



The Insolvency
Service

The Insolvency Service
Annual Report and Accounts
2018–19



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The Insolvency Service is an executive agency of the Department for Business, Energy and Industrial Strategy.

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Foreword

I'm happy to report on another solid year of delivery by the Insolvency Service. Our principle objective is to deliver economic confidence, and we do this by supporting people in financial distress, maximising returns to creditors and tackling financial wrongdoing. Across all of these goals we have delivered against our published objectives.

There have been many highlights throughout the year. In November, we granted the 250,000th Debt Relief Order (DRO). In the current reporting period we granted over 28,000 DROs and the agency marked the 10-year anniversary of their introduction. In that decade more than £2.3 billion in debt relief has been provided.



We returned over £61.3 million to creditors in the current year, up from the £55.3 million we reported in last year's report. The recycling of funds lost through insolvencies is vital to ensure confidence in our economy.

This past year we disqualified 1,242 directors for misconduct, with an increased percentage being banned from the market for 10 years or more. These cases often have a significant community impact. The 10-year disqualification of Howard Grossman, who was behind the failed development of Northampton Town's stadium, is an example of such a case. Our investigators worked with Northampton Police and found that Mr Grossman had not kept proper accounting records and could not account for at least £5.6 million of transactions before the project folded.

I reported last year that the collapse of Carillion was the largest, most complex liquidation the agency had faced, and while our work to transfer its important public sector contracts concluded in August, the Official Receiver continues to wind down the company's affairs and determine why it failed. I'm hugely proud that our achievements in this case were recognised with the Insolvency Team of the Year award at the Turnaround, Recovery and Insolvency Awards in November.

We've also continued to modernise our technical infrastructure. This past year we brought a new finance system online as part of our vision to integrate our various legacy systems to achieve better efficiencies and improved customer service.

Finally, I've written previously about how pleased I've been to see the improvements in our Civil Service People Survey results and this has continued this year with our engagement scores reaching their highest level ever. Our people remain at the heart of making this agency successful and helping to deliver the best possible services for our customers.

As we prepare for the coming year, I have every confidence the agency remains well placed to meet whatever challenges lay around the corner.

Sarah Albon

A handwritten signature in black ink, appearing to read 'Sarah Albon', written in a cursive style.

Chief Executive

These accounts have been prepared on a going concern basis.

Performance Report

Performance Overview

Performance Report

Delivering economic confidence

Supporting those in financial distress

44,801

New insolvency cases received



13,245

Online bankruptcy orders

3,464

Creditor petition bankruptcies

28,085

Debt Relief Orders

78,801

Redundancy payment requests

On average it takes 12.2 calendar days to action payments.



Tackling financial wrongdoing

1,242

Directors disqualified for misconduct



8.9% disqualified for 10 years or more.

441

Bankruptcy restrictions obtained

On average it takes 8.6 months to obtain a bankruptcy restriction.



150

Live company investigations



144

Criminal prosecutions



Maximising returns to creditors



£61.3m
in dividends returned
to creditors.

92.6% reports to
creditors issued within
15 calendar days of an
attended interview.



Customer satisfaction



84% of customers are either
very satisfied or quite satisfied
with the service provided.



We achieved re-accreditation of the
Customer Service Excellence standard

We hold 19 Compliance Plus and 38 Compliant ratings

The Insolvency Service is an executive agency of the Department for Business, Energy and Industrial Strategy (BEIS). The agency helps to deliver economic confidence by supporting those in financial distress, tackling financial wrongdoing and maximising returns to creditors.

The key issues and risks that could affect the entity in delivering its objectives are set out in the Governance Statement.

Our externally published targets are set by Ministers and drive our performance against the needs of our service users and stakeholders. Our Ministerial targets are shown in the table below. These targets represent the agency's key functions and the levels of service we aim to provide to those who use them. Additional Annual Plan targets that support our purpose can be found within subsequent sections of this report, and additional detail on the context surrounding the selection of these measures can be found in our Annual Plan 2018-19.

Each month, the Senior Management Team meet to discuss, challenge and take action to drive performance across the full range of the agency's services and activities. This action can take many forms, including redeployment of resources or, in some instances, a commission for detailed analysis, which would report back via the Operations or Executive Committee governance structures. Alongside reviewing agency performance, the Senior Management Team scrutinise and update the agency Risk Register, serving to align risk with operational priorities and challenges (both current and anticipated), which enables us to make informed, strategic decisions on the wide range of critical services we deliver. This group also includes a representative from the Audit, Risk & Assurance Committee to fully embed a risk-based approach in all reviews of agency performance.

Underpinning this activity is a comprehensive suite of management information which provides directors with a wide range of contextual data that may impact business-as-usual performance (for example, team-level breakdowns of average working days lost to sickness, work in progress and highlighted areas of under-performance).

Ministerial target		2018-19 target	2018-19 performance
Delivering economic confidence	Per cent of users ¹ who are satisfied with the Insolvency Service	85% or greater	84%
Supporting those in financial distress	Average calendar days taken to action a redundancy claim	14 days or fewer	12.2 days
Tackling financial wrongdoing	Average time taken to obtain a disqualification	21 months or fewer	19.9 months
	Average time taken to obtain a bankruptcy restriction	10 months or fewer	8.6 months
	Average time taken to instigate a criminal prosecution	24 months or fewer	25.9 months
Maximising returns to creditors	Per cent of reports to creditors issued within 15 calendar days of an attended interview ²	90% or greater	92.6%
	Total value distributed to creditors ³	£55m or greater	£61.3m
Financial management	Expenditure to be managed within budget	Achieve	Achieved

1 a) Debt relief order debtors; b) approved intermediaries; c) bankrupts; d) directors of insolvent companies; e) redundancy payment claimants; f) institutional creditors; g) non-institutional creditors; h) insolvency practitioners.

2 Or where a decision is made that no interview is required or the agreed point of non-surrender.

3 Excludes distributions relating to Carillion

Supporting those in financial distress

Performance Report

The targets that support our purpose, to aid those in financial distress are:

Performance measure		2018-19 target	2018-19 performance
4.2.1	Average calendar days taken to action a redundancy claim ¹	14 days or fewer	12.2 days
4.2.2	Per cent of bankruptcy orders made by the Adjudicator within two working days	96% or greater	98%
4.2.3	Per cent of debt relief orders determined within 48 hours	97% or greater	99%
4.2.4	Per cent of calls to agency enquiry lines that are successfully answered	95% or greater	92.5%
4.2.5	Per cent of calls to agency enquiry lines answered within 60 seconds	n/a (new)	n/a (new)

This range of measures focus on many of our frontline activities, and the valuable services we provide to individuals in financial distress. Given the stress that financial difficulty brings, you will see there is a focus on swift delivery of services, to ensure we play a part in mitigating that difficulty.

We administer debt solutions that help people get back on their feet. These solutions include bankruptcy and debt relief orders (DROs).

Our online adjudicator service removes the stress of attending court from the debtor bankruptcy process.

We also help employees of insolvent companies via our redundancy payments service.

Our Official Receivers and redundancy payments teams play a vital role in helping and supporting people in times of financial distress.

Bankruptcy

We introduced our online bankruptcy application service in April 2016 and it quickly became an established part of the debt relief system. The service, hosted on GOV.UK, allows the user to create an online account to apply for bankruptcy. This removes the need for the individual to attend court when declaring bankruptcy.

The online adjudicator service is available 24 hours a day, 7 days a week. In 2018–19, over 97 per cent of orders were made within 48 hours of receipt of the application.

The adjudicator service has continued to receive very positive feedback, with 84 per cent of those made bankrupt saying they were satisfied or very satisfied with the service.

1 Ministerial target

Commenting on these online services, users have said, “they were reassuring and calmed me down” and “made me feel at ease, was clear and concise, nothing confusing.”

In 2018–19, the adjudicator made 13,245 orders through the online bankruptcy service. A further 3,434 creditor bankruptcy orders were made by the court.

250,000 Debt Relief Orders

We provide debt solutions to some of the most vulnerable people in society through debt relief orders (DROs). These are specifically aimed at those with low levels of unmanageable debt, minimal surplus income and little by way of assets.

The DROs are applied for by authorised debt advisers and approved by an Official Receiver.

In November 2018 we granted the 250,000th DRO, providing a low cost debt relief solution to a quarter of a million people. April 2019 was the 10th anniversary of the introduction of DROs.

DRO applications are processed as quickly as possible and our target of 97 per cent completed within 48 hours was exceeded by reaching 99 per cent. Our target for 2019–20 has been raised to 98 per cent.

250,000 Debt Relief Orders

In November 2018 we granted the 250,000 Debt Relief Order (DRO). These DROs have provided a low cost debt relief solution to a quarter of a million people.

Handling redundancy payments

Our Redundancy Payments Service (RPS) supports those in financial distress by making redundancy-related payments to employees whose insolvent employer cannot or will not pay.

It also has responsibility for all aspects of RPS employment tribunal, debt recovery and creditor work, including fraud and technical advice, aiming to tackle financial wrongdoing.

Our RPS teams in Edinburgh and Birmingham are responsible for processing and paying tens of thousands of redundancy claims each year. We typically handle around 60,000 claims a year, though 2018–19 has seen this increase to over 75,000 claims.

In 2018–19 we paid all claimants within an average of 12.2 calendar days, exceeding our target of an average of 14 days.

Fighting fraud

Our RPS teams not only process claims, they also make sure fraudulent and bogus claims are identified and dealt with.

When suspicious claims are identified, the case is passed over to our Quality Assurance and Tribunals Team for further investigation.

Case study: RPS fraudsters jailed for a total of 15 years

We identified a number of suspicious claims where the insolvent company was not able to identify the claimants. We also found that there appeared to be several claimants with identical addresses and bank accounts.

Our Quality Assurance and Tribunals Team, working with colleagues in HMRC, discovered the suspicious claims could be linked to three London accountants. Over 130 false redundancy claims were identified with a combined value of £700,000.

Using our evidence, HMRC prosecuted the three accountants, and they were found guilty of conspiring to cheat the public revenue. They were jailed in December 2018 for a total of 15 years.

Case study: The Adjudicator's role in preventing bankruptcy tourism

We often see bankruptcy applications from people with significant overseas debts. Many applications are from individuals who live and work in England or Wales and meet the criteria for a bankruptcy order.

In some cases it's clear the applicant's life is in another European country. They attempt to use our insolvency regime to obtain debt relief in their own country.

One case saw the applicant owed some £13 million following failed currency trades. He claimed to have moved to London from Germany to take up a job opportunity. This was several years before his application to us and he had stayed in London after the job fell through.

We discovered the applicant had not had a job or any other business in the 3 years he claimed he was living in London. His mother had been supporting him during his time here. His bank statements showed that there were many periods when there was no expenditure on his account.

There was little, if any, expenditure on usual living expenses for example food, travel or utilities. The Adjudicator refused the bankruptcy application because the applicant's main centre of interest was not in England or Wales. The decision was later upheld on review.

The applicant later appealed in court but, after hearing the applicant, the court dismissed his appeal. The court upheld the Adjudicator's decision to refuse to make a bankruptcy order.

Tackling financial wrongdoing

Performance Report

The performance measures which evidence our work to tackle financial wrongdoing are below:

Performance measure		2018-19 target	2018-19 performance
5.2.1	Average time taken to obtain a disqualification ¹	21 months or fewer	19.9 months
5.2.2	Average time taken to obtain a bankruptcy restriction ¹	10 months or fewer	8.6 months
5.2.3	Average months taken to instigate a criminal prosecution ¹	24 months or fewer	25.9 months

Enforcement outcome planning assumptions		Lower	Upper
5.2.4	Disqualifications	1,235	1,305
	Bankruptcy and debt relief restrictions	460	480
	Live companies' investigations	150	160
	Criminal Investigations resulting in a decision to prosecute	140	160

In the tables above you can see our commitment to taking swift action (following a robust investigation into misconduct) and the planning assumptions for the volume of outcomes we expect to deliver.

Our investigation and enforcement teams help tackle individuals and companies who act against the public and corporate interest. This work helps to retain confidence in Britain as a great place to do business.

Director disqualification

We remain alert to abuse in the corporate market place and proactively monitor intelligence received from various sources, including complaints from the public. Consideration of the conduct of directors prior to insolvency is a fundamental part of our regime. This is backed by powers to prevent an unfit director from running a business for up to 15 years.

We obtained the disqualification of 1,242 directors in 2018–19.

We're fully prepared and equipped to tackle the most serious cases of misconduct. The average length of disqualification undertakings and orders secured against directors was 5.5 years, with 8.9 per cent disqualified for 10 years or more.

We estimate that the net benefit to the market for each director disqualified is around £100,000 in terms of creditor damage prevented.

¹ Ministerial target

Company investigations

We have an important role in investigating live trading companies as well as investigating companies which have become insolvent.

Our investigations help protect the public from dishonest and misleading company directors who abuse their corporate position through fraud, scams or sharp practice. The scams often target the elderly or other vulnerable members of the public.

In 2018–19 we continued to investigate and obtain winding up orders against companies across a range of sectors. Investigations into 62 companies wound-up in the public interest showed that at least £67 million had been taken from victims and our investigations prevented the loss of a further £37 million.

Case study : Disqualification of Delroy Roberts

In August 2018, Delroy Roberts was disqualified as a director for 12 years as a result of an Insolvency Service investigation. Mr Roberts was a director of Haydon Associates Debt Management Consultants Limited, Sterling Financial Security Limited and Clear View Finance Limited. All three were debt management companies which went into liquidation in December 2015.

Our investigators found that the Financial Conduct Authority (FCA) had issued warnings to Mr Roberts but he had failed to make sure the companies followed regulated guidance. The companies did not provide written statements to customers setting out their debt positions and they also failed to provide information about customers to the FCA.

Customers complained to the FCA about not receiving updates concerning changes to their debt plans. Although these customers made regular payments, the money they owed to their creditors did not go down. At the same time, creditors were not being paid the full amount and, on occasions, they were not paid at all. The majority of these complaints were upheld and, as a result, the three companies were ordered by the Financial Ombudsman Service to refund the customers.

Case study : Disqualification of Howard Grossman

In January 2019 we obtained a 10-year disqualification for Howard Grossman for his part in a failed football stadium development contract.

Mr Grossman was a director of 1st Land Limited, which was contracted to develop Sixfields Stadium on behalf of Northampton Town Football Club. 1st Land received at least £6 million from the football club to complete the work. The club had also received funding from the local authority, Northampton Borough Council.

When 1st Land entered administration in January 2015 the work on the stadium had not been completed. 1st Land later went into compulsory liquidation in December 2015.

Working closely with Northamptonshire Police, whose investigation continues, Insolvency Service investigators found that Mr Grossman had failed in his duties as a director of 1st Land. He'd also failed to maintain adequate records of the company's financial dealings.

Investigators discovered that at least £5,650,478 could not be accounted for within the records. In addition, it was found that significant payments had been made by 1st Land to Mr Grossman, his family and other parties that were for no evident benefit of 1st Land.

Mr Grossman was disqualified for 10 years on 29 January 2019 after signing a voluntary undertaking, in which he did not dispute the allegations. The public money used to fund the project remains unrecovered.

Restriction orders

We are responsible for identifying the misconduct leading to an individual's insolvency and can impose extended restrictions on those subject to bankruptcy or debt relief orders.

We will investigate these cases to make sure the interests of the creditors and the wider public are protected.

Where we identify misconduct, the Official Receiver can enact proceedings to place debt relief restriction orders against the individuals concerned. This includes restricting the ability to obtain credit in the future.

Restriction orders have previously been imposed upon individuals who have acted dishonestly or have otherwise abused the protection offered by the bankruptcy regime and to the detriment of their creditors.

In 2018–19 we secured 441 bankruptcy restrictions orders and 17 debt relief restrictions orders.

Of those orders:

- the average period of restriction was 4.9 years for bankruptcy restriction orders and 6.1 years for debt relief restriction orders, giving an average of 5 years for both
- 25.7 per cent of bankruptcy restrictions and 75 per cent of debt relief restrictions were for terms over five years

Case study: Bankruptcy restrictions extended

While acting as sole director of Alliance Traffic Services Limited, Terence Coventry entered into a factoring agreement with an independent finance company. Between May 2016 and March 2017, Mr Coventry abused his position as a director and caused the finance company to lose over £177,000.

Mr Coventry's company was wound up in November 2017 when the finance company made claims against guarantees Mr Coventry was personally liable for. Unable to pay the debt, Mr Coventry was made bankrupt in January 2018.

Bankruptcy restrictions, such as declaring bankrupt status when borrowing more than £500, typically last until your bankruptcy ends after 12 months. In this case, the Insolvency Service applied to have Terence Coventry's bankruptcy restrictions extended due to his abuse of trust and causing the finance company to lose thousands of pounds.

In January 2019, Lincoln County Court made a bankruptcy restrictions order against Mr Coventry. His bankruptcy restrictions will now last for 7 years.

Criminal enforcement

The criminal enforcement team obtain evidence of suspicious activity, often operating through powers under the Data Protection Act 1998 and the Police and Criminal Evidence Act 1984 and, in some cases, liaise with the police to make appropriate arrests.

In 2018–19, whilst the core of our criminal investigation work did not change, we raised the visibility of the outcomes of those investigations by identifying an expected range of cases in which criminal proceedings were instituted in accordance with the Code for Crown Prosecutors. The number of individuals against whom criminal proceedings were instituted in 2018–19 was 144. In addition, we continue to identify and obtain a wide range of compliance behaviour across the sector.

Case study: Jonathan France disqualified and imprisoned

On 31 July 2018, an Insolvency Service investigation resulted in Jonathan France being imprisoned for 10 years upon conviction, and being disqualified for 12 years.

In spite of restrictions placed upon him by virtue of his bankruptcy, Mr France continued to act as a company director of several companies.

The Insolvency Service investigator found that revenue generated by these companies, running into millions of pounds, had been diverted by Mr France to fund the purchase of luxury goods.

Mr France pleaded guilty to various offences including acting as a director whilst bankrupt, fraudulent transfer of property, failing to disclose property to the Official Receiver and money laundering.

Two accomplices also received custodial sentences and disqualification orders.

Case study: A joint investigation with Merseyside Police

Following a joint investigation by the Insolvency Service and Merseyside Police, Richard Hall was found guilty after two trials in October and December 2018 and, in January 2019, was sentenced to 4.5 years' imprisonment for four fraud offences, two counts of obstructing the Official Receiver by perjury and doing an act with intent to pervert the course of justice.

Richard Hall traded as an estate agent through the company Brooklands Sales and Lettings Limited. It was found by the Court that he defrauded several people to the value of more than £40,000 through his business dealings.

Mr Hall also dishonestly sold Brooklands Sales and Lettings Ltd in May 2014, claiming he owned the full company, despite having received investment from a third party. Furthermore, Mr Hall sold the business just two months before he was made bankrupt for a second time.

Mr Hall had first been made bankrupt in 2012, with the restrictions lifted in 2013. But when he was made bankrupt for a second time in July 2014, he attempted to undermine the Official Receiver's investigations into his affairs.

He tried to conceal a bank account and his shares in Brooklands from the Official Receiver. Once investigators found the account, they discovered Mr Hall was operating a sole trader company called Brooklands Sales alongside the company he had sold unbeknownst to the new owners of Brooklands.

He then continued to thwart the Official Receiver's investigations into his bankruptcy. He told investigators that he never held shares in Brooklands, even though his name was on the public register at Companies House.

Finally, at court, he produced banking material intending to convince the Court that he had paid back monies for the sale of Brooklands.

Maximising returns to creditors

Performance Report

Our official receivers act on behalf of creditors to realise assets in bankruptcy and liquidation cases, and distribute these funds fairly. The performance measures below illustrate the key stages in that process, keep our customers informed and the final amounts we have paid out at the conclusion of our work.

Performance measure		2018-19 target	2018-19 performance	2019-20 target
6.2.1	Average calendar days to complete the first interview for debtor bankruptcies	8 days or fewer	6.8 days	Eight days or fewer
6.2.2	Average calendar days to complete the first interview for creditor and complex debtor bankruptcies ¹	21 days or fewer	23.6 days	20 days or fewer
6.2.3	Average calendar days to complete the first interview for compulsory winding up cases ²	28 days or fewer	31.8 days	27 days or fewer
6.2.4	Per cent of reports to creditors issued within 15 calendar days of an attended interview ³	90% or greater	92.6%	91% or greater
6.2.5	Value of distributions to creditors ⁴	£55m or greater	£61.3m	£60m or greater
6.2.6	Per cent of payments from the Insolvency Service Account made within two working days	97% or greater	98%	98% or greater

It is worth noting that a large proportion of the monies distributed to creditors have arisen primarily due to compensation claims where bankrupts have historically been mis-sold Payment Protection Insurance.

The UK insolvency regime continues to enable the assets of insolvent companies to be realised and returned to creditors more quickly than in comparable jurisdictions, such as the USA, France and Germany.

Acting as trustee and liquidator, the Insolvency Service has distributed over £61.3 million to creditors this year in dividend payments, exceeding the target of £55 million. The agency has

1 Calculated from date of notification of order by the relevant court

2 Calculated from date of notification of order by the relevant court

3 Or where a decision is made that no interview is required or the agreed point of non-surrender.

4 Ministerial target

completed 14,443 distributions in 2018–19.

Our Estate Account and Scanning Services are responsible for operating the Insolvency Service Account, where insolvency practitioners lodge monies realised in cases they handle. Last year they dealt with 57,052 payment requests resulting in 116,646 payments out of the Account and processed 98.4 per cent of payment requests within 2 days of requisition.

This year, 92.6 per cent of reports to creditors were issued within 15 calendar days of an attended interview against our ministerial target of 90 per cent within this period.

Handling complex cases

Case study: Carillion

The first 6 companies under the Carillion umbrella went into liquidation on 15 January 2018. These companies had been identified by the Official Receiver and Special Managers as those most critical to continued trading and who were also the largest employers.

It was the largest trading liquidation in UK corporate history and the Official Receiver, with assistance from PwC as special managers, continued trading to August 2018. In November 2018, the Insolvency Service and PwC team won the Insolvency Team of the Year award at the prestigious Turnaround, Recovery and Insolvency 'TRI' Awards.

The complexity of Carillion's trading means that no date is currently set for when the liquidation will end. The Official Receiver, with assistance from PwC, will seek where possible to resolve any outstanding matters as quickly as possible in 2019–20.

To give an idea of scale:

- 379 companies have been identified as part of the Carillion group
- Of these, 123 companies were based overseas
- There were over 40,000 employees worldwide
- There were over 18,000 employees in the UK
- 90 UK companies are currently in some form of insolvent liquidation
- The Official Receiver is currently liquidator of 78 companies

The trading period for Carillion in liquidation, which began on 15 January 2018, ensured the continued provision of essential public services across hospitals, schools, roads, rail and other key infrastructure. This included providing services to 8 acute hospitals, providing nearly 1 million school meals to 149 schools and also maintaining services in 54 prisons and for 50,000 military homes.

All of Carillion's direct trading operations at the time of liquidation had concluded by 1 August 2018, having transferred to new service providers with no interruption to services.

Regrettably, just over 3,000 employees lost their jobs but the vast majority, over 15,000, either had their employment protected by transferring to new suppliers or left the business through finding new work, retirement or for other reasons.

Delivering economic confidence

Performance Report

Ensuring a robust insolvency profession

A key part of helping to deliver economic confidence means making sure that there is a robust insolvency regime that delivers fair outcomes for the people and businesses affected by insolvency.

The vast majority of those in the insolvency industry perform a valuable role for the economy, rescuing struggling businesses where possible and providing an orderly way to deal with individuals and businesses where insolvency is the best option.

Acting on behalf of the Secretary of State as oversight regulator of insolvency practitioners, the Insolvency Service works with the profession to make sure that standards are improved and, on those occasions where there has been misconduct, it is tackled robustly.

A busy year for our oversight regulatory activities

Following a thematic review across the Recognised Professional Bodies (RPBs), a report was published in September on the monitoring and regulation of insolvency practitioners. A number of recommendations were made, particularly in relation to the regulation of large providers of individual voluntary arrangements, and this has led to some changes in the way that firms are monitored.

Given concerns about the progression of complaints about insolvency practitioners and outcomes in some cases, targeted monitoring inspections were carried out on the two largest regulatory bodies. This resulted in a number of recommendations for improvement being made and follow-up work is ongoing.

Since the start of 2019, we have been working with Policy colleagues on a review of the regulatory framework. We have also continued to work with our stakeholders on various projects, including reviewing the insurance provisions for insolvency practitioners, professional standards and the ethical code, and also the individual voluntary arrangement protocol.

The Insolvency and Corporate Governance consultation

The government published its response to the Insolvency and Corporate Governance consultation in August 2018, in which it announced it would implement a package of measures to further improve the insolvency legal framework. The package contains measures to improve corporate governance in firms that are in or approaching insolvency and respond to recent high profile corporate failures where the actions of those in charge came under close scrutiny.

The package also contains measures that implement the outcome of the Review of Corporate Insolvency, which was consulted on in 2016. These measures introduce new tools and corporate vehicles to the legislative framework that provide financially distressed companies better opportunities to deal with corporate debts early and/or restructure. This package of measures will elevate the UK's already highly regarded insolvency framework up to one of the best internationally. We will implement this package of measures as soon as parliamentary time allows.

Our preparations for the UK's exit from the European Union

The Insolvency Service has also been preparing for the UK's exit from the European Union. In February 2019, The Insolvency (Amendment)(EU Exit) Regulations 2019 came into force which make a number of changes to the UK's insolvency legal framework in preparation for a "No Deal" scenario, should that happen. The Order makes substantive changes to the reciprocity arrangements contained in the EU Insolvency regulations, ensures that the UK can still legally operate the redundancy payments scheme and replicates these changes on behalf of Northern Ireland.

The Insolvency Service is also playing its full part in the government's wider programme of negotiations with the European Union on a future economic partnership post the UK's exit. While there are a number of uncertainties, our aim is to ensure that the UK's insolvency market can operate efficiently when dealing with insolvencies that have assets in EU Member States, much in the same way it did under the EU Insolvency Regulations.

New insolvency rules for Scotland

In last year's report, we relayed that the new insolvency rules had come into force in England and Wales. In November 2018 the government laid the Insolvency (Scotland) (Company Voluntary Arrangements and Administration) Rules 2018, which came into force on 6 April 2019. This Order brings the rules operated in Scotland into consistency with those operated in England and Wales which will benefit insolvency practitioners.

6 Nations Networking seminar 2018

Following our successful hosting of the International Association of Insolvency Regulators Conference in 2017, senior members of the Insolvency Service attended the 6 Nations Networking seminar in Dublin in June 2018.

The purpose of the seminar was to share best practice and exchange knowledge and expertise around asset recovery and investigations.

Supporting an engaged and effective workforce

Performance Report

People

We continue to treat talent and succession planning across the workforce as a high priority. Significant progress has been made towards building capability in talent management. This includes a further roll-out of our Senior Leadership Development programme and the introduction of career conversations and talent mapping.

Diversity

This year we approved a Diversity and Inclusion Strategy for 2018–21. This sets out our commitment to ensure we're an equal, diverse and inclusive employer. We want our people to work in a place where they feel included and supported. We want to be a place where we enable innovation and creativity and where our performance, reputation and customer service is excellent. To achieve this, we've appointed a Diversity Champion and a deputy from our Senior Management Team.

We are continuing to work with our 7 network groups to support employees from diverse backgrounds, demonstrating our commitment to inclusion, equality and diversity. These diverse network groups represent disability, gender, race, LGBT+, mental health, women and our newly established part-time workers network.

In 2018, we were successful in being shortlisted for the Personnel Today Diversity and Inclusion – Public Sector Award. This is a significant endorsement of all of the hard work and efforts from employees to support and promote inclusion, diversity and equality across the agency.

Another endorsement of all of this work is that our People Survey result on inclusion and fair treatment was 84 per cent in 2018, a 2 per cent improvement on our 2017 results. This puts us above the Civil Service high performers in this area.

Mental health and wellbeing

We continue to take the mental health and wellbeing of our employees very seriously.

We have delivered a pilot course of mindfulness training in 2018 and are looking to develop this training further.

We have also introduced **Mental Health First Aid** support in the agency to identify, understand and support employees who may be experiencing a mental health issue.

The positive work in this area has contributed to the reduction in average working days lost, which resulted in us reaching our target of 6.5 days per employee per year for the first time in 10 years.

Health and safety

We have continued to build on our employees' awareness of health and safety across all of our sites. The Health and Safety strategy is in place and the guidance on the intranet continues to improve, and so continues to meet the needs of our staff.

In addition to improved guidance, we also have:

- a senior responsible person in each of our sites
- a growing network of Health and Safety Officers (HSO), deputies and leads
- seven new key performance indicators
- continued HSO, fire warden and first aid training

Recognising success

The agency has two key internal reward and recognition schemes to celebrate our many and varied successes, and the hard work, commitment and professionalism of our employees:

- The GEM Awards, our annual celebration of achievement
- The INSSpire Awards, which are made throughout the year and provide a financial reward for individuals and teams who have made the highest contribution to the life and work of the agency

Nominations for both schemes are made by colleagues who also determine which receive recognition.

People survey

We achieved an engagement index of 62 per cent in the 2018 People Survey, our highest ever score. This keeps us in line with both the Civil Service average and the average across BEIS. Across the 9 themes, the results show us that there have been increases in 6, while 2 have stayed the same as in 2017. There was a small decrease for the Leadership and Managing Change theme.

For every one of the themes, we are above the Civil Service average and, for 6 themes, we are now amongst the Civil Service high performers. These were:

- My work
- Organisational objectives and purpose
- My manager
- My team
- Inclusion and fair treatment
- Resources and workload

Apprentices

We provided 23 new apprenticeships in 2018–19, with a target for a further 34 apprenticeships for 2019–20.

Apprentice testimonial: Yaw Appiah-Boateng

I joined the Cambridge and Ipswich Command of the Insolvency Service in November 2017 as an A2 Apprentice. I joined the agency not knowing what to expect, but I was welcomed by the whole team in both offices.

I began my course of Level 3 Diploma in Operational Delivery (Advanced) and, having now passed all my exams, I've been made a permanent member of staff. I received terrific support from my colleagues, but especially from my line manager and mentor. The People and Capability team supported me throughout the whole process.

Our future workplace

We have continued to invest in new technology enabling our staff to work smarter and more flexibly. Video conferencing has been rolled out across all locations, laptops have replaced fixed IT equipment and the smartphones our people use have been refreshed. During the year we also built and deployed a replacement redundancy payments claim engine using open source software, enabling the third parties who we work with to integrate our calculation rules into their own systems.

Development

We have been working together with operational colleagues to develop **Pathways**, our new operational learning offer.

The Insolvency Service Investigator Programme (ISIP) will replace our current trainee programme. ISIP will give us more flexibility:

- 14 members of staff enrolled onto the Internal senior leadership programme
- 1 person joined the Future Leaders Scheme
- 1 person joined the High Potential Development Scheme
- 19 people enrolled onto the trainee programme
- So far, 9 people have completed the trainee programme
- 126 members of staff joined the Management Development Programme
- 21 members of staff completed our coaching programme
- 30 people were trained as mentors on our new mentoring scheme

Engaging our customers and stakeholders

Performance Report

Every effort is made to maximise our engagement with customers and stakeholders to improve our services and communications.

Customer Service Excellence

In 2018–19 we successfully achieved reaccreditation of the Customer Service Excellence (CSE) standard, recognising our continued focus on putting customers at the heart of everything we do.

We remain fully compliant with the CSE standard and this year we gained a further 2 Compliance Plus ratings. We now hold 19 Compliance Plus and 38 Compliant ratings. In his report, our CSE assessor said:

“This is a very good service that serves the needs of customers well. The agency is a longstanding and a fully deserving holder of the CSE Standard.”

Customer Satisfaction Survey

We again commissioned an independent research agency to conduct our annual Customer Satisfaction Survey. Nine of our key customer groups were contacted by the research agency with 820 telephone interviews completed, each typically lasting 15 minutes.

The research uses a comprehensive set of measures to help us gain a comprehensive understanding of our customers’ experiences of the services we provide and how we can continuously improve to better meet their needs and expectations.

The research found that overall satisfaction levels remain high and consistent with last year, with 84 per cent of customers satisfied with the service they received.

Considering the overall service provided by the Insolvency Service, how satisfied are you?		
Customer group	% Very satisfied / quite satisfied	% Change from 2017-18
Bankrupt	84	-3
Approved intermediaries	97	-3
DRO Debtor	97	0
Directors	74	+5
RPS claimants	85	+4
Institutional creditors	91	0
Non-institutional creditors	74	+1
Insolvency Practitioners	80	-5
Witnesses	70	0
Overall	84	0

Customer complaints

In 2018–19 we received a total of 378 complaints.

The number of upheld and partially upheld complaints was 145 (38 per cent) this year compared to 140 (40 per cent) in 2017–18.

92 per cent of complaints were answered within 10 working days against our 85 per cent target. 96 per cent of complaints were answered within 20 working days and acknowledged within 5 working days against our target of 95 per cent.

Complainants can ask for our initial response to their complaint to be reviewed and, if they remain unsatisfied with the outcome of this review, for this second tier outcome to be examined by the Chief Executive for a final decision.

As Tier 3 complaints tend to be more complex in nature, our aim is to investigate and conclude 80 per cent of these complaints within 3 months of receipt. This year 100 per cent of Tier 3 complaints were concluded within this timeframe.

We upheld 26 per cent of complaints at Tier 1, 17 per cent of complaints at Tier 2 and 5 per cent at Tier 3.

Insolvency Live!

We continue to engage a wide range of stakeholders in our work, and the highlight of this activity is our annual stakeholder event, Insolvency Live!

In 2018 the event attracted around 100 delegates and was composed of panel discussions and workshops on the current issues affecting the insolvency landscape.

Dr John Tribe, from University of Liverpool Law School, spoke about the use of creditor voluntary arrangements by major retail brands in recent years.

Corporate and social responsibility

Performance Report

The Insolvency Service remains committed to efficient use of space in each office environment. Wherever possible, we align with the Government Estates Strategy and the plans to increase the network of Government Hubs, which will offer modern, innovative, shared workspaces situated close to excellent transport links.

We remain committed to reducing our estate footprint and continue to rationalise our estate through co-location with other government departments. At our largest site by occupation we consolidated from 2 floors to 1, at a higher density of desking, and implemented a more efficient lighting system. We successfully reduced our occupied space at two further regional sites, one of which we also fitted with more efficient lighting.

The Insolvency Service also remains committed to its environmental responsibilities and its contributions to the Greening Government Commitments (GGC) agenda, reducing our impact on the environment and enabling targets to be achieved for the reporting period 2016–20.

The Insolvency Service is further demonstrating its focus on a sustainable estate through the development of reporting targets for GGC 2020 and beyond. In 2018 we moved a site to a renewables tariff through the relevant Crown Commercial Services (CCS) Framework.

By choosing this product, the electricity supplied will be backed by certified renewable technologies like wind, solar and biomass, which all have a zero-emissions rating.

The Insolvency Service has complied with the CRC Energy Efficiency Scheme. This scheme, which ended in 2018–19, was designed to improve energy efficiency and cut carbon dioxide. This year we reported a further drop in CO2 emissions from 93 tonnes in 2015–16, to 76 tonnes in 2016–17 and 49 tonnes in 2017–18.

The Insolvency Service continues to support and promote the reduction of emissions. We do this by:

- increasing the uptake of flexible working options
- restricting the use of certain vehicles and modes of transport in our travel policy
- installing further teleconferencing facilities, reducing the need to travel

The Insolvency Service continues to support waste minimisation and management. We'll do this by:

- continuing to raise recycling awareness among staff
- reducing waste through increased waste segregation and increased recycling and re-use
- staff engaging in support of a single-use plastic ban
- continued recycling and waste avoidance

The Insolvency Service continues to support the reduction of paper requirements through the:

- continuation of the no-print culture
- further extension of audio-visual conferencing facilities

In July 2018 we established an employee network group called Grass Roots. The aims of the group are to:

- support and challenge the Insolvency Service around our environmental performance
- inspire and challenge colleagues on green issues

We believe that network groups are a powerful tool to support our organisation. Strong network groups can alert their organisation to upcoming changes and any potential issues.

Grass Roots will act as a critical friend to the Insolvency Service and help drive change to the benefit of the environment.

It will contribute to making the Insolvency Service a great place to work. Strong network groups make organisations more attractive in recruitment, and contribute to professional development and staff retention as they are a powerful engagement tool. They give a voice to our people about the issues that matter to them.

The group will share its ideas, tips and stories about trying to live greener lives to inspire and challenge colleagues to take steps to become greener in their personal lives too.

In 2018–19 the group:

- was established and grew to nineteen members
- met five times to establish its term of reference and plan of work
- published three intranet articles
- set up a database for use of all colleagues, setting out recycling facilities in our offices and public schemes for repurposing obsolete items and packaging
- began work on eliminating the use of single-use plastic cups in line with the Greening Government Commitments
- took the lead in establishing a cross-government employee network group working to support the green agenda

For 2019–20, the Commercial team is working on a new initiative that is being implemented through our contracts to ensure sustainability and gather relevant supporting management information. Sustainability guidance and clauses have been gathered and will be circulated around the team to be reviewed and used within our forthcoming contracts. This will provide the Insolvency Service and its suppliers with best practice and standardised expectations, and embed sustainability within our contracts for goods and services.

Financial performance

Performance Report

Capital outturn

During 2018–19, the agency spent £3.3 million (2017–18: £2.4 million) on capital items. The vast majority of this expenditure (£2.1 million) was for office re-fits as part of the Estates Strategy, notably moving the Birmingham-based staff to 1 floor from 2, making annual rental savings of over £1 million. The remaining capital spend was incurred on in-house software to support the new case management system and laptop refresh.

Payment of suppliers

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

During 2018–19, the agency made a total of 7,404 (2017–18: 7,694) payments to suppliers, 85.3 per cent within 5 days (2017–18: 83.8 per cent) and 94.1 per cent within 30 days (2017–18: 93.8 per cent).

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.

Signed:



Sarah Albon
Chief Executive

Date: 16 July 2019

Accountability Report

Directors' report

Accountability report

Executive Members

Sarah Albon	Chief Executive
Alec Pybus	Chief Operating Officer
Chris Pleass	Finance & Commercial Director
Louise Alexander	People & Capability Director (left November 2018)
Dan Goad	People & Capability Director (joined November 2018)
Dean Beale	Strategy & Change Director

Non-Executive Members

Stephen Allinson
Alan Graham
Henry Lloyd (left the board in July 2018)
Mary Chapman
Richard Oirschot
William Trower
Debbie Gillatt (joined in September 2018)

Information on personal-data-related incidents where these have been formally reported to the information commissioner's office:

In 2018–19 the Insolvency Service reported one personal data breach to the Information Commissioner's Office via the Department for Business, Energy and Industrial Strategy (Data Controller). The ICO has taken no action in relation to this breach.

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
- prepare the accounts on a going-concern basis

The Department for Business, Energy and Industrial Strategy has appointed 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.

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

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

Signed:



Sarah Albon
Chief Executive

Date: 16 July 2019

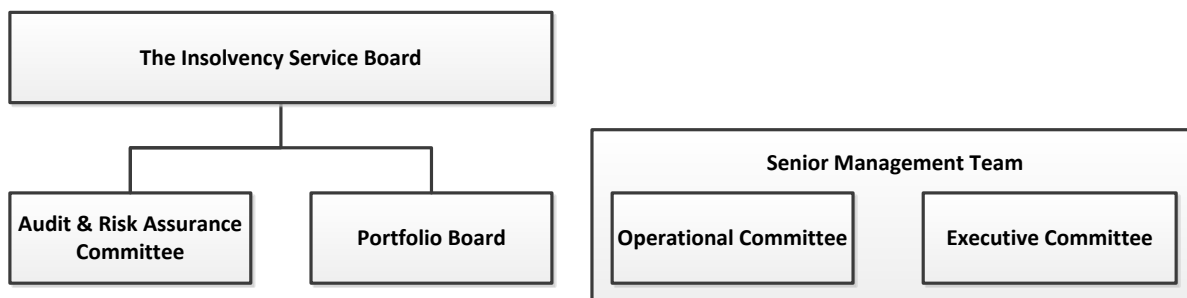
Governance statement

Accountability report

This section describes the governance arrangements in place during 2018–19.

Governance structure

As Chief Executive (CE) I'm 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 Insolvency Service Board

The Insolvency Service 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 the executive team and holds it to account for the agency's performance, and takes a collective responsibility for the Insolvency Service's overall success.

The Insolvency Service Board is also comprised of 5 further NEBMs (including one who is a nominee from our sponsoring department) and 5 executive directors (including both the Chief Executive and Chief Operating Officer).

The Insolvency Service Board met 10 times during the year. Matters considered by it included:

- regular review and scrutiny of progress against the 2018–19 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
- considered major projects delivering organisational change
- topical items such as complaints handling procedures, progress on major cases of political and public interest
- feedback from board committees including reviewing the annual report produced by the Audit and Risk Assurance Committee
- regular assessment of exposure to and management of risk

The Insolvency Service Board also met for a strategic away day in November 2018 to discuss key themes including improving investigations outcomes, involvement in future policy development, and approaches to stakeholder management.

The Insolvency Service Board has two sub-committees: the Audit and Risk Assurance Committee (ARAC) and the Portfolio Board (PB).

Audit and Risk Assurance Committee

The **Audit and Risk Assurance Committee** is chaired by an appropriately qualified independent NEBM. Its membership at the start of the year comprised 3 further non-executive board members, including the nominee of the agency's sponsoring department. This NEBM resigned on 31 July 2018 following changes to the BEIS corporate sponsor model, meaning that membership has subsequently been comprised of the Chair and 2 NEBMs for the remainder of the year. There has been no replacement of the other NEBM as a representative from BEIS Finance is already invited to attend the meetings on behalf of the 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 4 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
- review of agency IT resilience, capability and disaster recovery
- a review of Government Internal Audit Agency (GIAA) service provision

Portfolio Board

The **Portfolio Board (PB)** is responsible for the governance of all Portfolio Projects, which are those identified as priority change for the agency and require a higher level of project governance due to their size, complexity and / or importance. It is chaired by the Chief Operating Officer and has 3 NEBMs as members. The Portfolio Board is also 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 project's life cycle. This includes ensuring projects deliver to time, cost, quality and that benefits are realised. The Portfolio Board met 10 times during the year. Matters considered by it included:

- approval of key internal 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
- the workforce impacts of the changes that are made by the projects, which it considers in the People Committee chaired by the Director for People and Capability.

Senior Management Team

As a group, the **Senior Management Team (SMT)** meets monthly to review agency performance at "Performance Hubs" sessions. All SMT meetings are chaired by the CEO and all directors are involved in the preparation of materials to be considered at these meetings. The Senior Management Team is responsible for discussing agency risks and issues, and management information produced on a monthly basis including but not limited to the agency's specific ministerial and other targets.

In order to dispose of issues in an efficient and effective way the Senior Management Team has grouped all the matters it considers thematically and has divided them across a number of committees; however, most of these issues are considered at either the Executive Committee or the Operations Committee.

Executive Committee

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 is comprised of the Chief Operating Officer, along with Directors of Finance and Commercial, Information and Technology, People and Capability, Strategy and Change, and Legal Services.

Operations Committee

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 Criminal Enforcement. It is chaired by the CEO and attended by Directors and Senior Managers from the operational units.

The table below illustrates NEBM attendance at Insolvency Service Board, ARAC and Portfolio Board meetings held during 2018–19.

Non-Executive Board Members	Insolvency Service Board (ISB)	Audit and Risk Assurance Committee (ARAC)	Portfolio Board (PB)
Stephen Allinson (Chair ISB)	9/10	n/a	n/a
Alan Graham (Chair ARAC)	9/10	4/4	n/a
Henry Lloyd*	4/4	2/2	4/4
Mary Chapman	10/10	4/4	n/a
Richard Oirschot	9/10	4/4	10/10
William Trower	10/10	n/a	9/10
Debbie Gillatt **	5/6	n/a	6/6

* Left ISB, ARAC and Portfolio Board on 31 July 2018

** Joined ISB and Portfolio Board on 1 September 2018

Our NEBMs have utilised a number of training/briefing opportunities this year, including a briefing on agency strategy, an ARAC briefing on Cash and Cash equivalents, write-backs and receivables, and an orientation to Public Sector Corporate Governance run by BEIS.

Compliance with the Corporate Governance Code

In accordance with the Corporate Governance Code, the Agency undertakes an annual Board Effectiveness Review with an external independent review being carried out once every three years.

Last year, in light of the fact that the Non-Executive Board Members had been recently appointed the decision was made to delay the effectiveness review until they had more experience with the agency.

The external review is due this year. The agency is in the process of conducting the review and work will be carried out over the summer with a report being issued in the autumn.

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 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. When considering proposed mitigating action, the SMT will consider the cost and benefit of such action. Risks are reported to the Board quarterly. The register is also used to inform the annual Audit Plan.

Below is a list of the key risks identified and managed during the year and mitigating actions taken.

People

Risk: If the agency is required to resource a large and complex case it may impact on the delivery of Ministerial targets, business as usual and the future change programme.

Response: Action has been taken to ensure vacancies are filled as efficiently and effectively as possible including the use of agency staff and contractors to fill gaps in business-critical roles. Where larger recruitment campaigns are required, new recruits are being grouped in locations to maximise the benefit of development work and to allow the introduction of peer discussion groups to share knowledge and training burden on core skills areas. The Talent Strategy is underway and is being used to build a pipeline of future in-house talent. The agency is also looking at resourcing through a mixture of permanent, fixed-term, temporary and outsourced services.

Progress is being made. A workforce planning strategy has been agreed that will implement activities to develop a workforce flexible in terms of numbers and capability to allow quicker flex in response to caseload, and enable movement of resource to where it is needed.

Delivery

Risk: The agency's change programme may fail to deliver planned operational and organisational benefits, which would result in financial and reputational damage.

Response: Key decisions and recommendations on projects are made collectively at project board level and reported up to portfolio board for review and discussion. High-value projects report to the Board where further scrutiny of key decisions and recommendations takes place. Critical aspects of the projects subject to review at the various governance layers include cost, resourcing, benefits, business impact and delivery timescales. In addition, the Senior Management Team regularly reviews organisational priorities to ensure alignment with current plans and prioritised change.

A re-plan of the change Portfolio has prioritised the delivery of business-critical projects and actions are being taken to improve further the change governance framework in support of the new plan.

Funding

Risk: The variables used in the statistical models that forecast income may be sub-optimal, leading to insufficient funding to meet the resourcing requirements of undertaking case administration. Insufficient fee income, together with structural inflexibility, may impair the agency's ability to deliver Ministerial Targets.

Response: Case volume forecasts are reviewed by the Executive Committee on a quarterly basis; and annual updates to the agency 5-year strategic business plan include long-range forecasts of case volumes and revenue streams.

The models used were subject to separate reviews by GIAA and the NAO during the year. A number of recommendations for improvement were made which are being implemented.

Stakeholder Management

Risk: Changes in the insolvency market could impact on case volumes and on the reputation of the wider insolvency regime, including that of the agency.

Response: The agency is considering potential issues and has undertaken scenario planning for

changes in case volumes and the potential impact. It is also liaising with external regulators to understand the wider issues and short term options available.

The agency is maintaining regular liaison with external regulators and engaging in industry debate.

Risk: In respect of high-profile cases, external expectations, particularly in respect of investigation activity, may not be met leading to a reputational risk for the agency.

Response: Individual cases are monitored and plans are put in place to ensure sufficient, appropriate staff are available if required.

Information & Technology

Risk: A disruption of business processes, due to a breach of IT security compromising our core systems.

Response: Our core line of business systems currently reside in a secure managed data centre, currently accredited to manage information and assets classified as “SECRET”. Our organisation regularly tests the effectiveness of the security measures in place, in line with UK Government best practice.

IT security requirements are built into our contracts with new suppliers.

Risk: A disruption to business processes due to a disaster affecting all IT systems. A disaster is classified as an event causing the total loss of all applications and associated hardware for a period adversely affecting 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.

Disaster Recovery requirements have been built into the new supplier contracts for provision of IT services.

Significant issues

Significant Issues managed through the year include:

Issue 1: The agency is unable to meet its responsibilities in relation to providing Real Time Information (RTI) to HMRC in respect of deductions made by RPS.

Action taken: All historic RTI was successfully submitted to HMRC, with the exception of 2017–18 data. 2018–19 data (onwards) is being submitted on a daily basis as required by HMRC. The agency experienced technical issues with the submission of 2017-18 data held in our legacy finance system database via the HMRC electronic gateway. This issue was resolved in June 2019 with the successful transfer of 2017-18 data to HMRC.

Issue 2: The agency recorded an increase in the incidence of duplicate payments in 2018–2019.

Action taken: Following an internal review to identify the causes of duplicate payments, a number of actions have been taken to mitigate the risk of further duplicate payments. Progress in relation to the effectiveness of those actions is being closely monitored, and reported to the agency Senior Management Team on a regular basis.

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 at agency level and SMT at directorate level.

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 and senior leaders.

A follow-up audit reviewed progress made regarding historical weaknesses. No recommendations were made.

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 via an annual satisfaction survey and our complaints process.

The satisfaction survey captures the perceptions and experiences of each of the main groups using our services. It is conducted by an independent research agency via computer-assisted telephone interviews that typically lasted between 12 and 15 minutes.

The Insolvency Service's complaints process comprises of three internal complaint tiers, with tier-3 complaints investigated and responded to by the Insolvency Service Chief Executive.

An Internal Audit of Tier 3 complaints and Ministerial Correspondence made a number of recommendations for improvement which have been implemented.

Information security

The agency's Senior Information Risk Owner (SIRO) oversees information risk and is supported in the role by three security focused officers and a network of information asset owners from across the business.

Regarding General Data Protection Regulation (GDPR), an Internal Audit report on GDPR – "In to Service" gained a Moderate opinion indicating that the agency, whilst moving towards compliance, was exposed to two risks. This opinion was accepted and action was taken to implement the recommendations.

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 BEIS. For relevant contracts this includes clauses which allow 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. The agency continues to be compliant.

Quality assurance of analytical models

There are two business-critical models 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.

The models used were subject to separate reviews by GIAA and the NAO during the year to provide assurance on compliance with the MacPherson Review of Quality Assurance (QA) of Government Analytical Models, and that the agency has AQuA Book compliant QA processes in place. The overall assessment made at the time of these reviews was:

MacPherson is applicable. Models are currently non-compliant, but a plan to achieve compliance has been agreed.

The reviews highlighted in particular the need for improvements relating to documentation of the operation of the models and key assumptions, QA processes, and high levels of dependency on specific individuals. An action plan to address all recommendations to achieve compliance has been agreed, and a number of those actions have either been completed or are in progress following the completion of the reviews.

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 raise and encourage an awareness of our whistleblowing culture and to create a culture where there is a “safe place to complain” so that employees 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, procedures and guidance 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 notifications received during 2018–19.

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 2018–19 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. This opinion recognises the challenges faced by the agency during the year and the actions and initiatives taken by management to improve the governance, risk management and control environment, reflecting a positive trajectory.

In respect of the 10 areas included in the 2018–19 Audit Plan, the agency's audit reviews found 3 areas where there were significant weaknesses in the framework of governance, risk and control:

- the Key Financial Controls audit included a review of two analytical models used by the agency. Actions agreed with GIAA to achieve compliance with MacPherson principles are described in the section above covering quality assurance of analytical models
- having reviewed the Common Income Assessment (CIA) process operated by the Official Receiver Service (ORS), GIAA concluded that there are a wide range of controls in place to support the effective delivery of the CIA process, and to provide adequate oversight. However, local practices coupled with resource limitations are impacting the quality of delivery and ability of ORS to have effective oversight to prevent issues arising and avoid the need to take significant reactive measures
- in their audit of Resource Management, GIAA recognised that the agency has been working hard to make incremental changes to improve the strategic and operational approach to resource management. They supported the steps the agency has taken to improve its HR data by re-positioning ownership of the data and utilising technically skilled analysts to improve workforce data analytics and create a new resource management model. However, they considered that further work is needed to fully exploit the data available and strengthen the link between the human resource planning processes and the agency's strategic plans

In the remaining 7 areas the review found moderate weaknesses and the recommendations for improvement have been accepted and are being implemented.

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: 16 July 2019

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 www.civilservicecommission.org.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 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: 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)	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Sarah Albon Chief Executive	100-105	100-105	5-10	5-10	Nil	Nil	29	24	140-145	135-140
Alec Pybus Chief Operating Officer	95-100	95-100	5-10	Nil	Nil	Nil	38	37	140-145	130-135
Louise Alexander People & Capability Director (left 11 November 2018)	60-65 ²	95-100	5-10	5-10	700	Nil	35	38	105-110	140-145
Dan Goad People & Capability Director (from 12 November 2018)	30-35 ³	Nil	Nil	Nil	Nil	Nil	13	Nil	40-45	Nil
Christopher Pleass Finance & Commercial Director	90-95	90-95	Nil	5-10	Nil	Nil	38	30	125-130	125-130
Dean Beale Strategy & Change Director (from 1 August 2017)	85-90	50-55 ⁴	Nil	Nil	Nil	Nil	67	2	150-155	55-60

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

² Louise Alexander – left the board on 11 November 2018, her full-year equivalent salary was £95-£100k

³ Daniel Goad – joined the board from 12 November 2018, his full-year equivalent salary is £90-£95k

⁴ Dean Beale – joined the board from 1 August 2017, his full-year equivalent salary was £80-£85k

Salary

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

Benefits in kind

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

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2018–19 relate to performance in 2018–19 and the comparative bonuses reported for 2017–18 relate to the performance in 2017–18.

Pay multiples (audited)

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 2018–19 was £110–115,000 (2017–18, £110–115,000). This was 3.6 times (2017–18, 4.0) the median remuneration of the workforce, which was £31,277 (2017–18, £28,079).

In 2018–19, 4 people (2017–18, no-one) received remuneration in excess of the highest-paid director. Remuneration ranged from £15,000–£180,000 (2017–18, £16,000–£115,000).

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

Remuneration of Insolvency Service Board Members (audited)

The Insolvency Service Board comprises 11 members although there have been movements throughout the year where members have joined and left the Insolvency Service Board and/or the Insolvency Service.

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

- Agency Chief Executive
- Chief Operating Officer
- People and Capability Director
- Finance and Commercial Director
- Strategy and 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 2018–19 but left by the year-end, and those members in post during 2017–18 who have subsequently left).

One new non-executive director was appointed and one left during 2018–19, neither of whom receive remuneration from the Insolvency Service. The costs of these two 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 2018–19 (£000)	Salary 2017–18 (£000)
Stephen Allinson (Chair from 01/01/2017)	20-25	10-15
Tracey Bleakley (left 31/07/2017)	Nil	0-5 ¹
Alan Graham MBE (from 01/09/2014)	10-15	10-15
Richard Oirschot (from 01/08/2017)	15-20	5-10 ¹
Mary Chapman (from 01/08/2017)	10-15	5-10 ¹
William Trower (from 01/08/2017)	10-15	5-10 ¹
Henry Lloyd (left 31 July 2018)	Nil	Nil
Debbie Gillatt (from 1 September 2018)	Nil	Nil

¹ Tracey Bleakley, Richard Oirschot, Mary Chapman and William Trower all had full year equivalent salaries in 2017–18 of £10–15k

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

There are no company directorships and other significant interests held by members of the management board which may conflict with their management responsibilities.

Civil Service Pensions

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

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

purchase' stakeholder pension with an employer contribution (partnership pension account). Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and 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 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 8% and 14.75% (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 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill-health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 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 31/3/19 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/19 £'000	CETV at 31/3/18 £'000	Real increase in CETV £'000
Sarah Albon Chief Executive	40-45 plus lump sum of 95-100	0-2.5 plus lump sum of Nil	796	692	13
Alec Pybus Chief Operating Officer	5-10 plus lump sum of Nil	0-2.5 plus lump sum of Nil	68	36	19
Louise Alexander People and Capability Director (left 11 November 2018)	10-15 plus lump sum of Nil	0-2.5 plus lump sum of Nil	132	95	15
Dan Goad People & Capability Director (from 12 November 2018)	10-15 plus lump sum of Nil	0-2.5 plus lump sum of Nil	107	99	6
Christopher Pleass Finance and Commercial Director	20-25 plus lump sum of Nil	0-2.5 plus lump sum of Nil	359	293	21
Dean Beale Strategy & Change Director (from 1 August 2017)	30-35 plus lump sum of Nil	2.5-5 plus lump sum of Nil	521	414	44

Compensation for loss of office

No senior managers have received compensation for loss of office in 2018–19, the same as the prior year 2017–18.

Staff Report

Senior Staff by pay-band

The table below provides the number of Senior Civil Servants or equivalent by pay-band:

Civil Service Grade	As at 31 March 2019	As at 31 March 2018
SCS Pay-band 3	-	-
SCS Pay-band 2	1	1
SCS Pay-band 1	9	9

Staff composition

	Employees		SCS (incl ISB Members)		All Staff		ISB Members	
	No	%	No	%	No	%	No	%
As at 31 March 2019								
Female	898	54.99%	3	30.65%	901	54.84%	1	20.00%
Male	735	45.01%	7	69.35%	742	45.16%	4	80.00%
	1,633		10		1,643		5	
As at 31 March 2018								
Female	859	54.89%	5	50.00%	864	54.86%	2	40.00%
Male	706	45.11%	5	50.00%	711	45.14%	3	60.00%
	1,565		10		1,575		5	

Staff costs (Audited)

	2018-19			2017-18		
	Permanently employed £'000	Others £'000	Total £'000	Permanently employed £'000	Others £'000	Total £'000
Wages and salaries	48,836	4,644	53,480	47,077	4,733	51,810
Social security costs	5,282	-	5,282	4,838	-	4,838
Other pension costs	10,144	-	10,144	9,615	-	9,615
Voluntary exit scheme	668	-	668	-	-	-
Subtotal	64,930	4,644	69,574	61,530	4,733	66,263
Less recoveries in respect of outward secondments	(355)	-	(355)	(122)	-	(122)
Total net costs	64,575	4,644	69,219	61,408	4,733	66,141

Sickness absence data

During the year, the number of average annual working days lost per employee was 6.4 days (2017–18: 8.1 days).

Staff policies applied during the year

The Insolvency Service is committed to employing disabled people and we have been awarded the Disability Confident Employer (level two) whilst we work towards the higher more challenging level of Disability Confident Leader.

Where an applicant has indicated they have a disability and have demonstrated the minimum essential criteria for the post, we have chosen to continue to guarantee to progress to the next stage of the selection process. To reduce potential bias:

- a new Success Profiles recruitment approach has now been introduced. Success Profiles see the evolution of our predominantly competence-based approach; adding four elements that combine to deliver a powerful and flexible recruitment framework. The Success Profiles Framework is part of the Civil Service Workforce Plan
- when shortlisting applications, all application forms are anonymised
- it is expected that all selection panel members should have an understanding of the new success profiles 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 without disclosing the nature of their disability.

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

Other employee matters

Other employee matters including information on health and safety and diversity can be found detailed in the Performance Report.

Off-payroll engagements

The cost of off-payroll engagements for 2018–19 was £0.944 million (2017–18: £0.847 million), relating to an average number of staff of 16 (2017–18: 28). Of these, 16 (2017–18: 26) were paid more than £245 per day; 3 of their contracts lasted less than 6 months, 11 people's contracts lasted longer than 6 months but less than a year; and 2 people (2017–18: 1 person) were paid more than £245 per day with a contract lasting more than 1 year but less than 2 years. No contract lasted longer than 2 years (2017–18: 0 people).

Between 1 April 2018 and 31 March 2019 there were 16 off-payroll engagements or those that reached 6 months in duration, for more than £245 per day. 13 of these were assessed as being caught by IR35 and the remaining 3 were not. None of these were engaged directly (via PSC contracted to BEIS) and on BEIS payroll. All 16 were reassessed for consistency and assurance purposes during the year, and there were none charged to IR35 status following this consistency review.

Consultancy

Spend on consultancy was £136,000 (2017–18: £998,000). This included, an external organisation to source a cost-effective cloud-based storage solution to enable the Official Receiver to undertake his duties of securing data linked to an ongoing investigation. It also included an external organisation to help support work undertaken relating to employee pay as well as organisations facilitating staff training events.

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			
10,001 - 25,000			
25,001 - 50,000	1 (0)	3 (0)	4 (0)
50,001 - 100,000		2 (0)	2 (0)
100,001 - 150,000		3 (0)	3 (0)
150,001 - 200,000			
Total number of exit packages	1 (0)	8 (0)	9 (0)
Total Resource cost / £'000s	34 (0)	620 (0)	654 (0)

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 were 7 voluntary redundancies agreed as at the end of 2018–19 (2017–18: zero). One person has had compulsory redundancy terms agreed as at 31 March 2019, zero as at 31 March 2018.

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 2018–19, employers' contributions of £10.071 million were payable to the PCSPS (2017–18:

£9.615 million) at one of four rates in the range 20 per cent to 24.5 per cent (2017–18: 16.7 per cent to 24.3 per cent) of pensionable pay, based on salary bands. The scheme’s Actuary reviews employer contributions every 4 years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2018–19 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 £73,000 (2017–18: £54,000) were paid to the 3 appointed stakeholder pension providers. Employer contributions are age-related and range from 3 per cent to 12.5 per cent (2017–18: 3 per cent to 12.5 per cent) of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £2,600 (2017–18: £2,133), 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill-health retirement of these employees.

One employee (2017-18: zero employees) retired early on ill-health grounds, with an additional accrued pension liability totalling £1,700 (2017-18: £0).

Average number of persons employed (audited)

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

Number	2018–19	2017–18
Directly Employed	1,522	1,435
Other	45	53
Total	<u>1,567</u>	<u>1,488</u>

Parliamentary accountability and audit report

Accountability report

Remote contingent liabilities

The Insolvency Service had no remote contingent liabilities as at 31 March 2019.

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(t), 2(a), 2(b), 4 and 10) which detail the accounting policies and the values of fee income received and receivable (i.e. 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 2018–19 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 £58 million
- The total income received from fees and recognised as income in the year was £76 million
- £14 million is due to be repaid to the Consolidated Fund as it exceeded the amount we were able to retain from fees

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 directly or indirectly through BEIS. As per 2017–18, there were no special payments.

	2018-19	2017-18
	£'000	£'000
RPS receivable impairment	357,661	-
Fruitless Payments	17	247
Claims Abandoned	546	411

The 2017–18 RPS receivable impairment was £266,863k, this figure was published in BEIS's 2017–18 annual report and accounts.

The above disclosures have been audited.

RPS receivable impairment

From 1 April 2018, the responsibility for Redundancy Payment Service (RPS) was transferred from the Core Department (BEIS) to the Insolvency Service.

Most of the redundancy payments made from the National Insurance Fund (NIF) are in respect of employees of insolvent companies. Repayment of debt is recovered from the sale of the assets of the insolvent company, and as such most of the debt is irrecoverable. However, a small proportion (12%) of the debt is preferential, and as such has a higher recovery rate. HMRC record the impairment of the RPS receivable in NIF accounts. The RPS receivable impairment for 2018-19 was £358 million (2017-18: £267 million).

Fruitless Payments

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 2018-19, the agency made 33 fruitless payments totalling £17,000 (2017-18: 48 payments totalling £247,000).

Of these, there were 14 cases totalling £9,000 (2017-18: 25 cases totalling £4,000) related to the failure to admit a creditor proof of debt in the dividend process. There were 3 cases costing £2,000 (2017-18: 2 cases costing £74,000) for failure to deal with an asset. The remaining 16 payments were for compensation following complaints and miscellaneous errors (2017-18: 21 payments).

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 2018-19 there have been 76 write-offs totalling £546,000 (2017-18: 65 cases totalling £411,000).

Signed:



Sarah Albon
Chief Executive

Date: 16 July 2019

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

Opinion on financial statements

I certify that I have audited the financial statements of the Insolvency Service for the year ended 31 March 2019 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

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 2019 and of the 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 regularity

In my opinion, in all material respects the income and expenditure 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.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Insolvency Service in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Insolvency Service's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Insolvency Service's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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.

Other Information

The Chief Executive as Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report and Accountability Report; 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 and has been prepared in accordance with the applicable legal requirements.

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 parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

Date: 17 July 2019

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

Financial Statements

Statement of comprehensive net expenditure

for the period ended 31 March 2019

		2018-19	2017-18
		£'000	£'000
	Note		
Income from fees recoverable	4	(86,426)	(69,144)
Other operating income	4	(33,045)	(6,744)
Total operating Income:		(119,471)	(75,888)
Staff costs	3	69,219	66,141
Redundancy payments service	3	318,139	-
Purchase of goods and services	3	13,953	9,049
Depreciation and impairment charges	3	3,481	2,630
Provision expense	3	(6,931)	(4,091)
Other operating expenditure	3	31,264	24,551
Total operating expenditure:		429,125	98,280
Net operating expenditure:		309,654	22,392
Finance expense	3	164	159
Net expenditure for the year:		309,818	22,551
Other comprehensive income and expenditure			
Net gain on transfer of RPS receivables balance from BEIS		(127,555)	-
Comprehensive net expenditure for the year:		182,263	22,551

The notes on pages 66 to 90 form part of these Accounts

Statement of financial position

as at 31 March 2019

		2018-19 £'000	2017-18 £'000
	Note		
Non-current assets:			
Property, plant and equipment	6	4,535	4,245
Intangible assets	7	1,568	2,080
Financial assets	10	45,419	11,389
Trade receivables and other assets	10	29	440
Total non-current assets		51,551	18,154
Current assets:			
Financial assets	10	48,771	24,194
Trade receivables and other assets	10	3,425	4,561
Cash and cash equivalents	11	122,647	97,249
Total current assets		174,843	126,004
Total assets		226,394	144,158
Current liabilities			
Trade and other payables	12	(39,342)	(32,539)
Provisions	13	(1,175)	(1,470)
Total current liabilities		(40,517)	(34,009)
Total assets less total current liabilities		185,877	110,149
Non-current liabilities:			
Trade and other payables	12	(50)	(25)
Provisions	13	(2,048)	(2,088)
Total non-current liabilities		(2,098)	(2,113)
Assets less liabilities		183,779	108,036
Taxpayers' equity:			
General fund		183,779	108,036
Total taxpayers' equity		183,779	108,036



Sarah Albon

Chief Executive

Date: 16 July 2019

The notes on pages 66 to 90 form part of these Accounts

Statement of cash flows

for the period ended 31 March 2019

		2018-19 £'000	2017-18 £'000
	Note		
Cash flows from operating activities			
Net operating expenditure:	SoCNE	(309,654)	(22,392)
Adjustments for non-cash transactions			
Depreciation and amortisation charge	6,7	3,479	2,630
Audit fee	3	112	101
Loss on disposal	6	6	43
Use of provisions	13	(335)	(576)
Other non-cash adjustments	SoCITE	-	901
(Increase)/Decrease in trade receivables	10	(57,060)	719
Less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure	SoCITE	(64,129)	-
Increase/(Decrease) in trade payables	12	6,828	(529)
Less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure	SoCITE	(5,109)	-
Finance expense		(164)	(159)
Net cash outflow from operating activities		(426,026)	(19,262)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(2,952)	(2,407)
Purchase of intangible assets	7	(311)	(11)
Net cash outflow from investing activities		(3,263)	(2,418)
Cash flows from financing activities			
BEIS financing	SoCITE	43,141	42,958
VAT recovered by BEIS	SoCITE	(2,072)	(1,641)
Transfer of RPS receivables balance from BEIS	SoCITE	127,555	-
Expenditure funded by the National Insurance Fund (RPS)	SoCITE	286,411	-
Capital element of payments in respect of finance leases and service concession arrangements	SoCITE	(348)	(319)
Net financing		454,687	40,998
Net Increase in cash and cash equivalents in the period		25,398	19,318
Cash and cash equivalents at the beginning of the period	11	97,249	77,931
Cash and cash equivalents at the end of the period	11	122,647	97,249

Statement of changes in taxpayers' equity

for the period ended 31 March 2019

		General fund £'000	Total reserves £'000
Balance at 31 March 2017		88,587	88,587
Comprehensive expenditure for the year 2017-18			
Non-cash charges - auditor's remuneration	3	101	101
Net expenditure for the year	SoCNE	(22,551)	(22,551)
BEIS financing		42,958	42,958
Capital element of payments in respect of finance leases and service concession arrangements		(319)	(319)
VAT recovered by BEIS		(1,641)	(1,641)
Other movement		901	901
Balance at 31 March 2018		108,036	108,036
Comprehensive expenditure for the year 2018-19			
Non-cash charges - auditor's remuneration	3	112	112
Net expenditure for the year	SoCNE	(309,818)	(309,818)
BEIS financing		43,141	43,141
National Insurance Fund - RPS		286,411	268,411
Transfer of RPS receivables balance from BEIS		127,555	127,555
IFRS9 adjustment to RPS receivables balance from BEIS		(64,129)	(64,129)
Income payable to the consolidated fund		(5,109)	(5,109)
Capital element of payments in respect of finance leases and service concession arrangements		(348)	(348)
VAT recovered by BEIS		(2,072)	(2,072)
Balance at 31 March 2019		183,779	183,779

The general fund represents the total assets less liabilities of the agency. Financing by BEIS and the National Insurance Fund is credited to the General Fund

Notes to the agency's accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2018-19 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.

The Agency is considered a going concern under International Accounting Standards (IAS) 1, on the basis that it is a Statutory Body operating under the Direction of the Courts and its funding is both underwritten by its parent Department, the Department for Business, Energy & Industrial Strategy (BEIS), and its source of income is largely derived from the Estates that it administers. Therefore it is considered appropriate for the Financial Statements to be prepared under the 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 Statements (IAS) and International Financial Reporting Standards (IFRS); and

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

During 2018-19, IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from contracts with customers) were introduced and applied for the first time by the agency. The impact of these changes are outlined below in Notes 1(m) and 1(r), with further details shown in Note 4 (Income) and Note 10 (Receivables).

It is expected that IFRS 16 (Leases) whose introduction has been delayed by 1 year from FReM organisations will be applied for the first time from 1 April 2020. It will impact how operating leases are accounted for. This will mean the majority of operating leases (for buildings occupied) will be capitalised and depreciated annually.

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 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). Expenditure in relation to RPS is funded by the National Insurance Fund who reimburse the agency on a monthly basis for claims paid out.

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* 2018-19. 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.

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 fees are charged for services which are provided to the user and meet the criteria in IFRS 15(9) with the exception of the General Fee which is defined as a tax in line with the FReM.

Timing differences between recognised Income and cash recoveries due to the uncertain duration of cases would thus be accounted for at the year-end as receivables in the SoFP.

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.

The Administration and General fees are charged to the insolvent estate at the date of the event giving rise to the fee, but the application of IFRS 15 allows fee income to be recognised on a portfolio basis using the input method 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 and in the Official Receivers' responsibilities as directed by legislation.

The income is recognised in the financial statements when it is earned rather than when it is charged.

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.

Forecasting assumptions of recognised income

The Insolvency Service bases estimates of future fee recoveries on income models and on analysis of historical trends to produce forecasts of both the value and timing of future cash flows. Changes to fee charging regimes reduce the reliability of comparative judgements between different regimes and as fee regimes have aged their contribution has changed.

Receivables for case years prior to 2010 now form <6% of the total and the reliance on forecasting recoveries has therefore decreased.

Case years from 2010-2016 are now fully recovered and will only deliver further income where further recoveries are made and costs have exceeded the fees charged.

The balance of £31.5m relates to the last 3 case years, where recoveries are based on income modelling using discounted fee recognition.

Assumptions regarding underlying asset realisations are:

- (i) Payment Protection Insurance (PPI) claims will continue to be settled by the major banks during 2018-19 and 2019-20 in line with their stated intention to take a proactive approach to crystallising their PPI liabilities.
- (ii) long-term realisations will include the bankrupt's family home and fee recoveries may be impacted by the increase in UK average house prices (notably 4.2% to March 2018).

Admin Fee

The agency assesses income for cases subject to administration fees as a portfolio of contracts within the financial year rather than as individual contracts. All cases are subject to the same service provision as defined by legislation and therefore have similar characteristics.

The performance of the official receiver's duties on a single case, i.e. the satisfaction of performance obligations, can vary between less than 1 month and in excess of 3 years. Assessing cases individually would require significant resources which would exceed the value of taking such an approach.

The agency therefore uses reasonable estimates of activity across time based on historic case data and recognises admin fee income in accordance with these estimates, over a 3 year period.

The value recognised is discounted to reflect the amount that is expected to be collected, based on historic case data.

General Fee

HMT direct that where entities receive revenue through taxation, fines and penalties which is wholly non-refundable and leads to no obligations, entities are not required to wait until all, or substantially all, of the promised revenue has been received to recognise the revenue. In these instances entities should recognise revenue when an equivalent to a taxable event has occurred, the revenue can be measured reliably, and it is probable that the assisted economic benefits from the taxable event will flow to the collecting entity.

We have applied this treatment to the General Fee which is deemed by ONS and HMT to be a tax as the fee has no associated obligations. This treatment means that it is recognised when the taxable event occurs, which in the case of insolvency is the order date.

The value recognised is discounted to reflect the amount that is expected to be collected, based on historic case data.

Over-Recovery Income

Over recovery income has been recognised for historic cases (pre 2016-17), where the total cost of work on cases exceeds the fees recognised, in accordance with government accounting policy (Managing Public Money) to limit any potential deficit. Fee recoveries above the level of fee income recognised, can be recognised as income up to, but not exceeding the excess costs. Fee recoveries above the excess cost cannot be recognised and are transferred to HMT to ensure that a surplus position does not occur.

The recoveries are driven by the recovery of Admin and Secretary of State fees, across each portfolio of cases. The fee recoveries are therefore not differentiated and cannot be reported on the basis of their individual contribution to over recovery income.

The recognisable excess cost is directly driven by the performance and delivery of further obligations in respect of the portfolio of contracts.

OR Trustee Fee

The OR Trustee fee is charged (at a rate of 15% of net realisation) where assets are realised by the OR. The obligation on the OR in relation to the fee being charged wholly relates to realisation action. The recovery of the fee is concurrent with the charging of the fee, being sourced from the value realised.

£5.1m of OR Trustee fee recovery relates to recoveries from Carillion group work, in excess of the costs the agency has incurred against Carillion work in 2018-19. A requirement to transfer the net surplus to HMT has also been included to ensure that the agency does not receive a surplus, whilst also ensuring that it does not incur a deficit against Carillion activity

The fee regime was updated from 21 July 2016 which replaced the SoS fee with the General fee. 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.

The below table shows revenue recognition for each material income stream against the requirements of IFRS 15:

	Value £'000	Five-step model under IFRS 15				
		1. Identify the contract	2. Identify the performance obligations	3. Determine the transaction price	4. Allocate the price to the performance obligations	5. Recognise revenue as performance obligations are fulfilled
RPS Income	25,999	Employee applies for payment under Employment Rights Act	Payment made when conditions are met	Inss have the right to recover the amount of payment from Employers	The contract is complete once payment is made	The amount recoverable from employers is variable and is estimated in line with historic recovery rates
Admin Fee	24,489	Legislated Fee	Performance of OR duties	Charged at legislated rate	Measured as satisfied over time	Recognised in line with resource inputs
Over-Recovery (Admin & SofS fee recoveries)	6,843	Legislated Fee	Performance of OR duties	Charged at legislated rate	Measured as satisfied over time	Recognised in line with resource inputs
OR Trustee Asset Realisation Fee	19,400	Legislated Fee	Realisation of Assets	Charged at legislated rate	Full Fee when Assets Realised	At date of realisation
General Fee	18,602	Legislated (Tax) Fee - Treatment directed by HMT	No obligations exist for fees defined as a tax.	Charged at legislated rate. Subject to HMT netting off agreement	n/a	Discounted to reflect expected recoveries and recognised at date of order per HMT direction
Time and Rate Distribution Fee	4,969	Legislated Fee	Distribution to Creditors	Charged at legislated rate	Full fee when distribution made	At date of distribution
Debt Relief Order Fee	2,512	Legislated Fee	Granting of Debt Relief Order (48 hours after payment in 99% of cases)	Charged at legislated rate	Full fee when Relief order determined	At date of payment

1(n) Operating leases

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

1(o) 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(p) 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 3).

1(q) Redundancy Payments Service

The Insolvency Service is responsible for the approval and processing of claims under the Redundancy Payment Service (RPS), which is financed from the National Insurance Fund. Under the Employment Rights Act 1996, redundancy payments are made from the National Insurance Fund to employees whose employers have failed to make payments due or who were insolvent. The Insolvency Service has a service level agreement with HM Revenue and Customs.

The Agency then attempts to recover these monies from two sources:

The majority comes from Insolvent Recovery – the Agency becomes a creditor receiving a dividend if there are sufficient funds in the insolvency of the employer.

A small proportion is Solvent Recovery – where money is recovered from solvent employers to meet the costs of redundancy payments made by the RPS.

The net payments are included in Expenditure (Note 3).

Previously, these net payments, and the resulting debtors were reflected in the BEIS Departmental Accounts. From 1 April 2019 these will be reflected in the Agency's accounts.

FREM guidance on IFRS 3, states that a transfer/function, between to public sector bodies within the same Departmental group should be accounted for by Transfer by Absorption. In this case, the value of the asset (debtors) is transferred at the date of transfer 1 April 2019. The corresponding net credit reflecting the gain is recognised within income, but outside of operating activities.

Repayment of RPS debt is recovered from the sale of the assets of the insolvent company. A small part of the debt is preferential but most ranks with ordinary creditors. Therefore, most of the debt is irrecoverable. The calculation of debt impairment is detailed in Note 1(r). HMRC record the impairment of the RPS receivable in NIF accounts.

RPS expenditure is recognised by the agency when it has a present obligation to make payments to the claimants as a result of completion of substantive processes to validate each claim against HMRC rules, and the amount payable to each claimant is considered reliably measurable and probable.

During 2018-19 the Service made payments totalling £318m, and made cash recoveries of £32m, a net total of £286m which was funded from the NIF via HMRC.

The Service is entitled to attempt to recover the £318m expended during the year. Of the £32m recovered during the year, only £2m related to these in year payments, with £30m relating to payments made in previous years.

As detailed in Note 1(r), and Note 10 below, the Service estimates future recoveries of £58m. Of these, £24m relate to payments made in 2018-19, and £34m relate to payments made in previous years. Hence the tables below, detail the income recognised in 2018-19 of £26m, and an adjustment of the BEIS transferred balance of £64m. This is due to an expected credit loss re-measurement under IFRS 9.

	£m
Cash Recoveries in year	2
Future Predicted Recoveries	24
Total Income Recognised in year	<u>26</u>

	£m
Balance transferred from BEIS	128
Cash Recoveries in year	30
Future Predicted Recoveries	34
Adjustment to transferred balance required	64

1(r) Financial Instruments under IFRS 9

As per IFRS 9 *Financial Instruments*, the agency has classified its case administration receivables, estate account receivables, RPS receivables and receivables for disqualification costs as financial assets, held to collect cash flows only for principal and interest. Case administration receivables are initially stated after accounting for expected credit losses and then at amortised cost. 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.

Under IFRS 9 Expected credit losses are calculated by:

- (i) identifying scenarios in which a loan or receivable defaults;
- (ii) estimating the cash shortfall that would be incurred in each scenario if a default were to happen;
- (iii) multiplying that loss by the probability of the default happening; and
- (iv) summing the results of all such possible default events.

Because every loan and receivable has at least some probability of defaulting in the future, every loan or receivable has an expected credit loss associated with it—from the moment of its origination or acquisition.

For RPS debt the debtors have already been declared insolvent, hence any recovery is dependant on dividends paid from the insolvency which are vary rarely 100%.. Hence in terms of the above –

- (i) The scenario for default has already occurred
- (ii) The estimation of shortfall is best calculated from historic collection rates for different types of debt. In this case preferential debts logically achieve greater dividends from insolvency proceedings than non-preferential debts. The nature of insolvency recoveries mean that future economic variations have no material affects on the recovery of these debts, hence historic trends are the best estimator of future recoveries.
- (iii) The probability of default is always 100%. (Hence future economic variations have no effect on the chance of default).
- (iv) Hence a using a separate collection rate for preferential and non-preferential debts gives us an estimated collection for each , and therefore an overall impairment amount.

Recoveries from insolvency proceedings can extend over many years, and historic recoveries are again used to estimate the timings of these recoveries. The value of these future cashflows are discounted in line with the PES.

In line with IFRS 9, RPS debts have been grouped into similar types, in this case pref/non-pref. Analysis of historic trends of recovery of these types of debts has revealed that the best estimate of recovery is 5.6% for non-preferential, and 40.7% for preferential, as opposed to the overall 14% previously utilised.

ORS Case Administration - For ORS the debtors have already been declared insolvent, hence any recovery is dependant on fees recovered from the realisation of assets or from income payments. ORS Fees are recovered before any distribution to creditors. Hence in terms of the above –

- (i) Default estimation is based on analysis of historic data to establish the likely default rate.
- (ii) The estimation of shortfall is best calculated from historic fee recoveries for different case types. The nature of insolvent estates, comprising a significant spread of assets, means that future economic variations have no material effect on recoveries from estates, hence analysis of historic data provides the best estimator of future recoveries and is estimated across the portfolio of cases in each year.
- (iii) The probability of default is applied within the portfolio.
- (iv) The impact is applied consistently across the portfolio.

Recoveries from insolvent estates can extend over many years, and historic recoveries are again used to estimate the timings of these recoveries. The value of these future cashflows are discounted in line with the PES.

The below table shows a summary of the classification and measurement model for financial assets:

	Are the cash flows considered to be solely principal and interest?	What is the business model?	What is the measurement category?
RPS Income	YES	Held to allow contractual cashflows only	Amortised Cost
Case Admin income	YES	Held to collect contractual cashflows only	Amortised Cost

1(s) 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 VAT on expenditure is included in either VAT receivables Note 10 or VAT payables Note 12 to the accounts.

1(t) Cash and cash equivalents

Cash comprises cash at bank and the cash equivalent balance is cash received during the realisation of assets by the Official Receivers, and is held by the Official Receiver against fees charged. Part of this balance is held in a bank account, and part is held in an investment account with the Commissioners for the Reduction of the National Debt (CRND), as required by legislation. The amounts held in both accounts can be drawn down on demand, and are transferred to the Agency bank account on a regular basis. For cash at bank, any bank overdraft amounts are included within trade payables and other liabilities

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.

The agency also makes significant judgement/estimation in regards to future recoveries of RPS expenditure.

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 4).

Generally, the following assumptions in respect of when 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.

2(b) Case administration receivables

The Insolvency Service must make accounting estimates and judgments regarding the recoverability of its case administration receivables (Note 10). 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.

2(c) Redundancy Payments Service receivable

There is uncertainty in the estimate of the amount to be realised by the Insolvency Service from sale of assets of insolvent employers.

3 Expenditure

	2018-19	2017-18
	£'000	£'000
Staff Costs		
Wages and salaries	53,480	51,810
Social security costs	5,282	4,838
Other pension costs	10,144	9,615
Voluntary and Compulsory Redundancy payments	668	-
Less recoveries in respect of outward secondments	(355)	(122)
Redundancy payments service	318,139	-
Legal and other costs of investigation and enforcement	14,547	8,387
Operating leases - accommodation	4,818	5,017
Accommodation	4,438	4,542
IT infrastructure expenses	9,789	5,239
Operating leases - computers	4,259	3,216
General administrative expenses	2,318	2,090
Other costs	3,275	3,584
Travel and subsistence	2,178	1,957
Non-cash items:		
Audit fee	112	101
Write offs/Provisions for expected credit losses	(6,736)	(3,918)
Provisions	(195)	(175)
Depreciation and amortisation	3,479	2,630
Loss on Disposal	6	43
Case administration - unwind discounting of receivables for fees	(357)	(416)
Total expenditure	429,289	98,438

Redundancy Payments Service

The Agency is responsible for the approval and processing of claims under the Redundancy Payment Service (RPS), which is financed from the National Insurance Fund. Redundancy payments are made from the National Insurance Fund to employees whose employers have failed to make payments due or who were insolvent. The Agency has a service level agreement with HM Revenue and Customs to administer the scheme.

There is associated income arising 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: the Agency 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.

Expenditure in respect of RPS in 2018-19 totalled £318 million (2017-18: £292 million), this expenditure is funded by the NI Fund who reimburse the agency on a monthly basis for the claims paid out.

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. However, a small proportion (12%) of the debt is preferential, and as such has a higher recovery rate.

4 Income

	2018-19	2017-18
	£'000	£'000
Redundancy payments administration	7,046	6,744
Redundancy payments service	25,999	-
Insolvency case administration	75,277	57,645
Release of deferred income for insolvency case administration	1,522	1,262
Discounting costs	(359)	(320)
Estates accounts	904	1,593
Regulation of insolvency practitioners	1,747	1,548
Debt relief order administration	2,512	2,295
Online Debt Solutions	1,701	1,594
Investigation and enforcement	2,362	2,387
Rental income	581	633
Miscellaneous income	-	133
Criminal enforcement	179	374
Total income	119,471	75,888

The case administration income £75.3m (2017-18: £57.6m) is recognised on an effort exerted basis using historic time recording data. See note 1(m) for policy relating to this.

RPS recognised income of £26m includes £2m recovered in the year, and £24m of estimated future recoveries.

5 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.

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. Figures showing BEIS and HMRC funding amounts can be found in the SoCITE.

	Income		Cost of service		Surplus/(deficit)	
	2018-19 £'000	2017-18 £'000	2018-19 £'000	2017-18 £'000	2018-19 £'000	2017-18 £'000
Activities funded from BEIS financing						
Policy advice and development	-	-	1,844	1,506	(1,844)	(1,506)
Investigation and enforcement	2,541	2,760	38,198	39,531	(35,657)	(36,771)
Total activities funded from BEIS financing	2,541	2,760	40,042	41,037	(37,501)	(38,277)
Activities funded from fees						
Insolvency case administration	76,440	58,721	57,513	44,836	18,927	13,885
Estate accounts	904	1,593	1,987	1,858	(1,083)	(265)
Regulation of insolvency practitioners	1,747	1,548	1,800	1,860	(53)	(312)
Debt Relief Order administration	4,213	3,889	1,952	1,852	2,261	2,037
Other	581	633	810	252	(229)	381
Total activities funded from fees	83,885	66,384	64,062	50,658	19,823	15,726
Activities funded by HMRC						
Redundancy payments administration	7,046	6,744	7,046	6,744	-	-
Redundancy payments service	25,999	-	318,139	-	(292,140)	-
Total activities funded by HMRC	33,045	6,744	325,185	6,744	(292,140)	-
Total of all activities	119,471	75,888	429,289	98,439	(309,818)	(22,551)

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

The costs of £57.513m (2017-18: £44.836m) in relation to insolvency case administration includes bad debt write-back of £7.6m (2017-18: write-back of £4.9m) 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.

6 Property, plant and equipment

2018-19

	Information Technology £'000	Plant & Machinery £'000	Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
Cost or valuation					
At 1 April 2018	9,930	330	-	569	10,829
Additions	542	38	2,151	221	2,952
Disposals	-	(10)	-	-	(10)
Reclassifications	33	395	142	(570)	-
Impairments	-	-	-	-	-
At 31 March 2019	10,505	753	2,293	220	13,771
Depreciation					
At 1 April 2018	6,510	74	-	-	6,584
Charged in year	2,281	136	239	-	2,656
Disposals	-	(4)	-	-	(4)
Revaluation	-	-	-	-	-
At 31 March 2019	8,791	206	239	-	9,236
Carrying value at 31 March 2019	1,714	547	2,054	220	4,535
Asset financing:					
Owned	-	547	2,054	220	2,821
Service concession arrangement (Note 15)	1,714	-	-	-	1,714
Carrying value at 31 March 2019	1,714	547	2,054	220	4,535

2017-18

	Information Technology £'000	Plant & Machinery £'000	Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
Cost or valuation					
At 1 April 2017	8,190	338	-	129	8,657
Additions	1,480	147	-	780	2,407
Disposals	-	(235)	-	-	(235)
Reclassifications	260	80	-	(340)	-
Impairments	-	-	-	-	-
At 31 March 2018	9,930	330	-	569	10,829
Depreciation					
At 1 April 2017	4,764	196	-	-	4,960
Charged in year	1,746	71	-	-	1,817
Disposals	-	(193)	-	-	(193)
At 31 March 2018	6,510	74	-	-	6,584
Carrying value at 31 March 2018	3,420	256	-	569	4,245
Asset financing:					
Owned	-	256	-	-	256
Service concession arrangement (Note 15)	3,420	-	-	569	3,989
Carrying value at 31 March 2018	3,420	256	-	569	4,245

7 Intangible assets

2018-19	Internally			
	Software Licences £'000	Developed System £'000	Assets Under Construction £'000	Total £'000
Cost or valuation				
At 1 April 2018	315	13,333	-	13,648
Additions	-	311	-	311
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Impairments	-	-	-	-
At 31 March 2019	315	13,644	-	13,959
Amortisation				
At 1 April 2018	298	11,270	-	11,568
Charged in year	10	813	-	823
Disposals	-	-	-	-
Impairments	-	-	-	-
At 31 March 2019	308	12,083	-	12,391
Carrying value at 31 March 2019	7	1,561	-	1,568
Asset financing:				
Owned	7	1,561	-	1,568
Finance leased	-	-	-	-
Carrying value at 31 March 2019	7	1,561	-	1,568

2017-18

	Software Licences £'000	Internally Developed System £'000	Assets Under Construction £'000	Total £'000
Cost or valuation				
At 1 April 2017	304	13,293	40	13,637
Additions	11	-	-	11
Disposals	-	-	-	-
Reclassifications	-	40	(40)	-
Impairments	-	-	-	-
At 31 March 2018	315	13,333	-	13,648
Amortisation				
At 1 April 2017	244	10,510	-	10,754
Charged in year	54	760	-	814
Disposals	-	-	-	-
Impairments	-	-	-	-
At 31 March 2018	298	11,270	-	11,568
Carrying value at 31 March 2018	17	2,063	-	2,080
Asset financing:				
Owned	17	2,063	-	2,080
Finance leased	-	-	-	-
Carrying value at 31 March 2018	17	2,063	-	2,080

8 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 realised 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 nominal 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.

9 Impairments

The Insolvency Service carried out an impairment review during the year (as at 31 March 2019) 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, 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.

There were no impairments identified.

10 Trade receivables, financial and other assets

	2018-19	2017-18
	£'000	£'000
Amounts falling due within one year:		
Financial assets		
Receivables for fees - case administration	22,191	21,540
Receivables for disqualification costs	1,750	1,710
Receivables for fees - estate accounts	638	943
Receivables for redundancy paymentst service	24,192	-
Trade receivables and other assets		
Prepayments	1,435	2,314
VAT receivables	-	557
Other receivables	1,779	1,580
Employee receivables	211	111
Total	52,196	28,755
Amounts falling due after more than one year:		
Financial assets		
Receivables for fees - case administration	10,436	10,095
Receivables for disqualification costs	1,477	1,294
Receivables for redundancy payments service	33,506	-
Trade receivables and other assets		
Employee receivables	29	440
Total	45,448	11,829
Total receivables, financial and other assets	97,644	40,584

The receivables for estate accounts fees have been reduced by a bad debt write-off of £307k (2017-18: £195k).

From 1 April 2018, the responsibility for the Redundancy Payment Scheme was transferred from BEIS to the Insolvency Service. This was accounted for in accordance with the FReM as a Transfer by Absorption, where the carrying value of the RPS Receivable on 1 April 2018 was transferred. The RPS receivable is shown net of an annual impairment. The impairment is calculated by the Insolvency Service using a model which is approved by HMRC. The model calculates the recoverable debt as £58m as at 31 March 2019, (2017-18 £128m). Previously the rate of recoverability was estimated at 14%. It was recognised that there was a risk that this was over-optimistic and therefore would result in a downward revision in future years. As detailed in Note 1(r), in line with IFRS 9, RPS debts have been grouped into similar types, in this case pref/non-pref. Analysis of historic trends of recovery of these types of debts has revealed that the best estimate of recovery is 5.6% for non-preferential, and 40.7% for preferential, as opposed to the overall 14% previously utilised. As such this has necessitated a £64.1m impairment to the transferred balance from BEIS.

Included within the above figures are receivables for fees - case administration. The balance of £22.191m for amounts expected to be recovered within one year (2017-18: £21.540m) and £10.436m for amounts expected to be recovered in more than one year (2017-18: £10.095m). This figure represents sums recoverable by the agency for case administration work undertaken, but not yet received.

As explained in Notes 1(m) and 2(a), the agency, in accordance with IFRS 15, does not recognise income on the basis of actual fee recoveries. Income is based on the average cost of work undertaken and recognised over a period of 36 months in relation to the work effort expended, regardless of when cash receipts are banked.

The costs of administering bankruptcy or companies winding-up are reflected in a case administration fee. From 21 July 2016 the fees have been set at £1,990 for debtor bankruptcy, £2,775 for creditor bankruptcies and £5,000 for companies winding-up. In practice, the agency recovers its fees in part through the receipt of a deposit (from 21 July 2016: £550 for debtor petitions, £990 for creditor petitions and £1,600 for companies) with the balance met as assets in bankruptcy or winding-up are realised. Cash recoveries from asset realisations lag behind income recognised in the accounts and the difference between the two is therefore reported as a receivable.

Not all individuals who enter bankruptcy or companies being wound up have sufficient assets to cover the case administration fees. 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.

The agency has sought to mitigate risks of under-recovery through significant changes to the fee structure in 2016-17, to better align fees charged to realisable assets and to ensure that the cost of the service is borne by users of the service. From 21 July 2016 the general fee replaced the SoS fee, and was set at £6,000 per case and is recovered from all assets once the balance of the administration fee has been satisfied.

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 pattern and period over which assets will be realised to fund fee recoveries;
- the average realisable value of assets of estates entering bankruptcy or liquidation;
- the age of a case, where financial risk is greater when outstanding debt is at its highest;

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 is constantly refining its data assets and uses these to estimate future income and receivables based on historic data. The selection of data in use has been subjected to sensitivity testing against a wider data set, which has evidenced that alternative selections do not present a material change.

Additional testing of the sensitivity of fee recoveries demonstrates that a 5% change in assets is likely to have a resulting impact on Admin and General fees of <2.3% and a 10% change a <4.7% impact.

The agency's forecasts are reviewed by internal and external stakeholders with experience and knowledge of the business and specialists from the modelling community and have agreed that the continued use of the above principles was the most appropriate approach.

Receivable figures for all case years are expected to be £33.3m (2017-18 £32.34m) (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 £7.6m (2017-18 £4.938m) (undiscounted).

11 Cash and cash equivalents

	2018-19	2017-18
	£'000	£'000
Balance at 1 April 2018	97,249	77,931
Net change in cash and cash equivalent balances	25,398	19,318
Balance at 31 March 2019	122,647	97,249

The following balances at 31 March 2019 were held at:

Government banking service (ISA account)	112,627	93,984
Government banking service	10,020	3,265
Balance at 31 March 2019	122,647	97,249

Cash comprises cash at bank of £10m (2017-18: £3m) and a cash equivalent balance of £113m (2017-18: £94m). The cash equivalent balance is made up of cash received during the normal course of Official Receivers' activities, and is held by the Official Receiver against fees charged. Part of this balance is held in a bank account, and part is held in an investment account with the Commissioners for the Reduction of the National Debt (CRND), as required by legislation. The amounts held in both accounts can be drawn down on demand, and are transferred to the Agency bank account on a regular basis.

12 Trade payables and other liabilities

	2018-19	2017-18
	£'000	£'000
Amounts falling due within one year:		
Payables	5,420	3,716
Accruals	11,877	10,519
Due to the Consolidated Fund	18,709	15,100
VAT liability	200	-
Deferred fee income	786	844
Service concession arrangement	298	295
Accrued employee benefits	2,052	2,065
Total	39,342	32,539
Amounts falling due after one year:		
Service concession arrangement	50	25
Total	50	25
Total Payables and other liabilities	39,392	32,564

Accruals made in 2018-19 for expenditure relating to the year but not yet paid total over £12m (2017-18: over £10m). Notable items include £2.7m (2017-18: £2.3m) in relation to rental payments due for properties the agency occupies but which had not been invoiced for as at 31 March 2019; £2.3m for Investigation costs (mostly relating to Carillion); and £2.6m for IT-related costs. There was also over £1m of property costs to be paid for works carried out during 2018-19 for moving to one floor in the Birmingham office and for improvements to the working environment in other locations.

Deferred income

Deferred income as at 31 March 2019 was £786k (2017-18: £844k) of which £501k (2017-18: £595k) related to insolvency practitioner regulation fees. The remaining £285k (2017-18: £294k) 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.

£1,522k (2017-18: £1,262k) of deferred income was recognised as income in 2018-19 (Note 4).

13 Provisions for liabilities and charges

2018-19	Pre 1996				Total
	Fruitless payments	Debit balance write-offs	Lease dilapidations	Other	
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2018	231	-	3,179	148	3,558
Provided in the year	-	-	56	10	66
Provisions utilised in the year	(113)	-	-	(27)	(140)
Provisions not required written back	(118)	-	-	(121)	(239)
Borrowing costs (unwinding of discount)	-	-	(22)	-	(22)
Balance at 31 March 2019	-	-	3,213	10	3,223
Analysis of expected timing of discounted flows					
Not later than one year	-	-	1,165	10	1,175
Later than one year and not later than five years	-	-	2,048	-	2,048
Later than five years	-	-	-	-	-
Balance at 31 March 2019	-	-	3,213	10	3,223

	Pre 1996				Total
	Debit				
	Fruitless payments	balance write-offs	Lease dilapidations	Other	
£'000	£'000	£'000	£'000	£'000	
Balance at 1 April 2017	741	109	3,119	165	4,134
Provided in the year	-	-	247	148	395
Provisions utilised in the year	(275)	-	-	(126)	(401)
Provisions not required written back	(235)	(109)	-	(39)	(383)
Borrowing costs (unwinding of discount)	-	-	(187)	-	(187)
Balance at 31 March 2018	231	-	3,179	148	3,558

Analysis of expected timing of discounted flows

Not later than one year	231	-	1,091	148	1,470
Later than one year and not later than five years	-	-	2,088	-	2,088
Later than five years	-	-	-	-	-
Balance at 31 March 2018	231	-	3,179	148	3,558

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, there were no provisions held in respect of known fruitless payment cases (2017-18: 1 case, £231k).

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 2018 the balance has been written off.

Lease dilapidations

The agency operates from a number of sites across the UK. The implementation (in 2010) 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. As part of the review, provision for dilapidations was created which represents the estimated cost of making good the infrastructure of the leases, under the lease terms. The agency holds provisions for dilapidations for 22 locations; as at 31 March 2019 the provision held was adjusted by £56k (2017-18 £247k) based on the increase in inflation (previously 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)). As per 2017-18, no provision was utilised nor written-back during 2018-19. The provision held is discounted using the nominal discount rates set by HM Treasury, which results in the value of the provision adjusting to £3,213k (2017-18: £3,179k).

Other provisions

At the start of the year, other provisions consisted of £148k (2017-18: £165k) for potential adverse cost claims in disqualification proceedings and a potential employment tribunal claim.

During the year, £27k was utilised (2017-18: £126k), and £121k (2017-18: £39k) was written-back as not required. There was one (2017-18: three) new provisions created during 2018-19 totalling £10k (2017-18: £148k).

All amounts provided for in the year and all provisions not required and written back are recorded as non-cash costs (Note 3).

14 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.

	2018-19	2017-18
	£'000	£'000
Obligations under operating leases for the following periods comprise:		
Buildings		
Not later than one year	4,703	5,199
Later than one year and not later than five years	7,059	3,974
Later than five years	-	-
Total	11,762	9,173

15 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 ran for an initial term of 5 years from the point at which the IBM exit was completed (30 April 2014). During 2018-19 it was extended to 21 May 2020.

Obligations under 'on-balance sheet' service concession arrangements for the following periods comprises:

	2018-19	2017-18
	£'000	£'000
Rentals due not later than one year	298	294
Rentals due later than one year and not later than five years	50	25
Total	348	318
Less interest element	(5)	(4)
Present value	343	314

Charge to the Statement of Comprehensive Net Expenditure and future commitments

	2018-19	2017-18
	£'000	£'000
Not later than one year	1,994	2,160
Later than one year and not later than five years	332	-
Total commitments	2,326	2,160

16 Contingent liabilities disclosed under IAS 37

The Insolvency Service has the following contingent 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.

17 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.

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.

The compensation of key management personnel is set out in the remuneration and staff report.

18 Financial exposure

IAS 32 and IFRS 9 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.

Redundancy payments service risk

RPS receivables do not impact the agency's financial risk profile as any impact will be felt by the National Insurance Fund. (All recoveries are paid over to the NIF).

RPS receivables can be collected over a period of many years, and as such are subject to inflationary risk to their value over time. As such these debts are discounted inline with prescribed HM Treasury rates.

Interest rate risk

The agency's case administration receivables are financial assets in that there is a 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.

19 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 £2.512m (2017-18: £2.295m).

Redundancy Payments (RP) service bank accounts

As outlined in Note 3, 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 2019 was £6.175m (31 March 2018: £6.961m). 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 2019 was £0.463m (31 March 2018: £0.550m). As agreed with HMRC, the receipts held are sent to HMRC on a monthly basis.

20 Payment protection insurance

In 2019-20 the Official Receiver has undertaken a significant exercise to submit complaints in relation to bankrupt estates for PPI policies in advance of the prescribed PPI claim deadline, to ensure that returns to creditors are maximised as far as possible.

The exercise has been and continues to be subject to a range of challenges from financial organisations, leading to uncertainty regarding the expected realisations that will be generated. In addition, realisations may vary due to the level of uncertainty around how many claims will be successful and the likely payment associated with each claim.

The realisations may in turn generate fee charges, which may then result in either write backs (essentially recognisable income, although technically a negative expenditure) for the service, or CFER payments to HMT. Claims relating to earlier case years (pre-2005) will not result in any fee charges, whilst those years post-2010 will result in CFER payments to HMT. The case years between 2005-2010 may result in recognisable income, but will be limited to the level of previously written off income.

The agency is therefore unable to estimate the likely impact on agency accounts in 2019-20 at the present time.

21 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.

