



The Insolvency
Service

The Insolvency Service
Annual Report and Accounts
2019-20

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

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Foreword

In September 2019 I was asked to temporarily cover the Chief Executive role for the agency and was subsequently appointed on a permanent basis in December 2019. It is my privilege to report for the first time on the Insolvency Service's strong performance over the last year.

21 March 2020 marked the 30th anniversary of the Insolvency Service as an agency. Over the last three decades, the agency has changed considerably, from taking on new functions, such as the Redundancy Payments Service, to introducing major reforms to the insolvency regime, such as Debt Relief Orders in 2009. Throughout the many changes over the last thirty years, the core objectives of the Insolvency Service have consistently been the delivery of economic confidence by supporting those in financial distress, tackling financial wrongdoing and maximising returns to creditors.

The end of the reporting year was dominated by the start of the Coronavirus (COVID-19) pandemic which has impacted the lives of everybody in the UK. I am particularly proud of the way the agency has responded to the crisis, by continuing to deliver its

essential public services with professionalism and dedication throughout the disruption. All our offices were closed following the lockdown advice, but the investments we had previously made in our IT infrastructure ensured we were able to transition smoothly and effectively to home working.

At the time of publication, we are continuing to work flexibly, adhering to the government's guidance on safe working. In addition, we have progressed a major package of new legislation through Parliament which will provide innovative options for business rescue to support the country's economic recovery from the pandemic.

Looking back over the reporting period, the agency handled some of the largest and most complex cases in its history. British Steel entered compulsory liquidation in May 2019 and the Official Receiver was appointed liquidator. After one attempted sale of the business fell through in October 2019, the Official Receiver and his Special Manager team secured a sale in March 2020, saving around 3,200 jobs and securing steel production in Scunthorpe and other UK locations.

The Official Receiver was also appointed liquidator over the Thomas Cook group of companies when it collapsed in September 2019, leading to the largest peacetime repatriation. Around 6,000 of Thomas Cook's staff were made redundant within the first few days of the liquidation and our Redundancy Payments Service worked tirelessly to pay out almost £30 million in redundancy payments within the first two weeks of the liquidation. The Official Receiver was later able to agree a sale of Thomas Cook's retail business, which secured the re-employment of over 2,000 former Thomas Cook employees.

Our investigation, enforcement and legal teams handled a number of notable cases. These included securing disqualification undertakings for 5 and 10 years in respect of former directors of BHS, and the successful prosecution of seven offenders in a substantial case of fraud and dishonesty following "Operation Aldgate", resulting in custodial sentences of up to 6 and a half years. By the end of the year, the agency had obtained the highest number of director disqualification outcomes since 2013-14. And in 2019, former tennis star, Boris Becker, agreed to extend his

bankruptcy restrictions by 12 years when he accepted a Bankruptcy Restrictions Undertaking.

Against this backdrop of record activity, the agency continued to progress towards its new operating model. This included maximising efficiencies following the introduction of a new case management system for processing redundancy claims and the roll out of new equipment and applications to all staff.

Initial teething problems with the redundancy payments case management system impacted on the speed of processing for claims at the start of the year. But once these were resolved we were able to deliver a marked increase in performance for the second half of the year. As a result of the benefits of the new case management system, the claims in Thomas Cook were processed on average within 4 days. 2019 also saw some big changes in our estates which culminated in the move of our London headquarters from Victoria to Stratford.

The agency also completed the initial phase for a new Breathing Space scheme towards the end of 2019. This will be a valuable new option available to vulnerable people in problem debt, providing a breathing space from creditor action for 60 days,

during which time people can receive professional debt advice and pursue options to deal with their financial situation. The scheme is on target to be introduced in 2021.

We will undoubtedly face new challenges in the coming year as the economy emerges from the impact of COVID-19. However, the professionalism, skill and dedication of the staff in the agency gives me great confidence that we will meet these challenges head on.



Dean Beale
Chief Executive

Performance Overview

Delivering economic confidence

Supporting those in financial distress

44,263

New insolvency cases received

13,951

Online bankruptcy orders

2,878

Creditor petition bankruptcies

27,434

Debt Relief Orders

89,153

Redundancy payment requests

On average it takes 15.7 calendar days to action payments¹

¹ See page 18

Tackling financial wrongdoing

1,280

Directors disqualified for misconduct

8.4%

Disqualified for 10 years or more

470

Bankruptcy restrictions

On average it takes 8.4 months to obtain a bankruptcy restriction

143

Live company investigations

142

Criminal prosecutions

Maximising returns to creditors

£61.6m

In dividends returned to creditors

90.72%

Reports to creditors issued within 15 calendar days of an attended interview

Customer satisfaction

80%

Of customers are either very satisfied or quite satisfied with service provided by the Insolvency Service

We achieved re-accreditation of the Customer Service Excellence standard

We hold 23 Compliance Plus and 34 Compliant ratings

Performance Report

Supporting those in financial distress

We administer debt solutions that help people get back on their feet; these include bankruptcy and Debt Relief Orders (DROs).

Our online adjudicator service removes the stress of attending court when a debtor uses the bankruptcy process.

We also help employees of insolvent companies through our Redundancy Payments Service (RPS).

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

Bankruptcy

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

The online adjudicator service is available 24 hours a day, 7 days a week. In 2019-20 over 98% of orders were made within 48 hours of receipt of the application.

It has continued to receive positive feedback with 84% of those made bankrupt saying they are satisfied or very satisfied with the service.

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

In 2019-20, the adjudicator made 13,951 orders through the online bankruptcy service. A further 2,878 creditor bankruptcy orders were made by the courts.

10 years of Debt Relief Orders

We provide debt solutions to some of society’s most vulnerable people, through Debt Relief Orders (DROs). These are specifically aimed at those with low levels of unmanageable debt, minimal surplus income and little by way of assets. April 2019 was the 10th anniversary of the introduction of DROs. In that 10-year period the agency has dealt with DROs for over a quarter of a million people in severe financial distress.

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

Applications are processed as quickly as possible and our target of 98% completed within 48 hours was exceeded, with the agency achieving 99%.

During 2019-20 we approved 27,434 DROs.

Handling redundancy payments

Our Redundancy Payments Service (RPS) supports those in financial distress by making redundancy and other related payments to employees whose employers are insolvent or otherwise unable to pay.

RPS has responsibility for all aspects of RPS employment tribunal, stakeholder relations, debt recovery and creditor work. RPS also investigates fraud, aiming to tackle financial wrongdoing.

Our RPS teams in Edinburgh and Birmingham are responsible for processing and paying tens of thousands of redundancy claims and other related payments each year. In 2019-20 the RPS processed over 85,000 claims, including to the former employees of Thomas Cook, Flybe and Mothercare. This is an

increase of around 10,000 claims compared to 2018-19.

In 2019-20 problems following the introduction of a new case management system saw the agency pay all claimants within an average of 15.66 calendar days, against our target of an average of 14 days.

Performance from September onwards improved following further system enhancements and for the second half of the year the average was 11.2 days. The new system supported the efficient handling of the large cases mentioned above where, working closely with the relevant insolvency practitioner firms, the average was around 5 days between receipt of claim and payment to the former employees.

Engaging with RPS stakeholders

In 2019-20 we expanded the functionality of the existing director conduct reporting portal to become a single access point for insolvency practitioners to also upload redundancy forms.

The newly named IP Upload Service integrates with the new case management system for RPS, which enables us to quickly bulk process claims in large cases where we make payments based on the information provided directly by the insolvency

practitioner. It will help us to make quicker payments to claimants moving forward. Following the IP Upload Service's launch, we listened to feedback from users and introduced an automatic email confirmation of uploads for insolvency practitioners to keep for their records.

This year we established a stakeholder relations team within RPS. We have listened to stakeholders' feedback and used the lessons learned to improve our service delivery. In particular, the team has worked with our institutional stakeholders, such as insolvency practitioners, solicitors and trade unions, to direct our efforts to matters which affected the largest number of claims.

Many of these stakeholders now have a dedicated relationship manager within RPS to resolve issues. The feedback is that this one-to-one specialist support has led to claims being processed quicker and to the satisfaction of those stakeholders, as well as the claimants they work with.

For example, many claimants had complained they were unable to contact RPS by telephone. Following training, we increased the number of call-handlers to assist with answering our phone lines. We also began

a review of our communications. We looked at how we could reduce the need to contact us by providing more information on our website and in our letters.

Insolvency practitioners told us the RPS did not record claim amendments quickly enough, meaning payments were calculated using out-of-date information. This would sometimes lead to inaccuracies and the need to revise claims. We directed resource to make sure that claim updates were made promptly and introduced a specialist re-work team within our claims processing function.

Case study: RPS support for Thomas Cook employees

In September 2019, winding up orders were made against Thomas Cook Group plc and associated companies, putting over 9,000 jobs at risk.

In order to pay as many former employees as quickly as possible, RPS used the new bulk processing facility to streamline claim processing.

By the end of March 2020, RPS had paid over £59 million to employees.

Employees responded positively to the efforts, providing feedback that our “*work has been outstanding*”.

In addition to focusing on paying bulk claims as quickly as possible, RPS also successfully represented the agency at two job fairs for Thomas Cook Employees, one in Peterborough and one in Manchester.

The events were set up to help employees seek new job and/or training opportunities and get useful information from public sector organisations. We provided advice about how to submit claims, what payments we could make, how much could be paid and the speed of payment. Over the course of the job fairs, we spoke with 400 employees on a one-to-one basis and thousands in group settings.

Mark Hughes MBE, of The Growth Company, who helped organise the Manchester event thanked the RPS:

“...for the assistance given to us in dealing with the people impact of the Thomas Cook closure in Greater Manchester/NW England. Your team have been excellent and are a real credit to your organisation. Their technical competence and, equally important, the manner in which they dealt with Thomas Cook employees, and worked with other support organisations, has been exemplary and made a very significant contribution to the success of the event in Manchester.”

Tackling financial wrongdoing

Performance Measures	2019-20 target	2019-20 performance
Average time taken to obtain a disqualification	21 months or fewer	19.7 months
Average time taken to obtain a bankruptcy restriction	10 months or fewer	8.4 months
Average months taken to instigate a criminal prosecution	24 months or fewer	27.8 months

Enforcement outcome planning assumptions	2019-20 target Lower	2019-20 target Upper	2019-20 performance
Disqualifications	1,235	1,305	1,280
Bankruptcy and debt relief restrictions	460	480	470
Live companies' investigations	150	168	143
Criminal Investigations resulting in a decision to prosecute	140	160	142

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

Director disqualification

We remain alert to abuse in the corporate market place, and proactively monitor intelligence received from various sources, including complaints from the public.

Consideration of directors' conduct prior to any insolvency is a fundamental part of our regime. This is

backed by powers to prevent an unfit director from running a company for up to 15 years.

We are determined to tackle the most serious cases of misconduct. The average length of disqualification undertakings and orders secured against directors was 5.4 years, with 8.4% disqualified for 10 years or more.

Company investigations

The Insolvency Service has an important role in investigating live trading companies where there may be misconduct or corporate abuse.

Acting on information from the general public and partners in the government counter-fraud community, our investigations help to protect the public from rogue company directors who abuse their corporate position through fraud, scams or dishonesty. These rogue directors often target the elderly or other vulnerable members of the public.

In 2019-20 we continued to investigate and shut down companies trading in a range of sectors. Investigations into 52 companies showed that at least £112 million had been taken from victims and our investigations prevented the loss of a further £79 million.

Case study: Director disqualification - Shahram Shoraka

In February 2020, Shahram Shoraka received the maximum 15-year disqualification order after the courts deemed he had acted with a lack of commercial probity. This followed a 14-year disqualification obtained in October 2018 against Peter Hellman, who signed a voluntary disqualification undertaking. Both were directors of Omada Investment Management Ltd (OIML) and Omada Holdings Ltd (OHL) which they had caused to trade with a lack of commercial probity.

In respect of OIML, the directors misapplied client investment capital totalling £9.4 million. Funds were not invested and were dissipated primarily on company and related expenses, overheads and office refurbishment costs. Both directors made material misrepresentations to auditors regarding the company's assets, liabilities and turnover, resulting in inaccurate accounts being signed and filed for three financial years.

In respect of OHL, the directors made material misstatements to auditors regarding assets, liabilities and turnover in the course of audits across three financial years. They also failed to disclose to a client the loss of approximately £500,000 of investment securities. The securities were not used as proposed but sold with the proceeds primarily funding the completion of the lease on trading premises. Misrepresentations were made to the same client about the status of his investment.

In disqualifying Shahram Shoraka, the court accepted all the allegations and the judge remarked how well the investigations had been carried out and how well the case papers had been compiled.

Restrictions orders

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

Typically, restriction orders are placed on individuals who have acted dishonestly or have otherwise abused the bankruptcy or debt relief order regime to creditors' detriment.

In 2019-20 we secured 457 Bankruptcy Restrictions Orders, 8 debt relief restrictions undertakings and 5 debt relief restrictions orders.

Of those orders the average period of restriction was 4.9 years for Bankruptcy Restrictions Orders and 5.5 years for debt relief restrictions orders. 26.5% bankruptcy restrictions and 69.2% debt relief restrictions were over 5 years.

Case study: Bankruptcy Restrictions Undertaking

An individual sought an investment of £280,000 from a friend for a property purchase, in return promising more than £60,000 profit and repayment in under two months.

However, the property was not purchased and instead the £280,000 was squandered on gambling and other lifestyle expenses. In April 2019 the individual was ordered bankrupt.

Five months later the Secretary of State accepted a Bankruptcy Restrictions Undertaking from the bankrupt for twelve years.

Case study: Debt Relief Restrictions Order

A bank informed us that a debtor was in the branch wishing to make withdrawals from her accounts. We found out they had £6,400 in two accounts which they had not disclosed during their bankruptcy proceedings. This represented an asset significantly above the £1,000 asset threshold allowed for a Debt Relief Order (DRO).

Following our investigation, the DRO was revoked and on 28 June 2019 the Secretary of State obtained a Debt Relief Restrictions Order for 7 years.

Case study: Debt Relief Restrictions Undertaking

We received an anonymous letter alleging a debtor had provided a false address. We later confirmed they owned and lived in a mobile home, which was valued at £15,000. This also represented an asset

significantly above the £1,000 threshold allowed for a DRO.

The DRO was revoked and on 25 November 2019 the debtor entered a Debt Relief Restrictions Undertaking for 6 years.

Criminal Investigations

The Criminal Investigation Team (CIT) can obtain evidence of possible criminal activity by rogue bankrupts and directors whose conduct strays into criminality. CIT can liaise with the police to make arrests and act upon search warrants.

CIT continues to identify such behaviours and bring suspects to justice, by working closely with external partners and interviewing witnesses to obtain evidence of criminal misconduct.

We instituted criminal proceedings against 142 individuals in 2019-20.

Case study: Criminal investigation - The Brand Company

Gareth Onions and David Webb bought a field marketing company in 1997, assisting consumer brands market and promote their products in retail outlets. The marketing firm traded as The Brand Company and between 1997 and 2013 operated under the guise of seven different limited liability companies. The last of seven companies entered voluntary liquidation in April 2013.

A joint investigation between the Insolvency Service and HMRC's Fraud Investigation Service uncovered the hidden history of The Brand Company. Gareth Onions and David Webb used a succession of prepacked administrations to close companies, leaving tax liabilities behind and purchasing the assets for a new corporate entity to continue trading as The Brand Company. A cumulative debt of more than £5million to HMRC resulted, including tax and national insurance deducted from employees' salaries that was never paid to HMRC.

Both men had previously been disqualified twice. David Webb was disqualified in 2008 for 5 and half years and again in 2010 for a further 5 years, whilst Gareth Onions was disqualified in 2010 for 4 years and a further 5 in 2013.

Gareth Onions and David Webb chose to ignore their disqualifications and continued to act as directors of companies trading as The Brand Company. They continued with business as usual, using the same workforce and existing customers. David Webb and Gareth Onions enjoyed substantial salaries and lavish lifestyles paid for by the business but subsidised by the sums which should have been paid to HMRC.

In February 2020 Gareth Onions pleaded guilty to breaching his director disqualification, multiple counts of cheating the public revenue of over £2.6 million and one of money laundering.

David Webb pleaded guilty to breaching his director disqualification, one count of cheating the public revenue of over £1.6 million, and money laundering. The pair were joined by Glenn Delaney, who had acted as The Brand Company's finance director throughout its trading history. Delaney pleaded guilty to aiding and abetting Gareth Onions and David Webb in breaching

their disqualification and cheating the public revenue of £348k.

Subsequently, Gareth Onions was sentenced to 5 and a half years imprisonment, David Webb to 4 years and 2 months imprisonment, and Glenn Delaney was sentenced to 2 years, suspended for 2 years.

Case study: Insolvent investigation - The Legend Alliance

The Legend Alliance was a telecommunications company that made automated direct marketing calls to the general public. The Information Commissioner's Office (ICO) received complaints from members of the public about unwanted calls from numbers associated with The Legend Alliance.

In January 2017 the ICO notified The Legend Alliance that it was investigating the company and requested information about its dealings. In February 2017, days before the ICO

concluded that the company's dealings would have warranted a £400,000 fine, Jason Gambling, the sole director of The Legend Alliance, placed the company into voluntary liquidation.

On learning of the liquidation, the ICO informed the Insolvency Service of its concerns about The Legend Alliance.

Insolvency Service investigators worked closely with the ICO to obtain evidence that the company made 21 million nuisance calls over a 4-month period to members of the general public and establish what breaches had occurred.

Insolvency Service investigators challenged Jason Gambling to provide evidence that the company had not breached Privacy and Electronic Communications Regulations (PECR), that the 21 million calls were made with the recipients' consent, and to also show that The Legend Alliance was identified as the originator of the calls.

Jason Gambling failed to provide satisfactory evidence that the company had consent to contact the recipients of the calls, or that it correctly identified itself as the caller. In November 2019, the Secretary of State

accepted a seven-year undertaking from Jason Gambling after he did not dispute that he had failed to ensure The Legend Alliance complied with its responsibilities under PECR.

This case was one of three in the last year where the Insolvency Service worked collaboratively with the ICO to disqualify directors of insolvent companies which breached PECR resulting in bans of around six to seven years.

Case study: Live investigation - Young Forever Limited

Young Forever Limited sold vitamins and healthcare supplements by cold-calling members of the public, targeting the elderly or vulnerable.

The company used call centres based overseas and victims reported that the sales staff were persistent and repeatedly called, untruthfully claiming that the company was linked to government bodies, healthcare providers or the NHS.

Acting under powers through the Companies Act 1985, the agency conducted a confidential fact-finding investigation into the company's activities.

Investigators found that as well as aggressive and deceptive sales tactics, the company marked-up its products' prices in excess of 1,000% and failed to keep adequate books and records.

As a result of our investigations, Young Forever Limited was wound up on 4 February 2019 and the Official Receiver was appointed as liquidator of the company.

The company's elderly and vulnerable victims, and many others will be protected from Young Forever as a result of the investigation.

Case study: Live investigation - Dow and Jones Limited

Following complaints about Dow and Jones Limited, which sold wine to the general public as an investment, the Insolvency Service investigated and discovered that it was selling wine at double its normal retail price and investors were unlikely to reap any profits.

Investigators also revealed that staff working for Dow and Jones operated in a similar way to ‘boiler room’ operations, using scripts to make false claims to convince people, including vulnerable customers, to invest in an unregulated investment. Enquiries also found that the company had failed to fulfil customer orders and submitted inaccurate returns to Companies House.

Dow and Jones was wound up in the public interest in March 2020. Deputy Judge Jones who heard the case said that “there is something extremely wrong about this company” and confirmed that the promised returns to investors were “vastly overstated”.

Maximising returns to creditors

The UK insolvency regime is highly regarded and, according to international comparisons, its procedures return more money to creditors, more quickly, than in comparable jurisdictions, such as the USA, France and Germany.

Acting as trustee and liquidator, the Insolvency Service has distributed over £61m to creditors this year in dividend payments, exceeding the target of £55m.

Our Estate Account and Scanning Services are responsible for operating the Insolvency Service Account, where insolvency practitioners lodge monies realised in cases they handle. Last year the Estate Account and Scanning Services team dealt with 55,892 payment requests resulting in 103,408 payments out of the Account and they processed 98% of payment requests within 2 days of requisition.

This year, 90.72% of reports to creditors were issued within 15 calendar days of an attended interview with the bankrupt or company director, against our ministerial target of 90% within this period.

Case study: PPI redress claims in bankruptcy

The Official Receiver has a statutory duty to recover assets for the cases in which they are appointed. This includes any PPI monies due to insolvency estates. In order to facilitate the recovery of PPI monies for estates, a project was launched in 2019-20 to handle PPI redress claims.

The work of this project is multi-faceted, requiring many of our departments to work alongside each other, including IT, HR, estates, communications, finance and commercial teams. As claims-related work

is high-volume, we are also working with a third-party agent. As a result of this collaboration, the Official Receiver successfully submitted all the identified claims before the FCA's complaint submission deadline of 29 August 2019.

Work is ongoing to ensure that we have the necessary staffing levels to deal with the settlement monies once they are paid into the bankruptcy estates and that all required IT changes to assist are ready and tested before going live.

This work is a partnership between various stakeholders, with each aspect of the project coming together to enable us to recover and distribute significant funds to creditors. 2019-20 has seen a tremendous amount of work completed, which will continue throughout 2020-21.

Handling complex cases

Case study: British Steel

On 22 May 2019, following a petition presented on the same day by its directors, the High Court made a winding up order against British Steel Limited (now known as SLB 2020 Limited). The company entered compulsory liquidation and the Official Receiver was appointed as liquidator. The Court also appointed Special Managers from EY on the application of the Official Receiver to assist in the liquidation of the company.

A sales process commenced shortly after the Official Receiver's appointment, which attracted global interest in the business and assets of British Steel. A preferred bidder was chosen following negotiations with a number of interested parties, the assessment of deal deliverability within required timescales and the availability of funding. An exclusivity agreement was signed with the preferred bidder, providing for a period of 10 weeks to complete due diligence and sign the asset purchase agreement. After an extensive period of due diligence, the preferred bidder withdrew from the process on 20 October 2019.

Following the withdrawal of the preferred bidder, discussions were initiated with other interested parties. Jingye, a Chinese steelmaker, was chosen and after a short period of due diligence, on 10 November 2019 the Official Receiver entered into a sale agreement with Jingye. On 9 March 2020 the sale of the business and assets of British Steel was completed. This included the steelworks at Scunthorpe; UK mills in Teesside and Skinningrove; shares of FN Steel BV; the TSP Engineering business based in Cumbria; and sales offices outside of the UK.

The sale to Jingye secured approximately 3,200 jobs. A further 400 jobs were secured from the sale of TSP Projects Ltd, a wholly owned subsidiary of British Steel which is based in York, to SYSTRA Ltd.

The sale of British Steel was the culmination of 9 months of work by the Official Receiver, Insolvency Service staff and the Special Manager team to trade the business, continue to supply its customers, and transition British Steel to its new owner. The sale to Jingye ensured steel production would continue in Scunthorpe and other UK sites.

Case Study: Thomas Cook Group

On 23 September 2019, winding up orders were made against 26 companies in the Thomas Cook group on petitions presented by the directors. The court appointed the Official Receiver as liquidator, and on the application of the Official Receiver, the court appointed Special Managers from AlixPartners and KPMG to assist in the liquidation.

A further 27 companies in the group were wound up on 8 November 2019. The group's total liabilities are estimated to be around £9 billion.

The Thomas Cook group was based in the UK and operated primarily in the UK and in Northern Europe, serving 22 million customers per year. A number of subsidiary companies in European jurisdictions have also entered local insolvency proceedings.

The initial focus was on the repatriation of UK holidaymakers. This was overseen by the Civil Aviation Authority with assistance from the Official Receiver and Special Managers. 150,000 people were repatriated within 2 weeks, the largest peacetime repatriation in UK history at the time.

The group had approximately 9,000 staff employed by the companies in liquidation. Approximately 6,000 were made redundant on day one, with remaining employees retained to assist with the repatriation and to assist the Special Managers in realising group assets. Colleagues from our Redundancy Payments Service were quick to deal with claims from redundant staff, paying almost £30 million in claims within two weeks of the liquidation.

Asset realisations to date include aircraft landing slots, intellectual property rights, aircraft parts, subsidiary and joint venture businesses and currency and cash from retail stores. In October 2019 the Official Receiver reached a deal with Hays Travel to acquire the retail estate, comprising 551 stores.

Hays subsequently re-employed the majority of the 2,500 Thomas Cook retail staff who had been made redundant following the winding-up order. Work continues to realise the remaining group assets.

Delivering economic confidence

The Insolvency Service has policy responsibility, together with colleagues in the devolved administrations in Scotland and Northern Ireland, for the UK's internationally respected insolvency regime.

Our work to maintain a robust and effective insolvency regime plays a key role in supporting the UK to be the best place to start and grow a business. We do this by delivering policies and services that provide efficient and effective insolvency procedures for businesses, debtors and all stakeholders impacted by insolvency.

Ensuring a robust insolvency profession

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

The professionals working in the UK's insolvency industry perform a valuable role for the economy, rescuing struggling businesses where possible and providing an orderly way to deal with individuals and businesses where insolvency is the best option.

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

During the year we carried out monitoring inspections to all the Recognised Professional Bodies (RPBs), making recommendations and conducting follow-up visits where appropriate, publishing reports on GOV.UK.

We also worked with the RPBs to further develop regulatory criteria for monitoring and regulating “volume” Individual Voluntary Arrangement and protected trust deed providers, including updated guidance issued in October 2019.

The regulatory team worked with the RPBs to revise the Insolvency Code of Ethics, which came into effect from 1 May 2020. Changes to several Statements of Insolvency Practice have been issued for consultation.

A call for evidence on the future of the regulatory regime for insolvency practitioners ran between July and October 2019, receiving 88 responses from a wide

range of stakeholders. The evidence has been analysed and a response will be issued in due course.

At the start of 2020, the UK was impacted by the COVID-19 pandemic. We worked closely with regulators to assess and address the impact on the profession and ensure that necessary guidance for insolvency practitioners undertaking casework during the pandemic was issued through our Dear IP publication.

Corporate restructuring and insolvency reforms

We previously reported that the Government intended to take forward, when parliamentary time allowed, a package of measures to enhance our corporate restructuring regime. During the year we engaged with stakeholders and continued to develop these proposals, which include a new moratorium to give companies a breathing space while they explore rescue options, a new restructuring plan that will enable classes of dissenting creditors to be bound if the court thinks it appropriate, and protecting supplies to allow companies to continue to trade after an insolvency event while seeking a rescue so as to give creditors the best outcome.

This policy development put us in a good place to help with the Government's response to the COVID-19 pandemic which started to impact just before the year end. These proposals now form part of a package of government measures to help companies survive the economic impact of COVID-19 and provide new opportunities for companies to be rescued as a going concern.

We also continued to develop our other proposals to enhance the corporate insolvency enforcement regime, including proposals for the investigation and disqualification of directors of dissolved companies, and tackling cases where subsidiary companies are sold which then quickly fail. These measures will be taken forward when parliamentary time allows.

Leaving the European Union

In 2019-20 we delivered a second Statutory Instrument to prepare the insolvency legal framework for the UK's exit from the EU, updating the law to take into account changes to insolvency law in Scotland. Following our successful negotiation of insolvency arrangements within the Withdrawal Agreement between the UK and the EU, we are working to bring forward a further Statutory Instrument to implement those arrangements.

Networking Seminar 2019

Senior members of the Insolvency Service attended and presented at the Six Nations meeting of national government insolvency departments in Jersey in May 2019 and the International Association of Insolvency Regulators (IAIR) Annual Conference in Belfast in September 2019.

The purpose of these meetings was to share international best practice and exchange knowledge and expertise on key issues for insolvency regimes around the globe. The theme of the IAIR annual conference this last year was ‘protecting the public – information, oversight and enforcement’ and representatives from the Insolvency Service gave presentations on EU developments and our work to develop a breathing space for debtors.

Breathing Space

The agency has led the way in transforming the debt solution landscape, with Debt Relief Orders widening access to debt relief to those priced out of bankruptcy and removing the courts from the debtor bankruptcy process. This year, we are continuing to support individuals in financial distress by working with colleagues across government drawing up plans and

regulations for a new 'Breathing Space' option for people in problem debt.

A 60-day Breathing Space period will see enforcement action from creditors halted and interest frozen for people with problem debt. During this period, individuals will receive professional debt advice to find a long-term solution to their financial difficulties.

Government forecasts that breathing space will help over 700,000 people across the UK get professional help in its first year, increasing up to 1.2 million a year by year 10 of operation. Of this, 25,000 to 50,000 people in mental health crisis treatment are expected to benefit from Breathing Space every year.

The initial research phase of the project was completed towards the end of 2019, which involved engaging with a wide range of stakeholders to help us understand what needs to be developed for the success of the scheme. This included key stakeholders within the debt advice sector, the creditor sector and other government bodies. We have also been drawing on the knowledge and experience of our own staff within the agency to help us understand the best way to deliver this type of service.

This is a major project for the agency and plans are on track for introducing the scheme in 2021, as outlined in HM Treasury's 'Breathing space scheme: response to policy proposal' document in 2019.

Internal Transformation – Changes delivered to improve the efficiency of the Agency

Transformation of the commercial team

The Insolvency Service Commercial Team has undergone a radical transformation in the last 18 months. New leadership has rebuilt the Commercial Team, with Government Commercial Function principles as its foundation, recruiting a full complement of permanent staff against the Government Commercial Function People Standards.

The Insolvency Service is the first arm's-length body to volunteer and successfully undertake Government Commercial Function accreditation to further develop its commercial experts to improve agency effectiveness.

The progress made to develop the Commercial Team is demonstrated by the significant improvement in its Government Commercial Operating Standards rating

where the Commercial Team is now rated in the top 3 of BEIS' organisations.

This success resulted in the Insolvency Service's Commercial Team being shortlisted at the Government Commercial Function Awards for Best Commercial Team.

The Commercial Team has achieved in-year savings of £1.4m in 2019-20 through its contract management and retendering work. The Commercial Team is forecasting a minimum of £1.25m in savings for next financial year 2020-21, with further forecast savings to 2022-23 of up to £4.3m.

The Birmingham Estates Project

Significant financial savings were delivered through the restacking of our Birmingham Estate. The project relocation of 440 staff from two floors to one floor at Cannon House maximised occupancy levels and provided for better utilisation of space.

The successful delivery of a full refit of the third floor in Cannon House, to the agency's new Model Office Principles, provided a modern and 'fit for purpose' working environment which has subsequently been replicated across other agency sites.

The London Estates Project

The London Estates Project was mobilised to deliver at pace the exit from the headquarters in Victoria, London and to source, secure and deliver new premises for 250 staff. The delivery timeframe of less than a year was extremely ambitious.

Despite the challenging delivery timeframe, a 21,000 sqft property in the International Quarter in Stratford in east London, was secured, delivering a significant cost saving for the agency going forwards.

The new site provides a modern, fully accessible and energy efficient working environment for the agency's London-based staff and our visitors.

Case Management System

In March 2019, the agency went live with a new case management system for the Redundancy Payments Service. The integration of key business applications, such as the calculation engine, delivers flexibility and process efficiencies across the agency. For redundancy claims, the system automatically compares claimant data against wages records, eliminating the need for manual assessments.

The existing claims processing system required claims in large high-volume cases to be handled one-by-one, as there was no facility to bulk process.

With the new system's automated checks, data selection and bulk processing capabilities, an experienced case officer can process four times the number of straightforward claims in a day than was possible using the old system. As a result, when large cases have resulted in a sudden spike in claims to process, the agency has not needed to increase its workforce to process claims quickly. This frees up case officer time to work on more complex issues and claims.

Case Study: End User Services, IT Infrastructure, setting the foundations for the future

A key element of our 'One Service – working together, better' vision is the provision of modern, user-friendly and secure IT systems that will enable the agency to make effective use of the information we hold, better serving our customers and reducing our costs.

This year we have laid the infrastructure foundations that will enable the next steps on our transformation journey and of the many initiatives to deliver our

ambitions, two key achievements demonstrate our progress to date.

Our first key building block was the deployment of Windows 10 onto 1,780 devices across the agency. This required the combined efforts of 3 rollout teams, working in 18 locations over a period of 14 weeks. We now have a modern supported operating system that provides a stable platform for further development. Users have immediately started to reap the benefits of faster start-up times and improved stability.

With Windows 10 in place, we were able to entirely replace our networks to support users to access the services they need quickly and flexibly, whether working from the office or remotely. We now have Wi-Fi in all our offices and meeting rooms, allowing users to move seamlessly between spaces and tasks. Bandwidth capacity has been vastly increased, which will, for example, enable greater use of video for communications and training. Bottlenecks have been removed improving response times particularly when accessing our new cloud-hosted services.

Over the coming year we will migrate several of our legacy services onto modern cloud-based platforms. We will also introduce Microsoft Teams to provide a

single communications solution for our users and in our meeting rooms. New printing facilities will be deployed across our offices. The pace of change will continue to accelerate as we build on these new capabilities to advance towards our One Service vision and our target operating model.

Code of Practice for Statistics

The Insolvency Service publishes quarterly statistics on the number of new insolvencies in England and Wales. These are widely used by external stakeholders including the insolvency profession, other government departments, creditor bodies and the media. In July 2019, the UK Statistics Authority carried out a compliance check of the statistics and confirmed their National Statistics designation upon the Insolvency Service, a kitemark that demonstrates that the agency's statistics conform to the statistics Code of Practice principles of trustworthiness, quality and value.

Supporting an engaged and effective workforce

People

There have been several team restructures across the agency including People and Capability, Information and Technology, Legal Services, Official Receiver Services and Investigation Enforcement Services. The restructures have delivered important improvements to our operating models.

Reorganisation in Official Receiver Services and Investigation Enforcement Services enabled us to more easily manage resources across operating units and promoted efficiencies from the alignment and consolidation of similar functions. This has progressed the establishment of a consolidated expert corporate investigation function and is helping us to attain our One Service vision of working more flexibly.

In July 2019 we restructured our Public Interest Unit (PIU), allowing local Official Receivers to deal with a range of larger, more complex cases. PIU was then able to focus on cases of high-risk and complexity. The work to investigate and progress director disqualifications in compulsory liquidations moved to our Investigation and Enforcement Services

Directorate. This move brought together all our corporate investigations work.

We also formalised our approach to dealing with liquidations of unique complexity. To do this, staff were seconded from local offices and we used specialist service providers all within a defined structure. At the end of the year, we merged our asset realisation teams into Official Receiver Services. This made Official Receivers responsible for a full range of trustee liquidator functions.

The Legal Services Directorate (LSD) was enhanced in July 2019 when it was joined by colleagues dealing with civil litigation prior to issue of proceedings. LSD is now developing opportunities for the paralegal teams to work together with the lawyers to share skills in civil and criminal litigation and to provide new career paths.

We continue to embed succession planning across the agency with a strong focus on leadership development at all levels including the Executive Leadership Team. We have also begun work on a new pay structure proposal, engaging with senior leaders from across the organisation and the Trade Unions.

Resourcing

During the last year we have also begun work to develop a new resourcing strategy to improve the flexibility of our workforce to better support variations in caseload inputs and deal with short term urgent resourcing needs.

We introduced a Time to Hire target of 50 days and have been working with recruitment managers in the agency to identify where we can streamline processes further to increase the speed and efficiency of the recruitment process.

2019 also saw the successful implementation of the new Success Profiles framework for selecting and assessing candidates applying for vacancies in the agency. We supported this implementation with a wide-ranging training rollout and detailed guidance for our recruiters.

People Policies

Our People Policies provide the guiding principles for our managers on a wide range of people issues and each policy has associated guidance to support our employees and line managers.

During the year, we undertook a project to review all our People Policies and guidance to make these more streamlined and accessible on our intranet. We introduced several new or revised policies to support our employees and line managers on issues such as bereavement and parental leave.

People and Change

Last year we introduced a People Impact Assessment tool into the overall change process. This will help us to better understand the potential impact of change on our people and to enable us to put measures in place to maximise the benefits of change for our people.

We also successfully supported the Estates London Project with the relocation of our office from Abbey Orchard Street to Stratford, ensuring that the impact on staff was fully understood and addressed in all aspects of the move.

Diversity

We continued to deliver the actions in our Diversity and Inclusion Strategy 2018–21. The strategy sets out our commitment to be an inclusive and supportive employer that values diversity. We want our people to work in an organisation where they feel included and

supported. We want the agency to be a place where we enable innovation and creativity and where our performance, reputation and customer service is excellent.

We continue to work with our six staff network groups representing disability, race/ethnicity, LGBT+, mental health, women and part-time workers to help us deliver our Diversity and Inclusion strategy.

This year we have also created a new Diversity Forum, with representatives from different business areas within the agency, the network groups and Diversity Champions. The Diversity Forum has the aim of ensuring diversity and inclusion is central to agency decision making, delivery of objectives and overall agency governance.

We were reaccredited as a Disability Confident Employer and we are progressing our application to be a Disability Confident Leader.

Break the Stigma, our mental health network, was nominated in 2019 for the Guardian Public Sector Diversity awards. We also took part in the Stonewall Workplace Equality Index which will help us to better develop policies and support for LGBT+ colleagues.

Mental health and wellbeing

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

To support the mental health and wellbeing of our staff we have rolled out mindfulness training initially to 75 colleagues with plans for further training opportunities in 2020.

We have also introduced mediation support and continue to develop our Employee Assistance Representatives to provide guidance, support and mediation services to our staff.

Health and Safety

Trained health and safety staff ensure that the agency is compliant with legislation and best practice and our employees and buildings are kept safe. Key work last year included:

- working with the estates and security teams to visit potential sites and contributing reports for the Estates Project Board on suitability
- facilitating the office relocation to Stratford. We ensured staff were supported with reasonable

adjustments and chair assessments. We also introduced a health and safety checklist for the Stratford office, setting out responsibilities in a welcome pack, supporting staff with mobility impairments and providing DSE training days

- working on the implementation of a new online health and safety tool which includes e-learning, health and safety management and compliance, which is due to go live during 2020-21

Recognising success

The agency has two key internal reward and recognition schemes to celebrate our many and varied successes. These are:

- the Going the Extra Mile Awards, which is an annual celebration of individual and team achievements
- the INSSpire Awards, which are made throughout the year and provide a financial reward for individuals who have made a significant contribution to the work of the agency.

We completed an extensive review of the INSSpire scheme in summer 2019. This review used feedback

from stakeholders and intranet surveys, alongside panel reviews and robust data analysis.

Based on this feedback, planned changes will improve the fairness and accessibility for all employees to the awards. Further changes will also aid consistency of reasons and values for the award, and address concerns that some areas over or underuse it.

People Survey

We achieved an engagement index of 62% in the 2019 People Survey, maintaining our highest score for a second year. This keeps us in-line with both the Civil Service average and the average across BEIS.

For every one of the themes measured in the survey, we are above the Civil Service average and for 6 themes, we are now among the Civil Service high performers. These are:

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

Learning and Development

We introduced our Insolvency Service Investigator Programme (ISIP) in June 2019, an assessed professional development programme for investigators in the Insolvency Service.

We achieved accreditation for ISIP with our accrediting body, Skills for Justice, and this then enabled us to gain membership of the Government Counter Fraud Profession for all our investigators. During the year, 131 investigators started on the ISIP and we saw 26 operational employees successfully complete our well-established trainee programme.

Core Civil Service skills such as leadership and management have remained a priority for the agency with 48 employees completing our Management Development Programme, 8 completing the Stepping into Leadership programme and a further 14 joining our Insolvency Service High Potential Leadership Programme.

Having evaluated these programmes towards the end of the year, we plan to revitalise our learning offer to

ensure it remains current and continues to provide what our employees and the agency need.

Apprenticeships

Offering apprenticeships has continued to be important to us and during the year, 16 apprentices successfully completed their apprenticeship, with a further 42 progressing through their programmes. We also reviewed and refreshed our apprenticeship strategy and will be implementing it during 2020-21.

Dispute Resolution

This year an updated Dispute Resolution policy and procedure was launched across the agency. The policy promotes a culture where our people can feel confident of speaking up about negative behaviours, and that they will be dealt with fairly and sensitively, allowing us to create and maintain good and effective working relationships based on mutual trust and respect.

Engaging our customers and stakeholders

Engaging our service users and stakeholders

Putting our service users at the heart of everything we do is vital to helping those in financial distress,

maintaining our professional reputation and enabling us to meet our performance targets.

As an agency we continually gather and analyse feedback from our service users across a range of channels and use that information to drive further improvements to our communications and services.

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

Customer Service Excellence

Every year the agency benchmarks its customer service by seeking reaccreditation of the Customer Service Excellence (CSE) standard. In 2019-20 we not only remained fully compliant with the CSE standard but gained a further 4 compliance plus ratings. We now hold 23 compliance plus and 34 compliant ratings, our highest number ever and recognition of our continued focus on putting service users at the heart of everything we do.

In the report, our CSE assessor said:

“This is a very good service that serves the needs of customers well. The agency is a long standing and a fully deserving holder of the CSE Standard. This has been an excellent and well-deserved outcome for the agency.”

Annual Satisfaction Survey

Every year we conduct a Satisfaction Survey. Eight of our key groups were contacted by the research agency with 773 telephone interviews completed, each typically lasting 15 minutes. We were unable to include the witness group this year as the sample did not yield enough interviews.

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, overall, 80% of those surveyed were satisfied with the service they received.

Considering the overall service provided by the Insolvency Service, how satisfied are you?

Customer group	% Very satisfied / quite satisfied	Change from 2018-19
Bankrupt	81%	-3%
Approved intermediaries	100%	+3%
DRO Debtor	98%	+1%
Directors	63%	-11%
RPS claimants	77%	-8%
Institutional creditors	88%	-3%
Non-institutional creditors	63%	-11%
Insolvency Practitioners	77%	-3%
Overall	80%	-4%

Complaints

In 2019-20 the agency received 1,183 complaints, compared to 378 in 2018-19.

This year we have handled over 125,000 applications across our front-line services which suggests less than 1% result in a complaint. This shows that the majority of service users are satisfied with the outcome of their case and the service we provide.

We saw an increase in complaints regarding the Redundancy Payment Service (RPS) in the early part of the year owing to challenges in launching a new case management system. However, in the latter half of the year, we saw a steep decline in complaints as

the new system became more integrated into our working practices.

Performance against our complaints' targets in 2019-20:

- 92% of complaints were answered within 10 working days against our stretching 90% target
- 96% of complaints were answered within 20 working days and acknowledged within 5 working days against our target of 95%
- As Tier 3 complaints tend to be more complex in nature, our aim is to investigate and conclude 80% of these complaints within 3 months of receipt. In 2019-20, 100% of Tier 3 complaints were concluded within this timeframe
- In 2019-20 we introduced a new measure looking at how many of our decisions were ratified at the next stage of the complaints process, should the complainant remain unhappy with our response and decide to escalate. Against this new target:
 - 73% of Tier 1 decisions ratified at Tier 2 against a target of 75% or greater
 - 94% of Tier 2 decisions ratified at Tier 3 against a target of 90% or greater

Overall performance has been good, despite a challenging year for some areas of our business areas.

Customer contact

It has been a challenging year for our Customer Service teams. As well as seeing increased call volumes, our call handling statistics were also impacted by the implementation of the new case management system (CMS) for the Redundancy Payments Service (RPS). Problems arose after the system went live, which led to delays in processing redundancy claims. This resulted in a large increase in customer contact by phone and email across the first half of the year.

Over the last year:

- The Customer Service teams took over 200,000 calls
- Actioned on average 600 emails per day
- Successfully answered 87% of calls against a target of 95%
- Answered 51% of calls within 60 seconds against a target of 80%

As the integration of the new CMS became more streamlined, our ability to handle call volumes and length of calls improved dramatically. In the final

quarter of the year we were able to start meeting our customer contact targets again and work towards meeting our call handling targets for the next financial year.

We have used feedback to improve the main redundancy payment letter and online content. This allows customers to find the information they need themselves, reducing preventable enquiries to our contact centres.

Insolvency Live!

Insolvency Live! is our annual stakeholder event and a key mechanism to engage with our stakeholders across all pillars of our activity at a single setting. This enhances our overarching stakeholder engagement strategy, while also providing a focal point for our engagement programme.

2019 saw 88 stakeholders attend Insolvency Live! We welcomed guest speakers from the Money and Pensions Service and HM Treasury to talk about developments in the debt advice sector and the Breathing Space project. We outlined plans for reviewing insolvency practitioner regulation and other key insolvency policy projects. We highlighted the work

of our investigations teams in tackling financial wrongdoing.

A lunchtime trade fair and a Q&A session with our senior team provided guests with ample opportunity to provide feedback on our work and ask questions about our future plans.

Corporate and social responsibility

The Insolvency Service is currently developing its Environmental Policy. We see the following business areas as key to delivering our sustainability ambitions.

Estates

- Embed our Reduce, Reuse Recycle approach into office moves and refurbishments
- Ensure that we are compliant with all mandatory cross-government sustainability initiatives
- Provide offices where alternatives to traditional meeting facilities can operate effectively for our staff and our customers
- Operate our Total Facilities Management contract to best effect enabling better sustainability reporting and obtain support from our service providers
- Ensure that appropriate recycling facilities are provided for our sites

- Install innovative lighting, cooling, kitchen and washroom facilities to minimise utilities usage

Contracts & Procurement

- Ensure that our suppliers are aware of the importance that we place on sustainability
- Log and communicate 'green wins' achieved by the agency's Commercial function
- Monitor the goods and services delivered to us and take advantage of opportunities to achieve sustainability and improve efficiency

Staff

- Enthuse, engage and empower our staff to undertake sustainability-themed initiatives in our offices and in their homes by means of our staff network 'Grass Roots' group
- Ensure that staff travel is undertaken only when necessary to minimise carbon emissions
- Liaise with other public sector representatives to share examples of best practice and sustainability initiatives

Information Technology

- Provide assets and applications that allow staff and our stakeholders to communicate remotely in an effective manner

Greenhouse Gas Emissions

Greenhouse gas emissions		2019-2020
Tonnes CO2e	Emissions scope 1 ²	-
	Emissions scope 2 ³	84
	Emissions scope 3 ⁴	248
	Total	333
kWh	Electricity	329,901
	Gas	-
	Total related energy use	329,901
£	Expenditure on CRC licence	549

Domestic business flights		2019-2020
	Total number of domestic flights ⁵	285
Waste		2019-2020
Kilos	Total waste generated⁶	
	Non-hazardous: to landfill	1,120
	Non-hazardous: reused/ recycled	52,000
	Non-hazardous: composted/ bio-digestion	-
	ICT waste: reused	-
	ICT waste: recycled	-
	Incinerated: e.g. food waste	26,880

Water and paper		2019-2020
m ³	Water consumption ⁷	9,191
Reams	Reams of paper procured	7,126

For 2019-20, total emissions were 333 tCO₂e. Total emissions are made up of Scope 2 & 3 emissions, occurring as a consequence of the agency's operations whether directly or indirectly. The largest make up was from Scope 3 emissions with national rail

² Scope 1: direct emissions from sources owned or controlled

³ Scope 2: indirect emissions from consumption of purchased electricity or sources of energy generated upstream.

⁴ Scope 3: other indirect emissions occurring as a consequence of InsS' operations, but not directly owned or controlled by InsS and not included 'other travel' as noted in the GGC methodology.

⁵ The figures for 2019-20 now count each portion of a return journey as one flight, in line with the GGC reporting requirement, whereas figures for previous years counted one return journey as one flight.

⁶ Waste generated figures have been calculated using FTE data.

⁷ Water consumption data has been calculated using a 'good practice' by floor area (m²) benchmark.

travel and distance travelled by the grey fleet, as the primary contributors.

Scope 2 emissions are specific to electricity use by the agency's in-scope estate. Electricity use increased in Q3 and Q4 with the move to and establishment of the new Stratford office. The agency is a tenant within multi-tenanted buildings so Natural Gas is accounted within the service charge where applicable. For the 2018-19 period we surrendered and purchased our share of CRC allowances on time and in compliance with the relevant legislation.

The CRC Energy Efficiency Scheme closed once the compliance year ended on 31 March 2019.

Government decided to close the scheme after consulting on reforms to the way they tax and regulate business energy efficiency. Legislation allowing the scheme to close, The CRC Energy Efficiency Scheme (Revocation and Savings) Order 2018, came into force on 1 October 2018. In 2019, the Agency's final report in respect of CRC was submitted successfully.

We are continuing to increase the accuracy of our data through the implementation of new energy and waste management systems, including greater collaboration with suppliers and Managing Agents across our estate

and activities. All relevant data is reported quarterly into the Greening Government Commitments process.

Sustainability initiatives

The Insolvency Service continues to strive towards increased sustainability across our operations and estates. We recognise that sustainability is paramount to our operations as we align with the BEIS strategy for Net Zero by 2050.

Our Estates Team and 'Grass Roots' staff network have continued to lead sustainability initiatives and record successes as we track our progress in sustainability.

To directly work towards Net Zero and reduce our Scope 2 emissions we have transferred two electricity contracts to renewable only supplies. This has removed net emissions from our supply and reduces our estates' carbon footprint.

Estimates state that commuting accounts for almost 15% of the UK's total emissions each year. This year we introduced a cycle to work (salary sacrifice) scheme to empower our staff to tackle this issue and decrease our collective impact on the environment.

We are decreasing waste and increasing recycling in our estates through a number of initiatives including:

- participating in the Walkers Crisp Packet recycling scheme
- working with our Facilities Management provider to remove chemicals and plastics from cleaning
- donating bottle tops and bras, reusing and donating furniture when feasible and replacing plastic cups with plant-based alternatives
- donating unwanted amphitheatre seating (value c.£11k) to a Partner Organisation within BEIS.
- We made further donations of Abbey Orchard Street surplus stationery that we were not able to re-use when that office closed. This followed efforts to reuse office chairs, cupboards and other items by supplying seven of our sites with hundreds of items of furniture, making cost savings of around £110,000.

The Public Services (Social Value) Act requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits. In 2019-20, the Commercial Team considered the impact of novating our document storage contract. To avoid the environmental impacts of moving some 288 lorry loads of official records to a

new supplier, we came to an agreement with an existing provider which avoided the emissions that would have otherwise resulted.

Case study: Waste reduction and recycling, Birmingham

We have recently examined the recycling facilities at our Birmingham office. In collaboration with our staff network group, 'Grass Roots', Facilities Management supplier, the landlord and Birmingham City Council, we aimed to reduce waste and increase recycling. The review focused on what bins we have, for what class of waste and where they should best be positioned. This empowered staff to better manage waste and segregation of recycling in the office. We have phased out plastic drinking cups, having rolled out Zip Taps for drinking water across much of the Service including Birmingham to help us in our efforts to stop using single use plastics at work.

Through liaising with the local authority, we were able to clarify that none of the commercial waste collected by Birmingham City Council is sent to landfill. It is all processed at an 'energy from waste' plant in Tyseley, where it is incinerated to generate energy for local homes and ash for road construction. Engagement

with the local authority also provided a catalyst for the Estates Team to compile a list of existing recycling facilities at every office with a view to ensuring that we are recycling everything that we can.

Response to the Coronavirus (COVID-19) pandemic

As a result of the COVID-19 pandemic and government instructions to stay at home, the Insolvency Service took the decision to close all offices and deliver services remotely.

Our focus is the wellbeing of our employees and supporting our service users. In response to the office closures all Business Services teams have moved to home working.

We have supported our people by adjusting our policies and guidance in line with government guidance. We have promoted best practice in wellbeing, and health and safety. We ensure staff are kept fully informed of developments through regular communications, the Leadership Matters newsletter for our managers, all staff intranet articles and video blogs by senior leaders.

While our employees are working from home, our main helplines, including the redundancy payments line, are closed and we continue to provide assistance to users by email and online content. We have also undertaken some tactical outsourcing of post handling, scanning and printing as a temporary measure to increase our ability to work remotely for an extended period.

All redundancy claims, bankruptcy applications, Debt Relief Orders and estate payments are being processed as normal. We are also providing regular updates to our stakeholders and service users through GOV.UK and stakeholder publications such as Dear IP for insolvency practitioners and our stakeholder newsletter.

There is a possibility that demand for our services will increase as the economy emerges from the COVID-19 crisis. We have planned for a range of workload scenarios and we are continuing to assess our potential resource requirements in different operational areas, upskilling existing employees so that they be deployed to cover high priority work if needed.

We switched from a largely office-based organisation to 100% homeworking as the lockdown was introduced. This provided an opportunity to make full

and effective use of the technologies we had introduced over the last year. We had already issued all Insolvency Service personnel with laptops with remote access functionality and a good proportion of the workforce already had video and audio conference capabilities. This meant we could transition to the necessary homeworking arrangements seamlessly when the government announced lockdown at the end of March.

Where gaps existed or new requirements were identified, we moved quickly to put additional technology capabilities in place, for example we enabled Skype for Business (audio and video) across the agency and brought forward contact centre and telephony provision so that our contact agents could carry out their roles from home.

For our customers we have made changes to the Debt Relief Order process to enable email notifications to be issued.

We have contacted all key suppliers to provide business continuity assurance; returns were risk assessed and are subject to ongoing monitoring. We are active participants in BEIS and Cabinet Office supplier Business Continuity Planning networks.

We have reflected the potential impact of COVID-19 in our Risk Management processes by ensuring COVID-19 specific risks and mitigations are captured in the Agency risk register and are subject to regular review by senior management.

As part of the Government's package of measures in response to COVID-19, we announced on 28 March 2020 that we would be amending the insolvency framework, which will support businesses through this period and help them recover (www.gov.uk/government/news/regulations-temporarily-suspended-to-fast-track-supplies-of-ppe-to-nhs-staff-and-protect-companies-hit-by-covid-19). Subsequently, the Corporate Insolvency and Governance Act came into force in June 2020 and we will continue to consider further measures that may be required.

We have been working closely with regulators, trade bodies, representatives from insolvency practitioner firms, advice agencies and major creditor institutions on the response of the insolvency profession to COVID-19.

We have also been working with other government departments to provide data to monitor the evolving effects of COVID-19 on corporate and personal insolvency.

The key impact from the COVID-19 pandemic for the Legal Services Directorate has been the inability of the courts to progress both our criminal and civil cases in the usual way. Initially the courts were only able to deal with the most urgent cases. As the lockdown progressed, however, various options have opened allowing remote hearings to be held across a wider range of matters.

Financial performance

Financial outturn against budget

The agency reported a £96m surplus against budget for the financial year 2019-20. The surplus position is primarily driven by higher than budgeted income. The main component of the income surplus is from additional fee income realised as a result of successful PPI claims from Insolvent Estates. We recognised £91m following payments from major financial institutions subsequent to the submission of a large volume of claims by the Official Receiver (OR) prior to the statutory deadline for making PPI claims. To date, we have received settlements from a number of these financial institutions.

There is still some uncertainty relating to potential future settlements, however the agency continues to proactively progress claims where settlements have not been achieved. Recoveries of fees for historic cases prior to 2010 where the service has not yet fully recovered fees, are recognised in the accounts as retainable income and impact on the cash position of the agency.

The value is exceptional this year due to bulk settlements relating to previously written off income

being received in the financial year. The agency's ability to access this surplus is dictated by government finance and budgeting frameworks. The resulting impact on agency cash will be considered within the current Income Project to explore options to utilise and/or transfer excess cash to HM Treasury.

The reported surplus includes £15m of underspends; the majority of which relates to staff costs (a significant proportion of which relates to deferred recruitment in operational areas where inputs were below planning assumptions), and IT costs linked to project-related activities.

Capital outturn

During 2019-20, the agency spent £2.8m (2018-19: £3.3m) on capital items. The majority of this expenditure (£2.1m) was for office re-fits as part of the Estates Strategy, notably moving our London office from Abbey Orchard Street in Westminster to Stratford. This has resulted in annual rental savings of almost £1m per year. The remaining capital spend was on improvements to the core telephony network.

Key financial events

RPS

This is the second year of accounting for the Redundancy Payment Service (RPS) by the agency, since transferring from BEIS in 2018-19. The total payments made to claimants in 2019-20 was £485m (as per the Statement of Comprehensive Net Expenditure and Note 3).

The agency attempts to recover these payments where an insolvent employer has assets that can be realised by the Official Receiver (for more details on the policies and process, see Notes 1(k), 1(n), 1(o) and 2(d)). In 2019-20 cash recoveries totalled £28m (see note 1(n) and 4). The net amount of £458m was funded from the National Insurance Fund via HMRC.

RPS Compensatory Notice Pay (CNP) overpayment

During the year, colleagues within RPS, Finance, and Performance and Insight have been working closely with HMRC to resolve an overpayment of compensatory notice pay (CNP). At present, negotiations are still ongoing as to the liability and recoverability of the overpayment. The Service did not

deduct the correct National Insurance contributions from CNP payments as specified by the Finance Act 2017, effective from April 2018. Whilst PAYE was deducted correctly, the liability to pay this over to HMRC was not recorded in the accounts.

As such, this under-deduction created an overpayment to claimants of £2.9m (a receivable in the Statement of Financial Position and see Note 9). At the same time this also created an underpayment to HMRC (a payable in the Statement of Financial Position and see Note 11). As per IFRS 9, we have provided for the full £2.9m as it is unlikely the agency will seek to recover funds from claimants, as the costs of recovery are likely to significantly exceed the level of the overpayment. See Note 1(q) for details of correction of this error.

PPI income

During 2018-19, the Official Receiver contracted with Deloitte to process PPI claims in bankruptcy estates against the financial institutions who had mis-sold PPI. A number of these institutions have now settled and have made a bulk payment to the Official Receiver for the numerous bankruptcy estates affected. There is significant complexity in determining the fees

applicable on these estate realisations, and therefore how much income can be recognised in 2019-20. There is expectation of a material value of receipts in 2020-21, as per Note 19.

There is also a decision pending from HMRC on whether tax is payable on the implied savings interest that is due, which has been assumed to reduce payments by 9.1%. The accounts include fee income of £91m which can be recognised by the agency, with additional fees of £19m which must be repaid to the consolidated fund. See the financial statements and Note 2 for further details.

Signed:

A handwritten signature in black ink, appearing to read 'DB', followed by a period.

Dean Beale
Chief Executive

Date: 09 December 2020

Accountability Report

The Accountability Report is comprised of three sections:

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

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

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

The **Remuneration and Staff Report** sets out the agency's remuneration policy for directors, reports on how that policy has been implemented and sets out the amounts awarded to directors and where relevant the link between performance and remuneration (i.e. bonuses). It provides details on remuneration and staff that Parliament and other users see as key to

accountability. It also reports on staff matters, such as (but not limited to) staff numbers and costs, staff composition, sickness absence data, expenditure on consultancy and off-payroll engagements.

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

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

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

Accountability Report

Corporate Governance Report

Directors' Report

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

Executive Members

Sarah Albon	Chief Executive (left 1 September 2019)
Dean Beale	Strategy & Change Director (until 1 September 2019)
	Chief Executive (from 2 September 2019)
Alec Pybus	Chief Operating Officer
Chris Pleass	Finance & Commercial Director
Dan Goad	People & Capability Director
Angela Crossley	Strategy & Change Director (from 16 September 2019)

Non-Executive Members

Stephen Allinson	
Alan Graham	
Mary Chapman	
Richard Oirschot	
William Trower	(left 30 September 2019)
Debbie Gillatt	

Company Directorship conflicts

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

Information on personal-data-related incidents

During the year, one incident was formally reported to the Information Commissioner's Office (ICO). The ICO has taken no action in relation to this breach.

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
- prepare the accounts on a going concern basis
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable

The Department for Business, Energy and Industrial Strategy has appointed the Chief Executive as Accounting Officer of the Insolvency Service.

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

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

A handwritten signature in black ink, appearing to read 'DB', followed by a period.

Dean Beale
Chief Executive

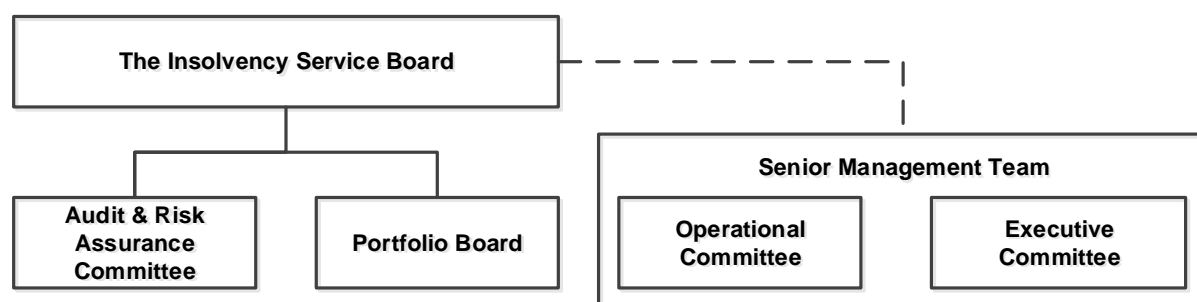
Date: 09 December 2020

Governance statement

This section describes the governance arrangements in place during 2019-20.

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

Governance structure



The Insolvency Service Board

The Insolvency Service Board 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 BEIS and externally on its stewardship. A broadly equal split of executive and non-executive board members (NEBMs) gives the appropriate balance of skills, experience, independence and knowledge to enable the board to discharge its duties and responsibilities.

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

At the start of the year, the Insolvency Service Board also comprised of five further NEBMs (including one who is a nominee from our sponsoring Department) and five executive directors (including both the Chief Executive and Chief Operating Officer).

Two changes to the Insolvency Service Board have occurred this year:

- Sarah Albon left her Chief Executive post in September 2019. I, Dean Beale, then Director of Strategy and Change, replaced her on an interim basis. On 2 December 2019 I was appointed to the post permanently and became the new Chief Executive and Accounting Officer of the Insolvency Service. As such I am responsible for the propriety and regulatory processes of the agency. During Sarah Albon's tenure I worked collaboratively with her and the entire executive team, to set the strategic direction and change programme within the agency. I am satisfied that my transition to Chief Executive Officer and the handover arrangements (including Accounting Officer training, the support of the experienced Chief Executive Team staff and a programme of regular meetings with my predecessor both before and after my appointment), were sufficient for me to provide assurance that a sound system of internal control was in place for the year as a whole. These have supported the achievements of the organisation's policies, aims and objectives, whilst safeguarding public funds.
- One of the NEBMs resigned in September 2019, and a replacement has not yet been appointed, meaning that the Insolvency Service Board is currently

comprised of five NEBMs (including the Chair) and five executive directors.

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

- regular review and scrutiny of progress against the 2019-20 Annual Plan and targets, including performance on all key aspects of agency operations including finance, people and capability, and customer feedback
- strategic priorities for the agency set in the context of the agreed Target Operating Model for the Insolvency Service, Departmental and wider Government aims, and changes to external insolvency markets
- major projects delivering organisational change
- topical items such as complaints handling procedures, progress on major cases of political and public interest
- feedback from board committees including reviewing the annual report produced by the Audit and Risk Assurance Committee
- regular assessment of exposure to and management of risk

The Insolvency Service Board also met for a strategic 'away day' in December 2019 to discuss key themes, including progression towards delivering the Target Operating Model, resourcing and capability in a period of volatility, and discussing and planning future ambitions.

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

There have been no ministerial directions given to the agency during 2019-20.

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

Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee (ARAC) is chaired by an appropriately qualified independent NEBM. Its membership comprises two further NEBMs. The Chief Executive and Finance and Commercial Director, and internal and external auditors, attend all meetings. Other Senior Leaders attend as required.

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

Matters considered by it included:

- approval of the internal audit plan, review of all internal audit reports issued, review of progress against the annual internal audit plan and annual audit opinion on risk management, governance and internal control

- work on the preparation and completion of both the agency Annual Report and Accounts and ISA (White Paper) Accounts was regularly reviewed
- regular reviews of the agency risk register and risk management including commissioning further work on risk management and assurance mapping
- scrutiny of fraud and error incidents
- regular reviews of the agency's finance management reports
- review of agency policy tracking
- assurance reviews of the following areas:
 - agency I&T risk management
 - agency workforce planning and recruitment
 - agency commercial function and performance
- a review of Government Internal Audit Agency (GIAA) service provision

Portfolio Board

The Portfolio Board (PfB) is responsible for the governance of all Portfolio Projects, which are those identified as priority change for the agency and require a higher level of project governance due to their size, complexity and / or importance. It is chaired by the Chief Operating Officer and has three NEBMs as members. One of the NEBMs, William Trower, left in September 2019 and Mary Chapman is temporarily covering the position on the board until a permanent replacement is appointed. The PfB is also responsible for maintaining the overall agency Change Governance Framework, ensuring project objectives are strategically aligned, the review and approval of project business cases and the governance of project delivery throughout the project's life cycle. This includes ensuring projects deliver to time, cost, quality and that benefits are realised. The PfB met eleven times during the year. Matters considered by it included:

- approval of key internal documentation for projects: projects' business cases, closure reports, exception reports (when projects exceed their tolerances set up by the PfB)
- regular reviews of overall progress of projects

- changes/updates to the governance and assurance for the portfolio of projects
- the workforce impacts of the changes that are made by the projects which it considers in the People Committee, which is chaired by the Director for People and Capability.
- reviewing the effectiveness of the PfB

Senior Management Team

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

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

Executive Committee

The Executive Committee (ExCo) is responsible for the overall operations of the organisation, including policy, regulatory issues and more general agency-wide matters. It is chaired by the Chief Executive and membership comprises the Chief Operating Officer, along with Directors of Finance and Commercial, Information and Technology, People and Capability, Strategy and Change and Legal Services.

Operations Committee

The Operations Committee (OpCo) is responsible for reviewing and improving the performance of the four operational units: Official Receiver Services; Investigation and Enforcement Services; Business Services; and Legal Services. It is chaired by the Chief Executive and attended by Directors and Senior Managers from the operational units.

The table below illustrates NEBM attendance at Insolvency Service Board, ARAC and Portfolio Board meetings held during 2019-20.

Non-Executive Board Members	Insolvency Service Board (ISB)	Audit and Risk Assurance Committee (ARAC)	Portfolio Board (PfB)
Stephen Allinson (Chair ISB)	10/10	n/a	n/a
Alan Graham (Chair ARAC)	9/10	4/4	n/a
Mary Chapman**	10/10	3/4	3/5
Richard Oirschot	8/10	4/4	9/11
William Trower*	5/5	n/a	4/5
Debbie Gillatt	10/10	n/a	11/11

- * Left ISB and Portfolio Board on 30 September 2019
- ** Temporarily joined Portfolio Board from 1 October 2019

Executive Board Members:	Insolvency Service Board (ISB)	Audit and Risk Assurance Committee (ARAC)	Portfolio Board (PfB)
Sarah Albon (CEO)	4/4	2/2	n/a
Dean Beale (as CEO)	6/6	2/2	n/a
Dean Beale (as Strategy & Change Director)	4/4	n/a	4/5
Chris Pleass (Finance & Commercial Director)	10/10	4/4	9/11
Alec Pybus (Chief Operating Officer)	10/10	n/a	11/11
Dan Goad (People & Capability Director)	9/10	n/a	6/11
Angela Crossley (as Strategy & Change Director)	5/6	n/a	5/6

Compliance with the Corporate Governance Code

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

A report of findings was presented to the Board in February 2020; the Insolvency Service is compliant with HM Treasury's Code of Good Practice and overall the report was satisfactory with the reviewers making some suggestions for areas to further develop for greater effectiveness. Those suggestions were discussed by the Board in April 2020 and an action plan is being drafted to address specific recommendations during the coming year.

The Risk and Internal Control Framework

Risk Management

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

The Risk Management process is scrutinised by the Audit and Risk Assurance Committee to ensure that it is operating effectively.

During the year, the key risks and issues which were likely to impact on our ability to meet our objectives were identified and assessed for likelihood and impact. Each risk/issue is owned by a Director and these are reviewed by the SMT at each monthly meeting whereby they challenge the mitigating actions put forward and collectively agree the approach to be taken to manage the risk. When considering proposed mitigating action, the SMT will consider the cost and

benefit of such action. Risks are reported to the Board quarterly. The register is also used to inform the annual Audit Plan.

Significant Issues managed through the year:

Issue: Non-deduction of National Insurance Contributions from the payments for compensatory notice pay (CNP) and the incorrect treatment of PAYE on those payments in 2018-19.

Action taken: On 6 April 2018, changes enacted by the Finance Act, 2017 came into force. In particular, CNP became subject to PAYE and to the deduction of National Insurance Contributions (NIC).

The Insolvency Service's Redundancy Payments Service (RPS) assesses claims and makes payments for statutory redundancy and certain contractual debts from the National Insurance Fund (NIF) owed to ex-employees of, mainly, insolvent employers.

While the government did undertake multiple rounds of public consultation on the policy and draft legislation, the Insolvency Service (the agency) was neither consulted nor notified on the legislative change impacting CNP by HMRC.

The necessary system and process changes were not implemented by RPS in the financial year 2018-19. This resulted in overpayments of CNP in respect of NIC, estimated to be £2.9 million, and the omission of the recognition of PAYE deductions and payment to HMRC, estimated to be £9.0 million. The CNP overpayment of £2.9 million is considered to be irregular, whilst the £9.0 million PAYE deductions are not.

The CNP overpayment has been accounted for in the 2019-20 Agency accounts, restating the 2018-19 comparatives in respect of reported RPS balances, to recognise the additional NI and tax being assessed. HMRC has yet confirm whether they expect the overpayment to be paid over.

The agency has assessed that the value for money case of pursuing recovery from individuals is weak and therefore will not be doing so. HMRC will consider within their own accounts whether to remit overpayments relating to NICs based on VFM arguments, however, until that process concludes there remains a remote risk that the agency may incur a loss in correcting the overpayment which may not be recoverable from the claimants.

The agency is working through technical fixes to correct individuals tax records with HMRC with the intention of resolving fully within the 2020-21 financial year.

The agency requested that the Government Internal Audit Agency (GIAA) review internal processes in place to identify legislative or policy change that may impact on the agency and has implemented their recommendations. The agency has also initiated a cross-government policy horizon scanning group to improve communication and notification of legislation / policy changes in partner departments that may impact RPS.

The agency is seeking to update its Memorandum of Understanding (MoU) and Service Level Agreement (SLA) with HMRC to ensure that scope of service, roles and responsibilities in relation to legislative change and associated service impact assessments are agreed and clear.

Since the introduction of the new case management system from mid-March 2019 CNP is being calculated correctly. The agency continues to engage with HMRC to ensure that the new case management system accurately reflects the legal position of these payments

The NAO have reviewed this matter in detail as part of the audit of the 2019-20 Accounts. Their findings and conclusions are set out in the Comptroller & Auditor General's Report on Accounts.

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

Action taken: First reported in 2018-19. Technical problems have now been resolved. This issue was closed in June 2019 when HMRC confirmed that 2017-18 data had been successfully transmitted electronically.

Issue: The agency recorded an increase in the incidence of duplicate payments in 2018-19.

Action taken: An internal review identified the causes of duplicate payments. Internal processes have been strengthened as a result, the effectiveness of which has been closely monitored. A significant reduction in errors resulted in this issue being closed in October 2019. The Senior Management Team and Audit and

Risk Assurance Committee continue to receive duplicate payment error data on a regular basis.

Issue: The implementation of a new Case Management System resulted in a number of issues that impacted on the Redundancy Payment Service's (RPS) ability to offer our expected level of customer service, leading to an increased number of complaints.

Action taken: A cross agency approach was adopted to work through the RPS claims and any resulting complaints. A specialist team was established to work through technical and system integration issues to ensure smooth flow of claims being calculated and payments being made. By December the agency was back to expected levels of processing as evidenced by the in-month speed of processing target. The issue was closed, with monthly updates provided to the Senior Management Team.

Post year-end issue: Material post year-end adjustments have been required to agency income lines. These adjustments relate to the 2019-20 accounts. These material adjustments in income fell post year-end and therefore it was not possible to flag through the normal in-year MI reporting to the executive and board.

These adjustments relate to case administration income arising from PPI settlements as well as National Interest Case (NIC) Trustee Liquidator Fee income. They are reflected in the financial statements.

The agency received a large value of PPI bulk settlement income which was subject to ongoing negotiation at the end of the financial year. The agency sought expert opinion from an external consultant to advise on the revenue recognition point which resulted in a late adjustment to the value of income recognised in 2019-20.

The agency also made a late adjustment in respect of income from National Interest Cases. This change derived from expert advice on ensuring full alignment with revenue recognition principles under IFRS 15.

PPI and NIC models were evolved at pace during this time and whilst subject to internal peer review, were not subject to the same interrogation as business-critical models.

Response: The agency has taken numerous steps to resolve the issue. The agency has utilised expert opinion from Deloitte and BEIS to assist in our understanding as we have developed solutions to the accounting issues. Throughout the process we have kept the NAO informed and worked collaboratively with them.

The agency is using the Government Finance Function's best practice in-year reporting to update senior management on these issues and their impact in 2020-21 as well as providing regular updates to the Executive Leadership Team, Audit and Risk Assurance Committee and the Board. The issue is captured in the Finance & Commercial issues log which plays a key role in the agency's internal control process.

The agency has launched an income project which will be reviewing our key financial models and adherence to the MacPherson Principles.

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

People

Issue: The agency is unable to recruit the right people with the right skills in the right posts at the right time to meet the agency's workforce requirements, resulting in inappropriate and inadequate resource to achieve the agency objectives, change plans and project delivery.

Response: New recruitment policy and guidance is available to support recruitment campaigns and the recruitment process uses a selection of assessment elements and tools to ensure best fit for role.

Workforce plans identify when and where recruitment is needed. and the agency can use short-term temporary resource to deal with peaks of work.

Delivery

Issue: COVID-19 identified an internal risk of an increased level of absence of employees, significantly affecting the ability of the agency to discharge its statutory obligations or meet its targets and objectives.

Response: The agency has taken on board central guidance from Civil Service Employee Policy and on GOV.UK on reporting, preventing, and reacting to the virus.

The agency's Serious Incident Management Plan has been invoked, with regular meetings to discuss the impact on the agency and determine next steps.

Employees have been made aware of the central guidance, including NHS guidance and FAQs via the agency's intranet. In addition, articles are sent directly to Senior Managers to help them update and brief their teams.

All offices have been closed from 25 March 2020. Staff are working from home and the effect of the virus on staff availability is closely monitored.

Issue: COVID-19 identified an external risk that due to the economic impact of coronavirus, businesses enter into insolvency proceedings and/or employees are made redundant, sending case numbers in excess of our capacity resulting in the agency not meeting our statutory requirements and targets.

Response: The Serious Incident Management Plan has been invoked

A plan to deal with shock levels of cases was reviewed by the Operations Committee in January 2020, and priorities set for work that had to be done, as opposed to discretionary.

Volumes of cases are being tracked daily, enabling resources to be redirected to priority work

Issue: That the spread of COVID-19 is such that it impacts on the agency's suppliers and partners as to significantly impact upon the ability of the agency to discharge its statutory obligations or meet its targets or objectives. This could also have a financial impact on the agency.

Response: The agency's Serious Incident Management plan has been invoked. External communications have gone out to all our stakeholders and notices have been placed on GOV.UK. Our Commercial Team is monitoring supplier Business Continuity Plans and proactively monitoring supplier performance. Plans are in place to temporarily

outsource key activities that cannot be performed at home, such as scanning and printing and posting. Specific strategies for reopening individual offices are being developed. Any concerns are escalated through the command structure.

All projects have carried out a review to identify and mitigate any risks and issues as a result of the impact of COVID-19 on their delivery partners.

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

Response: Key decisions and recommendations on projects are made collectively at project board level and reported up to the Portfolio Board (PfB) for review and discussion. High-value projects report to the PfB for further scrutiny. Critical aspects subject to review include cost, resourcing, benefits, business impact and delivery timescales. In addition, the Senior Management Team regularly review organisational priorities to ensure alignment with current plans and prioritised change activity.

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

Response: A playbook is agreed to provide the structure for operating these cases and includes the asks from other business areas. This will include the return of qualified insolvency staff from other business areas. The Chief Technical Officer and Senior Official Receiver liaise across government and externally to ensure that the operational team get sufficient financial, legal and Special Manager support. Official Receiver Services are working on a protocol to ensure sufficient staff are made available to resource the liquidation team and identify the resultant risk to operational delivery at a local command level. Risks to Business as Usual activity associated with large scale failures are regularly considered at the Operations Committee and plans put in place to mitigate these risks.

A High-Profile Investigations Board is in place to review progress of each such investigation, resource requirements and resource impacts. Other High-Profile Cases not necessarily aligned to a misconduct investigation are regularly discussed by members of the Chief Executive's Office or Official Receivers with interested parties and stakeholders including the Operations Committee.

Legal advice is sought throughout.

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

Response: The Commercial Team works closely with business areas, particularly Information & Technology, to develop requirements. The Senior Responsible Officer for a project signs off that requirements have been met prior to contract signature.

Funding

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

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

Recommendations from the Government Internal Audit Agency “Income Receivable from Official Receivers” audit have been reviewed and actioned as appropriate.

Monthly Senior Management Team, Operations Committee and team performance reviews take decisions to review the current plan to ensure key targets are met.

Issue: Agency funding from our parent Department, Business, Energy and Industrial

Strategy (BEIS) and HMRC is reduced at the next Spending Review (SR) below levels which can be delivered via efficiencies, necessitating reductions in the cost base and operational outputs.

Response: Regular discussions are held with BEIS Finance and HMRC to articulate and update on the relationship between funding levels and agreed operational outputs, including efficiencies delivered. An internal project has been established to prepare anticipated information required for the next SR, involving relevant senior business area leads.

Changes to the Insolvency Market / Stakeholder Management

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

Response: The agency has undertaken scenario planning for changes in case volumes and the potential impact. It is also liaising with external regulators to understand the wider issues and options available.

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

Information & Technology

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

Response: A two-year programme of application remediation is underway which will ensure applications are supported, General Data Protection Regulation (GDPR) compliant and hosted appropriately.

The End User Services programme of work is managing the transition from the existing IT Service Provider to the new SIAM model. Communications and training plans are in place, and daily Service Acceptance Readiness Checks are underway to provide assurance of readiness for go-live.

Issue: Retention of personal data for longer than is necessary and not in accordance with the agency

retention policies could result in breaching GDPR/DPA 2018, potentially resulting in sanctions and reputational damage. Such data may be held in legacy IT systems and unused email accounts.

Response: Guidance on data retention is available to all staff. A specialist Information Governance Team is proactively advising Information & Technology (IT) so the agency can establish if there is unnecessarily held personal data. In particular in legacy IT systems and unused email accounts. The Team will advise on the decommissioning process if such data is found, ensuring compliance with GDPR and DPA 2018.

Delegated authorities

The context for delegated authorities is an established business planning process. All directorates have plans linked to the Insolvency Service Annual Plan.

Directorate plans in turn are supported by individual performance agreements. The agency's budgets are allocated at Director level, in line with directorate plans, and monitored by the Insolvency Service Board at agency level and Senior Management Team at directorate level.

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

Internal audit

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

Customer feedback and complaints processes

The Insolvency Service gathers feedback via an annual satisfaction survey and our complaints process, and targets are set for customer satisfaction in the agency Annual Plan.

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

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

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

Information security

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

An Internal Audit report on data security gained a moderate opinion. This has been accepted and action is being taken to implement the recommendations.

Work continues to supplement and mature the agency's General Data Protection Regulation (GDPR) compliance regime. Compliance with statutory timescales for the provision of information were adequate over the reporting year.

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, together with an assessment of effectiveness against six key indicators (Leadership, Governance, Culture and Capability, Partnership and Stakeholder Management, Risk Management and Financial Management) for the areas of the business for which they have responsibility. These reviews are conducted in collaboration with the Head of Corporate Governance. The Head of Internal Audit and Chair of

the Audit and Risk Assurance Committee also met with a number of directors to discuss key issues.

Off-payroll tax assurance

For relevant contracts, appropriate clauses which allow us to gain assurance that individuals are paying the correct amount of tax are utilised. No contracts are entered into or renewed without this clause. Tax assurance evidence has been sought and scrutinised to ensure it is sufficient to provide the relevant assurance and is compliant with the new IR35 rules from 1 April 2017. The agency continues to be compliant.

Quality assurance of analytical models

There are two business-critical models used by the Insolvency Service in relation to planning assumptions. The first is a model which is used for forecasting case inputs, and the second is a financial model which forecasts Official Receiver Services fee income.

The models used were subject to separate reviews by Government Internal Audit Agency during the previous year to provide assurance on compliance with the MacPherson Review of Quality Assurance (QA) of

Government Analytical Models, and that the agency has AQuA Book compliant QA processes in place.

The overall assessment made at the time of these reviews was: MacPherson is applicable. Models are currently non-compliant, but a plan to achieve compliance has been agreed.

The reviews highlighted the need for improvements relating to documentation of the operation of the models and key assumptions, QA processes, and high levels of dependency on specific individuals. Improvements have been made to the areas of highest risk, in line with recommendations made by the Macpherson report such as the appointment of a Senior Responsible Officer and increased level of engagement of management with the income models. There is also increased level of senior management oversight of key business decisions (for example significant model changes) with sign off at the Executive Committee.

Government Internal Audit Agency will be conducting a follow up review in 2020-21 to provide assurance that the recommendations have been addressed.

Effectiveness of whistleblowing policy

We work in partnership with our parent Department, BEIS, to give independent oversight and assurance to our whistleblowing policy. The policy and procedure we use was adopted from Civil Service Employee Policy and has been written with reference to the Public Interest Disclosure Act 1998, which offers protection to those in both the private and public sectors, who blow the whistle, in certain circumstances. Our aim is to raise and encourage an awareness of our whistleblowing policies and procedures and to create a culture where it is a safe place to complain so that employees speak up and challenge suspected wrongdoing at work.

In November we also launched an updated Dispute Resolution policy and procedure, which promotes a culture where our people can feel confident of speaking up about negative behaviours. We also undertook a series of workshops around the agency promoting the updated procedures and raising additional awareness of our whistleblowing procedures. Initial feedback received from the workshop attendees, managers and staff using the policy, and from Employee Assistance

Representatives has been positive. We will continue to assess the tangible benefits of the updated policy.

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

There were no notifications received during 2019-20.

Internal Audit Annual Assurance Opinion

The Head of Internal Audit provides a report annually on the internal audit activity during the year. The report provides an opinion on the adequacy and effectiveness of internal control and overall The Government Internal Audit Agency has given a moderate opinion on the framework of governance, risk management and control within the agency for 2019-20. This recognises that the agency is continuing to deliver improvements in Governance and Risk Management. The agency is currently working through its response to the COVID-19 pandemic and is continuing a number of national interest and complex cases such as Thomas Cook.

During the year audit reports and management letters were issued and GIAA supported the business through implementation of their engagement strategy which included a regular attendance at agency offices and attendance at the Performance Committee, Portfolio, and Project Boards. The audits resulted in the provision of seven moderate and one substantial opinion. Overall, this reflects an improvement in the agency's control environment as the audit reviews in 2018-19 had found 3 areas where there were significant weaknesses in the framework of governance, risk and control.

The 2019-20 recommendations for improvement have been accepted and are being implemented.

Accounting Officer conclusion

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

Signed:

A handwritten signature in black ink, appearing to read 'DB', followed by a period.

Dean Beale
Chief Executive
Date: 09 December 2020

Accountability Report

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 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)	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
Sarah Albon Chief Executive (left 1 September 2019)	40-45 ²	100-105	Nil	5-10	Nil	Nil	12	29	55-60	140-145
Alec Pybus Chief Operating Officer	95-100	95-100	5-10	5-10	Nil	Nil	38	38	140-145	140-145
Louise Alexander People & Capability Director (left 11 November 2018)	Nil	60-65 ³	Nil	5-10	Nil	700	Nil	35	Nil	105-110
Daniel Goad People & Capability Director (from 12 November 2018)	90-95	30-35 ⁴	Nil	Nil	Nil	Nil	36	13	125-130	40-45
Christopher Pleass Finance & Commercial Director	90-95	90-95	Nil	Nil	Nil	Nil	38	38	130-135	125-130
Angela Crossley Strategy & Change Director (from 16 September 2019)	45-50 ⁵	Nil	Nil	Nil	Nil	Nil	48	Nil	95-100	Nil
Dean Beale Chief Executive (from 2 September 2019)	95-100 ⁶	85-90	Nil	Nil	Nil	Nil	74	67	165-170	150-155

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

² Sarah Albon – left the board on 1 September 2019, her full-year equivalent salary was £100-£105K

³ Louise Alexander – left the board on 11 November 2018, her full-year equivalent salary was £95-£100K

⁴ Daniel Goad – joined the board from 12 November 2018, his full-year equivalent salary was £90-£95K

⁵ Angela Crossley – joined the board from 16 September 2019, her full-year equivalent salary was £80-£85K

⁶ Dean Beale – was Strategy and Change Director (from 1 August 2017), prior to promotion to Chief Executive from 2 September 2019; his full-time equivalent salary was £95-£100K

Salary

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

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the Insolvency Service and treated by HMRC 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 2019-20 relate to performance in 2019-20 and the comparative bonuses reported for 2018-19 relate to the performance in 2018-19.

Pay multiples (audited)

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

Following the change in Chief Executive Officer, the banded remuneration of the highest-paid director in the Insolvency Service in the financial year 2019-20 was £105-110,000 (2018-19: £110-115,000). This was 3.7 times (2018-19: 3.6) the median remuneration of the workforce, which was £29,000 (2018-19: £31,277). The addition of several short-term, agency staff in predominantly clerical roles has resulted in the decrease in median pay in 2019-20, compared with prior year.

In 2019-20, 25 people (2018-19: 4) received remuneration in excess of the highest-paid director. Remuneration ranged from £15,000 to £175,000 (2018-19: £15,000 to £180,000). The increased number of agency contract staff recorded as exceeding the highest paid director

are on short term IT projects and their pay rates have been re-calculated on an annualised basis.

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

Remuneration of Insolvency Service Board members (audited)

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

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

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

Their remuneration is borne by the Insolvency Service and is disclosed above (as well as those members who have been in post during 2019-20 but left by the year-end, and those members in post during 2018-19 who have subsequently left).

One non-executive director left during 2019-20 and has not yet been replaced by BEIS. All non-executive board members were up for renewal this year as each appointment runs for 3 years, with the opportunity to renew for a further 3 years. BEIS has further confirmed that all the non-executive board members have had their appointments extended to May 2021. The reason for no other activity (including recruitment) is the result of the current pandemic, as no ministerial appointments are being made at present. The costs of Debbie Gillatt were borne by BEIS and she did not receive any additional amount for board duties from the Insolvency Service.

Non-Executive Board Members	Salary 2019-20	Salary 2018-19
Stephen Allinson (Chair from 1 January 2017)	15-20	20-25
Alan Graham MBE (from 1 September 2014)	10-15	10-15
Richard Oirschot (from 1 August 2017)	15-20	15-20
Mary Chapman (from 1 August 2017)	10-15	10-15
William Trower (left 30 September 2019)	5-10 ¹	10-15
Henry Lloyd (left 31 July 2018)	Nil	Nil
Debbie Gillatt (from 1 September 2018)	Nil	Nil

¹ William Trower's full-year equivalent salary in 2019-20 was £10-£15K

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

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

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced, the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in

service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha.

(The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha, the figure quoted is the combined value of their benefits in the two schemes.)

Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account). Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium.

In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of

centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate.

Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes but note that part of that pension may be payable from different ages).

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

Cash Equivalent Transfer Values

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out

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

Real increase in CETV

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

Compensation for loss of office

As per 2018-19, no senior managers have received compensation for loss of office in 2019-20.

Pension benefits (audited)

Officials	Accrued pension at pension age as at 31/3/20 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/20	CETV at 31/3/19	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Sarah Albon Chief Executive (left 1 September 2019)	40-45 plus lump sum of 95-100	0-2.5 plus lump sum of Nil	830	796	5
Alec Pybus Chief Operating Officer	5-10 plus lump sum of Nil	0-2.5 plus lump sum of Nil	98	68	20
Angela Crossley Strategy & Change Director (from 16 September 2019)	30-35 plus lump sum of 75-80	0-2.5 plus lump sum of 2.5-5	643	581	39
Daniel Goad People & Capability Director (from 12 November 2018)	10-15 plus lump sum of Nil	0-2.5 plus lump sum of Nil	134	107	16
Christopher Pleass Finance & Commercial Director	25-30 plus lump sum of Nil	0-2.5 plus lump sum of Nil	403	359	23
Dean Beale Chief Executive (from 2 September 2019)	35-40 plus lump sum of Nil	2.5-5 plus lump sum of Nil	600	521	50

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 2020	As at 31 March 2019
SCS Pay-band 3	-	-
SCS Pay-band 2	1	1
SCS Pay-band 1	9	9

Staff composition

	Employees		SCS (incl ISB Members)		All Staff		ISB Members	
	No	%	No	%	No	%	No	%
As at 31 March 2020								
Female	925	54.76%	2	20.00%	927	54.84%	1	20.00%
Male	731	45.24%	8	80.00%	739	45.16%	4	80.00%
	1,656		10		1,666		5	
As at 31 March 2019								
Female	898	54.99%	3	30.65%	901	54.84%	1	20.00%
Male	735	45.01%	7	69.35%	742	45.16%	4	80.00%
	1,633		10		1,643		5	

Staff costs (audited)

	2019-20			2018-19		
	Permanently employed	Others	Total	Permanently employed	Others	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	50,579	5,371	55,950	48,836	4,644	53,480
Social security costs	5,357	-	5,357	5,282	-	5,282
Other pension costs	13,777	-	13,777	10,144	-	10,144
Voluntary exit scheme	(32) ¹	-	(32)	668	-	668
Subtotal	69,681	5,371	75,052	64,930	4,644	69,574
Add cost / (Less recoveries) in respect of outward secondments	88	-	88	(355)	-	(355)
Total net costs	69,769	5,371	75,140	64,575	4,644	69,219

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

Sickness absence data

During the year, the number of average annual working days lost per employee was 6.6 days (2018-19: 6.4 days).

Staff policies applied during the year

The Insolvency Service is committed to employing disabled people and we have regained our status as a 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 unconscious bias training. This training is now under review due to emerging unintended issues
- 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 are to ensure that there is equality of opportunity for all and no discrimination against people on the grounds of any protected characteristics (race, ethnic origin, gender, marital status, religion or belief, age, disability, sexual orientation, working pattern, gender reassignment, pregnancy or maternity) so that colleagues can achieve their full potential and need not fear unfair treatment, bullying or harassment. People who do not adhere to these policies may be subject to disciplinary action
- providing reasonable adjustments when required and ensuring managers are equipped to support disabled employees with specific guidance on this topic
- ensuring access to training materials, learning events and career development opportunities for disabled employees through accessible versions of materials or by making reasonable adjustments

- by using the recruitment processes shown above when considering applications from disabled employees for promotion

Other employee matters

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

Off-payroll engagements

The cost of off-payroll engagements for 2019-20 was £3.195m (2018-19: £0.944m), relating to an average number of staff of 102 (2018-19: 16). Of these, 9 (2018-19: 16) were paid more than £245 per day; 2 of their contracts lasted less than 6 months, 3 people's contracts lasted longer than 6 months but less than a year; and 4 people (2018-19: 2 people) were paid more than £245 per day with a contract lasting more than 1 year but less than 2 years. No contract lasted longer than 2 years (2018-19: 0 people).

Between 1 April 2019 and 31 March 2020 there were 9 off-payroll engagements or those that reached 6 months in duration, for more than £245 per day. All 9 of these were assessed as being caught by IR35. None of these were engaged directly (through Public

Sector Contracts contracted to BEIS) and on BEIS payroll. All 9 were reassessed for consistency/assurance purposes during the year, and there were no changes to IR35 status following this consistency review.

Consultancy

Spend on consultancy was £1.375 million (2018-19: £136,000). This included: an external organisation providing ongoing support and maintenance for the agency's finance system; consultancy and advisory services incurred against two major liquidations (Thomas Cook and Carillion); legal firms and independent suppliers mostly in relation to seeking Counsel's opinion; advice and expertise on storage options and forensic analysis; and organisations facilitating staff training events.

Staff Exit packages (audited)

Reporting of Civil Service and other compensation schemes - exit packages (prior year comparator in brackets)

Exit package by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<10,000			
10,001 - 25,000			
25,001 - 50,000	0 (1)	0 (3)	0 (4)
50,001 - 100,000		0 (2)	0 (2)
100,001 - 150,000		0 (3)	0 (3)
150,001 - 200,000			
Total number of exit packages	0 (1)	0 (8)	0 (9)
Total Resource cost / £'000s	0 (34)	0 (620)	0 (654)

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 voluntary redundancies agreed as at the end of 2019-20 (2018-19: 7 people). There were no compulsory redundancy terms agreed as at 31 March 2020 (2018-19: 1 person).

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 Government Actuary's Department completed the quadrennial actuarial valuation as at 31 March 2016 of the Scheme. You can find details in the [resource accounts of the Cabinet Office: Civil Superannuation](#).

For 2019-20, employers' contributions of £13,687K were payable to the PCSPS (2018-19: £10,071K) at one of four rates in the range 26.6% to 30.3% (2018-19: 20% to 24.5%) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every 4 years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2019-20 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 £90K (2018-19: £73K) were paid to 1 appointed stakeholder pension provider. Employer contributions are age-related and range from 8% to 14.75% (2018-19: 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £3,174 (2018-19: £2,600), 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Three employees (2018-19: one employee) retired early on ill-health grounds, with an additional accrued pension liability (2018-19: £1,700).

Average number of persons employed (audited)

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

Number	2019-20	2018-19
Directly Employed	1,565	1,522
Other	51	45
Total	1,616	1,567

Accountability Report

Parliamentary Accountability and Audit Report

Parliamentary Accountability Disclosures

Regularity of expenditure (audited)

The vast majority expenditure of the Insolvency Service was applied to the purposes intended by Parliament. However, Compulsory Notice Payments (CNP) of £2.9m, made in 2018-19 by the Redundancy Payments Service are deemed to be irregular.

Prior to 6 April 2018 National Insurance Contributions (NICs) were not required to be deducted from CNP. Following the introduction of the Finance Act 2017, all payments for CNP are required to have deductions for tax and NICs from 6 April 2018. HMRC did not inform the agency of the change to its legislation; we were made aware by a third-party software supplier in April 2018, by which time the commencement date had already passed. As the agency was in the process of implementing a new case management system, a change to the calculations (to allow for the NIC deduction) was not possible due to the lead-in time needed to make system changes. An alternative, manual payment process would have created a

disproportionately high administrative burden, resulting in poor value for money and significantly increased risk of human error in processing accuracy, given the volumes involved and complexity of calculations.

The new Case Management System (CMS) was implemented before the start of the current tax year on 18 March 2019 and makes the correct deductions automatically. The RTI (real time info) going across to HMRC is also accurate. Therefore, this is an issue for CNP only, affecting 2018-19.

The resulting overpayments of £2.9m are not considered material (RPS payments in 2018-19 totalled £327m).

The agency has been transparent in relation to the issue with BEIS, HMRC and the National Audit Office and proactive in finding a solution which remedies the overpayment and upholds principles outlined in Managing Public Money. The agency is taking forward The Government Internal Audit Agency recommendations to formalise, centralise and codify horizon scanning processes to maximise effectiveness and minimise risk. The agency now has a process to horizon scan for future events, impact assess these, review governance requirements through a change

gateway which could ultimately lead to an executive decision where appropriate.

Additional details can be found in the Governance Statement within the Corporate Governance Report; the financial performance section within the Performance Report; and the accounting impact can be seen in Note 1(q).

Remote contingent liabilities (audited)

The agency had no remote contingent liabilities as at 31 March 2020.

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	2019-20 £'000	2018-19 £'000
RPS receivable loss	445,949	357,661
Claims abandoned	337	546
Constructive loss	238	0
Special Payments	54	0
Fruitless Payments	4	17

Expected loss on Redundancy Payments Service

Most of the redundancy payments made from the National Insurance Fund (NIF) are in respect of employees of insolvent companies. Repayment of debt is recovered from the sale of the assets of the insolvent company, and as such most of the debt is irrecoverable. HMRC disclose the expected loss on RPS payments in the NIF accounts. The estimated loss on RPS payments for 2019-20 was £446 million (2018-19: £358 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.

Claims abandoned

Costs are awarded to the Secretary of State when disqualification orders have been made or undertakings given after proceedings have been issued. Such costs would ordinarily cover legal costs. In some cases it is not possible to collect the debts and the agency has to write-off some or all the amounts awarded. During 2019-20 there were 34 write-offs totalling £337K (2018-19: 76 write-offs totalling £546K).

Constructive loss

A contract was entered into in January 2019. It was subsequently discovered that the supplier could not meet the needs of agency, and so the contract was terminated. The payment of £238K for services received to date was paid in August 2019 and deemed a constructive loss by the agency.

Special Payments

Special payments include ex-gratiapayments, covering principally payments made to the public as result of complaints about service and compensation to employees. During 2019-20, the agency made 385 special payments totalling £54K. Of these, there were 383 cases totalling £36K (2018-19: 16 cases totalling £6K) for compensation following complaints and miscellaneous errors. There were two special payments made for employment tribunal claims which cost the agency £18K (none in 2018-19).

Fruitless payments

Fruitless payments are those losses that relate to acts or omissions in insolvency cases where the loss would otherwise result in the non-recovery of insolvency fees or be suffered by creditors or third parties. During

2019-20, the agency made 7 fruitless payments totalling £4K (2018-19: 17 payments totalling £11K). Two cases of failure to deal with an asset correctly cost the agency £2K (2018-19: 3 cases costing £2K). The remaining 5 fruitless payments costing £2K were for failure to admit a creditors proof of debt in the dividend process (2018-19: 14 cases costing £9K).

Fees and charges income (audited)

The agency charges a fee for work carried out by the Official Receivers (OR). More detail can be found in the Notes to the Financial Statements (Notes 1(k), 1(o), 2(a), 2(b), 4 and 9) which detail the accounting policies and the values of fee income received and receivable (i.e. not yet recognised in the Accounts). The Insolvency Proceedings (Fees) Order 2016 also provides further details of the fees chargeable.

The objective of the Fees is to cover the cost of the work carried out by the OR teams. During 2019-20 this objective was achieved, as the income recognised was sufficient to cover the cost of the OR service:

- The cost of the OR service to which fees were applicable was £61 million (2018-19: £58 million)

- The total income received from fees and recognised as income in the year was £174 million (2018-19: £76 million)
- £19 million (2018-19: £18 million) is due to be repaid to the Consolidated Fund as it exceeded the amount we were able to retain from fees.

Signed



Dean Beale
Chief Executive
09 December 2020

Certificate and Report of the Comptroller and Auditor General

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 2020 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Insolvency Service's affairs as at

31 March 2020 and of the net expenditure for the year then ended; and

- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I

am independent of the Insolvency Service in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Insolvency Service's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Insolvency Service has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Insolvency Service's ability to continue to adopt the going concern basis.

Responsibilities of the Accounting Officer for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

accounting estimates and related disclosures made by management.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of the Insolvency Service's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Insolvency Service's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause Insolvency Service to cease to continue as a going concern.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings,

including any significant deficiencies in internal control that I identify during my audit.

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

Other Information

The Chief Executive as Accounting Officer is responsible for the other information. The other information comprises information included in the annual report but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the

audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

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

Report

Introduction

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

The Insolvency Service is responsible for the administration of the Redundancy Payment Scheme (RPS) on behalf of the Secretary of State for Business, Energy and Industrial Strategy, and under the Employment Rights Act 1996 (ERA 96) makes statutory redundancy payments to employees, when an employer is insolvent or cannot make those payments. The Insolvency Service, in administering the RPS, seeks to recover the cost of redundancy payments from employers, through claims on the insolvent estates, which may take several years to conclude. In accordance with the ERA 96, the net cost of making statutory redundancy payments is funded by the National Insurance Fund, which is managed by HM Revenue & Customs (HMRC). In 2019-20, the Insolvency Service paid out £485 million in statutory redundancy payments and recovered £28 million from insolvent employers.

During our 2019-20 audit we were informed by management of £2.9 million in overpayments made in 2018-19 which, whilst not material to my audit opinion, I wish to draw to the attention of Parliament. The remainder of my report sets out the circumstances giving rise to the overpayments and management's response.

Overpayments of Compensatory Notice Pay

In the November 2016 Budget, the Government announced changes in the treatment of income tax and national insurance contributions for statutory redundancy purposes, including changes to the tax requirements for Compensatory Notice Pay. These were enacted by the Finance Act 2017, which amended the Income Tax (Earnings and Pensions) Act 2003 and came into force on 6 April 2018. Following the changes Compensatory Notice Pay is considered to be earnings when calculating an employee's National Insurance contribution.

The Insolvency Service did not become aware of the changing requirements for Compensatory Notice Pay until April 2018. The Insolvency Service was already working on the design of a new case management system, which at that time was due to go live in October 2018. Due to the cost implications and time it would have taken to make the changes required in the current system (up to 3-6 months), the decision was taken that this would not be feasible or cost-effective, although that decision was not escalated to senior management. The Insolvency Service built the changes into a new case management system, which became active from 18 March 2019. Until the new

system went live, the Insolvency Service did not deduct national insurance contributions prior to payment. As a result, the Insolvency Service made overpayments to redundant employees of £2.9 million during 2018-19 that were not in accordance with legislation and were therefore irregular.

Although the £2.9 million of overpayments were made by the Insolvency Service during 2018-19 and this was known by operational teams at the time, senior management first became aware of the issue in August 2019, and this is my first opportunity to report on them. Although I do not judge the overpayments to be material and therefore have not modified my audit opinion, they represent non-compliance with relevant legislation and have resulted in a £2.9 million cost to the taxpayer, which in the interests of transparency I wish to draw to the attention of Parliament.

The Insolvency Service has assessed the cost associated with recovery from individuals to outweigh the benefit; the volume is high and average value of overpayment per case is relatively low. It has therefore decided not to pursue individual cases for recovery of funds. HMRC will consider within their own accounts whether to remit overpayments relating to national

insurance contributions based on value for money arguments. Until that process concludes, there remains a remote risk that the Insolvency Service may incur a loss in respect of the overpayments.

I have considered the circumstances which led to the overpayments, including the governance over the RPS. The Insolvency Service does not operate adequate mechanisms to identify changes in tax legislation as it does not consider itself to be acting as the employer in respect of RPS administration and, therefore, considers the responsibility for this to be shared with HMRC. However, this matter is currently in dispute with HMRC which considers that it is solely the responsibility of the Insolvency Service acting as an 'other payer' who is responsible for deducting tax and National Insurance on earnings. Until this is resolved there is a risk of further loss to the taxpayer.

The actions the Insolvency Service intend to take are set out in the Governance Statement. I will monitor the actions taken through my future audit engagements.

Gareth Davies

Date: 11 December 2020

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Financial Statements

Statement of Comprehensive Net Expenditure for the period ended 31 March 2020

		2019-20	2018-19 (Restated)
		£'000	£'000
	Note		
Income from contracts with customers	4	(214,334)	(112,971)
Other operating income	4	(7,677)	(7,046)
Total operating income:		(222,011)	(120,017)
Staff costs	3	75,140	69,219
Redundancy payments service	3	485,468	327,237
Purchase of goods and services	3	21,032	13,953
Depreciation and impairment charges	3	2,670	3,479
Provision expense	3	507	(195)
Other operating expenditure	3	34,823	24,530
Total operating expenditure:		619,640	438,223
Net operating expenditure:		397,629	318,206
Finance expense	3	164	164
Net expenditure for the year:		397,793	318,370
Other comprehensive income and expenditure			
Net gain on transfer of RPS receivables balance from BEIS		-	(127,555)
Comprehensive net expenditure for the year:		397,793	190,815

The notes on pages 186 to 243 form part of these Accounts

Statement of Financial Position

as at 31 March 2020

		2019-20	2018-19 (Restated)
		£'000	£'000
	Note		
Non-current assets:			
Property, plant and equipment	6	5,520	4,535
Intangible assets	7	694	1,568
Financial assets	9	56,037	45,419
Trade receivables and other assets	9	-	29
Total non-current assets		62,251	51,551
Current assets:			
Financial assets	9	145,277	52,247
Trade receivables and other assets	9	14,080	12,523
Cash and cash equivalents	10	133,014	122,647
Total current assets		292,371	187,417
Total assets		354,622	238,968
Current liabilities			
Trade and other payables	11	(49,960)	(51,370)
Provisions	12	(547)	(1,175)
Total current liabilities		(50,507)	(52,545)
Total assets less total current liabilities		304,115	186,423
Non-current liabilities:			
Trade and other payables	11	(4,370)	(50)
Provisions	12	(2,802)	(2,048)
Total non-current liabilities		(7,172)	(2,098)
Assets less liabilities		296,943	184,325
Taxpayers' equity:			
General fund		296,943	184,325
Total taxpayers' equity		296,943	184,325



Dean Beale
Chief Executive
Date: 09 December 2020

The notes on pages 186 to 243 form part of these Accounts

Statement of Cash Flows

for the period ended 31 March 2020

		2019-20	2018-19 (Restated)
		£'000	£'000
Cash flows from operating activities			
Net operating expenditure	SoCNE	(397,629)	(318,206)
Adjustments for non-cash transactions:			
Depreciation and amortisation charge	6,7	2,670	3,479
Provisions	12	507	(195)
Audit fee	3	197	112
Loss on disposal	6	-	6
Use of provisions	12	(381)	(140)
Increase in trade receivables and financial assets	9	(105,176)	(69,634)
Less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure	SoCITE	-	(64,129)
Increase in trade payables	11	2,910	18,856
Less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		3,597	(8,717)
Finance expense	3	(164)	(164)
Net cash outflow from operating activities		(493,469)	(438,732)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(1,534)	(2,952)
Purchase of intangible assets	7	-	(311)
Net cash outflow from investing activities		(1,534)	(3,263)
Cash flows from financing activities			
BEIS financing	SoCITE	50,491	43,141
VAT recovered by BEIS	SoCITE	(3,412)	(2,072)
Transfer of RPS receivables balance from BEIS	SoCITE	-	127,555
Net funding from the National Insurance Fund (RPS)	SoCITE	458,115	295,509
Capital element of payments in respect of finance leases and service concession arrangements	SoCITE	(50)	(348)
Net financing		505,144	463,785
Net Increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		10,141	21,790
Receipts due to the Consolidated Fund		13,826	18,762
Payments of amounts due to the Consolidated Fund		(13,600)	(15,154)
Net Increase in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		10,367	25,398
Cash and cash equivalents at the beginning of the period	10	122,647	97,249

Cash and cash equivalents at the end of the period	10	133,014	122,647
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Statement of Changes in Taxpayers' Equity

for the period ended 31 March 2020

		General fund £'000	Total reserves £'000
Balance at 31 March 2018		108,036	108,036
Comprehensive expenditure for the year 2018-19			
Non-cash charges - auditor's remuneration	3	112	112
Net expenditure for the year	SoCNE	(318,370)	(318,370)
BEIS financing		43,141	43,141
National Insurance Fund – RPS		295,509	295,509
Transfer of RPS receivables balance from BEIS		127,555	127,555
IFRS9 adjustment to RPS receivables balance from BEIS		(64,129)	(64,129)
Income payable to the consolidated fund		(5,109)	(5,109)
Capital element of payments in respect of finance leases and service concession arrangements		(348)	(348)
VAT recovered by BEIS		(2,072)	(2,072)
Balance at 31 March 2019		184,325	184,325
Comprehensive expenditure for the year 2019-20			
Balance at 31 March 2019 - before re-statement		183,779	183,779
Correction for Error	1(q)	546	546
Balance at 31 March 2019 - as re-stated		184,325	184,325
Non-cash charges - auditor's remuneration	3	197	197
Net expenditure for the year	SoCNE	(397,793)	(397,793)
BEIS financing		50,491	50,491
National Insurance Fund – RPS		458,115	458,115
Income payable to the consolidated fund		5,070	5,070
Capital element of payments in respect of finance leases and service concession arrangements		(50)	(50)
VAT recovered by BEIS		(3,412)	(3,412)
Balance at 31 March 2020		296,943	296,943

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

Notes to the Agency's Accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2019-20 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Insolvency Service (the agency) for the purpose of giving a true and fair view has been selected. The particular policies adopted by the agency and relevant to this year's accounts are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

The agency is considered a going concern under International Accounting Standards (IAS) 1, on the basis that it is a Statutory Body operating under the Direction of the Courts and its funding is both underwritten by its parent Department, the Department for Business, Energy & Industrial Strategy (BEIS), and its source of income is largely derived from the Estates that it

administers. Therefore it is considered appropriate for the Financial Statements to be prepared under the Going Concern basis.

1(a) Accounting pronouncements

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

- (i) the accounting standards i.e. International Accounting 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).

IFRS 16 Leases replaces IAS 17 Leases and will be adopted by the public sector, and the Insolvency Service in 2021-22. IFRS 16 represents a significant change in lessee accounting by removing the distinction between operating leases (off-statement of financial position) and finance leases (on-statement of financial position) and introducing a single lessee accounting model. IFRS 16 requires the recognition of all leases as finance leases with exemption given to low value leases and

short-term leases, i.e. those with a lease term of less than 12 months. This will result in the recognition of a right-to-use asset, measured at the present value of future lease payments, and a matching liability in the Statement of Financial Position (SoFP). Details of the operating lease policy under the current IAS 17 can be found in Note 1(l) and disclosure of operating leases is included in Note 13. The value of operating lease commitments at 31 March 2020 was £20,908k. Due to economic uncertainty around COVID-19, and the resulting requirement to re-assess our Estates strategy (which is currently evolving) we are unable to reasonably estimate the impact of IFRS 16 at present, so we will continue to monitor the economy and relevant factors impacting our current operating lease portfolio so we can provide a more robust assessment of the impact of IFRS 16 adoption as at 1 April 2021.

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

the definition of insurance contracts as per IFRS 17. This will be reviewed closer to adoption during 2022-23.

1(b) Accounting convention

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

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

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

The minimum level for capitalisation of PPE is £5,000 (2018-19: £2,000). The agency has determined a threshold level which ensures the agency's asset values are materially complete. PPE with a cost below the chosen capitalisation threshold is expensed in the period of purchase. Recognition depends on two criteria:

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

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

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

1(d) Depreciation

Depreciation is the allocation of the depreciable amount of an asset over its estimated useful life.

Depreciable assets are those which:

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

(ii) have a limited useful life; and

(iii) are held by the agency for use in the supply of services or for administrative purposes.

Depreciation is provided on PPE assets, at rates calculated to write-off the valuation, less any residual value, of each asset over its expected useful life. The depreciation method reflects the

pattern in which the asset's economic benefits are consumed by the agency.

Computers unless 2 to 5 years
otherwise stated

Office machinery 2 to 15 years

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

1(e) Intangible assets and amortisation

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

(i) controlled by the agency as a result of events in the past; and

(ii) something from which the agency expects future economic benefits will flow e.g. computer software.

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

The Insolvency Service has adopted amortised historical cost as a proxy for fair value.

Intangible assets are carried at cost less accumulated amortisation and impairment losses. Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as

incurred. The amortisation method reflects the pattern in which the asset's economic benefits are consumed by the agency.

Software licences	2 to 10 years
Internally developed systems	useful life of the system from date brought into use

1(f) Impairments

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

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

The agency carried out an impairment review during the year (as at 31 March 2020) comparing the carrying amounts of PPE and Intangible Assets with their recoverable amount. The carrying amount is the value in the Statement of

Financial Position, while the recoverable amount is the higher of net realisable value and value in use. If the net realisable value cannot be ascertained, then the value in use is taken. There were no impairments identified.

1(g) Provisions

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

Each year the financing charges in the Statement of Comprehensive Net Expenditure include the adjustments to amortise one year's discount so that liabilities are shown at current price levels.

1(h) Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependants'

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

1(i) Early departure costs

The Insolvency Service, operating as part of the BEIS scheme, is required to meet the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The agency provides in full for this cost when any early retirement programme is announced and is binding on the agency. The agency may, in certain circumstances, settle some or all of its liability in advance by making a payment to the Paymaster General's account at the Bank of England for the credit of the Civil Service Superannuation Vote. The amount provided is shown net of any such payments. The agency is also required to meet the costs of early departures in respect of employees who opt to retire under voluntary exit or redundancy schemes. Where the agency has agreed early retirement, the additional costs are met by the agency and not by the Principal Civil Service

Pension Scheme. These costs are paid in full at the time of the exit or redundancy.

1(j) Contingent liabilities

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

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

1(k) Operating income

Operating income is income which relates directly to the operating activities of the agency. It principally comprises statutory fees which are the administration fee, Secretary of State (SoS) fee, general fee and trustee fee, along with

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

Operating income is stated at its fair value. In most cases, consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents expected to be received or receivable. However, when the inflow of cash or cash equivalents is delayed, the fair value of the consideration may be less than the nominal amount of cash

received or receivable. In relation to insolvency case administration fee income the fair value of the consideration is determined by discounting all future receipts using the discount rate for financial assets set by HM Treasury, currently 3.7%.

The fees are charged for services which are provided to the user and meet the criteria in IFRS 15(9). The General Fee and SoS fee are defined as taxes, and therefore accounted for in line with the relevant FReM adaptation of IFRS 15.

Timing differences between recognised Income and cash recoveries due to the uncertain duration of cases would thus be accounted for at the year-end as receivables in the SoFP. The income is recognised in the financial statements when it is earned rather than when it is charged.

Fee income is considered to be variable consideration and is recognised under IFRS15 9(e) only to the extent that it is highly probable that a significant reversal will not occur. Any change to the transaction price estimate will be recognised in the period of change or the period of change and future periods as appropriate, under IAS8.

A change to the transaction price will only be recognised within the limits of any agreement to retain fee income where it arises from fees deemed to be taxes.

Income in respect of costs awarded in directors' disqualification proceedings is recognised when:

- (i) an order for costs (either interim or final) with a determined value has been made; or
- (ii) where the court orders the costs "to be agreed or assessed" the value of the debt will be recognised when there is an agreement in writing or a default costs order is made following assessment by the court.

Admin Fee

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

Administration fees are charged to the insolvent estate at the date of insolvency. The fees are recognised under IFRS15 on a portfolio basis using the input method in respect of the work undertaken on those cases in the year.

The period of performance of the official receiver's duties on cases, i.e. the satisfaction of performance obligations, can vary between less than 1 month and in excess of 3 years. Assessing cases individually would not differ materially from the portfolio approach and would require significant resources.

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

Within the admin fees recognised, £91m relates to fees from the realisations on PPI cases which has led to an adjustment to the transaction price under IFRS15. This mainly relates to historic cases prior to 2010. The fees have been adjusted for potential tax payments on the receipts to estates, which remains under discussion with HMRC.

General Fee

The General Fee value recognised is discounted to reflect the amount that is expected to be

collected, based on historic case data. The fee is recognised at the date of the bankruptcy or liquidation order, as an equivalent to a taxable event, within the FReM adaptation (2) for IFRS15. Recognition is subject to HMT approval of an annual netting off agreement.

OR Trustee Fee

The OR Trustee fee is charged (at a rate of 15% of net realisation) when assets are realised by the OR. The obligations on the OR in relation to the fee being charged are identical to those for the charging of the Admin Fee. The fee is recovered when assets are realised.

The value of the fees to be recognised is based on a combination of actual fees recovered from realised assets and fees expected to be recovered from assets which have been identified and assessed.

Where fees relate to National Interest Cases, recognition is matched to the completion of obligations on each National Interest Case based on the input method using forecasts of the full life cost of the case.

Any excess cash receipts are recognised on the balance sheet with corresponding liabilities for future costs and/or refunds to HMT.

Forecasting assumptions of recognised income

Assumptions regarding underlying asset realisations are:

(i) long-term realisations will include a wide range of assets, which provides a diverse base for realisations, insulating fee recovery from specific economic impacts

(ii) There is potential for the economic impact of COVID-19 to result in changes to assets held within insolvent estates (e.g. house price changes). Historic data includes realisations from a wide range of sources including Income (20%), Cash and Debtors (16.5%), Family Homes (6%), other Property (9%), Partnerships/Other Companies (9%), VAT/NI (6%) and PPI (14%). Due to ongoing economic interventions, there is currently limited potential to determine the long-term impact of COVID-19 on the ability to recover fees. Assets which are cash derived or arise from financially secure sources are less likely to be impacted by COVID-19 than those which may be impacted by economic change, such as property and income. This will be reviewed when economic data allows for a considered view to be formed.

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

	Value £'000	Five-step model under IFRS 15				
		1. Identify the contract	2. Identify the performance obligations	3. Determine the transaction price	4. Allocate the price to the performance obligations	5. Recognise revenue as performance obligations are fulfilled
RPS Income	37,820	Employee applies for payment under para 182 of the Employment Rights Act. When payment is made, the Agency has the right to recover that amount from the Employer under para 189 of the same Act.	The Agency has a present obligation to make payments to the claimants as a result of completion of substantive processes to validate each claim against HMRC rules. As soon as payment is made, the agency can recover from employers.	Variable consideration based on expected recoveries. INSS have the right to recover the amount of payment from employers.	The contract is complete once payment is made to the employee. The agency then immediately charges the employer.	As the employers are insolvent, the amount recoverable from them is variable, and dependent on insolvency proceedings which may take several years. The amount recoverable is therefore estimated in line with historic recovery rates over time.
Admin Fee	119,574	Legislated Fee	Performance of OR duties	Variable consideration subject to legislated charging regime	Measured as satisfied over time	Recognised in line with resource inputs derived from the cost of the OR service
OR Trustee Asset Realisation Fee	21,045	Legislated Fee	Performance of OR duties	Variable consideration subject to legislated charging regime	Measured as satisfied over time	Recognised in line with resource inputs derived from the cost of the OR service
Time and Rate Distribution Fee	4,762	Legislated Fee	Distribution to Creditors	Charged at legislated rate	Full fee when distribution made	At date of distribution
Debt Relief Order Fee	2,474	Legislated Fee	Granting of Debt Relief Order (48 hours after payment in 99% of cases)	Charged at legislated rate	Full fee when Relief order determined	At date of payment

1(l) Operating leases

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

1(m) Service concession arrangements

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

1(n) Redundancy Payments Service

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

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

(a) Insolvent Recovery: the agency becomes a

creditor receiving a dividend if there are sufficient funds in the insolvency of the employer (the majority).

(b) 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).

Previously these payments, and the resulting debtors, were reflected in the BEIS Departmental Accounts. From 1 April 2018 these were reflected in the agency's accounts. FReM guidance on IFRS 3, states that a transfer/function, between to public sector bodies within the same Departmental group should be accounted for by Transfer by Absorption. In this case, the value of the asset (debtors) was transferred at the date of transfer 1 April 2018. The corresponding net credit reflecting the gain was recognised within income, but outside of operating activities.

Repayment of RPS debt is recovered from the sale of the assets of the insolvent company. A small part of the debt is preferential but most ranks with ordinary creditors. Therefore most of the debt is irrecoverable. The variable

consideration calculation which is based on expected recoveries is detailed in Note 1(o). HMRC disclose the loss of the RPS receivable in the NIF accounts.

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

During 2019-20 the agency made payments totalling £485m (2018-19: £327m) and made cash recoveries of £28m (2018-19: £32m), a net cost of £458m (2018-19: £295m) which was funded from the NIF via HMRC.

The agency is entitled to attempt to recover the £485m expended during the year. Of the £28m recovered during the year, only £1m related to these in-year payments, with £27m relating to payments made in previous years.

As detailed in Note 1(o), and Note 9 below, the agency estimates future recoveries of £71m. Of these, £37m relate to payments made in 2019-20, and £34m relate to payments made in

previous years. Hence the tables below, detail the income recognised in 2019-20 of £38m, and an adjustment to prior year/transferred balance. This is due to an expected credit loss remeasurement under IFRS 9.

	2019-20	2018-19
	£m	£m
Cash Recoveries in year	1	2
Future Predicted Recoveries	37	24
Total Income Recognised in year	38	26
	£m	£m
Prior year/Balance transferred from BEIS	58	128
Cash Recoveries in year	27	30
Future Predicted Recoveries	34	34
Debt write-back reflected in the SOCNE	3	-
Adjustment to Transferred Balance	-	64

1(o) **Financial Instruments under IFRS 9**

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

amounts are remeasured at each reporting date in accordance with IFRS 15. RPS receivables are remeasured at each reporting date through the calculation of an expected credit loss in accordance with IFRS 9. Receivables are discounted to reflect the time value of money. The discount rate used is 3.7% which is recommended by HM Treasury to be used for financial assets.

Under IFRS 9 Expected credit losses are calculated by:

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

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

RPS Debtors

The debtors for RPS have already been declared insolvent, so any recovery is dependent on dividends paid from the insolvency which are very rarely 100%. Hence in terms of the above:

(i) The scenario for default has already occurred

(ii) The estimation of shortfall is best calculated from historic collection rates for different types of debt. In this case preferential debts logically achieve greater dividends from insolvency proceedings than non-preferential debts.

The nature of insolvency recoveries mean that future economic variations have no material effects on the recovery of these debts, hence historic trends are the best estimator of future recoveries.

(iii) The probability of default is always 100%.

(Therefore future economic variations have no effect on the chance of default).

(iv) Hence a using a separate collection rate for preferential and non-preferential debts gives us an estimated collection for each, and therefore the variable consideration based on expected recoveries.

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

In line with IFRS 9, RPS debts have been grouped into similar types, in this case preferential or non-preferential. Analysis of historic trends of recovery of these types of debts has revealed that the best estimate of recovery is 6% for non-preferential, and 37.8% for preferential.

ORS Case Administration

The debtors have already been declared insolvent, hence any recovery is dependent on fees recovered from the realisation of assets or from income payments. ORS Fees are recovered before any distribution to creditors. Therefore in terms of the above:

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

estimation.

(iv) The impact is applied consistently across the portfolio.

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

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

				Are the cash considered to principal and
RPS Income	Yes	Held to allow contractual cashflows only	Amortised Cost	
Case Admin income	Yes	Held to collect contractual cashflows only	Amortised Cost	

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 to the accounts.

1(q) Correction of an error

In August 2019 it was identified that Compensatory Notice Payments made by RPS had been incorrectly calculated, under-deducting National Insurance contributions (NIC) in 2018-19 and not paying over 2018-19 deducted PAYE to HMRC.

The agency and HMRC are working closely together to identify practical steps to resolve the issue and update records appropriately.

The table below shows the impact on the 2018-19 figures for the two issues: 1. PAYE tax not paid over, 2. under-deducting National Insurance contributions.

<u>Issue 1: tax deducted not paid over to HMRC</u>	Accounts Action	£'000	Note
Prior year corrections:			
Tax owed by the agency to HMRC	Increase payables	(9,098)	11
Gross payment increase	Increase expenditure	9,098	3
Funding owed to the agency from HMRC	Increase receivables	(9,098)	9
Additional funding recognised	Increase funding from NIF	9,098	
Estimated additional recoveries (6% of spend)	Increase income	546	4
Recoveries owing to the agency (6% of spend)	Increase receivables	(546)	9
<u>Issue 2: NIC not deducted from payments</u>			
Prior year corrections:			
NIC owed from the agency to HMRC	Increase payables	(2,930)	11
Overpayment owed to the agency from those who were overpaid	Increase receivables	2,930	9

Please note that the decision not to seek to recover the NIC overpayments was made in 2019-20 and as such the £2.9m is treated as a loss in this financial year (2019-20) and does not form part of the prior year adjustment.

As per IAS 8, the error has been corrected in these financial statements for 2018-19 comparator figures by restating each of the line items for the prior periods as follows:

CNP corrections	2018-19 (Original) £'000	Increase/ (decrease) £'000	2018-19 (Restated) £'000
SoCNE (extract)			
Total operating income	(119,471)	(546)	(120,017)
Redundancy payments service	318,139	9,098	327,237
Net expenditure for the year:	309,818	8,552	318,370
Net gain on transfer of RPS receivables balance from BEIS	(127,555)	-	(127,555)
Comprehensive net expenditure for the year:	182,263	8,552	190,815
SoFP (extract)	2018-19 (Original) £'000	Increase/ (decrease) £'000	2018-19 (Restated) £'000
Current: Financial assets	48,771	3,476	52,247
Current: Trade receivables and other assets	3,425	9,098	12,523
Current: Trade and other payables	(39,342)	(12,028)	(51,370)
Assets less liabilities	183,779	546	184,325
SoCiTE (extract)	2018-19 (Original) £'000	Increase/ (decrease) £'000	2018-19 (Restated) £'000
Net expenditure for the year	(309,818)	(8,552)	(318,370)
National Insurance Fund - RPS	286,411	9,098	295,509
Transfer of RPS receivables balance from BEIS	127,555	-	127,555
General fund	183,779	546	184,325

The Governance Statement and the Parliamentary Disclosures on Regularity of expenditure within the Accountability Report both provide further details of this issue.

1(r) Cash and cash equivalents

Cash comprises cash at bank and the cash equivalent balance is cash received during the realisation of assets by the Official Receivers and is held by the Official Receiver against fees charged. Part of this balance is held in a bank account, and part is held in an investment account with the Commissioners for the Reduction of the National Debt (CRND), as required by legislation. The amounts held in both accounts can be drawn down on demand and are transferred to the agency bank account on a regular basis. For cash at bank, any bank overdraft amounts are included within trade payables and other liabilities. From 2019-20, the balance of RPS bank accounts are included in 'cash' and 2018-19 figures have not been re-stated.

2 Significant areas of judgement

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

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

administration fee income and accounting for case administration receivables.

The agency also makes significant judgements/estimation in regard to future recoveries of RPS expenditure.

2(a) Case administration revenue recognition

The performance of official receivers' obligations gives rise to case administration income and assets, which the agency has the right to recognise. The agency measures this by reference to an average casework profile (one for bankruptcy and one for company cases). The casework profile shows the extent to which cases were complete over the year. The agency uses these profiles to calculate the amount of fees charged that should be recognised as income (Note 4).

Generally, the following assumptions in respect of when work is performed are valid:

(i) the work undertaken on cases is front loaded, i.e. a large proportion is undertaken in the first six months.

(ii) the majority of work undertaken by official receivers will be completed within three years of an insolvency order.

The recognition of case administration income recovered due to PPI settlements has been subject to judgement on the timing, certainty and value of payments expected from financial institutions. Where settlement offers have been made recognition under IFRS15 reflects the extent to which it is considered that a significant reversal of revenue will not occur when uncertainty is resolved. Further details on revenue recognition can be found in Notes 1(k) and 9.

2(b) Case administration receivables

The Insolvency Service must make accounting estimates and judgments regarding the recoverability of its case administration receivables (Note 9). Information is provided here to allow users to understand how the agency has arrived at its estimates. For all of these estimates, it should be noted that future events rarely develop exactly as forecast, and estimates require regular review and adjustment.

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

Judgement is also required in determining the timing of the case administration receivables.

2(c) Redundancy Payments

Service receivable

There is uncertainty in the estimate of the amount to be realised by the agency from sale of assets of insolvent employers. This estimate is based on historic recovery data. In line with IFRS 9, RPS debts have been grouped into similar types, in this case preferential or non-preferential. Analysis of historic trends of recovery of these types of debts has revealed that the best estimate of recovery is 6% for non-preferential, and 37.8% for preferential.

2(d) RPS Compensatory Notice Pay (CNP)

The CNP prior-year adjustment was calculated using data from a legacy RPS payments system for the specified date range. There are no assumptions or estimations which affect the calculation. The agency has provided HMRC with the calculation methodology for the corrections and are awaiting confirmation of their agreement and satisfaction with the methodology used. These accounts assume that this confirmation will be given.

The correction includes £2.9m of National Insurance deductions that were not deducted from payments (hence claimants were overpaid) and funds were not transferred to HMRC. Whilst HMRC have yet to confirm whether they expect this amount to be paid

over, these accounts assume that the payment will be made. Equally, these accounts assume that the overpayment will not be recoverable from the claimants.

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 year is the proportion of completion of the performance obligation, costs incurred to date compared to anticipated total forecast costs. In line with IFRS 15, the cumulative revenue is only recognised to the extent that it is highly probable that a significant reversal would not occur. Forecast total revenue and forecast total costs on a case are subject to management judgement, and therefore subject to variation across years.

3 Expenditure

	2019-20	2018-19 (Restated)
	£'000	£'000
Redundancy payments service (restated for 2018-19)	485,468	327,237
Staff Costs		
Wages and salaries	55,950	53,480
Social security costs	5,357	5,282
Other pension costs	13,777	10,144
Voluntary and Compulsory Redundancy payments	(32)	668
Less recoveries in respect of outward secondments ¹	88	(355)
IT infrastructure expenses	16,482	9,789

Legal and other costs of investigation and enforcement	16,304	14,547
Operating leases - accommodation	5,654	4,818
Other costs	3,444	3,275
Accommodation	4,836	4,438
IT computers	3,736	4,259
General administrative expenses	2,468	2,318
Travel and subsistence	2,159	2,178
Non-cash items:		
Audit fee	197	112
Write offs and expected credit losses ²	1,111	(6,736)
Provisions	507	(195)
Depreciation and amortisation	2,670	3,479
Loss on Disposal	-	6
Case administration - unwind discounting of receivables for fees	(372)	(357)
Total expenditure	619,804	438,387

¹The positive £88k for staff recoveries in respect of outward secondments is due to a credit note on funds paid out in 2018-19.

²In 2018-19 write offs included write-back of £7.6m in relation to fees charged for insolvency case administration in previous years that were previously considered uncollectable. In 2019-20 this has been categorised as fee income and is included in Note 4.

Redundancy Payments Service

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

There is associated income arising from two sources:

(a) solvent recovery: where monies are recovered for the NI Fund over a period of up to three years from companies, that are continuing to trade but would not be able to do so if they had to meet the full costs of redundancy payments at that time.

(b) insolvent recovery: the agency becomes a creditor of the insolvent company in place of the employee and receives a dividend if there are sufficient funds to make a payment to creditors in the winding-up of the company.

Expenditure in respect of RPS in 2019-20 totalled £485 million (2018-19: £327 million), which is funded by the National Insurance Fund (NIF) who reimburse the agency on a monthly 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 (11%) of the debt is preferential, and as such has a higher recovery rate.

4 Income

	2019-20	2018-19 (Restated)
	£'000	£'000
Income from contracts with customers		
Insolvency case administration ¹	160,563	75,277
RPS recoveries ² (restated for 2018-19)	37,820	26,545
Release of deferred income for insolvency case administration	6,585	1,522
Debt relief order administration	2,474	2,512
Online Debt Solutions	1,836	1,701
Investigation and enforcement	1,608	2,362
Individual voluntary arrangements and deeds of arrangements	1,122	1,119
Estates accounts	1,050	904
Rental income	853	581
Regulation of insolvency practitioners	626	628
Criminal enforcement	241	179
Miscellaneous income	17	-
Discounting costs	(461)	(359)
Other Income		
Redundancy payments administration	7,677	7,046
Total income	222,011	120,017

¹Insolvency case administration includes £91m of fees relating to the settlement of historic PPI claims on insolvent estates.

²The income recognised for RPS was £38m, which includes £1m recovered in year, and £37m of estimated future recoveries.

5 Segmental reporting

All significant activities of the agency are derived from the Insolvency Act 1986, The Company Disqualification Act 1986, the Employment Rights Act 1996 and the Companies Act 2006 and are

considered for segmental purposes to be one single class of business.

The following information on the main funding activities of the agency constitutes segmental reporting under International Financial Reporting Standard 8, Operating Segments. Costs and income are reported to senior management on a monthly basis; therefore the year-end figures are reported below. The Statement of Financial Position is not reported to senior management so is not included below. Figures showing BEIS and HMRC funding amounts can be found in the SOCITE.

	Income		Cost of service		Surplus/(deficit)	
	2019-20 £'000	2018-19 £'000	2019-20 £'000	2018-19 £'000	2019-20 £'000	2018-19 £'000
Activities funded from BEIS financing	3,809	2,541	46,252	40,042	(42,443)	(37,501)
Activities funded from fees	172,705	83,885	79,222	64,062	93,483	19,823
Activities funded by HMRC for RPS Administration	7,677	7,046	8,862	7,046	(1,185)	-
Activities funded by HMRC from the NIF (restated for 2018-19)	37,820	26,545	485,468	327,237	(447,648)	(300,692)
Total of all activities	222,011	120,017	619,804	438,387	(397,793)	(318,370)

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

6 Property, plant and equipment

2019-20

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

2018-19

	Information Technology	Plant & Machinery	Furniture & Fittings	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 April 2018	9,930	330	-	569	10,829
Additions	542	38	2,151	221	2,952
Disposals	-	(10)	-	-	(10)
Reclassifications	33	395	142	(570)	-
At 31 March 2019	10,505	753	2,293	220	13,771
Depreciation					
At 1 April 2018	6,510	74	-	-	6,584
Charged in year	2,281	136	239	-	2,656
Disposals	-	(4)	-	-	(4)
At 31 March 2019	8,791	206	239	-	9,236
Carrying value at 31 March 2019	1,714	547	2,054	220	4,535
Asset financing:					
Owned	-	547	2,054	220	2,821
Service concession arrangement (Note 14)	1,714	-	-	-	1,714
Carrying value at 31 March 2019	1,714	547	2,054	220	4,535

7 Intangible assets

2019-20	Software	Internally	Total
	Licences	Developed	
	£'000	System	£'000
Cost or valuation			
At 1 April 2019	315	13,644	13,959
At 31 March 2020	315	13,644	13,959
Amortisation			
At 1 April 2019	308	12,083	12,391
Charged in year	5	869	874
At 31 March 2020	313	12,952	13,265
Carrying value at 31 March 2020	2	692	694
Asset financing:			
Owned	2	692	694
Carrying value at 31 March 2020	2	692	694
2018-19			
	Software	Internally	Total
	Licences	Developed	
	£'000	System	£'000
Cost or valuation			
At 1 April 2018	315	13,333	13,648
Additions	-	311	311
At 31 March 2019	315	13,644	13,959
Amortisation			
At 1 April 2018	298	11,270	11,568
Charged in year	10	813	823
At 31 March 2019	308	12,083	12,391
Carrying value at 31 March 2019	7	1,561	1,568
Asset financing:			
Owned	7	1,561	1,568
Carrying value at 31 March 2019	7	1,561	1,568

8 Financial instruments

The Insolvency Service has classified its case administration fee receivables and redundancy payments service receivables as financial assets.

The majority of case administration fees are recovered over a period of 6 years, but a small proportion will be recovered beyond 6 years, as the recoveries can only be made when assets are realised in an insolvent estate. Due to the nature of RPS receivables, the vast majority is not actually recovered. RPS recoveries are also dependant on assets realised from insolvencies, hence any actual recoveries are achieved over many years. These receivables therefore play a significant medium to long-term role in the financial risk profile of the agency. The timing of the recoveries exposes the agency to interest rate risk. Accounting estimates and judgements regarding the recoverability of these receivables are disclosed (case administration in Note 2(b) and redundancy payments service in Note 2(c)).

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The agency discounts its financial assets at the nominal rate determined by HM Treasury for financial assets, currently 3.7%.

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

9 Trade receivables, financial and other assets

	2019-20	2018-19 (Restated)
	£'000	£'000
Amounts falling due within one year:		
Financial assets		
Receivables for fees - case administration	114,184	22,191
Receivables for disqualification costs	941	1,750
Receivables for fees - estate accounts	447	638
Receivables for redundancy payments service (restated for 2018-19)	29,705	27,668
Total financial assets	145,277	52,247
Trade receivables and other assets		
Prepayments	2,835	1,435
VAT receivables	872	-
Other receivables (restated for 2018-19)	10,262	10,877
Employee receivables	111	211
Total trade receivables and other assets	14,080	12,523
Total amounts falling due within one year	159,357	64,770
Amounts falling due after more than one year:		
Financial assets		
Receivables for fees - case administration	12,451	10,436
Receivables for disqualification costs	1,649	1,477
Receivables for redundancy payments service	41,937	33,506
Total financial assets	56,037	45,419
Trade receivables and other assets		
Employee receivables	-	29
Total trade receivables and other assets	-	29
Total amounts falling due after more than one year	56,037	45,448
Total receivables, financial and other assets	215,394	110,218

The receivables for estate accounts fees have been reduced by a bad debt write-off of £280k (2018-19: £307k).

The RPS receivable is shown net of expected credit losses. The is calculated by the Insolvency Service using a model which is approved by HMRC. The model calculates the recoverable debt as £71m as at 31 March 2020, (2018-19 £58m). As detailed in Note 1(o), in line with IFRS 9, RPS debts have been grouped into similar types, in this case pref/non-pref. Analysis of historic trends of recovery of these types of debts has revealed that the best estimate of recovery is 6.0% for non-preferential, and 37.8% for preferential. Changes in the estimated recovery rates applied necessitated a write-back of debt of £3.4m

Included within the above figures are receivables for fees - case administration. The balance of £114.2m for amounts expected to be recovered within one year (2018-19: £22.2m) and £12.5m for amounts expected to be recovered in more than one year (2018-19: £10.4m). This figure represents sums recoverable by the agency for case administration work undertaken, but not yet received.

As explained in Notes 1(k) and 2(a), the agency, in accordance with IFRS 15, the timing of income recognition is not based on actual fee recoveries. Income is based on estimation of expected recoveries and recognised over a period of 36 months in relation to the work effort expended, regardless of when cash receipts are banked.

The costs of administering bankruptcy or companies winding-up are reflected in a case administration fee. From 21 July 2016 the fees were set at £1,990 for debtor bankruptcy, £2,775 for creditor bankruptcies and £5,000 for companies winding-up. In practice, the agency recovers its fees in part through the receipt of a deposit (from 21 July 2016: £550 for debtor petitions, £990 for creditor petitions and £1,600 for companies) with the balance met as assets in bankruptcy or winding-up are realised. Cash recoveries from asset realisations lag behind income recognised in the accounts and the difference between the two is therefore reported as a receivable (Note 9).

Not all individuals who enter bankruptcy or companies being wound up have sufficient assets to cover the case administration fees. The shortfall is in part made good by the addition of a further fee, the General Fee, set at £6,000 for all case types and recovered against any assets realised above the value of the administration fee. As with the case administration fee, recoveries from asset realisations which fund the General fee lag behind the income attributable to case administration and so the difference between the two is included as part of receivables (Note 9).

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

Factors which influence the timing, nature and amount of future fee recoveries

The determination of future fee recovery is subject to considerable uncertainty. It has proved difficult to establish reliable estimates of future asset realisations for cases in bankruptcy or liquidation. The agency combines evidence of past asset recoveries with statistically-based approaches in order to assess overall fee recoveries.

The main forecasting uncertainties are:

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

Where there has been an absence of reliable asset realisation data, the agency has utilised a combination of:

- (i) historical trend analysis of cash received from fees recovered
- (ii) statistical forecasts of future cash recoveries
- (iii) known intelligence on future asset realisation trends in order to estimate the fair value of the case administration receivable.

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

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

Adjustments are made where the availability of an asset to fund recoveries changes, for example where PPI can no longer be claimed on cases after the PPI claims deadline of 31/08/19.

The agency's forecasts and the fee income included within are reviewed by stakeholders including the board and executive committee, where members have experience and knowledge of the business.

Receivable figures for all case years are expected to be £126.6m (2018-19 £33.3m) (undiscounted). £91m relates to receivables due for fees from PPI realisations with low risk of non-recovery due to i) payments held on account by the OR ii) The low risk of non-payment from the relevant institutions.

10 Cash and cash equivalents

	2019-20	2018-19
	£'000	£'000
Balance at 1 April 2019	122,647	97,249
Net change in cash and cash equivalent balances	10,367	25,398
Balance at 31 March 2020	133,014	122,647
The following balances at 31 March 2020 were held at:		
Government banking service (ISA account)	122,133	112,627
Government banking service	10,881	10,020
Balance at 31 March 2020	133,014	122,647

Cash comprises cash at bank of £11m (2018-19: £10m) and a cash equivalent balance of £122m (2018-19: £113m). The cash equivalent balance is made up of cash received during the normal course of Official Receivers' activities and is held by the Official Receiver against fees charged. Part of this balance is held in a bank account, and part is held in an investment account with the Commissioners for the Reduction of the National Debt (CRND), as required by legislation. The amounts held in both accounts can be drawn down on demand and are transferred to the agency bank account on a regular basis.

As per Note 1(r), from 2019-20 onwards RPS bank balances are included in the above figures. The combined bank accounts for RP payments and RP receipts totalled £0.176m (credit). The equivalent balance for 2018-19 was £4.547m; but not included within the 2018-19 figures above.

11 Trade payables and other liabilities

	2019-20	2018-19 (Restated)
	£'000	£'000
Amounts falling due within one year:		
Payables	2,882	5,420
Redundancy payments service (restated for 2018-19)	11,852	12,028
Accruals	13,891	11,877
Due to the Consolidated Fund	14,618	18,709
VAT liability	-	200
Deferred fee income	4,227	786
Service concession arrangement	50	298
Accrued employee benefits	2,440	2,052
Total	49,960	51,370
Amounts falling due after one year:		
Due to the Consolidated Fund	4,370	-
Service concession arrangement	-	50
Total	4,370	50
Total payables and other liabilities	54,330	51,420

Accruals made in 2019-20 for expenditure relating to the year but not yet paid total £14m (2018-19: £12m). Notable items include £1.8m (2018-19: £2.7m) in relation to rental payments due for properties the agency occupies but which had not been invoiced for as at 31 March 2020; £2.0m for Investigation costs; and £4.6m for IT-related costs.

There was also £1.2m of refurbishment costs to be paid for works carried out during 2019-20 for moving into the new London Stratford office.

12 Provisions for liabilities and charges

2019-20	Fruitless	Lease	Other	Total
	payments	dilapidations		
	£'000	£'000	£'000	£'000
Balance at 1 April 2019	-	3,213	10	3,223
Provided in the year	-	484	-	484
Provisions utilised in the year	-	(381)	-	(381)
Provisions not required written back	-	-	(10)	(10)
Borrowing costs (unwinding of discount)	-	33	-	33
Balance at 31 March 2020	-	3,349	-	3,349

Analysis of expected timing of discounted flows

Not later than one year	-	547	-	547
Later than one year and not later than five years	-	2,802	-	2,802
Later than five years	-	-	-	-
Balance at 31 March 2020	-	3,349	-	3,349

2018-19	Fruitless	Lease	Other	Total
	payments	dilapidations		
	£'000	£'000	£'000	£'000
Balance at 1 April 2018	231	3,179	148	3,558
Provided in the year	-	56	10	66
Provisions utilised in the year	(113)	-	(27)	(140)
Provisions not required written back	(118)	-	(121)	(239)
Borrowing costs (unwinding of discount)	-	(22)	-	(22)
Balance at 31 March 2019	-	3,213	10	3,223

Analysis of expected timing of discounted flows

Not later than one year	-	1,165	10	1,175
Later than one year and not later than five years	-	2,048	-	2,048
Later than five years	-	-	-	-
Balance at 31 March 2019	-	3,213	10	3,223

The agency operates from a number of sites across the UK. Operating leases for buildings require payments of dilapidations on termination of the lease and exit of the building. Therefore the agency holds provisions for anticipated future dilapidation costs (which represents the estimated cost of making good the infrastructure of the leases, under the lease terms). The agency holds provisions for dilapidations for 22 locations; as at 31 March 2020 the provision held was adjusted by £484K (2018-19 £56K) based on a new provision for the new London (Stratford) office and increase due to inflation (previously based on the increase in building costs by reference to BCIS (the Building Cost Information Service; a cost guide provided by the Royal Institution of Chartered Surveyors)). The Utilisation of £381K was due to leaving the previous London office. The provision held is discounted using the nominal discount rates set by HM Treasury, which results in the value of the provision adjusting to £3,349K (2018-19: £3,213K).

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

13 Commitments under leases

Operating leases

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

	2019-20	2018-19
	£'000	£'000
Obligations under operating leases for the following periods comprise:		
Buildings		
Not later than one year	4,518	4,703
Later than one year and not later than five years	11,560	7,059
Later than five years	4,830	-
Total	20,908	11,762

14 Commitments under service concession arrangements

On 12 November 2012, the Insolvency Service entered into a contractual agreement with a private sector organisation for the provision of IT hardware, software and related services under the Desktop 21 framework. The contract ran for an initial term of 5 years from the point at which the IBM exit was completed (30 April 2014). During 2018-19 it was extended to 21 May 2020.

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

	2019-20	2018-19
	£'000	£'000
Rentals due not later than one year	50	298
Rentals due later than one year and not later than five years	-	50
Total	50	348
Less interest element	(2)	(5)
Present value	48	343

Charge to the Statement of Comprehensive Net Expenditure and future commitments

As the commitment ends in May 2020, there are no commitments later than one year.

	2019-20	2018-19
	£'000	£'000
Not later than one year	332	1,994
Later than one year and not later than five years	-	332
Total commitments	332	2,326

15 Contingent liabilities disclosed under IAS 37

The Insolvency Service has the following contingent liability:

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.

16 Related-party transactions

The Insolvency Service is an executive agency of BEIS; BEIS is regarded as a related-party. During

the year, there have been various material transactions with the department and with other entities for which the department is regarded as the parent department.

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

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

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

17 Financial exposure

IAS 32 and IFRS 9 govern the presentation, measurement, recognition and disclosure of financial instruments. Disclosures are required in relation to the financial instruments which give rise to risks that affect the entity's overall financial position, performance or cash flows.

Due to the largely non-trading nature of its activities and the way in which it is financed, the Insolvency Service is not exposed to the degree of financial risk

faced by business entities. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the agency in undertaking its activities.

Redundancy payments service risk

RPS receivables do not impact the agency's financial risk profile as any impact will be felt by the National Insurance Fund (all recoveries are paid over to the NIF); the administration income shown in Note 4 is the income received by the agency for the administration of the service. RPS receivables can be collected over a period of many years, and as such are subject to inflationary risk to their value over time. As such these debts are discounted in line with prescribed HM Treasury rates.

Interest rate risk

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

The agency discounts its financial assets at the rate determined by HM Treasury, currently 3.7%. The agency recognises that its case administration receivables play a significant medium to long-term

role in the financial risk profile and believe that by discounting at 3.7% this is an appropriate method to calculate the level of risk faced.

Liquidity and foreign currency risk.

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

The Insolvency Service has no exposure with regards to foreign currency risk 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 £2.5m (2018-19: £2.5m). The DRO bank account held £829K as at 31 March (2018-19: £1.3m).

19 Events after the reporting period date

Adjusting Events

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

Non-adjusting Events

Subsequent to the reporting date, there have been material levels of PPI claims settled by major institutions, due to progress on claims by the OR. As a result, the 2020-21 Accounts will recognise the fee income in relation to these claims, but this is non-adjusting for 2019-20.

