The Insolvency Service

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Annual Report and Accounts

2020-21

HC 690

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

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Performance Overview

Chief Executive's Foreword

2020-21 was an important year for the Insolvency Service. We played a key role supporting business through the COVID-19 pandemic, with the Corporate Insolvency and Governance Act 2020 providing new support and rescue options for struggling businesses. Temporary restrictions on compulsory winding-up of companies and the rules for wrongful trading have helped protect businesses from going under and have given directors confidence to keep trading throughout the pandemic.

In March 2020, the government issued instructions to work from home wherever possible. Our response was to close our 22 offices to all but essential business attendance and to transition to the delivery of our services remotely. As a result of investments previously made in our IT infrastructure, and with many staff already used to working some of their time from home each month, we were able to readily adapt to more widespread home-working to keep our people and our customers safe.

We built on this capability and flexibility as COVID-19 continued to impact on society and the economy, in order to support the effective delivery of our services to customers and stakeholders. New communication tools also helped us to successfully onboard new recruits, interns, and apprentices during the lockdown periods, as well as undertake our insolvency and investigation enquiries remotely with third parties, avoiding the need for many face-to-face meetings.

With home-working capability firmly embedded across the organisation, redundancy claims, bankruptcy applications, Debt Relief Orders and insolvency estate payments were able to be processed effectively, maintaining our essential services to businesses and citizens at a critical time, supporting those in financial distress.

Government financial support for businesses and the temporary restrictions on statutory demands and winding-up petitions reduced the number of new insolvency cases across the year. The number of cases handled by Official Receivers fell by 42% in 2020-21, with court-initiated procedures falling by 70%, whilst debt relief orders fell by 33%. However, the number of claims to the Redundancy Payments Service increased by 20% on the previous year, and the team worked hard to ensure that there was no disruption to our service, with redundancy payments made on average in 12.8 days, 3 days earlier than in 2019-20 and under the Annual Plan target of 14 days.

Tackling financial wrongdoing continues to be a key corporate objective of the agency. The impact of the lockdown restrictions on the courts, and the challenges in obtaining evidence and co-operation from third parties, meant that some of our investigation work took longer to conclude last year. We were still able to complete the disqualification of 981 directors for corporate misconduct, achieve 143 successful criminal prosecutions, undertake 146 investigations into live companies and secure 302 bankruptcy restriction orders and undertakings.

Overall the agency produced a solid performance in 2020-21 and I was very proud of how our people rose to the significant and unprecedented challenges faced. The support we gave our people throughout last year with new policies for flexible working and regular guidance on safe working throughout COVID-19, was reflected in our highest ever People Survey engagement result in 2020.

Our commitment to ensuring we continue to be a great place to work was also enshrined in a new five-year People Strategy published in November, which set out key objectives for building greater capability and flexibility across our teams, championing diversity and inclusion and developing brilliant leaders for the future.

Looking ahead we will continue to build on what we have learned over the last 12 months to ensure that the agency continues to grow and improve its service delivery, delivering economic confidence for businesses and citizens and supporting economic recovery.

Signed:

Dean Beale
Chief Executive

Date: 28 October 2021

Who we are and what we do

This overview is designed to give a snapshot of the agency's activities and results. More detailed analysis will be found in our Accountability Report and Financial Statements.

Who we are

The Insolvency Service is an executive agency of the Department for Business, Energy and Industrial Strategy (BEIS), based in 22 locations around Great Britain.

As an executive agency, BEIS holds financial and operational control over the work we do and approves our strategies and plans.

We are governed by the Insolvency Service Board, comprised of executive and non-executive members. The board is responsible for the long-term success of the agency, which includes setting strategic aims and objectives, making sure that leadership and resources are in place, challenging and supporting management performance and reporting to BEIS.

Our Governance Statement has more detail about our Board and various committees.

For more information on our status as an Executive Agency, read Classification of public bodies: information and guidance, which summarises the main characteristics of different types of public bodies.

What we do

We oversee and foster a world class insolvency regime. Our core objective is to deliver economic confidence by **supporting those in financial distress**, **tackling financial wrongdoing** and **maximising returns to creditors**.

Our Official Receivers deal with personal debt and insolvent businesses, realising and distributing assets, helping people to financially get back on their feet, and carrying out investigations to support the integrity of the insolvency system.

Our investigators scrutinise director and corporate behaviour, investigating those who abuse the system and work to disqualify unfit directors.

Our Redundancy Payments Service makes sure people receive redundancy pay from the National Insurance Fund and other statutory entitlements when a company fails.

We act as an impartial source of information for the public on insolvency and redundancy matters and advise BEIS ministers and other government departments.

Our objectives

This Annual Report and Accounts describes the agency's performance and achievements for and reports on the delivery of objectives we set in our Annual Plan.

Those objectives include we:

Support those in financial distress

- Continue to work in partnership with HM Treasury to build and deliver a system to provide a breathing space for those with problem debt

  Result: Objective achieved. The Breathing Space scheme went live in May.

- Make 95% of bankruptcy orders sought by individuals within 2 working days and determine 95% of debt relief order applications within 48 hours

  Result: Objective achieved. 97.2% bankruptcy orders were made within 2 working days and 99% debt relief orders were determined within 48 hours.

- Improve the time taken to process redundancy payment claims, beyond an average processing time of 14 days or less

  Result: Objective achieved. The average processing time was 12.8 days.

- Implement a new telephony system that will build additional capacity and flexibility into our frontline customer services, improving the service for our users

  Result: Objective achieved

Tackle financial wrongdoing

- Work to prevent financial misconduct before it arises by developing a programme of director education, raising the capability and awareness of new directors and highlighting the consequences when that conduct falls short.

  Result: This work is ongoing. Insolvency Service colleagues contributed to a series of webinars produced by Companies House on the responsibilities of directors.

- Improve the way we measure our enforcement outcomes and introduce a new quarterly report for publication on a wide range of activity in this area

  Result: Objective achieved. Our quarterly corporate scorecard is published on GOV.UK and outlines a range of the agency’s activities and achievements.
- Deliver effective market protection and tackle economic wrongdoing by maximising the use of our resources to investigate and take action against a wide range of identified misconduct.

  Result: Ongoing.

Maximise returns to creditors

- Complete the transformation of our Official Receiver Services function to make it more efficient and cost effective

  Result: Objective achieved. Our Official Receiver transformation project delivered new, more effective and efficient ways of working.

- Issue reports to creditors within 15 days of interviewing (or a decision that no interview is required) in at least 91% of cases

  Result: Objective not achieved. The performance for the year was 66.5% of reports issued on time. The pandemic impacted our performance during the first half of the year as our people worked from home, whilst our bulk-printing function was office-based. Month by month performance improved above expectation from October onwards.

- Complete the recovery of funds arising from Payment Protection Insurance (PPI) mis-selling compensation and commence distribution on relevant cases

  Result: Recovery work is ongoing due to complaint processing delays by financial institutions because of the pandemic, and ongoing negotiations with some financial institutions. Distribution of PPI assets has now started.

Issues and risks

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

How we performed

Supporting those in financial distress

11,607

New insolvency cases received

9,830

Online bankruptcy orders

999

Creditor petition bankruptcies

17,938

Debt Relief Orders

96,219

Redundancy payment requests

12.8

Average calendar days taken to action redundancy payment

Tackling financial wrongdoing

981

Directors disqualified for misconduct

8.5%

Directors disqualified for 10 years or more

302

Bankruptcy restrictions

146

Live company investigations

143

Criminal prosecutions

Maximising returns to creditors

£35.9m

Dividends returned to creditors

66.53%

Reports to creditors issued within 15 days of an attended interview

Customer satisfaction

84%

Customer satisfaction results

Our response to COVID-19

Over the last 12 months, the Insolvency Service has played an important role in the government's response to the COVID-19 pandemic. Emergency legislation in the form of the Corporate Insolvency and Governance Act 2020 was introduced in support of businesses struggling to survive the pandemic. The Act represented a key part of the Government's response, and although a challenge to introduce, we were proud to achieve the implementation of such important and significant reforms to the UK's insolvency regime in record time.

As a result of investments previously made in our IT infrastructure and with many staff already working some of their time from home each month, we were able to readily switch to home-working from the first lockdown in March 2020 with minimal additional effort or cost. We built on this capability as the pandemic developed to support the effective delivery of our services to customers and stakeholders. This included accelerating the roll-out of online collaboration tools, such as Microsoft Teams. These implementations also helped us to successfully onboard new recruits, interns, and apprentices.

With home-working capability embedded across the organisation, redundancy claims, bankruptcy applications, Debt Relief Orders and estate payments were able to be processed as normal. There were, however, some challenges around our telephone helplines. When we were unable to deliver our usual telephone helpline coverage for redundancy payments advice and the agency's main helpline, we adapted by offering an improved email contact option with our customers. Throughout this time we have delivered services making the best use of new technologies.

Our investigation teams established outsourcing arrangements to maintain forensic digital support to our investigations. All our frontline teams adapted to the way they worked, such as by engaging electronically with directors, people in bankruptcy, third parties and other witnesses. We took a risk-based approach for off-site work, such as inspecting company premises, obtaining witness statements or accessing records. Some of our investigative interviews, particularly those under caution, were paused until we could invite people back into COVID-19 secure environments.

The impact of the pandemic and lockdown restrictions on the courts' operations and availability of legal services to defendants was significant. The enforcement teams quickly adapted to remote court hearings and used an electronic document service where possible. We set up regular liaison meetings with HM Courts and Tribunals Service, and we were able to keep pace with the developments in the court processes. This ensured we were able to progress cases through the courts, including urgent applications to wind up companies in the public interest.

Our Official Receiver services also rolled out services remotely, reducing the need for face-to-face contact. Commercial partners were sourced to help with the collection and scanning of incoming post as well as the printing and posting of outgoing correspondence.

Where there was a need to attend the offices, strict COVID-compliant protocols were established. The priority throughout was the wellbeing and safety of our customers, stakeholders, and colleagues, and we have been flexible in the way we have worked to achieve this. We ensured that our people policies were up to date and accessible to all, along with relevant helpful information to support staff to deliver our services in challenging times, and to inform our customers and stakeholders about how we were delivering our services in different ways.

Case Study: Model office

So that our offices could reopen in a COVID compliant manner, we established a project to develop a Pathfinder office to test products and plans for how we could re-open our sites

The project team worked with Estates colleagues to research best practice across government and industry experts, whilst also liaising with the Health and Safety Executive, trade unions and staff groups. The COVID-secure principles and protocols became the standardised agency approach and the model office they developed became the template for our estate.

As offices reopened from September 2020, we tracked every compliance area for all 22 offices. The compliance areas included water testing, cleaning services, security, and air conditioning checks.

This gave assurance for local senior leaders to allow staff back into offices to work in accordance with government advice and measures.

Performance analysis

Delivering economic confidence

Publishing information

We met a commitment in our Annual Plan which said we would improve the transparency and frequency with which we report our performance. In October we introduced a new quarterly Corporate Scorecard on GOV.UK, containing more in-depth detail on the wide range of the agency's work, and in particular on the enforcement action we take where financial misconduct occurs.

In response to the significant economic changes brought about by the pandemic, from May 2020 we began to publish monthly company and individual statistics for England, Wales and Northern Ireland and monthly company statistics for Scotland, to provide more frequent and timely data to our stakeholders.

Implementing and reviewing a new corporate restructuring package

In June 2020, the Corporate Insolvency and Governance Act 2020 came into force and represented the biggest change to the corporate insolvency regime in a generation.

The legislation introduced permanent restructuring measures as well as temporary provisions, to help companies deal with the immediate impact of the pandemic and help them to recover as the economy emerges. A new restructuring plan that can bind dissenting creditors if the court allows, a moratorium giving breathing space for struggling companies to explore their options free from creditor enforcement action and provisions that require businesses to support rescue by continuing to supply companies undergoing a restructuring or insolvency process, are all permanent changes that will enhance our already rescue-friendly regime.

Temporary measures, including removing the threat of personal liability arising from wrongful trading for directors using their best endeavors to trade their companies during the crisis, and removing the threat of winding-up proceedings where the debt is due to the virus have, helped protect companies unable to trade normally due to the unprecedented circumstances caused by the pandemic.

The new legislation was well received, with the Institute of Directors saying:

> "These measures will be welcomed by directors impacted by COVID-19. Our members will be pleased to see government taking proactive steps to support them through this difficult time. By easing the administrative burden that comes with running a business, the government is supporting businesses to focus on the fundamentals during this exceptional period."

This vital work was carried out virtually during the first lockdown and we overcame a number of interoperability issues, working across government to support ministers during the legislative passage, whilst ensuring information security protocols were followed. Since the legislation came into force, our policy team worked tirelessly across government and liaised with stakeholders to help inform ministers' decisions about extensions to the temporary emergency measures to help business throughout. The team has also engaged with stakeholders to gauge the early operation of the new restructuring tools, restructuring plan and moratorium.

Very shortly after enactment, the new restructuring plan was used for the first time when the High Court sanctioned to allow Virgin Atlantic, the international airline to restructure its debts and therefore restore its solvency.

One of our policy experts said:

> "Implementing the new corporate restructuring package as one of the government's major regulatory responses to the pandemic was a real challenge because of the urgency and limited time we had to get it through. I am delighted to see that the tools have been widely welcomed are already being used within the economy".

Insolvency practitioner regulation

To keep insolvency professionals abreast of government plans and initiatives as the pandemic took hold, we regularly updated our online content on GOV.UK as well as increasing the output of our Dear IP newsletter. Between April and July 2020 alone, our Dear IP newsletter contained 24 articles covering a diverse array of pandemic-related matters, examples include advising insolvency practitioners on dealing with books and records during the lockdown, providing details of the government's job retention scheme, and letting insolvency practitioners know about HMRCs approach to enforcement during the period.

During the year we undertook a number of monitoring visits to the Recognised Professional Bodies (RPBs) which regulate insolvency practitioners and published our findings on GOV.UK. We continued to work closely with the RPBs over issues in the sector, including volume Individual Voluntary Arrangement (IVA) provider firms. In February we published new guidance on monitoring insolvency practitioners. This guidance focuses on cases where the debt solution is, or is likely to be, an IVA or a Protected Trust Deed.

Our commitment to improving diversity in the insolvency profession continued. We worked with R3 (the trade body that represents insolvency practitioners) to set up an expert steering group to look at ways to take this forward. In March, the steering group published a joint statement on GOV.UK, and across social media channels, to announce its plans.

Supporting cross-border insolvency

31 December 2020 marked the end of the transition period in which EU rules continued to apply to the UK under the Withdrawal Agreement. We successfully prepared our insolvency regime for the conclusion of this transition, laying a Statutory Instrument in June 2020, and issuing guidance for insolvency practitioners on cross-border insolvency practices in EU Member States in January 2021.

Pre-pack sales

Alongside the very significant work associated with the new legislation and ongoing support to Ministers connected with tackling the effects of the pandemic on business, the policy team also laid regulations to regulate prepack sales in administration to connected parties. The aim of the regulations is to increase transparency and confidence for creditors, by requiring independent scrutiny of pre-pack sales where they are to a person connected to the insolvent company.

Technical guidance

As part of efforts to increase support and share knowledge with the wider insolvency profession, the Insolvency Service launched its new technical guidance for Official Receivers on GOV.UK. The guidance will be maintained by our technical team.

Supporting those in financial distress

We administer debt solutions that help people get back on their feet, including **Debt Relief Orders (DROs) and Bankruptcy.** Our online adjudicator service removes the stress of the debtor having to attend court to make themselves bankrupt.

This, together with the work of our Official Receivers and Redundancy Payments Services, plays a vital role in helping and supporting people in times of financial distress.

Breathing Space

Working with HM Treasury, we progressed the project to deliver the Debt Respite Scheme (Breathing Space). The scheme is a government manifesto commitment to significantly expand support for those in financial distress. Breathing Space gives those with problem debt the right to legal protections from their creditors for a period of 60 days. There are two types of breathing space: a standard breathing space and a mental health crisis breathing space.

The agency developed the electronic service to enable Breathing Space to operate. Much of this work has been carried out over the last year, providing further example of the effectiveness of our working arrangements during the pandemic. The system, which went live on 4 May 2021, will be administered by us and we will maintain and support the IT system on which it will operate.

Stakeholder groups, including creditors, money advisors and citizens have all been involved in developing the service. We have kept the user central to the design, allowing money advisors to submit their clients' debts into Breathing Space and for creditors to apply the necessary protections.

Breathing Space legislation (The Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020) was agreed in Parliament in October 2020 and in the Welsh Parliament in November 2020. Breathing Space guidance for both creditors and money advisors was developed by the Insolvency Service in collaboration with HM Treasury and was published on GOV.UK in December 2020.

Bankruptcy orders

Our online adjudicator service removes the stress and stigma of attending court when a debtor needs to access the bankruptcy process. Accessible on GOV.UK, the service is available 24 hours a day, 7 days a week.

During the year, 9,830 of orders were made, 96.99% within 48 hours of receipt of the application. This is a 28% decrease on the previous year due to the effects of the pandemic.

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

Debt Relief Orders (DROs)

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

DROs are applied for by authorised debt advisers and approved by an Official Receiver. DROs are a way of writing off an individual's debt if they are in financial difficulty with relatively low levels of debt and assets and no way to pay the debts off.

In 2020-21, we approved 17,775 DROs, 99% within 2 working days target. This is a 35% decrease on the previous year, due to the effects of the pandemic.

In January, we issued a consultation on whether to change the monetary eligibility criteria for obtaining a DRO. The consultation sought views on whether the maximum level of debt a person can owe in order to be eligible for an order should be increased from £20,000 to £30,000, along with changes to the permitted levels of income and assets. There were nearly 150 written responses and having considered the views of stakeholders the government has taken forward changes.

From 29 June, the debt cap is £30,000, the level of permitted surplus income £75 a month (up from £50), and with asset levels and the permitted value of a domestic motor vehicle both increased to £2000. Further details can be found in our consultation document Summary of responses and Government response.

We saw a marked decline in the number of both DROs and personal bankruptcy applications. As we continued to make orders promptly, we took the opportunity to improve on the efficiency of our internal processes. This work will help us with any increase in DROs in the future.

Redundancy Payments Service

The economic challenges brought about by the pandemic saw more people access our Redundancy Payments Service. During the reporting period, we processed over 96.2k claims, including former employees of companies such as Debenhams. This was up around 20% on normal levels.

We improved our publications such as GOV.UK content and our letters to customers. Changes to how we usually delivered our Redundancy Payment Service helpline reduced unnecessary contact for our customers by offering an improved email service.

Despite a significant increase in redundancy payment claims this year, email volumes were much the same as that of combined calls and emails which we usually receive at business-as-usual level. This suggests a successful channel shift whilst still offering customers prompt response to their queries.

Individual Voluntary Arrangement (IVA) Protocol

We make sure vulnerable consumers suffering from financial distress continue to be well served by the insolvency regime.

An IVA is an agreement with creditors allowing a debtor to pay all or part of a debt. The debtor agrees regular payments to an insolvency practitioner, who divides the money between creditors. To help consumers who were unable to keep to their IVA commitments because their financial situation had been impacted by the pandemic, we worked with stakeholders to make temporary revisions to the standard protocol which forms the basis of many IVA agreements. This has allowed people to continue with their IVAs by using payment holidays and reduced payments.

A new telephony solution

The agency moved from traditional desk-based telephony to Microsoft Teams softphones which enabled access to phone-calls on laptops. This enhanced our flexibility and leveraged our already-owned hardware to improve value-for-money.

The move to softphones included the deployment of a cloud-based contact centre solution. This allowed some of our call centre staff to work from home whilst offices were closed, allowing our customers to contact us.

Unfortunately, our main helpline was temporarily closed during the pandemic. This was due to technology constraints which meant that our telephony systems were not accessible from outside our offices. We continued to provide a good service for our customers by offering an online contact form option and email mailboxes, whilst we worked on accelerating the introduction of contact centre technology which could be accessed through laptops by our call agents working from home.

Having brought in measures to support the welfare of our customer service staff in handling difficult calls from home, the Redundancy Payments Service insolvency practitioner helpline and the main Official Receiver Service switchboards were reopened in June 2020 and August 2020 respectively.

Whilst our high-volume helplines remained closed staff were redeployed to help deal with redundancy payments claims processing to ensure prompt payments despite the increased volume of claims. In March 2021 our main Insolvency Service helpline reopened, handling DRO, PPI and discharge queries as well as general enquiries about the Insolvency Service. The Redundancy Payments claimant helpline re-opened in June 2021.

Tackling financial wrongdoing

Working to prevent financial misconduct

During the year, we began exploring methods of introducing a programme of director education around directors' key duties as set out in the Companies Act.

The programme will raise the capability and awareness of directors' responsibilities to prevent avoidable insolvencies and highlight the consequences where conduct falls short of what is expected.

We aim to improve content on our GOV.UK pages, as well as using new methods of delivery across our social media platforms. We are also in a discovery phase of looking at an online toolkit to help new directors understand their responsibilities. This work is expected to continue throughout 2021 and into 2022.

Enforcement activities

Our Investigation and Enforcement Services (IES) teams and Legal Services Directorate (LSD) tackle individuals and companies who act against the public interest. A range of investigation and enforcement outcomes help maintain confidence in the UK as a great place to work and do business. IES undertakes investigations into live companies and company directors' conduct in relation to companies in formal insolvency. It also investigates criminal misconduct in company and personal insolvency cases. Where evidential thresholds are met, and it is in the public interest to do so, LSD takes action to restrict those who have acted improperly during insolvency or the life of a company and to wind up companies.

Following a successful pilot scheme in 2019-20, improvements to the investigation process for disqualification cases were rolled out at the start of the financial year. This enabled us to progress simpler investigations quickly, although full impacts have been difficult to assess over the last year and continue to be evaluated.

Our Intelligence Team identified and addressed civil and criminal threats to the insolvency regime by collaborating across government, and the wider regulatory landscape, and sharing that information with our various agency teams and law enforcement partners.

We issued guidance to insolvency practitioners in relation to director conduct reporting. We improved our internal management information. We also worked with BEIS and other government departments to identify and investigate cases where government financial support had been obtained but not used for the purposes it was intended.

Director disqualification case study: Lincolnshire Recruitment Services Limited

In October 2020, two directors were disqualified for 11 years and 10 years respectively. Both had been directors of Lincolnshire Recruitment Services Limited, a recruitment company providing agricultural workers. They were disqualified for breaching regulations intended to prevent exploitation of workers

Both directors had failed to make required payments to 186 employees. The Gangmasters & Labour Abuse Authority (GLAA) found the directors had breached 8 licensing standards and revoked the company’s GLAA licence.

Our investigators also found one the directors ran the company in breach of a previous disqualification, which the other director was aware of that ban, and breached their own responsibilities as a director.

Criminal investigation case study: DSPS Field Marketing Limited

A complex agency investigation, in collaboration with HMRC, into DSPS Field Marketing Limited and related companies, established that the two former directors had breached earlier director disqualifications and cheated HMRC out of £5 million of tax revenue.

To conceal their activities, the two company directors repeatedly closed the operating company before purchasing the assets themselves through a new company in a succession of pre-pack administration deals.

The two company directors and the company accountant pleaded guilty and were subsequently sentenced to prison sentences of 5 years 6 months and 4 years and 2 months respectively.

Restrictions orders

The Official Receiver is responsible for identifying misconduct leading to an individuals' personal insolvency. We investigate these cases and where we have identified misconduct, the Official Receiver can seek to extend restrictions associated with bankruptcy. Restrictions orders are to make sure the interests of the creditors and wider public are protected and includes restricting the ability to obtain credit in the future.

Typically, restrictions orders are placed on individuals who have acted dishonestly or have otherwise abused the bankruptcy or DRO regime to creditors' detriment.

In 2020-21, we secured 280 Bankruptcy Restriction Undertakings, 12 Bankruptcy Restrictions Orders, 8 Debt Relief Restrictions Undertakings and 2 Debt Relief Restrictions Orders. Of those orders the average period of restriction was 5.7 years for Bankruptcy Restrictions Orders and 4.3 years for Debt Relief Restrictions Orders.

Maximising the use of our resources

Last year we were delighted to create a new Professional Support Lawyer role in our Legal Services Directorate to assist our expanded team of 30 lawyers and 40 paralegals. This is instrumental in ensuring our continued professional development and enabling us to deal successfully and easily with technical legal issues. The role will provide technical legal support across both civil and criminal disciplines; for example, by maintaining precedents and researching points of law.

We are now able to support our paralegals with a route to professional qualification through the Chartered Institute of Legal Executives for those with the required academic degrees and post-graduate study. Successful qualification will formally recognise staff with experience of legal work in the agency. This gives the agency access to specialist legally recognised staff proficient in its technical work whilst developing its staff and creating more resilience within the team.

Legal Services expanded

Our Legal Services successfully recruited our third civil legal team to complete its long-term vision for the directorate. The additional capacity has enabled most disqualification cases to be brought in-house and increased our ability to undertake more applications to wind up companies in the public interest.

Maximising returns to creditors

Transformation of Official Receiver Services (ORS)

As part of the ongoing transformation of ORS, in October the ORS Operating Model was introduced as a new and improved way to manage Official Receivers' work.

The model is designed to streamline processes and lead to better outcomes. It empowers colleagues to take responsibility for their own area of work, make decisions within the parameters of their responsibilities and work collaboratively to meet the objectives of their office and of ORS.

Local resource is focused on the completion of cases' key components and centralises common functions in ORS offices to increase efficiency. This will reduce the life span of cases, the costs of processing cases and facilitate earlier returns to creditors.

The model is designed to increase our ability to respond effectively to changes in demand for ORS services by directing work to the appropriate functions. It includes centralised and specialist teams, ensuring our most senior technical specialists are given the time and space to focus on complex conduct and asset enquiries.

There was some inevitable disruption to some of our services following the closure of our offices during the early stages of the pandemic. Whilst solutions were sought with commercial partners for the printing and posting of outgoing post, we were unable to issue all the Official Receivers' reports to creditors within 15 calendar days of an attended interview with the bankrupt or company director.

Following the introduction of postal capability, we were able to issue the outstanding reports to creditors. We issued over 91% of all reports to creditors each month within 15 calendar days of an attended interview.

Payment Protection Insurance claims (PPI) and Estate Accounts

To maximise returns to creditors, the Official Receiver must ensure the recovery of all viable assets. One of our largest areas of work in 2020-21 continued to be the realisation of PPI redress claims in bankruptcy.

We continue to make good progress and have now recovered over £500 million in PPI redress. We did, however, encounter some unforeseen challenges. These included firms putting the Official Receiver's claims to the back of the queue, the impact of COVID-related delays on firms' complaint processing, and tax-related issues on the settlements achieved.

These challenges mean we expect to still be negotiating redress through 2021.

The Estate Account and Scanning Services team is responsible for operating the Insolvency Service Account. This is where insolvency practitioners lodge monies realised in the cases they handle.

In 2020-21, the team dealt with 39,359 payment requests. This resulted in 59,000 payments out of the account, and they processed 99.2% of payment requests within 2 days of being requested. This is a 43% decrease on the previous year because of the pandemic.

In response to COVID-19, Estates Accounts and Scanning made numerous changes to how payment requests were received and processed to ensure service continuity. This included the introduction of and electronic process for receiving payments requests from insolvency practitioners. In addition, the team also introduced a remote process for handling and banking of incoming cheques, enabling the team to maintain key customer-focused processes whilst working away from the office.

Other Notable Cases

Carillion Plc (Carillion)

Carillion, together with five group companies, went into Compulsory Liquidation on 15 January 2018. Since then, a further 78 group companies have also gone into liquidation. The Official Receiver is liquidator.

Carillion was a major, high-profile enterprise. It was the second largest contractor in the UK. At liquidation, Carillion's estimated total deficiency was £3 billion.

The Official Receiver investigated Carillion's affairs and the causes of its failure, as well as the conduct of the directors and others involved in its management.

The liquidation of the Carillion group is ongoing, and the Official Receiver continues to realise residual assets, which includes disputed claims.

Notice of the intention to issue directors disqualification proceedings was given to three former executive directors and five former non-executive directors on the 21 December 2020. Proceedings were subsequently issued in the High Court on the 12 January 2021.

Thomas Cook Group PLC (Thomas Cook)

The Thomas Cook travel group comprised its own airline, tour operators, retail outlets and hotels. The group, made up of approximately 200 companies, had global interests in Europe, China, North and South America. In 2018 its turnover was nearly £10 billion and it served 22 million customers annually.

In 2019 the court appointed the Official Receiver as liquidator of Thomas Cook Group plc and a further 52 subsidiary companies. It also appointed Special Managers from AlixPartners and KPMG to assist the Official Receiver in the liquidation.

At appointment, the liquidation companies had over 8,500 employees, 150,000 UK customers stranded overseas, with a further 1.4 million expecting to travel. The companies also had a UK retail portfolio of over 550 outlets. The liquidation companies' estimated liabilities amount to £9 billion.

Over the course of this financial year, and the previous one, significant realisations were made which included aircraft landing slots, intellectual property, joint venture interests, financial instruments, and Thomas Cook's retail business. The global pandemic, and its effect on the tour operator and airline sectors, has impacted the realisation of residual assets. This includes the sale of Thomas Cook's interests in hotels, airframes, engines, and aircraft parts, which continue to be pursued. We continue to try and realise assets for the creditors' benefit.

Some Thomas Cook staff were retained to assist with the repatriation and the liquidation, including asset realisations. All staff were made redundant by June 2020. Since liquidation, the Redundancy Payments Service processed claims from 8,891 former Thomas Cook staff in an average of 4 days, resulting in payments totalling over £60 million.

Supporting an engaged and effective workforce

People Strategy

We were proud to launch our new People Strategy in November 2020. Our network groups, trade unions, senior leaders and the Insolvency Service Board all contributed to its development.

The investment in our People Strategy will ensure the agency has a flexible workforce empowered and rewarded to develop their capability and professional skills, is an employer of choice where people are engaged, and leadership, particularly through change, is recognised as a strength in all our leaders, whatever their role or grade. This means we can quickly and easily meet fluctuations in demands and are agile enough to adopt new ways of working effectively and efficiently.

Through the strategy we will support people to become more flexible and resilient, develop excellent leaders, and help people expand their skills to meet future demands for our services, giving them greater security, career opportunities and job satisfaction both within the Insolvency Service and across the Civil Service. We will be an employer of choice in the Civil Service but also a destination for insolvency professionals and other professionals in the private sector.

This investment will help us respond to changes in demand whilst remaining agile as we adopt new ways of working.

Our can-do culture empowers our people, builds capability, and promotes excellent leaders. The same culture promotes diversity and inclusivity and invests in engagement. Allied with our People Strategy is a new Diversity and Inclusion Strategy launched in early 2021.

Diversity and inclusion at the heart of our decision making

Our new People Strategy enhances the agency as a workplace where everyone feels comfortable. A place where people can be their authentic selves, share experiences and where wellbeing is treated as a priority.

We proactively challenged ourselves to look internally. We enhanced our culture through our diversity and inclusion work and the introduction of the Mentoring for Success scheme. During the year we introduced our Race Action Plan and a new Diversity Forum.

The Diversity Forum is a place where our network groups can meet and help promote diversity and inclusion across the agency. It raises awareness and celebration of events and achievements, news and policy changes. The forum also provides governance, support and guidance for our network groups.

Delivering enhanced training opportunities

We welcomed 238 new starters by virtual induction and enabled a wide range of our learning programmes to be delivered virtually. This included introducing a new and much broader suite of training opportunities with programmes designed for aspiring managers as well as established leaders.

This was complemented by wider activities to support our managers and leaders to operate in a challenging new environment. All elements of our Insolvency Service Investigator Program (ISIP) were delivered virtually across our Official Receiver and Investigation and Enforcement directorates.

This new method of delivery was coupled with enhanced support for learners. This support ensures learners are not disadvantaged in completing the externally accredited ISIP as a result of the changed format of delivery.

Apprenticeships

Our successful apprenticeship scheme offers three types of apprenticeship. The apprenticeships on offer are in operational areas across the agency, all at Level 3. Successful applicants work in Operational Delivery, Business Administration and as Customer Service Specialists.

We continue to focus on offering the best learner journey possible. To do this, we work with our training provider to deliver ongoing improvements. We looked at how we could make changes to how we recruit apprentices to help us improve on our diversity. This work sits alongside being a proactive part of a wider government network.

Apprentice testimonial

> "I'm fortunate enough to be learning in an organisation that cares about my development. I was delighted when I was given the opportunity to create a post for the agency's external blog. Writing is something I have always enjoyed, and I am grateful my colleagues helped me incorporate it into my apprenticeship."

We continue to learn from other departments, supporting us in building the full value of our apprenticeships.

This year, we welcomed 126 new apprentices to the agency, which is 307% of our target of 41.

Apprentice testimonial

> "I was afforded time to attend apprenticeship events, job shadowing opportunities over and above my allotted 1 day a week for apprenticeship work. This allowed me to network with other apprentices and to find out better ways of completing my course and finding out available opportunities after the course."
>
> "I completed my end-point assessment at the height of lockdown in May and passed with a distinction. During this time, I realised the importance of great communication with my line manager and tutor.
>
> "Completing my apprenticeship during the pandemic was really challenging. I was all set to complete my assessment just as restrictions came into effect. I went from having a set date that I could focus on to not knowing what would happen and when.
>
> "Fortunately, I had great support from my manager and talent coach. I finally completed my apprenticeship and secured a permanent role with the Insolvency Service."

Summer Diversity Internship Programme

Increasing diversity is a key part of our People Strategy. The Summer Diversity Internship Programme (SDIP) gives people from diverse backgrounds an opportunity to see what a career in the Civil Service is like.

The SDIP puts talented undergraduates and graduates (from an ethnic minority, socially or economically disadvantaged background or with a disability) on a work placement in a government department. It is a great way to prepare for a place on the Fast Stream graduate programmes, which can lead to many different career paths in the UK government.

During 2020, the agency took part in the SDIP, hosting three interns, two in the Digital Technology Services Directorate and one in Strategy, Policy and Analysis Directorate. Due to the impact of COVID-19, the programme was run virtually and at a reduced time of five weeks. We were delighted one of our interns was successful in their application to join the agency on a full-time basis when a position became available.

High performance in our People Survey

In the Civil Service wide people survey we improved our engagement levels by 3% which was only 1% below the Civil Service benchmark. We reached or surpassed the Civil Service benchmark in all other areas.

Whilst we improved in all areas, notable increases were in Pay and Benefits which increased by 5% and Leading and Managing Change which increased by 10%.

We achieved our ambition of being a high performing agency against four measures: Organisational objectives, My Manager, My Team, and Inclusion.

Our accreditations

During the year, we achieved notable awards and accreditations, including:

- The Commercial team being shortlisted as a Government Commercial Function Team of the Year Finalist for their outstanding effort and achievements in revitalising the Commercial Function to rapidly develop into a Top 3 performing organisation across the BEIS network
- Team Leader of the Year (Ranuka Jagpal), Women in Credit Awards, for her work on leading the Redundancy Payments Team in response to the Thomas Cook case. As well as providing support for former Thomas Cook employees at job fayres, she established a dedicated task force to work with the appointed insolvency practitioner to ensure claims for redundancy were made and processed efficiently and effectively. This resulted in more than 8500 claims being processed in an average of four calendar days
- Leadership and Management Award – 10th Public Sector Counter Fraud Profession Awards
- Insolvency Team of the Year (The Insolvency Service with AlixPartners and KPMG Thomas Cook) Turnaround, Restructuring & Insolvency Awards 2020

Engaging our customers and stakeholders

Putting our service users at the heart of everything we do is vital to helping those in financial distress, maintaining our professional reputation and enabling us to meet our performance targets.

We gather and analyse feedback from our service users across a range of channels and use that information to drive further improvements to our communications and services.

As well as gathering feedback from our annual satisfaction survey, we also introduced a new process for capturing lessons learnt from the complaints received by the agency and importantly, tracking the improvements we are making as a result.

Customer Service Excellence

Every year the agency benchmarks its customer service by seeking reaccreditation of the Customer Service Excellence (CSE) standard. In 2020-21 we not only remained fully compliant with the CSE standard but gained a further 4 compliance plus ratings. Our score has increased year on year which highlights that we have a genuine drive towards a customer-centric agency.

Our further compliance plus ratings are for the following criteria:

- We regularly review our strategies and opportunities for consulting and engaging with customers to ensure that the methods used are effective and provide reliable and representative results.
- We have improved the range, content, and quality of verbal, published and web- based information we provide to ensure it is relevant and meets the needs of customers.
- We give staff training and guidance to handle complaints and to investigate them objectively, and we can demonstrate that we empower staff to put things right.
- We identify individual customer needs at the first point of contact with us and ensure that an appropriate person who can address the reason for contact deals with the customer.

In the assessment report, our CSE assessor said:

> "The agency has strengthened its structure to place customer experience at the heart of service delivery. The agency is a long standing and much deserved holder of the CSE Standard and is fully compliant in all 57 elements. In addition, there is an exceptionally high number of elements worthy of the higher Compliance Plus – 27 elements in total, an increase of 4 since the last assessment."

Measuring satisfaction

Each year we measure satisfaction with our range of communications and services. This year, we re-evaluated how to measure satisfaction and removed delivery partners and directors from the main survey. This decision was made to advance the opportunity to measure delivery partner and director perceptions of the agency in a more bespoke way and because the term ‘satisfaction’ is not always appropriate in considering our interactions with these stakeholders. Going forward, we will be gathering feedback from delivery partners annually using separate bespoke surveys, and from a sample of directors each month.

In 2020-21, our research agency surveyed the remaining four key groups: users of the redundancy payments service; bankrupts; non-institutional creditors; and people who received a debt relief order. They conducted 658 telephone interviews which typically lasted 15 minutes.

The research uses a comprehensive set of measures to help us gain an understanding of how we are performing and how we can continue to improve to better meet the needs and expectations of our service users.

The research found that 84% of those surveyed were satisfied with the service they received. As the customer groups included in this year’s survey are different from previous years, this figure cannot be directly compared to last year’s result.

Complaints

In 2020-21, the agency received 406 complaints, compared to 1,183 in 2019-20 and 378 in 2018-19. There were 317 Tier 1 complaints, 68 Tier 2 and 21 Tier 3.

In 2019-20, we saw an increase in complaints regarding the Redundancy Payments Service, owing to challenges in launching a new case management system. Having used the lessons learned from complaints to improve our service for customers, complaints returned to similar levels seen in 2018-19.

Performance against targets

92% of complaints were answered within 10 working days against our stretching 90% target.

97% of complaints were answered within 20 working days and acknowledged within 5 working days against our target of 95%.

As Tier 3 complaints are more complex in nature, our aim is to investigate and conclude 80% of these complaints within 3 months of receipt. In 2020-21, 96% of Tier 3 complaints were concluded within this timeframe.

In 2019-20, we introduced a new measure looking at how many of our decisions were ratified at the next stage of the complaints process, should the complainant remain unhappy with our response and decide to escalate.

Against this measure:

- 70% of Tier 1 decisions ratified at Tier 2 against a target of 75% or greater
- 92% of Tier 2 decisions ratified at Tier 3 against a target of 90% or greater

Other measures of the quality of our complaint responses are the escalation and uphold rates. Overall the majority of those who submit a complaint are satisfied with the outcome at the lowest level of the process, only 21% of complainants who received a reply at Tier 1 (68 of 317) were unhappy and escalated their complaint to Tier 2.

One of the most effective ways of enabling a positive attitude to complaints and encouraging a positive complaints culture is to share the learning from complaints. This helps us see what improvements have been brought and enables us to consider what steps can be taken to prevent the same service failure from re-occurring. Our lessons learned process continues to evolve to capture and report our organisational learning and identify areas for improvement.

Insolvency Live!

Our annual Insolvency Live! event took place in November 2020. Early planning at the start of the pandemic enabled us to host the event online for the first time. 245 stakeholders registered to attend across six workshops and two plenary sessions. 58 attendees completed our post event survey and of those 80% agreed they had a greater understanding on the Insolvency Service as a result of the event.

We have kept stakeholders informed of our activities throughout 2020-21 using our Twitter, LinkedIn and Insolvency Service newsletter channels.

Earlier in the year we developed and implemented a new stakeholder communications plan. This plan allowed us to engage stakeholders in the progress and passing of the Corporate Insolvency and Governance Act (2020) in Parliament.

We also worked closely with the insolvency sector to keep the profession abreast of new developments in the insolvency space and ongoing government initiatives to help deal with the pandemic.

Corporate and social responsibility

Commercial function

The Commercial function met or exceeded all its targets. These targets were:

Type	Target	Result
Savings	£500,000	>£2.78 million
Purchase Order actions	100% within 5 days	100%
Government Commercial Operating Standards	Good	Good
SME spend given by Cabinet Office	25%	36%
BEIS/Cabinet Office reporting compliance	100%	100%
Complaints upheld through Crown Commercial Service	0	0

The team's result of achieving a good rating against Government Commercial Operating Standards means the Insolvency Service is placed in the top 3 performing organisations within BEIS.

Small and Medium-sized Enterprises

The Cabinet Office set a target for all government commercial teams to award contracts to Small and Medium-sized Enterprises (SMEs). This target is set at 25% of total procurement spend. The agency's Commercial team exceeded this target last year, with 36% of our spend going to SMEs.

Improved IT infrastructure

During 2020-21, technology has played a significant part in enabling the agency to keep going and deliver our vital services. We have continued with planned improvements over the course of the year as well as accelerated others to support delivery of the agency's business.

We moved our IT services to a new Service Integration and Management model. This gives us a more flexible and commercially driven arrangement with a variety of expert providers which has improved our services and gives a better experience for users. We also moved our business applications to a more modern arrangement with Microsoft Cloud Azure, which is a more secure and cost-effective provision.

We have also invested in addressing technical debt in our line of business applications, where we've completed the first year of a two-year programme of work to ensure our applications are supported and up to date.

New BEIS sustainability strategy

This represents the Department's internal plan for how we are going to help deliver key government commitments. This includes the Greening Government Commitments, the Clean Growth Strategy, the 25-year plan to improve the environment, the Ten Point Plan for a Green Industrial Revolution, and achieving net zero by 2050. BEIS has set ambitious targets for efficiency of resources, reducing greenhouse gas emissions, improving corporate policies, reducing our impact on nature and biodiversity loss, and empowering our people.

Re-focused approach to Sustainability

The agency is adopting a Triple Bottom Line approach to sustainability, focusing not just on the environment, but also on economic and social sustainability. We are in the process of developing our Sustainability plans, which will be incorporated within our 5-year Strategic Business Plan.

Greening Government Commitments (GGC)

Our Department is setting an ambitious target to run from 2021-25. Our Permanent Secretary has approved a 62% target reduction in overall greenhouse gas emissions and a 30% reduction target in direct emissions for the Department as a whole, with targets for BEIS Partner Organisations currently being determined. The agency continues to comply with the collation of data against the GGC targets and scrutinises this accordingly.

Efforts to make our offices more efficient have continued. We have increased the scope of sub-metering and the accuracy of reportable data. We have completed a major project at our Manchester office where we have installed more efficient LED lighting. We will also benefit from more efficient lighting at our Birkenhead office. Our Estates team has engaged with our landlords to assess the sustainability benefits that they could offer us. We have features in place such as eco-roof gardens, rainwater recovery and green-tariff electricity at several sites.

The agency's CO2 emissions fell from 122 tonnes per quarter in the baseline year of 2017-18 to 31 tonnes in 2020-21. This was largely a consequence of significantly reduced office use and very limited business travel in the period in question.

Overall estate energy consumption has reduced, as anticipated, largely because of the impact of COVID-19 on office operation. Monthly average electricity use has fallen to as much as 43% of business-as-usual levels. However, the COVID-19 building 24-hour fresh air requirement has resulted in increased heating demand at our sites. The Nottingham office reported a monthly average 33% increase in gas consumption for the same period, offsetting the efficiencies created by the 2020 Building Management System upgrade.

Waste quantities have fallen by around 50% due to reduced occupancy during the pandemic. For example, recycling rates stand at 78% in our Nottingham Office; 62% in our Cardiff Office and 63% at the Birkenhead Office, against an anticipated GGC target of 70% by 2025. Waste at the London office is weighed separately from the other occupants in the building and indicates a recycling rate of 17% for 2020-21 in line with a shift toward the increased consumption and disposal of single use items.

Engagement campaigns

The agency launched its second successive Celebrate Sustainably campaign for the 2021 festive period. The campaign targeted waste and energy reduction opportunities outside of the office environment. This was supported by a Sustainable Home Working campaign which targeted those workers operating remotely and encouraged the reduction of waste, more energy efficient ways of working and tips to maintain wellbeing.

The agency created a home-focused initiative for Earth Hour 2021 to provide a series of fun activities to enjoy the event and raise awareness of the climate crisis away from the office. The activities included a digital technology challenge, presenting tips and tricks to reduce colleagues associated digital carbon footprint.

Issuing of Low-usage guidance

COVID-19 had a significant impact on the Insolvency Service's estate operation. In response to the closure of offices and the migration of employees to remote working, the agency, in partnership with its Facilities Management provider, developed a lockdown and low-usage guidance document.

The guidance enabled estates operational teams to secure the site and systems and reduce energy wastage over the lockdown period.

Social Value Model

The agency is implementing a Social Value Model, which supports the United Nations Sustainable Development Goals. This is a new model being rolled out across government to deliver social value through government's commercial activities, and includes the following themes:

- COVID-19 recovery
- Tackling economic inequality
- Fighting climate change
- Equal opportunity
- Wellbeing

The agency is using this model to take account of the additional social benefits that can be delivered through our commercial processes.

Financial Performance Analysis

Funding and Income

The Insolvency Service is funded through a combination of funding and income from three sources.

1. Our sponsor Department, the Department for Business, Energy and Industrial Strategy (BEIS) with the supply estimate broken down by resource and capital expenditure. During 2020-21 this amounted to £53.7m (2019-20: £50.5m) (which can be seen in the Statement of Changes in Taxpayers Equity) of which £4.2m was for capital (2019-20: £2.8m).
2. Income from HMRC to undertake administration of the Redundancy Payment Scheme. For 2020-21 this amounted to £9.1m (2019-20: £7.7m, see Note 4); The net impact of payments, income, receivables, liabilities and retained General Fund for the service of £455.7m (which can be seen in Statement of Changes in Taxpayers Equity) is funded from the National Insurance Fund; and
3. Fee funded income from fees generated from work carried out on Insolvency Case administration by the Official Receiver Service (ORS) which for 2020-21 was £104.6m (2019-20: £172.7m), see Note 5.

Capital

In 2020-21 the agency had total net assets of £334.9m, comprising total assets of £393.5m and total liabilities of £58.6m. Our non-current assets include property, plant and equipment, intangible assets, financial assets and trade receivables and other assets of £77.3m (see Statement of Financial Position).

In year 2020-21, the agency capital expenditure was £4.2m (2019-20: £2.8m). The majority of this expenditure (£3.2m, see Note 7) was spent on assets under construction for Breathing space and IT remediation and £1.0m (see Note 6) on office refurbishment costs for Chatham, Ipswich, and Brighton.

Expenditure

Total operating expenditure has risen by £5.1m to £624.7m (2019-20: £619.6m), which can be seen in Statement of Comprehensive Net Expenditure. The increase is largely driven by an increase in staff costs of £4.4m due to pay award and recruitment activity to address vacancies.

Note 4 shows the total operating income which has decreased by £64.6m to £157.4m (2019-20: £222.0m) reflecting lower income from fees from insolvency case administration. This is primarily due to the impact of COVID-19 – specifically where Government financial support for businesses and temporary restrictions on statutory demands and winding-up petitions reduced the number of new insolvency cases across the year. The number of cases handled by Official Receivers fell by 42% with court-initiated procedures falling by 70%, whilst debt relief orders fell by 33%.

There has also been a small reduction in financing costs compared to 2019-20 of £32k.

Performance against Funding

The agency is reporting a £31.3m surplus position against budget for the financial year 2020-21. This is entirely driven by the fee income figure of £104.6m as the costs of the service was £73.3m (see both income and costs in Note 5).

The £31.3m surplus (see Note 5) position is primarily driven by two items:

- Trustee Liquidator Fee income from National Interest Cases (National Interest Cases are high impact cases that have been directed to the Official Receiver due to public interest concerns), which reflect updates on revenue recognition in line with International Accounting Standards; and
- Additional income generated from receipts of PPI related funds from financial institutions.

The former ensures that the agency is not only compliant with mandated standards but also ensures that revenue is recognised and processed only when the agency's performance obligations and activities to support those in financial distress, tackle financial wrongdoing and maximise returns to creditors are judged to be met.

During 2018-19, the Official Receiver commenced the processing of PPI claims in bankruptcy estates against the financial institutions who had mis-sold PPI. A number of these institutions have now settled and have made a bulk payment to the Official Receiver for the numerous bankruptcy estates affected. There is an expectation of a material value of receipts relating to 2020-21. The 2020-21 Accounts include fee income of £30m which can be recognised by the agency, with additional fees of £9.7m which must be repaid to the consolidated fund. This activity supports the agency objective of maximising returns to creditors and supporting those in financial distress.

Update on Compensation Notice Pay (CNP) overpayment disclosed in 2019-20 Accounts.

During the year, the agency has continued to work closely with HMRC to resolve the overpayment of compensatory notice pay (CNP), previously reported. This overpayment arose due to the Service not deducting the correct National Insurance contributions from CNP payments as specified by the Finance Act 2017, effective from April 2018. As such, this under-deduction created an overpayment to claimants which was estimated to be, and reported as, £2.9m in the 2019-20 accounts.

The agency provided for the full £2.9m in 2019-20, as it was considered unlikely that the agency would seek to recover funds from claimants, as the costs of recovery were expected to be significantly higher that the level of the overpayment recoverable.

Since then, significant progress has been made and a detailed investigation and corrections exercise has been completed. Whilst the original calculation was an accurate estimate in 2019-20, the agency's decision to change the application point of the statutory cap to gross, rather than the net maximum weekly, CNP has increased the overall liability to £5.1m.

The total overpayment relating to both elements combined is £5.1m, and the entirety of the £5.1m has now been confirmed by the agency and HMRC as being uneconomical to recover. However, as a result of the investigations; processes for identifying changes in legislation and their impacts have been identified and implemented, improvements to defence against fraud have also been identified and implemented, clarity surrounding previously ambiguous legislation has been obtained and the agency continues to work with HMRC to ensure the agency obligations as administrators of this service are being met.

COVID-19 Impacts

The surplus above was partially offset by lower than budgeted volumes of fee funded case administration activity and income, caused by the downturn in volumes as a result of government easements in response to the pandemic.

Other smaller surpluses were generated due to reduction in costs including COVID-19 impacts of reduced travel and reduced court costs due to court closures.

Signed:

Dean Beale
Chief Executive

Date: 28 October 2021

2. Accountability Report

The Accountability Report is comprised of three sections:

- Corporate Governance Report
- Remuneration and Staff Report
- Parliamentary Accountability and Audit Report

The Corporate Governance Report explains the composition and organisation of the Insolvency Service's governance structures and how they support the achievement of our objectives. It is comprised of three sections:

- Directors' Report
- Statement of Principal Accounting Officer's Responsibilities
- Governance Statement

The Remuneration and Staff Report sets out the agency's remuneration policy for directors, reports on how that policy has been implemented and sets out the amounts awarded to directors and where relevant the link between performance and remuneration (such as bonuses). It provides details on remuneration and staff that Parliament and other users see as key to accountability. It also reports on staff matters, such as (but not limited to) staff numbers and costs, staff composition, sickness absence data, expenditure on consultancy and off-payroll engagements.

The Parliamentary Accountability and Audit Report brings together key Parliamentary accountability documents within the annual report and accounts. It comprises:

- regularity of expenditure
- parliamentary accountability disclosures
- the Certificate and Report of the Comptroller and Auditor General to the House of Commons

By following the Government Financial Reporting Manual requirements and best practice with corporate governance norms and codes, the agency is able to effectively demonstrate accountability to Parliament through the Accountability Report.

Corporate Governance Report

Directors' Report

The composition of the Insolvency Service's management board (including advisory and non-executive members) having authority or responsibility for directing or controlling the major activities of the entity during the year are as follows:

Executive Members

Dean Beale, Inspector General and Chief Executive
Alec Pybus, Chief Operating Officer
Chris Pleass, Finance & Commercial Director
Dan Goad, People & Capability Director
Angela Crossley, Strategy and Change Director

Non-Executive Members

Stephen Allinson
Alan Graham
Mary Chapman
Richard Oirschot
Debbie Gillatt

Company Directorship conflicts

No members had company directorships and other significant interests conflicting with their management responsibilities.

Information on personal-data-related incidents

During the year, two incidents were formally reported to the Information Commissioner's Office (ICO). The ICO has taken no action in relation to these breaches.

Statement of Accounting Officer's Responsibilities

Under the Government Resources 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 Insolvency Service and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

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

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the Accounts; and prepare the Accounts on a going concern basis
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable

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 the Accounting Officer, 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 Insolvency Service's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

Signed:

Dean Beale
Chief Executive

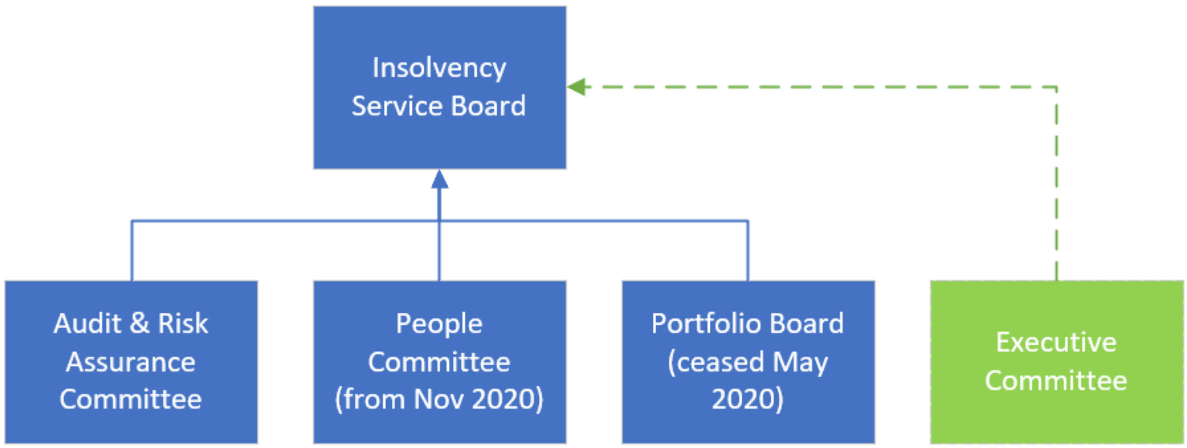
Date: 28 October 2021

Governance Statement

This section describes the governance arrangements in place during 2020-21. As Chief Executive I am supported and challenged by the Insolvency Service Board. The agency adopts relevant principles and protocols outlined in HM Treasury's Corporate Governance in Central Government Departments: Code of Good Practice.

Governance Structure

The governance structure within the agency is shown in the following diagram. There have been some important changes this year in how the day to day decision making is managed, which will be described in more detail later. These were introduced as part of a drive to streamline decision making within the organisation.



The Insolvency Service Board (ISB) provides strategic leadership within a framework of prudent and effective controls which 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 the Business Energy and Industrial Strategy (BEIS) Department and externally on its stewardship.

The prescribed composition of ISB is for a greater number of non-executive board members (NEBMs) than executive members, designed to give an appropriate balance of skills, experience, independence and knowledge to enable the board to discharge its duties and responsibilities. One NEBM post remained vacant on 31 March 2021 following the postponement of recruitment activities during the COVID-19 lockdown period in 2020.

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

The ISB met ten times during the year. Matters considered by it included:

- regular review and scrutiny of progress against the 2020-21 Annual Plan and targets, including performance on all key aspects of agency operations including finance, people and capability, and customer feedback
- business continuity response to COVID-19 and the impact on operations, people and wellbeing
- strategic priorities for the agency set in the context of developing the future long-term objectives for the Insolvency Service, departmental and wider government aims, and changes to external insolvency markets
- 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

Data is used extensively by the ISB to monitor agency risk and performance. A performance pack is reviewed monthly at the board, highlighting progress against key targets, and risks are reviewed quarterly. The information presented to the board is the product of detailed assurance reviews initiated at directorate level, and closely monitored and challenged by directors at their monthly performance meeting before being presented to the board.

There have been no ministerial directions given to the agency during 2020-21.

The ISB has three sub-committees: the Audit and Risk Assurance Committee (ARAC), the Portfolio Board (PfB) and the People Committee (PC). The Portfolio Board met on two occasions during the reporting year but ceased in May 2020 as part of the agency strategic review. Project related matters are dealt with via the agency's Change Gateway and Executive Committee and are escalated to the Insolvency Service Board if required. For example, projects with a lifetime value greater than £5m require board approval of business cases.

The **Audit and Risk Assurance Committee** is chaired by an appropriately qualified independent NEBM. Its membership comprises two further NEBMs. The Chief Executive, 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 six times during the year. There was a significant COVID-19 impact on the production of the Annual Report and Accounts, which meant that these were only completed in November 2020 and laid in parliament in December 2020. 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 distinct risks and issues related to the impact of COVID-19 on the Agency
- scrutiny of fraud and error incidents
- regular reviews of the agency’s finance management reports
- assurance reviews of the following areas:
    - Procurement and Contracts Management
    - Information Governance and Security
- a review of Government Internal Audit (GIAA) service provision

The **People Committee** is an Advisory Committee of the Insolvency Service Board. It was created in November 2020, in response to the outcomes from the Board Effectiveness Review, to provide governance oversight, advice and support relating to the following key areas:

- Development, implementation, and review of the People Strategy
- Staff engagement and culture change
- Diversity, Inclusion and Wellbeing
- Health and Safety
- Appraisal and development processes for Senior Executives and Non-Executive Board Members
- Succession planning for Senior Executive roles and Non-Executive Board Members

The Committee is Chaired by an appropriately qualified independent NEBM and the membership includes the Chair of the Insolvency Service Board, a further NEBM as well as the People and Capability Director, the Chief Operating Officer, and an external member.

The **Executive Committee (ExCom)** meets twice monthly to review Agency performance, finance, and strategy. All ExCom meetings are chaired by the CEO and all Directors, collectively known as the Executive Leadership Team (ELT) are involved in decision making at these meetings.

The ELT is responsible for discussing agency risks and issues, and management information produced on a monthly basis including but not limited to the agency's performance targets. These bi-monthly meetings of the ELT to consider all aspects of the agency's business have since May 2020 replaced the previous system, where issues were grouped thematically and divided between an Executive Committee (ExCo) and an Operations Committee (OpCo); both ExCo and OpCo were dissolved in April 2020.

The following table summarises NEBM attendance at Insolvency Service Board, Audit and Risk Assurance Committee and Portfolio Board meetings held during 2020-21.

Non-Executive Board Members	Insolvency Service Board (ISB)	Audit and Risk Assurance Committee (ARAC)	Portfolio Board (PfB)
Stephen Allinson (Chair ISB)	10/10	n/a	n/a
Alan Graham (Chair ARAC)	9/10	4/4	n/a
Mary Chapman**	10/10	3/4	2/2
Richard Oirschot	8/10	4/4	2/2
Debbie Gillatt	10/10	n/a	1/2

** Temporarily joined Portfolio Board from 1 October 2019

The tables below summarise the succession of NEBMs after the end of the 2020-21 financial year.

Non-Executive Board Member	Appointment end date
Stephen Allinson	16 April 2021
Richard Oirschot	14 May 2021
Alan Graham	31 May 2021

From April 2021 four newly appointed NEBMs will take up their roles on the Board alongside a standing non-executive member.

Non-Executive Board Member	Appointment date
Robert Hunt	6 April 2021
Gary Kildare	6 April 2021
Samantha Durrant	6 April 2021
Mark Austen	17 April 2021
Mary Chapman	15 May 2021 (re-appointment)

Strategic Planning/Review

During 2020-21, under the guidance of the Insolvency Service Board, the agency undertook a comprehensive review of its long-term strategy. Building on the agency's previous strategic plans, the review produced a new five-year strategy underpinned by seven key strategic themes which describe the vision and objectives for the agency's operational and corporate centre functions. Through this year's Comprehensive Spending Review process (CSR20), the agency secured funding from HM Treasury to enable a programme of projects to implement its operational and infrastructure transformation plans to commence in 2021-22. At the next multi-year spending review (CSR21), we will seek to secure the funding required to complete the programme and deliver a modernised, responsive and sustainable service that efficiently and effectively meets the needs of our customers.

Compliance with the Corporate Governance Code

In accordance with the Corporate Governance Code, the agency conducts an internal review of the board's effectiveness annually, with an external independent review being carried out once every three years. An external review was undertaken during December 2019 and January 2020, which looked at the effectiveness of the full range of the board's operations, assessed on a 'comply-or-explain' basis against HM Treasury's Code of Good Practice on the "Corporate Governance for Central Government Departments" and looking at UK Corporate Governance Code 2018 as a useful reference for developments in good practice.

A draft report of findings was presented to the board in February 2020; overall the report was satisfactory with the reviewers making some suggestions for areas to further develop.

Those suggestions were discussed by the board in April 2020 and the majority were acted upon this year. Key initiatives taken forward in 2020-21 that address the recommendations include simplifying the structure of management committees, the creation of a People Committee and rebalancing the agendas of Board meetings to give a greater focus on developing strategic direction. The report recommended procuring an online support tool to more effectively manage the Board's business and documents; action has been taken to identify an appropriate product and it is expected that the solution will be in place early next year.

Some recommendations that touched on the composition of the board and interactions between its members were not progressed this year, in recognition that the agency will transition to a substantially different Board early in 2021-22, as its current Chair and non-executives reach the end of the term of appointment and are succeeded by new appointees. The agency is also in the process of reviewing its Framework Document with BEIS, the outcome of which the new board will wish to study before considering the case for further changes to its structure and activities.

The Risk and Internal Control Framework

Risk Management

Risk management is a key aspect of the agency's internal control framework. A key part of the agency's risk management process is the regular review of the management of individual risks by the ELT. Agency risks are maintained in a register that captures financial, reputational, operational and compliance risks and details the controls/actions required to mitigate those risks to a manageable level.

During the year, 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 ELT 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 ELT will consider the cost and benefit of such action.

The Risk Management process and register is scrutinised by the Audit and Risk Assurance Committee at every meeting to ensure that it is operating effectively. Risks and issues are reported to the Board quarterly. The register is also used to inform the annual Audit Plan.

ARAC and the board maintain oversight and monitor the mechanisms for the assessment and management of risk; ELT horizon scan and define new risks across the organisation to ensure that appropriate mitigating measures are in place.

Impact of the COVID-19 pandemic:

The most significant risks and issues faced in 2020-21 were due to the impact of the COVID-19 pandemic.

All offices were closed from 25 March 2020, and ELT activated the Serious Incident Management Plan (SIMP) business continuity approach. Strategic decisions were taken by the ‘Gold’ group, consisting of the ELT along with the Head of Internal Communications, and the Chief and Deputy Technical Officers. Representatives from across the agency were part of the ‘Silver’ and ‘Bronze’ groups that had tactical and operational roles respectively. They fed information to the ‘Gold’ group and delivered any changes or activities agreed by it.

To provide assurance on its response to the pandemic, the agency engaged with the Government Internal Audit Agency (GIAA) to include audits of business continuity under COVID-19 in the internal audit plan for 2020-21.

At the end of September 2020, the agency stood down the SIMP command structure and the response to COVID-19 is now supported by the new COVID-19 transition team as recommended by GIAA following their review.

As a part of the risk assessment process, the agency has also taken the opportunity to learn from and capitalise on any improved processes for continuing operation, where any changes needed to manage the COVID-19 risks proved to be successful and productive.

COVID-19 related issue and risks:

The mission of the risk response was, and continues to be, to protect the health and well-being of people, maintain the ability to operate as far as possible in all potential scenarios, and to manage the consequences of changes in the way that the agency needs to operate.

As circumstances have transitioned, from all staff working from home to the gradual re-opening of offices the risks faced and responses to them were adapted to reflect new challenges. At the end of 2020-21 the agency is still managing the following COVID-19 related issue and risks:

Issue: Impact of COVID-19 on working practices and productivity

Disruption to productivity caused by both our own people and those with whom we interact (such as stakeholders, directors, bankrupts) not being able or in some instances unwilling to engage as effectively as they did pre-COVID-19.

This is due to health and social issues, external factors, such as access to customer sites and access to courts, or the fact that resources have been reprioritised away from assisting us with our enquiries. Despite the mitigating actions taken by the implementation of the SIMP these factors have ultimately resulted in the agency falling short for some performance targets. The Agency Performance Group (APG) has been established to analyse and monitor targets, determine what further mitigating actions should be taken, and reports on performance to ExCom monthly.

Risk: Due to the economic impact of coronavirus and /or other external forces (such as the UK exit from the EU) businesses lose custom, they enter into some form of insolvency proceeding, employees are made redundant, sending case numbers in excess of our capacity resulting in the agency not meeting our statutory requirements and targets

Response: Operational areas contributed to a plan to deal with shock levels of cases. This set out priorities for work that had to be done, as opposed to being discretionary. Volumes of cases are tracked weekly, enabling resources to be redirected to priority work. A new Official Receiver Services operating model has been designed and introduced to increase flexibility to cope with variations in workloads. At present case volumes have not increased as expected due to government interventions in the economy.

Risk: As offices have been reopened, they have been made COVID-19 secure compliant. There remains a risk that:

- **continued compliance may be breached, leading to office closure and resulting impact on critical business operations.**
- **the impact of COVID-19 on the agency's suppliers and partners significantly affects the ability of the agency to discharge its statutory obligations or meet its targets or objectives. This could also have a financial impact on the agency.**
- **staff are reluctant to return to offices after more than a year working from home**
- **employees returning to work in the office feel that the working environment and/or the journey to and from the office is not safe affecting their well-being.**

Response: COVID-19 secure status has been confirmed and assured by means of a Property Risk Assessment and on-site Senior Responsible Officers confirmation that all social distancing and attendance protocols are in place. Regular site compliance audits are in place.

Prior to the re-opening of offices key activities that could not be performed at home, such as scanning, printing and posting were temporarily outsourced**.**

Key suppliers continue to be monitored for resilience, and alternative sourcing routes are in place for critical items if required. Wellbeing guidance and information, including NHS guidance, is available to staff on the intranet. The NHS COVID-19 app is available for staff and QR codes are displayed in offices.

Agency risks:

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

People:

Risk: The agency might not be able to recruit a diverse workforce with the right skills in the right posts at the right time to meet the agency's workforce requirements. This could lead to difficulties in securing appropriate and adequate resource to achieve the agency objectives, change plans and project delivery. Furthermore, if the agency does not reflect the population it serves this will limit diversity of thought and negatively impact engagement and the agency's reputation and commitment under Equality Legislation.

Response: The agency has a target to achieve a 10% increase in candidate diversity by utilising updated recruitment guidance and policy, inclusive recruitment tools for assessment, advertising through more inclusive channels and ensuring recruitment panel diversity when appointing candidates who are best fit for the role. Candidate feedback surveys are reviewed to ensure any specific issues relating to a lack of inclusivity are addressed. Workforce plans identify when and where recruitment is needed. Improved management data has been commissioned on recruitment diversity to highlight any future actions required.

Strategy

Risk: A lack of a clear strategic direction will impede the ability of the agency to set long term corporate objectives, allocate resources appropriately to achieve objectives and communicate its purpose and vision.

Response: High level strategic objectives have been agreed with the Minister. Once fully developed the agency strategy will be translated into a suite of products that articulate the strategic ambition and include a 5-year strategic business plan that will allow the agency to be clear about its spending plans, understand where spending pressures fall and how funding might impact on the longer-term strategic plan. Work is underway to draw up a communications strategy and ensure that appropriate and proportionate governance is in place to underpin the successful delivery of change across the agency

Delivery

Risk: The agency's capability to respond to major liquidations of national interest, including Carillion, British Steel and Thomas Cook. A failure to appropriately resource these cases from all areas such as finance, banking and media relations, as well as from operational delivery may bring reputational and financial risks.

Response: The structure for operating these cases, including requirements from all business areas has been agreed and implemented. The Chief Technical Officer and Senior Official Receiver liaise across government and externally to ensure that the operational team get sufficient financial, legal and Special Manager support. A Workforce Planning Committee has been established with strategic oversight for resourcing within Official Receiver Services and non-operational areas across the agency to ensure sufficient staff are made available to resource the liquidation team. The Committee also identifies the resultant risk to operational delivery at a local command level. Risks to business as usual activity associated with large scale failures are regularly considered at ExCom and plans put in place to mitigate these risks. Legal advice is sought throughout.

Risk: Poor quality requirements or specifications and late changes to strategy and approach result in commercial and financial consequences including contract renegotiation, project delays, reputational damage or Crown Commercial Services challenge.

Response: The Commercial Team are supporting business areas (particularly Digital Technology Services) to develop requirements and, when appropriate, draft enhancements to specifications before market engagement to mitigate this risk. Additionally, specialist training is being rolled out across the agency. The Senior Responsible Officer for a project signs off that requirements have been met prior to contract signature.

Risk: The existing process of payments to third parties, facilitated by our claims management system, leaves the agency open to transactional vulnerabilities.

Response: Official Receiver Servicers have improved manual controls within the dividend management process and engaged with Digital Technology Services to make amendments to the claims management system. Access to create and amend party details linked to a case has been restricted. Adding or amending details requires approval from a separate colleague with the appropriate permission level.

Funding

Risk: Agency funding from our parent Department, BEIS and HMRC is reduced at Spending Reviews (SR) below levels which can be delivered via efficiencies, necessitating reductions in the cost base and operational outputs.

Response: Regular discussions are held with BEIS Finance to explain the relationship between funding levels and agreed operational outputs, and how, given the level of efficiencies already made, further budget cuts will result in reduced operational outputs and an inability to deliver essential change activity. HMRC were advised of the additional funding required to service redundancy claim numbers increasing significantly as a result of the response to the pandemic. Quality SR products were prepared with expert input from across the organisation, clearly describing baseline funding requirements, unavoidable additional costs for delivery of new services and making the case for investment in our ageing systems and infrastructure.

During March, the agency received confirmation from HMRC of increased funding for 2021-22 to cover the cost of rising demand for redundancy payment claims and verbal confirmation from BEIS that funding for baseline services, additional operational delivery requirements and investment had been secured.

Changes to the Insolvency Market / Stakeholder Management

Risk: Changes in the insolvency market and economic events, such as leaving the EU and the impact of COVID-19, could impact on case volumes and on the reputation of the wider insolvency regime, including that of the agency.

Response: The agency 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 options available. The agency is maintaining regular liaison with external regulators and engaging in industry debate. In May 2020 the Insolvency Service Board reviewed the stakeholder management strategy and agreed a set of recommendations to enhance engagement with stakeholders. In November 2020 this risk was de-escalated and managed at Directorate level.

Information & Technology

Risk: Lines of Business applications pre-2018 not being up to date, and the effective introduction of the new Service Integration and Management (SIAM) model for the agency's IT services, carry risks around security, operability and cost which could cause disruption to business delivery.

Response: A two-year programme of application remediation is in place, and a project is overseeing delivery of this, which will ensure applications are supported, General Data Protection Regulation (GDPR) compliant and hosted appropriately. In November 2020 this risk was de-escalated and is being managed to completion by Digital Technology Services Directorate.

The End User Services programme of work managed the transition from the existing IT Service Provider to the new SIAM model. This risk was closed in July 2020.

Risk: Retention of personal data for longer than is necessary and not in accordance with the agency retention policies could result in breaching GDPR/DPA 2018, potentially resulting in sanctions and reputational damage. Such data may be held in legacy IT systems and unused email accounts.

Response: A Cyber Security and Information Governance Team is in place under the leadership of the Chief Digital Information Officer. A network of Information Asset Owners with coverage across the agency are working with them to establish if there is unnecessarily held personal data, in particular in legacy IT systems and unused email accounts. The team will advise on the decommissioning process if such data is found, ensuring compliance with GDPR and DPA 2018. Guidance on data retention is available to all staff.

Agency issues

Significant Issues managed through the year include:

Delivery

Issue: Redundancy Payments Service (RPS) Compensatory Notice Pay
In the financial year 2018-19, a number of Compensatory Notice Payments (CNP) were calculated and paid incorrectly. As a result of a change in legislation, CNP became liable in full to tax and deductions for National Insurance Contributions (NICs) from 6 April 2018; however, the Agency did not implement the required systems changes until 18 March 2019. An overpayment arose for a defined set of CNP claimants between these dates as a result of NICs not being deducted, or tax passed to HMRC, in full compliance with the revised legislation.

Whilst the Government did undertake multiple rounds of public consultation on the policy and draft legislation, the Insolvency Service (the Agency) was not directly consulted nor notified by HMRC on the legislative change impacting CNP. The reasons for late implementation are described further in last year’s annual report and the C&AG’s report on accounts.

In the 2019-20 accounts, a prior year adjustment for 2018-19 was made to correctly recognise the impact of National Insurance and tax. This recognised the agency's most recent estimate at the time – of £2.9m – as a receivable arising from overpayment. In 2019-20, management considered it unlikely that the agency would seek to recover funds from claimants, as associated costs were expected to be significantly higher than the level of the overpayment recoverable, and as such also recognised an equal and opposite liability of £2.9m in the 2019-20 accounts

Since then, a detailed investigation and corrections exercise has been completed which revises the overpayment on the basis of calculation up from £2.9m to £3.3m. Separately, the Agency's latest estimate has also been adapted to reflect a change in policy for how the Agency interprets the law to apply the statutory cap – this is now done on a gross weekly basis, rather than after the deduction of notional tax. The impact shown below of £1.8m is the net effect on the overpayment, reflecting both a reduced gross CNP due, and a reduction in the associated tax deductible. The revised basis shows the difference between amounts actually paid out, and how the net CNP would have been calculated following the Agency's full set of changes following investigation.

	£m
Estimate of overpayment included in 2019-20 accounts	2.9
Refinement of NI calculation and other factors following detailed review	0.4
Updated estimate based on previous policy for application of statutory cap	**3.3**
Net impact of revisions associated with statutory cap policy change	1.8
Updated estimate based on current application of statutory cap	**5.1**

The entirety of the resulting £5.1m has now been confirmed between the Agency and HMRC as being uneconomical to recover. The Agency suffers no direct financial loss due to the funding arrangements for the RPS scheme, and no longer carries either assets or liabilities related to the overpayment, but notes the overpayment as a loss to the exchequer and, to the extent that it resulted from a failure to implement statute, notes this expenditure as irregular (see page 79).

As a result of the investigations, the Agency has established and implemented its processes for identifying changes in legislation and their impacts have subsequently been identified and implemented (see page 79); and obtained clarity surrounding previously ambiguous legislation. The Agency continues to work with HMRC to ensure the Agency's obligations as administrators of this service are being met.

Issue: RPS Holiday Pay

A change in legislation that impacted on the payment of holiday pay (HP) by RPS to employees with variable pay came into effect on 6 April 2020. The agency failed to apply this resulting in holiday pay payments being made incorrectly.

A manual process was put in place that allowed new holiday pay components to be processed appropriately. All claimants who were impacted before changes could be implemented by RPS have been contacted by either the Insolvency Practitioner or RPS. Where available, Insolvency Practitioners have provided the 52-week average payroll data to enable claims to be corrected. Where the data was not available, individuals were contacted by RPS to provide further information on their pay. An update to automate the external interface has now been implemented to replace the manual process. As a result, this issue was closed in April 2021.

Issue: Fraudulent Redundancy Claims

The Redundancy Payments Service, funded by the National Insurance Fund, received a number of claims in 2020-21 which were subsequently discovered to be fraudulent. Claims are received from employees and are vetted against the data provided by the licenced Insolvency Practitioner appointed in the insolvency. The claims passed the verification checks undertaken by the IPs, but it was later found that these were based on falsified documents. HMRC, as the body with overall responsibility for control and management of the NIF, is taking forward the investigation into the fraud. This was reported to the Information Commissioner’s Office.

The agency has implemented additional controls which have stopped further fraudulent claims being processed and have increased the checks on new claims being received. The Insolvency Service has also written to all insolvency practitioners requesting additional vigilance and reminding them of their duties under money laundering regulations.

Issue: Delay in PPI distribution

The banks have made bulk payments of PPI monies owed to historic bankruptcy estates. Delays in settling claims and Protracted discussions with HMRC to confirm the tax position has been the primary cause of the delay with the PPI distribution. This has impacted on operational delivery. HMRC has now confirmed the tax treatment and agreed where HMRC should be positioned in the order of payments from bankruptcy estates. This now allows the work to move forward and distributions to be made.

Funding

Issue: Official Receiver Services case volumes and funding

Bankruptcy and compulsory liquidation numbers have been significantly lower than pre-COVID-19 forecasts, resulting in large reductions in income generated from case fees. The reduction in case numbers is a direct result of Government intervention to mitigate the risk of insolvency and the impact on case numbers and income is expected to continue for the foreseeable future; and certainly into 2021-22.

As a result of the reduction in case volumes, the income forecast for 2021-22 is more than 45% lower than original planning assumptions. To mitigate the impact on the financial position, significant reductions have been made to recruitment plans and project costs. Whilst these have reduced the size of the resulting budget deficit, it remains significantly higher than can be managed without additional funding from BEIS/HMT.

Delegated authorities

The context for delegated authorities is an established business planning process. All directorates have local plans linked to the Insolvency Service Annual 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 ISB at agency level and ELT 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.

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 using an annual satisfaction survey and through our complaints process. Targets are set for customer satisfaction in the agency Annual Plan. The satisfaction survey captures the perceptions and experiences of the main groups using our services.

It is conducted by an independent research agency who uses computer-assisted telephone interviews that typically last around 15 minutes.

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

An integral lessons-learned procedure advances our complaints performance and embeds a culture of continuous improvement.

Information security

The agency's senior information risk owner oversees information risk and is supported in the role by several security focused officers. A network of information asset owners exists in a manner consistent with government guidance on this subject.

An Internal Audit report on data security gained a moderate opinion. This has been accepted and action is being taken to implement seven recommendations (four Medium and 3 Low Priority).

Work continues to supplement and mature the agency's General Data Protection Regulation compliance regime. Compliance with statutory timescales for the provision of information were adequate over the reporting year, with 98% of Freedom of Information responses within statutory timescales.

Two potential data breaches were reported to the Information Commissioner's Office during 2020-21, neither of which was a significant lapse of protective security on the part of the agency.

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 senior leaders 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, including an assessment of effectiveness against six key indicators (Leadership and Governance, Culture and Capability, Partnership and Stakeholder Management, Risk Management, and Financial Management) for the areas of the business for which they have responsibility. These reviews are conducted in collaboration with the Corporate Governance Team. The Head of Corporate Governance, Head of Internal Audit and Chair of the Audit and Risk Assurance Committee also met a sample of directors to discuss any key issues.

Off-payroll tax assurance

For relevant contractual assignments assurance is obtained to determine whether off-payroll working rules apply to an individual. All contracts and relevant assignments are entered into and renewed following confirmation using a Status Determination Statement and all relevant workers have access to a Client Led Disagreement Process. Tax assurance justification has been sought and scrutinised to ensure it is sufficient to provide the relevant assurance and is compliant with the new IR35 rules from 6 April 2021. 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 have been subject to a separate review by GIAA 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 review 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.

Since the previous review by GIAA, significant progress has been made in addressing those recommendations. GIAA have undertaken a further financial modelling review in 2020-21 and management is in the process of agreeing the recommendations of that review. As it stands, the agency is compliant with 90% of the McPherson principles of best practice in modelling and has plans to address the outstanding issues. As the output of this review is yet to be fully agreed, it is prudent for the agency to remain in the Amber rating with a caveat that it looks towards Green once output has been agreed.

Effectiveness of whistleblowing policy

We work in partnership with our parent Department, BEIS, to give independent oversight and assurance to our whistleblowing policy. The policy and procedure we use was adopted from Civil Service Employee Policy and 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 aim is to raise and encourage an awareness of our whistleblowing policies and procedures, and to create a culture where it is a safe place to complain so that employees speak up and challenge suspected wrongdoing at work.

In July 2020, following a change to the BEIS process a dedicated whistleblowing Nominated Officer role was introduced within the agency. This provided a different avenue for employees to raise a concern and for the whistleblowing reports received through the confidential BEIS Whistleblowing Hotline, hosted by an independent organisation, to be dealt with within the agency.

The Nominated Officer is responsible for providing support to the whistle blower whilst undertaking an impartial review of the concerns raised to determine whether they fall under the whistleblowing policy and decide on the most appropriate way to take the matter forward; they are also the central point of contact for the whistle blower and any investigation.

Our whistleblowing policy, procedures and guidance are on our intranet which is available to all employees.

There were no notifications received during 2020-21.

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 2020-21 the overall audit opinion given is Moderate.

This audit opinion is based on the results of the individual audit engagements undertaken throughout the year, attendance of boards and committees, and regular meetings with senior management. Whilst the headline opinion remains the same as last year, operating a nationwide agency during the COVID-19 pandemic has been challenging for an organisation reliant on its people to deliver core services. Responding to the challenges posed by COVID-19, the agency maintained appropriate levels of governance and risk management, evidenced via the successful delivery of core services under challenging circumstances, continuing to on-board its IT services model, and supporting the government in safeguarding the UK economy through the delivery at pace of government initiatives and legislative changes within the insolvency environment.

The Insolvency Service continues to maintain a proportionate level of core controls, and no significant weaknesses were identified. Our recommendations, across 12 audits, included:

- 4 high priority
- 34 medium priority, and
- 12 low priority

However, we encountered issues in reviewing and maintaining certain controls that support financial processes; some shortcomings in contracts management (for example, supporting the transition between debt recovery providers. These issues have now been addressed and are currently subject to review as part of the annual assessment of compliance with Government Commercial Operating Standards); and instances of non-compliance with policies and procedures (for example, around starters and leavers). The Insolvency Service was also not immune to the increase in fraudulent activity seen across the economy.

The Insolvency Service continues to manage potential resourcing challenges. This will be ongoing whilst the insolvency environment remains unstable in the short term, and then sees the possibility of greater volumes of activity as the UK Government economic protection schemes start to unwind.

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:

Dean Beale
Chief Executive

Date: 28 October 2021

Remuneration and Staff Report

Remuneration 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)	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
Daniel Goad People & Capability Director	95-100	90-95	Nil	Nil	Nil	Nil	37	36	130-135	125-130
Alec Pybus Chief Operating Officer	95-100	95-100	Nil	5-10	Nil	Nil	39	38	135-140	140-145
Christopher Pleass Finance & Commercial Director	90-95	90-95	Nil	Nil	Nil	Nil	38	38	130-135	130-135
Angela Crossley Strategy & Change Director	85-90	45-50[2]	0-5	Nil	Nil	Nil	65	48	155-160	95-100
Dean Beale Chief Executive	100-105	95-100[3]	Nil	Nil	Nil	Nil	86	74	185-190	165-170

[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] Angela Crossley – joined the board from 16 September 2019, her full-year equivalent salary for 2019-20 was £80-85K
[3] Dean Beale – was promoted to Chief Executive from 1 September 2019; his full-time equivalent salary for 2019-20 was £95-£100K

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 2020-21 relate to performance in 2020-21 and the comparative bonuses reported for 2019-20 relate to the performance in 2019-20.

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 2020-21 was £100-105,000 (2019-20, £105-110,000). This was 3.5 times (2019-20, 3.7) the median remuneration of the workforce, which was £29,151 (2019-20, £29,000).

In 2020-21, 20 people (2019-20, 25) received remuneration in excess of the highest-paid director. Remuneration ranged from £15,000 to £185,000 (2019-20, £15,000-£175,000).

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 10 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 & Capability Director
- Finance & Commercial Director
- Strategy & Change Director

Their remuneration is borne by the Insolvency Service and is disclosed above (as well as those members who have been in post during 2020-21 but left by the year-end, and those members in post during 2019-20 who have subsequently left).

No non-executive directors left during 2020-21, however all non-executive board members contracts are due to expire in May 2021, therefore a recruitment exercise was carried out to appoint replacements. The costs of Debbie Gillatt were borne by BEIS and she did not receive any additional amount for board duties from the Insolvency Service.

Non-Executive Board Members	**Salary 2020-21 £'000**	**Salary 2019-20 £'000**
Stephen Allinson (Chair from 1 January 2017)	15-20	15-20
Alan Graham MBE (from 1 September 2014)	10-15	10-15
Richard Oirschot (from 1 August 2017)	15-20	15-20
Mary Chapman (from 1 August 2017)	10-15	10-15
Debbie Gillatt (from 1 September 2018)	Nil	Nil

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 switch into **alpha** sometime between 1 June 2015 and 1 February 2022.

Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below).

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 defined contribution (money purchase) 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 in 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). 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 that the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

Compensation for loss of office

As per 2019-20, no senior managers have received compensation for loss of office in 2020-21.

Pension benefits (audited)

Officials	Accrued pension at pension age as at 31/3/21 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/21 £'000	CETV at 31/3/20 £'000	Real increase in CETV £'000
Alec Pybus Chief Operating Officer	10-15 **plus lump sum of** Nil	0-2.5 **plus lump sum of** Nil	130	98	21
Angela Crossley Strategy & Change Director (from 16 September 2019)	35-40 **plus lump sum of** 80-85	2.5-5 **plus lump sum of** 2.5-5	720	643	51
Daniel Goad People & Capability Director	15-20 **plus lump sum of** Nil	0-2.5 **plus lump sum of** Nil	163	134	16
Christopher Pleass Finance & Commercial Director	25-30 **plus lump sum of** Nil	0-2.5 **plus lump sum of** Nil	446	403	23
Dean Beale Chief Executive (from 2 September 2019)	40-45 **plus lump sum of** Nil	2.5-5 **plus lump sum of** Nil	686	600	61

Staff Report

Senior Staff by pay-band

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

	As at 31 March 2021	As at 31 March 2020
SCS Pay-band 3	-	-
SCS Pay-band 2	1	1
SCS Pay-band 1	7	9

Staff composition (audited)

	Employees		SCS (including ISB Members)		All Staff		ISB Members	
	No	%	No	%	No	%	No	%
As at 31 March 2021								
Female	1025	55.83 %	1	12.50 %	1026	55.63%	1	20.00 %
Male	777	44.17 %	7	87.50 %	784	44.37%	4	80.00 %
	1,802		**8**		**1,810**		**5**	
As at 31 March 2020								
Female	925	54.76 %	2	20.00 %	927	54.84%	1	20.00 %
Male	731	45.24 %	8	80.00 %	739	45.16%	4	80.00 %
	1,656		**10**		**1,666**		**5**	

Staff costs (audited)

	2020-21			2019-20		
	Permanently employed £'000	Others £'000	Total £'000	Permanently employed £'000	Others £'000	Total £'000
Wages and salaries	56,178	3,048	**59,226**	50,579	5,371	**55,950**
Social security costs	5,608	-	**5,608**	5,357	-	**5,357**
Other pension costs	14,592	-	**14,592**	13,777	-	**13,777**
Voluntary exit scheme	40	-	**40**	(32)[1]	-	**(32)**
Subtotal	**76,418**	**3,048**	**79,466**	**69,681**	**5,371**	**75,052**
Add cost / (Less recoveries) in respect of outward secondments	81	-	**81**	88	-	**88**
Total net costs	**76,499**	**3,048**	**79,547**	**69,769**	**5,371**	**75,140**

[1] This results from a cost provided no longer required and reversed, hence the credit value.

Sickness absence data

During the year, the number of average annual working days lost per employee was 5.6 days (2019-20: 6.6 days).

Staff policies applied during the year

The Insolvency Service is committed to employing disabled people and we have regained the Disability Confident Employer (level two) whilst we finalise 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 Inclusion in the Civil Service training. Inclusion training is being developed by the Cabinet office Inclusion and Behavioural Science Leads.

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) including colleagues from low socio economic backgrounds, 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 in the Performance Report.

Off-payroll engagements

	2020-21	2019-20
Cost of off-payroll engagements	£2.485m	£3.195m
Average number of staff	108	102
Of these:		
Number paid more than £245 per day	9	9
Number that lasted less than 6 months	5	2
Number lasted longer than 6 months but less than a year	0	3
Number paid more than £245 per day with a contract lasting more than 1 year but less than 2 years	3	4
Number where contract lasted longer than 2 years	1	0

Between 1 April 2020 and 31 March 2021, there were 9 off-payroll engagements or those that reached 6 months in duration, for more than £245 per day. 6 of these were assessed as being caught by IR35. None of these were engaged directly (via PSC contracted to BEIS) and on BEIS payroll. All 9 were reassessed for consistency/assurance purposes during the year, and there were no changes to IR35 status following this consistency review.

Consultancy

Spend on consultancy was £712k (2019-20: £1.375 million). This included: ongoing support for Spending Review and Strategic Business Plan development; an external organisation providing ongoing support and maintenance for the agency's finance system; consultancy and advisory services incurred against two major liquidations (Thomas Cook and Carillion); remediation work to review IT software solutions and its integration with key applications across the agency.

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
25,001 - 50,000	0 (0)	1 (0)	1 (0)
Total number of exit packages	0 (0)	1 (0)	1 (0)
Total Resource cost / £'000s	0 (0)	39 (0)	39 (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 was one voluntary redundancy agreed as at the end of 2020-21 (2019-20: 0 people). There were no compulsory redundancy terms agreed as at 31 March 2021 (2019-20: 0 people).

Pension scheme details

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as "alpha" – are unfunded multi-employer defined benefit schemes but (insert employer's name) is unable to identify its share of the underlying assets and liabilities.

The scheme actuary valued the PCSPS as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation.

For 2020-21, employers' contributions of £14,501k were payable to the PCSPS (2019-20: £13,687k) at one of four rates in the range 26.6 per cent to 30.3 per cent (2019-20: 26.6 per cent to 30.3 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 2020-21 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 £91k (2019-20: £90k) were paid to 1 appointed stakeholder pension provider. Employer contributions are age-related and range from 8% to 14.75% (2019-20: 8 per cent to 14.75 per cent) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £3109 (2019-20: £3,174), 0.5 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 (2019-20: 3 employees) retired early on ill-health grounds, incurring an additional £5.8k accrued pension liability.

Average number of persons employed (audited)

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

Number	2020-21	2019-20
Directly Employed	1,637	1,565
Other	70	51
Total	**1,707**	**1,616**

Parliamentary Accountability and Audit Report

Parliamentary Accountability Disclosures

Adverse Costs (audited)
During 2020-21, the agency lost a significant legal action which resulted in a Court Order that a sum of £6.4m be paid on account of the successful defendants' costs with the final figure being subject to agreement and/or a further Court Order(s).

Regularity of expenditure (audited)
The vast majority expenditure of the Insolvency Service was applied to the purposes intended by Parliament. However, we reported in 2019-20's Annual Report and Accounts, that Compulsory Notice Payments (CNP) of £2.9m, made in 2018-19 by the Redundancy Payments Service may be deemed irregular. Now that the actual corrections are being processed, the final total amount of £5.1m is a more accurate reflection.

The original correction included £2.9m of National Insurance deductions that were not deducted from payments (hence claimants were overpaid) and funds were not transferred to HMRC.

The actual overpayments of £5.1m are not considered material (RPS payments in 2018-19 totalled £327m). The agency has been transparent in relation to the issue with BEIS, HMRC and the NAO and proactive in finding a solution which remedies the overpayment and upholds principles outlined in Managing Public Money. The agency has taken forward GIAA recommendations to formalise, centralise and codify horizon scanning processes to maximise effectiveness and minimise risk. The agency now has a process to horizon scan for future events, impact assess these, review governance requirements through a change gateway which could ultimately lead to an executive decision where appropriate.

Additional details can be found in the Governance Statement within the Corporate Governance Report, and the financial performance section within the Performance Report.

Remote contingent liabilities (audited)
The agency had no remote contingent liabilities as at 31 March 2021. Due to the nature of the work undertaken by the agency, there are a number of ongoing legal cases giving rise to contingent liabilities. The legal cases included as contingent liabilities all relate to possible obligations where the agency has issued civil and criminal proceedings through the courts, and the outcome is dependent on court rulings and findings. Further details cannot be disclosed, as in accordance with IAS 37 (paragraph 92), the agency considers that disclosure of values for any contingent liability connected to legal proceedings could seriously prejudice ongoing litigation.

Losses and Special Payments (audited)
During the year, the agency made the following payments. In all cases, the agency sought formal approval for its proposals and actions with regards to these matters from either HM Treasury directly or indirectly through BEIS.

Loss category	2020-21	2019-20
	£'000	£'000
RPS receivable loss	447,473	445,949
RPS fraud loss	540	0
Claims abandoned	496	337
Constructive loss	0	238
Special Payments	39	54
Fruitless Payments	14	4

Expected loss on Redundancy Payments Service (audited)
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. HMRC record the impairment of the RPS receivable in NIF accounts. The estimated loss on RPS payments for 2020-21 was £447 million (2019-20: £446 million).

Dividends from insolvencies can take many years to come to fruition, hence it is difficult to evaluate individual debtor losses within a given financial year. However, work is being performed to enable the value of all those debts which reached final loss stage to be estimated in the future.

RPS fraud loss (audited)
The RPS, funded by the NIF, received a number of claims in 2020-21 which were subsequently discovered to be fraudulent. £540k was paid out for these claims, but HMRC, as the body responsible for the NIF, is taking forward the investigation into the fraud. This was reported to the Information Commissioner’s Office.

Claims abandoned (audited)
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 2020-21 there were 58 write-offs totalling £496k (2019-20: 34 write-offs totalling £337k).

Constructive loss

There were no constructive losses during the year 2020-21. During 2019-20, a contract was entered into in January 2019. It was subsequently discovered that the supplier could not meet the needs of agency, and so the contract was terminated.

The payment of £238k for services received to date was paid in August 2019 and deemed a constructive loss by the agency

Special Payments (audited)

Special payments include ex-gratia payments, covering principally payments made to the public as result of complaints about service and compensation to employees. During 2020-21, the agency made 78 special payments totalling £39k (2019-20: 385 special payments totalling £54k).

All of these payments were for compensation following complaints and miscellaneous errors (2019-20: 383 cases totalling £36k). There were no special payments made for employment tribunal claims (2019-20: 2 claims costing £18k).

Fruitless payments (audited)

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 2020-21, the agency made 5 fruitless payments totalling £14k (2019-20: 7 payments totalling £4k). 4 cases of failure to deal with an asset correctly cost the agency £14k (2019-20: 2 cases costing £2k). The remaining fruitless payment costing £8 was for failure to admit a creditors proof of debt in the dividend process (2019-20: 5 cases costing £2k).

Fees and charges income (audited)
The agency 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 9) 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 2020-21 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 £59 million (2019-20: £61 million)
- The total income received from fees and recognised as income in the year was £97 million (2019-20: £174 million)
- £10 million (2019-20: £19 million) is due to be repaid to the Consolidated Fund as it exceeds the amount we were able to retain from fees.

Signed:

Dean Beale
Chief Executive

Date: 28 October 2021

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 2021 under the Government Resources and Accounts Act 2000. The financial statements comprise: 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. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted by HM Treasury's Government Financial Reporting Manual.

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 2021 and of the Insolvency Service's net operating expenditure for the year then ended; and
- 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 for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law 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 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Insolvency Service in accordance with the ethical requirements that are relevant to my audit of 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

In auditing the financial statements, I have concluded that the Insolvency Service's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, 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 when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Insolvency Service is adopted in consideration of the requirements set out in HM Treasury's Government Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Annual Report but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves.

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, based on the work undertaken in the course of the audit:

- 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; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Insolvency Service and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Report. 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
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made; 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.

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 in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Chief Executive as Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the Insolvency Service's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Executive as Accounting Officer anticipates that the services provided by Insolvency Service will not continue to be provided in the future.

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.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the Insolvency Service and those charged with governance, including obtaining and reviewing supporting documentation relating to Insolvency Service's policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
    - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Insolvency Agency's controls to Government Resources and Accounts Act 2000 and Managing Public Money
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals, the valuation of receivables balances and redundancy payments
- obtaining an understanding of Insolvency Service's framework of authority as well as other legal and regulatory frameworks that Insolvency Service operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Insolvency Service. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, Employment Law, tax Legislation, the Corporate Insolvency and Governance Act 2020; and

- performing audit procedures responsive to the previously identified fraud within redundancy payments.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above
- enquiring of management, the Audit and Risk Assurance Committee and in-house legal counsel concerning actual and potential litigation and claims
- reading minutes of meetings of those charged with governance and the Board
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- reviewing work performed by the Insolvency Service to calculate the level of known underlying fraud within the Redundancy Payments Service payments, including an assessment of the design and implementation of controls that have been put in place to prevent or detect material misstatements due to fraud.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

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

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.

Report

Overpayments of Compensatory Note Pay

In my report on accounts in 2019-20, I described the Agency's overpayment of Compulsory Notice Pay during 2018-19. While I do not judge this historic overpayment issue to represent a material irregularity in respect of this year's financial statements, I draw the reader's attention to the Agency's updated disclosures on the matter (pp 55-56).

Gareth Davies **Date: 1 November 2021**

Comptroller and Auditor General

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

3. Financial statements

Statement of Comprehensive Net Expenditure

for the period ended 31 March 2021

	Note	2020-21 £'000	2019-20 £'000
Income from contracts with customers	4	(148,250)	(214,334)
Other operating income	4	(9,106)	(7,677)
Total operating income:		**(157,356)**	**(222,011)**
Staff costs	3	79,547	75,140
Redundancy payments service	3	485,297	485,468
Purchase of goods and services	3	22,689	21,032
Depreciation and impairment charges	3	2,227	2,670
Provision expense	3	230	507
Other operating expenditure	3	34,704	34,823
Total operating expenditure:		**624,694**	**619,640**
Net operating expenditure:		**467,338**	**397,629**
Finance expense	3	132	164
Comprehensive net expenditure for the year:		**467,470**	**397,793**

The notes on pages 92 to 116 form part of these Accounts

Statement of Financial Position

as at 31 March 2021

	Note	2020-21 £'000	2019-20 £'000
Non-current assets:			
Property, plant and equipment	6	4,784	5,520
Intangible assets	7	3,377	694
Financial assets	9	69,127	56,037
Total non-current assets		**77,288**	**62,251**
Current assets:			
Financial assets	9	185,022	145,277
Trade receivables and other assets	9	12,358	14,080
Cash and cash equivalents	10	118,798	133,014
Total current assets		**316,178**	**292,371**
Total assets		**393,466**	**354,622**
Current liabilities			
Trade and other payables	11	(54,982)	(49,960)
Provisions	12	(888)	(547)
Total current liabilities		**(55,870)**	**(50,507)**
Total assets less total current liabilities		**337,596**	**304,115**
Non-current liabilities:			
Trade and other payables	11	-	(4,370)
Provisions	12	(2,691)	(2,802)
Total non-current liabilities		**(2,691)**	**(7,172)**
Assets less liabilities		**334,905**	**296,943**
Taxpayers' equity:			
General fund		334,905	296,943
Total taxpayers' equity		**334,905**	**296,943**

Signed:

Dean Beale
Chief Executive
Date: 28 October 2021

The notes on pages 92 to 116 form part of these Accounts

Statement of Cash Flow

for the period ended 31 March 2021

		2020-21 £'000	2019-20 £'000
Cash flows from operating activities	**Note**		
Net operating expenditure	SoCNE	(467,338)	(397,629)
Adjustments for non-cash transactions:			
Depreciation and amortisation charge	6,7	2,227	2,670
Provisions	12	230	507
Audit fee	3	173	197
Loss on disposal	6	53	-
Use of provisions	12	-	(381)
Increase in trade receivables and financial assets	9	(51,113)	(105,176)
Increase in trade payables	11	652	2,910
Less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		2,617	3,597
Finance expense	3	(132)	(164)
Net cash outflow from operating activities		**(512,631)**	**(493,469)**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	511	(1,534)
Purchase of intangible assets	7	(3,186)	-
Net cash outflow from investing activities		**(2,675)**	**(1,534)**
Cash flows from financing activities			
BEIS financing	SoCITE	53,687	50,491
VAT recovered by BEIS	SoCITE	(4,104)	(3,412)
Net funding from the National Insurance Fund (RPS)	SoCITE	455,676	458,115
Capital element of payments in respect of finance leases and service concession arrangements	SoCITE	-	(50)
Net financing		**505,259**	**505,144**
Net (Decrease)/Increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**(10,047)**	**10,141**
Receipts due to the Consolidated Fund		10,449	13,826
Payments of amounts due to the Consolidated Fund		(14,618)	(13,600)

Net (Decrease)/Increase in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**(14,216)**	**10,367**
Cash and cash equivalents at the beginning of the period	10	**133,014**	**122,647**
Cash and cash equivalents at the end of the period	10	**118,798**	**133,014**

Statement of Changes in Taxpayers' Equity

for the period ended 31 March 2021

		General fund £'000	Total reserves £'000
Balance at 31 March 2019		**184,325**	**184,325**
Comprehensive expenditure for the year 2019-20			
Non-cash charges - auditor's remuneration	3	197	197
Net expenditure for the year	SoCNE	(397,793)	(397,793)
BEIS financing		50,491	50,491
National Insurance Fund - RPS		458,115	458,115
Income payable to the consolidated fund		5,070	5,070
Capital element of payments in respect of finance leases and service concession arrangements		(50)	(50)
VAT recovered by BEIS		(3,412)	(3,412)
Balance at 31 March 2020		**296,943**	**296,943**
Comprehensive expenditure for the year 2020-21			
Non-cash charges - auditor's remuneration	3	173	173
Net expenditure for the year	SoCNE	(467,470)	(467,470)
BEIS financing		53,687	53,687
National Insurance Fund - RPS		455,676	455,676
VAT recovered by BEIS		(4,104)	(4,104)
Balance at 31 March 2021		**334,905**	**334,905**

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 2020-21 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), the National Insurance Fund and HM Revenue & Customs in respect to Redundancy Payment Service (RPS), 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. Assets held under the management of the Official Receiver, which do not belong to the Insolvency Service, can be found in the separately published accounts called the 'Insolvency Services and the Insolvency Services Investment Account 2020-21'. Fees charged by the Official Receiver are included here as income.

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).
Adoption of standards in future years' accounts: IFRS 16 and IFRS 17

IFRS 16 Leases

IFRS 16 provides a single lessee accounting model, requiring leasees to recognise assets and liabilities for all leases unless the leasee term in 12 months or less or the underlying asset has a low value. The standard became effective in the private sector for accounting periods commencing on or after 1 January 2019. The Insolvency Service will adopt IFRS 16 in the financial year commencing 1 April 2021, although most government bodies will adopt it during the following year.

IFRS 16 gives a narrower definition of a lease than IAS 17 (Leases) and IFRIC 4 (Determining Whether an Arrangement Contains a Lease). It requires that assets and liabilities will be recognised initially at the discounted value of the minimum lease payments, and that the assets, to be described as "right of use" assets, will be presented under Property, Plant and Equipment (PPE). The standard requires bodies to treat existing finance leases as they were previously ie, as leases. The main change is to operating leases: these will fall within the scope of IFRS 16 under the 'grandfathering' rules mandated in the FReM for the initial transition to IFRS 16. Therefore, implementation of IFRS 16 will increase the value of PPE assets and the corresponding value of lease liabilities.

After initial recognition, right-of-use assets will be amortised on a straight-line basis and interest will be recognised on the liabilities. Except where modified for revaluation where material, the cost model will be applied to assets for leases other than leases with a peppercorn rental (although the Insolvency Service currently holds none of these), which will be measured on a depreciated replacement cost basis. As a result, the timing of the

recognition of the total costs of leasing will change, as interest costs will be higher at the start of a lease.
HM Treasury propose that IFRS 16 will be implemented using the cumulative catch-up method; as a result, comparatives will not be re-stated, and the measurement of the asset and liability balances recognised with effect from 1 April 2021 will reflect the agency's intentions as at that date. HM Treasury have issued a central internal rate of borrowing for entities to apply, when they cannot obtain the rate implicit in the lease contract (which is often the case for property leases).

As IFRS 16 will be implemented using the cumulative catch-up method, comparatives for 2020-21 will not be re-stated, and the adjustment to net assets will be made with effect from 1 April 2021. For the material arrangements within the scope of IFRS 16, the impact of implementation is currently considered to be an increase in assets and liabilities of approximately £28m.

The right-of-use assets and leasing obligations have been calculated according to the policy described above and are shown below in tables 1 and 2.

This assessment indicates that the total discounted value of right-of-use assets and lease liabilities under IFRS 16 is higher than the value of minimum lease commitments under IAS 17, since a number of the leases have tenant break-clauses which the agency does not expect to trigger.

Table 1

SoCNE impacts IFRS 16	**£000**
Depreciation expected in 2021-22	5,120
Interest expense expected in 2021-22	234
Less IAS 17 basis lease expenditure for 2020-21	(5,816)
Decreased Expenditure	**(462)**

Table 2

SoFP impacts IFRS 16	**£000**
Existing IAS 17 Operating Leases - 31 March 2021 (See note 13)	23,640
Increase Right to Use Asset - 1 April 2021	2,484
Right of Use Asset as at 1 April 2021	**26,124**
Existing IAS 17 Operating Leases - 31 March 2021 (See note 13)	23,640
Increase Lease Liability - 1 April 2021	4,547
Lease Liability as at 1 April 2021	**28,187**

IFRS 17 Insurance Contracts
IFRS 17 requires a discounted cash flow approach to accounting for insurance contracts. Subject to EU adoption, it may come into effect for accounting periods commencing on, or after, 1 January 2023 and should be included in the 2023-24 FReM at the earliest. At present the Insolvency Service considers that it has no contracts which meet the definition of insurance contracts as per IFRS 17. This will be reviewed closer to adoption during 2022-23.

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) 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 £5,000. 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(d) 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: 2 to 5 years
Office machinery: 2 to 15 years

As per IAS 16, assets held that are in the course of construction are not depreciated until they are commissioned.

1(e) Intangible assets and amortisation

As per IAS 38, 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: 2 to 10 years
Internally developed systems: useful life of the system from date brought into use

1(f) 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.

The agency carried out an impairment review during the year (as at 31 March 2021) 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.

1(g) Provisions and Contingent Liabilities

As per IAS 37, 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. Current provisions are shown in Note 12.

Contingent liabilities

In addition to any 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.

In accordance with IAS 37 (paragraph 92), the Agency considers that disclosure of values for contingent liabilities connected to legal proceedings could seriously prejudice ongoing litigation.
Current contingent liabilities are shown in Note 15.

1(h) 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. Further details can be found in the Remuneration & Staff Report.

1(i) 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. Details of any early departures in the reporting year, are shown within the Remuneration & Staff Report.

1(j) 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, general fee and trustee liquidator fees, along with recovered redundancy payments. 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 RPS 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 expected to be 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). The General Fee and SoS fee are defined as taxes, and therefore accounted for in line with the relevant FReM adaptation of IFRS 15.

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 income is recognised in the financial statements when it is earned rather than when it is charged.
Fee income is considered to be variable consideration and is recognised under IFRS 15(9)(e) only to the extent that it is highly probable that a significant reversal will not occur. Any change to the transaction price estimate will be recognised in the period of change or the period of change and future periods as appropriate, under IAS 8. A change to the transaction price will only be recognised within the limits of any agreement to retain fee income where it arises from fees deemed to be taxes.

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.

Admin Fee

Case administration fees are set through legislation and are managed by the agency in accordance with the principles of Managing Public Money, whereby fees are 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.

Administration fees are charged to the insolvent estate at the date of insolvency. The fees are recognised under IFRS 15 on a portfolio basis using the input method in respect of the work undertaken on those cases in the year. The period of performance of the official receiver's duties on cases, i.e. the satisfaction of performance obligations, can vary between less than 1 month and in excess of 3 years. Assessing cases individually would not differ materially from the portfolio approach and would require significant resources.

The agency therefore uses reasonable estimates of activity across time base on historic case data and recognises admin fee income in accordance with these estimates, over a 3-year period. Within the admin fees recognised, £30m relates to fees from the realisations on PPI cases which has led to an adjustment to the transaction price under IFRS 15. This mainly relates to historic cases prior to 2010.

General Fee
The General Fee value recognised is discounted to reflect the amount that is expected to be collected, based on historic case data. The fee is recognised at the date of the bankruptcy or liquidation order, as an equivalent to a taxable event, within the FReM adaptation (2) for IFRS 15. Recognition is subject to HMT approval of an annual netting off agreement.

Trustee Liquidator Fee
The trustee liquidator fee is charged (at a rate of 15% of net realisation) when assets are realised by the OR. The obligations on the OR in relation to the fee being charged are identical to those for the charging of the Admin Fee. The fee is recovered when assets are realised. The value of the fees to be recognised is based on a combination of actual fees recovered from realised assets and fees expected to be recovered from assets which have been identified and assessed.

Where fees relate to National Interest Cases, recognition is matched to the completion of obligations on each National Interest Case based on the input method using forecasts of the full life cost of the case. Any excess cash receipts are recognised on the balance sheet with corresponding liabilities for future costs and/or refunds to HMT.

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.

Assumptions regarding underlying asset realisations are:
(i) long-term realisations will include a wide range of assets, which provides a diverse base for realisations, insulating fee recovery from specific economic impacts
(ii) There is potential for the economic impact of COVID-19 to result in changes to assets held within insolvent estates (e.g. house price changes). Historic data, which is used to estimate expected future recoveries, includes realisations from a wide range of sources including Income (20%), Cash and Debtors (16.5%), Family Homes (6%), other Property (9%), Partnerships/Other Companies (9%), VAT/NI (6%) and PPI (14%). The range of assets mitigates the potential for specific economic impacts to materially affect recoveries.

Due to ongoing economic interventions, there is currently limited potential to determine the long- term impact of COVID-19 on the ability to recover fees. Assets which are cash derived or arise from financially secure sources are less likely to be impacted by COVID-19 than those which may be impacted by economic change, such as property and income. This will be reviewed when economic data allows for a considered view to be formed.

The following 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	41,567	Employee applies for payment under para 182 of the Employment Rights Act. When payment is made, the agency has the right to recover that amount from the Employer under para 189 of the same Act.	The agency 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. As soon as payment is made, the agency can recover from employers.	Variable consideration based on expected recoveries. INSS have the right to recover the amount of payment from employers.	The contract is complete once payment is made to the employee. The agency then immediately charges the employer.	As the employers are insolvent, the amount recoverable from them is variable, and dependent on insolvency proceedings which may take several years. The amount recoverable is therefore estimated in line with historic recovery rates over time.
Admin Fee	46,729	Legislated Fee	Performance of OR duties	Variable consideration subject to legislated charging regime	Measured as satisfied over time	Recognised in line with resource inputs derived from the cost of the OR service
Trustee liquidator fees	37,154	Legislated Fee	Performance of OR duties	Variable consideration subject to legislated charging regime	Measured as satisfied over time	Recognised in line with resource inputs derived from the cost of the OR service
Time and Rate Distribution Fee	2,747	Legislated Fee	Distribution to Creditors	Charged at legislated rate	Full fee when distribution made	At date of distribution
Debt Relief Order Fee	1,572	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(k) Operating leases

The Accounts are currently prepared using IAS 17 in respect of operating leases. This means that 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. From 2021-22, we will be adopting IFRS 16 which will change the treatment of operating lease expenditure - as per Note 1(a).

1(l) 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 (NIF). Under the Employment Rights Act 1996, redundancy payments are payable by the Secretary of State but financed 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.

The agency then attempts to recover these monies from two sources:
(i) Insolvent Recovery: the agency becomes a creditor receiving a dividend if there are sufficient funds in the insolvency of the employer (the majority).
(ii) Solvent Recovery: where money is recovered from solvent employers to meet the costs of redundancy payments made by RPS (a small proportion).
The payments are included in Expenditure (Note 3).

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 variable consideration calculation which is based on expected recoveries is detailed in Note 1(m). Whilst the Service accounts for RPS losses on a full accruals basis, the NIF account funds the difference between payments and receipts on a cash basis, and effectively bears the loss.

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 2020-21 the agency made payments totalling £485m (2019-20: £485m) and made cash recoveries of £33m (2019-20: £28m), a net cost of £452m (2019-20: £458m) which was funded from the NIF via HMRC. The agency is entitled to attempt to recover the £485m expended during the year. Of the £33m recovered during the year, only £2.5m related to these in-year payments, with £30.5m relating to payments made in previous years.

As detailed in Note 1(m), and Note 9, the agency estimates future recoveries of £83m. Of these, £39m relate to payments made in 2020-21, and £44m relate to payments made in previous years. Hence the following tables, detail the income recognised in 2019-20 of £42m, and an adjustment to prior year. This is due to an expected credit loss remeasurement under IFRS 9.

	2020-21	2019-20
In respect of 2020-21 case year:	£m	£m
Cash Recoveries in year	3	1
Future Predicted Recoveries	39	37
Total RPS Income Recognised in year in respect of 2020-21	**42**	**38**

In respect of previous case years:	£m	£m
Opening balance of RPS receivables at 1 April 2020	72	58
Cash Recoveries in year	31	27
Future Predicted Recoveries	44	34
Debt write-back	3	3

1(m) Financial Instruments under IFRS 9

As per IFRS 9 Financial Instruments, the agency has classified its case administration receivables, RPS receivables, estate account receivables, and receivables for disqualification costs as financial assets, held to collect cash flows only for principal and interest. Under the requirements of IFRS 15 in relation to variable consideration, income and related receivables for case administration and RPS are constrained on initial recognition to the amount the agency expects to recover and for which there is not a significant risk of material reversal. For case administration receivables, the expected amounts are remeasured at each reporting date in accordance with IFRS 15. RPS receivables are remeasured at each reporting date through the calculation of an expected credit loss in accordance with IFRS 9. 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.

RPS Debtors

The debtors for RPS have already been declared insolvent, so any recovery is dependent on dividends paid from the insolvency which are very rarely 100%. 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 effects on the recovery of these debts, so historic trends are the best estimator of future recoveries.
(iii) The probability of default is always 100% (therefore future economic variations have no effect on the chance of default).
(iv) Using a separate collection rate for preferential and non-preferential debts gives us an estimated collection for each, and therefore the variable consideration based on expected recoveries.
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 guidance issued in the Public Expenditure System (PES)* papers.

* PES papers are issued to guide preparers of Accounts on various changing factors - such as discount factors to apply for discounting amounts receivable over the short, medium and long term, to recognise the time value of money.

In line with IFRS 9, RPS debts have been grouped into similar types, in this case preferential or non-preferential. Analysis of historic trends of recovery of these types of debts has revealed that the best estimate of recovery is 6.2% for non-preferential, and 35.9% for preferential.

ORS Case Administration

The debtors have already been declared insolvent hence any recovery is dependent on fees recovered from the realisation of assets or from income payments. ORS Fees are recovered before any distribution to creditors. Therefore 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. The greatest risk of default is typically insolvency, but this risk has already crystallised and therefore reflected in estimation.
(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 following 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(n) 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 9) or VAT payables (Note 11).

1(o) Cash and cash equivalents

Cash comprises cash at bank and cash equivalents. Cash at bank includes RPS cash held separately to agency funds. The cash equivalent balance is cash received by the agency from fees charged by the Official Receivers, and which is still held by the Official Receiver. 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 relate to revenue recognition in relation to case administration and general fee income, where the following judgements are applied:
(i) Historic recoveries are considered to be a reasonable basis for future recovery expectations.
(ii) PPI recoveries should be excluded from historic data as PPI redress claims can no longer be made.
The agency also makes significant judgements/estimation in regard 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.

The volume of cases received in 2020-21 has been significantly impacted by Covid-19 resulting in a proportionate reduction in recognised income for the Admin fee and the General fee

The recognition of case administration income recovered due to PPI settlements has been subject to judgement on the timing, certainty and value of payments expected from financial institutions. Where settlement offers have been made recognition under IFRS 15 reflects the extent to which it is considered that a significant reversal of revenue will not occur when uncertainty is resolved.

Further details on revenue recognition can be found in Notes 1(j) and 9.

2(b) Case administration receivables

The Insolvency Service must make accounting estimates and judgments regarding the recoverability of its case administration receivables (Note 9). 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.

2(c) Redundancy Payments Service receivable

There is uncertainty in the estimate of the amount to be realised by the agency from sale of assets of insolvent employers. This estimate is based on historic recovery data. In line with IFRS 9, RPS debts have been grouped into similar types, in this case preferential or non-preferential. Analysis of historic trends of recovery of these types of debts has revealed that the best estimate of recovery is 6.2% for non-preferential, and 35.9% for preferential.

2(d) Trustee Liquidator fees

Recognition of revenue in respect of Trustee Liquidator fees on National Interest Cases is calculated as a proportion of the expected lifetime revenue for each case. The expected lifetime revenue is based on estimates provided by court appointed Special Managers. The proportion to be recognised in year is the proportion of completion of the performance obligation, costs incurred to date compared to anticipated total forecast costs. In line with IFRS 15, the cumulative revenue is only recognised to the extent that it is highly probable that a significant reversal would not occur. Forecast total revenue and forecast total costs on a case are subject to management judgement, and therefore subject to variation across years. Each case must be considered individually as recognisable income and costs incurred are highly variable between different cases. There is the potential for additional income to be recognised in relation to future asset realisations which are either not currently deemed possible or highly probable in achieving those realisations. The value of these potential realisations could be material to the financial statements and if successfully realised may result in significant additional income in future years.

3 Expenditure

	2020-21	2019-20
	£'000	£'000
Redundancy payments service	485,297	485,468
Staff Costs		
Wages and salaries	59,226	55,950
Social security costs	5,608	5,357
Other pension costs	14,592	13,777
Voluntary and Compulsory Redundancy payments	40	(32)
Less recoveries in respect of outward secondments[1]	81	88
IT infrastructure expenses	21,053	16,482
Legal and other costs of investigation and enforcement	18,800	16,304
Operating leases – accommodation	4,143	5,654
Other costs	4,002	3,444
Accommodation	5,404	4,836
IT computers	1,686	3,736
General administrative expenses	1,516	2,468
Travel and subsistence	102	2,159
Non-cash items:		
Audit fee	173	197
Write offs and expected credit losses	950	1,111
Provisions	230	507
Depreciation and amortisation	2,227	2,670
Loss on Disposal	53	-
Case administration - unwind discounting of receivables for fees	(357)	(372)
Total expenditure	**624,826**	**619,804**

[1]The positive £81k for staff recoveries in respect of outward secondments is due to credit notes on funds paid out.

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 by the agency 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 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 2020-21 totalled £485 million (2019-20: £485 million), which is funded by the National Insurance Fund (NIF) who re-imburse the agency on a daily basis for the claims paid out.

Most of the payments made are in respect of employees of insolvent companies and therefore most of the debt is unrecoverable. However, a small proportion (12.6%) of the debt is preferential, and as such has a higher recovery rate.

4 Income

	2020-21 £'000	2019-20 £'000
Income from contracts with customers		
Insolvency case administration:[1]		
Case admin income (pre-2016-17)	33,878	101,569
Case admin income (post-2016-17):		
Admin fee	17,544	25,488
General fee	8,437	18,973
Trustee liquidator fee - National Interest Cases	31,225	7,963
Trustee liquidator fee - Business As Usual	5,929	6,570
RPS recoveries[2]	41,567	37,820
Release of deferred income for insolvency case administration	1,679	6,585
Debt relief order administration	1,572	2,474
Online Debt Solutions	1,290	1,836
Investigation and enforcement	1,563	1,608
Individual voluntary arrangements and deeds of arrangements	1,238	1,122
Estates accounts	968	1,050
Rental income	791	853
Regulation of insolvency practitioners	813	626
Criminal enforcement	188	241
Miscellaneous income	4	17
Discounting costs	(436)	(461)
Other Income		
Redundancy payments administration	9,106	7,677
Total income	**157,356**	**222,011**

[1] Insolvency case administration includes £30m (2019-20: £91m) of fees relating to the settlement of historic PPI claims on insolvent estates. (see note 1j and 2)
[2] The income recognised for RPS was £42m, which includes £3m of cash receipts in year, and £39m of estimated future recoveries.
For more information on relevant policy and judgements on income see notes 1(j), 1(m), 2 and 9.

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 funding activities of the agency 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. Figures showing BEIS and HMRC funding amounts can be found in the SOCITE as funding is accounted through reserves rather than income. The surplus on Activities funded from fees is due to PPI receipts.

	Income		**Cost of service**		**Surplus/(deficit)**	
	2020-21	2019-20	**2020-21**	2019-20	**2020-21**	2019-20
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Activities funded from BEIS financing	1,982	3,809	57,030	46,252	(55,047)	(42,443)
Activities funded from fees	104,649	172,705	73,344	79,222	31,306	93,483
Activities funded by HMRC for RPS Administration	9,158	7,677	9,156	8,862	2	(1,185)
Activities funded by HMRC from the NIF	41,567	37,820	485,297	485,468	(443,730)	(447,648)
Total of all activities	**157,356**	**222,011**	**624,826**	**619,804**	**(467,470)**	**(397,793)**

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

6 Property, plant and equipment

2020-21

	Information Technology £'000	Plant & Machinery £'000	Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
Cost or valuation					
At 1 April 2020	10,692	656	4,586	618	**16,552**
Additions	-	-	619	422	**1,041**
Disposals	(8,363)	(166)	(6)	-	**(8,535)**
Reclassifications	-	635	-	(635)	-
At 31 March 2021	**2,329**	**1,125**	**5,199**	**405**	**9,058**
Depreciation					
At 1 April 2020	9,771	350	911	-	**11,032**
Charged in year	717	202	805	-	**1,724**
Disposals	(8,327)	(149)	(6)	-	**(8,482)**
At 31 March 2021	**2,161**	**403**	**1,710**	**-**	**4,274**
Carrying value at 31 March 2021	**168**	**722**	**3,489**	**405**	**4,784**
Asset financing:					
Owned	168	722	3,489	405	**4,784**
Carrying value at 31 March 2021	**168**	**722**	**3,489**	**405**	**4,784**

2019-20

	Information Technology £'000	Plant & Machinery £'000	Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
Cost or valuation					
At 1 April 2019	10,505	753	2,293	220	**13,771**
Additions	-	-	2,138	643	**2,781**
Reclassifications	187	(97)	155	(245)	-
At 31 March 2020	**10,692**	**656**	**4,586**	**618**	**16,552**
Depreciation					
At 1 April 2019	8,791	206	239	-	**9,236**
Charged in year	980	148	668	-	**1,796**
Reclassifications	-	(4)	4	-	**-**
At 31 March 2020	**9,771**	**350**	**911**	**-**	**11,032**
Carrying value at 31 March 2020	**921**	**306**	**3,675**	**618**	**5,520**
Asset financing:					
Owned	-	306	3,675	618	**4,599**
Service concession arrangement (Note 14)	921	-	-	-	**921**
Carrying value at 31 March 2020	**921**	**306**	**3,675**	**618**	**5,520**

7 Intangible assets

2020-21	Software Licences £'000	Internally Developed System £'000	Assets Under Construction £'000	Total £'000
Cost or valuation				
At 1 April 2020	315	13,644	-	**13,959**
Additions	-	-	3,186	**3,186**
Disposals	(133)	-	-	**(133)**
At 31 March 2021	**182**	**13,644**	**3,186**	**17,012**
Amortisation				
At 1 April 2020	313	12,952	-	**13,265**
Charged in year	2	501	-	**503**
Disposals	(133)	-	-	**(133)**
At 31 March 2021	**182**	**13,453**	**-**	**13,635**
Carrying value at 31 March 2021	**-**	**191**	**3,186**	**3,377**
Asset financing:				
Owned	-	191	3,186	**3,377**
Carrying value at 31 March 2021	**-**	**191**	**3,186**	**3,377**

2019-20

	Software Licences	Internally Developed System	Assets Under Construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2019	315	13,644	-	**13,959**
At 31 March 2020	**315**	**13,644**	**-**	**13,959**
Amortisation				
At 1 April 2019	308	12,083	-	**12,391**
Charged in year	5	869	-	**874**
At 31 March 2020	**313**	**12,952**	**-**	**13,265**
Carrying value at 31 March 2020	**2**	**692**	**-**	**694**
Asset financing:				
Owned	-	692	-	**692**
Finance leased	2	-	-	**2**
Carrying value at 31 March 2020	**2**	**692**	**-**	**694**

8 Financial instruments

The Insolvency Service has classified its case administration fee receivables and redundancy payments service 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. Due to the nature of RPS receivables, the vast majority is not actually recovered. RPS recoveries are also dependant on assets realised from insolvencies, hence any actual recoveries are achieved over many years. These 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 if these receivables are disclosed (case administration in Note 2(b) and redundancy payments service in Note 2(c)).

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The agency 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 has therefore minimised exposure to credit, liquidity or market risks.

9 Trade receivables, financial and other assets

	2020-21	2019-20
	£'000	£'000
Amounts falling due within one year:		
Financial assets		
Receivables for fees - case administration	149,946	114,184
Receivables for disqualification costs	373	941
Receivables for fees - estate accounts	364	447
Receivables for redundancy payments service	34,339	29,705
Total financial assets	**185,022**	**145,277**
Trade receivables and other assets		
Prepayments	1,319	2,835
VAT receivables	856	872
NIF receivables	8,442	9,097
Trade receivables	1,703	1,165
Employee receivables	38	111
Total trade receivables and other assets	**12,358**	**14,080**
Total amounts falling due within one year	**197,380**	**159,357**
Amounts falling due after more than one year:		
Financial assets		
Receivables for fees - case administration	18,058	12,451
Receivables for disqualification costs	1,916	1,649
Receivables for redundancy payments service	49,153	41,937
Total financial assets	**69,127**	**56,037**
Total amounts falling due after more than one year	**69,127**	**56,037**
Total receivables, financial and other assets	**266,507**	**215,394**

The receivables for estate accounts fees have been reduced by a bad debt write-off of £222k (2019-20: £280k).

The RPS receivable is shown net of expected credit losses. This is calculated by the Insolvency Service using a model which is approved by HMRC. The model calculates the recoverable debt as £83m as at 31 March 2021 of which current debt is £34m and £49m is non-current (2019-20 £71m of which £29m is current and £42m non-current). As detailed in Note 1(l), 1(m) and 2(c), in line with IFRS 9, RPS debts have been grouped into similar types, in this case preferential/non-preferential. Using it's a simple average of recovery rates over the last 10 case years of these types of debts has revealed that the best estimate of recovery is 6.2% for non-preferential, and 35.9% for preferential. Changes in the estimated recovery rates applied necessitated a write-back of debt of £3.2m. Total Preferential debt as at 31 March 2021 was £32.2m (2019-20: £28.9m), and total non-preferential debt was £51.1m (2019-20: £42.8m).

Included within the above figures are receivables for fees - case administration. The balance of £149.9m for amounts expected to be recovered within one year (2019-20: £114.2m) and

£18.1m for amounts expected to be recovered in more than one year (2019-20: £12.5m). This figure represents sums recoverable by the agency for case administration work undertaken, but not yet received, including increases for income derived from PPI which has increased by £30m.

As explained in Notes 1(j) and 2(a), the agency, in accordance with IFRS 15, the timing of income recognition is not based on actual fee recoveries. Income is based on estimation of expected recoveries 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 were 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. The shortfall is in part made good by the addition of a further fee, the General Fee, set at £6,000 for all case types and recovered against any assets realised above the value of the administration fee. As with the case administration fee, recoveries from asset realisations which fund the General 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 fee recovery 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 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.
Adjustments are made where the availability of an asset to fund recoveries changes, for example where PPI can no longer be claimed on cases after the PPI claims deadline of 31/08/19.
The agency's forecasts and the fee income included within are reviewed by the board and executive committee, where members have experience and knowledge of the business.

Receivable figures for all case years are expected to be £168.0m (2019-20: £126.6m) (undiscounted). £121m relates to receivables due for fees from PPI realisations with low risk of non-recovery due to:

i) payments held on account by the OR;
ii) the low risk of non-payment from the relevant institutions.

10 Cash and cash equivalents

	2020-21	2019-20
	£'000	£'000
Balance at 1 April 2020	133,014	122,647
Net change in cash and cash equivalent balances	(14,216)	10,367
Balance at 31 March 2021	**118,798**	**133,014**
The following balances at 31 March 2021 were held at:		
Government banking service (ISA account)	101,638	122,133
Government banking service	17,160	10,881
Balance at 31 March 2021	**118,798**	**133,014**

Cash comprises cash at bank of £17m (2019-20: £11m) and a cash equivalent balance of £102m (2019-20: £122m). The cash equivalent balance is made up of cash received from fees charged during the normal course of Official Receivers' activities and is held by the Official Receiver. 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.

11 Trade payables and other liabilities

	2020-21	2019-20
	£'000	£'000
Amounts falling due within one year:		
Payables	3,709	2,882
Redundancy payments service	15,259	11,852
Accruals	18,271	13,891
Due to the Consolidated Fund	9,657	14,618
Deferred fee income	4,741	4,227
Service concession arrangement	-	50
Accrued employee benefits	3,345	2,440
Total	**54,982**	**49,960**
Amounts falling due after one year:		
Due to the Consolidated Fund	-	4,370
Total	**-**	**4,370**
Total payables and other liabilities	**54,982**	**54,330**

Accruals made in 2020-21 for expenditure relating to the year but not yet paid total £18m (2019-20: £14m). Notable items include £8.8m in relation to investigation costs; £2.0 to rental payments due for properties the agency occupies but which had not been invoiced for as at 31 March 2021; and £2.9m for IT-related costs.

12 Provisions for liabilities and charges

2020-21

	Lease dilapidations	Other	Total
	£'000	**£'000**	**£'000**
Balance at 1 April 2020	3,349	-	3,349
Provided in the year	161	129	290
Borrowing costs (unwinding of discount)	(60)	-	(60)
Balance at 31 March 2021	**3,450**	**129**	**3,579**
Analysis of expected timing of discounted flows			
Not later than one year	759	129	888
Later than one year and not later than five years	2,642	-	2,642
Later than five years	49	-	49
Balance at 31 March 2021	**3,450**	**129**	**3,579**

2019-20

	Lease dilapidations	Other	Total
	£'000	**£'000**	**£'000**
Balance at 1 April 2019	3,213	10	3,223
Provided in the year	484	-	484
Provisions utilised in the year	(381)	-	(381)
Provisions not required written back	-	(10)	(10)
Borrowing costs (unwinding of discount)	33	-	33
Balance at 31 March 2020	**3,349**	**-**	**3,349**
Analysis of expected timing of discounted flows			
Not later than one year	547	-	547
Later than one year and not later than five years	2,802	-	2,802
Balance at 31 March 2020	**3,349**	**-**	**3,349**

The agency operates from a number of sits across the UK. Operating leases for buildings require payments of dilapidations on termination of the lease and exit of the building. Therefore the agency holds provisions for anticipated future dilapidation costs (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 2021 the provision held was adjusted by £101k (2019-20 £484k) based on an increase due to 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)). The provision held is discounted using the nominal discount rates set by HM Treasury, which results in the value of the provision adjusting to £3,450k (2019-20: £3,349k).

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

13 Commitments under leases

Operating leases

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

	2020-21 £'000	2019-20 £'000
Obligations under operating leases for the following periods comprise:		
Buildings		
Not later than one year	6,305	4,518
Later than one year and not later than five years	11,887	11,560
Later than five years	5,448	4,830
Total	**23,640**	**20,908**

The Agency's significant leasing arrangements relate to buildings that we occupy, either on standard commercial bases or through government Memorandum of Terms of Occupation (MOTO) agreements. There are no leases with contingent amounts, purchase options or dividend clauses.

14 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). There were no payments during the year now that this contract has ended.

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

	2020-21 £'000	2019-20 £'000
Rentals due not later than one year	-	50
Total	-	50
Less interest element	-	(2)
Present value	-	48

Charge to the Statement of Comprehensive Net Expenditure and future commitments

As the commitment ended in May 2020, there are no future commitments.

	2020-21 £'000	2019-20 £'000
Not later than one year	-	332
Total commitments	-	332

15 Contingent liabilities disclosed under IAS 37

As per Note 1(g), we have carried out assessments of potential 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.
Due to the nature of the work undertaken by the Agency, there are a number of ongoing legal cases giving rise to contingent liabilities. The legal cases included as contingent liabilities all relate to possible obligations where the Agency has issued civil and criminal proceedings through the courts, and the outcome is dependent on court rulings and findings. Further details cannot be disclosed, as in accordance with IAS 37 (paragraph 92), the Agency considers that disclosure of values for any contingent liability connected to legal proceedings could seriously prejudice ongoing litigation.

16 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.

17 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); the administration income shown in Note 4 is the income received by the agency for the administration of the service.
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 in line 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 liquidity risks due to the actual 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.

18 Third party cash

DRO pre-application fees

Debt Relief Orders (DRO) were developed as an alternative to a person becoming bankrupt, suitable for those who cannot raise the required deposit to begin official bankruptcy proceedings. An application form must be completed and a fee of £90 be paid in order to be considered for a DRO by the Official Receiver.

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, 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) and shown as income (Note 4). The current value of the income received (including an accrual for amounts due but not yet transferred) was £1.6m (2019-20: £2.5m). The DRO bank account held £860k as at 31 March (2019-20: £829k).

19 Events after the reporting period date

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

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