The Insolvency Service

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Annual Report and Accounts 2022-2023

HC 93

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Annual Report and Accounts
2022-23

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Performance overview

Chief Executive's foreword

This report sets out the solid progress we have made during the last year, supporting our customers and ensuring that we have an Agency fit for the future. We are nearly halfway through implementing our 5-year strategy, helping the UK economy to grow, delivering excellent standards of public services, and putting our customers and stakeholders at the heart of everything we do.

Business insolvencies have risen this year after an unprecedented two years of low numbers during the pandemic. The number of company cases handled by our Official Receivers increased during the year, reaching monthly pre-pandemic levels by the year end. The number of compulsory liquidations was over three times as many this year compared to last year. This is a result of HMRC and other major creditors resuming their winding up activities post pandemic, and some banks taking enforcement action against non-repayment of Bounce Back Loans.

The number of claims to the Redundancy Payments Service also increased from a little under 45,000 last year to just under 60,000 this year.

Increases in personal insolvencies have been relatively small, with bankruptcies remaining, as last year, historically low. The number of Breathing Space applications granted increased more substantially, from just under 60,000 last year to nearly 77,000 this year.

During the year we continued our journey to implement the projects which will deliver our strategic vision for the Insolvency Service to be at the centre of a fair, efficient, and effective insolvency system and to be a global leader in insolvency solutions for citizens and for businesses. This is underpinned and supported by a profession that is recognised for the highest professional, technical and ethical standards when carrying out its work.

This year’s achievements include further modernisation of our technology and infrastructure. We became one of the first Government agencies to enable customers to use a digital form to amend claims for holiday pay owed because of their employer becoming insolvent. We also undertook substantial work to centralise some Official Receivers' functions, to deliver a more efficient, swifter service for our customers and make better use of our resources.

Our Director Information Hub went live shortly after year end. This provides a single entry-point on GOV.UK to help directors, particularly of small and micro businesses, understand their obligations, identify the risks of possible insolvency, what to do about it and where to find help.

Helping directors before insolvency becomes inevitable is a new area of business for us, and something our stakeholders have warmly welcomed.

Our major programme to transform our workplaces, providing the right locations for our customers, with modern, collaborative workspaces for our people, continued. This significant project supports the long-term ambitions set out in the Government's Levelling Up and Places for Growth strategies and will see the Agency move from 22 locations to 11 regional hubs, located in places that work for our customers. During the year, we closed our offices at Cambridge, Watford and Southend with colleagues transferring to regional hubs in Ipswich and East London.

In supporting economic confidence, the Insolvency Service has a key role to play in ensuring that business and the public have confidence that where there is an insolvency, it will be dealt with fairly and appropriately, and where there is evidence of misconduct or breaches of the law, action will be taken.

A key area of focus for our work through the year has been misconduct in relation to Covid-19 Financial Support, accounting for nearly half of all director disqualifications outcomes, and 40% of all bankruptcy restrictions. Where possible we have also taken steps to recover the funds lost to the taxpayer because of this type of misconduct, with over £835,000 of claims made against disqualified directors so far and many more cases in the pipeline.

We have continued to develop the insolvency regime to ensure it provides effective, consistent regulation and promotes a vibrant and innovative profession. We undertook a call for evidence on the effectiveness of the personal insolvency regime which received many helpful responses. We published the Government’s response in July and are now working with stakeholders to develop further proposals for consultation. We also worked during the year to determine the best way forward following the Government’s consultation on the future of insolvency regulation and published next steps to strengthen the regulatory framework in September 2023.

To ensure the UK continues to be at the forefront of global insolvency and a major centre for cross-border proceedings, we consulted on the incorporation of two new UNCITRAL Model Laws on cross-border insolvency into UK law, which the Government has now committed to take forward.

In January, we launched our new agency values aligned to our agency strategy and our Inclusion First and People strategies. Our commitment to improving capability has been supported by the launch of a new skills tool to support learning and development plans. We have also successfully supported our people to gain additional skills and qualifications including several members of staff passing the industry “gold standard” joint insolvency examinations, our first lawyer successfully qualifying through the CILEX programme in October 2023, and 43 colleagues joining the Government Counter Fraud profession.

Looking ahead we will continue to work collaboratively to ensure the agency remains effective, adaptable and resilient, delivering economic confidence for businesses and citizens and supporting the country's economic growth.

The next year will be one where we see a lot of our work to transform our technology come to fruition, providing a strong platform for future delivery. We will also be continuing our journey to transform our workplaces for our people and customers and taking forward plans to improve the insolvency and enforcement regimes.

Dean Beale, Chief Executive

Who we are and what we do

This report is designed to give an overview of the activities and performance of the Insolvency Service during the year. More detailed analysis can be found in our accountability report and financial statements.

Who we are

The Insolvency Service is an Executive Agency of the Department for Business and Trade (DBT), currently based in 19 locations across Great Britain. DBT retains financial and operational supervision over the work we do and approves our strategies and budgets.

On 7th February 2023, the prime minister announced a major machinery of government change which redistributed the activities of several existing government departments, including the Department for Business, Energy & Industrial Strategy (BEIS), and created three new departments, the Department for Business and Trade, the Department for Science, Innovation and Technology, and the Department for Energy Security and Net Zero. The Insolvency Service has been designated to the Department for Business and Trade with accounting officer responsibilities formally transferred from 1st April 2023.

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

Our governance statement provides further detail about our Board and various committees.

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

What we do

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

Our Official Receivers deliver an essential public service by dealing with people subject to bankruptcy and insolvent businesses, realising and distributing assets, helping people to get back on their feet, and carrying out investigations to support the integrity of the insolvency system and the wider business and lending economy.

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

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

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

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

Our objectives

This annual report and accounts describe the agency's performance and achievements for, and reports on, the delivery of objectives we set in our 2022-23 Annual Plan.

Those strategic and operational objectives to continue delivery of excellent customer service were to:

- Strengthen our system regulation and improve the insolvency framework
- Strengthen our reputation and impact in investigation and enforcement
- Sharpen our operating focus
- Shape a new approach to prevent insolvency and rehabilitate through education and guidance
- Strengthen and modernise our technology and infrastructure
- Shape the agency as a great place to work
- Sharpen our financial model to ensure sustainability

Strengthen our system regulation and improve the insolvency framework

Objective	Status	Commentary
Issue a call for evidence on the personal insolvency regime	Achieved	The call for evidence was published on 5 July 2022 and ran for 16 weeks. The Government's response was published on 4 August 2023.
Develop proposals to reform the insolvency regulatory regime following our	Achieved	Policy proposals were developed during the year. The Government's response was

consultation on reforms to the regulatory framework		published on 12 September 2023.
Publish the outcome of our consultation on incorporating two further United Nations Commission on International Trade (UNCITRAL) model laws on cross-border insolvency into UK law	Achieved	The consultation was published on 7 July 2022 and ran for 12 weeks. The outcome was published the following year end on 7 July 2023.
Publish a research report on Corporate Insolvency and Governance Act (CIGA) 2020	Achieved	The interim report was published 21 June 2022 and the final evaluation was published on 19 December 2022.

Objective	Status	Commentary
Publish the findings from our research into the impact on landlords of Company Voluntary Arrangements on larger, retail, hospitality, and leisure businesses	Achieved	The report was published 21 June 2022.
Conclude a thematic review on monitoring by Recognised Professional Bodies (RPBs) of Insolvency Practitioners' engagement with the Redundancy Payment Service and publish the report	Achieved	The report has been completed and was published in April 2023.

Performance analysis

(i) Developing proposals to strengthen the regulatory regime for Insolvency Practitioners

The consultation on the future of insolvency regulation closed in March 2021 and we were encouraged to receive detailed and thoughtful responses from a wide range of stakeholders. These responses have helped to inform further policy development. The government's response to the consultation was published on 12 September 2023.

(ii) Personal Insolvency Review

A call for evidence was issued in July 2022 seeking views on how the personal insolvency framework currently operates and whether reform is necessary. During the consultation period we held meetings with key stakeholders and attended stakeholder events to help inform our evidence gathering. We received 64 responses to the consultation, which highlighted concerns with the current framework and areas for improvement. We have subsequently published a summary of the responses, including an indication of the work we now need to do to develop proposals for reform.

(iii) Company Voluntary Arrangements Report

We monitor the UK's world-class insolvency regime to ensure that it remains a leading restructuring and insolvency jurisdiction when compared to our international competitors. Research such as the Company Voluntary Arrangements (CVA) report that we published in June 2022 supports this work, helping us to gauge whether the regime is working as effectively as it could, and identify where improvements might be made.

CVAs are an important business rescue tool which allow over-indebted companies to restructure their debts and other financial obligations to continue to trade. In recent years, there has been criticism that the procedure can be unfair to landlords of companies in retail, accommodation and food/beverage industries, where the future obligations under property leases are restructured via a CVA.

The research we commissioned to examine this issue found that landlords have broadly been treated equitably.

(iv) International Insolvency

We issued a call for evidence in July 2022 seeking views on the implementation of two model laws developed by the United Nations Commission on International Trade Law (UNCITRAL). Implementing these model laws will be an important addition to the tools available to insolvency professionals when dealing with cross-border insolvencies. The responses we received were largely supportive of the implementation of both model laws and our summary of responses, published on 7 July 2023 sets out the work we will now take forward to implement them.

(v) Oversight of Insolvency Practitioner Regulation

We have worked with Recognised Professional Bodies (RPBs) to develop our approach to oversight regulation and agreed improved processes for dealing with complaints about RPBs.

We published our Annual Review of Insolvency Practitioner Regulation in April 2023 and concluded work to examine risk assessment and risk management undertaken by the RPBs, sharing best practice amongst them.

Our thematic review of monitoring by RPBs of the Insolvency Practitioners that deal with

Redundancy Payments Service (RPS) claims was concluded and we published a summary report. The review found that the standard of inspection was of an appropriate quality, but that there was variation in the volume of inspection undertaken. Further engagement between the RPBs and RPS to increase the information made available to regulators is being undertaken as a follow up to this report.

(vi) Diversity and Inclusion

The Insolvency Service has continued to play a leading role to encourage and support improvements to diversity and inclusion within the insolvency profession. We published the Diversity and Inclusion Steering Group's Progress Report and Action Plan for 2023.

The agency also launched a network of 20 D&I champions from organisations across the insolvency and restructuring landscape, including insolvency practitioner firms, legal practices and regulatory bodies. We are working with champions to inspire change in the insolvency and restructuring profession. They will be participating in outreach work that includes visiting universities and educational establishments across the UK.

They are also taking part in research to help identify barriers and drive improvements to recruitment and progression, as well as helping us to collate, share and amplify existing great practice.

In 2022, we undertook pilot outreach work with several universities across the UK, developing materials for our champions to use. We met with students to raise awareness about insolvency and its important role in supporting the economy and the people in the UK, together with the varied career opportunities in this area.

Our dialogue has continued with international partners about shared challenges to boost diversity and inclusion, with mechanisms to help enable cooperation in this space agreed at the annual meeting of the International Association of Insolvency Regulators.

Strengthen our reputation and impact in investigation and enforcement

Objective	Status	Commentary
Focus on Covid-19 Financial Support Scheme misconduct, identifying cases where both civil and criminal enforcement action is appropriate and take recovery action	Achieved	There have been 459 disqualification outcomes, 101 bankruptcy restrictions and 6 criminal prosecutions relating to Covid-19 Financial Support Scheme misconduct.

Develop our forensic computing capabilities through a hybrid solution using in-house and external expertise and work towards obtaining an International Organisation for Standards accreditation	Achieved	We delivered improved capability for digital forensic processing to support investigations. We commenced planning for delivery in 2023-24 of a new IT capability for investigators to handle and analyse increasing volumes of digital evidence, enhancing data security in line with our Data Strategy. Work has started on achieving an International Organisation for Standards accreditation to reflect our work in the digital forensic profession, working towards best practices and industry standards.

Objective	Status	Commentary
Review and, where appropriate refine, our Enforcement Strategy	In progress	The Enforcement Strategy has been reviewed and will be published in 2023-24. Our Strategic Assessment has been updated for 2023-24 and continues to drive our enforcement activities.
Continue to grow our membership of the Government Counter Fraud profession (GCFP)	Achieved	This year 43 learners completed the Insolvency Service Investigator Programme (ISIP) qualification and became accredited members of the Government Counter Fraud Profession.
Grow our internal legal expertise by expanding specialist training	Achieved	We have six paralegals studying on our “CILEX” programme, with the first having

to more of our paralegal officers		qualified as a lawyer in October 2023.
Commence a project to build flexibility and resilience in Investigation and Enforcement Services	Achieved	The project has commenced with some rotational posts being created within our Investigation and Enforcement Teams and our Legal Services Division. Four civil investigators have completed the Crime ISIP qualification.
Provide transparency about our enforcement activities through regular publication of detailed data through our quarterly scorecard	Achieved	Detailed information concerning our enforcement work has been published through our quarterly scorecard, as well as through Official Statistics.

How we performed

Tackling financial wrongdoing			
	2022-23	**2021-22**	**2020-21**
Criminal prosecutions	113	119	143
Live company investigations	152	168	147
Directors disqualified for misconduct	942	802	981
Directors disqualified for more than 10 years	30.9%	6.0%	8.5%
Bankruptcy restrictions	250	319	302

Performance analysis

(i) Enforcement outcomes

Our commitment to using our powers to tackle financial wrongdoing and help ensure a level playing field for business is demonstrated by the outcome of our investigation and enforcement activity throughout the year.

There were 942 director disqualifications and 250 bankruptcy restrictions along with 69 criminal prosecutions in 2022-23.

The average length of a disqualification increased to over 7 years with Covid-19 support scheme abuse tending to attract longer disqualification periods (see below). There were 250 bankruptcy restrictions in 2022-23 (319 the previous year) which reflected the historically low number of bankruptcies since the pandemic. The average length of restrictions has increased to over six years and, as with disqualifications, this can be attributed to Covid-19 support scheme abuse cases.

During the year, 69 individuals faced criminal charges[1] brought by the agency and all were convicted. This was lower than last year, when courts were clearing a backlog linked to the pandemic but is similar to 2019-20 (pre-pandemic). Six of these convictions related to Covid-19 support scheme misconduct and four people were sentenced to immediate imprisonment. There were 73 criminal outcomes with financial orders such as fines and cost orders, which included five confiscation orders with a total value of £445,385.

We also undertook 152 investigations into live companies during the year, which resulted in 49 companies being wound up by the court.

More information on our Enforcement Outcomes can be found here.

(ii) Covid-19 Financial Support Misconduct

A key area of focus for our work through the year has been misconduct in relation to Covid-19 Financial Support with 459 disqualification outcomes and 101 bankruptcy restrictions that included an allegation connected to misuse of one or more of these schemes. There have also been

[1] There are more individuals facing criminal charges but their cases have yet to be concluded.

six criminal prosecutions for offences connected to the abuse of one or more of these schemes.

We received additional funding to help investigate this new area of misconduct, which led to an additional 61 director disqualifications being obtained. Further funding will be deployed to investigating and acting in relation to this type of misconduct over the next two years.

Alongside our enforcement work, we took steps to recover funds lost to the taxpayer. By the end of the year, 39 had provided an undertaking to pay a total of £835,393. Over £230,000 has already been recovered.

Our work in this area will continue and we expect to obtain further enforcement outcomes and recoveries in the coming years.

(iii) Enforcement case studies

Covid-19 financial support misconduct

After pleading guilty to offences involving a fraudulent application for a Bounce Back Loan, two directors of a company were sentenced at St Albans Crown Court to two years and six months and two years in prison, with each sentence subsequently being reduced to 18 months on appeal. One director was also disqualified from acting as a director for three years.

They had claimed a £50,000 loan by stating that the company's turnover was £200,000. However, it was closer to £40,000. After our investigators made contact, and they realised they had been caught, they repaid the Bounce Back Loan in full.

Covid-19 financial support misconduct

A director was disqualified for 11 years following an investigation into how the company obtained a Bounce Back Loan of £50,000 in October 2020.The rules of the Bounce Back Loan scheme were clear that businesses had to have been trading on 1 March 2020 to be eligible for any funding.

Following the company's liquidation in 2022 with debts of over £150,000, our investigators found it had ceased trading in October 2019, with the restaurant currently at the address being owned by a different company.

They had taken out over £400,000 in cash from the company's bank account between October 2020, when the loan money was received, and March 2021. Yet there was no evidence to show the funds had been spent for the economic benefit of the company. There are ongoing discussions regarding recovery of funds.

Building company takes deposits despite being insolvent.

The director of a building company took deposits and advanced payments totalling just under £182,000 from five new customers after the company had entered compulsory liquidation in May 2019.

In taking these funds, the director abused the trust of clients knowing that the company could not carry out the work that he promised.

Investigators also discovered that the company had continued to trade despite being wound up and that the director had failed to disclose assets of £35,000 to the liquidator. He had also withdrawn £25,000 from the company accounts for personal use and to pay third parties.

The court ordered that the director be disqualified for a period of 10 years and was also ordered to pay cost of £6,649.

Care home investment scheme

In Hampshire, the director of a company set up as an investment vehicle to build care home accommodation misled investors.

Investors parted with a total of £8.1 million based on marketing materials produced by the company which promised redevelopment of a site it owned in County Durham.

When the company entered liquidation in December 2020, investigators found that before it received the investment funds, the company had been refused planning permission by the local authority to deliver the plans it promised in its marketing materials.

The director did not dispute his actions and accepted a 10-year disqualification undertaking in May 2022.

Live Investigation – Coaching and Mentoring company

A mentoring and coaching limited liability partnership (LLP) was wound up in the public interest following an investigation. The company was incorporated in 2012 and promised life coaching, mentoring, career, and business development services.

Customers paid substantial funds for these services. Accounts showed the LLP received £2.4m between 2014 and 2022. At least half of this income was paid directly to one of the senior members of the LLP.

The LLP failed to deliver up its trading and financial records and therefore investigators were unable to fully determine the exact nature of its business activities and that it filed misleading or false accounts.

The judge deemed efforts by one the LLP's members to obstruct our work were unacceptable and praised the investigation team for its professionalism.

Director Prosecution and Disqualification

An important part of the agency's criminal enforcement work concerns protecting the public from so called 'phoenixing' or 'phoenix trading'. This occurs where a company enters insolvent liquidation and the directors form a new company, using the same or similar name, in order to continue trading much as before, often with the deliberate intention of avoiding the claims of the insolvent company's creditors.

In a recent case, a director was convicted at Liverpool Crown Court of 12 offences under Section 216 of the Insolvency Act 1986 in respect of his 'phoenix' companies. The offences were committed despite warnings. At the sentencing hearing which drew national media coverage, the judge found the duration of the offending and risk presented by breach of the statutory protections made the offences "so serious" that they passed the threshold for imprisonment. He imposed a suspended sentence of eight months imprisonment, which the Judge stated would have been more but for the defendant's early guilty plea and personal mitigation. He was also disqualified from being a company director for five years.

(iv) Use of new powers

The sole director of an electrical installations company was disqualified after he applied for Bounce Back Loan funding on two separate occasions, despite his company having already ceased trading and not being eligible for any financial assistance.

Although he later dissolved the company, he was caught thanks to new powers[2] granted to the agency in 2021 which enable us to investigate directors of dissolved companies.

Investigators discovered that not only had the company not been trading since September 2019 – meaning that he had dishonestly applied for the loan – but he had immediately transferred the £15,000 loan to another bank account.

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[2] Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Act 2021 gives the Secretary of State powers to investigate the conduct of directors of companies that have been dissolved without having previously been in an insolvency process.

Investigators then discovered that he had applied for an extra £5,000 top-up loan for the company in November 2020 – a month after the business had finally been dissolved. He was disqualified for 11 years.

(v) Working with partners

Operation Kingston was an investigation into an Organised Crime Group that we undertook in collaboration with Northumbria Police. It has resulted in 17 companies being wound up in the public interest, with most of those companies exhibiting abuse of the Bounce Back Loan scheme and other fraudulent activity.

Operation Sander was an investigation in collaboration with Birmingham City Council that has resulted in 9 companies being wound up in the public interest to date, principally on the basis that they abused Covid support schemes. Winding up petitions have been issued in respect of five further associated companies.

There was a challenging investigation of a group of companies operating a mentoring scam that targeted vulnerable families and operated in the manner of a cult. The companies were wound up in the public interest despite opposition. Significant national publicity has ensued, including a documentary broadcast by the BBC.

Sharpen our operating focus

Objective	Status	Commentary
Review the distribution process for Payment Protection Insurance (PPI) realisations to make it more efficient	Achieved	Improvements have been identified and implemented with average productivity increasing by more than 90% to meet newly agreed targets.
Improve the customer experience of those impacted by redundancy	In progress	The implementation of planned improvements has commenced and will be implemented in the first quarter of

		2023-24. Overall customer services scores for the Redundancy Payments Service fell from 84% last year to 82% this year. This is largely due to issues in relation to customer contact which will be addressed by the planned improvements.
Drive improvements in Official Receiver Services processes to increase efficiency	Achieved	A new Central Case Team was launched in January 2023 to create a single-entry point for most new cases and to deal with high-volume, low-complexity bankruptcy work more efficiently. A new suite of internal performance measures to drive performance has been implemented.

Objective	Status	Commentary
Start to implement our new agency data strategy to improve operational decision-making and performance management	Achieved	Implementation is underway with improvements to management information in place and further work planned for 2023-24.
Focus on maximising asset realisation in cases where creditors choose not to appoint an Insolvency Practitioner	Achieved	Our target to exceed 40,000 distributions to creditors has been exceeded, with us making 49,674 distributions. Official Receiver Services realised over 18,000 assets to the value of £27.9m this year.
Continue our programme of offering professional qualifications to our staff	Achieved	Three candidates have passed the JIEB personal insolvency exam and two have passed the corporate paper. Five new candidates have been enrolled for the

		JIEB. Four candidates have passed the CIP qualification.
Increase engagement with our key stakeholder groups and raise awareness of the Official Receiver's role	Achieved	We have agreed a new External Communication Plan and increased our engagement with our stakeholders.

How we performed

Supporting those in financial distress			
	2022-23	2021-22	2020-21
New insolvency cases handled by our Official Receivers	9,028	8,467	11,607
Debt Relief Orders	24,267	22,601	17,938
Online Debtor's application Bankruptcy orders	5,558	6,669	9,830
Breathing Space[3] applications granted	76,599	58,476	-
Breathing Space applications granted for people in a mental health crisis	1,341	908	-
Creditor petition bankruptcy orders	1,194	1,089	999

[3] The Debt Respite Scheme (Breathing Space) will give someone in problem debt the right to legal protections from creditor action for up to 60 days. The protections include pausing most enforcement action and contact from creditors, and freezing most interest and charges on their debts, giving them time to get advice and find an appropriate debt solution.

Redundancy payment claims	59,234	44,895	96,219
Compulsory liquidations	2,287	712	769

Maximising returns to creditors			
	2022-23	**2021-22**	**2020-21**
Dividends returned to creditors	£45.7m	£42.7m	£35.9m
Reports to Creditors issued within 15 days of an attended interview	96%	95%	66.53%
Performance measures			
	2022-23	**2021-22**	**2020-21**
At least 84% of our customers are satisfied with our work	82%	84%	-
Official Receivers returning funds to the economy by making 40,000 distributions to creditors and	49,674	-	-

debtors (new measure)			
Issue 85% or more of Breathing Space statutory notices electronically (new measure)	86%	-	-
Issue an Official Receiver's report to creditors within 15 days of interviewing (or a decision that no interview is required) in at least 93% of bankruptcy and liquidation cases	95.9%	95%	66.5%
Process redundancy payment claims in an average time of 14 days or less	14.4	12	12.8
Make 95% of bankruptcy orders sought by individuals within 2 working days	95.9%	98%	97.2%
Determine 95% of Debt Relief Order	98.9%	99%	99%

applications within 48 hours			
Answer 95% of calls to our enquiry line and at least 85% within 2 minutes	96.9% 87.5%	97% 94%	-[4]

Performance analysis

(i) Maximising returns to creditors

Our centralised asset realisation teams have focused on realising specific assets such as Income Payment Agreements, properties, pensions and complex assets. This has helped to create specialisms and drive efficiencies. The Intelligent Customer function has focused on the timeliness, quality and quantity of solicitors' instructions to drive asset realisations. Official Receiver Services realised over 18,000 assets to the value of £27.9m this year and distributed £21.3m in 1,705 cases. The PPI team exceeded annual plan targets in year with 43,389 payments, against a target of 31,500 and £24.4m distributed, against a target of £20m.

This performance has been driven by a comprehensive continuous improvement review of

[4] Agency enquiry lines were closed in 2020-21 due to Covid-19 so there are no 2020-21 figures available.

processes and a greater focus on individual level performance.

Bounce Back Loans Case Study

Two companies were wound up in March 2021. The sole director of the companies applied for and received bounce back loans totalling £50,000 and £45,000.

Funds obtained under the Bounce Back Loan scheme should only be used to provide an economic benefit to the business. Our investigation established the director had used some of the funds in part for his personal use and, additionally, had loaned funds to a third-party company of which he was a director.

Negotiations with the director and third parties to recover the misapplied bounce back loans, and other company funds, have resulted in the repayments of £16,243 and £7,500.

In addition, repayment agreements signed in respect of the companies are in place with both the director and third-party company. Under the agreements, which commenced in August 2022, the companies will recover a further £31,971 and £41,800.

Liquidation of Health Group Case Study

The group consisted of eight companies offering various forms of cancer treatment, including Proton Beam Therapy (PBT) which operated across the UK. On 13 July 2022 the companies were wound up and the Official Receiver was appointed as liquidator.

On the making of the Orders, the appointed Official Receiver (OR) liaised with local Official Receiver offices, the Environment Agency and Natural Resources Wales to manage the safe shut down of the company sites. This included retaining their physicists who advised on the safe powering down of the multi-million pound PBT machines which contained radioactive materials.

As part of a wider cross-government strategy to ensure an orderly liquidation that would protect patients and minimise treatment disruption, the OR and our Forensic Computing Unit worked with the NHS to assist with the processing of patient data.

IT Services Provider Case Study

The company provided secure data facilities and cloud services to a number of public and private sector entities who in turn provided public services. They had over 150 employees at two locations and in the operating company 2020 annual accounts it reported turnover of £38.1m.

In October 2022 the court appointed the Official Receiver as liquidator and he successfully applied for the appointment of Special Managers from Ernst & Young LLP to assist with the liquidation. The Official Receiver continued to trade the company to ensure public services were maintained whilst he explored the possibility of finding a buyer for the company.

Company staff were retained to assist with the liquidation including the decommissioning of the cloud platform, the migration of the accounts, the secure destruction of c22,000 data bearing devices and the asset realisations. All staff were made redundant by 31 March 2023.

(ii) More efficient services

Our Official Receiver Services (ORS) have introduced a new Central Case Team to deal with high-volume, low-complexity bankruptcy work more efficiently. The national OR Central Case Team (CCT) launched in January 2023 and has established a robust case management and tracing team, improved the customer journey and reduced the cost of administering a case. Local OR offices can now focus on managing the administration and investigation of complex insolvencies.

Following a detailed planning phase during the second half of the year, OR Aftercare launched on 24 April 2023. This new team brings technical and administrative expertise together to form one function within ORS to manage the follow up aftercare activities. The new team will create a more efficient way of dealing with queries once OR CCT and local offices have completed their work. Our local offices will be freed up to focus solely on new and current case work, sharpening our focus and enhancing local office resilience.

By centralising aftercare enquiries, we will be able to consider new approaches to different query types, and deliver a more efficient, swifter service to our customers. We will gain better data and insight into the range and nature of our aftercare work and how we can best approach the management of enquiries in the future.

ORS have also implemented a new suite of internal performance measures to drive up performance and increase efficiency. The measures will be reviewed and developed in 2023-24 to provide additional focus on key areas.

(iii) Engagement activities

Our stakeholder engagement board has been revitalised and we have continued our regular liaison across the range of our key stakeholder organisations. Our external communications plan includes regular blogs focusing on specific issues to help our stakeholders. The first published blog for Debt Awareness Week resulted in a 2300% increase in viewing traffic. We have highlighted the work of ORS through R3's recovery magazine and at the agency's annual Insolvency Live event.

We have improved our stakeholder and customer information to help inform those with problem debt and have worked with the Money and Pensions Service and other organisations that approve Debt Relief Order (DRO) intermediaries to better understand why individuals may have ended up in bankruptcy rather than a DRO or other debt solution. We have also improved our information on GOV.UK.

Our professionalism was recognised by the insolvency industry when it awarded the Turnaround, Restructuring and Insolvency award for Business Continuity to the Official Receiver and the special managers appointed to deal with the Baglan Bay power plant.

All these activities have supported us to help deliver economic confidence and in particular highlight the Official Receiver’s key role when returning money to creditors. They have helped to raise awareness about the essential public service we deliver to help support those in financial distress, as well as our role in tackling financial wrongdoing.

(iv) Agency Complaints

	2022-23	2021-22	2020-21
Total complaints received	306	339	406
Tier 1	226	259	317
Tier 2	60	59	68
Tier 3	20	21	21

We answered 95% of complaints within 10 working days and 100% within 20 working days. 74% of our customer complaints are resolved at Tier 1 with only 9% of all formal complaints escalating to the final tier. We are continuing to focus on learning lessons from complaints, with our lessons learned process identifying some 130 required improvements and attendant mitigating actions being implemented.

The Parliamentary and Health Service Ombudsman (PHSO), our oversight regulator, has launched a set of UK Central Government Complaint Standards. The standards will provide a unified approach to complaint handling across all government departments. These standards will support better communication between providers and the public, leading to improved, more efficient public services. We are in the process of adopting these new standards which will offer an excellent opportunity for us to ensure we continue to utilise best practice in our complaint handling, allow the public to better understand the complaints handling process and uphold our commitment to learning from our mistakes.

Shape a new approach to prevent insolvency and rehabilitate through education and guidance

Objective	Status	Commentary
Continue the development of a company healthcheck tool	Objective amended	Following the discovery phase of this project, a decision was taken in line with feedback received from stakeholders to replace a healthcheck tool with a content hub. The first phase

		of this was launched on 10 July 2023.

Performance analysis

(i) Director Education

Our Director Education activity is focused on developing a suite of guidance materials and signposting to direct company directors to external sources of advice and guidance as to preventative steps they can take throughout the life of their company to avoid insolvency or mitigate the negative impacts on creditors and themselves should their company fail.

Following the initial stage of the project, a decision was taken in line with feedback received from stakeholders to replace a healthcheck tool with a content hub. The healthcheck tool had been conceived as a web-based tool in which directors could input company information and be steered towards tailored guidance. Having engaged with stakeholders, it was felt that the strategic objective could be achieved more expediently through a static content hub with content updated and evolved on an ongoing basis. This approach has been quicker to deliver at a lower cost and enabled the agency to respond to an identified need to support businesses and company directors.

Extensive user research was undertaken, including with directors of small companies (our target users), other government departments like HMRC and Companies House and industry bodies such as the Institute of Directors and the Federation of Small Businesses, to understand their education requirements. To deliver something quicker at a lower cost, we have developed a Directors Information Hub to be hosted on GOV.UK. This provides information and guidance, in the form of content pages, signposting, case studies and animation videos to support directors to make informed choices.

The Hub was launched at Insolvency Live in July 2023 and we are continuing to review, update and evaluate content to ensure it remains current and meets the education needs of directors of small companies. We will continue to iterate the hub over time with quarterly content releases, more animations and case studies and considerations of additional capabilities within the hub itself.

Strengthen and modernise our technology and infrastructure

Objective	Status	Commentary
Continue to develop our customer digital services to automate more processes, improve customer access to information via a dedicated portal and reduce the number of enquiries	In progress	The creditor portal is progressing well, and delivery of the full service is on track for 2023-24. We have successfully partnered with the Government Digital Service to pilot a new Form Builder tool for government to improve channels for customers to submit information.

Maintain and build our customer 'net easy score' and use the findings to help inform our future systems development	Achieved	We have maintained our performance and delivered several changes and enhancements that will improve the user experience.
Complete the remaining elements of our programme of work to update our technology	In progress	Our remediation programme is almost complete with one application to still be remediated.
Enhance Teams collaboration by introducing more functionality	In Progress	We continue to use Microsoft Teams as our unified communications solution and have introduced monthly Calling All Colleagues sessions hosted by the Chief Executive using Microsoft Teams Live. Further work is now planned for delivery in 2024-25.

Improve the user experience scores in the People Survey	Achieved	We stayed ahead of our expected trajectory and have a considerable programme of improvements underway which should be reflected in next year's performance.
Objective	**Status**	**Commentary**
Progress the design and development of a new case management system for Official Receiver Services and Estate Account Services	Achieved	The development of the new case management system, including new management information capability, is underway and on target for implementation in 2024-25.
Start to implement the new data strategy	Achieved	The principles for the data strategy have been approved, along with the new operating model for data and analysis, with implementation underway.

How we performed

Performance measures			
	2023-22	2021-22	2020-21
Customer service - net easy score 'Overall, how easy was it to complete your application/submit your information today'	81%	81%	-
People survey response to how our user community feels about the tools to do their job	58%	58%	57%

Performance analysis

We have worked with an external company to better understand our technology costs and look at how we can try to reduce these going forward. Whilst further work is required to fully understand these results, it is an important step towards improving efficiency whilst ensuring staff have the right tools for the job.

In line with this work, we have also conducted a substantial piece of work through our Modern

Workplace Technology project which mapped out the different roles that we have across the agency and the technological requirements of those roles, to ensure we provide the right tools to staff in the coming year.

We have delivered relevant changes to our Case Management systems to facilitate the new ways of working as required by the newly formed Central Case Team, which will drive extra efficiencies in the organisation.

(i) Application remediation

Our remediation programme has successfully brought 17 applications up to date and back into support over the last few years. The programme has delivered a significant amount of work whilst maintaining both our internal and external customer satisfaction and user experience scores.

(ii) Our customers – internal

We have delivered a range of changes and enhancements that will improve the user experience or enable them to carry out their interactions with us more efficiently.

We have provided our investigators with new software so they can draw down information from open-source data streams, providing a well-rounded picture of companies and individuals in a fraction of the time previously spent performing the task. They also have wider access to accounting software to quickly analyse accounting information, identify suspicious transactions and improve the evidence provided to court, removing the previous processes of manually converting data.

Improved technology means users are now able to use dictation software on laptops to create documents and emails, helping reduce the amount of time spent sat at the desk. Our Performance & Analysis teams have new data solutions and new automated data flows from external sources into our case management programmes contribute to improving our efficiency.

The first part of our ongoing work around our Forensic Computing Provision has been completed, increasing our capability for forensic investigations and ensuring the agency is able to meet any demand for these critical services. The second phase of the project is on track to go live in the 2023-24 financial year. This will be a new cloud-based service that will enhance operational flexibility and security to enable investigators to securely access cases directly.

(iii) Our customers – external

Our new service digitalising the ‘Returns for Creditors’ and ‘Proof of Debt’ forms, which will massively improve our service for customers, successfully passed its alpha assessment. We were the first Government agency to publish a form using the Government’s new form building tool on GOV.UK. This form allows customers to amend a redundancy claim for holiday pay, making the process easier, more accessible, and with inbuilt validation to help customers provide the right information first time.

(iv) Transforming workplaces

The transforming workplaces project aims to deliver an improved estate to respond to changes in the way people work and interact with government services. Responding to the increased use of online and telephony channels by our customers, stakeholders and employees, we are transforming the way we operate and the places where we work.

The project is pursuing a key goal to increase collaboration and improve our flexibility and sustainability by creating 11 regional centres around the UK to enable multi-directorate and multi-functional working. It will also deliver savings and the cost of our estate will more overtly demonstrate value for money.

Following the closure of our offices in Watford, Southend and Cambridge, we have developed multiple support schemes throughout the year to help our staff members in their move to our newly formed regional centres.

In June 2023, we moved to a new Government owned office in Edinburgh and have also started designing the refit of the Manchester hub. This will improve the working conditions for our people, offering vibrant spaces which are fit for the future.

Shape the agency as a great place to work

Objective	Status	Commentary
Adopt the Cabinet Office Functional Standards[5] management standards	Achieved	Business planning has been introduced to assure the compliance with the structural standard GovS001. The process of self-

[5] These are a suite of management standards developed by the Cabinet Office to create a coherent, effective and mutually understood way of doing business within government organisations Functional Standards - GOV.UK (www.gov.uk)

		assessment, peer review, and continuous improvement has been implemented for the subject specific standards and linked to corporate governance processes.
Introduce Heads of profession and increase skills and expertise so that all our people are a member of at least one of the Civil Service Professions	Achieved	Heads of profession and profession leads have been appointed. A ‘professions zone’ has been created to engage all staff in one or more professions and this is supported by our skills tool. A capability hub is being built to add to our upskilling facilities.

Objective	Status	Commentary
Develop our system of performance related reward to make it more inclusive and competitive	Achieved	Our scheme to give individual directorates more control and make them more accessible was implemented in July 2022.
Undertake a review of our appraisal system to improve both the consistency and quality of our people performance management	Achieved	The review is complete and recommendations will be progressed in 2023-24.
Commit to an agency environmental policy	Achieved	Our environmental policy is in place and its objectives are embedded within our procurement activities and in our new Sustainability Strategy.
Undertake an agency	Achieved	A full review has been completed

sustainability review		and used to inform the development of the new sustainability strategy.
Develop an agency Sustainability Strategy that will include objectives and targets aligned with our parent department’s Sustainability Strategy and the international Sustainable Development Goals	Achieved	The Sustainability Strategy was introduced in November 2022.

How we performed

Performance measures			
	2022-23	**2021-22**	**2020-21**
Ensure at least 5% of our headcount will be apprentices (new measure).	3%	-	-
Fill 95% of roles against our resourcing profile (new measure).	99%	-	-
Improve our people survey scores across all the 9 themes of the 2022 people survey.	Not achieved. Downturn in 4 themes, static in 3 and 2 increases.	Not achieved. Downturn in 8 themes and 1 static.	-

Performance analysis

(i) People Survey

The annual Civil Service People Survey looks at civil servants' attitudes to, and experience of working in government departments. The agency response rate to the survey was 76% compared to 65% for the Civil Service as a whole. Of the 9 survey themes, the agency was above or equal to the Civil Service benchmark in 6 and higher or equal in 3 of the High Scoring benchmarks. However, when comparing the results with last year's survey, the agency showed a downturn in 4 themes, 3 remained static and there were 2 increases.

The overall engagement score has reduced from 2021 and is now 59% compared to 62%, against a target of 65%. The Civil Service overall score and benchmark was 66%. This was not unexpected given some significant changes in the agency. Progressing our transforming workplaces project to consolidate the number of our offices and move to 11 regional hubs has impacted those whose local offices face closure.

The agency performs well in areas associated with performance recognition and follows a similar trend to the wider population on wellbeing. The People Survey leadership ratings dropped 4% which was disappointing. We intend to invest more in leadership development and will undertake an assessment to provide an objective view of the current status and agree outcomes to drive future activity.

We are developing an action plan that will focus on improving key areas that will be most impactful to both our performance and our people. Progress will be monitored by our People Committee throughout next year.

(ii) Agency values

Our agency values are the core values that form the foundation on which we perform our work and conduct ourselves. A significant piece of work was completed during this year to develop and introduce new agency values. The existing values framework was outdated and needed refreshing to better align with our agency five-year strategy, and our Inclusion First and People Strategies. The new values were launched in January 2023.

(iii) Improving capability and professionalism

The agency has developed a Skills Tool for employees to capture and build on personal skills, knowledge and qualifications. The tool will help identify gaps for learning and development and provide an agency-wide skills profile. This will aid flexible resourcing and inform strategic workforce planning. It will enable the agency to get people resource into the right places at the right times. It will also facilitate improved talent development and upskilling of employees. The agency will review skills and capability metrics in the coming year to determine appropriate assurance measures and use them to develop plans for building future capability and aid succession planning.

Having exceeded our target of 41 apprentices last year by 5, we did not achieve our target this year of having 5% of our headcount as apprentices. We continue to be keen to have a wide range of apprenticeships in the agency to enable us to develop talent internally through professional routes. Our entry level business administration and operational delivery apprenticeships are now well established and in the last year we have seen some of our apprentices progressing into higher level professional apprenticeships and joining our in-house accredited learning programme to become investigators or examiners.

Recognition for our apprentices

An Official Receiver Examiner was shortlisted for the Best Apprentice or Newcomer in the prestigious Public Sector Counter Fraud Awards. This award is presented to apprentices or new recruits in the Counter Fraud sector who have made impressive progress and demonstrated huge potential to go further. They had completed the examiner qualification 3 months ahead of schedule whilst obtaining over 50 Bankruptcy Restrictions and dealing with several complex defended cases.

Our Apprentice of the Year award recognised one of our Business Administration apprentices in the PPI team who realise assets relating to mis-sold payment protection insurance and distribute funds to creditors. They were recognised for their determination, motivation and initiative to learn new skills.

We are successfully supporting our people to gain additional skills and legal qualifications, with our first candidate to participate in our CILEX[6] programme, having fully qualified as a lawyer in October 2023, with a further five students

[6] CILEX is a legal vocational course and enables a route to become a qualified lawyer without the requirement of having a law degree.

participating in the scheme. Three candidates have passed the JIEB personal insolvency exam and two have passed the corporate paper. Five new candidates have been enrolled for the JIEB. Four candidates have passed the CIP qualification.

(iv) Diversity, Inclusion and Wellbeing

We continue to make progress in line with our Inclusion First Strategy, which makes a significant contribution to making the agency a great place to work. Diversity issues are regularly considered by our People Committee. Wellbeing activities have focused on improving mental health and interventions have led to a reduction in mental health absences by 35%.

Sustainability

Following on from the establishment of our new Environmental Policy in March 2022, the agency has now committed to a new Sustainability Strategy. We have set our vision in this space to be 'an agency that is resilient and adapted to a changing climate'. Our Strategy is based around six main themes: carbon and energy management, waste and resource management, biodiversity and nature recovery, sustainable procurement, sustainable travel, and a sustainable workforce.

For each theme, we have set clear objectives and targets, both aligned with government legislation and policy, but also considering best practice from both the private and public sector. We have committed to establishing a new Sustainability Team to deliver our objectives and we now have dedicated resource in respect to waste and recycling, engagement, and monitoring and reporting.

We have continued to adopt Sustainability Appraisal of large programmes and plans to identify potential sustainability issues, or where improvements can be made, including the future locations for our estate, and in respect to our upcoming new Sustainable Procurement Strategy.

(i) Sustainable Development Goals (SDGs)

As a government agency we have a responsibility to help to deliver the SDGs. We have incorporated them into the development of our Sustainability Strategy and as an agency, we are committed to playing our part in their delivery. In section 5 of our Strategy, we have highlighted the relevant SDGs and how we can deliver change through our daily business activities, how we manage our estate, and via our supply chain.

(ii) Greening Government Commitments

In line with the government's target for all departments to reduce the environmental impact of their activities from 2021 to 2025, we continue to report on the Greening Government Commitments (GGCs). The headline figures are as follows:

	GGC reporting year 2022-23	GGC reporting year 2021-22	Baseline year 2017-18
Energy (KWH) [7]	558,832	438,398	Reported under BEIS totals
Water (m^3)	4,153	4,242	3,888
Travel (km)	2,480,086	780,132	1,853,038
Paper usage (A4 reams equivalent)	3,682	2,228	24,363

See section below on 'Waste' for further updates on our waste data.

[7] Energy, water, and waste figures reflect only 11 of our offices, as those leased from other government departments are out of scope to prevent double counting, as per the GGC guidance.

(iii) Energy[8]

	Usage (kwh)	CO_2e (t)	Expenditure (£)
Mains standard grid electricity[9]	558,832	116.97	187,283.98
Natural Gas[10]	-	-	-

The overall electricity consumption in our offices has increased from last year. This is likely due to

[8] Energy data is incomplete as our facilities management provider could not provide the data at all sites. We are working to improve the quality of data collected in the future, which may result in the reporting of increased carbon emissions.
[9] Some of our offices are on green electricity tariffs. We are in the process of determining which offices these are, but in the meantime all electricity usage is included under “mains standard grid electricity”.
[10] Some of our offices use gas as well as electricity, but we are not currently capturing this data. We are working on collecting this data to have a better understanding of our carbon emissions.

increased office attendance following the end of the Covid-19 lockdown restrictions. We have a mandatory minimum 40% office attendance requirement for most staff.

(iv) Transport

	Distance (km)	CO_2e (t)	Expenditure (£)
Non-fleet vehicles	370,454	63.23	210,891
Rail	1,995,576	70.82	562,240
Taxi	1,860	0.28	3,867
Domestic flight	74,123	9.64	13,977
Other flights	38,073	3.54	

As with energy, our distance travelled increased in 2022-23 compared to 2021-22. This is largely due to the lockdown in 2021-22 which placed restrictions on travel. In addition, we are now including taxi travel, which has not been counted previously.

(v) Waste

	Amount (t/ A4 reams equivalent)	CO_2e (t)	Expenditure (£)
Paper usage	3,682	0.02	16,425.80

We are currently waiting for waste figures from our Facilities Management company ISS, who are contracted to provide these.

Compared to a 2017-18 baseline, our paper usage has decreased by over 80%. We are investigating ways to further reduce this, with an objective to move towards a paperless office environment in line with the agency’s digital first principles.

(vi) Water

We do not have water submetering at our sites, so these figures are estimated based on total floor area at in-scope sites. We have used CIRIA estimates for “good practice” as our office use is limited with no catering, external use of water, washing of fleet, or watering of plants. We are working with our landlords to install submeters so that we have a more accurate picture of water usage across our estate.

(vii) Mitigating and adapting to Climate Change

As per our Sustainability Strategy, we have an objective to assess options for carbon offsetting in the context of achieving net zero. Caution will be taken to ensure this is done appropriately to reduce the risk of greenwashing.

We are in the process of rationalising our estate, reducing the number of offices from 22 to 11. It is anticipated that this will reduce our carbon emissions further.

Our travel and subsistence policy and guidance encourages employees to consider alternative methods to flying. In addition, we are drafting a new sustainable travel policy which will be completed by 2023-24.

We are in the process of assessing our risks as an agency in view of a changing climate. Our upcoming Carbon and Energy Management Plan will examine actions the agency can take to both mitigate and adapt to climate change.

(viii) Minimising waste and promoting resource efficiency

As an agency, we implement waste to reuse schemes. As part of our work to create regional centres, we have set up a procedure for office furniture, such as desks, to be collected by reuse organisations. These organisations send the collected furniture to be reused by charities.

(ix) Procuring sustainable products and services

Our Sustainable Procurement Working Group have been developing our Sustainable Procurement practice in line with Defra’s Flexible Framework and working on a new Sustainable Procurement Strategy that includes new Environmental Sustainability requirements in our tender processes. The Sustainable Procurement Strategy will be published in 2023-24.

(x) ICT and Digital

The Insolvency Service have adopted the Greening Government: ICT & Digital Services Strategy. As part of this, we report annually on our ICT emissions, waste, sustainability strategy statements and policy results.

(xi) Rural Proofing

We remain committed to meeting the needs of rural businesses and communities. As part of our upcoming estate rationalisation project ‘Transforming Workplaces’, we have ensured that we will maintain office locations in Scotland, Wales and each of the English regions. We have undertaken a Sustainability Appraisal of our Transforming Workplaces project to identify any issues or improvements that can be factored into the decision-making process. We seek to embed Defra’s rural proofing impact assessment into the agency’s existing Sustainability Appraisal Framework to enable policy makers to take rural proofing into consideration at an early stage.

(xii) Biodiversity and Nature Recovery.

We are developing biodiversity and nature plans tailored to our regional centres. Whilst the agency does not have any landholdings, we are keen to work with our landlords to develop opportunities for nature recovery and improved biodiversity. We are also keen to raise awareness of local green infrastructure to our staff in our regional centres, as we recognise the benefits that access to nature has for our mental wellbeing and physical health.

Sharpen our financial model to ensure sustainability

Objective	Status	Commentary
Reduce the structural deficit in our Official Receiver Services by increasing income and reducing costs	Achieved	The ORS Financial Sustainability project has delivered around £5m of annual cashable benefits to date and improved operational efficiency. Work has been undertaken to begin reviewing our

		ORS related fees to appropriately reflect the costs of service provision. Whilst the project has delivered substantial benefits this year as planned, operational volumes remain well below historical levels and forecasts, meaning that further benefits will be required in future years to mitigate an underlying structural deficit. In 2022-23, we have recognised an additional £137m across 2021-22 and 2022-23 financial years which is due to be surrendered to the Consolidated fund.

		This income relates to historic cases and does not address the structural deficit.

Objective	Status	Commentary
Assess opportunities to introduce commercial models to flexibly manage surges in demand for our services	Achieved	Our ORS Financial Sustainability project has identified options for an Intelligent Resourcing model that will offer alternative solutions should operational volumes increase materially.
Benchmark our central costs to ensure that they are appropriate for our future size and shape of the organisation	Achieved	We have benchmarked all our central costs. A major project has been initiated as part of our five-year strategy to transform our workplaces, halving our estates footprint and leading to savings in annual property costs. An independent review of our IT cost base indicated

		that material cost reductions may be available, and recommendations from that review will be taken forward at pace.
Manage organisational headcount so that we meet cross-Government targets	Achieved	At the end of March 2023, agency staffing levels stood at 1,580 FTE, 9% below the March 2025 assumption agreed at SR21 with our sponsor department BEIS.

How we performed

Performance measures			
	2022-23	**2021-22**	**2020-21**
Ensure all relevant procurements include social value and sustainability evaluation criteria at a minimum of 10% of overall score	Achieved	Achieved	Not applicable
Meet or exceed the Government target of 33% of spend going to Small and Medium-sized Enterprises (SMEs) by March 2023	33.4%	35%	35%
Pay 80% of supplier invoices within 5 calendar days	97%	96%	96%
Pay 100% of supplier	99%	100%	100%

invoices within 30 working days			
Where contracts meet the criteria, we will ensure all our suppliers adhere to the Prompt payment Code[11]	Not applicable	Not applicable	Not applicable

Performance Analysis

(i) Improved financial sustainability

Our work to improve the financial sustainability and resilience of the agency by implementing more efficient and flexible operational processes has been delivered to plan. We have established workstreams to develop intelligent resourcing models to enable us to be more flexible should case numbers start to rise unexpectedly.

[11] The Prompt Payment Code only applies to contracts over £5m and there were no contracts that fulfilled this criterion in 2020-21, 2021-22 and 2022-23. This measure has not been included in the next annual plan.

We have delivered annual cashable benefits this year through the implementation of the increase to company and creditor deposit fees and the introduction of two new centralised functions into ORS bringing more efficient and flexible operational processes. Based on our estimate of future case volumes the annual cashable benefits are forecast to be £3.7m in 2023/24, increasing to c. £5m from 2024/25 when volumes reach the forecast steady state. The OR Central Case Team launched in January 2023 and operates nationally to administer high-volume, non-complex cases, reducing the cost of administering a case. The OR Aftercare team launched in April 2023 created a more efficient query handling service.

A dedicated workstream has been established to review all our ORS related fees to evaluate whether they should be changed to help ensure full cost recovery.

Although our project to improve financial sustainability has delivered planned benefits, the operational context remains very challenging. Operational case volumes remain well below pre-pandemic levels. Organisational costs (particularly IT and estates) have also been significantly impacted by recent large increases in inflation.

Financing

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

1. Funding from our sponsor Department, the Department for Business, Energy, and Industrial Strategy (BEIS)[12].

During 2022-23 this amounted to £68.1m (2021-22: £71.8m) of which £0.0m was for capital (2021-22: £2.3m) (see Statement of Changes in Taxpayers Equity).

2. Income from HMRC National Insurance Fund (NIF) to undertake administration of the Redundancy Payment Scheme.

For 2022-23, this amounted to £9.5m (2021-22: £10.0m) (see Note 4); We also received funding from HMRC NIF to make payments to individuals who have been made redundant where the employer cannot pay. The funding for these payments for 2022-23 was £275m (2021-22: £256m) (see Statement of Changes in Taxpayers Equity).

[12] Whilst we moved to the newly formed Department for Business and Trade in February 2023, for the purposes of the 2022-23 financial year we fall into the BEIS accounting boundary.

3. Income generated from fees charged for work carried out on Insolvency Case administration by the Official Receiver Services (ORS).

Income recognised in 2022-23 was £115.1m (2021-22: £117.8m) (see Notes 1 and 5 for more details). It should be noted these balances include the recognition of additional excess income from PPI receipts in respect of previous case years. Excluding these, the Agency's fees recognised are £49.1m (2021-22 £46.5m).

(i) Financial results

We are reporting a £10.4m surplus against our budget allocation for the financial year 2022-23.

This was due to a lower-than-expected outturn against our budget allocation for activities funded by BEIS of £15.6m. These were primarily because of the pausing of the Statutory Debt Repayment Plan (SDRP) project[13], reductions in non-ringfenced projects expenditure, reduction in

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[13] HM Treasury announced the suspension of plans for a statutory debt repayment plan in November 2022. Further decisions on its future will be based on the outcomes of the government's review of the personal insolvency framework which we are undertaking.

dilapidations provision and lower than anticipated costs of investigation and litigation activities.

The underspend is offset by an overall deficit on our fee funded activity of £8.9m (see Note 5), which was £2.7m higher than our expected deficit of £6.2m. This was as a result of lower than anticipated OR case volumes (£4.5m) and reduced Payment Protection Insurance (PPI) distribution activity due to system issues (£2.7m). These deficits were partially offset by higher than expected asset realisations in our National Interest Cases (£4.5m). Further details of performance after excess income was recognised can be seen in the Parliamentary Accountability Report.

There was also a surplus of £0.7m in the HMRC funding to support Redundancy Payment Services.

(ii) Expenditure

Our total operating expenditure compared to 2021-22 has increased by £27m to £441m (see Statement of Comprehensive Net Expenditure). The increase is largely driven by an increase in Redundancy Payment Service payments of £8.5m due to a rise in the number of awards made compared to last year, (though the average value of award has reduced), an increase of £6.1m in temporary staffing costs and an increase in our legal and enforcement costs of £7.3m.

(iii) Income

Note 4 shows that total operating income has increased by £1.8m to £155.1m.This is due to the Agency's recognition of PPI receipts as income relating to historic cases and movements in the Redundancy Payment Scheme expected receipts.

Assets

As at 31 March 2023, we had assets of £501m. Our assets include property, plant and equipment, intangible assets, financial assets, trade receivables, cash, and cash equivalents. £145m of this related to debt assets or receivables and £336m to cash and cash equivalents. Assets have increased this year by £55m compared to last year. This is due to cash received on fees charged on settlement of historic PPI claims on insolvent estates.

Liabilities

As at 31 March 2023, we had liabilities of £184m of which £176m related to trade payables and provisions. This includes excess cash receipts due to the Consolidated Fund of £137m which is due to the surrender to HM Treasury. (see Note 11).

The overall position of assets and liabilities held by us on 31 March 2023 was £317m (see Statement of Financial Position).

Capital

In 2022-23, our capital expenditure was £1.7m (2021-22: £2.6m). Virtually all of this expenditure related to the creation of additional right of use assets on office leases extensions. See Note 6.

(iv) Where we spent our money

RPS £292.4m (2021-22: £283.9m). We are responsible for making payments from the National Insurance Fund to employees who have been made redundant because of an insolvency, and/or where the employer has certain debts due to its employees other than redundancy (e.g., unpaid wages, holiday pay, notice pay etc.). We then seek recovery of the amounts paid, either directly from a solvent employer or by lodging a claim in the insolvency case. This amount also includes any National Insurance contributions payable by us to HM Revenue and Customs. The National Insurance Fund re-imburses us daily for the claims paid out.

Permanent and non-permanent staffing £87.8m (2021-22: £81.6m). This represents payment for salaries inclusive of pension and National Insurance contributions and is net of recoveries relating to outward secondees.

IT Infrastructure £25.7m (2021-22: £22.3m). We spent this to provide functions such as Service Governance, Cyber Security, Information Governance, Service Architecture, Business Relationship Management and Application Services. In addition, we continued our journey to modernise the technology used by our customers and our people.

Investigations £3.0m (2021-22: £2.3m). This represents that amount that we spend externally on investigations and enforcement. This is to support National Interest Cases and other investigations, director and corporate behaviour and those who abuse the system. We undertook a range of investigation and enforcement activities which helped maintain confidence in the UK as a great place to work and do business. We undertook investigations into live companies and company directors' conduct in relation to companies in formal insolvency. We also investigated criminal misconduct in company and personal insolvency cases. The vast majority of our spend on investigations arises from staff costs.

Civil and Criminal Legal costs £10.7m (2021-22: £4.2m). These costs cover civil litigation work to disqualify company directors for misconduct, the winding up of companies acting contrary to the public interest and providing advice on the conduct of statutory enquires and insolvent investigations. These costs also include criminal enforcement activity, including the prosecution of a wide range of offences across England and Wales concerned with insolvency related crime and corporate misconduct, providing advice for example on drafting new criminal offences and enforcement strategies. As part of our criminal enforcement activity, we pursued confiscation to deprive criminals of the proceeds of their crime.

Estates £5.2m (2021-22: £4.0m). We spent this on accommodation costs, including operating leases.

Non-cash items £9.1m (2021-22: £9.3m). We spent this on non-cash items. This included depreciation and amortisation (which represents the reduction in value of tangible and intangible assets over time), write-offs and expected losses, provisions for obligations payable in the future, accounting adjustments for the time value of money (discounting) and audit fee.

Other costs and general administration £6.8m (2021-22: £6.6m). We spent this on administration of HR & payroll costs (for shared services), non-salary related staff costs (e.g., training, travel, subsistence, welfare, recruitment), office supplies (e.g., print, postage, stationery, telephony), property maintenance and furniture costs not capitalised, financing costs and consultancy costs.

(v) Where we received income

Insolvency Case administration fees. The Agency has recognised £115.1m (2021-22: £117.8m). This is income the agency has recognised for trustee liquidator, administration and general fees from all our cases**.** Please note this includes excess income from historic cases recognised within the current and prior financial years.

Redundancy Payment Scheme recovery £28.5m (2021-22: £23.6m). This is income from cash receipts and estimated future recoveries.

Debt relief order fee income £2.2m (2021-22: £2.2m). This relates to income received regarding Debt Relief Orders which are a low-cost alternative debt solution following a submission from a specialist debt adviser.

Income from Online Debt Solutions and other debt solutions £2.0m (2021-22: £2.1m). This includes Individual Voluntary Arrangements and Deeds of Arrangements fees.

Investigation, enforcement, and criminal enforcement £1.7m (2021-22: £1.6m). This is income relating to civil and criminal costs which have been recovered.

Regulation of insolvency practitioners' income and banking fee income £1.4m (2021-22: £1.3m).

Rental income £0.8m (2021-22: £0.7m). This was from office space shared with other public sector occupants.

(vi) Issues and key risks

The key issues and risks that could affect delivery of our objectives are set out in our Governance Statement.

Dean Beale

Chief Executive

Date: 13 December 2023

2. Accountability Report

The accountability report is comprised of three sections:

1. Corporate governance report
2. Remuneration and staff report
3. Parliamentary accountability and audit report

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

- Directors' report
- Statement of principal accounting officer's responsibilities
- Governance statement

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

The Parliamentary accountability and audit report brings together key parliamentary accountability documents within the annual report and accounts. It comprises:

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

By following the Government Financial Reporting manual requirements and best practice with corporate governance norms and codes, we can effectively demonstrate accountability to Parliament through the Accountability Report.

Corporate governance report

Directors' report

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

(i) Executive members

Dean Beale, Inspector General and Chief Executive

Angela Crossley, Strategy, Policy and Analysis Director

Dan Goad, People and Capability Director

Chris Pleass, Finance and Commercial Director

Alec Pybus, Chief Operating Officer

(ii) Non-Executive members

Mark Austen

Mary Chapman

Frances Coulson

Samantha Durrant

Robert Hunt

Gary Kildare

Eoin Parker

(iii) Company directorship conflicts

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

(iv) Information on personal data related incidents

There were no reportable personal data related incidents in this performance year. More detail on information security is included in the governance statement.

Statement of Accounting Officer's responsibilities

Under the Government Resources Accounts Act 2000, HM Treasury has directed the Insolvency Service to prepare for each financial year a Statement of Accounts in the form and on the basis set out in the Accounts Direction.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Insolvency Service and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

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

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

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

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

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

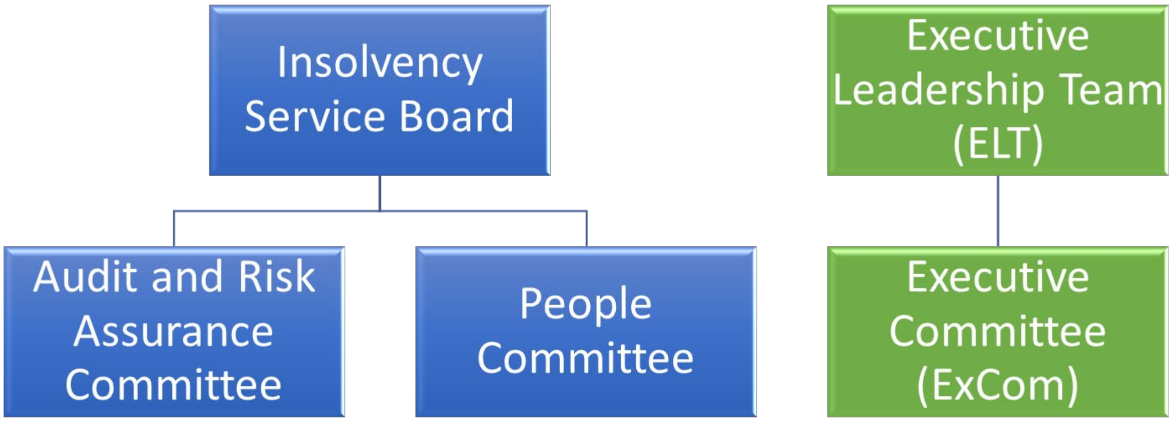
Governance statement
Introduction

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

Governance Structure

This section describes the governance arrangements in place during 2022-23.
As Chief Executive, I am supported by the Insolvency Service Board (ISB) and my Executive Leadership Team (ELT). The agency adopts relevant principles and protocols outlined in HM Treasury's Corporate Governance in Central Government Departments: Code of Good Practice.

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



The **ISB** provides strategic leadership within a framework of prudent and effective controls which enable risk to be assessed and managed. It is collectively responsible for the long-term success of the agency. This includes setting strategic aims and objectives, ensuring that necessary leadership and resources are in place to deliver these aims, challenging and supporting management performance, and reporting to the Department for Business, Energy and Industrial Strategy (BEIS) and externally on its stewardship.

The prescribed composition of ISB is for a greater number of non-executive board members (NEBMs) than executive members, designed to give an appropriate balance of skills, experience, independence and knowledge to enable the board to effectively discharge its duties and responsibilities.

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

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

- regular review and scrutiny of progress against the 2022-23 annual plan and targets
- approval of the agency's budget for 2022-23
- progress of the implementation of the agency's five-year strategy
- the adequacy of resources to deliver the agency's strategic objectives and operations
- strategic priorities for the agency set in the context of developing the future long-term objectives for the Insolvency Service, departmental and wider government aims, and changes to external insolvency markets
- major projects delivering organisational change

- topical items such as technology principles and customer satisfaction, progress on major cases of public interest
- feedback from board committees including reviewing the annual reports produced by the Audit and Risk Assurance Committee (ARAC) and People Committee
- regular assessment of exposure to, and management of, risks

Management information is used extensively by the ISB to monitor agency risk and performance. An operational performance pack is presented to the board by the Chief Operating Officer, highlighting progress against key targets. The information presented to the board is closely monitored and challenged by directors at their monthly performance meeting before being presented to the board. The agency's strategic risk register is reviewed quarterly by the ARAC and bi-annually by the ISB.

There have been no ministerial directions given to the agency during 2022-23.

The ISB has two sub-committees: ARAC and the People Committee.

The **ARAC** is chaired by an appropriately qualified independent NEBM. Its membership comprises two further NEBMs. I attend along with the Director of Finance, Commercial, Sustainability & Property, and the internal and external auditors. Other senior leaders attend as required.

The ARAC supports me as Accounting Officer and receives and reviews reports from both internal and external auditors. It reviews the annual financial statements prior to publication and provides assurance to the ISB on controls and risk. The ARAC met four times during the year.

Matters considered by the ARAC included:

- approval of the internal audit plan, review of all internal audit reports issued, review of progress against the annual internal audit plan and annual audit opinion on risk management, governance, and internal control
- engagement with NAO/external audit, including receipt of planning reports and management letters
- reviewing work on the preparation and completion of both the agency annual report and accounts and ISA (White Paper) accounts
- regular reviews of the agency risk register and risk management
- scrutiny of fraud and error incidents
- regular reviews of the agency's finance management reports
- assurance reviews of the following areas:
    - National Interest Cases

   - Futureproofing Technology
   - Change capability and capacity to deliver

The People Committee is an advisory sub-committee of the ISB and is delegated by the board to provide governance, advice, support and to oversee activity relating to:

- the agency's People Strategy
- staff engagement and culture
- diversity, inclusion and wellbeing
- health and safety
- succession planning

The People Committee is chaired by an independent NEBM. It also includes two other NEBMs, two executive board members and one external committee member.
Matters considered by the committee included:

- reviewing the people impacts from agency strategies and policies, such as Diversity and Inclusion, Wellbeing, and Raising a Concern
- recruitment challenges
- engagement and culture
- People Survey results
- annual health and safety report

The **Executive Committee (ExCom)** meets twice monthly to review agency performance, finance, and strategy. I share chairing responsibilities for ExCom meetings with the Chief Operating Officer. All directors, collectively known as the Executive Leadership Team (ELT) are involved in decision making at these meetings. The ELT is responsible for discussing agency risks and issues, and monthly management information including, but not limited to, the agency’s performance targets.

The following table summarises NEBM attendance at ISB, ARAC and People Committee meetings held during 2022-23.

Non-Executive Board Members	***Insolvency Service Board (ISB)***	***Audit and Risk Assurance Committee (ARAC)***	***People Committee (PC)***
Mark Austen (Chair of ISB)	9/10	N/A	4/4
Robert Hunt (Chair of ARAC)	10/10	4/4	N/A
Mary Chapman (Chair of PC)	10/10	2/2	4/4
Samantha Durrant	9/10	3/4	N/A
Gary Kildare	9/10	4/4	N/A
Eoin Parker	10/10	N/A	4/4
Frances Coulson	8/10	N/A	N/A

(i) Compliance with the Corporate Governance Code

In accordance with the Corporate Governance in Central Government Departments: Code of Good Practice, the agency conducts an internal review of the board’s effectiveness annually, with an external independent review being carried out once every three years. An internal review was undertaken during January and February 2022, the report of which was presented to the board in

March 2022 and an action plan was developed to implement its recommendations. Those recommendations focussed on aligning the board’s activities with the expectations of a large number of new NEBMs at a time when we were implementing a new five-year strategy.

An externally facilitated review was due to take place in 2022-23. An Invitation to Tender was issued in December 2022 but did not result in identifying a suitable provider. The tender was successfully reissued in March 2023, enabling the external effectiveness review to be carried out and reported on in 2023-24.

(ii) Strategic Planning Review

During 2022-23, the agency has successfully delivered the second year of its five-year agency strategy. The programme of projects aims to deliver a modernised, responsive, and sustainable service that puts customers at the heart of everything we do. Following last year’s Comprehensive Spending Review settlement from HM Treasury, this year we have invested over £17m in our transformation plans and delivered more effective and efficient services across all seven of our strategic themes.

Risk and Internal Control Framework

(i) Risk Management Framework

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

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

The Risk Management process and the risk register is scrutinised by the ARAC at every meeting to ensure that it is operating effectively. Risks and issues are reported to the ISB regularly. The register is also used to inform the annual audit plan.

The ARAC and the ISB maintain oversight and monitor the mechanisms for the assessment and management of risk; ExCom identifies, defines and investigates new risks across the organisation to ensure that appropriate mitigating measures are in place.

In June 2022, the ISB conducted a horizon scanning exercise, resulting in the agency risk register being divided into strategic and operational risks with some risks re-drafted.

(ii) Significant Issues

The agency dealt with the following significant issues this year:

Issue: Redundancy Payment Service Calculation.

The Agency's RPS calculation engine was built, following consultation with HMRC, to apply one week's primary threshold to each individual week within a calculation, with national insurance and tax applied at the point of calculation and to each component individually. In December 2021, HMRC, as part of their regular engagement with RPS, advised that RPS's calculation engine would require amendments to be fully commensurate with applicable legislation. Following further enquiries, it has been determined that the solution will be complex and subject to legislative ambiguity; the application of national insurance deductions is determined by a number of factors including the redundancy component being paid and the individual claimant's earnings period.

The Agency has modelled scenarios to assess the potential impact of applying the changes advised by HMRC for 2022-23. Applying the revised methodology would lead, we estimate, to a potential £1.8m under deduction and a £1.43m over deduction of national insurance across c.94,000 individual components.

Given the ambiguities of the legal framework and to allow the RPS to continue to provide support to those in financial distress, the Agency continues to make RPS payments under the original methodology. The Agency is working with HMRC to determine what changes could and should be made to future RPS payments. The Agency hopes to resolve the issue as soon as practicable.

Issue: Commercial Team resourcing and prioritisation of workload.

This was escalated as an issue in January 2023 when demand for commercial resource became significantly greater than capacity. Priority deliverables for Quarter 4 2023 were agreed by the ExCom, resource was allocated, and priority work items required in 2022-23 were delivered. A new annual demand forecasting process has been launched for 2023-24, and this issue was de-escalated to a directorate level risk in April 2023 and is now monitored by the Finance & Commercial team.

Issue: Following the remediation of the Insolvency Service Case Information System (ISCIS), there were several issues which impacted on users' ability to do their work.

This issue was escalated in March 2023. Remediation work to the system caused significant service problems requiring extensive manual workarounds. The agency's Serious Incident Management Plan (SIMP) was activated to deal with this issue. As at end of March 2023 the majority of problems had been resolved, but work was ongoing to address concerns over service performance and addressing any backlogs created by the period of interruption to service.

(iii) Key Strategic Risks

The insolvency framework is not flexible enough to take account of the wider economic, social, geopolitical legal and regulatory landscapes.
We continue to stay appraised of changes in the external environment through regular horizon scanning and liaison with insolvency professionals, colleagues across government and the wider stakeholder community.

Ineffective communication to and from leaders prevents collective buy-in and results in the agency culture not being aligned with the successful delivery of the strategy.
The cross-agency communications strategy includes a communications forward look, an established and regular staff bulletin which circulates information on changes across the agency, and an intranet page updating staff on projects and the employees involved. All intranet articles and blogs have a connection between the content and the agency’s strategic themes.

A series of strategy roadshows have been held by ELT members at every insolvency service site, to share news about progress of the strategy and to discuss future plans with all staff. This was complemented by an online event open to all colleagues at the year-end.

Failure to maintain and strengthen investigation and enforcement reputation leading to an ineffective enforcement regime.
The coverage of high-profile cases such as Boris Becker and Carillion highlighted the agency's strong investigation and enforcement capability. Our approach to press releases has been reviewed, and now include, where appropriate, reference to financial recoveries as well as details of successful enforcement outcomes in our business as usual (BAU) and Bounce Back Loan (BBL) cases.

We are contributing to a joined-up approach with our parent department, Cabinet Office and the British Business Bank (BBB) with regards to the counter fraud response to Covid-related fraud. Our investigation and enforcement activities have been enhanced by a Spending Review funding allocation in key areas of Covid-related misconduct, dissolved companies and companies involved in tax avoidance schemes.

Failure to modernise, adopt proportionate and fully supported technology and infrastructure.
We have secured funding to deliver all digital technology elements of our five-year strategy as part of the 'Modernising our Technology and Infrastructure' Programme of projects. We have also carried out a two-year project to fully remediate our legacy agency applications. This has significantly reduced our technical debt (from 75% to 19% over the last year).

Failure to make the agency a 'great place to work' will impact on our ability to attract and retain insolvency professionals and staff in other supporting professions, which we require to achieve our key deliverables and remain flexible and resilient.
The Government Internal Audit Agency (GIAA) commented that this was a risk across all government departments as we are unable to compete with the private sector on salaries. Actions are proposed to develop succession and capability plans to mitigate future recruitment issues. The introduction of a Skills Tool will provide data to give an accurate view of skills available and identify gaps.

Workforce planning is in place to help manage recruitment and gain a strategic view of resourcing.

There are also commercial agreements in place to bring in contractors where necessary and to fill long or short term technical and business critical roles when required. The approval process has been reviewed to make it faster and to allow shorter recruitment times.

An unsustainable business model in Official Receiver Services (ORS), with income and agreed funding not covering the ORS full cost base.

A project was set up in 2021 to create a sustainable financial model that reduces the risk of an ORS deficit by reducing costs, increasing income, and creating a flexible ORS target operating model that can rapidly scale up and down in response to volatile case volumes. Existing workstreams are forecast to deliver cashable benefits of £5m per annum by 2024-25, and further workstreams are being assessed to scope the potential benefits.

A project to consider non-ORS financial sustainability was also set up in 2021. The objectives of the project include an assessment of the reasonableness of corporate centre costs, which also contribute to the full ORS cost base. Based on the most recent case volume forecasts, there is likely to be a remaining requirement for structural funding to support delivery of this public service.

Failure to review and refine our operating model, and failure to respond to high profile cases/large scale redundancies.
ExCom and the Agency Performance Group (APG) regularly review performance targets and project and programme boards both regularly monitor project progress. All of these groups initiate actions as required in response to any issues and/or blockers identified.

The High-Profile Board provides oversight and assurance that high profile investigation/litigation cases are managed effectively. Cross-agency planning, and a National Interest Cases strategy is in place to respond to new cases. This has been implemented and shown to be successful.

Failure to secure agency against potential cyber-attack.
This risk continues to be actively managed. We have an overarching strategy for cyber security improvement with four specific areas of focus: overarching strategy, culture, patching and network security. Each area has a comprehensive action plan. Cyber security risks are expected to continue for the foreseeable future. However, full implementation of all the proposed measures should act to reduce that risk as much as is practicable.

(iv) Key Operational Risks

Vulnerability to fraud.
The agency has a counter fraud strategy, policy and action plan in place which details how we will prevent, detect, and respond to any fraud or error incidents.
We have embedded a strategic approach to dealing with fraud. We acknowledge that fraud and error occur, and report incidents and 'near misses' to enable us to make continuous improvement to our processes. We assess our fraud risks and put measures in place to mitigate these risks, and we have a clear response plan to pursue fraudsters and address any control weaknesses that have been exploited.

Following the move to hybrid working, there is a risk that the management of the flexible working arrangements associated with a return to office working is such as to impact on the morale of the employees and agency productivity, employee well-being and average working days lost (AWDL).
Levels of attendance in offices is being monitored and any concerns about compliance with our hybrid working policy is being addressed by local management as appropriate. Regular one-to-one discussions take place between all employees and line management to reassure, discuss wellbeing and record any concerns. AWDL is regularly monitored, and support provided where necessary; HR Business Partners review and monitor progress of any individual cases.

Internal Controls

(i) Quality Assurance of Analytical Models

There are two business-critical models used by the agency in relation to planning assumptions for case inputs and fee income. The models contain separate workings used for forecasting for the main elements of ORS fee income arising from cases.

The fee income model has been subject to review in 2022-23 by GIAA which highlighted some governance weaknesses. Since the review, significant progress has been made in addressing the recommendations including upskilling a broader base of finance team members in understanding and operating the models, building a business-wide review group, improving change controls and security, and providing iterative updates to the senior management team.

Progress updates have been shared with GIAA as improvements have been implemented and this will continue.

(ii) Effectiveness of Raising a Concern Policy

We work in partnership with our parent department to give independent oversight and assurance to our Raising a Concern policy. The policy and procedure we use was adopted from the 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 raise a concern so that employees speak up and challenge suspected wrongdoing at work.

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

Our Raising a Concern policy, procedures and guidance are on our Intranet which is available to all employees.

One matter was investigated during 2022-23, but no evidence was found to support the issues raised.

(iii) Customer Feedback and Complaints Process

Our agency Annual Plan sets a target against which we can measure customer satisfaction. The Insolvency Service gathers feedback from our service users by means of:

- an annual customer satisfaction survey
- annual surveys with delivery partners
- our complaints process

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

The annual survey captures the perceptions and experiences of the main groups using our services.

The agency complaints process comprises of three internal complaint tiers, with Tier 3 complaints investigated and responded to by the office of the Chief Executive.

An integral lessons-learned procedure supports our continuous improvement culture.

(iv) Delegated Financial Authorities

The agency's budgets are allocated at director-level, in line with directorate plans, and monitored by the ISB at agency level and by the ExCom 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 expenditure. My financial delegations as Accounting Officer are set by BEIS and sub-delegated to directors and senior leaders.

Protective Security

(i) Physical Security

The agency currently has 19 sites across England, Wales, and Scotland. Most of our sites have excellent protective security controls. However, some sites, which house multiple non-government tenants, are less well protected due to the landlord, landlord managing agent and/or other tenants not being compelled to comply with our protective security recommendations. All sites deploy a layered physical security approach.

The agency ensures that National Protective Security Authority (NPSA), formerly the Centre for the Protection of National Infrastructure, operational requirements inspections and/or 'Secure by Design' principles are adhered to. The NPSA methodology, has enabled/continues to enable the agency Physical Security and Resilience Team, to identify and remediate meaningful areas for improvement across the estate.

The agency will always implement proportionate protective security controls to ensure the safety of personnel and the protection of sensitive assets/material at the Official Sensitive level.

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

(ii) Information Security

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

Compliance with statutory timescales for the provision of information were adequate over the reporting year 2022-23, with 99% of Freedom of Information and Subject Access Request responses within statutory timescales. The agency replied to one subject access request and two Freedom of Information requests outside the statutory timescales.

The agency experienced no significant reportable lapses of protective security in 2022-23.

(iii) Government Functional Standards

Heads of Function and Function Leads have been appointed across the agency.

A business planning template that reflects all the requirements of the government structural standard (GovS001) has been introduced to assure compliance with that Standard. The overall business planning process is owned by the agency Strategy Team and is subject to Corporate Governance oversight. The process, dynamic in nature, is based on continuous improvement principles and quantified benefits.

Heads of Function that have subject specific Standards are fully engaged in the process of selfassessment, peer review, and continuous improvement with additional assurance in corporate governance progress reviews.

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 agency who have responsibility for the development and maintenance of the internal control framework. The effectiveness of the system of internal control is reviewed by directors who provide a statement of governance, including an assessment of effectiveness against six key indicators (Leadership and Governance, Culture and Capability, Partnership and Stakeholder Management, Risk Management, and Financial Management) for the areas of the business for which they have responsibility. These reviews are conducted in collaboration with the Corporate Governance Team. The Head of the Corporate Governance Team, Head of Internal Audit and Chair of the ARAC also met with directors to discuss any key issues.

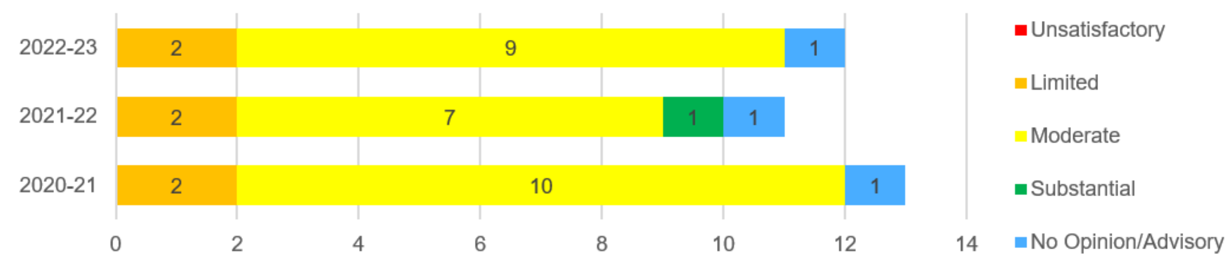
Internal Audit

The audit programme is delivered by GIAA 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 ARAC which receives copies of all reports and reviews progress at each meeting.

(i) Internal Audit Annual Assurance Opinion

The Head of Internal Audit provides a report annually on the internal audit activity during the year. The report gave an overall **Moderate** opinion on the framework of governance, risk management and control within the agency for 2022-23, with a distribution of individual report ratings broadly consistent with previous years:

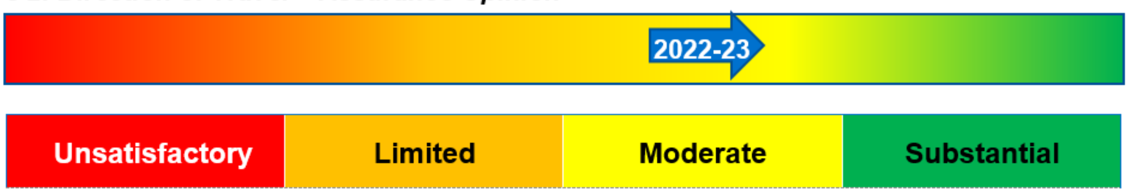
Figure 1: Annual Opinion Comparison (3 years)



The opinion is based on the results of individual audit engagements undertaken throughout the year, attendance of boards and committees, and regular meetings with senior management. My assurance activities were aligned to the key risks to strategic objectives of the organisation, focussing on:

- reviews (on a rotational basis) of operational processes in ORS, RPS and other areas
- the management of the Service Integration and Management contract for the supply of IT services
- cyber security
- the appraisals processes
- income modelling
- an ongoing plan of rotational reviews of corporate systems, including counter fraud

Figure 2: Direction of Travel – Assurance Opinion



Senior leadership are guiding the organisation through the second year of the new five-year strategy whilst navigating the difficult economic and political environment.

The agency continues to maintain a proportionate level of key controls, and no significant weaknesses were identified. However, GIAA continue to see Limited assurance opinions being issued, with themes including enhancing counter fraud metrics and the need to tighten up governance surrounding income modelling.

GIAA has reported an improving situation with the agency becoming more proactive in managing actions to closure. Actions where they do remain open beyond their original closure dates are overdue for, on average, only one month.

Looking forward areas for continued focus include improving the commercial capability, particularly around the development of service requirements and contracts management and ensuring the first line of defence is robust and effective through keeping policies and procedures under review.

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 ARAC. I conclude that the agency has satisfactory governance and risk management systems with effective plans to ensure continuous improvement.

Remuneration and Staff Report

Remuneration report

(i) Service Contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit based on 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

(ii) Remuneration Policy

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

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

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

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

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

(iii) 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.

(iv) 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)	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
Alec Pybus Chief Operating Officer	100-105	95-100	0-5	5-10	Nil	Nil	40	39	145-150	140-145
Angela Crossley Strategy & Change Director	90-95	85-90	Nil	Nil	Nil	Nil	(13)	17	75-80	105-110
Christopher Pleass Finance & Commercial Director	95-100	90-95	5-10	Nil	Nil	Nil	17	28	115-120	120-125
Daniel Goad People & Capability Director	95-100	95-100	Nil	5-10	Nil	Nil	38	37	135-140	135-140
Dean Beale Chief Executive	100-105	100-105	5-10	5-10	Nil	Nil	(3)	20	105-110	125-130

[1]The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The value of pension benefits accrued during the year is calculated by My CSP for each individual. The movement exclude increases due to inflation or any increase or decreases due to a transfer of pension rights. Taking account of inflation, the CETV funded by the employer can decreased in real terms.

(v) 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.

(vi) Benefits in kind

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

(vii) 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 2022-23 relate to performance in 2022-23 and the comparative bonuses reported for 2021-22 relate to the performance in 2021-22.

(viii) Pay multiples (audited)

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

Banded percentage change from prior year	Salary and allowances	Performance Pay and bonuses
As at 31 March 2023		
For highest paid director[1]	0%	0%
For average employee[2]	9%	3%
As at 31 March 2022		
For highest paid director[1]	0%	-
For average employee[2]	4%	45%

[1] Calculated on the midpoint of a rounded £5k pay band, (£105k - £110k). For balance as at 31 March 2022 the highest paid director did not receive a bonus in 2020-21, however did receive a bonus of £5-10k in 2021-22.

[2] Based on the total pay for all employees on an annualised basis, excluding the highest paid director, divided by the full-time equivalent number of employees (also excluding the highest paid director).

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

Year	25th percentile pay ratio[1]	50th percentile Median pay ratio[1]	75th percentile pay ratio[1]
As at 31 March 2023	4.7:1	3.4:1	2.5:1
As at 31 March 2022	4.9:1	3.6:1	2.5:1

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

The minimal changes in the current financial year's pay ratios compared to the pay ratios of the previous financial year is due to the banded remuneration remaining identical and there not being a material change in the workforce, or a change in the highest paid director's remuneration. The change in the ratios is consistent with the pay, reward and progression policies of the agency as higher salary increases during 2022-23 were targeted to the lowest paid employees therefore decreasing the 25th percentile and not changing the 75th percentile.

	25th percentile pay	50th percentile Median pay	75th percentile pay
As at 31 March 2023			
Total remuneration	£24,006	£33,073	£44,501
Salary component only	£22,183	£31,730	£43,296
As at 31 March 2022			
Total remuneration	£22,036	£30,282	£42,175
Salary component only	£21,127	£29,319	£41,059

As at the 31 March 2023, remuneration ranged from £16,000 to £200,000 (31 March 2022: £15,000-£395,000). This range includes agency workers and contractors where a derived annualised salary has been calculated as if they were employed for a full year. As at the 31 March 2023, 41 people (31 March 2022: 19 people) received remuneration in excess of the highest paid director.

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

(ix) Remuneration of Insolvency Service Board Members (audited)

The Insolvency Service Board comprises 10 members although there have been movements throughout the year where members have joined and left the Insolvency Service Board and/or the Insolvency Service.

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

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

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

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

Non-Executive Board Members	**Salary 2022-23 £000**	**Salary 2021-22 £000**
Stephen Allinson[1] (Chair from 1 January 2017 – 15 April 2021)	N/A	0-5
Alan Graham MBE[2] (from 1 September 2014 – 31 May 2021)	N/A	0-5
Richard Oirschot[1] (from 1 August 2017 – 30 April 2021)	N/A	0-5
Mary Chapman (from 1 August 2017)	10-15	10-15
Mark Austen[1] (from 6 April 2021, Chair from 16 April 2021)	15-20	15-20
Robert Hunt[2] (from 6 April 2021)	10-15	10-15
Samantha Durrant[2] (from 6 April 2021)	10-15	10-15
Gary Kildare[2] (from 6 April 2021)	10-15	10-15
Frances Coulson (from 6 April 2022)	10-15	N/A
Eoin Parker (from 1 April 2021)	Nil	Nil

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

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

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

(x) Civil Service Pensions

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and five months from their normal pension age on 1 April 2012 switch into alpha sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). All members who switch to alpha have their PCSPS benefits ‘banked’, with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a defined contribution (money purchase) pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation.

Benefits in alpha build up in a similar way to nuvos, except that the accrual rate in 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes but note that part of that pension may be payable from different ages.)

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

(xi) 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.

(xii) 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.

(xiii) Compensation for loss of office / Payments to past directors (audited)

As per 2021-22, no senior managers have received compensation for loss of office or payments to past directors in 2022-23.

(xiv) Pension benefits (audited)

Officials	Accrued pension at pension age as at 31/3/23 £'000	Real increase in pension £'000	CETV[1] at 31/3/23 £'000	CETV[1] at 31/3/22 £'000	Real increase in CETV[2] £'000
Alec Pybus Chief Operating Officer	15-20	0-2.5	201	163	23
Angela Crossley Strategy & Change Director	40-45 **plus lump sum of** 85-90	0-2.5 **plus lump sum of** 0	839	769	(26)
Daniel Goad People & Capability Director	20-25	0-2.5	226	191	18
Christopher Pleass			543	487	4

Finance & Commercial Director	30-35	0-2.5			
Dean Beale Chief Executive	45-50	0-2.5	803	733	(16)

[1] CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023-24 CETV figures.

[2] The final salary pension of a person in employment is calculated by reference to their pay and length of service. The pension will increase from one year to the next by virtue of any pay rise during the year. Where there is no or a small pay rise, the increase in pension due to extra service may not be sufficient to offset the inflation increase. This means that in real terms, the pension value can reduce, hence the negative values.

Staff Report

(i) Senior Staff by pay-band

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

	As at 31 March 2023	As at 31 March 2022
SCS Pay-band 2	1	1
SCS Pay-band 1	11	10

(ii) Staff composition

	Employees		SCS (incl ISB Members)		ISB Members All Staff		All Staff	
	No	%	No	%	No	%	No	%
As at 31 March 2023								
Female	948	57.91%	2	16.67%	1	20.00%	950	57.61%
Male	689	42.09%	10	83.33%	4	80.00%	699	42.39%
	1,637		**12**		**5**		**1,649**	
As at 31 March 2022								
Female	983	57.52%	2	18.18%	1	20.00%	985	57.27%
Male	726	42.48%	9	81.82%	4	80.00%	735	42.73%
	1,709		**11**		**5**		**1,720**	

(iii) Staff Costs (audited)

	2022-23			2021-22		
	Permanently employed £'000	Others £'000	Total £'000	Permanently employed £'000	Others £'000	Total £'000
Wages and salaries	56,512	10,400	**66,912**	57,720	3,387	**61,107**
Social security costs	6,071	-	**6,071**	5,723	-	**5,723**
Other pension costs	14,894	-	**14,894**	14,950	-	**14,950**
Subtotal	**77,477**	**10,400**	**87,877**	**78,393**	**3,387**	**81,780**
Add cost / (Less recoveries) in respect of outward secondments	(111)	-	**(111)**	(181)	-	**(181)**
Total net costs	**77,366**	**10,400**	**87,766**	**78,212**	**3,387**	**81,599**

(iv) Sickness absence data

During the year, the number of average annual working days lost per employee was 7.0 days (2021-22: 6.6 days).

(v) Staff Turnover percentage

During the year, the staff turnover percentage for the Agency was 10.2% (2021-22, 11.9%).

(vi) Staff policies applied during the year

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

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

- a new ‘Success Profiles’ recruitment approach has now been introduced. Success Profiles see the evolution of our predominantly competence-based approach; adding four elements that combine to deliver a powerful and flexible recruitment framework. The Success Profiles Framework is part of the Civil Service Workforce Plan
- when shortlisting applications, all application forms are anonymised

- it is expected that all selection panel members should have an understanding of the new Success Profiles recruitment and at least one member who has completed the recruitment and selection training. We are about to launch the new Civil Service training – Civil Service Expectations. This training will be mandatory for all Agency colleagues and will be completed annually and must be completed by all panel members before taking part in any recruitment campaigns.

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 Dignity at Work policy, and that they are aware of our Inclusion strategy and action plan – Inclusion First, the key provisions of which are to ensure that there is equality of opportunity for all and no discrimination against people on the grounds of any protected characteristics (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation) including colleagues from low socio economic backgrounds, so that colleagues can achieve their full potential and need not fear unfair treatment, bullying or harassment. People who do not adhere to these policies may be subject to disciplinary action

- providing reasonable adjustments when required and ensuring managers are equipped to support disabled employees with specific guidance on this topic
- ensuring access to training materials, learning events and career development opportunities for disabled employees through accessible versions of materials or by making reasonable adjustments
- by using the recruitment processes shown above when considering applications from disabled employees for promotion

(vii) Other employee matters

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

(viii) Off-payroll engagements

	2022-23	2021-22
Cost of off-payroll engagements	£11,815	£3.397m
Average number of staff	200	109
Of these:		
Number paid more than £245 per day	95	34
Number that lasted less than 6 months	35	14
Number lasted longer than 6 months but less than a year	31	11
Number paid more than £245 per day with a contract lasting more than 1 year but less than 2 years	22	8
Number where contract lasted longer than 2 years	7	1

Between 1 April 2022 and 31 March 2023 there were 95 off-payroll engagements or those that reached 6 months in duration, for more than £245 per day. 95 of these were assessed as being caught by IR35. None of these were engaged

directly (via PSC contracted to BEIS) and on BEIS payroll. All 95 were reassessed for consistency/assurance purposes during the year, and there were no changes to IR35 status following these consistency reviews.

(ix) Consultancy

Spend on consultancy was £288K (2021-22: £856K). This included a review of our financial month end reporting, an exercise to analyse IT expenditure benchmarking, and resource in undertaking a review in DTS along with introducing Agency-wide operating standards.

(x) Staff Exit packages (audited)

During 2022-23 no employees were in receipt of any Civil Service or other compensation schemes, (2021-22: None).

(xi) Pension scheme details

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

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

For 2022-23, employers’ contributions of £14.8m were payable to the PCSPS (2021-22: £14.8m) at one of four rates in the range 26.6 per cent to 30.3 per cent (2021-22: 26.6 per cent to 30.3 per cent) of pensionable pay, based on salary bands. The scheme’s Actuary reviews employer contributions periodically following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2022-23 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 £107K (2021-22: £91k) were paid to 1 appointed stakeholder pension provider. Employer contributions are age-related and range from 4.60% to 8.05% (2021-22: 8 per cent to 14.75 per cent) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £3.7k (2021-22: £3.1k), 0.5 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

This year no employees (2021-22: 1 employee) retired early on ill-health grounds, incurring no additional accrued pension liability (2021-22: £0.3k).

Average number of persons employed (audited)

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

Number	2022-23	2021-22
Directly Employed	**1,581**	**1,675**
Other	**87**	**47**
Total	**1,668**	**1,722**

Parliamentary Accountability and Audit Report

Parliamentary Accountability Disclosures

(i) Regularity of expenditure (audited)

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

(ii) Remote contingent liabilities (audited)

The Agency had no remote contingent liabilities as at 31 March 2023. For details of contingent liabilities see Note 14 in the Accounts.

(iii) Losses and Special Payments (audited)

The disclosures in this note are in accordance with Managing Public Money, the official guidance on handling public funds. 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.

(iv) Losses statement (audited)

	2022-23	2021-22
Total number of losses	**6,642**	**5,359**
RPS receivable loss (£'000)	263,128	261,765
Other losses (£'000)	3,558	716
Total value of losses (£'000)	**266,687**	**262,481**

Losses are any cash losses, claims abandoned and fruitless payments which have been made within the year. There was one loss with an individual value of more than £300k during the year (2021-22: None).

During 2021-22 and 2022-23, the Agency ran a project on behalf of HM Treasury to build a digital service to implement the 2017 government manifesto commitment for a Statutory Debt Repayment Plan. Following the announcement by HM Treasury in November 2022 that, due to current economic conditions, it has suspended plans for an SDRP, the project has been paused.

Whilst there is a possibility that some of the work completed may be used in the future, it is not possible to reliably quantify this. Accordingly, the Agency has declared the full amount of £2.83m incurred by the project a constructive loss.

The RPS receivable loss shown above relates to the expected loss on Redundancy Payments Service included during the year. 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 records the impairment of the RPS receivable in NIF accounts. 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.

(v) Special Payments (audited)

	2022-23	2021-22
Total number of special payments	**31**	**89**
Total value of special payments (£'000)	**4**	**24**

There were no special payments with an individual value of more than £300k during the year (2021-22: None).

(vi) Fees and charges income (audited)

The Agency charges fees for work carried out by the Official Receivers (OR). These
fees are set through legislation and are managed by the agency in accordance with
the principles of 'Managing Public Money', whereby fees are set to cover full costs including the cost of capital.

These fees include principally an Administration Fee, General Fee (previously the Secretary of State fee for cases prior to 2016-17), Trustee Liquidator Fee, and a Distribution Fee.

Fee / Case	Administration Fee	General Fee	Total
Debtor	£1,990	£6,000	£7,990
Creditor	£2,775	£6,000	£8,775
Company	£5,000	£6,000	£11,000

Trustee Liquidator Fee	15% of the realised value
Distribution Fee	Time & Rate based

As the agency is unable to recover the full chargeable amount of the administration fee in many cases, resulting in shortfalls; the general fee is charged and recovered against those cases where assets are available above the amount of the administration fee. This results in a cross subsidy from cases where the general fee is paid to cases where the administration fee is not fully paid. See Notes 1(k), 1(l), and 1(n) for the accounting policies on case administration fees.

The objective of the fees is to cover the cost of the work carried out by the OR Teams. Measurement of the objective is based on the portfolio of cases received in each financial year, with any excess receipts treated as excess income due to the Consolidated Fund. During

2022-23 this objective was not achieved, as the income recognised, excluding the excess income recognised in relation to historic cases
was insufficient to cover the cost of the OR service (see Note 1):

- The cost of the OR service to which fees were applicable was £47 million (2021-22: £48 million).
- The total income received from fees and recognised as income in the year was £115.1 million (2021-22: £117.8 million). Much of this was recognised in relation to historic cases and classified as payable to the Consolidated Fund, excluding these the Agency received £44 million (£41 million 2021-22).
- Cross subsidy fees (General Fee) recognised within income was £7.7 million (2021-22 £6.7 million), within the agreed netting off limit approved by HMT.
- £137m (2021-22: £71m) is due to be repaid to the Consolidated Fund. Fees received are surrendered to the Consolidated Fund when they exceed the amount we are able to retain.

There are some significant areas of judgement used in the revenue recognition for fees, these are explained in Notes 2(a), 2(b), and 2(c). For the values of fee income recognised, see Note 4, and receivable balance, see Note 9. Further details of the fees chargeable can be found in the Insolvency Proceedings (Fees) Order 2016 and the Insolvency Proceedings (Fees) (Amendment) Order 2022.

Signed:

Dean Beale
Chief Executive
Date: 13 December 2023

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 2023 under the Government Resources and Accounts Act 2000.

The financial statements comprise: the Insolvency Service's:

- Statement of Financial Position as at 31 March 2023;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

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

In my opinion, the financial statements:

- give a true and fair view of the state of the Insolvency Service's affairs as at 31 March 2023 and its net expenditure for the year then ended; and

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

Opinion on regularity

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022). My responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council’s Revised Ethical Standard 2019. I am independent of the Insolvency Service in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

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

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Insolvency Service's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

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

Other information

The other information comprises information included in the Annual Report, but does not include the financial statements and my auditor's certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.

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

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

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

Matters on which I report by exception

In the light of the knowledge and understanding of the Insolvency Service and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

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 by the Insolvency Service or returns adequate for my audit have not been received from branches not visited by my staff; or

- I have not received all of the information and explanations I require for my audit; or

- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or

- certain disclosures of remuneration specified by HM Treasury’s Government Financial Reporting

Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or

- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Insolvency Service from whom the auditor determines it necessary to obtain audit evidence;

- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- assessing the Insolvency Service’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Insolvency Service will not continue to be provided in the future.

Auditor’s responsibilities for the audit of the financial statements

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

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

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

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

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

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

- considered the nature of the sector, control environment and operational performance including the design of the Insolvency Service's accounting policies, key performance indicators and performance incentives.

- inquired of management, the Insolvency Service's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Insolvency Service's policies and procedures on:
  - o identifying, evaluating and complying with laws and regulations;
  - o detecting and responding to the risks of fraud; and
  - o the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Insolvency Service's controls relating to the Insolvency Service's compliance with the Government Resources and Accounts Act 2000 and Managing Public Money;
- inquired of management, the Insolvency Service's head of internal audit and those charged with governance whether:
  - o they were aware of any instances of non-compliance with laws and regulations;
  - o they had knowledge of any actual, suspected, or alleged fraud,

- discussed with the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Insolvency Service for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates and payments made by the Redundancy Payments Service. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Insolvency Service's framework of authority and other legal and regulatory frameworks in which the Insolvency Service operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Insolvency Service. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, employment law and tax legislation.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Assurance Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business; and

- in response to the non-compliance with laws and regulations identified with respect to deducting national insurance from payments made by the Redundancy Payments Service, I verified the estimated impact, reviewed the regularity implications and the associated disclosures made in the Accountability Report.

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

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

Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the 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.

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 I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies **Date: 14 December 2023**

Comptroller and Auditor General

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

3. Financial Statements

Statement of Comprehensive Net Expenditure

for the period ended 31 March 2023

	Note	2022-23 £'000	2021-22 (Restated)[1] £'000
Income from contracts with customers	4	(145,591)	(143,271)
Other operating income	4	(9,538)	(10,028)
Total operating income:		**(155,129)**	**(153,299)**
Staff costs	3	87,766	81,599
Redundancy payments service	3	292,369	283,857
Purchase of goods and services	3	28,379	24,023
Depreciation and impairment charges	3	8,507	7,955
Provision expense	3	287	810
Other operating expenditure	3	23,144	15,434
Total operating expenditure:		**440,452**	**413,678**
Net operating expenditure:		**285,323**	**260,379**
Finance expense	3	319	372
Net expenditure for the year:		**285,642**	**260,751**
Comprehensive net expenditure for the year:		**285,642**	**260,751**

[1] See Note 1(r) in the Notes to the Agency's Accounts relating to the prior period adjustment

The notes on pages 95 to 125 form part of these Accounts.

Statement of Financial Position

as at 31 March 2023

	Note	2022-23 £'000	2021-22 £'000
Non-current assets:			
Property, plant and equipment	6	17,479	26,039
Intangible assets	7	2,258	3,302
Financial assets	9	69,967	59,935
Total non-current assets		**89,704**	**89,276**
Current assets:			
Financial assets	9	68,360	68,022
Trade receivables and other assets	9	7,147	5,151
Cash and cash equivalents	10	335,902	283,366
Total current assets		**411,409**	**356,539**
Total assets		**501,113**	**445,815**
Current liabilities			
Trade and other payables	11	(168,070)	(95,754)
Provisions	12	(3,083)	(1,171)
Total current liabilities		**(171,153)**	**(96,925)**
Total assets less total current liabilities		**329,960**	**348,890**
Non-current liabilities:			
Trade and other payables	11	(11,489)	(16,876)
Provisions	12	(1,183)	(3,167)
Total non-current liabilities		**(12,672)**	**(20,043)**
Assets less liabilities		**317,288**	**328,847**
Taxpayers' equity:			
General fund		317,288	328,847
Total taxpayers' equity		**317,288**	**328,847**

Dean Beale
Chief Executive
Date: 13 December 2023

The notes on pages 95 to 125 form part of these Accounts.

Statement of Cash Flows

for the period ended 31 March 2023

	Note	2022-23 £'000	2021-22 (restated)[1] £'000
Cash flows from operating activities	**Note**		
Net operating expenditure	SoCNE	(285,323)	(260,379)
Adjustments for non-cash transactions:			
Depreciation and amortisation charge	6,7	8,507	7,955
Provisions	3	287	810
Audit fee	3	240	176
Loss on disposal	6	276	-
Use of provisions	12	(359)	(51)
(Increase)/decrease in trade receivables and financial assets	9	(12,366)	133,399
Increase in trade payables	11	66,929	57,648
Less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		(59,442)	(87,011)
Finance expense	3	(319)	(372)
Net cash outflow from operating activities		**(281,570)**	**(147,825)**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	-	(94)
Purchase of intangible assets	7	-	(903)
Net cash outflow from investing activities		**-**	**(997)**
Cash flows from financing activities			
BEIS financing	SoCITE	68,095	71,752
VAT recovered by BEIS	SoCITE	(3,239)	(2,048)
Net funding from the National Insurance Fund	SoCITE	274,926	255,983
Payment of lease liabilities	13	(5,676)	(6,543)
Net cash inflow from financing activities		**334,106**	**319,144**
Net (decrease)/increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**52,536**	**170,322**
Payments of amounts due to the Consolidated Fund		-	(5,754)
Net increase in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**52,536**	**164,568**
Cash and cash equivalents at the beginning of the period	10	**283,366**	**118,798**
Cash and cash equivalents at the end of the period	10	**335,902**	**283,366**

[1] See Note 1(r) in the Notes to the Agency's Accounts relating to the prior period adjustment

The notes on pages 95 to 125 form part of these Accounts.

Statement of Changes in Taxpayers' Equity

for the period ended 31 March 2023

		General fund	Total reserves (restated)[1]
		£'000	**£'000**
Balance at 31 March 2021		**334,905**	**334,905**
Comprehensive expenditure for the year 2021-22			
Non-cash charges - auditor's remuneration	3	176	176
Net expenditure for the year	SoCNE	(260,751)	(260,751)
BEIS financing		71,752	71,752
Income payable to the Consolidated Fund		(71,170)	(71,170)
National Insurance Fund - RPS		255,983	255,983
VAT recovered by BEIS		(2,048)	(2,048)
Adjustment to Right Of Use Assets on adoption of IFRS 16		2,375	2,375
Reversal of lease incentive accrual under IAS 17		(2,375)	(2,375)
Balance at 31 March 2022		**328,847**	**328,847**
Comprehensive expenditure for the year 2022-23			
Non-cash charges - auditor's remuneration	3	240	240
Net expenditure for the year	SoCNE	(285,642)	(285,642)
BEIS financing		68,095	68,095
Income payable to the Consolidated Fund		(65,939)	(65,939)
National Insurance Fund - RPS		274,926	274,926
VAT recovered by BEIS		(3,239)	(3,239)
Balance at 31 March 2023		**317,288**	**317,288**

[1] See Note 1(r) in the Notes to the Agency's Accounts relating to the prior period adjustment

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

The notes on pages 95 to 125 form part of these Accounts.

Notes to the Agency's Accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2022-23 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply the UK adopted International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Insolvency Service (the Agency) for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Agency and relevant to this year's accounts are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

On 7th February 2023, the prime minister announced a major machinery of government change which redistributed the activities of several existing government departments, including the Department for Business, Energy & Industrial Strategy (BEIS), and created three new departments, the Department for Business and

Trade, the Department for Science, Innovation and Technology, and the Department for Energy Security and Net Zero. The Insolvency Service has been designated to the Department for Business and Trade with accounting officer responsibilities formally transferred from 1st April 2023.

The Agency is considered a going concern under International Accounting Standard (IAS) 1, on the basis that it is a Statutory Body operating under the Direction of the Courts and its funding is both underwritten by its parent Department, the Department for Business and Trade (DBT), the National Insurance Fund and HM Revenue & Customs in respect to Redundancy Payment Service (RPS), and its source of income is largely derived from the Estates that it administers. Therefore, it is considered appropriate for the Financial Statements to be prepared under the Going Concern basis.

Assets held under the management of the Official Receiver, which do not belong to the Insolvency Service, can be found in the separately published accounts called the 'Insolvency Services and the Insolvency Services Investment Account 2022-23'. Fees charged by the Official Receiver are included here as income.

1(a) Accounting pronouncements

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

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

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

IFRS 17 Insurance Contracts establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts that fall within scope of the new standard.

It was formally adopted by the UK Endorsement Board (UKEB) in May 2022 and is due to come into effect for accounting periods commencing 1 January 2023; however, it will only be adopted for public sector organisation for the 2025-26 financial year. HM Treasury has now published its draft exposure guidance and the Agency has assessed its activity and contracts to determine whether it falls within scope of IFRS 17. At present the Agency’s review has found that it has no contracts which meet the definition of insurance contracts as per IFRS 17, this will remain under review until the standard comes into effect.

1(b) Accounting convention

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

1(c) Non-current assets: property, plant and equipment

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

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

In accordance with IAS 16, recognition depends on two criteria:
(i) it is probable that future economic benefits associated with the asset will flow to the Agency for more than one year; and
(ii) the cost of the asset to the Agency can be measured reliably.

Initial measurement of an item of PPE will be at cost, including those incurred that are directly attributable to bringing the asset into use. In accordance with the FReM, the Agency has adopted depreciated historical cost as a material approximation of fair value, the useful life is a realistic reflection of the life of the asset and the depreciation method provides a realistic reflection of its consumption.

1(d) Non-current assets: intangible assets

As per IAS 38, Intangible assets are identifiable non-financial assets without physical substance.

They may be held for use in the supply of services or for administrative purposes. The asset must be:

(i) controlled by the Agency as a result of past events;

(ii) something from which the Agency expects future economic benefits will flow for more than one year, such as computer software;

(iii) they have an initial cost equal to or greater than £5,000, except for internally developed systems where the initial cost is equal to or greater than £250,000.

The Agency has adopted amortised historical cost as a proxy for fair value. Intangible assets are carried at cost less accumulated amortisation and any impairment losses.

Subsequent expenditure on intangible assets is only capitalised when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised within the SoCNE as incurred. The amortisation method reflects the pattern in which the asset's economic benefits are consumed by the Agency.

1(e) Depreciation and amortisation

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

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

Right of use assets:	either the useful life or the end of the lease term
Information technology:	2 to 5 years
Plant & machinery:	2 to 15 years
Furniture & fittings:	2 to 15 years

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

1(f) Impairments

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

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

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

1(g) Provisions and contingent liabilities

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

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

In order to recognise a provision, it must also be possible to make a reliable estimate of the expenditure required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at the rate determined by HM Treasury for financial liabilities to allow for likely changes in the value of money over time.

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

Contingent liabilities

A contingent liability is defined in IAS 37 as:

(i) A possible obligation which will be confirmed by an uncertain future event that is not wholly within the control of the Agency.

(ii) An obligation that is not recognised because the amount cannot be measured with sufficient reliability or because payment is not probable.

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

Current contingent liabilities are shown in Note 14.

1(h) Pensions

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

In accordance with IAS 19, the Agency does not recognise liabilities associated with these schemes, though information on the schemes in total is available in the Civil Superannuation Account 2022-23 produced by the Cabinet Office.

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

1(i) Early departure costs

The Agency, operating as part of the BEIS, now DBT, scheme, is required to meet the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The Agency provides in full for this cost when any early retirement programme is announced and is binding.

The Agency may, in certain circumstances, settle some or all its liability in advance by making a payment to the Paymaster General’s account at the Bank of England for the credit of the Civil Service Superannuation Vote. The amount provided is shown net of any such payments.

The Agency is also required to meet the costs of early departures in respect of employees who elect to retire under voluntary exit or redundancy schemes. Where the Agency has agreed early retirement, the additional costs are met by the Agency and not by the PCSPS. These costs are paid in full at the time of the exit or redundancy. Details of any early departures in the reporting year, are shown within the Remuneration & Staff Report.

1(j) Operating income

Operating income is income which relates directly to the operating activities of the Agency. It principally comprises statutory fees for case administration income, which includes an Administration Fee, General Fee (previously the Secretary of State fee for cases prior to 2016-17), Trustee Liquidator Fee and a Distribution (Time & Rate) Fee. See Note 1(k) for more information on case administration fee income.

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

Amounts received by the Agency under a service level agreement with HM Revenue & Customs for the administration of RPS are also treated as operating income. Operating income does not include funding received from BEIS under a programme allocation for investigation and enforcement activities carried out by the Agency or administration funding for policy activities.

Operating income is stated at its fair value. In most cases, consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents expected to be received or receivable. In relation to case administration fee income the fair value of the consideration is determined by discounting all future receipts using the discount rate for financial assets set by HM Treasury, currently 1.9%.

Income in respect of costs awarded in directors' disqualification proceedings and reported in Note 4 within the "Investigation and Enforcement" balances is recognised when:

(i) an order for costs (either interim or final) with a determined value has been made; or

(ii) where the court orders the costs “to be agreed or assessed” the value of the debt will be recognised when there is an agreement in writing, or a default costs order is made following assessment by the court.

1(k) Case administration fee income

Case administration income comprise the following fee components:

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

The fees are set through legislation and are managed by the Agency in accordance with the principles of ‘Managing Public Money’, whereby fees are set to recover full costs including the cost of capital. However, fees have not been set to recover the costs of discounting receivables to fair value, because taking account of one year with the next, the discounting costs will eventually ‘unwind’. The Agency therefore adheres to the principle that fees are not set to recover more than 100% of costs.

Administration Fee

Administration fees are charged to the insolvent estate at the date of insolvency. The period of performance of the official receiver's duties on cases, i.e. the satisfaction of performance obligations, can vary between less than 1 month and more than 3 years for more complex cases (across multiple decades). The Agency uses reasonable estimates of activity across a 3-year period based on historic case data and recognises Administration Fee income, from the variable consideration, in accordance with these estimates. The variable consideration is the amount the Agency expects to receive in the future, rather than the legislated Administration Fee applied to the case at the date of insolvency.

General Fee

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

The General Fee is recognised at the date of the bankruptcy or liquidation order, as an equivalent to a taxable event within the FReM adaptation (2) for IFRS 15 and is subject to HMT approval of an annual ‘netting-off’ agreement. The General Fee is not recognised within revenue recognition under IFRS 15 as it is defined as a tax and therefore the principles of contract set out in IFRS 15 (para 9) means it does not apply.

Secretary of State Fee

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

Trustee Liquidator Fee

The Trustee Liquidator Fee is charged (at a rate of 15% of net realisation) when assets are realised by the OR. The value of the fees to be recognised is based on a combination of actual fees recovered from realised assets and fees expected to be recovered from assets which have been identified and assessed by the OR.

Where fees relate to National Interest Cases, recognition is matched to the completion of obligations on each National Interest Case based on the input method under IFRS 15 using forecasts of the full life cost of the case. Where fees relate to BAU cases, recognition is based on assets as and when they are realised.

<u>Distribution (Time & Rate) Fee</u>

At the date of a distribution to creditors the Agency can charge a Distribution (Time & Rate) Fee which is charged at legislated hourly rates. The fee is charged, paid and recognised when a distribution is made.

1(l) Revenue recognition under IFRS 15

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

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

Income Stream	Value £'000	Revenue recognition – '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	28,507	The claimant (ex-Employee) applies for payment under para 182 of the Employment Rights Act 1996. When the payment is made, the Agency has the right to recover that amount from the Employer under para 189 of the same Act.	The Agency has an obligation to make payments to the claimants following completion of substantive processes to validate each claim against HMRC rules. As soon as the payment is made, the Agency can recover from the employer.	Variable consideration is based on expected recoveries. The Agency has the right to recover the amount of payment from the employer.	Once payment is made to the ex-employee, the Agency then immediately charges the employer.	The amount recoverable from the insolvent employer is variable and dependent on insolvency proceedings, which may take several years. The amount recoverable is therefore estimated in line with historic recovery rates over time and reassessed at each year end.
Trustee Liquidator Fee	19,553	Legislated Fee	Performance of OR duties	Variable consideration based on forecast total recoveries	Measured as satisfied over time	Recognised in line with the cost of resources applied for asset realisation from cases by the OR
Administration Fee[1]	74,127	Legislated Fee	Performance of OR duties	Variable consideration based on the expected amount to be received	Measured as satisfied over time	Recognised in line with the cost of resources applied to the processing of cases by the OR
Time and Rate Distribution Fee[2]	6,761	Legislated Fee	Distribution to Creditors	Charged at legislated hourly rate	Full fee is due when a distribution is made	Recognised at the date of distribution
Debt Relief Order Fee	2,198	Legislated Fee	Granting of Debt Relief Order (48 hours after payment in 99% of cases)	Charged at legislated rate	Full fee when the relief order determined	At date of payment of the fee

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

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

Where the Agency receipts cash before the satisfaction of performance obligations these receipts will be classified as deferred income until such a time that it can be recognised for fulfilling our obligation in accordance with IFRS 15.

1(m) Redundancy Payments Service

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

The Agency then attempts to recover these monies from two sources:
(i) Insolvent Recovery: the Agency becomes a creditor, receiving a dividend if there are sufficient funds in the insolvency of the employer (the majority).

(ii) Solvent Recovery: where money is recovered from solvent employers to meet the costs of redundancy payments made by RPS (a small proportion).

The payments are included in Expenditure (Note 3).

Repayment of RPS debt is recovered from insolvent companies, where possible, from their assets. A small part of the debt is considered preferential (see Note 1(n)) but most ranks with ordinary creditors. The recoverability of RPS varies as set out in Note 9. This means the debt will be irrecoverable in the majority of cases. Whilst we account for RPS losses on a full accruals basis, the NIF account funds the difference between payments and receipts on a cash basis, and effectively bears the loss.

RPS expenditure is recognised by the Agency when it has a present obligation to make payments to the claimants following completion of robust processes. Each claim is validated against HMRC rules, and the amount payable to each claimant is considered reliably measurable and probable.

During 2022-23 the Agency made payments totalling £316m (2021-22: £285m) and made cash recoveries of £47m (2021-22: £37m), a net cost of £269m (2021-22: £248m) which was funded from the NIF via HMRC.

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

The Agency is entitled to attempt to recover the £316m expended during the year. Of the £47m recovered during the year, only £1m related to these in-year payments, with £46m relating to payments made in previous years.

As detailed in Note 1(n), and Note 9 below, the Agency estimates future recoveries of £83m, this is based upon historic collection rates. Of these,

£28m relate to payments made in 2022-23, and £52m relate to payments made in previous years.

1(n) Financial Instruments under IFRS 9

In line with the requirements of IFRS 9 Financial Instruments, the Agency has classified its case administration receivables, RPS receivables, estate account receivables and disqualification costs receivables as financial assets. These are held to collect cash flows only for principal and interest. All receivables are remeasured at each reporting date through the calculation of an expected credit loss in accordance with IFRS 9. Receivables are discounted to reflect the time value of money. The discount rate used is 1.9% which is recommended by HM Treasury to be used for financial assets.

Under IFRS 9, impairment losses are referred to as expected credit losses (ECL) and is calculated by:

(i) Identifying scenarios in which a loan or receivable defaults.

(ii) Estimating the cash shortfall that would be incurred in each scenario if a default were to happen; and

(iii) Multiplying that loss by the probability of the default happening; and
(iv) Summing the results of all such possible default events.

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

RPS Debtors

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

(i) The scenario for default has already occurred.

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

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

(iv) The probability of default is always 100% (therefore future economic variations have no effect on the chance of default).

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

In line with the requirements of IFRS 9, RPS debts have been grouped by the Agency into similar types, in this case preferential or non-preferential. Analysis of historic trends of recovery of these types of debts has revealed that the best estimate of recovery is 6.6% for non-preferential, and 33.5% for preferential.

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

Case administration debtors

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

(i) Analysis of historic data provides the best estimation for future recoveries of fee income.
(ii) Default estimation is based on analysis of historic data to establish the likely default rate.
(iii) Insolvent estates generally comprise a

significant spread of assets, which means that future economic variations have no material effect on recoveries from estates.
(iv) The probability and impact of default is applied across the portfolio of cases managed by the Agency.

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

The following table shows a summary of the IFRS 9 classification and measurement model for financial assets:

IFRS 9 Financial Instruments	Are the cash flows considered to be solely principal and interest?	What is the business model?	What is the measurement category?
RPS Income	Yes	Held to allow contractual cash flows only	Carry at amortised cost
Case administration income	Yes	Held to collect contractual cash flows only	Carry at amortised cost

1(o) Leases

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

The right of use asset is initially measured at cost, which comprises the following:
(i) The initial amount of the lease liability adjusted for any lease prepayments made at or before the commencement date,

(ii) plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located,
(iii) less any lease incentives received.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property, plant, and equipment. See Note 1(e).

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

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

Right of use assets are presented in property, plant and equipment (Note 6) and leased liabilities within other liabilities (Note 11) and the lease note (Note 13) below.

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

1(p) Value Added Tax (VAT)

The Insolvency Service is covered under the VAT registration of BEIS, which is responsible for paying over and recovering from HM Revenue & Customs any VAT on behalf of the Agency.

Where VAT is recoverable by the Agency the expenditure shown in the SoCNE is net of VAT. Outstanding VAT on expenditure is included in either VAT receivables (Note 9) or VAT payables (Note 11).

1(q) Cash and cash equivalents

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

1(r) Liabilities - Prior period adjustment

The agency's policy for correcting known errors once discovered is to follow IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, and to correct all material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery.

In the 2021-22 Accounts, receipts amounting to £75m which resulted from fees received from the settlements of historic PPI claims on insolvent estates as well as from National Interest Cases, in excess of the costs in respect of the relevant case years was classified as deferred fee income instead of as due to the Consolidated Fund.

Following further review of our income recognition it has been determined that the performance obligations were substantially satisfied, and the receipts should have been recognised as income within the SoCNE. To correct this error we have recognised additional income, along with a liability to surrender the excess to the Consolidated Fund.

The table below shows the impact on the 2021-22 figures.

i) Impact on Statement of Comprehensive Net Expenditure	**Previously reported**	**Adjustment**	**Restated**
Prior year corrections:	**£'000**	**£'000**	**£'000**
Income from contracts with customers	(72,101)	(71,170)	(143,271)
Total operating income:	**(82,129)**	**(71,170)**	**(153,299)**
Net operating expenditure:	**331,549**	**(71,170)**	**260,379**
Net expenditure for the year:	**331,921**	**(71,170)**	**260,751**
Comprehensive net expenditure for the year:	**331,921**	**(71,170)**	**260,751**

ii) Impact on Statement of Cash Flows

Prior year corrections:	Previously reported £'000	Adjustment £'000	Restated £'000
Net operating expenditure	(331,549)	71,170	(260,379)
Less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure	(15,840)	(71,170)	(87,011)
Net cash outflow from operating activities	**(147,825)**	**-**	**(147,825)**

iii) Impact on Statement of Changes in Taxpayers' Equity

Prior year corrections:	Previously reported £'000	Adjustment £'000	Restated £'000
Comprehensive expenditure for the year 2021-22			
Net expenditure for the year	(331,921)	71,170	(260,751)
Income payable to the Consolidated Fund	-	(71,170)	(71,170)
Balance at 31 March 2022	**328,847**	**-**	**328,847**

iv) Impact on Note 4 Income

Prior year corrections:	Previously reported £'000	Adjustment £'000	Restated £'000
Case administration income (pre-2016-17)	781	57,966	58,747
Trustee liquidator fee - national interest cases	17,151	13,204	30,355
Total income	**82,129**	**71,170**	**153,299**

v) Impact on Note 5 Segmental reporting

Prior year corrections:	Previously reported £'000	Adjustment £'000	Restated £'000
Fees (excess income)	-	71,170	71,170
Total of all activities	**82,129**	**71,170**	**153,299**

vi) Impact on Note 11 Trade payables and other liabilities

Prior year corrections:	Previously reported £'000	Adjustment £'000	Restated £'000
Due to the Consolidated Fund	-	71,170	71,170
Deferred fee income	75,660	(71,170)	4,490
Total payables and other liabilities	**112,630**	**-**	**112,630**

2 Significant areas of judgement

2(a) Case administration revenue recognition

The performance of official receivers' duties gives rise to case administration income and assets, which the Agency has the right to recognise.

The Agency measures this by reference to an average casework profile (one for personal bankruptcies and one for company liquidation cases). The casework profile shows the extent to which cases were complete over the year. The Agency uses these profiles to calculate the amount of fees charged that should be recognised as income (Note 4).

The following assumptions are made in respect of when work is performed:

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

(ii) most of the work undertaken by Official Receivers will be completed within three years.

The volume of cases received in 2022-23 remains significantly impacted by post Covid-19 impacts and other economic factors resulting in a proportionate reduction in recognised income from case administration fees.

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

2(b) Forecasting assumptions of recognised income

The Agency's income forecasts are based on assumptions of future fee recoveries using income models and the analysis of historical trends to produce forecasts of both the value and timing of future cash flows. Estimation techniques and underlying assumptions utilised are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period. The following judgements are applied to case administration income:

(i) historic recoveries are a reasonable basis for future recovery expectations.

(ii) long-term realisations will include a wide range of assets, which provides a diverse base for realisations, which helps mitigate the potential for specific economic impacts to materially affect case administration income.

(iii) material estimation regarding future recoveries of RPS expenditure.

2(c) Case administration receivables

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

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

2(d) Redundancy Payments Service receivable

There is uncertainty in the estimate of the amount to be realised by the Agency from sale of assets of insolvent employers. This estimate is based on historic recovery data. In line with IFRS 9, RPS debts have been grouped into similar types, in this case preferential or non-preferential claims against the insolvency. Analysis of historic trends of recovery of these types of debts has revealed that the best estimate of recovery is 6.6% for non-preferential, and 33.5% for preferential.

2(e) Trustee Liquidator fees

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

2(f) Case administration deferred income

As previously set out within Note 1 the Agency received large bulk settlements in relation to PPI for insolvent estates. For most of this balance the performance obligations were satisfied and as such the receipts have been recognised as income as set out within Note 1(r).

However, where monies received relate to cases where performance obligations are not satisfied, the Agency retains these receipts as deferred income.

3 Expenditure

	2022-23 £'000	2021-22 £'000
Redundancy payments service[1]	292,369	283,857
Staff Costs:		
Wages and salaries	66,912	61,107
Social security costs	6,071	5,723
Other pension costs	14,894	14,950
Less recoveries in respect of outward secondments	(111)	(181)
Purchase of goods and services:		
IT infrastructure expenses	25,713	22,313
General administrative expenses	1,655	1,397
Travel and subsistence	1,011	313
Other operating expenditure:		
Legal and other costs of investigation and enforcement	13,763	6,444
Accommodation costs	5,245	3,952
Staffing and training costs	2,290	1,209
Other costs	1,521	3,324
Non-cash items:		
Audit fee	240	176
Write offs and expected credit losses	408	686
Loss on disposal of non-current assets	276	-
Case administration - unwind discount of receivables for fees	(599)	(357)
Finance costs	319	372
Other non-cash items:		
Depreciation and amortisation	8,507	7,955
Provisions	287	810
Total expenditure	**440,771**	**414,050**

[1] The Agency has increased the estimated recovery rates for RPS expenditure, following an increase in observed recoveries. This has increased the RPS receivable (see note 9) and decreased RPS expense above by £23.5m.

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 (NIF). Redundancy payments are made by the Agency to employees whose employers have failed to make payments due or who were insolvent. The associated expenditure is paid on behalf of HMRC.

There is associated income arising from two sources:

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

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

Expenditure in respect of RPS is funded by the NIF who re-imburse the Agency on a daily basis for the claims paid out.

Most of the payments made are in respect of employees of insolvent companies and therefore most of the debt is unrecoverable. However, a small proportion (13%) of the debt is assessed as preferential and has a higher recovery rate.

4 Income

	2022-23	2021-22
		(Restated)
	£'000	£'000
Income from contracts with customers:		
Insolvency case administration:[1]		
Case administration income (pre-2016-17)[2]	69,310	58,747
Case administration income (post-2016-17):		
Administration fee	12,919	12,037
General fee[3]	7,711	6,686
Distribution (time and rate) fee	246	351
Trustee liquidator fee - national interest cases[4]	16,165	30,355
Trustee liquidator fee - business as usual	3,387	4,175
RPS recoveries[5]	28,507	23,613
Debt relief order administration fee	2,198	2,167
Investigation and enforcement:		
Civil recoveries	1,447	1,286
Criminal recoveries	234	311
Individual voluntary arrangements and deeds of arrangements	1,276	1,248
Regulation of insolvency practitioners	821	840
Rental income	805	749
Online Debt Solutions	730	867
Estates accounts	589	437
Miscellaneous income	1	1
Discounting costs	(756)	(599)
Other operating income:		
Redundancy payments administration[6]	9,538	10,028
Total income	**155,129**	**153,299**

[1] Overall case administration has decreased from £112m to £110m with the principal movements, which are not due to be surrendered to the Consolidated Fund, being in Distribution (Time & Rate) Fees (+£7.3m) within pre 2016-17 cases due to activity resulting from work on PPI receipts, and Trustee Liquidator fees on National Interest Cases having reduced (-£5.7m) due to lower activity on the highest impact cases.

[2] The Case administration income (pre-2016-17) includes £61.2m (2021-22: £58m) in fees on the cash settlement of historic PPI claims on insolvent estates where performance obligations were substantially satisfied and should have been recognised as income upon receipt, for details of this restatement please see Note 1(r).

[3] 'Managing Public Money' treats the General Fee as a tax however we are including this under income from contracts with customers as it represents part of the Insolvency case administration and retention has been agreed with HMT.

[4] The Trustee liquidator fee for national interest cases includes £4.7m (2021-22: £13.2m) in fees which is due to be surrendered to the Consolidated Fund, for details of this restatement please see Note 1(r).

[5] The income recognised for RPS was £29m, which includes £1m of cash receipts in year, and £28m of estimated future recoveries. RPS recoveries are from solvent companies, or via recovery through administration or liquidation process for insolvent companies.

[6] Redundancy payments administration income is money received from HMRC to support the

Agency in running the scheme which is funded via the NIF.

5 Segmental reporting

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

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

	Income		Cost of service		Surplus/(deficit)	
	2022-23	2021-22 (Restated)	2022-23	2021-22	2022-23	2021-22 (Restated)
Activities funded from:	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
BEIS financing[1]	1,954	1,853	81,469	59,933	(79,513)	(58,080)
Fees	49,132	46,552	58,055	60,025	(8,897)	(13,473)
Fees (excess income)[2]	65,939	71,170	-	-	65,939	71,170
HMRC for RPS administration	9,597	10,111	8,878	10,235	721	(124)
HMRC for redundancy payments	28,507	23,613	292,369	283,857	(263,862)	(260,244)
Total of all activities	**155,129**	**153,299**	**440,771**	**414,050**	**(285,642)**	**(260,751)**

[1] The increase in BEIS funded cost of service from £60m to £81m is principally due to an increase in legal, investigation and enforcement cost, as well as an increase in project and investment costs.

[2] The Fees (excess income) is a result of fees on the cash settlement of historic PPI claims on insolvent estates where performance obligations were substantially satisfied and should have been recognised as income upon receipt, as well as from National Interest Cases. This £137m income is due to be surrendered to the Consolidated Fund, for details of this restatement please see Note 1(r).

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

6 Property, plant and equipment

2022-23

	Right of Use	Information Technology	Plant & Machinery	Furniture & Fittings	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 April 2022	27,230	187	1,068	5,085	1,002	**34,572**
Additions	1,658	-	-	-	-	**1,658**
Disposals	(1,032)	(187)	(1,068)	(89)	-	**(2,376)**
Reclassifications	-	-	-	1,002	(1,002)	-
Remeasurement	(2,539)	-	-	-	-	**(2,539)**
At 31 March 2023	**25,317**	**-**	**-**	**5,998**	**-**	**31,315**
Depreciation						
At 1 April 2022	5,786	171	570	2,006	-	**8,533**
Charged in year	6,151	16	223	1,014	-	**7,404**
Disposals	(1,032)	(187)	(793)	(89)	-	**(2,101)**
At 31 March 2023	**10,905**	**-**	**-**	**2,931**	**-**	**13,836**
Carrying value at 31 March 2023	**14,412**	**-**	**-**	**3,067**	**-**	**17,479**
Asset financing:						
Owned	14,412	-	-	3,067	-	**17,479**
Carrying value at 31 March 2023	**14,412**	**-**	**-**	**3,067**	**-**	**17,479**

2021-22

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

7 Intangible assets

2022-23	Software Licences £'000	Internally Developed System £'000	Assets Under Construction £'000	Total £'000
Cost or valuation				
At 1 April 2022	1,094	15,971	-	**17,065**
Additions	-	-	59	**59**
At 31 March 2023	**1,094**	**15,971**	**59**	**17,124**
Amortisation				
At 1 April 2022	366	13,397	-	**13,763**
Charged in year	437	666	-	**1,103**
At 31 March 2023	**803**	**14,063**	**-**	**14,866**
Carrying value at 31 March 2023	**291**	**1,908**	**59**	**2,258**
Asset financing:				
Owned	291	1,908	59	**2,258**
Carrying value at 31 March 2023	**291**	**1,908**	**59**	**2,258**

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

8 Financial instruments

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

The majority of case administration fees are recovered over a period of 6 years, but a small proportion will be recovered beyond 6 years, as the recoveries can only be made when assets are realised in an insolvent estate.

Due to the nature of RPS receivables, the vast majority is not actually recovered. RPS recoveries are also dependant on assets realised from insolvencies, hence any actual recoveries are achieved over many years. These receivables therefore play a significant medium to long-term role in the financial risk profile of the Agency. The timing of the recoveries exposes the agency to interest rate risk.

The cash requirements of the Agency are met through the government annual estimates process. Most financial instruments relate to contracts to buy non-financial items in line with the Agency's expected purchase and usage requirements and the Agency has therefore minimised exposure to credit, liquidity or market risks.

Financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The value of a financial instrument will fluctuate due to changes in market interest rates. The Agency discounts its financial assets at the nominal rate determined by HM Treasury for financial assets, currently 1.9%. Accounting estimates and judgements regarding the recoverability of receivables are disclosed within Note 2.

9 Trade receivables, financial and other assets

	2022-23	2021-22
	£'000	**£'000**
Amounts falling due within one year:		
Financial assets		
Receivables for fees - case administration	33,210	37,659
Receivables for disqualification costs	374	228
Receivables for redundancy payments service	34,776	30,135
Total financial assets	**68,360**	**68,022**
Trade receivables and other assets		
Prepayments	3,093	2,056
VAT receivables	1,112	1,460
NIF receivables	2,039	889
Trade receivables	859	716
Employee receivables	44	30
Total trade receivables and other assets	**7,147**	**5,151**
Total amounts falling due within one year	**75,507**	**73,173**
Amounts falling due after more than one year:		
Financial assets		
Receivables for fees - case administration	19,760	15,583
Receivables for disqualification costs	1,758	1,912
Receivables for redundancy payments service	48,449	42,440
Total financial assets	**69,967**	**59,935**
Total amounts falling due after more than one year	**69,967**	**59,935**
Total receivables, financial and other assets	**145,474**	**133,108**

The receivables for estate accounts fees have been reduced by a bad debt write-back of -£24k (2021-22: a write-off of £72k).

The RPS receivable is shown at estimated recoverable value. This is calculated by the Agency using a model which is approved by

HMRC. The model calculates the recoverable debt as £83m as at 31 March 2023 of which current debt is £34m and £49m is non-current (2021-22: £73m of which £30m is current and £43m non-current). As detailed in Note 1(m), 1(n) and 2(d), debtors have been grouped estimated recoveries have been based upon historic performance. Changes in the estimated recovery rates applied necessitated a write-back of debt of £23.5m. Total preferential debt as at 31 March 2023 was £27.8m (2021-22: £27.3m), and total non-preferential debt was £51.7m (2021-22: £45.5m).

Included within the above figures are receivables for case administration fees £33.2m (2021-22: £37.7m) for amounts expected to be recovered within one year and £19.8m (2021-22: £15.6m) for case administration fees expected to be recovered in more than one year. These represent sums recoverable by the Agency for case administration work undertaken, but not yet received.

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

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

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

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

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

The main forecasting uncertainties are:

- the pattern and period over which assets will be realised to fund fee recoveries;
- the average realisable value of assets of estates entering bankruptcy or liquidation.

The risk to fee recovery which might arise from impairment to the portfolio of assets has been subject to sensitivity testing, which estimated a <2.3% impact on fees from a 5% impairment and a <4.7% impact on fees from a 10% impairment. The wide range of assets within the portfolio mitigates the likelihood of any impact on the overall value of assets.

10 Cash and cash equivalents

	2022-23	2021-22
	£'000	£'000
Balance at 1 April	283,366	118,798
Net change in cash and cash equivalent balances	52,536	164,568
Balance at 31 March	**335,902**	**283,366**
The following balances at 31 March were held at:		
Government banking service (ISA account)	305,656	271,237
Government banking service	30,246	12,129
Balance at 31 March	**335,902**	**283,366**

Cash comprises cash at bank of £30m (2021-22: £12m) and a cash equivalent balance of £306m (2021-22: £271m). The cash equivalent balance is made up of cash received from fees charged during the normal course of Official Receiver's activities, which is held by the Official Receiver. Part of this balance is held in a bank account, part is held in an investment account with the Commissioners for the Reduction of the National Debt (CRND), as required by legislation, and part relates to balances which can be drawn down on cases indemnified by government departments or the consolidated fund. The amounts held in both accounts is drawn down on demand and transferred to the Agency’s bank account on a regular basis.

11 Trade payables and other liabilities

	2022-23	2021-22 (restated)
	£'000	£'000
Amounts falling due within one year:		
Payables	3,265	3,004
Accruals[1]	11,862	7,306
Due to the Consolidated Fund[2]	137,109	71,170
Deferred fee income[3]	7,396	4,490
Lease liabilities	5,464	6,431
Accrued employee benefits	2,974	3,353
Total	**168,070**	**95,754**
Amounts falling due after one year:		
Lease liabilities	11,489	16,876
Total	**11,489**	**16,876**
Total payables and other liabilities	**179,559**	**112,630**

[1] Accruals made in 2022-23 for expenditure relating to the year but not yet paid total £12m (2021-22: £7m). Notable items include £5.4m in relation to legal expenditure; £3.4m for IT expenditure; £1.3m for staff costs; and £1m for accommodation costs.

[2] The increase to the balance due to the Consolidated Fund of £65.9m is a result of excess receipts ongoing into 2022-23, which have not yet been paid to the Consolidated Fund at the year end. See Note 1(r) for the restatement of 2021-22.

12 Provisions for liabilities and charges

2022-23	Lease dilapidations £'000	Other £'000	Total £'000
Balance at 1 April 2022	3,878	460	4,338
Provided in the year	-	2,453	2,453
Provisions utilised in the year	(9)	(350)	(359)
Provisions not required written back	(2,176)	(110)	(2,286)
Borrowing costs (unwinding of discount)	120	-	120
Balance at 31 March 2023	**1,813**	**2,453**	**4,266**
Analysis of expected timing of discounted flows			
Not later than one year	630	2,453	3,083
Later than one year and not later than five years	734	-	734
Later than five years	449	-	449
Balance at 31 March 2023	**1,813**	**2,453**	**4,266**

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

The Agency operates from a number of sites across the UK. Leases for buildings require payments of dilapidations on termination of the lease and exit of the building. Therefore, the

Agency holds provisions for anticipated future dilapidation costs (which represents the estimated cost of making good the infrastructure of the leases, under the lease terms). As at 31 March 2023 the Agency holds provisions for dilapidations for 20 locations (2021-22: 22).

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

13 Lease Liabilities

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

	2022-23	2021-22
	£'000	£'000
Balance at 1 April	23,307	-
Initial adoption of IFRS 16	-	29,600
Additions	1,658	692
Payments	(5,676)	(6,543)
Remeasurement	(2,539)	(687)
Borrowing costs (unwinding of discount)	203	245
Balance at 31 March	**16,953**	**23,307**

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

Obligations under leases for the following periods comprise:

	2022-23 £'000	2021-22 £'000
Buildings		
Not later than one year	5,541	6,431
Later than one year and not later than five years	9,420	11,925
Later than five years	3,096	5,596
	18,057	**23,952**
Less interest element[1]	(1,104)	(645)
Present value of obligations	**16,953**	**23,307**
Current	5,464	6,431
Non-current	11,489	16,876
Total	**16,953**	**23,307**

[1] The lease liability is measured at the present value of the lease payments, discounted using the HMT issued discount rate for leases at the time of commandment or at the latest remeasurement point. For more information see note 1(o).

14 Contingent liabilities disclosed under IAS 37

As per Note 1(g), we have carried out assessments of potential contingent liabilities.

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

Due to the nature of the work undertaken by the Agency, there are a number of ongoing legal cases giving rise to contingent liabilities. The legal cases included as contingent liabilities all relate to either present obligations or probable obligations where reliable estimates cannot be made or possible obligations where the Agency has issued civil proceedings through the courts, and the outcome is dependent on court rulings and findings not wholly within the Agency’s control.

The Agency has 66 contingent liabilities relating to defended cases where it is possible but not probable that payment may be made in the future. The Agency has elected to use allowances within IAS 37 to limit our disclosure on the potential financial impact. The Agency considers that, in accordance IAS 37.92, further disclosure for any contingent liability connected to legal proceedings could seriously prejudice ongoing litigation.

15 Related party transactions

The Insolvency Service is an executive agency of DBT, previously BEIS; Both BEIS and DBT are regarded as related parties. During the year there have been various material transactions with BEIS and with other entities for which the department is regarded as the parent.

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

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

The compensation of key management personnel is set out in the Remuneration and Staff Report.

16 Financial exposure

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

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

Redundancy payments service risk

Our RPS receivables disclosed in Note 9 are paid over to the National Insurance Fund and do not impact the Agency's financial risk profile. This is because the cost associated with non-recovery (for example the cost of debt being written off) will be met by the National Insurance Fund. The administration income shown in Note 4 is the income received by the Agency for the administration of the service.

RPS receivables can be collected over a period of many years, and as such are subject to inflationary risk to their value over time. As such these debts are discounted in line with prescribed HM Treasury rates. This rate varies from 0.60% to 7.40% based on the age of the debts.

Interest rate risk

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

The Agency recognises that its case administration receivables play a significant medium to long-term role in the financial risk profile. To reflect that risk, we apply a discount rate determined by HM Treasury to our financial assets. This rate is currently 1.9% (2021-22: 1.9%). We consider this an appropriate way to reflect that risk.

Liquidity and foreign currency risk.

The Agency has exposure to liquidity risks due to the actual timing of the recoveries of the case administration receivables. This risk is managed by the provision of inter-entity cash funding from BEIS which allows the Agency to retain inter-entity balances to meet cash flow requirements. Going forward this funding will be provided by DBT.

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

17 Third party cash

DRO pre-application fees

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

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

Applicants can pay this fee in instalments (but the application won't be considered until the full £90 is received), and as such, there is a balance of funds held on behalf of these applicants which is not included within these accounts. On a monthly basis, any funds due to the Insolvency Service for 'accepted' applications is paid into the Agency's bank account (and amounts are accrued at year-end) and shown as income (Note 4).

The current value of the income received (including an accrual for amounts due but not yet transferred) was £2.2m (2021-22: £2.2m). The

DRO bank account held £1096k as at 31 March (2021-22: £796k).

Online Debt Solutions fees

The Online Debt Solutions (ODS) is a way for bankruptcy applicants to submit their application electronically. The cost of going bankrupt online is £680. This is made up of a £130 adjudicator fee and a £550 bankruptcy deposit. This can be paid in instalments and this money is held separately until it is paid in full, when it is then transferred into the ISA. This ODS bank account held £735k as at 31 March (2021-22: £704k).

Compensation Orders

Compensation orders aim to make directors financially account for the consequences of their unfit conduct. The Insolvency Service can apply to the court for a compensation order on behalf of the Secretary of State. Where an order is made the compensation is paid into a bank account held by the Agency for distribution to a creditor or a class of creditors as a contribution to the assets of the company. The compensation orders bank account held £163k as at 31 March (2021-22: £0k).

18 Events after the reporting period date

In October 2023 the Economic Crime & Corporate Transparency Act (the Act) received Royal Assent. This created a new workstream for the Agency with income to be received from Companies

House via a Memorandum of Understanding. This will be used to fund company investigation and enforcement including an increase in referrals from Companies House.

There is no implication on the 2022/23 Annual Report & Accounts as the change is prospective and will take effect later in 2023/24 or within 2024/25. The Agency is still determining how the new income regime will be implemented with HM Treasury and Companies House and as such we are not yet able to provide a reliable estimate of the value of the income that will be recognised in future years.

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

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