The Insolvency Service

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Annual Report and Accounts

2021-22

HC 722

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2021-22

For the period 1 April 2021 to 31 March 2022

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Performance overview

Chief Executive's foreword

As the Government Agency responsible for the country's insolvency framework, the Insolvency Service has a key role to play in supporting those experiencing financial difficulty. Although the country has now emerged from the COVID-19 pandemic, 2021-22 started with continuing pandemic related restrictions. Since then, there have been new economic challenges with significant rises to the cost of living, instability in the energy markets and global events impacting the longer-term economic outlook.

This report sets out the good progress we have made during the last year, supporting our customers and ensuring that we have an Agency fit for the future in what has been a challenging environment. 2021-22 was the first full year delivering our five-year strategy and in May 2021 we successfully launched Breathing Space. This new scheme allows people in financial distress to obtain a period of protection from enforcement action by their creditors. By the end of the year, we had received over 58,400 successful applications, which included over 900 people in a mental health crisis situation. In addition, extending the monetary eligibility criteria to obtain a debt relief order has enabled an additional 6,500 of the most financially vulnerable individuals to obtain relief from their debts, with over 22,600 orders made during the year.

The year also saw us introduce new guidance for directors of micro and small businesses to help identify the early warning signs of financial trouble, with signposting for where to get advice and information about their responsibilities as directors to help prevent financial misconduct.

Where there is evidence of misconduct or breaches of the law, undermining confidence in business, we have taken action to prevent further harm. Over the year we have removed 802 unfit directors from the marketplace and achieved 119 successful criminal convictions. We have increased the number of investigations into live companies from 143 last year to 167 this year and secured 304 bankruptcy restriction orders and undertakings. We continue to investigate a significant number of cases where there has been misconduct in relation to government backed COVID-19 financial support schemes including Bounce Back Loans, and by the year end we had secured 141 director disqualifications and 58 bankruptcy restrictions.

Over the last two years we have seen decreases in business insolvencies, likely to be the result of government support measures during the pandemic and widespread creditor forbearance as businesses faced unprecedented trading challenges. The number of cases handled by Official Receivers fell by 27% and the number of claims to the Redundancy Payments Service also dropped from 96,219 last year to 44,895 this year. Next year we expect to see an increase in company insolvencies as temporary support measures come to an end and the insolvency regime returns to pre-pandemic operating.

To deliver our services more effectively and efficiently in the future we finalised our long-term estate plans and have now begun a programme to transform our workplaces, providing the right locations for our customers, with modern, collaborative workspaces for our people, supporting the long-term ambitions set out in the government's Levelling Up and Places for Growth strategies.

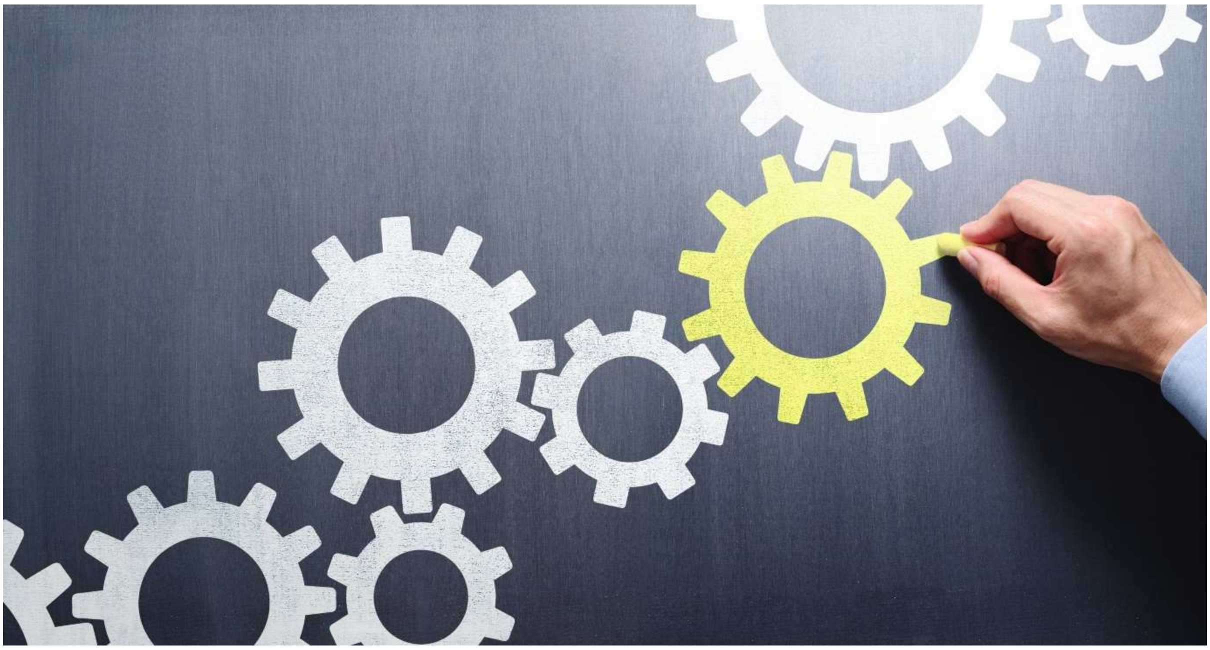
In 2021 we welcomed four new non-executive members including a new chair, Mark Austen, to our Insolvency Service Board. The Board is responsible for the long-term success of the Agency and its new members have brought significant experience from their respective fields, providing valuable support and guidance to the Executive Leadership Team. I would also like to recognise the immense contribution and support of the outgoing board members whose hard work, dedication and expertise over the past few years has supported us to consistently deliver our objectives.

Overall, the Agency produced a solid performance in 2021-22 and I am very proud of how our people delivered for our customers and other stakeholders through such difficult times.

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

Dean Beale
Chief Executive
Date: 21 October 2022

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 can be found in our accountability report and financial statements on pages 82 to 253.

Who we are

The Insolvency Service is an Executive Agency of the Department of Business, Energy, and Industrial Strategy (BEIS), currently based in 22 locations across Great Britain.

BEIS retains financial and operational supervision over the work we do and approves our strategies and budgets.

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 other resources are in place, challenging and supporting management performance, and reporting to BEIS.

Our governance statement on page 89 has more detail about our Board and various committees.

For more information on our status as an Executive Agency, the Classification of public bodies: information and guidance summarise 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 people subject to bankruptcy and insolvent businesses, realising and distributing assets, helping people to get back on their feet, and carrying out investigations to support the integrity of the insolvency system and the wider business and lending economy.

Our investigators scrutinise director and corporate behaviour, investigating those who abuse the system, and work to disqualify unfit directors, to protect the public and business from future harm. We also investigate trading companies and take action to wind them up where they have been operating against the public interest. We investigate and prosecute breaches of company and insolvency legislation and other criminal offences on behalf of BEIS.

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

Our adjudicator, Debt Relief Order (DRO) and Breathing Space teams help to support those in financial distress by managing and administering bankruptcy, DRO and Breathing Space applications.

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 for 2021-22.

Those objectives were:

Delivering economic confidence

- Work to ensure the insolvency regime supports individuals and businesses to help with the economic recovery as the country emerges from the pandemic

Result: Objective achieved. We worked closely with stakeholders as part of the government response to help ensure that businesses impacted by pandemic related restrictions were supported to avoid unnecessary insolvency. We worked to ensure that the temporary legislative measures put in place as part of that support remained in place only for as long as necessary.

- Work with stakeholders on proposals to incorporate new UNCITRAL model laws on cross-border insolvency into the insolvency regime

  Result: Objective achieved. We have continued to work with key stakeholders to develop proposals to implement two new United Nations Commission on International Trade Law (UNCITRAL) model laws. A consultation was published in July 2022.

- Develop proposals to strengthen the regulatory regime for Insolvency Practitioners

  Result: Objective achieved. We published a consultation in December 2021 which closed on 25 March 2022, with over 100 responses from a wide range of stakeholders.

- Embed new customer satisfaction measures and improve our overall performance, achieving a score of 84% or greater

  Result: Objective achieved. Our customer satisfaction score was 84%.

Supporting those in financial distress

- Deliver on the government's commitment to implement a new breathing space for people with challenging debt

  Result: Objective achieved. The Breathing Space scheme went live in May 2021 and by 31 March 2022 it had received over 58,400 successful applications.

- Process redundancy payment claims in an average time of 14 days or less

  Result: Objective achieved. The average time for processing redundancy claims across the year was 12 days compared to 12.8 days in 2020-21.

- Make 95% of bankruptcy orders sought by individuals within two working days.

Result: Objective achieved. 98% of bankruptcy orders were made within two working days which was broadly in line with last year's performance of 97.2%.

- Determine 95% of Debt Relief Order applications within 48 hours

  Result: Objective achieved: 99% of Debt Relief Orders were determined within 48 hours matching last year's performance.

- Answer 85% or greater of calls to Agency enquiry lines within two minutes and successfully answer 95% of calls to our enquiry lines

  Result: Objective achieved. 94% of calls were answered within two minutes and 97% of calls were successfully answered. Agency enquiry lines were closed last year due to COVID-19 so there are no 2020-21 figures available.

- Extend Debt Relief Orders to support more vulnerable people in problem debt

Result: Objective achieved. New regulations came into force on 29 June 2021 and during last year this meant that 6,500 more people were eligible to obtain debt relief through this route than otherwise would have been the case.

Tackling financial wrongdoing

- Develop a new strategic assessment of enforcement priorities which will allow us to better target our activities and respond to challenges and risks as they evolve

  Result: Objective achieved. A strategic assessment was developed which provided an overview of the current and longer-term challenges that are likely to affect our investigation and enforcement activities. This will be used to inform our enforcement activity over the coming year.

- Harness the benefits of technological developments to conduct interviews and court hearings remotely and share documents

Result: Objective achieved. Our investigators and lawyers have been able to conduct interviews and attend court hearings remotely this year, and throughout the pandemic. Court hearings continue to be conducted remotely, where directed by the court. We continue to offer remote interviews in appropriate cases, and we are making increased use of document sharing technologies.

- Build upon our quarterly published report of enforcement activity

  Result: Objective achieved. We developed our quarterly scorecard to include details of the range of misconduct and criminal offences where we have acted. These include abuse of COVID-19 financial support schemes and investigations enabled by the Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Act 2021.

- Continue to work to prevent financial misconduct and avoid insolvency before it occurs by delivering the initial phase of director education

Result: Objective achieved. We delivered on our objective to publish a suite of new guidance materials on GOV.UK which also signposts directors to free sources of advice. We also engaged externally with partner organisations on our future phases of activity and work is ongoing to deliver an online toolkit to help directors assess the state of their business and take suitable action if required. This is expected to be delivered in 2022-23.

Maximising returns to creditors

- Issue a report to creditors within 15 days of interviewing (or a decision that no interview is required) in at least 92% of cases

  Result: Objective achieved. 95% of cases had a report issued to creditors within 15 days of an interview. This is a significant improvement on 2020-21 performance which was 66.5% against a target of 91%.

People

- Improve our outcomes in the Civil Service People Survey (CSPS)

  Result: Objective not achieved. The CSPS21 Employee Engagement Index score decreased from 65% to 62%. The Civil Service benchmark score was 66%. Comparing results with the CSPS20 we showed a downturn against eight of the nine themes, and one remained static. We have drawn up an action plan to attain incremental targets for the next three years.

- Increase our attraction of diverse applicants for vacancies by 10% or greater

  Result: Objective achieved. 35% of applicants for vacancies were from underrepresented backgrounds.

- Increase our benchmark scores from diversity assessments

  Result: Objective achieved. We climbed 401 places to be ranked as one of Stonewall's top 100 Employers for LGBT+ people and achieved the Gold employer award in their Workplace Equality Index.

- 2.3% of all new staff to be recruited into apprentice positions

  Result: Objective achieved. 2.3% of all new staff presented a target of 41 apprentices and we achieved 46. This was down from the 126 recruited last year but still exceeded the target for this year.

Corporate responsibility

- Expand our Sustainability approach to include Social and Economic Factors in addition to our Environmental commitments

  Result: Objective achieved. We have undertaken an initial Sustainability Appraisal of our five-year strategy to identify ongoing opportunities to improve our social, environmental, and economic sustainability.

- Ensure that all relevant procurements include social value and sustainability evaluation criteria at a minimum of 10% of overall score

Result: Objective achieved. We have a new Social Value policy and our new procurement documents contain requirements for environmental sustainability including meeting the objectives of our new Environmental Policy.

- Meet or exceed the Government target of 33% of spend going to Small and Medium-sized Enterprises (SMEs) by March 2022

  Result: Objective achieved. 35% of spend went to SMEs by the end of March 2022 compared to 35% in 2020-21.

Our finances

- Deliver a balanced budget, with Agency costs being matched by funding and income

  Result: Objective achieved. We are reporting a surplus position for the year of £0.9m against budget. This compares favourably with our original budgeted deficit of £13.5m, as stated in our 2021-22 Annual Plan.

- Pay 80% of supplier invoices within five working days and 100% within 30 calendar days

Result: Objective achieved. 96% of supplier invoices were paid within five working days and 100% paid within 30 calendar days. This matched the performance level achieved in 2020-21.

- Ensure our Suppliers adhere to the Prompt Payment Code

  Result: Objective not applicable. The Prompt Payment Code only applies to contracts over £5m and there were no contracts that fulfilled this criterion in the 2021-22.

Issues and risks

The key issues and risks that could affect us delivering our objectives are set out in our Governance Statement at pages 89 to 128.

How we performed

5BSupporting those in financial distress

8,467
New insolvency cases handled by our Official Receivers

22,601
Debt Relief Orders

6,669
Online Debtor bankruptcy orders

58,476
Successful Breathing Space applications including 908 people in a mental health crisis situation

1,089
Creditor petition bankruptcies

44,895
Redundancy payment claims

712
Compulsory Liquidations

12
Average calendar days taken to action redundancy payments

6BTackling financial wrongdoing

119
Criminal prosecutions

167
Live Company Investigations

802
Directors disqualified for misconduct

6%
Directors disqualified for 10 years or more

316
Bankruptcy restrictions

7BMaximising returns to creditors

£42.7m
Dividends returned to creditors and debtors

95%
Report to Creditors issued within 15 days of an attended interview

8BCustomer satisfaction

84%
Customers satisfied with our work

Performance analysis

Delivering economic confidence

Temporary pandemic-related insolvency measures

We worked closely with stakeholders as part of the government response to the difficult trading conditions created by the lockdown periods, to help ensure that businesses impacted by pandemic related restrictions were supported to avoid unnecessary insolvency. We worked to ensure that the temporary legislative measures put in place as part of that support remained in place only for as long as necessary. Most of the temporary provisions expired at the end of September 2021.

Restrictions on winding up companies were extended until the end of March 2022 to give companies more time to recover through trading without being unnecessarily threatened by aggressive enforcement by creditors. The extended restrictions were tapered in their effect by restoring some creditors' rights to pursue debts. This continued to protect companies most affected by the further lockdown periods but were otherwise viable, whilst allowing creditors in defined circumstances to act against companies that were protected by the previous restrictions. All insolvency temporary pandemic-related measures expired at the end of March 2022 and the insolvency regime returned to its pre-pandemic operation.

The temporary insolvency measures helped prevent unnecessary insolvencies of otherwise viable companies in the short term. The new permanent measures implemented in the Corporate Insolvency and Governance Act 2020 are designed to give companies in financial distress new tools to be able to restructure and return to normal trading. Evaluation of these new measures is ongoing, supported by new primary research that will be published in 2022-23.

The work undertaken by the Agency to support companies since the start of the pandemic was recognised at the annual Turnaround, Restructuring & Insolvency (TRI) Awards where the Agency won the 'Insolvency Team of the Year' category in December.

Developing proposals to strengthen the regulatory regime for Insolvency Practitioners

We published a consultation in December 2021 on proposals to strengthen the regulatory regime for Insolvency Practitioners. This consultation closed on 25th March 2022, with over 100 responses from a wide range of stakeholders. We are analysing these, and the government will publish its response in due course.

The key proposals were:

- Establishing a single independent a single independent regulator to sit within the Insolvency Service, replacing the current system of recognised bodies.
- Extending regulation to firms that offer insolvency services
- Creating a system of compensation
- Amendments to the current arrangements for Insolvency Practitioners to hold security (bonding)

Oversight of Insolvency Practitioner regulation

During 2021, we undertook a full monitoring visit to the Insolvency Practitioners Association (IPA), publishing our findings in February 2022. The report welcomed innovations and improvements made by the IPA, especially in relation to monitoring. It also noted that good progress had been made in implementing previous recommendations to ensure that the IPAs complaints and monitoring teams worked collaboratively. The report found that this had contributed to a significant reduction in delays previously identified in the progression of complaints and following up insolvency practitioner monitoring visits. Recommendations included more comprehensive minuting of the rationale for decisions made at committee and the need for further training in relation to the application of mitigating and aggravating factors when considering allegations of misconduct.

We also conducted a monitoring visit to the Institute of Chartered Accountants of England and Wales (ICAEW) and published a report on how complaints about their Insolvency Practitioners were handled. The report highlighted the steps made to implement recommendations made by us following a monitoring visit in 2019 and there were further recommendations to target a reduction in complaints over 12 months old.

We published the Annual Review of Insolvency Regulation setting out data in relation to Recognised Public Body (RPBs) licensing, monitoring, complaint handling and regulatory outcomes. The data shows a continuing strong programme of monitoring activity undertaken by the RPBs.

We also commenced a thematic review of RPB monitoring of Insolvency Practitioner engagement with the Redundancy Payment Service.

Insolvency Practitioner Engagement

We have continued regular engagement with the insolvency profession, R3 (the trade body representing the UKs insolvency and restructuring professionals), creditor representatives and the free debt advice sector. We have collaborated on several projects including on the advertising of personal insolvency solutions, insolvencies of energy companies, and in relation to referrals made to Individual Voluntary Arrangement (IVA) providers by debt-packagers. In 2021-22, we issued 20 editions of the Dear IP newsletter to ensure insolvency professionals were kept up to date with changing professional guidance and procedural matters across a wide range of issues including tax, arrangements in relation to COVID-19 measures, employment issues, security, and legislative changes.

In November we held our first Insolvency Research and Technical conference for several years. Entitled ‘Forward Thinking: insolvency strategies for a post pandemic economy’, the conference facilitated a link between academia, the insolvency sector and policymakers, providing a platform for current insolvency research and a forum for technical discussion. The conference was attended by a range of academics and insolvency professionals. It was very well received, and we intend to make it a regular feature, with plans underway to run a further event later this year.

Diversity and Inclusion Steering Group

As part of our commitment to improving diversity in the insolvency profession, we have continued to work with R3 as joint founder members of the Diversity and Inclusion Steering Group. The group is made up of professionals and academics from across the insolvency and diversity sectors. It aims to identify and understand barriers to joining, progressing, and succeeding in the insolvency profession.

In July 2021 the group conducted a survey of R3 members, which was widely welcomed across the sector. The results were used to develop the group's first action plan and this was published in December 2021.

International Insolvency

We have continued to work with key stakeholders to develop proposals to implement two new United Nations Commission on International Trade Law (UNCITRAL) model laws. A consultation was published in July 2022 (Implementation of two UNCITRAL Model Laws on Insolvency - GOV.UK (www.gov.uk)).

Our international work also included our ongoing contribution to the work of the International Association of Insolvency Regulators (IAIR), participating in a number of webinars about how the global insolvency sector responded to the challenges posed by the pandemic, and contributing to a World Bank publication on the effects of the pandemic from an insolvency perspective.

Supporting those in financial distress

We administer debt solutions that help people get back on their feet, including Debt Relief Orders (DROs) and bankruptcy orders and the work of our Official Receivers and Redundancy Payments Service plays a vital role in helping and supporting people in times of financial distress.

Bankruptcy orders

Our online adjudicator service enables an individual with insurmountable debt to access the bankruptcy process and obtain a bankruptcy order through GOV.UK, 24 hours a day, seven days a week.

This year 6,669 bankruptcy orders were made by the adjudicator and 98% of those were within two working days of receipt of the application. This was a 1% increase on the previous year.

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 Order changes

We provide debt solutions to some of the most vulnerable people in society through Debt Relief Orders (DROs). These are specifically aimed at those with low levels of unmanageable debt, minimal surplus income, and few assets.

DROs are applied for by authorised debt advisers and approved by an Official Receiver. They are a way of writing off an individual's debt when they are in financial difficulty with no way of paying their creditors, providing they meet statutory monetary criteria. In 2021-22 we approved 22,601 DROs and 99% of these were approved within two working days.

New monetary eligibility requirements for individuals to obtain a DRO were implemented in June 2021 after a consultation with stakeholders. This meant that 6,500 more people were eligible to obtain debt relief through this route than otherwise would have been the case. As part of its announcement about the new criteria, the government also announced that it would undertake a review of the personal insolvency framework. This work will start during 2022 with a Call for Evidence.

Individual Voluntary Arrangements

During 2021-22 there were 83,442 Individual Voluntary Arrangements (IVAs). We continued to work closely with RPBs and other stakeholders to develop and publish a revised protocol**.** The protocol provides a standard framework for dealing with consumer IVAs and is widely used by insolvency practitioners and creditors.

Changes were introduced to make the equity provisions relating to homeowners easier to navigate and to ensure that vulnerable consumers are identified and obtain appropriate support to understand the process. During the year we also continued to review and make amendments to the COVID-19 support guidance which was put in place to support the protocol in April 2020. That guidance expired on 31 December 2021, following the removal of most pandemic related restrictions across the economy. We have worked with other stakeholders to tackle poor and misleading advertisements by both IVA providers and those that refer work to them. This includes publishing revised guidance for the RPBs on monitoring of marketing. We have worked with RPBs, Advertisement Standards Agency and Financial Conduct Authority on enforcement to ensure consumers receive appropriate information and advice for their circumstances.

Redundancy Payments Service

Our Redundancy Payments Service provides crucial funds to people who have lost their jobs and whose employers cannot pay them statutory redundancy entitlements, primarily as a result of insolvency.

In 2021-22, this essential service saw us receive 44,895 claims. The number of new claims received was lower than in recent years, however we saw an increase in protective awards issued by Employment Tribunals, including to the former employees of companies such as Thomas Cook and Flybe.

A new team has been created to assess cases prior to the payment, ensuring we can identify anomalies early and increase anti-fraud processes so only those eligible receive payments, protecting public funds. We have projects underway to improve the collection of data early in more complex claims to improve accuracy and timeliness which are expected to begin delivery early in 2022-23.

Breathing Space

The Breathing Space scheme was launched in May 2021 and gives people legal protections from their creditors for 60 days. During that time, most interest and penalty charges are frozen and enforcement action is halted. Because problem debt can be linked to mental health issues, these protections are also available for people in mental health crisis treatment for the full duration of the treatment plus another 30 days.

Breathing space is applied for by an authorised money advisor through an online service that we administer.

Between the launch of the Breathing Space scheme and the end of the year there were 58,476 registrations. These were made up of 57,568 standard registrations and 908 for mental health.

The breathing space project was recognised at the TRI Awards, winning the Best Use of Technology award.

Measuring satisfaction

Each year we measure satisfaction with our range of communications and services. We measure customer satisfaction derived from key measures around our contact, service and process.

In 2021-22, our research agency surveyed four key groups: users of the redundancy payments service, bankrupts, non-institutional creditors, and people who received a debt relief order. They conducted 684 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, which meets the target of 84% set out in our annual plan.

We issued email surveys to our delivery partner groups, including insolvency practitioners and approved intermediaries.

This year we joined the Institute of Customer Service. We have conducted their business benchmarking survey with one of our key user groups this year, issuing the survey to users of the redundancy payments service.

The Post Office

Between 2000 and 2014, due to errors in the Post Office's Horizon IT system, some sub-postmasters and sub-postmistresses were left with shortfalls in cash and stock on their system. Affected individuals were personally required to make good the shortfall and some were prosecuted for theft. In certain cases, this led to bankruptcy.

The Post Office opened a compensation scheme, the Post Office Historical Shortfall Scheme (HSS), offering compensation for the ordeal endured by the affected individuals. The complex nature of the compensation claims means that where compensation is awarded to someone who has been bankrupt, part of it may be paid to them but other elements form part of their bankruptcy estate and will need to be dealt with accordingly. The Official Receiver (OR) has identified and reviewed these cases, writing to each affected individual explaining why the OR is managing their HSS claim. Any element of the compensation due personally to the former bankrupt will be paid over to the individuals as soon as possible. The OR is assisting people who were subject to bankruptcy to cancel the bankruptcy where appropriate.

The Agency continues to liaise with the Post Office, providing information when required and supporting former bankrupts; to date the OR has enabled 30 HSS claims to be processed.

Complaints

In 2021-22, the Agency received 339 complaints, compared to 406 in 2020-21 and 1,183 in 2019-20. There were 259 Tier one complaints, 59 Tier two and 21 Tier three.

We answered 90% of complaints within ten working days. We answered 97% within 20 working days with acknowledgement within five working days which is broadly similar to Agency performance in the previous two years. We are continuing to focus on learning lessons from complaints, and 166 improvements were identified in 2021-22 through this process.

Looking forward, we are working with the Parliamentary and Health Service Ombudsman on a review of government complaint standards. The standards/guidelines are intended to provide a unified approach that will benefit complaint staff and complainants alike and will support better communication between providers and the public, leading to improved, more efficient public services. Developed in collaboration with government complaint handlers, advocacy groups and advice organisations, the new standards will mean complaints are easier to make and quicker to resolve offering an excellent opportunity to bring best practice into our processes and allow the public to better understand the complaints handling process for our services.

Tackling financial wrongdoing

New power to disqualify directors of dissolved companies

Rogue directors who dissolve their companies and avoid paying liabilities including to their employees, creditors and the taxpayer, can now be pursued. New legislation has extended our powers, on behalf of the Business Secretary, to investigate, disqualify and prosecute company directors who abuse the company dissolution process.

The Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Act, which received Royal Assent in December 2021, will also help tackle directors that dissolve companies to avoid repaying government backed loans put in place to support businesses during the COVID-19 pandemic.

COVID-19 support scheme abuse

We have taken both civil and criminal action against companies and individuals where COVID-19 support schemes, including Bounce Back Loans, have been abused.

In 2021-22, 141 allegations (17%) in director disqualification outcomes related to COVID-19 financial support scheme abuse. The average length of director disqualifications in these cases was seven years and two months, and in 16% of cases the period of disqualification was ten years or more. 58 (18%) of our bankruptcy restrictions and debt relief restrictions related to COVID-19 financial support scheme abuse. The average length of restrictions in these cases was seven years and in 8% of cases the length of restrictions was ten years or more.

9BDirector disqualification case study – undermining the regime:

Colleagues across Official Receiver Services and Investigation and Enforcement Services worked on the investigation and evidence gathering that resulted in the court making a disqualification order against an individual for 15 years, after he was found to be a de facto director of a company which was wound up in the public interest.

The company promised companies in financial difficulties that it would enable them to wipe their business debts and avoid formal insolvency proceedings for a fee of £5,000 or 10% of the failing company’s total liabilities, whichever was the higher. Directors were also able to buy back assets of value to use in new companies. The de facto director assured directors that they could walk away from any financial or legal responsibility in the company that was in financial difficulty, which was not true and the company’s website described itself as an ‘unlicensed Insolvency Practitioners’ which do not exist. Over 70 client companies were acquired by the company prior to its winding up which received over £1.5M from clients. The de facto director benefitted financially from the company’s activities while no money was returned to creditors.

Director disqualification case study – Bounce Back Loan:

A ten-year Disqualification Undertaking was given by a director who obtained a £40,000 Bounce Back Loan by overstating the company's turnover and then spending nearly half of the loan for his own personal benefit. Recovery of the funds is ongoing with £8,000 recovered to date.

Criminal Investigation case study – transferring assets:

Following a trial at Kings Lynn Crown Court, an individual was convicted of concealing property within 12 months of his petition for bankruptcy. He petitioned for his own bankruptcy in April 2015, and in his application, he referred to £50,000 which he said he had ‘given away, transferred or sold’. When asked to provide further details by the Official Receiver he claimed that he had burnt the money in a fire.

He was sentenced to 15 months' imprisonment suspended for 21 months on 1 July 2021.

10BPublic interest winding up case study – wine investment scam:

An investigation carried out by a team in Investigation and Enforcement Services resulted in a wine investment company being wound up in the public interest. The company offered members of the public the opportunity to invest in fine wines, misleading many investors, including many who were vulnerable and elderly, with the promise of significant returns. In a nine-month period the company received more than £1 million in payments of which only £333,000 was used to purchase wine. Following the winding up of the company, enquiries into the affairs and business of the company including the conduct of the director are ongoing.

Bankruptcy restrictions case study – Bounce Back Loan spent on drugs

A six-year Bankruptcy Restrictions Undertaking was given by a bankrupt who obtained a £50,000 Bounce Back Loan by overstating his projected income and then spending more than half on Class A drugs. He filed for his own bankruptcy, which triggered an investigation into his financial affairs.

Antecedent Recovery

Two companies which provided IT support and repair services via an Indian company were wound up in the public interest. Both companies sold IT support packages to members of the public and inferred that they were, or were agents of, well known IT security companies.

Bounce back loans totalling £95,000 were received by both companies and an investigation by the Official Receiver established that the majority of the funds were paid/loaned to the director and two associated companies.

The Official Receiver took action against the director and associated companies and has recovered £23,700. Additional recoveries of £73,000 have also been agreed with the director.

Maximising returns to creditors

We paid out over £42.7 million in distributions back to creditors and debtors (where their creditors had been paid in full). This is an increase on the previous year of more than £3.2 million.

We issued reports to creditors within 15 days of an attended interview in 95% of our cases against a target of 92%. This has provided creditors with information in an expedient manner, keeping them informed of key issues and progress in cases. This has allowed them to make informed decisions regarding the appointment of trustees and liquidators in relevant cases and supports progressing the administration of cases more quickly to distribution.

In 2021-22 we recovered more than 35,000 separate assets in bankruptcy and liquidation cases, with a total value of £49 million.

Supporting an engaged and effective workforce

Making the Agency a great place to work for our people will help ensure that we deliver well for our customers. We continued to build a well led, flexible and capable workforce while ensuring our people are able to bring their whole selves to work in an inclusive environment, to perform at their best.

During the year, we:

- delivered our new People Strategy, measuring the effectiveness of our various programmes and initiatives through the annual People Survey and other internal feedback mechanisms
- supported our people to attain the right skills and qualifications so that we can successfully improve capability and professionalism
- invested in our wellbeing strategy including mental wellbeing training for managers, directorate briefings and our employee assistance programme
- made progress against our diversity and inclusion priorities by increasing our declaration rates amongst ethnic minority and disabled colleagues and reducing our gender pay gap.

Our most important resource is our people, and we have invested in our workforce to ensure that we have the right people in the right place with the right skills and experience. We are developing strategic workforce plans and making use of technology to ensure we have robust workforce planning.

Our primary people measure continues to be the Civil Service People Survey (CSPS). In 2021 we obtained an employee engagement index (EEI) of 62%. This was a decrease of 3% from the previous survey and a return to pre-COVID-19 engagement levels. We achieved our ambition of being a high performing Agency against the ‘My Manager’ measure, as well as in the ‘Organisational Objectives and purpose’.

Improving capability and professionalism

We have continued to focus on building a positive apprenticeship experience which encourages ongoing learning and career development. We are proud of our apprenticeship achievement and have supported apprentices across a range of business areas.

> *“The Level 3 Operational Delivery apprenticeship was a valuable experience and has been a great foundation for me in terms of my personal development. The apprenticeship has encouraged me to explore developmental opportunities within my team, and beyond.”*
>
> *Case Strategy Officer*

As the government's statutory apprenticeship target ended in March, we will update our Apprenticeship Strategy in 2022-23. We will look at how we provide both internal and external quality apprenticeships and strive to achieve new government measures, including 5% of our workforce on an apprenticeship programme to increase our capability and 'grow our own' talent.

We have also invested in our people's career-long learning and development through facilitating access to a range of recognised professional qualifications.

The Joint Insolvency Examination Board (JIEB) exams are recognised by the Insolvency Profession and tests the knowledge and skills that are required for the profession and covers the broader insolvency regime. It is also requirement for becoming a licenced Insolvency Practitioner.

We have had great success with several colleagues passing their JIEB exams, demonstrating the capability of our staff in the insolvency profession and investing in our people to be able to provide highly skilled staff to undertake complex National Interest Cases, such as Carillion and British Steel. Achieving the JIEB standards is a visible demonstration of our professionalism and expertise and investment in our people.

> *"'I was delighted to be given the opportunity to study for the JIEB exams and immensely proud to have passed. I found the study programme hugely beneficial, and I have been able to apply my learning to the work of ORS and support the development of our people, at an important time as we professionalise our work"*
>
> *Official Receiver*

Some of our Deputy Official Receivers have also studied and passed the ICAEW Certificate in Insolvency. The Certificate in Insolvency is recognised by the industry and provides a practical introduction to principles of insolvency and further supports our staff in their role and future development. A further nine have registered to study towards it in 2022-23.

Twenty colleagues have successfully completed our assessed and accredited Insolvency Service Investigator Programme (ISIP) in the last 12 months. This professional development programme has flexibility at its heart, designed around core skills and knowledge common to all investigation roles as well as additional modules to support specialist capability. With this design it supports movement for business needs or individual career planning.

“ISIP helped me develop my case analysis, identifying assets from company records and putting together a good quality instruction to our solicitors for recovery to make returns to creditors. It also developed my own behaviours and strengths and helped me progress to become a Deputy Official Receiver after qualifying”.

Deputy Official Receiver

The Insolvency Service was one of the founding members of the Government Counter Fraud Profession and currently has over 400 members (approximately 24% of total staff) registered in the profession. We have the third largest number of members behind His Majesty’s Revenue Customs and the Department for Work and Pensions. GCFP membership provides developmental opportunities and supports continuous professional development. Our ISIP programme is aligned to GCFP principles allowing staff to become members of the profession upon successful completion of the programme.

We offer a pathway for staff to obtain legal qualifications and our Legal Services Directorate currently have three staff enrolled with the Chartered Institute of Legal Executives (CILEX) to grow our in-house legal capability, with a view for further opportunities in the coming year. CILEX is the professional association and governing body for Chartered Legal Executive Lawyers, other legal practitioners, and paralegals.

Inclusion First strategy

During 2021-22 we launched ‘Inclusion First’, our Diversity and Inclusion (D&I) strategy, which will further improve our approach and progress on diversity and inclusion in every part of our business. In March 2022, The Civil Service also published its Diversity and Inclusion Strategy. We will now look to benchmark our own Inclusion First strategy against it, but early signs are that we exceed in some areas.

In addition, we have created three new Networks: The Shed (Men’s network), No Limits (Socio-economics network) and The Carers network. We have worked hard to ensure that the networks created continue to allow all our staff to feel included.

Summer Diversity Internship Programme

Increasing diversity is a key part of our People Strategy. The Summer Diversity Internship Programme (SDIP) has given 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 entry into many different career paths in the UK government. During the summer we hosted six SDIP interns in the Agency.

We are again seeking to host SDIP and given our success in the programme, we have increased the request to 14 interns, a 56% increase on our bid last year. We have also submitted a bid for five interns from the Autistic Internship Programme, a 66% increase on last year.

Corporate and social responsibility

Sustainable Development

During the year we successfully recruited a new Head of Sustainability. The role will assist us in our focus on our key sustainability considerations, which include meeting existing and emerging international and national priorities including the Sustainable Development Goals (SDGs) and the Greening Government Commitments (GGCs).

A sustainability review of the Agency is underway to baseline the impact of our current activities, and following that, we will be preparing a sustainability strategy for delivery. Further details of this will be reported on in next year's annual report.

As an Agency that is committed to the sustainability of our operations, we have introduced a new sustainability appraisal tool to assess plans, policies, and strategies against social, environmental, and economic sustainability metrics. During the year we undertook an initial sustainability appraisal of our five-year strategy and will be applying the tool to future plans across the Agency, including the upcoming estate rationalisation project ‘Transforming Workplaces’.

Greening Government Commitments

We continue to support the government’s commitment to reduce its impact on the environment. The BEIS family emissions reduction target for the GGCs (2021-25) has been set at a 62% reduction overall, with a 30% reduction required from direct emissions (this includes emissions arising from fuel use and fugitive emissions across the in-scope estate). We have a target of 55% overall reduction in emissions from the 2017-18 figures by 2025 in support of the Departmental Net Zero target.

	Baseline year 2017-18	**GGC reporting year 2021-22**
Business travel (km)	1,849,291	780,132
Energy (KWH)	Reported under BEIS totals	438,398
Water (m^3)	3,888	4,242
Total waste (t)	91.86	150.82
Total waste recycled (t)	25.85	44.98
Paper (A4 reams equivalent)	24,363	2,228

Note that some of the figures above refer to our office locations where another public sector entity is responsible for reporting for GGC purposes.

Environmental policy

We are committed to protecting and enhancing the environment both locally and globally and during the year we committed to a new environmental policy. Detailed science-based targets will be set in the upcoming sustainability strategy to underpin delivery of the policy's objectives.

Engagement activities

An engaged and effective workforce is essential to the delivery of our sustainability objectives. Further to the activities listed in the section earlier in this report (Supporting an engaged and effective workforce) we have introduced several sustainability-themed networks that cover environmental issues as well as social mobility.

We also support our staff to undertake community engagement activities in the form of volunteering, and during the year our staff undertook volunteering with a wide range of organisations. In the upcoming year we will be investigating more formal approaches to engage staff in the delivery of our sustainability commitments for example, through a Sustainability Champions scheme and carbon literacy training.

Sustainable procurement

Our commercial function has progressed on our target from last year to incorporate social value and sustainability measures into all relevant procurements. We have included social value and sustainability evaluation criteria into two upcoming strategic and complex procurement activities, including additional requirements for suppliers to demonstrate how they will meet the objectives of our new Environmental Policy.

Our Digital Technology Services Directorate oversaw a refresh of our office desktop equipment, ensuring that the redundant IT equipment was both reused (0.326 tonnes) and recycled (0.544 tonnes) as appropriate, with a zero-to-landfill approach.

We also introduced a PPE recycling service to minimise the amount of COVID-19 related waste (PPE) going to landfill or incineration. This enabled us to divert this waste (1.34 tonnes) into a recycling stream, reconstituting the materials into plastic boards for use in construction, joinery, and furniture manufacture.

Rural proofing

We are committed to meeting the needs of rural businesses and communities. As part of our upcoming estate rationalisation project ‘Transforming Workplaces’, we have ensured that we will maintain office locations in Scotland, Wales and each of the English regions.

Financial performance analysis

Financing

We are financed through a combination of funding and income from three sources.

1. Funding from our sponsor Department, the Department for Business, Energy, and Industrial Strategy (BEIS). During 2021-22 this amounted to £71.8m (20-21: £53.7m) of which £2.3m was for capital (2020-21: £4.3m) (see Statement of Changes in Taxpayers Equity)

2. Income from HMRC National Insurance Fund (NIF) to undertake administration of the Redundancy Payment Scheme. For 2021-22 this amounted to £10.0m (2020-21: £9.1m) (see Note 4); We also received funding from HMRC NIF to make payments to individuals who have been made redundant where the employer cannot pay. The funding for these payments for 2021-22 was £256m (2020-21: £456m) (see Statement of Changes in Taxpayers Equity)
3. Income generated from fees charged for work carried out on Insolvency Case administration by the Official Receiver Services (ORS). Income recognised in 2021-22 was £47m (2020-21: £104.6m) (see Note 5)

Financial results

We are reporting a £0.9m surplus against budget for the financial year 2021-22.

This was due to a lower than expected outturn against our budget allocation for activities funded by BEIS of £14.4m. These were primarily a result of lower than anticipated Breathing Space volumes and lower than anticipated costs of major case investigations and enforcement.

The underspend is offset by a deficit on our fee funded activity of £13.5m (see Note 5). This was lower than expected, the forecast deficit resulting from OR cases expected to continue to be lower than pre-pandemic levels. Whilst the trend in OR cases did continue, during the year the deficit was significantly offset by asset realisations in our National Interest Cases.

Expenditure

Our total operating expenditure compared to 2020-21 has fallen by £211m to £414m (see Statement of Comprehensive Net Expenditure). The decrease is largely driven by lower Redundancy Payment Service payments due a reduction in the volume of claims and the type of cases compared to 2020-21.

Income

Note 4 shows that total operating income has decreased by £75m to £82m reflecting significantly lower income from Payment Protection Insurance (PPI) settlements as the costs of the cases impacted have now been recognised in full. The reduction also relates to lower volumes of Official Receiver cases. This was primarily due to the impact of COVID-19. 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.

Assets

As at 31 March 2022, we had assets of £446m. Our assets include property, plant and equipment, intangible assets, financial assets, trade receivables, cash, and cash equivalents. £133m of this related to debt assets or receivables and £283m to cash and cash equivalents. Assets have increased this year by £52m compared to last year. This is due to cash received on fees charged on settlement of historic PPI claims on insolvent estates and the adoption of the new accountancy standard (IFRS 16) which has created Right of Use assets for leases (see Note 1a and Note 6).

Liabilities

As at 31 March 2022, we had liabilities of £117m of which £38m related to trade payables and provisions. Liabilities have overall increased compared to last year by £58m. This is due to deferred fee income for cash received on the historic PPI claims, as well as the creation of a new Lease Liability due to the adoption of IFRS 16 (see Note 1a and Note 13).

The overall position of assets and liabilities held by us on 31 March 2022 was £329m (see Statement of Financial Position).

Capital

In 2021-22, our capital expenditure was £2.6m (2020-21: £4.2m). Most of this expenditure related to software licenses (£1.0m) and assets under construction (£1.0m). See Notes 6 and 7.

Where we spent our money

RPS £283.9m. We are responsible for making payments from the National Insurance Fund to employees who have been made redundant because of an insolvency, and/or where the employer has certain debts due to its employees other than redundancy (e.g., unpaid wages, holiday pay, notice pay etc.). We then seek recovery of the amounts paid, either directly from a solvent employer or by lodging a claim in the insolvency case. This amount also includes any National Insurance contributions payable by us to HM Revenue and Customs. The National Insurance Fund re-imburses us daily for the claims paid out.

Permanent and non-permanent staffing £81.6m. This represents payment for salaries inclusive of pension and National Insurance contributions and is net of recoveries relating to outward secondees.

IT Infrastructure £22.3m. We spent this to provide functions such as Service Governance, Cyber Security, Information Governance, Service Architecture, Business Relationship Management and Application Services. In addition, we continued our journey to modernise the technology used by our customers and our people. This expenditure also includes the costs of our Data Strategy which ensures that we get the best out of the data visualisations and business intelligence opportunities.

Investigations £2.3m. We spent this externally on investigations and enforcement to support National Interest Cases and other investigations, director and corporate behaviour and those who abuse the system. We undertook a range of investigation and enforcement activity which helped maintain confidence in the UK as a great place to work and do business. We undertook investigations into live companies and company directors' conduct in relation to companies in formal insolvency. We also investigated criminal misconduct in company and personal insolvency cases.

Civil and Criminal Legal costs £4.2m. These costs cover civil litigation work to disqualify company directors for misconduct, the winding up of companies acting contrary to the public interest and providing advice on the conduct of statutory enquires and insolvent investigations. These costs also include criminal enforcement activity including the prosecution of a wide range of offences, providing advice for example on drafting new criminal offences and enforcement strategies. Criminal casework ranges from general prosecution matters through to complex and challenging fraud cases. As part of our criminal enforcement activity, we pursued confiscation to deprive criminals of the proceeds of their crime.

Estates £3.9m. We spent this on accommodation costs, including operating leases.

Non-cash items £9.2m. We spent this on non-cash items. This included depreciation and amortisation (which represents the reduction in value of tangible and intangible assets over time), write-offs and expected losses, provisions for obligations payable in the future, accounting adjustments for the time value of money (discounting) and audit fee. This item also includes adjustment for adoption of IFRS 16.

Other costs and general administration £6.7m. We spent this on administration of HR & payroll costs (for shared services), non-salary related staff costs (e.g., training, travel, subsistence, welfare, recruitment), office supplies (e.g., print, postage, stationery, telephony), property maintenance and furniture costs not capitalised, financing costs and consultancy costs.

Where we received Income

Insolvency Case administration fees. £41.2m This is income the Agency has recognised for trustee liquidator, administration and general fees from all of our cases**.**

Redundancy Payment Scheme recovery £23.6m This is income from cash receipts and estimated future recoveries.

Debt relief order fee income £2.2m. This relates to income received regarding Debt Relief Orders which is a low-cost alternative debt solution following a submission from a specialist debt adviser.

Income from Online Debt Solutions and other debt solutions £2.1m. This includes Individual Voluntary Arrangements and Deeds of Arrangements fees.

Investigation, enforcement, and criminal enforcement £1.6m. This is income relating to civil and criminal costs which have been recovered.

Regulation of insolvency practitioners' income and banking fee income £1.3m.

Rental income £0.7m. This was from office space shared with other public sector occupants.

Dean Beale
Chief Executive
Date: 21 October 2022

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 our remuneration policy for directors, reports on how 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, we can effectively demonstrate accountability to Parliament though the Accountability Report.

Corporate governance report

Directors' report

The composition of our management boards (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 and Commercial Director
Dan Goad, People and Capability Director
Angela Crossley, Strategy, Policy and Analysis Director

Non-Executive members

Mark Austen
Alan Graham (until May 2021)
Robert Hunt
Richard Oirschot (until May 2021)
Mary Chapman
Samantha Durrant
Gary Kildare
Eoin Parker

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, there were two significant lapses of protective security. One was formally reported to the Information Commissioner's Office (ICO) who took no further action. The second incident was reported to BEIS' data protection officer and was deemed not reportable to the Information Commissioner.

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 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’s Service auditors are aware of that information. So far as I am aware, there is no relevant audit information of which auditors are unaware.

Dean Beale
Chief Executive
Date: 21 October 2022

Governance statement

Introduction

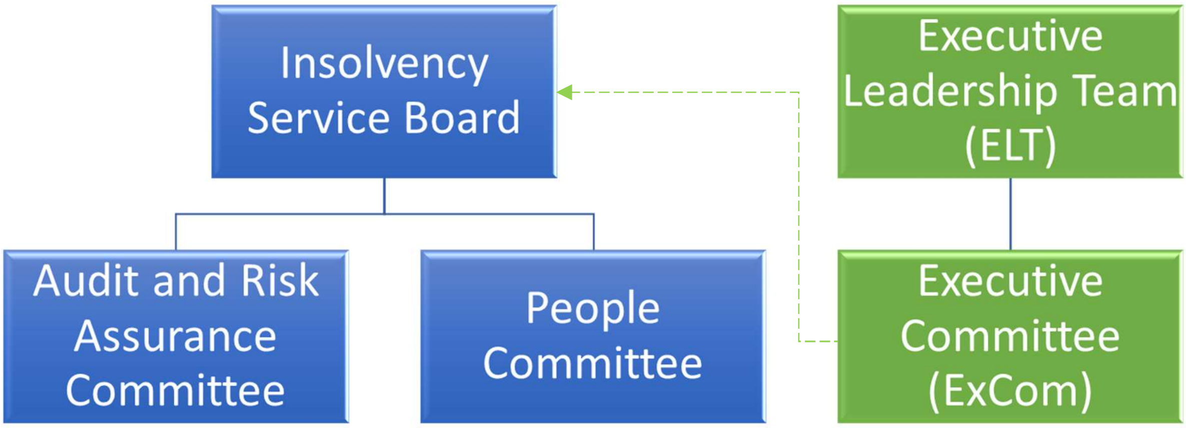
As Accounting Officer, I am responsible for the governance, risk management and internal controls within the Insolvency Service. These controls ensure that the Agency meets its objectives whilst adhering to the principles of 'Managing Public Money', ensuring that public funds are used in a proper and effective manner.

Governance structure

This section describes the governance arrangements in place during 2021-22.

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.

The governance structure within the Agency is shown in the following diagram.



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 effectively discharge its duties and responsibilities.

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 2021-22 annual plan and targets, including performance on all key aspects of Agency operations including finance, people and capability, and customer feedback
- implementation of the Agency's five-year strategy
- approval of the Agency's budget for 2021-22
- securing adequate resources to deliver the Agency's strategic objectives
- business continuity response to COVID-19 and the impact on operations, people, and wellbeing, as well as the phased re-introduction of working in offices

- 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 technology principles and customer satisfaction, 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. An Operational performance pack is presented to the Board by the Chief Operating Officer, highlighting progress against key targets, and risks are reviewed quarterly. The information presented to the board is 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 2021-22.

The ISB has two sub-committees:

- The Audit and Risk Assurance Committee (ARAC)
- People Committee (PC).

The **Audit and Risk Assurance Committee** is chaired by an appropriately qualified independent NEBM. Its membership comprises two further NEBMs. I attend along with the Finance and Commercial Director, and internal and external auditors. Other senior leaders attend as required.

ARAC supports me as Accounting Officer and receives reports from both internal and external auditors. It reviews the annual financial statements prior to publication and provides assurance to the Insolvency Service Board on controls and risk. ARAC met four times during the year. The resource impacts of COVID-19 (on both Agency and NAO staff) meant that the annual report and accounts were laid in Parliament in November 2021.

Matters considered by ARAC 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 people capacity and capability and the impact of COVID-19 on the Agency
- scrutiny of fraud and error incidents
- engagement with external auditors
- regular reviews of the Agency’s finance management reports
- assurance reviews of the following areas
  - Litigation risks
  - Commercial capability and outcomes of Cabinet Office peer review
  - Cyber security.

The **People Committee** is an advisory committee of the Insolvency Service Board. It provides governance oversight, advice and support relating to the following key areas:

- Development, implementation, and review of the People Strategy including capacity and capability within directorates
- 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 People Committee is chaired by a Lead Non-executive board member. It also includes two other Non-Executive Board Members, two executive board members and one external committee member.

Matters considered by People Committee included:

- Reviews of the people impacts on Agency strategies and policies, such as Inclusion First, Wellbeing, and Raising a Concern
- Agency reward schemes
- People Survey results

The **Executive Committee (ExCom)** meets twice monthly to review Agency performance, finance, and strategy. I share chairing responsibilities for ExCom meetings with the Chief Operating Officer 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 monthly including but not limited to the Agency’s performance targets.

The following table summarises NEBM attendance at Insolvency Service Board, Audit and Risk Assurance Committee and People Committee meetings held during 2021-22.

Non-Executive Board Members	Insolvency Service Board (ISB)	Audit and Risk Assurance Committee (ARAC)	People Committee
Mark Austen (Chair ISB)	10/10	N/A	4/4
Alan Graham (Chair of ARAC to May 2021)	2/2	1/1	N/A
Robert Hunt (Chair of ARAC from 1 June 2022)	10/10	4/4	N/A
Richard Oirschot (ARAC member to May 2021)	1/1	1/1	N/A
Mary Chapman (Chair People Committee)	9/10	2/2	4/4
Samantha Durrant	7/10	3/4	N/A
Gary Kildare	9/10	4/4	N/A
Eoin Parker	9/10	N/A	4/4

Compliance with the Corporate Governance Code

In accordance with the Corporate Governance in Central Government Departments: Code of Good Practice, 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 internal review was undertaken during January and February 2022.

Five of the six non-executive board members were appointed for the first time in April 2021, making for an essentially new board. The focus of this year's review was to assess, through targeted questionnaires and interviews with board members, how effectively the new board is meeting its purpose, role and responsibilities and identify areas for development.

A draft report of findings was presented to the board in March 2022; overall the report was satisfactory but did contain some suggestions for further development. The board discussed the report in March 2022 and agreed an action plan for implementing recommendations in 2022-23.

Strategic planning

Last year the Agency launched a new five-year strategy underpinned by seven strategic themes which described the vision and objectives for the Agency's operational and corporate centre functions. During 2021-22, the Agency has successfully delivered a programme of projects to begin the implementation of its transformation plans. Through this year's comprehensive spending review process (CSR21), we have secured funding from HM Treasury to enable the continued implementation of the long-term strategy and deliver a modernised, responsive and sustainable service that efficiently and effectively meets the needs of our customers.

The risk and internal control framework

Risk management framework

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 strategic, financial, reputational, operational and compliance risks and details the controls and 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 or issue is owned by a director and these are reviewed by the ELT at each monthly meeting whereby we 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 regularly. 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.

Risk profile

Impact of the COVID-19 pandemic

The Agency continued to deal with the following risks and issue due to the impact of the COVID-19 pandemic.

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

Disruption to productivity caused by those with whom we interact (including stakeholders, directors, bankrupts) not being able, or in some instances unwilling, to engage as effectively as they did pre-COVID-19 continued to have an impact in 2021-22.

Health and social issues, external factors such as access to customer sites and access to courts, or the fact that external resources have been re-prioritised away from assisting us with our enquiries remained factors, ultimately resulted in the Agency not achieving all of its performance targets.

This issue was closed in March 2022 as COVID-19 restrictions ended.

To help ensure the Agency returns to its pre-pandemic levels of performance, the Agency Performance Group (APG) continues to analyse and monitor performance against targets, determining what further mitigating or corrective actions should be taken, and reports on performance to ExCom each month.

Risk: Impact of economic effect of COVID-19 on case volumes

A plan was developed to deal with any sharp increases in cases. This set out priorities for work that had to be done, as opposed to being discretionary. Work to ensure resilience across operational areas was put in place, including potential for tactical contracting out of some work to free up resources for redeployment if required. A new operating model in Official Receiver Services provided more flexibility to cope with variations in workloads. This risk was closed in September 2021.

Risk: Ability to provide COVID-19 secure workplaces for staff

COVID-19 secure compliant status of all offices was confirmed and assured by means of a property risk assessment and Senior Responsible Officer confirmation at each office that all social distancing and attendance protocols were in place. The COVID-19 Business Continuity Group was in place to oversee ongoing compliance, identify systemic issues and act as an escalation point. This risk was closed in September 2021.

Risk: Impact of return to office working on staff welfare

Consistent and clear communications, whole Agency sessions and live question and answer are providing reassurance and mitigating risk. Executive Leadership Team looked at future ways of working, and the need for consistent application of the working practices guidelines, whilst continuing to manage individual circumstances sensitively.

Significant issues

The Agency has dealt with the following other significant issues this year.

Official Receiver Services case volumes and funding

This issue first materialised in December 2020 as bankruptcy and compulsory liquidation numbers dropped much lower than pre-COVID-19 levels, resulting in a significant reduction in income generated from case fees. The reduction in case numbers was a direct result of Government intervention to mitigate the risk of insolvency and it continued into 2021-22.

In 2021-22, case numbers were only 45% of the average annual volumes directly before the pandemic, resulting in case income materially below normal planning assumptions. To mitigate the impact on the financial position, significant reductions have been made to recruitment plans and staff have been redeployed. Whilst these measures reduced the size of the forecast budget deficit, the shortfall in fees remained significantly higher than could be managed without funding from BEIS.

By year end the fee-funded deficit had reduced to £7.3m due to reduced staff costs in Official Receiver Services and increases in other fee income. To reduce the risk of future income shortfalls in ORS, the Agency has initiated a project to develop a long-term financial solution. Funding for this project was agreed as part of the 2021 Spending Review bid.

Compensatory notice pay error

In 2020-21 it was reported that in 2018-19 incorrect payments to claimants were made due to errors in the treatment of Compensatory Notice Pay (CNP). The calculation applied was incorrect as National Insurance (NI) was not correctly deducted. In addition, the tax deducted had not at that time been passed to HMRC.

The value of the overpayments due to the under-deduction of National Insurance Contributions (NIC) in relation to CNP was revised to £5.5m in 2020-21 and there has been no further change.

All relevant information has been submitted to HMRC during 2021-22 so that individuals' tax and NI records are now correct. The amounts owed by claimants have been formally written-off in the accounts. The matter is now concluded and this issue was closed in September 2021.

Redundancy Payments Service Calculations

The Agency's RPS calculation engine was built, following consultation with HMRC, to apply one week's primary threshold to each individual week within a calculation, with national insurance and tax applied at the point of calculation and to each component individually. In December 2021, HMRC, as part of their regular engagement with RPS, advised that RPS's current approach to the application of national insurance deductions was incorrect. Following further enquiries, the correct approach is complex and subject to legislative ambiguity; however, the application of national insurance deductions is determined by a number of factors including the redundancy component being paid and the individual claimant's earnings period.

The Agency has modelled scenarios to assess the impact of the change, taken prospectively from the date the new advice was given, estimating an annualised £1.6m under deduction and a £1.2m over deduction of national insurance. In a large number of cases, the impact per claim is small. Based on an assumption of a monthly taxation cycle, the median impact of this issue was an over-deduction of £17. Within those individuals with under-deductions, the median was £29; within those with over-deductions, the median was £35. Considering NI under- and over-deductions relative to individuals' gross taxable amounts due, the median discrepancy was a 2.3% under-deduction; and 95% of individuals fell within the range between an under-deduction of 8.6%, and an over-deduction of 4.8%.

In order to allow the RPS to continue to provide support to those in financial distress, the Agency has had to continue to make RPS payments under the current methodology. The Agency is continuing to work with HMRC to consider what changes could and should be made to the RPS payments. The Agency hopes to resolve the issue as soon as practicable but until this is done, RPS payments will continue to be made under the superseded guidance.

Key strategic risks

The Agency has dealt with the following significant strategic risks this year.

The Executive Leadership Team’s ability to engage the broader organisation behind the delivery of the new strategy

Controls for this risk include ongoing engagement activities around the strategy becoming embedded as Business as usual, and benchmarking of awareness and understanding by colleagues of how their role fits into the strategy.

The Agency's ability to recruit a diverse workforce and to recruit or retain people into critical roles

Work has been done to improve external communications and inclusive recruitment products to improve diversity. Strategic workforce, succession and capability planning are in place to mitigate the risk of problems in recruitment and retention. Controls are in place to ensure compliance with Cabinet Office requirements on contingent labour. Continuous improvement techniques are being used to conduct an end-to-end recruitment process and develop the concept of 'grow your own' – taking on apprentices and focussing their development on roles within the Agency.

The Agency's funding being insufficient to modernise our technology

During the year the Agency had developed contingency plans in the event that funding was not sufficient to cover necessary modernisation of our technology. Funding has now been secured and this risk has been closed.

Uncertainty over future funding

There was potential that the funding allocated by BEIS would not be sufficient for all the Agency’s planned change activity or would necessitate reductions in the cost base and operational outputs. BEIS funding was confirmed at the required level in March 2022 and budget requirements for redundancy payments service have been funded by HMRC. This risk has been closed.

Key operational risks

The Agency has dealt with the following operational risks this year.

The Agency’s capability to respond to National Interest Cases

A NIC support strategy has been developed to better understand the pressures brought on Business as usual operations due to the resourcing demands of NICs. The securing of a panel of solicitors to call upon will provide choice and drive best value. Costs associated with NICs are mitigated by the introduction of a system to recover Official Receiver time supervising special managers. The Chief Technical Officer and Official Receiver liaise across government and externally to ensure that the operational team get sufficient financial, legal and special manager support.

The Agency’s vulnerability to cyber attack

Cyber risk will remain a feature of all corporate life for the foreseeable future. The Agency is working on a range of measures including training, reviewing of back up policies and processes, updating technical documentation and making full use of the relevant National Cyber Security Centre’s Active Cyber Defence capabilities. Full implementation of all proposed measures should act to reduce that risk as much as is practical, without unduly impacting the ability of staff to work effectively.

The Agency’s vulnerability to fraud

The Agency investigates and pursues all instances of fraud. Where fraud incidents have occurred, attack tree sessions, reviews of end-to-end processes have been implemented and lessons learned recorded. Fraud risk assessments are conducted at directorate and Agency level and if fraud risks are identified action plans are developed to further reduce the likelihood of successful large-scale fraud attacks.

Vulnerability to potential fraud and error in the process of payments to third parties

Controls relating to payee administration groups and the governance around centrally managed payees are now in place. There is updated guidance for staff and all necessary IT changes have been made in order to mitigate the risk. This risk was de-escalated in October 2021.

GDPR compliance

We now have a formal data retention policy for all data across the Insolvency Service, and various projects have taken place to bring systems into line with this policy. A full review of our information assets has now been completed, and individual asset owners appointed for every asset. This work will continue under business as usual as assets retire, change, or are added. This risk was de-escalated in March 2022.

Insufficient detail in business requirements for commercial contracts

Training was delivered and updated guidance provided to all business areas. A new process for instructing the commercial team was introduced. This risk was de-escalated in November 2021.

Lack of clear strategic direction

High level strategic objectives were agreed by the Minister. The strategic business plan has been developed and is being used to report to the ELT and the board on delivery progress. Strategic Key Performance Indicators (KPIs) and year one operational KPIs have been agreed and are being developed to include baselines and five-year targets. This risk was de-escalated in June 2021.

Impact of EU exit on Agency’s goals

Following the UK's exit from the European Union, the framework for automatic recognition and enforcement of insolvency proceedings under the EU Insolvency Regulation is not available in respect of new UK or EU insolvency proceedings. In addressing this, we have initially focused on providing insolvency practitioners with guidance on how to obtain recognition for UK insolvency proceedings in individual EU states, particularly those with which we have the most significant volume of trade. Over the longer term, we are continuing to develop the UK framework for managing international insolvencies, with a forthcoming consultation on implementing two United Nations Commission on International Trade Law (UNCITRAL) Model Laws in this area. We continue to encourage other countries, including EU members, to implement the UNICTRAL Model Law on Cross-Border Insolvency (as the UK has already done) and so provide a predictable and effective route for cross-border insolvency cooperation between us.

Internal Controls

Quality Assurance of Analytical Models

There are two business-critical models used by the Agency in relation to planning assumptions for case inputs and fee income. The models contain separate workings used for forecasting for the four main elements of Official Receiver Services fee income arising from Payment Protection Insurance (PPI), National Interest Cases, Redundancy Payments Service (RPS) and Business as Usual (BAU) cases.

The models used have been subject to a separate review by Government Internal Audit Agency (GIAA) to provide assurance that the Agency is compliant with:

- the MacPherson Review of Quality Assurance (QA) of Government Analytical Models
- HMT guidance on producing quality analysis for government contained in the Aqua Book.

The review made recommendations relating to the documentation associated with the models and key assumptions, QA processes and high levels of dependency on specific individuals.

Since the review, significant progress continues to be made in addressing the recommendations including: the development of robust QA arrangements, a process of independent review, documentation, and a cross training programme.

The GIAA review concluded that the Agency income modelling processes are largely compliant with best practice when assessed against the MacPherson Report and the expectations of BEIS, as the Agency's sponsor department. The QA logs for financial models were 'not fully compliant' in two areas. Enhancements to ensure full compliance and future financial sustainability has been incorporated as part of a formal project within the five-year strategy. It is prudent for the Agency to remain in the amber rating.

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.

The Agency has a dedicated whistleblowing Nominated Officer 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.

One allegation was investigated during 2021-22, but no evidence was found to support the allegation.

Customer feedback and complaints process

The Insolvency Service gathers feedback using an annual customer satisfaction survey, annual surveys with delivery partners, and our complaints process. A target is set for customer satisfaction in the Agency annual plan. The yearly survey captures the perceptions and experiences of the main groups using our services.

The customer satisfaction survey is conducted by an independent research agency who uses computer-assisted telephone interviews that typically last around 15 minutes. The delivery partner surveys are conducted in house via an online survey.

The Insolvency Service's complaints process comprises of three internal complaint tiers, with Tier three complaints investigated and responded to by my office.

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

Delegated Financial 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 board 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. My financial delegations as Accounting Officer are set by BEIS and sub-delegated to directors and senior leaders.

Protective Security

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.

Compliance with statutory timescales for the provision of information were adequate over the reporting year, with 99% of Freedom of Information and Subject Access Request responses within statutory timescales. The Agency replied to one Subject Access Request and two Freedom of Information requests outside the statutory timescales.

The Agency experienced two significant lapses of protective security in 2021-22. The first involved the omission of the intended recipient's name in the 'to' field for some early postal Breathing Space notifications. The notifications were all posted to the correct address and didn't include any sensitive personal data such as National Insurance numbers or information about the type of debt. A fix was applied 24 hours after the Agency became aware of the issue, and we have seen no reoccurrence.

The Information Commissioner's Office were informed but took no further action. The second involved the misdirection of removable media, which was recovered soon after leaving our possession. The incident was reported to BEIS's data protection officer and was deemed not reportable to the Information Commissioner.

Physical Security

The Insolvency Service currently has 22 sites across England, Wales, and Scotland. The vast majority of our sites have excellent protective security controls. However, some sites, which house multiple non-government tenants, are less well protected due to the Landlord, Landlord Managing Agent and other tenants dismissing our protective security recommendations. All sites deploy a layered physical security approach.

The Agency ensures that the Centre for the Protection of National Infrastructure (CPNI) Operational Requirements (OR) inspections and secure by design principles are adhered to. The CPNI methodology has enabled the Physical Security Team to identify and remediate meaningful areas for improvement across the estate.

The Agency will always implement proportionate protective security controls to ensure safety of personnel and protection of sensitive assets/material at the official (sensitive) level.

In this reporting period, the Agency has not experienced any significant lapses in relation to protective (physical and personnel) security.

Government Functional Standards

Heads of Function, and Function Leads where necessary, are in place in all appropriate areas.

The Functional Standards have been addressed in two areas:

- GovS001 where business plans compliant with the standard’s requirements have been constructed for each function for 2022-23 and are being reflected in the Agency Annual Plan; a Governance statement for each function has been submitted demonstrating their current levels of compliance and are being built into the Agency corporate governance processes; and the structure and positioning of the Corporate Governance Function itself is being examined within the Agency Organisational Design Project with a view to compliance. The overall assessment here is compliant with continuous improvements planned for 2022-23.

- GovS002-14 (GovS015 does not apply to this Agency) All functions are preparing for their individual standards and are ensuring compliance as each standard is published, taking advantage of peer reviews and submitting appropriate self-assessments.

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. A representative from the Corporate Governance team, Head of Internal Audit and Chair of the Audit and Risk Assurance Committee also met a sample of directors to discuss any key issues.

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.

Internal Audit Annual Assurance Opinion

The Head of Internal Audit provides a report annually on the internal audit activity during the year. An overall Moderate opinion was provided on the framework of governance, risk management and control within the Insolvency Service (‘the Agency’) for 2021-22, with a distribution of individual report ratings broadly consistent with previous years. The opinion is based on the results of individual audit engagements undertaken throughout the year, attendance at board and committees, and regular meetings with senior management.

The assurance activities were aligned to the key risks to strategic objectives of the organisation, focussing on:

- delivery of key programmes and projects, such as Breathing Space
- reviews (on a rotational basis) of operational processes in the ORS, RPS and other areas
- cyber security
- an ongoing plan of rotational reviews of corporate systems.

As the country has come out of the pandemic, the Agency has adapted and developed its processes and operations. Internal Audit are pleased to note that the Agency has maintained appropriate levels of operational governance and risk management and continues to successfully deliver core services. The Agency has also seen success in delivering formal projects, for example, taking Breathing Space into the Business as usual environment.

The Agency continues to maintain a proportionate level of key controls, and no significant weaknesses were identified. Some Limited assurance opinions were issued (Starters & Leavers; and Post Implementation Review: Debt

Recovery Provider), with themes emerging that there is a capacity risk around the delivery of projects and improvement activities. Internal Audit also noted that the Agency would benefit from a more strategic approach to risk, which we have recently commenced research into.

During the year, agreed management actions as a result of recommendations were actively followed up. In line with the Agency’s risk appetite, all high, medium and low priority actions are monitored to closure. The two Limited assurance reports, resulted in four high priority actions, which have been successfully closed during this year.

Looking forward, Internal Audit suggested that areas for continued focus should include: introducing more strategic aspects to the risk register; delivering the cyber security action plan; making progress on recruitment and retention, including developing a workforce strategy with a multi-year horizon; improving the approach to fraud risk assessments; and improving the management of all change as a portfolio of projects and programmes, aligned to strategic priorities and available resources.

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 Assurance Committee. I conclude that the Agency has satisfactory governance and risk management systems with effective plans to ensure continuous improvement.

Dean Beale
Chief Executive
Date: 21 October 2022

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)	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Alec Pybus Chief Operating Officer	95-100	95-100	5-10	Nil	Nil	Nil	39	39	140-145	135-140
Angela Crossley Strategy & Change Director	85-90	85-90	Nil	0-5	Nil	Nil	17	65	105-110	155-160
Christopher Pleass Finance & Commercial Director	90-95	90-95	Nil	Nil	Nil	Nil	28	38	120-125	130-135
Daniel Goad People & Capability Director	95-100	95-100	5-10	Nil	Nil	Nil	37	37	135-140	130-135
Dean Beale Chief Executive	100-105	100-105	5-10	Nil	Nil	Nil	20	86	125-130	185-190

[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.

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 2021-22 relate to performance in 2021-22 and the comparative bonuses reported for 2020-21 relate to the performance in 2020-21.

Pay multiples (audited)

Reporting bodies are required to disclose the banded percentage change from previous financial year in respect of the highest paid director and an average in respect of all employees taken as a whole.

Banded percentage change from 2021-22	Salary and allowances	Performance Pay and bonuses
For highest paid director[1]	0%	-
For average employee[2]	4%	45%

[1] Calculated on the midpoint of the £5k rounded pay band. The highest paid director did not receive a bonus in 2020-21, however did receive a bonus of £5-10k in 2021-22.
[2] Based on the total pay for all employees on an annualised basis, excluding the highest paid director, divided by the full-time equivalent number of employees (also excluding the highest paid director).

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

Year	25th percentile pay ratio[1]	50th percentile Median pay ratio[1]	75th percentile pay ratio[1]
As at 31 March 2022	4.9:1	3.6:1	2.5:1
As at 31 March 2021	4.8:1	3.5:1	2.5:1

[1] Calculated on the midpoint of the £5k rounded pay band for the highest paid director.

The minimal change in the current financial year's pay ratios compared to the pay ratios of the previous financial year is due to the banded remuneration remaining identical and there not being a material change in the workforce, or a change in the highest paid director's remuneration. The change in the ratios is consistent with the pay, reward and progression policies of the Agency as salary increases during 2021-22 were targeted to the lowest paid employees therefore increasing the 25th and 50th percentile and not changing the 75th percentile.

	25th percentile pay	50th percentile Median pay	75th percentile pay
As at 31 March 2022			
Total remuneration	£22,036	£30,282	£42,175
Salary component only	£21,127	£29,319	£41,059
As at 31 March 2021			
Total remuneration	£21,137	£29,151	£41,431
Salary component only	£20,877	£27,651	£41,059

As at 31 March 2022 remuneration ranged from £15,000 to £395,000 (31 March 2021, £15,000-£185,000). This range includes agency workers and contractors where a derived annualised salary has been calculated as if they were employed for a full year.

Total remuneration includes salary, allowances, overtime, 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 ten members although there have been movements throughout the year where members have joined and left the Insolvency Service Board or the Insolvency Service.

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

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

Their remuneration is borne by the Insolvency Service and is disclosed above.

The costs of Debbie Gillatt and Eoin Parker were borne by BEIS and they did not receive any additional amount for board duties from the Insolvency Service.

Non-Executive Board Members	Salary 2021-22 £000	Salary 2020-21 £000
Stephen Allinson[1] (Chair from 1 January 2017 – 15 April 2021)	0-5	15-20
Alan Graham MBE[2] (from 1 September 2014 – 31 May 2021)	0-5	10-15
Richard Oirschot[1] (from 1 August 2017 – 30 April 2021)	0-5	15-20
Mary Chapman (from 1 August 2017)	10-15	10-15
Mark Austen[1] (from 6 April 2021, Chair from 16 April 2021)	15-20	N/A
Robert Hunt[2] (from 6 April 2021)	10-15	N/A
Samantha Durrant[2] (from 6 April 2021)	10-15	N/A
Gary Kildare[2] (from 6 April 2021)	10-15	N/A
Eoin Parker (from 1 April 2021)	Nil	N/A
Debbie Gillatt (from 1 September 2018 -31 March 2021)	N/A	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

[1] Stephen Allinson, Richard Oirschot, Mark Austen all have full year equivalent salaries in 2021-22 of £15-20k
[2] Alan Graham, Robert Hunt, Samantha Durrant, and Gary Kildare all had full year equivalent salaries in 2021-22 of £10-15k.

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: three providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between ten years and 13 years and five 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 which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension

Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

Compensation for loss of office

As per 2020-21, no senior managers have received compensation for loss of office in 2021-22.

Pension benefits (audited)

Officials	Accrued pension at pension age as at 31/3/22 £'000	Real increase in pension £'000	CETV at 31/3/22 £'000	CETV at 31/3/21 £'000	Real increase in CETV £'000
Alec Pybus Chief Operating Officer	10-15	0-2.5	163	130	22
Angela Crossley Strategy & Change Director	35-40 **plus lump sum of** 80-85	0-2.5 **plus lump sum of** 0	769	720	5
Daniel Goad People & Capability Director	15-20	0-2.5	191	163	17
Christopher Pleass Finance & Commercial Director	30-35	0-2.5	487	446	14
Dean Beale Chief Executive	45-50	0-2.5	733	686	5

Staff Report

Senior Staff by pay-band

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

	As at 31 March 2022	As at 31 March 2021
SCS Pay-band 2	1	1
SCS Pay-band 1	10	7

Staff composition

	Employees		SCS (incl. ISB Members)		ISB Members All Staff		All Staff	
	No	**%**	**No**	**%**	**No**	**%**	**No**	**%**
As at 31 March 2022								
Female	983	57.52%	2	18.18%	1	20.00%	985	57.27%
Male	726	42.48%	9	81.82%	4	80.00%	735	42.73%
	1,709		**11**		**5**		**1,720**	
As at 31 March 2021								
Female	1025	55.83%	1	12.50%	1	20.00%	1026	55.63%
Male	777	44.17%	7	87.50%	4	80.00%	784	44.37%
	1,802		**8**		**5**		**1,810**	

Staff Costs (audited)

	2021-22			2020-21		
	Permanently employed £'000	Others £'000	Total £'000	Permanently employed £'000	Others £'000	Total £'000
Wages and salaries	56,588	4,519	**61,107**	56,178	3,048	**59,226**
Social security costs	5,723	-	**5,723**	5,608	-	**5,608**
Other pension costs	14,950	-	**14,950**	14,592	-	**14,592**
Voluntary exit scheme	-	-	-	40	-	**40**
Subtotal	**77,261**	**4,519**	**81,780**	**76,418**	**3,048**	**79,466**
Add cost / (Less recoveries) in respect of outward secondments	(181)	-	**(181)**	81	-	**81**
Total net costs	**77,080**	**4,519**	**81,599**	**76,499**	**3,048**	**79,547**

Sickness absence data

During the year, the number of average annual working days lost per employee was 6.6 days (2020-21: 5.6 days).

Staff Turnover percentage

During the year, the staff turnover percentage for the Agency was 11.9% (2020-21, 7.8%).

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 (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation) 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 and Governance Statement.

Off-payroll engagements

	2021-22	2020-21
Cost of off-payroll engagements	£3.397m	£2.485m
Average number of staff	109	108
Of these:		
Number paid more than £245 per day	34	9
Number that lasted less than 6 months	14	5
Number lasted longer than 6 months but less than a year	11	0
Number paid more than £245 per day with a contract lasting more than 1 year but less than 2 years	8	3
Number where contract lasted longer than 2 years	1	1

Between 1 April 2021 and 31 March 2022 there were 34 off-payroll engagements or those that reached six months in duration, for more than £245 per day. 25 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 34 were reassessed for consistency/assurance purposes during the year, and there were three changes to IR35 status following this consistency review.

Consultancy

Spend on consultancy was £856k (2020-21: £712k). This included specialist resources required to develop the Agency's Data Strategy, to support the Spending Review and Strategic Business Plan development.

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)	0 (1)	0 (1)
Total number of exit packages	0 (0)	0 (1)	0 (1)
Total Resource cost / £'000s	0 (0)	0 (39)	0 (39)

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

There were no redundancies agreed as at the end of 2021-22 (2020-21: one person). There were no compulsory redundancy terms agreed as at 31 March 2022 (2020-21: no 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 the Agency is unable to identify its share of the underlying assets and liabilities.

The scheme actuary valued the PCSPS as at 31 March 2016. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation.

For 2021-22, employers' contributions of £14.8m were payable to the PCSPS (2020-21: £14.5m) at one of four rates in the range 26.6% to 30.3% (2020-21: 26.6% to 30.3%t) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions periodically following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2021-22 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 (2020-21: £91k) were paid to 1 appointed stakeholder pension provider. Employer contributions are age-related and range from 8% to 14.75% (2020-21: 8%t to 14.75%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £3,113 (2020-21: £3,109), 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 (2020-21: one employee) retired early on ill-health grounds, incurring an additional £0.3k accrued pension liability (2020-21: £5.7k).

Average number of persons employed (audited)

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

Number	**2021-22**	**2020-21**
Directly Employed	**1,675**	**1,637**
Other	**47**	**70**
Total	**1,722**	**1,707**

Parliamentary Accountability and Audit Report

Parliamentary Accountability Disclosures

Regularity of expenditure

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 2022. For details of contingent liabilities see Note 15 in the Accounts.

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	2021-22 £'000	2020-21 £'000
RPS receivable loss	261,765	447,473
RPS fraud loss	0	540
Claims abandoned	672	496
Special Payments	24	39
Fruitless Payments	44	14

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 accounts for the loss of the RPS receivable in NIF accounts. The estimated RPS receivable loss for 2021-22 was £261 million (2020-21: £447 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)

During 2020-21, the RPS, funded by the NIF, received a number of claims which were subsequently discovered to be fraudulent. £500k 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. There was no such fraud during 2021-22.

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 2021-22 there were 112 write-offs totalling £672k (2020-21: 58 write-offs totalling £496k).

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 2021-22, the Agency made 89 special payments totalling £24k (2020-21: 78 special payments totalling £39k).

Of these, there were 88 payments totalling £10k (2020-21: 78 cases totalling £39k) for compensation following complaints and miscellaneous errors. There was one special payment made for an employment tribunal claim £14k (2020-21: no claims costing £0k).

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 2021-22, the Agency made 29 fruitless payments totalling £44k (2020-21: five payments totalling £14k). All these cases involved failure to deal with an asset correctly costing the Agency £44k (2020-21: four cases costing £14k).

Fees and charges income (audited)

The Agency charges fees for work carried out by the Official Receivers (OR). These fees are set through legislation and are managed by the Agency in accordance with the principles of 'Managing Public Money', whereby fees are set to recover full costs including the cost of capital. More detail can be found in the Notes to the Financial Statements (Notes 1(j), 1(k), 1(l), 1(n), 2(a), 2(b), 1(c), 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 2021-22 this objective was not achieved, as the income recognised was insufficient to cover the cost of the OR service:

- The cost of the OR service to which fees were applicable was £47 million (2020-21: £59 million)
- The total income received from fees and recognised as income in the year was £41 million (2020-21: £97 million)

- No monies (2020-21: £10 million) are due to be repaid to the Consolidated Fund. Fees received are surrendered to the Consolidated Fund when they exceed the amount we are able to retain.

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 2022 under the Government Resources and Accounts Act 2000.

The financial statements comprise: the Insolvency Service's:

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

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 2022 and its 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 (UK) (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 Financial 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 financial statements nor my auditor's certificate and report. 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 the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000:

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- 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 and is in accordance with the applicable legal requirements.

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:

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Insolvency Service 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 subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; 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:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- 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; and
- 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 the 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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the Insolvency Service's accounting policies;
- Inquiring of management, the Insolvency Service's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the 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 Service's controls relating to the Insolvency Service's compliance with the 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 a result of these procedures, I considered the opportunities and incentives that may exist within the Insolvency Service for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates and payments made by the Redundancy Payments Service. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the Insolvency Service's framework of authority as well as other legal and regulatory frameworks in which the Insolvency Service operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in 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 the Insolvency Act 1986, the Employment Rights Act 1996, the Government Resources and Accounts Act 2000, Managing Public Money, employment law and tax Legislation.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit and Risk Assurance Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;

- 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
- in response to non-compliance with laws and regulations identified with respect to deducting national insurance from payments made by the Redundancy Payments Service:
    - verifying the impact on the financial statements by evaluating the completeness and accuracy of the input data driving the Insolvency Service's models that calculated the impact;
    - reviewing the regularity implications of the identified non-compliance; and
    - reviewing the associated disclosures made in the Accountability Report.

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.

Other auditor's responsibilities

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

I have no observations to make on these financial statements.

Gareth Davies **Date: 25 October 2022**
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 2022

	Note	2021-22 £'000	2020-21 £'000
Income from contracts with customers	4	(72,101)	(148,250)
Other operating income	4	(10,028)	(9,106)
Total operating income:		**(82,129)**	**(157,356)**
Staff costs	3	81,599	79,547
Redundancy payments service	3	283,857	485,297
Purchase of goods and services	3	24,023	22,716
Depreciation and impairment charges	3	7,955	2,227
Provision expense	3	810	230
Other operating expenditure	3	15,434	34,677
Total operating expenditure:		**413,678**	**624,694**
Net operating expenditure:		**331,549**	**467,338**
Finance expense	3	372	132
Net expenditure for the year:		**331,921**	**467,470**
Comprehensive net expenditure for the year:		**331,921**	**467,470**

The notes on pages 181 to 253 form part of these Accounts

Statement of Financial Position

as at 31 March 2022

	Note	2021-22 £'000	2020-21 £'000
Non-current assets:			
Property, plant and equipment	6	26,039	4,784
Intangible assets	7	3,302	3,377
Financial assets	9	59,935	69,127
Total non-current assets		**89,276**	**77,288**
Current assets:			
Financial assets	9	68,022	185,022
Trade receivables and other assets	9	5,151	12,358
Cash and cash equivalents	10	283,366	118,798
Total current assets		**356,539**	**316,178**
Total assets		**445,815**	**393,466**
Current liabilities			
Trade and other payables	11	(95,754)	(54,982)
Provisions	12	(1,171)	(888)
Total current liabilities		**(96,925)**	**(55,870)**
Total assets less total current liabilities		**348,890**	**337,596**
Non-current liabilities:			
Trade and other payables	11	(16,876)	-
Provisions	12	(3,167)	(2,691)
Total non-current liabilities		**(20,043)**	**(2,691)**
Assets less liabilities		**328,847**	**334,905**
Taxpayers' equity:			
General fund		328,847	334,905
Total taxpayers' equity		**328,847**	**334,905**

Dean Beale
Chief Executive
Date: 21 October 2022

The notes on pages 181 to 253 form part of these Accounts

Statement of Cash Flows

for the period ended 31 March 2022

	Note	2021-22 £'000	2020-21 £'000
Cash flows from operating activities	**Note**		
Net operating expenditure	SoCNE	(331,549)	(467,338)
Adjustments for non-cash transactions:			
Depreciation and amortisation charge	6,7	7,954	2,227
Provisions	12	810	230
Audit fee	3	176	173
Loss on disposal	6	-	53
Use of provisions	12	(51)	-
Decrease/(Increase) in trade receivables and financial assets	9	133,399	(51,113)
Increase in trade payables	11	57,648	652
Less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		(15,840)	2,617
Finance expense	3	(372)	(132)
Net cash outflow from operating activities		**(147,825)**	**(512,631)**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(94)	511
Purchase of intangible assets	7	(903)	(3,186)
Net cash outflow from investing activities		**(997)**	**(2,675)**
Cash flows from financing activities			
BEIS financing	SoCITE	71,752	53,687
VAT recovered by BEIS	SoCITE	(2,048)	(4,104)
Net funding from the National Insurance Fund	SoCITE	255,983	455,676
Payment of lease liabilities	13	(6,543)	-
Net cash inflow from financing activities		**319,144**	**505,259**
Net Increase/(Decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**170,322**	**(10,047)**
Receipts due to the Consolidated Fund		-	10,449
Payments of amounts due to the Consolidated Fund		(5,754)	(14,618)
Net Increase/(Decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**164,568**	**(14,216)**
Cash and cash equivalents at the beginning of the period	10	**118,798**	**133,014**
Cash and cash equivalents at the end of the period	10	**283,366**	**118,798**

The notes on pages 181 to 253 form part of these Accounts

Statement of Changes in Taxpayers' Equity

for the period ended 31 March 2022

		General fund £'000	Total reserves £'000
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**
Comprehensive expenditure for the year 2021-22			
Non-cash charges - auditor's remuneration	3	176	176
Net expenditure for the year	SoCNE	(331,921)	(331,921)
BEIS financing		71,752	71,752
National Insurance Fund - RPS		255,983	255,983
VAT recovered by BEIS		(2,048)	(2,048)
Adjustment to Right Of Use Assets on adoption of IFRS 16		2,375	2,375
Reversal of lease incentive accrual under IAS 17		(2,375)	(2,375)
Balance at 31 March 2022		**328,847**	**328,847**

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.

The notes on pages 181 to 253 form part of these Accounts

Notes to the Agency's Accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2021-22 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply the UK adopted 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 Standard

(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 2021-22'. Fees charged by the Official Receiver are included here as income.

1(a) Accounting pronouncements

Accounting pronouncements are endorsed by the International Accounting Standards Board (IASB) and would include:

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

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

The Agency is adopting IFRS 16 in this year's accounts and will be adopting IFRS 17 in a future year's accounts.

<u>IFRS 16 Leases</u>

A new standard, IFRS 16 Leases, became effective from 1 April 2021, and has been applied in these financial statements.

IFRS 16 provides a single lessee accounting model, requiring leases to recognise assets and liabilities for all leases unless the lease term in 12 months or less or the underlying asset has a low value (£5,000). The standard became effective in the private sector for accounting periods commencing on or after 1 January 2019. The Insolvency Service has adopted IFRS 16 in this financial year commencing 1 April 2021, although most government bodies will adopt it next 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 are 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.

The main change is to operating leases: these now 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 has increased the value of PPE assets and a corresponding value of lease liabilities.

After initial recognition, right-of-use assets are amortised on a straight-line basis and interest will be recognised on the liabilities. Except where modified for revaluation where material, the cost model is applied to assets for leases other than leases with a peppercorn rental (although the Agency holds none of these). As a result, the timing of the recognition of the total costs of leasing has changed, as interest costs are higher at the start of a lease.

In line with HM Treasury guidance, the Agency has implemented IFRS 16 using the cumulative catch-up method; as a result, comparatives have not been re-stated, and the measurement of the asset and liability balances are recognised from 1 April 2021.

HM Treasury issued a central internal rate of borrowing for entities to apply, 0.95%, which we have used where there is no rate implicit in a lease contract (which is often the case for property leases).

As IFRS 16 has been implemented using the cumulative catch-up method, comparatives for 2020-21 have not be re-stated, and the adjustment to net assets has been made with effect from 1 April 2021. For the material arrangements within the scope of IFRS 16, the impact of implementation increased assets by £27.2m and liabilities by £29.6m. The £2.4m difference between the asset and liability opening position is due an accrual for lease incentives under IAS 17 as at 31 March 2021, this has been released to reserves and deducted from the asset value.

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.

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; this is because a number of the leases have tenant break-clauses which the Agency does not expect to trigger.

Table 1

Statement of Comprehensive Net Expenditure (SoCNE) impacts IFRS 16	**£'000**
Depreciation in 2021-22	5,786
Interest expense in 2021-22	245
Less IAS 17 basis lease expenditure for 2020-21	(94)
Expenditure	**5,937**

Table 2

Statement of Financial Position (SoFP) impacts IFRS 16	**£’000**
Existing IAS 17 Operating Leases - 31 March 2021 (See note 14)	23,640
Increase due to net remeasurement of the Lease Liability - 1 April 2021	5,960
Less outstanding accrual for lease incentives for existing IAS 17 Operating Leases - 31 March 2021	(2,375)
Right of Use Asset as at 1 April 2021	**27,225**
Existing IAS 17 Operating Leases - 31 March 2021 (See note 14)	23,640
Increase due to assessment of lease break-clauses - 1 April 2021	6,873
Impact of discounting - 1 April 2021	(913)
Lease Liability as at 1 April 2021	**29,600**

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts that fall within scope of the new standard. It was formally adopted by the UK Endorsement Board (UKEB) in May 2022 and is due to come into effect for accounting periods commencing 1 January 2023. Current expectations are that IFRS 17 shall be included in the 2023-24 FReM. At present the Agency’s review has found that it has no contracts which meet the definition of insurance contracts as per IFRS 17, this will remain under review until the standard comes into effect.

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) Non-current assets: property, plant and equipment

Property, Plant and Equipment (PPE) are non-current assets that are held by the Agency for use in the supply of services or for administrative purposes and are expected to be used for more than one year.

The minimum level for capitalisation of PPE is £5,000, except for leasehold improvements where the initial cost is £250,000. PPE with costs below the capitalisation threshold charged is expensed to the SoCNE in the period of purchase.

In accordance with IAS 16, recognition depends on two criteria:

(i) it is probable that future economic benefits associated with the asset will flow to the Agency for more than one year; 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, including those incurred that are directly attributable to bringing the asset into use. In accordance with the FReM, the Agency has adopted depreciated historical cost as a material approximation of fair value, the useful life is a realistic reflection of the life of the asset and the depreciation method provides a realistic reflection of its consumption.

1(d) Non-current assets: intangible assets

As per IAS 38, Intangible assets are identifiable non-financial 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 past events;
(ii) something from which the Agency expects future economic benefits will flow for more than one year, such as computer software;
(iii) they have an initial cost equal to or greater than £5,000, except for internally developed systems where the initial cost is equal to or greater than £250,000.

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

1(e) Depreciation and amortisation

Depreciation and amortisation are charged on PPE and intangible assets from the date they are commissioned into operational service, on a straight-line basis over the life of the asset, less any residual value expected at the end of its life. Assets under construction are not depreciated until they are commissioned into operation.

The estimated useful lives from new of the categories of non-current assets are:

Right of use assets:	either the useful life or the end of the lease term
Information technology:	2 to 5 years
Plant & machinery:	2 to 15 years
Furniture & fittings:	2 to 15 years
Internally developed systems:	useful life of the system from date brought into use
Software licences:	2 to 10 years

1(f) Impairments

The Agency carries out a review of its assets at each year-end to assess whether there are any indications of impairment. 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.

Where the assessed recoverable amount (or fair value) is determined to be materially less than the carrying value (being the amortised cost recorded within the SoFP) the Agency shall impair the value of the asset and recognise a corresponding expense within the SoCNE.

The Agency carried out an impairment review during the year comparing the carrying amounts of PPE and intangible assets with their recoverable amount. The carrying amount is the value in the SoFP while the recoverable amount is the higher of net realisable value and value in use. If the net realisable value cannot be ascertained then the value in use is taken. There were no impairments identified.

1(g) Provisions and contingent liabilities

A provision is defined in IAS 37, as a liability of uncertain timing or of uncertain amount.

A provision is recognised in the SoFP when the Agency has a legal obligation or a valid expectation of an obligation (a constructive obligation), because of a past event and when it is probable that a payment will be required to settle that obligation at some point in the future.

In order to recognise a provision, it must also be possible to make a reliable estimate of the expenditure required to settle 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 to allow for likely changes in the value of money over time.

Each year the financing charges in the SoCNE associated with these provisions include adjustments to adjust one year's discount so that liabilities are shown at current price levels. Current provisions are shown in Note 12.

Contingent liabilities

A contingent liability is defined in IAS 37 as:
(i) A possible obligation which will be confirmed by an uncertain future event that is not wholly within the control of the Agency.
(ii) An obligation that is not recognised because the amount cannot be measured with sufficient reliability or because payment is not probable.

Where the time value of money is material, disclosed contingent liabilities are stated at discounted amounts.

Current contingent liabilities are shown in Note 15.

1(h) Pensions

Pension benefits are provided through the Civil Service pension arrangements. Present and past employees are covered by the provisions of Principal Civil Service Pension Scheme (PCSPS) and the Civil Service and Others Pension Scheme (CSOPS) known as 'alpha', which is described in the Remuneration Report. These are multi-employer defined benefit schemes where we are unable to identify our share of the underlying assets and liabilities. There is also a 'partnership' pension scheme which employees can choose which is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust.

In accordance with IAS 19, the Agency does not recognise liabilities associated with these schemes, though information on the schemes in total is available in the Civil Superannuation Account 2021-22 produced by the Cabinet Office.

The Agency recognises the expected cost of providing pensions 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 and alpha. In respect of the defined contribution schemes, the Agency recognises the contributions payable for the year.

1(i) Early departure costs

The Agency, 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.

The Agency may, in certain circumstances, settle some or all 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 elect 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 PCSPS. 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 for case administration income, which includes an Administration Fee, General Fee (previously the Secretary of State fee for cases prior to 2016-17), Trustee Liquidator Fee and a Time & Rate Fee. See Note 1(k) for more information on case administration fee income.

Operating income additionally includes RPS Income, see Note 1(m), which is income recovered from companies under the redundancy payments service (RPS) operated by the Agency on behalf of HMRC. These are recovered and recoverable from the estates of bankrupts and companies in liquidation to which they relate.

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. In relation to 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 1.9%.

Income is in respect of costs awarded in directors' disqualification proceedings and reported in Note 4 within the "Investigation and Enforcement" and "Criminal Enforcement" balances is recognised when:
(i) an order for costs (either interim or final) with a determined value has been made; or
(ii) where the court orders the costs “to be agreed or assessed” the value of the debt will be recognised when there is an agreement in writing, or a default costs order is made following assessment by the court.

1(k) Case administration fee income

Case administration income comprise the following fee components:

- Admin Fee
- General Fee
- Secretary of State Fee (cases prior to 21 July 2016)
- Trustee Liquidator Fee; and
- Time & Rate Fee

The fees are set through legislation and are managed by the Agency in accordance with the principles of 'Managing Public Money', whereby fees are set to recover full costs including the cost of capital. However, fees have not been set 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.

Admin Fee

Administration fees are charged to the insolvent estate at the date of insolvency. 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 more than 3 years for more complex cases. The Agency uses reasonable estimates of activity across a 3-year period based on historic case data and recognises Admin Fee income, from the variable consideration, in accordance with these estimates. The variable consideration is the amount the Agency expects to receive in the future, rather than the legislated Admin Fee applied to the case at the date of insolvency.

General Fee

The General Fee is a fixed fee of £6,000 and is technically applied to all cases although it does not relate to a specific identifiable individual, service or activity. It is applied to all cases to ensure that overall, the work of the Official Receiver (OR) within the Agency covers its costs in line with 'Managing Public Money' principles and allow a full cost recovery. However, in cases unable to recover the Admin Fee, the General Fee will also not be recovered.

The General 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 and is subject to HMT approval of an annual 'netting-off' agreement. The income is recognised in the financial statements when it is earned rather than when it is charged. The General Fee is not recognised within revenue recognition under IFRS 15 as it is defined as a tax and therefore the principles of contract set out in IFRS 15 (para 9) means it does not apply.

Secretary of State Fee

The Secretary of State Fee was replaced by the General Fee on 21st July 2016. Cases before this date were charged in accordance with the legislated fees order in place at the time of the petition being presented.

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 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 by the OR.

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 under IFRS 15 using forecasts of the full life cost of the case. Where fees relate to BAU cases, recognition is based on assets as and when they are recovered.

Time & Rate Fee

At the date of a distribution to creditors the Agency can charge a Time & Rate Fee which is charged at legislated hourly rates. The fee becomes due when a distribution is made.

1(l) Revenue recognition under IFRS 15

The Agency is required to adhere to the requirements of IFRS 15 ‘Revenue from Contracts with Customers’ for the recognition of revenue within the financial statements. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

The following table shows revenue recognition for each income stream in accordance with IFRS 15. Therefore, due to their size, RPS Income and Debt Relief Order (DRO) Fee income, are also included in the table:

		Revenue recognition – 'Five-step model' under IFRS 15				
Income Stream	Value £'000	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	23,613	The claimant (ex-Employee) applies for payment under para 182 of the Employment Rights Act 1996. When the 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 an obligation to make payments to the claimants following completion of substantive processes to validate each claim against HMRC rules. As soon as the payment is made, the Agency can recover from the employer.	Variable consideration is based on expected recoveries. The Agency has the right to recover the amount of payment from the employer.	Once payment is made to the ex-employee, the Agency then immediately charges the employer.	The amount recoverable from the insolvent employer 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 and reassessed at each year end.
Trustee Liquidator Fee	21,326	Legislated Fee	Performance of OR duties	Variable consideration based on forecast total recoveries	Measured as satisfied over time	Recognised in line with the cost of resources applied for asset realisation from cases by the OR
Admin Fee	12,037	Legislated Fee	Performance of OR duties	Variable consideration based on the expected amount to be received	Measured as satisfied over time	Recognised in line with the cost of resources applied to the processing of cases by the OR

Time and Rate Distribution Fee[1]	(195)	Legislated Fee	Distribution to Creditors	Charged at legislated hourly rate	Full fee is due when a distribution is made	Recognised at the date of distribution
Debt Relief Order Fee	2,167	Legislated Fee	Granting of Debt Relief Order (48 hours after payment in 99% of cases)	Charged at legislated rate	Full fee when the relief order determined	At date of payment of the fee

[1] The above total for Time and Rate Distribution Fee is split in Note 4 between the 'Case admin income (pre-2016-17)' line and the 'Time and Rate Distribution Fee' line under the 'Case admin income (post-2016-17)' subsection.

1(m) 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 and financed from the National Insurance Fund. These payments are made to employees whose employers have failed to make payments due or who are insolvent. The Agency has a service level agreement with HM Revenue and Customs to provide this service on their behalf.

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 insolvent companies, where possible, from their assets. A small part of the debt is considered preferential (see Note 1(n)) but most ranks with ordinary creditors. The recoverability of RPS varies as set out in Note 9. This means the debt will be irrecoverable in the majority of cases. Whilst we account 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 following completion of robust processes. Each claim is validated against HMRC rules, and the amount payable to each claimant is considered reliably measurable and probable.

During 2021-22 the Agency made payments totalling £285m (2020-21: £485m) and made cash recoveries of £37m (2020-21: £33m), a net cost of £248m (2019-20: £452m) which was funded from the NIF via HMRC.

Redundancy payments may be subject to income tax and both employee and employer national insurance contributions. These amounts are included in the payment totals shown.

The Agency is entitled to attempt to recover the £285m expended during the year. Of the £37m recovered during the year, only £1m related to these in-year payments, with £36m relating to payments made in previous years.

As detailed in Note 1(n), and Note 9 below, the Agency estimates future recoveries of £73m, this is based upon historic collection rates. Of these, £23m relate to payments made in 2020-21, and £50m relate to payments made in previous years.

1(n) Financial Instruments under IFRS 9

In line with the requirements of IFRS 9 Financial Instruments, the Agency has classified its case administration receivables, RPS receivables, estate account receivables and disqualification costs receivables as financial assets. These are held to collect cash flows only for principal and interest. All 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 1.9% which is recommended by HM Treasury to be used for financial assets.

Under IFRS 9, impairment losses are referred to as expected credit losses (ECL) and is 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; and
(iii) Multiplying that loss by the probability of the default happening; and
(iv) Summing the results of all such possible default events.

IFRS 9 requires recognition by the Agency of impairment losses on a forward-looking basis, therefore an impairment loss is recognised before the occurrence of any credit event. The Agency recognises that every receivable has at least some probability of defaulting in the future and that every receivable has an associated ECL.

RPS Debtors

The debtors for RPS have already been declared insolvent, so any recovery is dependent on dividends paid from the insolvency which are rarely 100%. Therefore, to comply with IFRS 9 the Agency recognises the following for RPS debtors:

(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.
(iii) The nature of insolvency recoveries mean that future economic variations have no material effects on the recovery of these debts, therefore historic trends are the best estimator of future recoveries.
(iv) The probability of default is always 100% (therefore future economic variations have no effect on the chance of default).

(v) 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.

In line with the requirements of IFRS 9, RPS debts have been grouped by the Agency 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 34.6% for preferential.

Recoveries from insolvency proceedings can extend over many years and historic recoveries are used to estimate the timings of these recoveries. The value of these future cashflows is discounted in line with the guidance issued in the Public Expenditure System (PES) papers.

Case administration debtors

Case administration debtors have already been declared insolvent and therefore the recovery of fees is dependent on funds recovered from the realisation of assets. Fees are recovered before any distribution to creditors. Therefore, to comply with IFRS 9 the Agency recognises the following for case administration debtors:

(i) Analysis of historic data provides the best estimation for future recoveries of fee income.

(ii) Default estimation is based on analysis of historic data to establish the likely default rate.

(iii) Insolvent estates generally comprise a significant spread of assets, which means that future economic variations have no material effect on recoveries from estates.

(iv) The probability and impact of default is applied across the portfolio of cases managed by the Agency.

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 cash flows is discounted in line with PES papers. The following table shows a summary of the IFRS 9 classification and measurement model for financial assets:

IFRS 9 Financial Instruments	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 cash flows only	Carry at amortised cost
Case administration income	Yes	Held to collect contractual cash flows only	Carry at amortised cost

1(o) Leases

At the inception of a contract, the Agency assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. When a lease is recognised in a contract, the Agency recognise a right of use asset and a lease liability at the lease commencement date.

The right of use asset is initially measured at cost, which comprises the following:
(i) The initial amount of the lease liability adjusted for any lease prepayments made at or before the commencement date,
(ii) plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located,
(iii) less any lease incentives received.
The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property, plant, and equipment. See Note 1(e).

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, an HMT issued discount rate for leases. With any termination options having been assessed for evidence they may be exercised either by the Agency or by the lessor, and if not the future lease payments past the option are also included in the liability. The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, or if we change our assessment of whether we will exercise a purchase, extension or termination option.

In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Right of use assets are presented in property, plant and equipment (Note 6) and leased liabilities within other liabilities (Note 11) and the lease note (Note 12) below.

The Agency has applied the recognition exemption of low value leases (less than £5,000) and short-term leases (duration less than 12 months). For these leases, the lease payments are charged to the SoCNE on a straight-line basis over the lease term.

1(p) 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(q) 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

2(a) Case administration revenue recognition

The performance of Official Receivers' duties 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 personal bankruptcies and one for company liquidation 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).

The following assumptions are made in respect of when work is performed:
(i) the work undertaken on cases is front loaded i.e. a large proportion of work is undertaken within the first six months.
(ii) most of the work undertaken by Official Receivers will be completed within three years.

The volume of cases received in 2021-22 has been significantly impacted by COVID-19 resulting in a proportionate reduction in recognised income from case administration fees.

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

2(b) Forecasting assumptions of recognised income

The Agency's income forecasts are based on assumptions of future fee recoveries using income models and the analysis of historical trends to produce forecasts of both the value and timing of future cash flows. 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 following judgements are applied to case administration income:
(i) historic recoveries are a reasonable basis for future recovery expectations.
(ii) long-term realisations will include a wide range of assets, which provides a diverse base for realisations, which helps mitigate the potential for specific economic impacts to materially affect case administration income.
(iii) material estimation regarding future recoveries of RPS expenditure.

2(c) Case administration receivables

The Agency makes accounting estimates and judgments regarding the recoverability of its case administration receivables (Note 9) and these are subjected to regular review and adjustment.

The measurement of case administration receivables is based on the analysis of past trends of actual recoveries and a review of current asset levels in insolvency cases. Asset values can be affected by several economic factors e.g. property prices, employment rates, types of assets which determine the proportion of cases that have realisable assets and the impact on the case administration fees. Additionally, judgement is also applied to determine the timing of case administration receivables.

2(d) 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 claims against the insolvency. 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 34.6% for preferential.

2(e) 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 each financial year is the proportion of completion of the performance obligation based on 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. Each case must be considered individually, as recognisable income and costs incurred are highly variable between different cases depending on the asset realisation potential. There is the potential for additional income to be recognised in relation to future asset realisations; but where it is not currently deemed possible or highly probable that they will occur we have not recognised that income. 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

	2021-22 £'000	2020-21 £'000
Redundancy payments service[1]	283,857	485,297
Staff Costs:		
Wages and salaries	61,107	59,226
Social security costs	5,723	5,608
Other pension costs	14,950	14,592
Voluntary and Compulsory Redundancy payments	-	40
Less recoveries in respect of outward secondments [2]	(181)	81
Purchase of goods and services:		
IT infrastructure expenses	22,313	21,053
General administrative expenses	1,397	1,561
Travel and subsistence	313	102
Other operating expenditure:		
Legal and other costs of investigation and enforcement	6,444	18,800
Accommodation costs	3,952	9,547
IT computers	-	1,686
Staffing and training costs	1,209	1,138
Other costs	3,324	2,687
Non-cash items:		
Audit fee	176	173
Write offs and expected credit losses	686	950
Loss on disposal of non-current assets	-	53
Case administration - unwind discounting of receivables for fees	(357)	(357)
Finance costs	372	132
Other non-cash items:		
Depreciation and amortisation	7,955	2,227
Provisions	810	230
Total expenditure	**414,050**	**624,826**

[1] The decrease for RPS expenditure is largely driven by a reduction in the volume of claims due to HM Government's business interventions put in place during the COVID-19 pandemic.

[2] The positive £81k for staff recoveries in respect of outward secondments in 2020-21 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 associated expenditure is paid on behalf of HMRC.

There is associated income arising from two sources:

(a) solvent recovery: where monies are recovered for the National Insurance Fund (NIF) 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 is funded by the 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%) of the debt is assessed as preferential and has a higher recovery rate.

4 Income

	2021-22 £'000	2020-21 £'000
Income from contracts with customers:		
Insolvency case administration:[1]		
Case admin income (pre-2016-17)	781	33,641
Case admin income (post-2016-17):		
Admin fee[2]	12,037	17,544
General fee[3]	6,686	8,437
Time and Rate Distribution Fee	351	237
Trustee liquidator fee - national interest cases	17,151	31,225
Trustee liquidator fee - business as usual	4,175	5,929
RPS recoveries[4]	23,613	41,567
Release of deferred income for insolvency case administration	-	1,679
Debt relief order administration	2,167	1,572
Online Debt Solutions	867	1,290
Investigation and enforcement	1,286	1,563
Individual voluntary arrangements and deeds of arrangements	1,248	1,238
Estates accounts	437	968
Rental income	749	791
Regulation of insolvency practitioners	840	813
Criminal enforcement	311	188
Miscellaneous income	1	4
Discounting costs	(599)	(436)
Other operating income:		
Redundancy payments administration	10,028	9,106
Total income	**82,129**	**157,356**

[1] The reduction of £55m in insolvency case administration income is mostly due to £30m of fees relating to the settlement of historic PPI claims on insolvent estates being included in 2020-21, as well as a £4.9m reduction to Time and Rate Distribution Fee due to a historical error identified in-year.
[2] Admin fees are monies received from HMRC to support the Agency in running the scheme which is funded via the NIF.
[3] 'Managing Public Money' treats the General Fee as a tax however we are including this under income from contracts with customers as it is represents part of the Insolvency case administration.
[4] The income recognised for RPS was £24m, which includes £1m of cash receipts in year, and £23m of estimated future recoveries. RPS recoveries are from solvent companies, or via recovery through administration or liquidation process for insolvent companies.

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 IFRS 8, Operating Segments. Costs and income are reported to senior management monthly; the year-end figures are reported below. The SoFP is not reported to senior management so is not included below. Figures showing BEIS and HMRC funding amounts can be found in the Statement of Changes in Taxpayers' Equity (SoCITE) as funding is accounted through reserves rather than income.

	Income	Cost of service	Surplus/(deficit)

	2021-22	2020-21	**2021-22**	2020-21	**2021-22**	2020-21
Activities funded from:	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
BEIS financing	1,853	1,982	59,933	57,030	(58,080)	(55,047)
Fees	46,552	104,649	60,025	73,344	(13,473)	31,306
HMRC for RPS Administration	10,111	9,158	10,235	9,156	(124)	2
HMRC from the NIF	23,613	41,567	283,857	485,297	(260,244)	(443,730)
Total of all activities	**82,129**	**157,356**	**414,050**	**624,826**	**(331,921)**	**(467,470)**

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

6 Property, plant and equipment

2021-22

	Right of Use	Information Technology	Plant & Machinery	Furniture & Fittings	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 April 2021	-	2,329	1,125	5,199	405	**9,058**
Initial adoption of IFRS 16	27,225	-	-	-	-	**27,225**
Additions	692	-	-	-	1,002	**1,694**
Disposals	-	(2,142)	(57)	(519)	-	**(2,718)**
Reclassifications	-	-	-	405	(405)	-
Remeasurement	(687)	-	-	-	-	**(687)**
At 31 March 2022	**27,230**	**187**	**1,068**	**5,085**	**1,002**	**34,572**
Depreciation						
At 1 April 2021	-	2,161	403	1,710	-	**4,274**
Charged in year	5,786	152	224	815	-	**6,977**
Disposals	-	(2,142)	(57)	(519)	-	**(2,718)**
At 31 March 2022	**5,786**	**171**	**570**	**2,006**	**-**	**8,533**
Carrying value at 31 March 2022	**21,444**	**16**	**498**	**3,079**	**1,002**	**26,039**
Asset financing:						
Owned	21,444	16	498	3,079	1,002	**26,039**
Carrying value at 31 March 2022	**21,444**	**16**	**498**	**3,079**	**1,002**	**26,039**

2020-21

	Information Technology	Plant & Machinery	Furniture & Fittings	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'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**

7 Intangible assets

2021-22	Software Licences £'000	Internally Developed System £'000	Assets Under Construction £'000	Total £'000
Cost or valuation				
At 1 April 2021	182	13,644	3,186	**17,012**
Additions	1,093	(190)	-	**903**
Disposals	(181)	(669)	-	**(850)**
Reclassifications	-	3,186	(3,186)	**-**
At 31 March 2022	**1,094**	**15,971**	**-**	**17,065**
Amortisation				
At 1 April 2021	182	13,453	-	**13,635**
Charged in year	365	613	-	**978**
Disposals	(181)	(669)	-	**(850)**
At 31 March 2022	**366**	**13,397**	**-**	**13,763**
Carrying value at 31 March 2022	**728**	**2,574**	**-**	**3,302**
Asset financing:				
Owned	728	2,574	-	**3,302**
Carrying value at 31 March 2022	**728**	**2,574**	**-**	**3,302**

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**

8 Financial instruments

The Agency has classified its case administration fee receivables and RPS receivables as financial assets within the scope of IFRS 9 Financial Instruments.

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.

The cash requirements of the Agency are met through the government annual estimates process. Most 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.

Financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. 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 1.9%. Accounting estimates and judgements regarding the recoverability of receivables are disclosed within Note 2.

9 Trade receivables, financial and other assets

	2021-22	2020-21
	£'000	£'000
Amounts falling due within one year:		
Financial assets		
Receivables for fees - case administration	37,659	149,946
Receivables for disqualification costs	228	373
Receivables for fees - estate accounts	-	364
Receivables for redundancy payments service	30,135	34,339
Total financial assets	**68,022**	**185,022**
Trade receivables and other assets		
Prepayments	2,056	1,319
VAT receivables	1,460	856
NIF receivables	889	8,442
Trade receivables	716	1,703
Employee receivables	30	38
Total trade receivables and other assets	**5,151**	**12,358**
Total amounts falling due within one year	**73,173**	**197,380**
Amounts falling due after more than one year:		
Financial assets		
Receivables for fees - case administration	15,583	18,058
Receivables for disqualification costs	1,912	1,916
Receivables for redundancy payments service	42,440	49,153
Total financial assets	**59,935**	**69,127**
Total amounts falling due after more than one year	**59,935**	**69,127**
Total receivables, financial and other assets	**133,108**	**266,507**

The receivables for estate accounts fees have been reduced by a bad debt write-off of £72k (2020-21: £222k).
The RPS receivable is shown at estimated recoverable value. This is calculated by the Agency using a model which is approved by HMRC. The model calculates the recoverable debt as £73m as at 31 March 2022 of which current debt is £30m and £43m is non-current (2020-21: £83m of which £34m is current and £49m non-current). As detailed in Note 1(m), 1(n) and 2(d), debtors have been grouped estimated recoveries have been based upon historic performance. Changes in the estimated recovery rates applied necessitated a write-back of debt of £2.7m. Total preferential debt as at 31 March 2022 was £27.3m (2020-21: £32.2m), and total non-preferential debt was £45.5m (2020-21: £51.1m).

Included within the above figures are receivables for case administration fees £37.7m (2020-21: £149.9m) for amounts expected to be recovered within one year and £15.6m (2020-21: £18.1m) for case administration fees expected to be recovered in more than one year. These represent sums recoverable by the Agency for case administration work undertaken, but not yet received.

The costs to the Agency of administering personal bankruptcies and company liquidations are reflected in the charging of case administration fees. Case administration fees comprise the following individual fees charged to a case in the following order, Trustee Liquidator Fee, Admin Fee, General Fee and a Time and Rate Fee.

In practice, the Agency recovers its fees in part through the receipt of a deposit with the balance of fees applied to the case being met as assets are realised. Actual cash recoveries from asset realisations lag income recognised in the accounts and the difference between the two is therefore reported as a receivable.

Not all cases have sufficient assets to cover the fees due. The Agency has sought to mitigate the risks of under-recovery through aligning fees charged, to realisable assets and to ensure that the cost of the service is borne by users of the service.

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 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.

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.

10 Cash and cash equivalents

	2021-22	2020-21
	£'000	**£'000**
Balance at 1 April	118,798	133,014
Net change in cash and cash equivalent balances	164,568	(14,216)
Balance at 31 March	**283,366**	**118,798**
The following balances at 31 March were held at:		
Government banking service (ISA account)	271,237	101,638
Government banking service	12,129	17,160
Balance at 31 March	**283,366**	**118,798**

Cash comprises cash at bank of £12m (2020-21: £17m) and a cash equivalent balance of £271m (2020-21: £102m). The cash equivalent balance is made up of cash received from fees charged during the normal course of Official Receiver's activities, which is held by the Official Receiver. Part of this balance is held in a bank account, part is held in an investment account with the Commissioners for the Reduction of the National Debt (CRND) as required by legislation, and part relates to balances which can be drawn down on cases indemnified by government departments or the consolidated fund. The amounts held in both accounts is drawn down on demand and transferred to the Agency's bank account on a regular basis.

11 Trade payables and other liabilities

	2021-22	2020-21
	£'000	**£'000**
Amounts falling due within one year:		
Payables	3,004	3,709
Redundancy payments service	-	15,259
Accruals[1]	7,306	18,271
Due to the Consolidated Fund	-	9,657
Deferred fee income[2]	75,661	4,741
Lease liabilities[3]	6,431	-
Accrued employee benefits	3,352	3,345
Total	**95,754**	**54,982**
Amounts falling due after one year:		
Lease liabilities[3]	16,876	-
Total	**16,876**	**-**
Total payables and other liabilities	**112,630**	**54,982**

[1] Accruals made in 2021-22 for expenditure relating to the year but not yet paid total £7m (2020-21: £18m). Notable items include £2.8m in relation to IT expenditure; £0.9m to capital investment in relation to an office refurbishment; and £0.9m for accommodation costs.
[2] The increase to deferred fee income of £70.9m relates to the cash settlement of historic PPI claims on insolvent estates. The Agency retains administration fee income (including that relating to settlement of PPI claims) to the extent that it covers costs in respect of each case year. This amount has been deferred on the basis it is currently in excess of costs in respect of the relevant case years, although additional costs are expected to be incurred in the future. Once those costs are recognised, the deferred income balance will be released to income. Any excess above costs will be due to HM Treasury by way of a CFER
[3] The increase to lease liabilities of £23.3m is relating to the adoption of IFRS 16, see Notes 1(a) and 13.

12 Provisions for liabilities and charges

2021-22	Lease dilapidations £'000	Other £'000	Total £'000
Balance at 1 April 2021	3,450	129	3,579
Provided in the year	381	460	841
Provisions utilised in the year	-	(51)	(51)
Provisions not required written back	-	(78)	(78)
Borrowing costs (unwinding of discount)	47	-	47
Balance at 31 March 2022	**3,878**	**460**	**4,338**
Analysis of expected timing of discounted flows			
Not later than one year	711	460	1,171
Later than one year and not later than five years	2,397	-	2,397
Later than five years	770	-	770
Balance at 31 March 2022	**3,878**	**460**	**4,338**

2020-21	Lease dilapidations £'000	Other £'000	Total £'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**

The Agency operates from a number of sites across the UK. 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 2022 the provision held was adjusted by £428k (2020-21: £101k) based on an inflation index for rebuilding costs provided by BCIS (the Building Cost Information Service). The provision held is discounted using the nominal discount rates set by HM Treasury, which results in the value of the provision adjusting to £3,878k (2020-21: £3,450k).
All amounts provided for in the year and all provisions not required and written back are recorded as non-cash costs (Note 3).

13 Lease Liabilities

Total future minimum lease payments under IFRS 16 leases are given in the tables below for each of the following periods.

	2021-22	2020-21
	£'000	£'000
Balance at 1 April	-	-
Initial adoption of IFRS 16	29,600	-
Additions	692	-
Payments	(6,543)	-
Remeasurement	(687)	-
Borrowing costs (unwinding of discount)	245	-
Balance at 31 March	**23,307**	**-**

The movement between operating leases reported under IAS 17 as at 31 March 2022 in the 2020-21 Annual Report and Accounts and leases reported under IFRS 16 at the implementation date on 1 April 2022 can be seen in Note 1(a) above.
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.

Obligations under leases for the following periods comprise:	**2021-22**	**2020-21**
Buildings	**£'000**	**£'000**
Not later than one year	6,431	-
Later than one year and not later than five years	11,925	-
Later than five years	5,596	-
	23,952	**-**
Less interest element[1]	(645)	-
Present value of obligations	**23,307**	**-**
Current	6,431	-
Non-current	16,876	-
Total	**23,307**	**-**

[1] The lease liability is measured at the present value of the lease payments, discounted using the HMT issued discount rate for leases of 0.95%.
For more information see notes 1(a) and 1(o)

14 Commitments under leases

Operating leases

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

	2021-22	2020-21
	£'000	£'000
Obligations under operating leases for the following periods comprise:		
Buildings		
Not later than one year	-	6,305
Later than one year and not later than five years	-	11,887
Later than five years	-	5,448
Total	**-**	**23,640**

Nil balances for the current financial year following the adoption of IFRS 16, see note 1(a), 1(o) and Note 13.

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 either present obligations or probable obligations where reliable estimates cannot be made or possible obligations where the Agency has issued civil proceedings through the courts, and the outcome is dependent on court rulings and findings not wholly within the Agency's control.

The Agency has 58 contingent liabilities relating to defended cases where it is possible but not probable that payment may be made in the future. The aggregate value of these cases has been estimated using a standard multiplier based on historic trend and is estimated at £6m.

Further details of these cases cannot be disclosed, as in accordance with IAS 37 (paragraph 92), the Agency considers that further disclosure 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 BEIS and with other entities for which the department is regarded as the parent.

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

Our RPS receivables disclosed in Note 9 are paid over to the National Insurance Fund and do not impact the Agency's financial risk profile. This is because the cost associated with non-recovery (for example the cost of debt being written off) will be met by the National Insurance Fund. 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. This rate varies from 0.47% to 2.6% based on the age of the debts.

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 recognises that its case administration receivables play a significant medium to long-term role in the financial risk profile. To reflect that risk, we apply a discount rate determined by HM Treasury to our financial assets. This rate is currently 1.9% (2020-21: 3.7%). We consider this an appropriate way to reflect that risk

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.

The Insolvency Service has no exposure with regards to foreign currency risk as all transactions are Pound Sterling (GBP).

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 £2.2m (2020-21: £1.6m). The DRO bank account held £793k as at 31 March (2020-21: £860k).

Online Debt Solutions fees

The online debt solution is a way for bankruptcy applicants to submit their application electronically. The cost of going bankrupt online is £680. This is made up of a £130 adjudicator fee and a £550 bankruptcy deposit. This can be paid in instalments and this money is held separately until it is paid in full, when it is then transferred into the ISA. This Online Debt Solutions bank account held £704k as at 31 March (2020-21: £765k).

19 Events after the reporting period date

There have been no events after the SoFP 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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