remains at 0%.

12 Cash and cash equivalents

	2015-16 £'000	2014-15 £'000
Balance at 1 April	77,583	47,751
Net change in cash and cash equivalent balances	(10,364)	29,832
Balance at 31 March	**67,219**	**77,583**
The following balances at 31 March were held at:		
Government banking service (ISA account)	40,143	34,014
Government banking service	27,076	43,570
Balance at 31 March	**67,219**	**77,583**

13 Trade payables and other current liabilities

	2015-16 £'000	2014-15 £'000
Amounts falling due within one year:		
Payables	5,728	31,570
Accruals	19,809	16,701
Due to the Consolidated Fund	11,944	9,610
Deferred fee income	1,269	1,209
Service concession arrangement	283	277
Accrued employee benefits	1,768	1,973
Total	**40,801**	**61,340**
Amounts falling due after one year:		
Service concession arrangement	608	891
Total	**608**	**891**

Accruals made in 2015-16 for expenditure relating to the year but not yet paid total £19.8m. Notable items included £7m for commitments to pay staff exit costs (for schemes formally accepted by staff during 2014-15 and 2015-16); as well as £4m due to HMRC for unpaid VAT (due to be paid in respect of 2015-16). There was also £5.4m in relation to rental payments due for properties the agency occupies but which hadn't been invoiced for as at 31st March 2016.

Payments due to the Consolidated Fund for 2015-16 were £11.944m (2014-15: £9.610m). This was due to over-recovery income recognised in the year (detail in Notes 1(v) and receivable shown in Note 11).

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

Capital commitments due under service concession arrangements were zero (2014-15: £362k).

Deferred income

Deferred income as at 31 March 2016 was £1,231k (2014-15: £1,209k) of which £676k (2014-15: £687k) related to insolvency practitioner regulation fees. The remaining £555k (2014-15: £521k) 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 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.

£256k (2014-15: £106k) of deferred income was recognised as income in 2015-16 (Note 6).

	2015-16 £'000	2014-15 £'000
At 1 April	521	480
Additions in year:		
(a) Fees recovered	334	160
Utilised in year:		
(a) Before 1 April 2004 costs	(300)	(119)
(b) Deficits	-	-
At 31 March 2015	555	521

14 Provisions for liabilities and charges

2015-16	Fruitless payments £'000	Pre 1996 Debit balance write offs £'000	Lease dilapidations £'000	Onerous leases £'000	Other £'000	Total £'000
Balance at 1 April 2015	135	133	3,414	313	62	4,057
Provided in the year	-	-	236	-	82	318
Provisions utilised in the year	(24)	-	-	(178)	(7)	(209)
Provisions not required written back	(15)	(17)	(255)	(75)	(2)	(364)
Borrowing costs (unwinding of discount)	-	-	(32)	-	-	(32)
Balance at 31 March 2016	96	116	3,363	60	135	3,770

Analysis of expected timing of discounted flows

	Fruitless payments £'000	Pre 1996 Debit balance write offs £'000	Lease dilapidations £'000	Onerous leases £'000	Other £'000	Total £'000
Not later than one year	96	19	1,149	60	135	1,459
Later than one year and not later than five years	-	77	2,214	-	-	2,291
Later than five years	-	20	-	-	-	19
Balance at 31 March 2016	96	116	3,363	60	135	3,770

2014-15	Fruitless payments £'000	Pre 1996 Debit balance write offs £'000	Lease dilapidations £'000	Onerous leases £'000	Other £'000	Total £'000
Balance at 1 April 2014	139	138	3,665	592	534	5,068
Provided in the year	26	-	89	159	37	311
Provisions utilised in the year	(15)	-	-	(139)	(350)	(504)
Provisions not required written back	(15)	(5)	(255)	(299)	(159)	(733)
Borrowing costs (unwinding of discount)	-	-	(85)	-	-	(85)
Balance at 31 March 2015	**135**	**133**	**3,414**	**313**	**62**	**4,057**

Analysis of expected timing of discounted flows

	Fruitless payments £'000	Pre 1996 Debit balance write offs £'000	Lease dilapidations £'000	Onerous leases £'000	Other £'000	Total £'000
Not later than one year	135	22	684	246	62	1,149
Later than one year and not later than five years	-	89	2,597	67	-	2,752
Later than five years	-	23	133	-	-	156
Balance at 31 March 2015	**135**	**133**	**3,414**	**313**	**62**	**4,057**

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 2 cases (2014-15: 4 cases) totalling £96k (2014-15: £135k).

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 2016 the balance of the DBWO on cases which have not yet been completed has reduced to £116k (2014-15: £133k) as £17k (2014-15: £5k) 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 agency operates from a number of locations in England, Wales and Scotland. Since 2010 the demand for official receiver services has fallen sharply.

The implementation of the estates strategy to reduce the number of locations across England and Wales (reflecting the continuing fall in case numbers) was substantially carried out during 2012-13 and 2013-14. The provision for dilapidations represents the estimated settlement cost of this obligation. The agency holds provisions for dilapidations for 24 locations, and has adjusted 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 £236k (2014-15: £89k). The provision is discounted using the general provision discount rates set by HM Treasury. The value of the provision as at 31 March 2016 is £3,363k (31 March 2015: £3,414k). The undiscounted liability for the agency as at 31 March 2016 is £3,276k (31 March 2015: £3,241k).

During the year, no dilapidation provisions were utilised (2014-15: £0); however provisions not required written-back were £255k (2014-15: £255k).

Onerous leases

The opening balance of £312k (2014-15: £592k) related to 3 properties where the agency had taken decisions to exit properties before the lease end date. Of this balance, £178k was utilised during the year (2014-15: £139k), and £78k (2014-15: £299k) was written-back as not required. This has left a provision for onerous leases of £60k relating to one of the properties. No new onerous lease provisions (2014-15: £159k) have been provided for during the year.

Other provisions

At the start of the year, other provisions consisted of £61k (2014-15: £534k) for potential adverse cost claims in disqualification proceedings and a potential employment tribunal claim.

During the year, £7k was utilised (2014-15: £350k), and £2k (2014-15: £159k) was written-back as not required. New provisions created totalled £83k (2014-15: £37k).

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

15 Commitments under leases

Operating leases

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

	2015-16 £'000	2014-15 £'000
Obligations under operating leases for the following periods comprise:		
Buildings		
Not later than one year	5,674	5,190
Later than one year and not later than five years	14,922	15,890
Later than five years	-	8,974
Total	**20,596**	**30,054**
There has been a reduction from 2014-15 to 2015-16 which is the result of the strategy to not commit to long-term leases.		
Other		
Not later than one year	-	162
Later than one year and not later than five years	-	162
Total	**-**	**324**

16 Commitments under service concession arrangements

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

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

	2015-16 £'000	2014-15 £'000
Rentals due not later than one year	283	660
Rentals due later than one year and not later than 5 years	608	920
	891	1,580
Less interest element	(29)	(50)
Present value of obligations	862	1,530

Interest on the service concession arrangement charged in the year was £21k (2014-15: £88k).

Charge to the Statement of Comprehensive Net Expenditure and future commitments

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

	2015-16 £'000	2014-15 £'000
Not later than one year	2,154	2,266
Later than one year and not later than 5 years	4,202	6,356
Later than five years		-
Total	**6,356**	**8,622**

17 Contingent liabilities disclosed under IAS 37

The Insolvency Service has the following contingent liabilities:

Banking liabilities

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

18 Losses and special payments

During the year, the Insolvency Service made the following payments. In all cases, the agency sought formal approval for its proposals and actions in regard to these matters from either HM Treasury direct or indirectly through BIS. As per 2014-15, there were no special payments.

Losses statement

Fruitless payments are those losses that relate to acts or omissions in insolvency cases where the loss would otherwise result in the non-recovery of insolvency fees or be suffered by creditors or third parties. During 2015-16, the agency made 69 fruitless payments totalling £678k (2014-15: 99 payments totalling £119k).

The largest of these was a fruitless payment of £606k which arose due to the need to negotiate reverse surrender of a lease on a site the agency exited in 2015.

Of the remaing £70k, there were no cases (2014-15: 2 cases totalling £23k) related to the failure to deal with a bankrupt's interest in a family home, and 25 payments totalling £11k (2014-15: 22 payments totalling £16k) related to the failure to admit a creditors proof of debt in the dividend process. There were 6 cases costing £39k for failure to deal with an asset. The remaining 37 payments were due to compensation following complaints and miscellaneous errors (2014-15: 26 payments).

	2015-16 £'000	2014-15 £'000
Total fruitless payments	676	119
Number of cases	69	99

Claims abandoned

Costs are awarded to the Secretary of State when disqualification orders have been made or undertakings given after proceedings have been issued. Such costs would ordinarily cover legal costs. In some cases it is not possible to collect the debts and the agency has to write off some or all the amounts awarded. During the year the agency wrote off 106 cases totalling £642k (2014-15: 84 cases totalling £608k).

	2015-16 £'000	2014-15 £'000
Total claims abandoned	642	608
Number of cases	106	84

19 Related-party transactions

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

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

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

20 Financial exposure

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

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

Interest rate risk

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

The agency discounts its financial assets at the rate determined by HM Treasury, currently 2.2%. 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 2.2% this is an appropriate method to calculate the level of risk faced.

Liquidity and foreign currency risk.

The agency has exposure to significant liquidity risks due to the timing of the recoveries of the case administration receivables. This risk is managed by the provision of inter-entity cash funding from 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.

21 Third Party Cash

DRO pre-application fees

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

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

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

A person must complete an application form and pay a fee of £90 to be considered for a DRO by the Official Receiver. Under Section 251B (4) of the Insolvency Act 1986,
(4) For the purposes of this part an application is not to be regarded as having been made until

(a) the application has been submitted to the official receiver; and

(b) any fee required in connection with the application by an order under section 415 has been paid to such person as the order may specify.

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

Applicants can pay this fee in instalments (but the application won't be considered until the full £90 is received), and as such, there is a balance of funds held on behalf of these applicants which is not included within these accounts. On a monthly basis, a procedure is followed whereby any funds due to the Insolvency Service for 'accepted' applications is paid into the agency's bank account (and amounts are accrued at year-end). The current value of the accrued funds shown as income within these accounts is £773k (2014-15: £684k). The balance remaining not yet recognised as income (due to timing and applications not yet being complete) is £725k as at 31 March 2016 (£458k as at 31 March 2015).

Redundancy Payments (RP) service bank accounts

As outlined in note 7.2, the Insolvency Service makes payments to people who have been made redundant where their employer is not able to make the redundancy payments themselves. These payments are made from the National Insurance (NI) Fund on behalf of HMRC. The agency holds two bank accounts for the administration of the service. The RP Payments account is held to make payments to claimants. The balance of this account as at 31 March 2016 was £15.433m. A daily request is made to HMRC for funds to cover payments made out of this account. The RP Receipts account is held to receive funds from dividends realised from the estates of insolvent employers where the agency has substituted as a creditor in place of the employee. It also receives repayments made by solvent companies that have received financial assistance to fund redundancies which enable the survival of the business. The balance on this account as at 31 March 2016 was £5.058m. As agreed with HMRC, the receipts held are sent to HMRC on a monthly basis.

22 Events after the reporting period date

The result of the referendum held on 23 June 2016 was in favour of the UK leaving the European Union. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made

The Accounting Officer authorised these financial statements for issue on 30 June 2016

Annex A

Sustainability

The Insolvency Service has achieved all of the Greening Government Commitments (GGCs) as set out in 2011 for completion by 2014/15, and has continued to build on that strong performance throughout 2015/16.

The estate rationalisation programme formed the key part of our overall strategy to reduce running costs and limit our environmental impact. Our physical footprint reduced by around a third between 2013 and 2015. Impacting on our energy use, waste, water, closed loop recycling and travel.

Our staff continued their strong commitment to environmental matters, reducing office waste, increasing the percentage going to recycling, and reducing printing by increasingly adopting electronic practices. Virtual meetings increasingly replaced site meetings reducing the carbon impact from travel.

Going into 2016, The Service is refining its strategy to deploy smarter building systems to reduce energy consumption throughout the estate e.g. integrated building systems, , sensors and timers to control heating, lighting and other building infrastructure services Our FM suppliers continue to meet environmental commitments in the use of their resources and assets.

ICT continues to play a strong part in supporting smarter business and reducing environmental impact, for example we continue to expand virtual team collaboration environments to reduce travel with the removal of location as a barrier for participation. These include extending our ‘e-meeting’ technologies such as enhanced video and telephone conferencing.
New Greening Government targets are expected in summer 2016 for the period 2016-2020.

Greenhouse gas emissions

Emissions for 2015-16 are at 758tCO2e which is a significant overall reduction from baseline, by 67%.

Figure 1 Greenhouse Gas

Table below sets out the Agency’s reporting requirements for greenhouse gas emissions and costs. We continue to reduce emissions year on year.

GREENHOUSE GAS EMISSIONS		2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Non-financial indicators (1,000 tCO2e)	Total gross emissions	2.289	2.165	1.905	1.768	1245	0.758
	Total net emissions						
	Gross emissions Scope 1 (direct)	0.24	0.211	0.185	0.169	146	-
	Gross emissions Scope 2 & 3 (indirect)	2.049	1.954	1.721	1.599	1099	-

Related energy consumption (million kWh)	Electricity: non-renewable	3.774	3.872	3.227	3.079	2.006	1.566
	Gas	0.768	1.130	0.997	0.917	0.711	0.388
	Total Energy Consumption	4.542	5.002	4.224	3.996	2.716	1.954
Financial indicators (£m)	Expenditure on energy	0.361	0.550	0.531	0.571	0.291	-
	Expenditure on official business travel	0.198	0.212	0.234	0.589	-	-

Data not reported is due to Greening Government target period ending in 2014-15. New Greening targets are expected in summer 2016 for the period 2016-2020.

Table 2 – Insolvency waste figures

WASTE			2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Non-financial indicators (tonnes)	Total waste		1176	1200	1184	216	244	48
	Non-hazardous waste	Landfill	577	596	552	109	105	-
		Reused/ recycled	599	604	632	107	139	48

Data not reported is due to Greening Government target period ending in 2014-15. New Greening targets are expected in summer 2016 for the period 2016-2020.

Table 3 – Insolvency water consumption figures

FINITE RESOURCE CONSUMPTION			2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Non-financial indicators ('000m3)	Water consumption (office estate)	Supplied	9.51	15.70	16.61	14.77	11.38	8.68
	Total Consumption					14.77	11.38	8.68
Financial indicators (£k)	Water supply costs (office estate)		£10.49	£15.00	£16.11	£9.44	£9.22	-

Data not reported is due to Greening Government target period ending in 2014-15. New Greening targets are expected in summer 2016 for the period 2016-2020.

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