



The Insolvency
Service

The Insolvency Service
Annual Report and Accounts
2016-17



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The Insolvency Service Annual Report and Accounts 2016-17

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

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Foreword

I am pleased to report that the Insolvency Service has continued to deliver against its published targets across a wide range of activities. Our work has taken place against a backdrop of uncertainty as markets react to events in Europe and further afield.

Closer to home the year has been marked by a higher than expected number of bankruptcy cases, which may in part be attributable to our new online bankruptcy service which is nearing its first full year of operation. Early feedback suggests that we have been successful in our aim of increasing access for those who are urgently in need of a debt solution.



I was also pleased with the positive reaction to our bankruptcy mythbusting campaign. The campaign was firmly aimed at some of those misconceptions about the bankruptcy process which increase the sense of stigma and prevent some from accessing a method of debt release that would otherwise be seen as most suitable for their needs.

Our ability to target and tackle financial wrongdoing has been enhanced this year, as we have welcomed colleagues responsible for criminal enforcement into our business. They have responsibility for bringing prosecutions, and much of their work was already driven by reports and intelligence provided by the Insolvency Service. I believe the move will bring increased efficiency into the process for bringing wrongdoers to justice, as we have responsibility for the investigation and enforcement process from start to finish.

I have also been delighted to see the progress made in getting money to redundancy payment claimants so quickly, with targets of making payments within three weeks exceeded this year. At a time when redundant workers will be feeling most in need, our staff work diligently to provide a much-needed cash payment.

We have numerous other successes to report, including an award for Insolvency Team of the Year for the staff dealing with the SSI insolvency; the publication of the new Insolvency Rules, a project many years in the making; and the first of what is intended to be an annual Insolvency Live event.

We will doubtless face fresh challenges in the year to come, but I am confident we are well placed to meet them.

A handwritten signature in black ink, appearing to read 'Sarah Albon'. The signature is fluid and cursive.

Sarah Albon
Chief Executive

These accounts have been prepared on a going concern basis.

April

New online bankruptcy application service launched
New online Director Conduct Reporting tool launched

June

Our Redundancy Payments team starts processing redundancy claims for BHS employees
Our Investigations and Enforcement services take a stand at the Trading Standards Institute conference

August

Hertfordshire and Lincolnshire landbanking scam wound up following our investigation
Eight restaurant directors banned for attempting to avoid paying fines for employing illegal workers

October

Modernised Insolvency rules published
Received TRI award for our management of the SSI Steel liquidation

December

13-year ban for Basingstoke man who fraudulently sold coloured diamonds at vastly inflated prices
Celebrated our inspiring colleagues who make a difference at our annual GEM awards

February

Maximum 15-year ban for two directors of £1m carbon credit scam
Bankruptcy Mythbusting: guidance on what happens to your vehicle published

May

Published consultation on ways to improve the corporate insolvency framework
Three companies that marketed fake gold mining scam wound up

July

Held our first Insolvency Live event with stakeholders across the insolvency space
Currency and tax fraudster banned for 15 years

September

Launched our new Debt Relief Order service (DRO2)
Harrogate care home directors banned for stealing money from residents

November

Bankruptcy Mythbusting: guidance on what happens after you're made bankrupt published
Bogus Birmingham health supplement company shut down

January

Credit, debt and insolvency specialist Stephen Allinson appointed Chairman of the Insolvency Service Board
Bankruptcy Mythbusting: guidance on what happens to your belongings published

March

Bankruptcy Mythbusting: guidance on what will happen to your job published
Nine-year ban for Swansea director of PPI claims management business for breaching compensation regulations.

Performance Report

Performance Overview

Performance Report

Delivering economic confidence

Supporting Those in Financial Distress

40,945

New insolvency cases received



11,332

Online bankruptcy orders

4,020

Creditor petition bankruptcies

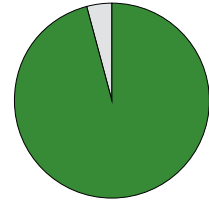
25,593

Debt Relief Orders

63,589

Redundancy payment requests

96% claims actioned within 6 weeks



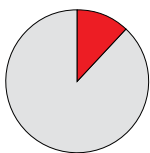
On average it takes 15 calendar days, to action payments.



Tackling Financial Wrongdoing

1,214

Directors disqualified for misconduct



12% disqualified for 10 or more years.

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

480

Bankruptcy restrictions obtained

On average it takes 11 months to obtain a bankruptcy restriction.



152

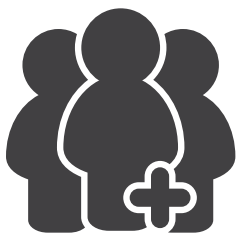
Investment and other scams shut down

97

Criminal prosecutions



Maximising Returns to Creditors



£46m
in dividends returned
to creditors

On average it takes 25 calendar days to issue report to creditors (bankruptcy) and 37 calendar days to issue report to creditors (company).

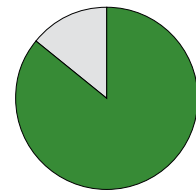


It is estimated that £22m has been saved from modernised insolvency rules

Customer satisfaction



86% of customers are either very satisfied or quite satisfied with service provided by the Insolvency Service



We achieved re-accreditation of the Customer Service Excellence standard
We hold 12 compliance plus and 45 compliant ratings

Supporting those in financial distress

Performance Report

We administer bankruptcy and debt relief orders (DROs), debt solutions that enable people to get back on their feet financially. Our redundancy payments service ensures people receive redundancy pay and other statutory entitlements when a company fails. Together our official receivers and redundancy payment teams play a vital role in protecting people at a time when they are most financially vulnerable.

Bankruptcy

We are delighted to be celebrating the first anniversary of our online bankruptcy application for debtors – a service that won us a nomination for the TRI awards innovation and technology award. Bankruptcy applications are considered in-house by an Adjudicator who is an employee of the Insolvency Service. The service is available to applicants 24 hours a day, seven days a week and makes orders within two working days of the application being submitted. This has simplified and expedited the bankruptcy process for people in most need of relief from financial pressure at a difficult time in their lives.



Liz Thomas - Insolvency Adjudicator



In 2016-17 the Adjudicator made 11,332 bankruptcy orders. 4,020 were made by the courts, bringing the total number of bankruptcies to 15,352. This is a 0.9% increase upon the previous year.

The new Adjudicator service has received very positive feedback with 78% of those made bankrupt saying they are satisfied or very satisfied with the service. Nine in ten say they have appreciated being able to apply online.



“Thank you for being here to help provide this service for people like myself who are in financial hardship. I am so much happier being able to go ahead and complete this form knowing my needs are being looked after and taken care of, and not to mention the relief I feel”

The introduction of the Adjudicator role was the result of a 10-year project to allow debtors to apply for bankruptcy online and bring the regime into the 21st century. Its development followed extensive consultation with stakeholder groups including free to client money advisors such as the Money Advice Trust, National Debtline and Citizens Advice; with creditor groups including the British Bankers' Association, Chartered Institute for Credit Management and the Finance and Leasing Association; and with insolvency practitioners, court user groups, other government departments, District Judges and official receivers. Feedback from judges, court staff and bankrupts was also analysed to understand how the order-making process worked for bankruptcy petitions.



I think it is brilliant as it is such a difficult thing to do; being able to do it in the privacy of your own home really helps as there is still a stigma about this and I was dreading it. I feel like a weight has been lifted and hope it all goes through asap. THANK YOU.”

Nov 2009 to Feb 2010

Consultation, ‘Reforming Debtor Petition Bankruptcy and Early Discharge’ outlining how a new process to remove bankruptcy debtor petitions from the court would work. Broad support was received particularly for the decision-maker to sit within the Insolvency Service but independent of the official receiver.

May 2012

Bill introduced into parliament.

2016 secondary legislation

The Insolvency (England and Wales) Rules 2016 implemented the changes made to the Insolvency Act 1986. This included allowing greater use of digital technology.

Nov 2011

Ministerial and parliamentary agreement secured to include the proposals in the Enterprise and Regulatory Reform Bill.

Apr 2014

Enterprise and Regulatory Reform Act comes into force. Project initiated to build an online bankruptcy application to put into effect the legislation.

April 2016

Online Bankruptcy was successfully launched on midnight 6 April 2016. Liz Thomas was appointed the first Adjudicator and the first order was made on 6 April 2016.

31 Mar 2017

11,332 successful orders made

Bankruptcy Mythbusting

The Insolvency Service
Supporting people in financial distress

Bankruptcy Mythbusting

Help us beat the stigma around bankruptcy by busting some common misconceptions.

Our Statistics show 90,930 people became insolvent in 2016. Of those:

- 49,745 chose an IVA
- 26,196 chose a DRO
- 14,989 became bankrupt

Our customer research tells us that people continue to hold misconceptions about bankruptcy and are concerned about the stigma surrounding it. This prevents them from considering bankruptcy as a debt relief option, even when it may be the most suitable solution for their circumstances. In October 2016 we launched a new mythbusting web page addressing the 12 most common concerns and misconceptions surrounding bankruptcy. We worked with the debt advice sector to produce factual and accessible materials to improve understanding about bankruptcy and highlight our role as a source of information about debt solutions.



Since the site launched we have received:

- 4590 visits to the site
- 2071 views of our videos

Debt Relief Orders

We made 25,593 debt relief orders (DROs) in 2016/17, helping to provide a low-cost 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. We aim to process applications as quickly as possible and this year made 99% orders within 48 hours of us receiving the application.

Handling redundancy payments

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



In 2016-17, 63,589 (RP1s) individuals made a claim to the Insolvency Service. We paid all claimants within an average of 15 calendar days and exceeded our target of an average of 16 days.

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

Struggling cable company AEI Cables started consulting over possible redundancies with 240 members of staff in September 2016. In January 2017 it became clear that the company would have to close. At this point 189 employees remained and the closure attracted both media and cross-government attention.

The issues around the insolvency and redundancies were complex; we needed a swift resolution to establish which customers had been made redundant, and how much statutory support they should receive. Through a co-ordinated response with the Insolvency Practitioner and representatives from the business we visited the site to review the company's accounting records, employment contracts and payroll and HR data. This helped us to quickly establish the claims that could be paid.

By 14th of February, less than two weeks after AEI Cables entered insolvency, we had processed 88% of the claims from the redundant employees. Our combined efforts provided a critical financial support to our customers during this distressing period.



I've got to hand it to them @insolvencygovuk have been fantastic. Quick and understanding when sorting out my claim. Great Service"

Tackling financial wrongdoing

Performance Report

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

In 2016-17 the Secretary of State asked us to fast-track our investigation into the failure of BHS. This is a complex and high-profile investigation and we have devoted significant investigation resource to the case.

Director disqualification

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

Enhanced powers are enabling us to take action to remove rogue directors from the market more quickly, giving faster protection to potential investors, competitors and customers. We are now able to use information provided by other regulators as part of our considerations, gathering additional information where needed, rather than having to undertake fresh investigations ourselves to gather the same information.

Case study – Expedited investigations using evidence from Home Office Immigration Enforcement team (HOIE)

HOIE investigates companies who employ illegal workers and can levy fines where this is found to have occurred. Companies employing illegal workers usually avoid paying PAYE and NIC contributions, gaining an unfair advantage over their competitors and cheating legitimate jobseekers out of employment. They often pay low wages to the employees concerned who don't have the protection provided by UK employment law.

Using information provided by HOIE, we have disqualified 132 directors of companies sanctioned for employing illegal workers since the start of 2016. These directors have attempted to use the insolvency regime to shut down their businesses as a way of escaping the fines levied, often leaving other creditors out of pocket through the liquidation process as well.

Directors disqualified include:

- a Bristol hotelier who had employed five illegal workers and whose business at liquidation owed creditors £139,622, including a £25,000 HOIE fine
- the owner of an Oldham industrial laundry fined £15,000 for employing three illegal workers which went into liquidation owing £105,367 to creditors



In 2016-17 we disqualified 1214 directors in total and made 430 referrals to prosecuting authorities where we had discovered possible criminal conduct.

We are fully prepared and equipped to tackle the most serious cases of misconduct. The average length of disqualification undertakings and orders secured against directors was six years, with 12% disqualified for 10 years or more.

We estimate that we prevented losses of around £92 million thanks to our director disqualification work, meaning that for each director disqualified we saved creditors from losing around £114,000.

Case study – maximum disqualification for director involved in selling carbon credits

In July we succeeded in obtaining the maximum disqualification term against Anthony Allen, a director of Global Neutral Limited.

The official receiver found that under Mr Allen's sole control, Global Neutral used misleading sales practices to take more than £1.1 million from members of the public between April and September 2012 to buy Voluntary Emission Reduction carbon credit units (VERs) as investments.

There is no genuine market for VERs that is accessible to the public to resell their units. In the unlikely event that they could have been sold, the units had been marked up so much over cost price by Global Neutral that customers would not be able to make a profit.

The investigation uncovered that Global Neutral was the successor to World Future Limited, another company that was investigated and wound up in the public interest for its misleading sales of VERs as investments.

Apart from working as a junior salesman for eight months at World Future, Anthony Allen had no knowledge or experience of the carbon market when he set up Global Neutral and took on at least 12 of World Future's sales staff without interview.

Sales scripts recovered from the trading premises and information from customers make it clear that the sales people repeatedly misled customers by referring to high returns that customers would allegedly make.

The disqualification prevents Mr Allen acting as a director for 15 years.

Company investigations

In addition to investigating companies that become insolvent, we have a vital role in investigating live trading companies. This work helps protect the public from dishonest and misleading company directors who abuse their corporate position through fraud, scams or sharp practice. In 2016-17 we have wound up 85 companies in the public interest.



Investigation of 78 investment and other scams wound up in the public interest showed that over £121 million had been taken from victims but our interventions prevented the loss of a further £78 million.



Gareth Henderson - Forensic Computer Unit

Case Study – Souza Healthcare Limited shut down in the public interest

Souza Healthcare Limited, a London-based company, that sold overpriced health supplements, specifically targeting elderly and vulnerable consumers, was wound up by the High Court following an investigation by our company investigations team.

The company's sales representatives had made inaccurate claims about the health benefits and pain reduction qualities of the health supplements, falsely implied that they had medical experience and claimed to be calling on behalf of medical organisations.

Our investigation found that the company's customers, some of whom were suffering from severe medical conditions including Cerebral Palsy and Dementia, were subjected to lengthy unsolicited telesales calls from call centres in Goa and Mumbai.

Case Study – Pension liberation company shut down following our investigation

In July 2016 we wound up a company that induced clients to move their existing pension funds into the Westminster Pension Scheme on the basis that they would receive in return a cash payment either in the form of a 'loan' from an associated company (typically of 50% of the funds) or from commission on investments made by Thames Trustees Limited on behalf of the Scheme.

In fact, there was never any intention that the loans received by clients would be repaid and the Scheme, instead, operated as a pension liberation scheme providing clients with earlier access to pension funds than is permitted by the Finance Act 2004.

Our investigation established that 79 members joined the Scheme and invested an aggregate of over £3 million by transferring their existing pension scheme investments into it. It also found no meaningful evidence to suggest that there was any value whatsoever in the investments undertaken by or on behalf of the Scheme.

The Court found that the company had operated with a lack of transparency and a lack of commercial probity and agreed to the winding up petition presented by our Company Investigations team.

Restrictions Orders

We are responsible for identifying the small proportion of bankruptcy and debt relief order cases where there has been misconduct leading up to the individual's insolvency. In those cases we carry out investigations to ensure creditor interests and the wider public interest are protected. Where we identify misconduct we take proceedings to place restrictions on the ability of those concerned to obtain credit in the future.



In 2016-17 we secured 471 bankruptcy restrictions orders and 9 debt relief restrictions orders. Of those orders:

- the average period of restriction was five years
- 4% of restrictions were over five years

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

Case Study: Eight-year bankruptcy restrictions order for man who made false insurance claim

Mohammed Shahjahan had bankruptcy restrictions placed upon him for eight years for making a false insurance claim.

The ban followed our investigation, which found Mr Shahjahan made a false insurance claim in which he declared that he had been injured in a road traffic accident. In September 2015, Mr Shahjahan was ordered by the court to pay damages and further costs. Mr Shahjahan failed to pay the interim payment, causing the insurance company to petition for his bankruptcy. A bankruptcy order was made against him on 13 January 2016.

The total liability to the insurance company is £51,870.

The undertaking given on 9 December 2016 means Mr Shahjahan will be bound for eight years, by the restrictions on obtaining credit set out in insolvency law. In addition, he cannot manage or control a company during this period without leave of the court.

Criminal Enforcement

In January 2017 we welcomed criminal enforcement colleagues into the Insolvency Service, having transferred to us from the Department of Business, Energy and Industrial Strategy. The team is responsible for bringing prosecution proceedings where misconduct is discovered in corporate and personal insolvencies.

With this new team we are now responsible for the full range of investigation and enforcement activity aimed at preventing and punishing abuse of the company and insolvency systems, to protect creditors and consumers.

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

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



In 2016-17 our criminal enforcement team prosecuted 99 defendants. Of those, 65 received immediate or suspended sentences of imprisonment.

Case Study – Fraudster jailed

In July 2016 the Criminal Investigation Team succeeded in prosecuting a fraudster who admitted laundering £2.2m through one of his businesses. Alan Yeomans was jailed for six and a half years and disqualified for seven years.

After previously declaring himself bankrupt in 2009 he was banned from having anything to do with the running of companies in the UK. He told the official receiver he lived in a shed with very few possessions. It was later found he actually lived in a large barn he had converted into a seven-bedroomed mansion that was later valued at £600,000. The dwelling was also filled with antiques and oil paintings worth more than £83,000.

In contravention of restrictions placed upon a bankrupt, Yeomans acted as a shadow director in three Derbyshire companies – Shearstud, Easy Tools and B Clarke Limited – and used B Clarke Limited to launder money to the tune of £2.2m over a 12-month period.

He pleaded guilty to failing to disclose his assets to the Official Receiver, to three charges of acting in the management of a company when banned and to money laundering. He also admitted growing cannabis commercially at his house, powered with abstracted electricity, and illegal possession of CS gas canisters.

Maximising returns to creditors

Performance Report

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

Acting as trustee and liquidator, the Insolvency Service has distributed over £46m to creditors this year in dividend payments.

Our Estate Account Services are responsible for operating the Insolvency Service Account, where insolvency practitioners lodge monies realised in cases they handle. Last year they dealt with over 119,000 payments out of the Account and processed 95% of these within two days of requisition.

Case Study – Robust pursuit of funds owed to creditors

In August 2016 we paid over £800,000 back to creditors following the winding up of Thomas Land Developments in 2013.

The company had sold its only asset (a plot of land) for £2.6m via an Isle of Man tax avoidance company. The proceeds from the sale were transferred to an offshore trust.

The official receiver discussed the matter with lawyers and decided to pursue the amount on a ‘no win no fee basis’.

Initially the respondents offered £650,000 in full and final settlement but the OR did not accept this offer. Their next offer was £850,000 “in 14 days” and the OR’s response was to suggest that they have 21 days and pay the full £1,000,000. This was accepted and the amount paid in March 2015.

The total amount paid back to creditors was £837,384, representing a dividend of 43p in the pound.

In addition to our primary functions outlined in our Purpose Statement, the Insolvency Service fulfils other vital activities across the insolvency landscape.

We are proud to provide an insolvency regime that is widely regarded worldwide and we often find ourselves consulted with by other countries to share our experience and best practice

Handling complex cases



In December Dave Chapman, Senior Official Receiver (centre) was part of the official delegation to New Delhi for the UK-India Ease of Doing Business conference.

In October 2016 our expertise was recognised and rewarded by the Turnaround, Restructuring and Insolvency (TRI) awards where we received the award for insolvency team of the year for the liquidation of SSI Steel. SSI Steel employed over 1,700 staff and operated a massive plant in the North East of England, including blast furnaces.

This award is tribute to the hard work and dedication of our employees who managed the largest and most complex compulsory liquidation handled by the Insolvency Service in recent times.



Case Study – SSI UK (Sahaviriya Steel Industries UK Limited)

On 2 October 2015 the SSI steelworks in Redcar was placed into compulsory liquidation and our official receiver (OR) was appointed as liquidator. As a buyer for the steelworks could not be found the OR started to close the site later that month.

Since that time the OR kept the site, which covers an area the size of London, safe and secure whilst overseeing a multi-disciplinary team to ensure all assets were realised or disposed of safely.

On 12 October 2016 the Department for Business, Energy & Industrial Strategy established a government company, known as the South Tees Site Company, in order to take forward the safety and security of the site from the OR.

The OR handed over the site to the new company on 1 December 2016 where it will begin a new phase of development to support economic growth across the Tees Valley.

Regulating the Insolvency Profession

We are the gatekeepers to a fair and robust insolvency profession. We have overall responsibility for monitoring the activities of the bodies that authorise insolvency practitioners and improving standards within the insolvency profession in our capacity as oversight regulator. We also provide the framework to tackle wrongdoing when it has been identified through our complaints gateway.



In 2016-17 we have:

- continued to work with our industry partners to implement and embed the regulatory framework provided by the Small Business, Enterprise and Employment Act 2015
- handled 1005 complaints received through the complaints gateway and captured improved information on regulators' complaints handling procedures

Insolvency Reform

In October we laid the statutory instruments to allow for modernised and consolidated insolvency rules to commence on 6 April 2017.

The rules conclude a four-year project to reflect modern business practice and to make the insolvency process more efficient.

The need to modernise, consolidate and make consistent the insolvency rules was identified in 2013 as part of the Government's Red Tape Challenge to simplify and remove unnecessary regulations and lower the cost of compliance. We estimate that these rules will deliver a saving of £22 million to business each year.

Changes included:

- enabling electronic communications with creditors
- removing the automatic requirement to hold physical creditors' meetings, although creditors will be able to request meetings
- enabling creditors to opt out of further correspondence and for small dividends to be paid by the office holder without requiring a formal claim from creditors

Throughout the year our teams have supported the insolvency profession in preparing for the introduction of the new rules. We have actively taken part in a number of roadshows organised by the ICAEW and the Insolvency Practitioners' Association, amongst others.

In November we launched an online community enabling members to ask questions of our technical team and share comments with other insolvency professionals.

Supporting an engaged and effective workforce

Performance Report

Diversity

We launched three new networking groups: LGBT, Mental Health and Women. This adds to our pre-existing Ethnicity, Disability and Gender groups. We also started our EARS (Employee Assistance Representatives) and Role Model programmes.



Ray Solanki - Analyst Official Receiver Services

Attendance Management

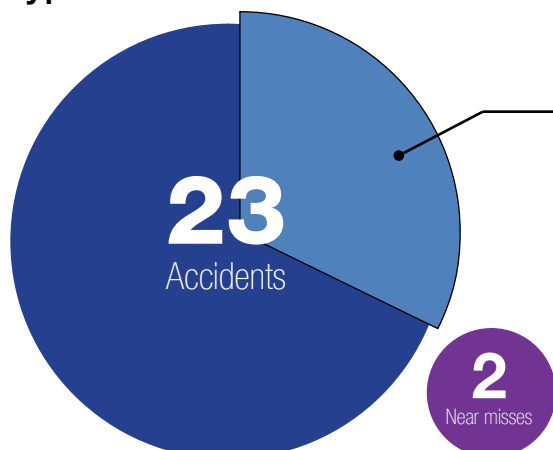
We have been looking to reduce the number of average working days lost due to sickness absence. We have held a number of focus groups across the organisation to see how we can improve our attendance management and, as a result of feedback, introduced some changes to our processes. These include enhancements to our reporting, reviewing and monitoring processes as well as running a programme of attendance management workshops for managers aimed at better supporting and managing their employees with health issues.

Right tools for the job

We recognised that in order to achieve excellence our people need consistently performing tools and systems to achieve our organisational priorities. We have continued projects to upgrade our core financial management and case management systems. This will improve our ability to meet our customers' and stakeholder demands in our increasingly digitised society.

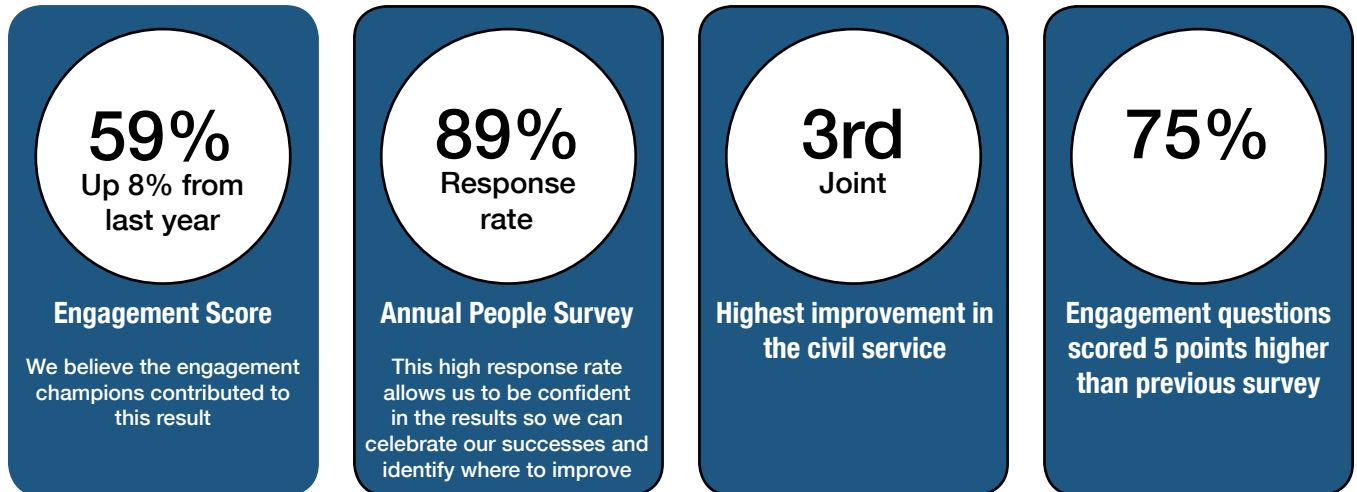
Health and safety

Type of incident



The most common cause of accident is injury while lifting.

Engagement



Charitable donations

We have raised £22,685.22 over the last 12 months. Many of the charitable fundraising events in local offices and across the Insolvency Service were in support of our agency charity, Together for Short Lives.



Supporting an effective workforce



29 new apprentices appointed
16 high potential Leadership Programme participants
35 new trainee examiners/investigators



27 new coaching relationships



9 Learning and Capability surgeries held
48 technical training events designed and run with
560 employees attending

Engaging our customers and stakeholders

Performance Report

We make every effort to maximise our engagement with customers and stakeholders to improve our services and communications. In 2016-17 we were again awarded the Customer Service Excellence standard which recognises our continued focus on meeting the needs of our customers. We now hold 12 compliance-plus and 45 compliant ratings.

Historically, the agency has used comment cards from three key customer groups to measure customer satisfaction and determine areas for improvement. In recent years we have consistently exceeded our customer satisfaction target.

While we are very pleased with these results, as an agency we are keen to push ourselves and to continue finding ways to improve the services we provide to our customers.

In 2015-16 we trialled a new more comprehensive set of measures which we formally launched in 2016-17. These new measures allow us to assess satisfaction across eight customer groups and across all aspects of the service we deliver.

From 2015-16 we have already seen improvement in satisfaction across seven out of eight of our customer groups, and we have surpassed our Ministerial target (86% satisfaction against an 85% target).



Denise Paul - Business Manager to Senior Official Receiver

Considering the overall service provided by the Insolvency Service, how satisfied are you?		
Customer group	% Very satisfied / quite satisfied	Change from 2015/16
Institutional creditors	90%	+3%
Non-institutional creditors	80%	+7%
Insolvency practitioners	77%	-4%
Debt relief order debtors	96%	+2%
Approved intermediaries	99%	+2%
Bankrupts	87%	+2%
Directors	77%	+11%
Redundancy claimants	89%	+9%
Total	86%	+4%

Customer Complaints



In 2016-17 we received 292 complaints. The number of upheld and partially upheld complaints was 126 (42%) this year compared to 148 (40%) in 2015-16.

87% of complaints were answered within 10 working days against our 85% target. 93% of complaints were answered within 20 working days and acknowledged within five working days which missed our target of 95%.

New tier 3 complaints process

Since 1 June 2016 we have managed our tier 3 complaints process in-house, with investigations completed by the Office of the Chief Executive.

As tier 3 complaints tend to be more complex in nature, our published aim is to investigate and conclude 80% of these complaints within three months of receipt.



In 2016-17 we:

- halved response times with substantive replies issued within three months, instead of the previous six months
- exceeded our published commitment with 100% of tier 3 investigations completed within three months
- identified changes to improve the complaints process further and we will be implementing them over the next six months
- started to maximise insight by developing a process for lessons learnt, which will further improve our services

Insolvency Live!

In 2016-17 we held our inaugural Insolvency Live! Stakeholder event. Around 70 insolvency practitioners, debt advisors, creditor representatives, regulators and others joined our colleagues and senior management team to hear what we are working on, ask questions and share feedback. Nine out of ten of those attending rated the event highly, with most commenting that it had increased their understanding of our work.



Corporate and social responsibility

Performance Report

The government's environmental commitments that impact on the Insolvency Service are the Greening Government Commitments and the Carbon Reduction Commitment Energy Efficiency Scheme.

Greening Government 2016-2020

The Greening Government Commitments use 2009/10 data as a baseline.

"We will continue to reduce the government's environmental impact, building on the progress we have made since 2010. By 2020¹, the government will:

GGC 2016-2020 targets, against the original 2009/10 baseline	Achievement against new GGC targets
<p>Reduce our emissions Reduce greenhouse gas emissions by at least 32% from a 2009/10 baseline (in line with individual departmental targets).</p> <p>1a. Reduce the number of domestic business flights by at least 30% from the 2009-10 baseline¹.</p>	<p>100%</p> <p>100%</p>
<p>Improve our waste management: Reduce the amount of waste going to landfill to less than 10%. Also to continue to improve our waste management by reducing the overall amount of waste generated and increasing the proportion which is recycled. 2a Reduce government's paper use by at least 50% from a 2009/10 baseline.</p>	<p>100%</p> <p>100%</p>
<p>Reduce our water use Continue to further reduce water consumption. Each department will continue to improve on the reductions they had made by 2014/15. Departments will set internal targets and continue to report on office water use (m3 per FTE).</p>	<p>95%</p> <p>Departmental target per FTE awaited.</p>

¹ i.e. by the end of financial year 2019/20.

<p>Buying ‘greener’ products and services Continue to buy more sustainable and efficient products and services with the aim of achieving the best long-term, overall value for money for society. Departments will report on the systems they have in place and the action taken to buy sustainably, including to:</p> <ul style="list-style-type: none"> • embed compliance with the Government Buying Standards in departmental and centralised procurement contracts, within the context of government’s overarching priorities of value for money and streamlining procurement processes • understand and reduce supply chain impacts and risks <p>This reporting should set out achievements and cover departments’ use of the Prioritisation Tool to help them identify and address their most important areas and the Flexible Framework tool which enables them to measure and monitor their progress on sustainable procurement over time (or other equivalent tools).</p>	<p>95%</p> <p>Neither the Insolvency Service nor BEIS currently uses the prioritisation and flexible framework tools; however, we will continue to work with the BEIS Commercial Community to understand and embed frameworks and tools that support the government’s sustainability and value for money goals. We predominantly use the Crown Commercial Service (CCS) frameworks and advertise exceptional requirements on Contracts Finder to comply with Government Buying Standards. We also follow the appropriate BEIS and Cabinet Office Governance routes.</p> <p>Items below the threshold and those procured outside this route go through a rigorous internal sign-off process.</p>
<p>Being open and transparent Departments will be open and transparent by reporting publicly on the steps they are taking to address the following areas: Climate change adaptation; Biodiversity and the natural environment; Procurement of food and catering services; Sustainable construction; and on any other issues that departments consider to be most significant to reducing the environmental impact of their activities.</p> <p>Departments will also work towards being able to report on the above targets for greenhouse gases, waste and water for their office estates per FTE. This will better illustrate efficiency and enable more meaningful comparison both over time and between departments. This will be piloted by departments in 2016-17, prior to a decision on fully incorporating into annual reporting in subsequent years.</p>	<p>100%</p> <p>We continue to work with our Departmental service providers in order to improve the range and detail of management information which can then be reported at both a Departmental and Agency level.</p>

Carbon Reduction Commitment Energy Efficiency Scheme (CRC)

There is a separate legal requirement to report emissions from the energy consumption of the offices (for which we have the relevant responsibility) to be submitted directly to the Environment Agency for calculation of carbon offsetting credits. We then purchase carbon credits for each kilowatt/hour of energy to offset our carbon footprint. The charges are in direct proportion to energy that we use. In 2014/15 the Service paid c. £13k in CRC charges. In the last reporting year we paid £1571.70. Our commitment to this scheme continues.

1 Excluding frontline military flights. Departments which are already exceeding a 30% reduction will be expected to set their own internal targets for further reductions.



Financial performance

Performance Report

During 2016-17 the agency incurred expenditure of £87.168m. Of this, the majority was spent on staff costs which totalled £61.172m which was £6m less than the prior year. This was mainly due to a lower number of staff, as well as there being no exit schemes during the year. Further details can be found in the Remuneration & Staff Report, the Financial Statements and Note 3 to the Accounts. Other notable areas of expenditure were £4.5m for Accommodation (rent, rates, etc), £4m on depreciation and amortisation and £6.6m on IT-related expenditure.

The agency collected income from fees of £80m for its OR services, as well as receiving funding from HMRC for the administration of the RP service (£6.9m) and the parent department, BEIS, for other non-fee related work (£32.283m).

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

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

Asset realisations

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

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

We have introduced 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 sustainably recover its costs.

Capital outturn 2016-17

During 2016-17, the agency spent £648,000 capital on 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 five days.

During 2016-17 the agency made a total of 8,125 payments to suppliers, 90% within five days and 96% 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 a defendant's inability to pay costs when we are successful in bringing proceedings.



Accountability Report

Directors' report

Accountability report

Executive Members

Sarah Albon	Chief Executive
Alec Pybus	Chief Operating Officer (from September 2016)
Graham Horne	Deputy Chief Executive & Director of Operations (to September 2016)
Chris Pleass	Finance & Commercial Director
Louise Alexander	People & Capability Director
Dileeni Daniel-Selvaratnam	Strategy & Change Director

Non-Executive Members

Stephen Allinson	(Chair from 19 January 2017)
Alan Graham	
Henry Lloyd	
Tracey Bleakley	
David Ereira	(Chair to 31 December 2016)
Elizabeth Neville	(to 31 December 2016)

There were no personal data-related incidents reported to the information commissioner's office in 2016-17 (2015-16: zero incidents)

The statement of Accounting Officer's responsibilities

Accountability report

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

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

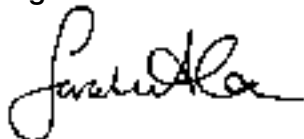
- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government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

The Accounting Officer of the Department for Business, Energy and Industrial Strategy has 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.

I can confirm that, as far as I am aware, there is no relevant audit information of which the entity's auditors are unaware, and I have taken all the steps that she ought to have taken to make myself aware of any relevant audit information and to establish that our auditors are aware of that information.

I can confirm that the annual report and accounts as a whole is fair, balanced and understandable and I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair balanced and understandable.

Signed



Sarah Albon
Chief Executive

Governance statement

Accountability report

Introduction

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

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

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

Governance structure

This section describes the governance arrangements in place during 2016/17.

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 BEIS and externally on its stewardship. A broadly equal split of executive and non-executive board members (NEBMs) gives the appropriate balance of skills,

experience, independence and knowledge to enable the board to discharge its duties and responsibilities.

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

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

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

- regular review and scrutiny of progress against the 2016/17 Annual Plan and targets, including performance on all key aspects of agency operations including finance, people and capability, and customer feedback
- strategic priorities for the agency set in the context of the agreed Target Operating Model for the Insolvency Service, Departmental and wider Government aims, and changes to external insolvency markets
- topical items such as complaints handling procedures, progress on major cases of political and public interest and the integration of the Criminal Enforcement Team into 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.

Following a review of the effectiveness of the Board and its committees in 2016, subsequent recommendations were implemented.

As a group, the Senior Management Team meets at Performance Review Hubs and is responsible for discussing management information produced on a monthly basis including but not limited to the Agency's specific Ministerial and other targets. It is chaired by the CEO and all Directors across the agency attend this meeting.

The Senior Management Team committee meeting is divided thematically into three focused committees, Executive Committee, Operations Committee and Portfolio Board in order to improve the performance of the agency. During the year, three Senior Leaders from the Criminal Enforcement Team have been integrated into this governance structure.

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

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

The Insolvency Service Board has also made changes to its governance arrangements. The Audit and Risk Assurance Committee (ARAC) continues to be a sub-committee of the Insolvency Service Board. It is chaired by an appropriately qualified independent NEBM. However, its membership has been expanded by one non-executive Board Member to three (including one member who is the nominee of the Agency's sponsoring department). The Chief Executive and Finance and Commercial Director, and internal and external auditors, attend all meetings. Other Senior Leaders attend as required.

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

- approval of the internal audit plan, review of all internal audit reports issued, review of progress against the annual internal audit plan and annual audit opinion on risk management, governance and internal control
- work on the preparation and completion of both the agency Annual Report and Accounts and ISA (White Paper) Accounts was regularly reviewed
- regular reviews of the agency risk register and risk management including commissioning further work on risk management and assurance mapping
- scrutiny of fraud and error incidents
- regular reviews of the agency's finance management reports
- review of agency policy tracking, and the gifts and hospitality register

Additionally, the Portfolio Board (PB) has been formed. The Portfolio Board is chaired by the Director for Strategy and Change and has two NEBMs as members. It is responsible for the governance of all Portfolio Projects and Change, which are those which have been identified as priority change for the Agency and require a higher level of project governance due to their size, complexity and / or importance. The Portfolio Board is responsible for maintaining the overall Agency Change Governance Framework, ensuring project objectives are strategically aligned, the review and approval of project business cases, and the governance of project delivery throughout the projects life cycle. This includes ensuring projects deliver to time, cost, quality and that benefits are realised. The Portfolio Board met six times during the year. Matters considered by it include:

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

The table below illustrates NEBM attendance at Insolvency Service Board, ARAC and Portfolio Board meetings held during 2016/17.

Non-Executive Board Members	Insolvency Service Board (ISB)	Audit and Risk Assurance Committee (ARAC)	Portfolio Board (PB)
David Ereira* (Chair ISB)	4/5		
Stephen Allinson** (new Chair ISB)	8/8		6/6
Alan Graham (Chair ARAC)	7/8	4/4	
Dame Elizabeth Neville*	4/5	1/1	
Henry Lloyd	8/8	4/4	6/6
Tracey Bleakley	6/8	2/4	

* Left ISB on 31 December 2016

** Appointed Chairman of ISB on 19 January 2017

At the end of 2016-17 there was a campaign to recruit for both current and upcoming NEBM vacancies.

Lastly, the People and Capability Director has been appointed to the Insolvency Service Board and the work of the People and Capability Committee, which was formerly a sub-committee of the

Board, has been subsumed into the work plan of the Insolvency Service Board with some aspects being considered by the Portfolio Board.

Compliance with the Corporate Governance Code

An external Board effectiveness review undertaken in 2015-16 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.

Following the Review and a discussion at the June 2016 Board Meeting, the Board asked the Agency to consider what steps the Board could take to organise itself to better support the activities of the Agency. The proposals considered were:

- Adapting the senior management team arrangements to achieve greater focus on operational performance and the consideration of management information
- Strengthening the Audit and Risk Assurance Committee by increasing its membership
- Making the Portfolio Board a sub-committee of the Board and expanding its membership to include NEBMs
- Changing the membership of the Insolvency Service Board to include the Director for People and Capability

The Board approved the recommendations and nominated and appointed appropriate NEBMs for both the Portfolio Board and the Audit and Risk Assurance Committee. These changes were formally brought into effect from 1 July 2016.

The Risk and Internal Control Framework

Risk Management

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

During the year a risk workshop was held with the ISB 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. Risks are reported to the Board quarterly. The register is also used to inform the annual Audit Plan.

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

Key Risk 1: It was identified that inaccurate forecasting of number and / or mix of case inputs along with structural inflexibility might lead to under-capacity and / or impair the Agency's ability to deliver Ministerial Targets.

Response: Historic case data and modelling tool were used to predict case inputs. Resources in operations were monitored and improvements in workforce planning process were made which links with the TOM baseline data. The Agency met all Ministerial Targets in 2016/17.

Key Risk 2: A lack of succession planning and an inability to attract, recruit and retain technically-skilled personnel may lead to critical and high importance roles not being filled quickly, impacting on the performance of the Agency.

Response: Frontline operational roles have ongoing approval to recruit at stage 4. Interim staff and contractors are being used to fill gaps in business-critical roles. Recruitment process is in place through CSR and agencies via CS tendering process. Improvements to workforce planning process have also been implemented. A Talent Strategy was launched in November 2016 which includes revised tools and a development programme which will help build a stronger internal succession pipeline. There is also a review of options for long-term solutions in specific workforce markets and improving processes, forecasting and retention to enable faster and flexible recruitment.

Key Risk 3: Unsatisfactory progression of the investigation into BHS and complex issues may lead to loss of Ministerial confidence in the Agency's ability to deliver thereby compromising Agency funding/autonomy. Also a failure to meet public expectation may lead to loss of reputation.

Response: Significant dedicated resources were allocated to BHS. The impact of the investigation on BAU targets (loss of production), was mitigated by a submission to BEIS (Department for Business, Energy and Industrial Strategy) to request financial cover and the outsourcing of cases to compensate for lost production in 2017-18. This continues to be reviewed and managed. The additional funding has not been necessary to meet BAU targets as the costs have been met from the annual budget.

Key Risk 4: Management Information available for ORS productivity and asset realisations were not of sufficient quality for the Senior Management Team on which base relevant decisions.

Response: A data cleansing exercise commenced on 1 April 2016 and improved corporate reports were developed. A Working group continues to look at the integrity of performance data and the potential for improved performance management measures. This risk was moved to the ORS Directorate Risk Register in December 2016. It was no longer considered to be an agency risk.

Key Risk 5: The gaps in the Health and Safety processes and guidance identified in 2015/16 were addressed by the implementation of a revised strategy.

Response: This was the subject of an Internal Audit during the year, resulting in a Satisfactory Audit opinion. The follow-up actions are being monitored.

Key Risk 6: The disruption to business processes due to a disaster affecting all IT causing the total loss of all applications and associated hardware for a period would adversely affect our ability to meet our statutory obligations, and Ministerial targets.

Response: Our current IT environment utilises a number of technologies to deliver resilience, enabling the environment to withstand localised hardware failures, and continue to deliver applications. Planning has begun to implement a disaster recovery capability. We currently anticipate disaster recovery proposal to be available by Q2 FY 2017-18 and implemented in Q3.

Significant Issues

Issues managed through the year include:

Issue 1: Following identification of weaknesses in the contract management process in 2015/16, the Senior Management Team confirmed their list of key contracts/ suppliers, and provided named individuals for each contract.

Action taken: Commercial finalised contract management guidance for the key contracts which was communicated to nominated service leads. This Issue was closed in December 2016. On 3 March 2017, a Final Internal Audit Management Letter was issued in respect of a review of the Contract Management System. This review was a follow on of the actions detailed in the Contracts Management review that was undertaken in 2015/16. GIAA has provided the overall opinion of Moderate, providing supporting evidence for removal as an Agency-level issue.

Issue 2: UKSBS was not delivering satisfactory customer service levels so the Agency continued to divert resources to bridge the gap.

Action taken: UKSBS is to be replaced in due course and the Agency is working with others in BEIS to ensure the service required is clear to ensure procured contractors meet expectations. This Issue was also closed in December 2016.

Issue 3: IT infrastructure was unstable and there was the possibility that this would impact on the Agency's ability to fulfil its statutory and operational functions.

Action taken: Following agreement between IT and service provider a number of patches and environmental improvements were made increasing the stability of the desktop environment. Atos completed remedial activity to mitigate the risk of storage failure. This issue was closed in December 2016.

Delegated authorities

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

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

Internal audit

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

Customer feedback and complaints processes

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

Historically, the Insolvency Service has used comment cards to measure customer satisfaction with the following groups: bankrupts, directors, RPS claimants and enquiry line callers. In 2016/17 we introduced a new satisfaction survey which included all eight of our key customer groups. The annual survey was conducted by an independent research agency through computer-assisted telephone interviews that typically lasted between 12 and 15 minutes.

Since 1 June 2016 the Insolvency Service's complaints process has comprised three internal complaint tiers, with our tier-3 complaints investigated and responded to by the Insolvency Service Chief Executive. Prior to this date tier-3 investigations were completed by the Adjudicator's Office, an independent complaints adjudication body. The change was implemented to enable customers to receive responses to complaints much more quickly and allow the Insolvency Service to identify areas for improvement and take corrective action more easily.

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. Internal Audit (GIAA) undertook a review to consider what evidence the agency has to routinely assure itself that it is appropriately managing its risk in compliance with the Security Policy Framework (SPF) requirements. The review provided an objective challenge and evaluation

of evidence based on that supporting the self-assessment undertaken by the agency, evaluation of the organisation's processes in place to manage its compliance with the policies and standards that apply to security risk management (SRM) in government, as set out in the SPF. GIAA reported the agency suffered a "near miss" data breach involving incorrect handling of data which was reported to the agency's senior management, BEIS Data Controller and the Cabinet Office. An investigation of the circumstances was undertaken. As a result the Agency has intensified its review of data handling procedure guidance and communicated this across the organisation with an emphasis on the correct procedures for handling Official Information. GIAA confirmed that they support this action.

Companies House and Intellectual Property Office peer reviewed the agency's Security Health Check return. There were no significant findings. The review noted the "near miss" and the action being taken. The following actions were taken from the review.

- Intellectual Property Office to share its security induction pack with the agency.
- The agency to consider the CPNI information security poster campaign.

Accounting Officer annual review of governance effectiveness

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

Off-payroll tax assurance

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

Quality assurance of analytical models

There are two business-critical models which are used by the Insolvency Service in relation to planning assumptions. The first is a model which is used for forecasting case inputs and the second is a financial model which forecasts Official Receiver Services Fee Income. During the interim audit for 2016-17, the External Auditors tested the Official Receiver Services Fee Income for accuracy and completeness.

Effectiveness of whistleblowing policy

We work in partnership with our parent Department (BEIS), to give independent oversight and assurance to our whistleblowing policy. Our aim is to create a culture where it is safe for employees to speak up and challenge suspected wrongdoing at work. Our procedure has been written with reference to the Public Interest Disclosure Act 1998, which offers protection to those in

both the private and public sectors, who ‘blow the whistle’, in certain circumstances.

Our whistleblowing policy and procedures are on our intranet which is available to all employees. The agency does not undertake any investigations itself and all incidents are referred to BEIS for review. There were no incidents of whistle-blowing reported during the year.

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 2016/17 the overall audit opinion given is Moderate; some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control. In 2016/17 the agency’s audit reviews found two areas where there were significant weaknesses in the framework of governance, risk and control.

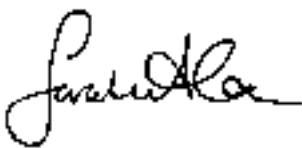
Business Continuity Management - Since the audit review the agency has undergone a review to respond robustly to the recommendations contained within the recent report commissioned by the BEIS Secretary of State, undertaken by the Cabinet Office Government Security Team. As a result of this review, the vulnerabilities highlighted in the audit review have now been addressed or are in the process of being remediated.

Travel and Subsistence – GIAA identified multiple instances of non-compliance with process, specifically provision of detailed explanations to justify claims submitted and approved. No fraud or error (or significant risk of F&E) was identified. All recommendations have been agreed and will be taken forward by the Agency in 2017/18.

Accounting Officer conclusion

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

Signed:



Sarah Albon
Chief Executive

Date: 30 June 2017

Remuneration and staff report

Accountability report

Service Contracts

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

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

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

Remuneration Policy

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

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

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

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

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

Remuneration (including salary) and pensions entitlements

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

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

Officials	Salary (£'000)		Bonus Payments (£'000)		Benefits- in-kind (to nearest £100)		Pension benefits ¹ (£'000)		Total (£'000)	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
	101-105	101-105	10-15	10-15	Nil	Nil	38	112	150-155	215-220
Sarah Albon Chief Executive	101-105	101-105	10-15	10-15	Nil	Nil	38	112	150-155	215-220
Graham Horne Deputy Chief Executive & Operations Director (2 February 2015 – 30 September 2016)	45-50 ²	90-95	Nil	Nil	Nil	Nil	8	43	55-60	135-140
Alec Pybus Chief Operating Officer (from 19 September 2016)	50-55 ³	Nil	Nil	Nil	Nil	Nil	20	Nil	70-75	Nil
Louise Alexander People & Capability Director (from 29 June 2016)	70-75 ⁴	Nil	5-10	Nil	Nil	Nil	37	Nil	115-120	Nil
Rachel Etebar People & Capabilities Director (29 April 2013 - 13 May 2015)	Nil	15-20 ⁵	Nil	10-15	Nil	Nil	Nil	6	Nil	35-40
Anne Willcocks CBE External Affairs Director (1 April 2013 – 1 June 2016)	10-15 ⁷	60-65 ⁶	Nil	Nil	Nil	Nil	1	10	15-20	70-75
Christopher Pleass Finance & Commercial Director	90-95	90-95	Nil	Nil	Nil	Nil	30	38	125-130	130-135
Dileeni Daniel-Selvaratnam Strategy & Change Director	85-90	45-50 ⁸	5-10	Nil	Nil	Nil	92	13	185-190	50-55

¹The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The value of pension benefits accrued during the year is calculated by My CSP for each individual. The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

² Graham Horne – salary band reflects his part-time pay. The full-year equivalent is £85k-£90k; left board in September 2016

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

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

⁵ Rachel Etebar left in 2015 and hence received no salary during 2016-17

⁶ Anne Willcocks, CBE salary band reflects her part-time pay. The full-year equivalent is £90k-£95k

⁷ Anne Willcocks, CBE salary band reflects her part-time pay. The full-year equivalent is £85k-£90k; left in June 2016

⁸ Dileeni Daniel-Selvaratnam - full-year equivalent salary is £85k-£90k

Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Insolvency Service and thus recorded in these accounts.

Benefits-in-kind

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

Bonuses

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

Pay multiples (Fair pay disclosure)

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 2016-17 was £110-£115,000 (2015-16: £100-105,000). This was 3.9 times (2015-16: 4.1) the median remuneration of the workforce, which was £28,475 (2015-16: £24,500).

In 2016-17, no employee received remuneration in excess of the highest-paid director, and this was also the case in 2015-16. Remuneration ranged from £13,500-£14,000 to £100-105,000 (2015-16: £13,500-£14,000 banding to £100-105,000 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 nine 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 External Affairs Director). This board member has since left so the role is no longer listed below.

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

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

Their remuneration is borne by the Insolvency Service and is disclosed above (as well as those members who have been in post during 2016-17 but left by the year-end, and those members in post during 2015-16 who have subsequently left).

Four 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 the Department for Business, Energy and Industrial Strategy (BEIS) and they did not receive any additional amount for board duties from the Insolvency Service.

Non-executive Board Members	Salary 2016-17	Salary 2015-16
Mr Stephen Allinson (Chair from 19/01/2017)	10-15	10-15
Mr David Ereira (left on 31/12/2016)	10-15	10-15
Tracey Bleakley (from 01/09/2014)	10-15	10-15
Dame Elizabeth Neville (left 31/12/2016)	10-15	10-15
Alan Graham (MBE) (from 01/09/2014)	10-15	10-15
Mr Henry Lloyd (from 08/09/2015)	Nil	Nil

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

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three 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 is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% up to 30 September 2016 and 8% and 14.75% from 1 October 2016 (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 2016 and 0.5% of pensionable salary from 1 October 2016 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 31-3-17 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31-3-17	CETV at 31-3-16	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Sarah Albon Chief Executive (from 2 February 2015)	35-40 plus lump sum of 95-100	0-2.5 plus lump sum of 0	642	598	17
Graham Horne Deputy Chief Executive & Operations Director (2 February 2015 – 30 September 2016) ⁹	55-60 plus lump sum of 100-105	0-2.5 plus lump sum of 0	1,264	1,265	7
Alec Pybus Chief Operating Officer (from 19 September 2016)	0 - 5 plus lump sum of Nil	0-2.5 plus lump sum of Nil	12	Nil	8
Louise Alexander People and Capability Director (from 29 June 2016)	5-10 plus lump sum of Nil	0-2.5 plus lump sum of Nil	72	50	13
Rachael Etebar People and Capability Director (29 April 2013 – 13 May 2015)	0 plus lump sum of Nil	0 plus lump sum of Nil	Nil	204	Nil
Anne Willcocks CBE External Affairs Director (1 April 2013 – 1 June 2016)	40-45 plus lump sum of 120-125	0-2.5 plus lump sum of Nil	899	913	1
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	260	233	12
Dileeni Daniel-Selvaratnam Strategy & Change Director (from 1 September 2015)	15-20 plus lump sum of Nil	2.5-5 plus lump sum of Nil	232	172	48

⁹Graham Horne - Accrued pension as at 30-06-16 at which point he took partial retirement and left the board.

Compensation for loss of office

There was no compensation for loss of office in 2016-17, the same as the prior year 2015-16.

Staff Report

Staff costs for 2016-17 totalled £61.172m (2015-16: £67.559m). Further details can be found in Note 3 to the Accounts.

Staff composition

	Employees		SCS		All Staff	
	No	%	No	%	No	%
Female	785	56.64%	5	62.50%	790	56.67%
Male	601	43.36%	3	37.50%	604	43.33%
	1,386		8		1,394	

Sickness absence data

During the year, the number of average annual working days lost per employee was 7.4 days (2015-16: 7.7 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 shortlisting 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 recruitment 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 2016-17 was £2.478m (2015-16: £4.250m), relating to an average number of staff of 215 (2015-16: 146). Of these, 35 (2015-16: 33) were paid more than £220 per day; two of their contracts lasted less than six months, two persons contracts lasted longer

than six months but less than a year; and 30 people (2015-16: 1 person) were paid more than £220 per day with a contract lasting more than one year but less than two years. One contract lasted longer than two years (2015-16: 0 persons).

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)	- (4)
10,001 - 25,000	- (7)	- (36)	- (43)
25,001 - 50,000	-	- (36)	- (36)
50,001 - 100,000	-	- (33)	- (33)
100,001 - 150,000	-	-	-
150,001 - 200,000	-	-	-
Total number of exit packages	- (7)	- (109)	- (116)
Total Resource cost / £'000s	- (148)	- (4,232)	- (4,380)

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 (BEIS) 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 no voluntary exit scheme during 2016-17 (2015-16: 109). There was no voluntary redundancy scheme during 2016-17 or 2015-16. There were no other departures during 2016-17 or 2015-16.

No compulsory redundancies were agreed as at 31 March 2017 (2015-16: 7 compulsory redundancies costing £148k).

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 2016-17, employers' contributions of £8,788k were payable to the PCSPS (2015-16: £9,379k) at one of four rates in the range 16.7 to 24.3 % (2015-16: 16.7 to 24.3 %) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2016-17 to be paid when the members retire and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, which is a stakeholder pension with an employer contribution. Employers' contributions of £41k (2015-16: £45k) were paid to the three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% (2015-16: 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £1,893 (2015-16: £2,568), 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.

Three persons (2015-16: 0 persons) retired early on ill-health grounds, with an additional accrued pension liability totalling £11k (2015-16: £0).

Average number of persons employed

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

Number	2016-17	2015-16
Directly Employed	1,362	1,430
Other	64	146
Total	1,426	1,576

Costs of £200k (2015-16: £1,380k) have been capitalised for a total of 21 members of staff (2015-16: 30) working on capital projects (not FTE). These costs were for the Online Debt Solutions project and Business Intelligence.

Parliamentary accountability and audit report

Accountability report

Remote contingent liabilities

The Insolvency Service had no remote contingent liabilities as at 31 March 2017.

Regularity of expenditure

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

Fees and charges income

The Insolvency Service charges a fee for work carried out by the Official Receivers (OR). More detail can be found in the Notes to the Financial Statements (Notes 1(m), 1(v), 2(a), 2(b), 6 and 12) which detail the accounting policies and the values of fee income received and receivable (ie not yet recognised in the Accounts). The Insolvency Proceedings (Fees) Order 2016 also provides further details of the fees chargeable.

The objective of the Fees is to cover the cost of the work carried out by the OR teams. During 2016-17 this objective was achieved, as the income recognised was sufficient to cover the cost of the OR service:

- The cost of the OR service to which fees were applicable was £38m
- The total income received from fees and recognised as income in the year was £69m
- £15m is due to be repaid to the Consolidated Fund as it exceeded the amount we were able to retain from fees.

The above disclosures have been audited.

Audit Report

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 2017 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 and the Parliamentary Accountability Disclosures that is described in those reports 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 2017 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 parts 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 and Parliamentary Accountability Disclosures 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 KCB
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
London SW1W 9SP

4 July 2017

Financial Statements

Statement of Comprehensive Net Expenditure

for the period ended 31 March 2017

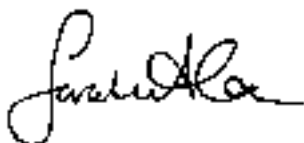
		2016-17	2015-16
		£'000	£'000
	Note		
Income from fees recoverable	6	(80,383)	(67,677)
Other operating income	6	(6,887)	(8,276)
Total operating income:		(87,270)	(75,953)
Staff costs	3	61,172	67,559
Purchase of goods and services	4, 5	7,935	7,844
Depreciation and amortisation charges	4, 5	3,982	3,875
Provision expense	5	(6,330)	(5,112)
Other operating expenditure	4, 5	20,409	26,156
Total operating expenditure:		87,168	100,322
Net operating expenditure:		(102)	24,369
Finance expenditure	4, 5	102	187
Total expenditure for the year:		87,270	100,509
Comprehensive net expenditure for the year:		-	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 2017

		2016-17	2015-16
		£'000	£'000
	Note		
Non-current assets:			
Property, plant and equipment	8	3,697	5,572
Intangible assets	9	2,883	4,720
Financial assets	12	6,477	7,597
Total non-current assets		13,057	17,889
Current assets:			
Trade receivables and other assets	12	4,951	5,494
Financial assets	12	33,110	15,817
Cash and cash equivalents	13	77,931	67,219
Total current assets		115,992	88,530
Total assets		129,049	106,419
Current liabilities			
Trade and other payables	14	(32,774)	(40,801)
Provisions	15	(2,124)	(1,459)
Total current liabilities		(34,898)	(42,260)
Total assets less total current liabilities		94,151	64,159
Non-current liabilities:			
Trade and other payables	14	(319)	(608)
Provisions	15	(2,010)	(2,311)
Total non-current liabilities		(2,329)	(2,919)
Assets less liabilities		91,822	61,240
Taxpayers' equity:			
General fund		91,822	61,240
Total taxpayers' equity		91,822	61,240



Sarah Albon

Chief Executive

Date: 30 June 2017

The notes on pages 62 to 85 form part of these Accounts

Statement of Cash Flows

for the period ended 31 March 2017

		2016-17 £'000	2015-16 £'000
	Note		
Cash flows from operating activities			
Net operating cost	SoCNE	-	(24,556)
Adjustments for non-cash transactions			
Depreciation and amortisation charge	8,9	3,982	3,875
Audit fee	4	101	91
Impairment	10	394	-
Use of provisions	15	364	(287)
(Increase) / Decrease in trade receivables	12	(15,630)	1,326
(Decrease) in trade payables	14	(8,315)	(20,821)
Net cash outflow from operating activities		(19,104)	(40,372)
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(195)	(178)
Purchase of intangible assets	9	(470)	(1,616)
Net cash outflow from investing activities		(665)	(1,794)
Cash flows from financing activities			
BEIS financing		32,283	35,111
VAT recovered by BEIS		(1,194)	(2,419)
Capital element of payments in respect of finance leases and service concession arrangements		(608)	(890)
Net financing		30,481	31,802
Net increase / (Decrease) in cash and cash equivalents in the period		10,712	(10,364)
Cash and cash equivalents at the beginning of the period	13	67,219	77,583
Cash and cash equivalents at the end of the period	13	77,931	67,219

Statement of Changes in Taxpayers' Equity

for the period ended 31 March 2017

		General fund £'000	Total reserves £'000
Balance as at 31 March 2015		53,902	53,902
	Note		
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)
BEIS financing		35,112	35,112
Capital element of payments in respect of finance leases and service concession arrangements		(890)	(890)
VAT recovered by BEIS		(2,419)	(2,419)
Balance at 31 March 2016		61,240	61,240
Comprehensive expenditure for the year 2016-17			
Non-cash charges - auditor's remuneration	4	101	101
Net operating cost for the year	SoCNE	-	-
BEIS financing		32,283	32,283
Capital element of payments in respect of finance leases and service concession arrangements		(608)	(608)
VAT recovered by BEIS		(1,194)	(1,194)
Balance at 31 March 2017		91,822	91,822

Notes to the Agency's Accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2016-17 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 endorsed by the International Accounting Standards Board (IASB) and would include:

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

1(b) Accounting convention

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

1(c) Administration and programme expenditure

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

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

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

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

The Insolvency Service has classified administration costs in accordance with HM Treasury *Consolidated Budgeting Guidance* 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 use in the supply of services or for administrative purposes.

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

Computers unless otherwise stated 3 to 5 years

Office machinery 3 to 15 years

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

1(g) Intangible assets and amortisation

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

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

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

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

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

1(h) Impairments

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

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

1(i) Provisions

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

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

1(k) Early departure costs

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

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

1(l) Contingent liabilities

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

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

1(m) Operating income

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

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

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

A new Fees Order was implemented from 21 July 2016 which replaced the SoS fee with the new General fee. The substance of the existing administration fee did not change, although the revenue recognition policy has been modified (see Note 2(a)). The SoS fee remains applicable to those cases commencing prior to the new fees order; and the General fee applies thereafter. Consequently references to both the SoS fee and the General fee are made throughout these accounts, as both fees are applicable to the calculations of overall income and receivables.

1(n) Deferred income

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

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

Surplus income, whilst not intentional (as per Note 1(m) above) can occur where amounts exceed the agency's forecast of costs required to complete the work on pre-April 2004 cases. This surplus income is recognised at the point at which no further costs associated with those revenues remain to be incurred. 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 3.7% 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 BEIS, which is responsible for paying over and recovering from HM Revenue & Customs any VAT on behalf of the agency.

Where VAT is recoverable by the agency the expenditure shown in the SoCNE is net of VAT. Outstanding recoverable VAT on expenditure is included in VAT receivables and is shown in Note 12 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 SoS fee (applicable until 20 July 2016) or the General fee (applicable from 21 July 2016 onwards) and so the SoS and General fees are non-exchange transactions for the agency, hence outside of IAS 18. The SoS and General fees are akin to a tax or levy on asset-rich estates as they apply to all assets subject to insolvency proceedings regardless of whether the case is administered directly by the agency or on behalf of the agency by an Insolvency Practitioner. The SoS and General fees break the link with the initial customer, in that the fee paid (whether SoS or General will depend on the date the case commenced) by the asset-rich estate would go towards paying for the services provided to estates that have insufficient assets to pay the full Official Receiver fee. This is the cross-subsidy mechanism of the SoS and General fees.

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

1(w) Adoption of Standards and Changes in Policy effective for future financial years

The International Accounting Standards Board (IASB) and IFRIC issued certain standards and interpretations with an effective date after these financial statements. Where these changes are relevant to the Insolvency Service's circumstances they are listed below and will be adopted at the effective date. They have not been adopted early and their adoption is not expected to have a material impact on The Insolvency Service's reported income or net assets in the period of adoption.

In accordance with the FReM, these financial statements have not applied IFRS 9: Financial Instruments, IFRS 15: Revenue from Contracts with Customers or IFRS 16: Leases. These standards have not been incorporated into the FReM. IFRS 9 will be implemented in 2018-19, IFRS 15 is anticipated to be adopted in the 2018-19 FReM.

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).

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 was 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 12). Information is provided here to allow users to understand how the agency has arrived at its estimates. For all of these estimates, it should be noted that future events rarely develop exactly as forecast, and estimates require regular review and adjustment.

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

3 Employee costs

	2016-17			2015-16		
	Permanently employed	Others	Total	Permanently employed	Others	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	43,132	4,684	47,816	46,002	4,234	50,236
Social security costs	4,455	-	4,455	3,819	-	3,819
Other pension costs	8,957	-	8,957	9,378	-	9,378
Voluntary exit scheme - compensation payments	-	-	-	4,380	-	4,380
Subtotal	56,544	4,684	61,228	63,579	4,234	67,813
Less recoveries in respect of outward secondments	(56)	-	(56)	(254)	-	(254)
Total net costs	56,488	4,684	61,172	63,325	4,234	67,559

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

4 Other administrative costs

	2016-17	2015-16
	£'000	£'000
IT infrastructure expenses	232	855
Accommodation	248	628
Operating leases - accommodation	304	664
Operating leases - computers	163	341
BEIS overhead including provision of shared services	44	70
Other costs	77	406
General administrative expenses	50	409
Finance costs	1	15
Travel and subsistence	45	303
Operating leases - office machinery	-	10
Non-cash items:		
Depreciation	501	616
Amortisation	584	721
Audit Fee	101	91
Total	2,350	5,129

5 Programme costs

	2016-17	2015-16
	£'000	£'000
Legal and other costs of investigation and enforcement	5,609	13,025
Operating leases - accommodation	4,796	4,785
Accommodation	4,244	3,680
IT infrastructure expenses	3,771	2,382
Operating leases - computers	2,568	1,449
General administrative expenses	1,834	1,580
Finance costs	102	172
Dilapidations and lease surrender costs	86	309
Other costs	1,602	1,739
Disbursements funded from case administration fees	675	(928)
BEIS overhead including provision of shared services	692	895
Travel and subsistence	1,411	1,216
Operating leases - office machinery	-	91
Non-cash items:		
Write-offs bad debt for investigation and enforcement	461	642
Write-offs bad debt for banking fees	319	364
Write-offs for case administration fees	(8,545)	(6,040)
Bad debt provision for investigation and enforcement	343	134
Provision for lease dilapidations	(127)	(19)
Provision for fruitless payments	736	(16)
Provision for onerous leases	(7)	(75)
Other provisions including adverse costs for disqualification proceedings	84	64
Unwinding of discount for provisions	9	(32)
Depreciation	1,175	1,169
Amortisation	1,723	1,369
Impairment of non-current assets	394	-
Case administration - unwind discounting of receivables for fees	(207)	(134)
Total	23,748	27,821

6 Income

	2016-17	2015-16
	£'000	£'000
Redundancy payments administration	6,887	7,852
HMRC income for ReCalc project	-	424
Insolvency case administration	68,793	58,436
Case administration income accrued from deferred income	843	256
Discounting costs	(516)	10
Estates accounts	1,849	1,990
Regulation of insolvency practitioners	1,490	1,280
Debt relief order administration	3,792	2,229
Investigation and enforcement	2,477	2,306
Rental income	927	1,109
Miscellaneous income	24	61
Criminal enforcement	704	-
Total Income	87,270	75,953

The case administration income £68.793m (2015-16: £58.436m) 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 £843k (2015-16: £256k), has been transferred from deferred income in accordance with the agency's deferred income accounting policy (Note 1(n) and Note 12).

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.

The Criminal Enforcement team income is new within the financial year, see Note 7 for further information.

7 Segmental reporting

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

During the financial year, the Criminal Enforcement team was transferred from BEIS to the Insolvency Service, to better align with the functions within the agency. The transfer took place on 1 January 2017, with all costs and income from that date to the end of the financial year being included within these accounts. BEIS's accounts include costs for the team from 1 April 2016 - 31 December 2016. The team operates through powers under the Data Protection Act 1998 and Police and Criminal Evidence Act 1984. Further details can be found within the Performance Report.

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

	Income		Cost of service		Surplus/(deficit)	
	2016-17 £'000	2015-16 £'000	2016-17 £'000	2015-16 £'000	2016-17 £'000	2015-16 £'000
Activities funded from BEIS financing						
Policy advice and development	-	-	1,505	1,511	(1,505)	(1,511)
Investigation and enforcement	3,181	2,306	34,215	39,026	(31,034)	(36,720)
Projects	-	-	-	4,385	-	(4,385)
Total activities funded from BEIS financing	3,181	2,306	35,720	44,922	(32,539)	(42,616)
Activities funded from fees						
Insolvency case administration	69,144	58,763	38,384	43,222	30,760	15,541
Estate accounts	1,849	1,990	1,637	1,333	212	657
Regulation of insolvency practitioners	1,490	1,280	1,578	1,498	(88)	(218)
Debt Relief Order administration	3,792	2,229	1,793	1,813	1,999	416
Other	927	1,109	1,149	1,109	(222)	-
Total activities funded from fees	77,202	65,371	44,541	48,975	33,661	16,396
Activities funded by HMRC						
Redundancy payments administration	6,887	7,852	6,887	6,188	-	1,664
ReCalc project	-	424	122	424	(122)	-
Total administration costs	6,887	8,276	7,009	6,612	(122)	1,664
Total of all activities	87,270	75,953	87,270	100,509	-	(24,556)

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

The costs of £38.384m (2015-16: £43.222m) in relation to insolvency case administration includes bad debt write-back of £8.5m (2015-16: write-back of £6.040m) 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.

8 Property, plant and equipment

2016-17

	Information Technology £'000	Plant & Machinery £'000	Assets Under Construction £'000	Total £'000
Cost or valuation				
At 1 April 2016	8,173	340	528	9,041
Additions	-	6	189	195
Disposals	(135)	(50)	-	(185)
Reclassifications	152	42	(194)	-
Impairments	-	-	(394)	(394)
At 31 March 2017	8,190	338	129	8,657
Depreciation				
At 1 April 2016	3,264	205	-	3,469
Charged in year	1,635	41	-	1,676
Disposals	(135)	(50)	-	(185)
At 31 March 2017	4,764	196	-	4,960
Carrying value at 31 March 2017	3,426	142	129	3,697
Asset financing:				
Owned	924	142	-	1,066
Service concession arrangement (Note 17)	2,502	-	129	2,631
Carrying value at 31 March 2017	3,426	142	129	3,697

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 17)	2,502	-	528	3,030
Carrying value at 31 March 2016	4,909	135	528	5,572

9 Intangible assets

2016-17

	Software Licences £'000	Internally Developed System £'000	Assets Under Construction £'000	Total £'000
Cost or valuation				
At 1 April 2016	291	12,499	1,771	14,561
Additions	-	-	470	470
Disposals	-	-	-	-
Reclassifications	13	2,188	(2,201)	-
Impairments	-	(1,394)	-	(1,394)
At 31 March 2017	304	13,293	40	13,637

Amortisation

At 1 April 2016	191	9,650	-	9,841
Charged in year	53	2,254	-	2,307
Disposals	-	-	-	-
Impairments	-	(1,394)	-	(1,394)
At 31 March 2017	244	10,510	-	10,754

Carrying value at 31 March 2017

60	2,783	40	2,883
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Asset financing:

Owned	60	2,783	40	2,883
Finance leased	-	-	-	-
Carrying value at 31 March 2017	60	2,783	40	2,883

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

10 Impairments

The Insolvency Service carried out an impairment review during the year (as at 31 March 2017) comparing the carrying amounts of PPE and Intangible Assets with their recoverable amount. The carrying amount is the value in the Statement of Financial Position (SoFP), while the recoverable amount is the higher of net realisable value and value in use. If the net realisable value cannot be ascertained then the value in use is taken.

The impairments identified are shown within Notes 8 PPE and 9 Intangible Assets.

11 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 3.7%.

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

12 Trade receivables, financial and other assets

	2016-17 £'000	2015-16 £'000
Amounts falling due within one year:		
Financial assets		
Receivables for fees - case administration	30,783	13,434
Receivables for disqualification costs	1,487	1,562
Receivables for fees - estate accounts	840	821
Trade receivables and other assets		
Prepayments	2,717	2,128
VAT receivables	810	604
Other receivables	1,258	2,510
Employee receivables	166	252
Total	38,061	21,311
Amounts falling due after more than one year:		
Financial assets		
Receivables for fees - case administration	4,672	5,817
Receivables for disqualification costs	1,441	1,513
Trade receivables and other assets		
Employee receivables	364	267
Total	6,477	7,597
Total receivables, financial and other assets	44,538	28,908

The receivables for estate accounts fees have been reduced by a bad debt write-off of £319k (2015-16: £364k).

Included within the above figures are receivables for fees - case administration. The balance of £30.783m for amounts expected to be recovered within one year (2015-16: £13.434m) and £4.672m for amounts expected to be recovered in more than one year (2015-16: £5.817m). 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 OR Fees Implementation Project carried out a review of existing fees, and recommended changes to the fee structure for implementation during 2016-17. This resulted in a new Fees Order which was implemented from 21 July 2016. The main changes were:

- the SoS fee replaced by the Insolvency Service General Fee which is classified as tax income and requires a formal netting off agreement (which was approved by HMT) to allow the agency to retain this income;
- the substance of the administration fee not changed, however the amount of revenue recognised over the period of service to be measured at a reduced rate compared to the previous fee regime in order to take into account the high interrelation between the administration and general fees and to state fairly the overall revenues from both fees. (see the *Insolvency Proceedings (Fees) Order 2016* for further details).

The costs of administering bankruptcy or companies winding-up are reflected in a case administration fee. Until the end of 2015-16, the fee was fixed at £1,990 for bankruptcies (remained the same from July 2016) and £2,520 for companies winding-up, which has risen to £2,775 from July 2016. In practice, the agency recovers its fees in part through the receipt of a deposit (until 20 July 2016: £525 for debtor petitions, £700 for creditor petitions and £1,165 for companies; from 21 July 2016: £550, £990 and £1,600 respectively) with the balance met as assets in bankruptcy or winding-up are realised. Cash recoveries from asset realisations lag behind income recognised in the accounts and the difference between the two is therefore reported as a receivable.

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

From 21 July the general fee replaced the SoS fee, and has been set at £6,000.

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 Consensus 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.

Forecasting assumptions of reported receivables

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 Consensus 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 and 2017-18 in line with their stated intention to take a proactive approach to crystallising their PPI liabilities.

b) long-term realisations will include the bankrupt's family home and fee recoveries may be impacted by the increase in UK average house prices.

Receivable figures for all case years are expected to be £35.455m (2015-16: £19.251m) (undiscounted). Strong asset realisations driven by the work of the official receivers has resulted in fee recoveries being higher than expected. The strong fee recoveries were due mainly to receipts related to PPI claims and long-term asset realisations, including property interests in bankruptcies and pension funds. This has enabled the agency to write-back case administration fees, previously regarded as irrecoverable, totalling £8.543m (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 implementation of the new fee structure in 2016 has not changed this trend. The agency now expects to fully recover all case administration fees relating to case years 2010-11 onwards. As per the previous two years, bad debt write-off remains at 0%.

13 Cash and cash equivalents

	2016-17 £'000	2015-16 £'000
Balance at 1 April	67,219	77,583
Net change in cash and cash equivalent balances	10,712	(10,364)
Balance at 31 March	77,931	67,219

The following balances at 31 March were held at:

Government banking service (ISA account)	53,548	40,143
Government banking service	24,383	27,076
Balance at 31 March	77,931	67,219

14 Trade payables and other current liabilities

	2016-17 £'000	2015-16 £'000
Amounts falling due within one year:		
Payables	4,586	5,728
Accruals	9,736	19,809
Due to the Consolidated Fund	15,460	11,944
Deferred fee income	736	1,269
Service concession arrangement	289	283
Accrued employee benefits	1,967	1,768
Total	32,774	40,801

Amounts falling due after one year:

Service concession arrangement	319	608
Total	319	608

Accruals made in 2016-17 for expenditure relating to the year but not yet paid total £9.7m (2015-16: £19.8m). Notable items included £4.7m (2015-16: £7m) for commitments to pay staff exit costs (for schemes formally accepted by staff during 2014-15 and 2015-16); as well as £2.2m (2015-16: £5.4m) in relation to rental payments due for properties the agency occupies but which had not been invoiced for as at 31 March 2017.

Payments due to the Consolidated Fund for 2016-17 were £15.460m (2015-16: £11.944m). This was due to over-recovery income recognised in the year (detail in Notes 1(v) and receivables shown in Note 12).

The payables for service concession arrangements were for the IT infrastructure - Note 17.

Deferred income

Deferred income as at 31 March 2017 was £736k (2015-16: £1,269k) of which £221k (2015-16: £713k) related to insolvency practitioner regulation fees. The remaining £515k (2015-16: £555k) related to case administration fee income, for fees recovered on old regime cases (before 1 April 2004) that had not yet been recognised as income in the annual accounts.

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

£843k (2015-16: £256k) of deferred income was recognised as income in 2016-17 (Note 6).

15 Provisions for liabilities and charges

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

Analysis of expected timing of discounted flows

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

	Pre 1996					Total
	Debit					
	Fruitless payments	balance write-offs	Lease dilapidations	Onerous leases	Other	
	£'000	£'000	£'000	£'000	£'000	£'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

	Pre 1996					Total
	Debit					
	Fruitless payments	balance write offs	Lease dilapidations	Onerous leases	Other	
	£'000	£'000	£'000	£'000	£'000	£'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	-	-	-	20
Balance at 31 March 2016	96	116	3,363	60	135	3,770

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 4 cases (2015-16: 2 cases) totalling £741k (2015-16: £96k).

Pre 1996 debit balance write-offs (DBWO)

Prior to 1 April 1996 fees were handed over to BEIS regardless of whether there was enough money in the insolvency estate to pay them. This gave rise to debit balances being created where estates did not realise sufficient monies to pay fees and disbursements charged to them. When these cases were completed these debit balances had to be recovered from BEIS. This was achieved by a write-off against current year fees. As at 31 March 2017 the balance of the DBWO on cases which have not yet been completed was £109k (2015-16: £116k) due to write-backs of £6k (2015-16: £17k). 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 22 locations; as at 31 March 2017 the provision held per location was adjusted by £72k (2015-16 £236k) based on the increase in building costs by reference to BCIS (The Building Cost Information Service; a cost guide provided by the Royal Institution of Chartered Surveyors). £127k was utilised during 2016-17 (2015-16: zero) with write-backs of £198k for Sheffield, Hull and Bristol offices (2015-16: £255k). The provision held is discounted using the general provision discount rates set by HM Treasury, which results in the value of the provision adjusting to £3,119k (31 March 2016: £3,363k).

Onerous leases

The opening balance of £60k (2015-16: £313k) related to one property where the agency had taken decisions to exit the property before the lease end date. £53k of this provision was utilised during 2016-17, with the balance of £7k being written back as not required (2015-16: £178k utilised and £75k written-back as not required). No new onerous lease provisions have been provided for resulting in a provision of zero as at 31 March 2017.

Other provisions

At the start of the year, other provisions consisted of £135k (2015-16: £62k) for potential adverse cost claims in disqualification proceedings and a potential employment tribunal claim.

During the year, £60k was utilised (2015-16: £7k), and £35k (2015-16: £2k) was written-back as not required. There were two new provisions created during 2016-17 totalling £125k (2015-16: £82k).

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

16 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.

	2016-17	2015-16
	£'000	£'000
Obligations under operating leases for the following periods comprise:		
Buildings		
Not later than one year	5,749	5,674
Later than one year and not later than five years	9,173	14,922
Later than five years	-	-
Total	14,922	20,596

17 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:

	2016-17	2015-16
	£'000	£'000
Rentals due not later than one year	289	283
Rentals due later than one year and not later than five years	319	608
	608	891
Less interest element	(13)	(29)
Present value of obligations	595	862

Interest on the service concession arrangement charged in the year was £15k (2015-16: £21k).

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.

	2016-17	2015-16
	£'000	£'000
Not later than one year	2,042	2,154
Later than one year and not later than five years	2,160	4,202
Total	4,202	6,356

18 Contingent liabilities disclosed under IAS 37

The Insolvency Service has the following contingent liabilities:

Banking liabilities

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

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

19 Losses and special payments

During the year, the Insolvency Service made the following payments. In all cases, the agency sought formal approval for its proposals and actions in regard to these matters from either HM Treasury direct or indirectly through BEIS. As per 2015-16, 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 2016-17, the agency made 133 fruitless payments totalling £191k (2015-16: 69 payments totalling £676k).

Of these, there were 91 cases totalling £45k (2015-16: 25 cases totalling £11k) related to the failure to admit a creditors proof of debt in the dividend process. There were 5 cases costing £32k (2015-16: 6 cases costing £39k) for failure to deal with an asset. The remaining 29 payments were due to compensation following complaints and miscellaneous errors (2015-16: 37 payments). During 2015-16 there was one 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, this did not recur in 2016-17.

	2016-17	2015-16
	£'000	£'000
Total fruitless payments	191	676
Number of cases	133	69

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 2016-17 there have been 77 write-offs totalling £804k (2015-16: 106 cases totalling £642k).

	2016-17	2015-16
	£'000	£'000
Total claims abandoned	804	642
Number of cases	77	106

20 Related-party transactions

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

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

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

21 Financial exposure

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

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

Interest rate risk

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

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

Liquidity and foreign currency risk.

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

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

22 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) of administering the NI Fund; and the fund payments and receipts will be published in the consolidated resource accounts of BEIS.

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 £2,902 (2015-16: £2,950). An average amount of £1,258 was paid during the year for RP2 (2015-16: £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: BEIS becomes a creditor of the insolvent company in place of the employee paid from the NI Fund and receives a dividend if there are sufficient funds to make a payment to creditors in the winding-up of the company.

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

23 Third Party Cash

DRO pre-application fees

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

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

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

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

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

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

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

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

Applicants can pay this fee in instalments (but the application won't be considered until the full £90 is received), and as such, there is a balance of funds held on behalf of these applicants which is not included within these accounts. On a monthly basis, a procedure is followed whereby any funds due to the Insolvency Service for 'accepted' applications is paid into the agency's bank account (and amounts are accrued at year-end). The current value of the accrued funds shown as income within these accounts is £2.318m (2015-16: £2.230m). The balance remaining not yet recognised as income (due to timing and applications not yet being complete) was £836k as at 31 March 2017 (£1.214m as at 31 March 2016).

Redundancy Payments (RP) service bank accounts

As outlined in Note 22, 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 2017 was £6.973m (31 March 2016: £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 in from dividends realised from the estates of insolvent employers where the agency has substituted as a creditor in place of the employee. It also receives repayments made by solvent companies that have received financial assistance to fund redundancies which enable the survival of the business. The balance on this account as at 31 March 2017 was £0.244m (31 March 2016: £5.058m). As agreed with HMRC, the receipts held are sent to HMRC on a monthly basis.

24 Events after the reporting period date

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

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