



Corporate Plan

2011-15

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Chief Executive's Foreword



Welcome to The Insolvency Service's Corporate Plan for 2011-15. In this Plan, while focusing on 2011-12, we look forward across the current Spending Review period to 2015.

We enter 2011-12 after a year of unparalleled challenge and change, about which we will report in detail in our annual report and accounts to be published in July. Throughout last year, the volume of new insolvency cases fell steadily - against our expectations - leading to the decision in the autumn to release nearly all of our non-permanent workforce. As the new financial year begins we are concluding a voluntary exit scheme for around 470 permanent staff.

Demand for our services continues to fall but as a result of exiting both permanent and non-permanent staff, The Service starts the new financial year with staff costs which are around 25% lower than this time last year. The key priority for the first part of 2011-12 will be to mitigate the operational consequences of the loss of so many staff in such a short space of time. Recognising the impact that could have on performance, Ministers have agreed that we should retain our agency targets at more or less the levels set for last year. However, meeting these targets and maintaining current levels of output will be harder this year than it was last year and, given the timescales around some of the work that we do, the effects of our recent downsizing will continue to be felt well beyond the end of this financial year.

The Insolvency Service, in common with all government departments and agencies will, this year, be operating under the Cabinet Office's Efficiency and Reform Group controls on spending ranging from ICT and estates to marketing, consultancy and recruitment. I am comfortable that, with BIS's continuing support, we will be able to operate within these controls in a way that does not impair our ability to deliver for our customers and in line with our ambitions set out in this Corporate Plan.

Beyond our short-term challenges lies the job of reshaping what we do and how we do it to:

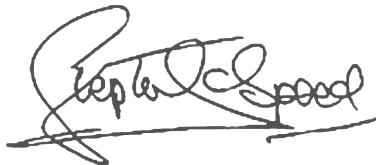
- improve customer service and reduce customer transaction costs by developing new, lower cost customer channels where possible, supporting the

Government's wider digital strategy;

- increase The Service's ability to respond more quickly to changes in demand for our services;
- reduce our overheads, including back-office support costs, sharing these with other organisations where possible, and the amount of money we spend on estate and ICT provision; and
- continue to improve the financial sustainability of The Service's funding arrangements and reduce risk.

The Directing Board, working with our Steering Board, has been developing a long-term vision and outline delivery strategy. During the first half of this year, we intend to engage openly and widely with our staff, trade unions and stakeholders about this so that, by the end of the calendar year, we have a very solid business case for the changes that we need to make and the investment that will be needed to support them in subsequent years.

I would like to take this opportunity to thank all of my colleagues here at The Insolvency Service for the excellent work they do, day in, day out, right across the organisation.

A handwritten signature in black ink, appearing to read 'Stephen Speed', with a long horizontal flourish underneath.

Stephen Speed
Inspector General and Agency Chief Executive

1. Introduction

This Corporate Plan has been approved by the Minister for Employment Relations, Consumer and Postal Affairs, Edward Davey MP. The Minister announces publication of the Plan and sets The Service's published targets, by means of a Written Statement to Parliament. The statement announcing publication of The Service's Plan and published targets for 2011-12 can be found at Annex A on page 37.

1.1 What We Do

The Insolvency Service is an Executive Agency of The Department for Business, Innovation and Skills (BIS). The Service provides a range of important public services and enforcement activities associated with and arising from personal and corporate insolvency and corporate misconduct. These are described in more detail in our booklet *A Guide to The Insolvency Service* which can be downloaded from our website¹. The Service has around 2,100 staff, operating from 35 locations across Great Britain.

1.2 Summary of Insolvency Service Finances for 2011-12

For 2011-12, revenue turnover is projected to be around £146.5 million, down from £173.1m in 2010-11. The Service's costs are met from a mixture of funding provided by BIS from general taxation, HM Revenue and Customs (HMRC) and income from fees that The Service charges for services that it delivers. The Service is required to set its fees such that eligible costs are covered over a three-year period.

In addition to these revenue costs, BIS has allocated £6.6 million for capital projects.

The details of our funding regime are set out in our Annual Report and Accounts, presented to Parliament in July each year.

¹ <http://www.insolvency.gov.uk/guidanceleaflets/Guides.htm>

Table 1: Insolvency Service projected costs for 2011-12 and how they are recovered.

	2010-11 £m ¹	2011-12 £m	Recovered from
Insolvency Case Administration and Official Receiver Investigations ²	117.4	93.2	Fee income
Debt Relief Orders	2.0	2.5	Fee income.
Estate Accounting	2.2	2.0	Fee income.
Insolvency Practitioner Regulation	1.5	1.5	Fee income.
Investigation & Enforcement Services	36.3	35.3	Programme funding from BIS and costs recovered from successful litigation.
Redundancy Payments	10.2	9.2	National Insurance Fund supported by Service Level Agreement with HMRC.
Policy	1.7	1.6	Administration funding from BIS.
Other	1.8	1.7	Various e.g. rent recoveries from sublet accommodation.
Total Expenditure	173.1	146.5	

Notes:

1 - Anticipated expenditure for 2010-11, excluding exceptional items, is shown for comparative purposes.

2 - Excludes technical accounting charges.

1.3 Planning Assumptions for 2011-12

In drawing up our Corporate Plan we have to make planning assumptions about the volumes of work we expect to deal with so that we can develop robust cost and income projections and manage resource allocation. The Service's planning assumptions are not economic forecasts and should not be interpreted or relied upon as such.

The Service uses econometric models to project new insolvency case numbers. and provide 3-year projections for case levels. We also convene a 'Consensus Group' twice a year, including BIS economists, external practitioners and economists from the insolvency and financial industries as well as Service officials. The Group analyses relevant economic information, including growth, levels and composition of household debt and changes in unemployment levels, and so assists The Service in projecting possible case numbers.

Taking account of all relevant factors, the Group has concluded that that the current downward trends in bankruptcy and compulsory company windings up are likely to continue throughout 2011, while claims for statutory redundancy payment are also likely to continue the gradual decline seen in 2010-11. The Service has planned its resources for 2011-12 on the basis of case projections shown in the table. The use of plan ranges reflects the inherent uncertainty around these projections.

Table 2 – Insolvency Service key planning assumptions for 2011-12

	2010-11 Draft Outturn ¹	2011-12 Plan Range
Total insolvency case administrations	57,791	45,000 to 55,000
Debt Relief Orders (DROs)	26,326	24,000 to 30,000
Redundancy payment claims	116,972	100,000 to 125,000
Number of reports alleging misconduct received from Insolvency Practitioners	5,373	4,500 to 5,500
Complaints received by the Enforcement Hotline	617	600 to 700
Complaints about live companies received by Companies Investigations	4,458	4,200 to 5,000
Number of Insolvency Services Account (ISA) payments	176,404	180,000 to 200,000

Note 1: – Based on the un-audited end of year figures

1.4 The Corporate Plan

The main features of the remainder of this Corporate Plan are as follows.

Section 2 sets out The Service’s intentions to develop its long-term vision and direction and vision in consultation with staff, trade unions and wider stakeholders.

Section 3 describes our priorities in supporting Ministers on the development of insolvency policy and regulation. The Insolvency Service delivers a range of demand-led, often complex services and fulfils a range of equally complex statutory functions. **Section 4** describes these services and the key performance targets for which will underpin them for the coming year. **Section 5** sets out the key objectives of our Investigations and Enforcement business and how we intend to deliver these in 2011-12. The role that The Service’s corporate centre will play in ensuring that our front-line service delivery functions are properly resourced and enabled to deliver high quality services is expanded in **Section 6**.

2 Strategic Vision and Direction

2.1 The Service’s Purpose

The Insolvency Service’s purpose is to provide the framework and means for dealing with financial failure in the economy and for dealing with the misconduct that is often associated with it.

To achieve this we will:

- Maintain and develop a world-class insolvency law and regulatory framework.
- Deliver key public services that support the insolvency framework.
- Deliver and promote an effective investigation and enforcement regime.
- Ensure an organisation devoted to continuous improvement.



Figure 1 – The Insolvency Service’s Purpose

2.2 The Service’s Vision and Strategic Direction

The Insolvency Service needs to evolve and change if it is to continue to provide the best quality and most cost-effective services to its customers. To that end, The Service has been analysing the drivers of change, developing a vision for the longer term based on that analysis and developing strategic options to support a move towards that vision over the next few years.

2.2.1 The Case for Change

From around 2004 to 2009-10 the number of bankruptcies rose more or less steadily, reaching record levels in 2009-10. In 2008-09 the volume of claims for statutory redundancy payments was double the level in the previous year. The Service’s main challenge throughout this period, therefore, and particularly during the recession, was to manage increasing demand for our services while maintaining and improving quality of service.

However, demand for our services, and in particular the numbers of bankruptcy and company winding-up orders, is now falling and it seems likely that this will continue for at least the rest of this year. Contraction presents new and different organisational challenges and we must consider how we will deliver against this backdrop of structural change, while at the same time achieving our goals of continuously improving the quality and efficiency of all that we do.

In addition to falling demand for our services and the financial pressures that this places on The Service in the short term, The Service must develop a strategy that will allow it to embrace drivers for change which include:

- **Deficit reduction measures:** as a consequence of the Spending Review settlement, The Service will be required to reduce administration spend by 22% and the administration of HMRC-funded redundancy payments by 25% over this Corporate Plan period, to 2015.
- **Evolving insolvency regime:** There is considerable scope for and interest in reducing the role of the courts in bankruptcy which, together with greater e-delivery and use of technology, could have a significant effect on the way we deliver our services. More widely, consumer debtors in particular have a range of possible remedies available to them and The Service has to respond to changing attitudes to indebtedness generally and to the incentives that influence how debtors choose to resolve their problems.
- **Wider Government reform agenda:** In support of the Government's wider reform agenda, The Cabinet Office's Efficiency and Reform Group have considerably tightened control on many forms of expenditure that were formerly delegated to departments and their partner organisations. In line with this, BIS, together with its partner organisations, including The Service, has developed and is now implementing a Commercial Strategy whose aim is to achieve significant savings across the Spending Review period and beyond in areas such as procurement, estates, ICT and shared services. This will impact directly on the size and structure of The Service's corporate centre and the way that it supports the front line.
- **Channel Shift:** The Government's Digital Services agenda aims to move public services online. This has the potential to significantly impact how we deliver services in the future.

2.2.2 Our Current Position

The Insolvency Service has significant strengths. We have a highly dedicated and professional team of staff, delivering high levels of service to all of our customers. Our customer satisfaction index has remained steady at around 90% throughout the recession and our annual business confidence survey shows that overall confidence in the Investigation and Enforcement regime is 64%. In 2010-11 The Redundancy

Payments Service managed to exceed their timeliness targets for the processing and payment of claims. As an organisation we are very proud of our track record of delivery.

However, the combination of recent rapid variations in case input volumes and budget cuts has exposed The Service's relative inflexibility and inability to downsize quickly, and without our recent Voluntary Exit Scheme (VES), we would now be significantly overstaffed.

In the 18 months prior to the start of This Corporate Plan period, The Service has been very successful in reducing its front line costs as demand has fallen. However, reducing the overhead has been more difficult as a significant proportion of it is locked up in an estate and ICT infrastructure designed for a larger organisation. Starting to manage down our overhead will be a key challenge for 2011-12 and beyond. We will therefore vigorously pursue opportunities, especially those presented through BIS's Commercial Strategy, to pursue savings in this area.

In spite of the new technology we have recently adopted, some of our processes retain a considerable amount of manual interaction, incurring cost for us and our customers and failing to meet the legitimate and growing expectations of an increasingly IT-literate customer and stakeholder base. We have identified up to 90 transactions that could benefit from online interaction. We want to increase the use of technology to communicate with customers, to communicate internally and to automate processes. Initial analysis of call volumes has identified that approximately 30% of telephone contact in some areas is unnecessary, and could be avoided through process improvement and the provision of online services and information. We will investigate how we can use technology and centralised call handling to increase the efficiency of customer contact, reducing our costs by making the customer's experience easier and more straightforward.

2.2.3 The Insolvency Service's Long-Term Vision

Springing from the our current position and our analysis of the challenges we face, The Directing Board is currently developing a new vision for The Service, a vision for the organisation that we believe The Service should strive to become in the years ahead.

2.2.4 Moving Towards The Vision – Delivery Strategy

In order to start to move from the current position towards our vision, The Service will need to map out a strategic direction of travel. Accordingly, we have begun to develop a delivery strategy that encompasses:

- the development of a range of strategic delivery model options for each of our businesses and for the organisation as a whole;

- exploring the potential for reforming insolvency legislation to support further innovation and cost reduction in the way that insolvency products are delivered, for example, around petition reform, early discharge and developing the outcomes of the personal insolvency review (see section 3);
- embedding our new insolvency case administration IT system (ISCIS) and implementing the redundancy payments IT system (CHAMP), reviewing how they can support the different delivery options we are working on, and ensuring that they deliver maximum value for money;
- pursuing opportunities for shared services across the BIS family and wider Government with respect to ICT, procurement, finance and HR transactions, and estates management in line with the broader Government agenda;
- developing a financial strategy that ensures recovery of our costs, minimises bad debts in fee-funded activities and maintains a fair balance between those who pay for our services.

We will engage with our staff, the trades unions and external stakeholders on the case for change, our vision and the delivery strategy during the summer, and we will then work up a detailed implementation programme consistent with the resources we are able to invest in change.

3. Maintain and Develop the Insolvency Law and Regulatory Framework

This section presents the work plan and objectives of our Policy Directorate, which encompasses both insolvency policy and insolvency practitioner regulation, as well as technical support and statistical analysis. The main thrust of the work is to ensure that, in line with our vision of having a world-class insolvency regime, insolvency law is kept up to date and fit for purpose. We advise Ministers in BIS and other Government departments on domestic, European and international insolvency issues. We also provide technical advice and support to official receivers and guidance to Insolvency Practitioners (IPs) as to the practical application of the insolvency law. We publish the quarterly National Statistics on insolvency as well as other statistical analysis.

The cost of the policy function is met from a BIS administration budget. BIS also share the cost of the statistics team. IP Regulation is funded from fees charged to IPs and Technical Section costs are met from the Official Receivers' budget which is funded from fees.

3.1 Insolvency Policy

We consult closely with stakeholders on all aspects of policy and legislation and on any proposed changes, including finding non-legislative solutions to specific problems that arise in order to remedy specific concerns. We also issue detailed guidance to official receivers and Insolvency Practitioners on the proper application of the legislation and keep under active review the extent to which existing legislation meets the Government's policy objectives.

Policy changes being considered for the current Spending Review period, through to 2015, are:

- **Petition Reform** – reviewing options to reduce the role of the Courts in the Insolvency process, except where there is a need for conflict resolution;
- **Personal insolvency review** – as part of a wider review of *Managing Borrowing and Dealing with Debt* which is being led by BIS and HMT, The Service is leading a review of the personal insolvency regime to ensure that it meets the needs of debtors and creditors.
- **Corporate insolvency reforms** – to improve outcomes for creditors and to support company rescue. The Minister has recently announced plans for reforms to pre-pack administration and we have been consulting on a possible Court-based moratorium in corporate insolvency cases.

- **Reforms to the regulatory regime for Insolvency Practitioners** – following a report by the Office of Fair Trading, we have issued a consultation on possible reforms to the regulatory regime, including a new independent complaints mechanism.
- **New Insolvency Rules** – we will consult on a draft of a new set of Insolvency Rules, and will review concerns that stakeholders have expressed about rules on administration expenses and will consider whether early legislative changes are required.

In addition to leading on our own legislation, we will continue to contribute to projects for insolvency reform relating to European and wider international issues, by working with the European Commission, UNCITRAL (United Nations Commission on International trade Law), the World Bank, IAIR (International Association of Insolvency Regulators), UNIDROIT (International Institute For The Unification of Private Law) and other international organisations.

3.2 Insolvency Practitioner Regulation

We ensure that there is an effective framework for the regulation of private sector Insolvency Practitioners including monitoring the work of the Recognised Professional Bodies (RPBs) who, together with Insolvency Practitioner Unit within The Insolvency Service, authorise Insolvency Practitioners.

In its role as the oversight regulator, The Service is responsible for ensuring that the regulation of Insolvency Practitioners by RPBs is robust and fit for purpose. The Service works with the RPBs through the Joint Insolvency Committee (JIC), which agrees professional standards that apply to all Insolvency Practitioners. Professional standards include Statements of Insolvency Practice (SIPs) and the Ethical Code which are mandatory and Insolvency Guidance Papers which promote best practice.

As mentioned above, in February 2011 the Government issued a consultation on possible reforms to the regulatory regime, following a report in 2010 by the Office of Fair Trading on the corporate insolvency market. The proposals included changes to the regulatory structure and a new, independent, complaints regime.

3.3 Technical Section

Technical Section has two main functions. First, it disseminates information on insolvency matters to members of the public in the form of published material and by answering requests made directly through the Insolvency Enquiry Line. The section prepares and publishes a range of leaflets and guides available on The Insolvency Service website. This guidance is updated regularly and often in response to feedback from user groups.

Second, the section provides guidance and support to official receivers and their staff via amendments and updates to the case help and technical manuals, and via e-mail, telephone or face to face discussions with staff.

3.4 Statistics Section

We publish the quarterly Insolvency Statistics, which is an accredited National Statistics branded output, and other official statistics publications which are derived principally from The Service's operational data; produce econometric forecasts of insolvency caseloads to feed into The Service's planning assumptions; and provide statistical support across The Service.

The Insolvency Service Statistics team undertook a user engagement consultation, beginning in Summer 2010, to seek stakeholders' views about how our statistics are used and how they could be improved. The Government Response Document² was published on 21 December 2010 and included a variety of recommendations we hope to be able to take forward.

² www.insolvency.gov.uk/insolvencyprofessionandlegislation/con_doc_register/statsresponse.pdf

3.5 Actions & Targets for 2011-12

Work Area	Activity or Target	Timescale	Responsible
Personal insolvency	<ul style="list-style-type: none"> Review personal insolvency regime, including unregulated debt management plans as part of wider review of consumer credit and debt. Taking the courts out of undisputed insolvency petitions. 	<ul style="list-style-type: none"> Beyond 2011-12 	<ul style="list-style-type: none"> Policy Unit
Company insolvency	<ul style="list-style-type: none"> Amendment to provisions on pre-pack administrations to provide greater transparency, through advance disclosure to creditors where sales of significant un-marketed assets to connected parties are proposed. Further consultation with stakeholders on a new Court-based moratorium to support company rescue. 	<ul style="list-style-type: none"> Apr 2012 Dec 2011 	<ul style="list-style-type: none"> Policy Unit IP Policy & Policy
Regulation of Insolvency Practitioners	<ul style="list-style-type: none"> Government response to consultation of reform of insolvency practitioner regulation, including a new regulatory structure, an independent complaints mechanism and measures to strengthen the position of unsecured creditors 	<ul style="list-style-type: none"> Beyond 2011-12 	<ul style="list-style-type: none"> Policy Unit & IP Policy
General	<ul style="list-style-type: none"> Consult on a new set of Insolvency Rules and produce a final draft in light of feedback from stakeholders 	<ul style="list-style-type: none"> Beyond 2011-12 	<ul style="list-style-type: none"> Policy Unit
Support the development of the EC insolvency framework	<ul style="list-style-type: none"> Update of EC Regulation in response to proposals from EC Commission 	<ul style="list-style-type: none"> As EC deadline 	<ul style="list-style-type: none"> Policy Unit
Provide advice to Government Departments	<ul style="list-style-type: none"> As required on specific proposals, including passage through Parliament of relevant legislation. 	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> Policy Unit
Insolvency Statistics	<ul style="list-style-type: none"> Publish National Statistics for insolvency in England & Wales, Scotland and Northern Ireland. Publish other Official Statistics on IVA outcomes and regional statistics for individual insolvencies. Implement the agreed outcomes of last year's Insolvency Statistics consultation 	<ul style="list-style-type: none"> Quarterly Annually Ongoing 	<ul style="list-style-type: none"> Statistics Team

4 Public Service Delivery

4.1 Insolvency Case Administration

4.1.1 The Role Of The Official Receiver

Official receivers (ORs) deal with the day-to-day administration of all bankruptcies and of liquidations of companies wound up by order of the court. This includes a variety of initial duties as the public office holder.

The OR is responsible for protecting any asset owned by the insolvent party, so that any value is maintained for the benefit of creditors. The OR will also establish the causes of the insolvency and will notify these to creditors in a statutory report, which will also contain details of assets and liabilities.

Where possible the OR will seek an income payments agreement or an income payments order against a bankrupt under which there will be a requirement to make a contribution from ongoing income towards the costs of the bankruptcy proceedings and the claims of creditors. The OR will pay creditors on account of their claims if and when sufficient monies have been realised for this purpose.

If the OR identifies evidence of potential misconduct by a bankrupt or company director she or he may carry out an investigation and report evidence of misconduct. That investigation, up to the point that a report is submitted, is funded by the insolvency case administration fee. The OR's report is passed to IES (see Section 5) where a decision is made whether or not it is in the public interest to issue proceedings. In the event that proceedings are issued, this can lead to the imposition of restrictions on a bankrupt's activities (in areas such as obtaining credit) or the disqualification of a director for between 2 and 15 years, either through an out-of-court undertaking or through a court order. The work done on OR-originated cases either by IES or by the OR after submission of the OR's report is funded from general taxation. The OR will also report potential criminal offences to IES for onward submission to a prosecuting authority such as BIS.

Furthermore the OR takes enforcement action through the courts to suspend the automatic discharge of bankrupts who refuse to co-operate, either through non-attendance on the OR or by a failure to provide information or a satisfactory account of their financial affairs. Suspension of discharge means that the bankrupt cannot obtain his discharge from the proceedings until the suspension is revoked.

4.1.2 Debt Relief Orders

From 6 April 2009, The Service has been dealing with cases arising from a relatively new procedure, the Debt Relief Order (DRO), which is for those who have liabilities below £15,000 and practically nothing in the way of assets or surplus income. The Service had 26,000 applications in the past year, with the use of this option increasing to a monthly average of between 2,100 and 2,300 DROs per month as the year progressed. For 2011-12 DRO applications are expected to grow as a result of changes to the qualification criteria. Originally, an applicant was excluded from obtaining a DRO as a result of having a pension as an asset, even if that pension is not due to mature for some years. Legislation has been passed to allow a qualifying pension to be held without the applicant being excluded.

4.1.3 ORS Planning Assumptions And Key Activities

The planning assumption range for new bankruptcy and compulsory company winding-up cases for 2011-12 is from 45,000 to 55,000, down between 29% and 42% from the 78,000 cases in 2009-10.

During 2010-11, The Service experienced a rapid decline in new bankruptcy cases. In response to this, official receivers switched resource into investigations work with the result that over the year as a whole The Service was able to commence more investigations than expected.

In October and November, when it became plain that the decline in case numbers was unlikely to stop or reverse, The Service released virtually all temporary workers and undertook a range of other cost-cutting measures. In anticipation of further falls in case numbers extending through 2011-12, The Service also ran a very significant Voluntary Exit Scheme from December 2010 to April 2011, with around 360 (out of 1700) official receiver permanent staff leaving in the first few weeks of the 2011-12 financial year. Further disruption is caused by the intended transfer of over 40 examiners out of ORS into other business areas, mainly IES.

As a result of these measures, the excess investigative capacity previously available to the ORs has now been removed. This, combined with the underlying fall in new cases, and the disruption caused by staff leaving, means that the ORs production of bankruptcy restrictions is expected to fall this year and next and their contribution to The Service's level of director disqualifications will also reduce. The Service is working to minimise the impact of this on the work of the official receivers and on our remaining staff.

Official Receiver Services will carry out three significant business reviews in the coming year, as follows:

- a review of the Office Performance Indicator system with the objective of

ensuring that the metrics used in resource planning and performance monitoring remain fit for purpose;

- a review of policies and procedures in relation to the collection of assets in insolvency cases. This will make recommendations to increase recovery of assets for the benefit of creditors (see Section 4.1.5).
- a review of the structure of our specialised Regional Trustee and Liquidator Units and National Dividend Units in handling assets and distributions to creditors.

4.1.4 Insolvency Case Administration Fees

Case administration fees for the bankruptcy work of the official receiver will be unchanged at £1,715 in 2011-12 for the fourth successive year. This represents a real-terms reduction of a little over 10% in the fee in this period. The fee for a compulsory company winding up will remain at £2,235, the level set in April 2010.

4.1.5 Insolvency Case Administration Fee Recovery

The official receivers' position as bankruptcy trustees of last resort requires The Service to handle all bankruptcies, including those in which assets are insufficient to cover the case administration fee charged by The Service. The Service's fee regime therefore relies on an internal cross-subsidy between asset-rich and asset-poor cases. The fee itself includes a provision for bad debt which represents the extent we expect to be unable to recover from bankrupt estates to cover our fees as a result of this.

Since the recession began, The Service has experienced increasing difficulty in recovering its fees from insolvent estates as asset levels in new cases have, on average declined and as asset values (principally property) have fallen (the latter affecting both new and older cases). This has increased the reliance The Service has had to make on the cross subsidy. It has also put upward pressure on the bad debt provision in our accounts which has the effect of increasing the overall level at which fees have to be set to achieve break-even.

The Service is therefore pursuing a strategy of trying to reduce this bad debt element of its case administration fee. As a result, although our insolvency case administration fees will not increase in 2011-12, the deposit, which is paid at the point that a court order is obtained, will increase with effect from 1 June 2011, as follows:

- Bankruptcy debtor's petition - from £450 to £525;
- Bankruptcy creditor's petition - from £600 to £700;
- Compulsory liquidation creditor's petition - from £1,000 to £1,165.

In administering bankruptcy cases we will ensure that where bankrupts are able to contribute from their surplus income they do so via Income Payments Agreements or Orders (IPA/Os). We shall also be looking to maximise returns to creditors by increasing the level of recoveries, and handling payments to creditors through a specialised National Dividends Unit.

4.2 Redundancy Payments Service

Through its Redundancy Payments (RPS) offices, The Insolvency Service makes redundancy and other statutory payments to former employees of insolvent individuals, partnerships and companies out of the National Insurance Fund, in cases where the insolvent employer is clearly liable for those payments. RPS can also assist businesses to make redundancy payments to employees in certain circumstances.

Over the past two years RPS has seen significant monthly fluctuations in the number of claims being handled, and this is expected to continue until the impact of the recession has fully worked through. The focus for the year will be to maintain our current service standards to customers while managing the impact of the fluctuating number of claims, and the implementation of the business' new case handling IT system CHAMP, which is due to go-live from summer 2011.

The costs of the administration of the Redundancy Payments Scheme, expected to be £9.5 million in 2011-12, are paid to The Service by HM Revenue and Customs (including £300k carried forward from 2010-11) under a Service Level Agreement and are met from the National Insurance Fund. The expected costs reflect the level of redundancy payments claims forecast and the remaining costs of implementing a new IT system, which once live will lead to efficiency savings from late 2011-12 onwards.

4.3 Estate Accounts Services

Trustees and liquidators of compulsory cases, including the OR, must pay funds from the realisation of assets into The Insolvency Service Account (ISA) within prescribed time limits. Estate funds lodged in the ISA automatically receive interest. The rate of interest is set by insolvency regulations and may be changed by notice. Estate Accounts Services (EAS) handle all receipts into, and payments out of, the ISA; maintain an account for each insolvency estate and ensure that fees are charged and collected in accordance with the legislation. EAS provide services in relation to the accounts, including the handling of unclaimed dividends, the crediting of interest and the provision of six-monthly statements to Insolvency Practitioners.

EAS services are funded from fees which are set to reflect the cost of the activity required to provide the service. Where estate accounting services are provided to ORs on the cases they are administering, the costs of these services are funded from

the case administration fees charged to these insolvency cases. Where estate accounting services are provided to Insolvency Practitioners (IPs) on the cases they are administering, a quarterly fee is charged to the case as well as transaction fees relating to the making of payments and investments.

In 2011-12, EAS will begin to pull out of providing banking for Insolvency Practitioners in voluntary cases and will instead limit its activities to the provision for banking services for compulsory cases.

4.4 Insolvency Practitioner Unit

The Insolvency Practitioner Unit (IPU) is responsible for carrying out the Secretary of State's (SoS) statutory functions in relation to IPs, principally:

- dealing with applications to the SoS for authorisation to act as an IP;
- dealing with complaints about the conduct of IPs authorised by the SoS; and
- appointing trustees and liquidators on behalf of the SoS in some bankruptcies and compulsory liquidations, where appropriate, and dealing with their removal or resignation.

In its capacity as a direct authoriser of IPs, IPU acts analogously to and alongside the seven Recognised Professional Bodies (RPBs). At the same time The Service is responsible for setting the legal frameworks in which IPs, the RPBs and IPU operates. Therefore, in 2009-10, the IPU was placed in separate business to IP Policy, reducing the possibility for, and perception of, a conflict of interest between our two main regulatory roles.

The Service carries out its direct authorisation function principally by dealing with applications for direct authorisation, handling complaints against directly authorised IPs, and carrying out monitoring visits to directly authorised IPs on a risk basis.

IPU also maintains the public register of Individual Voluntary Arrangements (IVAs).

Insolvency Practitioner Regulation work (including the direct authorisation of IPs by the SoS) is funded by fees charged to Insolvency Practitioners and the RPBs. From 28 December 2009 the fees paid by IPs for authorisation by the Secretary of State has been set at £850, and the maintenance fee is now £2,400 for the first 12 months and £3,250 per annum thereafter. The annual fee paid by the RPBs for each IP they authorise remains at £300. Additionally, a fee of £15 is paid by Insolvency Practitioners on registration of an IVA.

When Debt Relief Orders were introduced, the IPU were appointed to act for the SoS in authorising competent authorities for DROs and dealing with complaints about competent authorities from 1 January 2010.

4.5 Actions & Targets for 2011-12

Work Area	Activity or Target	Timescale	Responsible
Voluntary Exit Scheme Recovery Implementation	<ul style="list-style-type: none"> Implement Transitional Plans which set out how work is reallocated to ensure ongoing cases are progressed 	<ul style="list-style-type: none"> Q1 	<ul style="list-style-type: none"> ORS
	<ul style="list-style-type: none"> Implement temporary staff relocation and cover to ensure essential posts are filled to continue "business as usual" 	<ul style="list-style-type: none"> Q1 	<ul style="list-style-type: none"> ORS
	<ul style="list-style-type: none"> Reduce number of remaining surplus staff by matching to vacancies elsewhere in The Service 	<ul style="list-style-type: none"> Q2 	<ul style="list-style-type: none"> ORS/RPS
Fee Recovery	<ul style="list-style-type: none"> Improve fee recovery by increased focus on asset realisation. 	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> ORS
	<ul style="list-style-type: none"> Realise at least 75% of the initial level of IPO/IPAs in payment. 	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> ORS
IT Improvements	<ul style="list-style-type: none"> Work with colleagues across the Service to agree the prioritisation for development work on the case administration IT system (ISCIS). 	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> ORS
	<ul style="list-style-type: none"> Ensure that the new Redundancy Payments IT system (CHAMP) is fit for purpose before launch; and 	<ul style="list-style-type: none"> Q2 	<ul style="list-style-type: none"> RPS
	<ul style="list-style-type: none"> All staff are fully trained prior to rollout 	<ul style="list-style-type: none"> Q2 	<ul style="list-style-type: none"> RPS
Service Delivery	<ul style="list-style-type: none"> Issue reports to creditors within 8 weeks: For bankruptcy cases 92%; and for company cases 80% 	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> ORS
	<ul style="list-style-type: none"> Achieve a User Satisfaction Index of: at least 90% at least 78% 	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> ORS RPS
	<ul style="list-style-type: none"> Action redundancy payment claims: 80% within 3 weeks 93% within 6 weeks 	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> RPS
	<ul style="list-style-type: none"> To check and action 98.5% of ISA payment requisitions within 4 days, or by the due date. 	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> EAS
	<ul style="list-style-type: none"> Undertake data amendments regarding office holders within 10 working days of notification. 	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> IPU
	<ul style="list-style-type: none"> Register 98% of Individual Voluntary Arrangements within 24 hours. 	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> IPU

5 Investigation and Enforcement

This section describes The Service's enforcement regime, the main aim of which is to contribute to the maintenance of fair and open markets through effective delivery of proportionate sanctions against individuals, companies and company directors where their behaviour merits our intervention.

Ministers have frequently stated how important it is to ensure that those within the business community who seek to gain an unfair advantage through their improper conduct should be dealt with, and this is reflected in a very much lower than average budget cut over the SR period – a 3% reduction for 2011-12 compared to last year.

The costs of the Investigation and Enforcement function, £35.3 million allocated for 2011-12, are met from £7m administration funding and £26.5m programme funding from the Department for Business, Innovation and Skills and £1.8m recovered from costs awarded in successful enforcement actions.

5.1 Investigation and Enforcement Services

Investigation and Enforcement Services (IES) comprises Intelligence, which reviews complaints and allegations coming into The Service, Company Investigations (CI) North and South, which investigate corporate misconduct, and Enforcement which approves corporate and personal cases for enforcement action on behalf of the Secretary of State. There is also a small Strategy, Planning & Finance team to co-ordinate and monitor the core functions across the various Directorates.

One of the main drivers of The Service's enforcement regime is to clamp down on corporate abuse, whether by directors involved in companies which have become insolvent or by solvent companies which are still trading.

ORs and IPs are required by The Insolvency Act 1986 to investigate the circumstances of failure of companies and establish why they have become insolvent. Such an investigation may uncover evidence of potentially criminal behaviour or evidence which would support disqualification or some other, regulatory, action against.

In the case of insolvent companies which enter non-compulsory insolvency proceedings, IPs are required to report to the Secretary of State on the conduct of the directors. If IPs report that directors' actions have been such as to call into question whether they are fit to act as directors in the future, The Service will review the case and investigate where it is in the public interest to do so. With authorisation from the Secretary of State, The Service will institute proceedings and either conduct

the case in court or, in the majority of cases, accept an undertaking from a director not to act in the management of a company for a specified period of between 2 and 15 years. Where criminality is suspected, the case may be referred to a prosecuting authority.

Company Investigations uses powers under the Companies Acts to conduct confidential, fact-finding investigations into the activities of live limited companies anywhere in the United Kingdom. Complaints about the conduct of live companies come mainly from the general public but also from other regulators and other parts of The Service. These types of investigations are conducted using powers which include the ability to compel the production of documents and the provision of information, enforceable by the courts. The Insolvency Service may not disclose Companies Act investigation reports other than through strict legal gateways, and must conduct investigations confidentially. These investigations may lead to further action, such as winding up the company in the public interest, director disqualification or referral to a prosecuting authority. In most cases, the circumstances uncovered in the investigation will then enter the public domain.

During 2010-11, IES worked closely with BIS Legal to develop a more focused approach to those cases where criminality is alleged, with the objective of referring better quality cases as early as possible. In 2011-12, we intend to build on this work to continue to ensure that the combined resources of The Service and BIS are deployed in the most efficient and economic way to produce the most appropriate public interest outcomes. We will also work collaboratively with BIS to enhance the deterrent and educational messages of our outcomes, through publicity and continued engagement with other enforcement and regulatory bodies and other stakeholders.

5.2 Enforcement Outputs

The funding that The Service receives from BIS is not demand-led, so we need to plan carefully the likely volume of our investigative and enforcement activity, consistent with remaining within budget and ensuring that enforcement outcomes and outputs are proportionate and provide value for money.

Although, to some extent, workloads in the next few years will reflect the considerable reductions in the level of bankruptcy (see section 1.3), the resourcing of enforcement activity across The Service also will impact upon output levels. IES lost a significant number of investigators under The Service's Voluntary Exit Scheme. These investigators will be replaced by insolvency examiners from ORS. That transition and the associated training will last into the early summer of 2011 and, combined with the small budget cut for the year overall in IES funding will have a modest adverse impact on our investigative capacity over the year.

Section 4, above, discusses the impact of insolvency case number changes on the likely level of reports of misconduct that will be submitted by official receivers to IES in 2011-12. However, there is a body of OR director disqualification cases already in progress at the start of the year and given the length of time taken to achieve a director disqualification, these cases will allow IES to largely maintain the level of director disqualifications in 2011-12 at the levels seen in 2010-11. The fall in director investigations by the official receivers discussed in Section 4 will lead to a drop in the number of disqualifications in 2012-13. The same considerations apply to bankruptcy restrictions, except that, as cases take less time, the fall in new restrictions will be felt in 2011-12, as shown in the table below.

Table 3: Insolvency Service enforcement output planning assumptions for 2011-12

	Outturn 2010-11¹	Plan Range 2011-12
Investigations into live companies ²	205	140 to 170
Company Director Disqualification Orders and Undertakings ³	1439	1,250 to 1,350
Bankruptcy and Debt Relief restrictions	1804	700 to 1,000
Criminal Referrals submitted to prosecuting authorities	674	500 to 600
Total Planned Outputs	4122	2,640 to 3,120

Notes:

- 1 Based on un-audited end of year figures.
- 2 Investigations carried out under s447 of the Companies Act 1985.
- 3 Includes disqualifications under Sections 2, 6 and 8 of the Company Directors Disqualification Act 1986.

5.3 Stakeholder Confidence

In autumn 2011, The Service undertook its second stakeholder confidence survey to provide information about the effectiveness of our investigation and enforcement regime. The survey also served to provide our stakeholders with better information on what we are doing, why we are doing it and how we are planning to prioritise our casework.

The survey indicated a small decline in the overall confidence with The Service’s investigation and enforcement regime compared to the 2009 survey (64% from 68%). The Service will continue to use the confidence survey as one of its Published Targets, and for 2011-12 the target will remain at 68%.

The survey covers a wide range of more detailed questions, and these revealed:

- awareness of sanctions available to The Service, and confidence in the way the Service uses the sanctions available both remain high;

- the same proportion of respondents as last year knew how to complain about the activities of a live company, and knowledge of the enforcement hotline increased – although at 56% and 25% respectively these could be improved;
- there were some very favourable comments about The Service’s powers, effective investigations, staff knowledge and ability to investigate, hard work and service;
- but some negative comments about availability of resource, slow rate of response, targeting of investigation, and low levels of publicity;

The survey mentions some areas that respondents suggested The Service should concentrate on this year and, therefore, as well as reviewing our case prioritisation, we will focus on ways to raise the profile of those areas and improve the wider understanding of what we do.

Key to this is the development of a communications action plan, which involves more specifically targeting organisations which represent SMEs, directors and advice providers; a rolling regional communications programme, and an enforcement newsletter for stakeholders.

5.4 Actions & Targets for 2011-12

Work Area	Activity or Target	Timescale	Responsible
Voluntary Exit Scheme Recovery Implementation	<ul style="list-style-type: none"> • Work reallocation to ensure ongoing cases are progressed. 	<ul style="list-style-type: none"> • Q1 	<ul style="list-style-type: none"> • IES
	<ul style="list-style-type: none"> • Staff relocation to ensure essential posts are covered to continue “business as usual”. 	<ul style="list-style-type: none"> • Q1 	<ul style="list-style-type: none"> • IES
	<ul style="list-style-type: none"> • Remaining vacancies filled by postings from elsewhere in The Service. 	<ul style="list-style-type: none"> • Q1 	<ul style="list-style-type: none"> • IES/ORS
Strategic and project related work	<ul style="list-style-type: none"> • Deliver remaining products from the Joint Enforcement Strategy Project: agreed policies and improved guidance for criminal referrals and review pilot for earlier engagement of Legal Services. 	<ul style="list-style-type: none"> • Q1 	<ul style="list-style-type: none"> • IES
	<ul style="list-style-type: none"> • Continue to work towards better integration of IES teams, particularly those engaged in Live and Insolvent investigations. 	<ul style="list-style-type: none"> • Ongoing 	<ul style="list-style-type: none"> • IES
	<ul style="list-style-type: none"> • Agree an overarching strategy for case mix and prioritisation 	<ul style="list-style-type: none"> • Q2 	<ul style="list-style-type: none"> • IES/ORS
Stakeholder Confidence	<ul style="list-style-type: none"> • Develop improved regional communications on enforcement activity. 	<ul style="list-style-type: none"> • Ongoing 	<ul style="list-style-type: none"> • IES
	<ul style="list-style-type: none"> • Improved liaison with the business community. 	<ul style="list-style-type: none"> • Ongoing 	<ul style="list-style-type: none"> • IES
	<ul style="list-style-type: none"> • Stakeholder confidence in The Insolvency Service's enforcement regime as recorded by the annual survey to be maintained at 68%. 	<ul style="list-style-type: none"> • Q3 	<ul style="list-style-type: none"> • IES
Service Delivery	<ul style="list-style-type: none"> • Complete the vetting process for 90% of cases within 2 months. 	<ul style="list-style-type: none"> • Ongoing 	<ul style="list-style-type: none"> • CCT
	<ul style="list-style-type: none"> • Complete 90% of internal investigations into live companies within 6 months. 	<ul style="list-style-type: none"> • Ongoing 	<ul style="list-style-type: none"> • CI
	<ul style="list-style-type: none"> • Average time from insolvency order to the instigation of disqualification proceedings to be no more than 19 months. 	<ul style="list-style-type: none"> • Ongoing 	<ul style="list-style-type: none"> • IES/ORS

6. Ensuring Continuous Improvement

This section sets out the work plans for the teams at the centre of The Insolvency Service who support staff working at the front line. It also sets out the Efficiency and Reform Group spending controls and describes how The Service will comply with them in the year ahead.

6.1 Finance

6.1.1 Insolvency Service Funding In 2011-12

The Service operates under a net funding regime, with a financial target to break even on its chargeable services over a three-year period. If, despite its best endeavours, The Service is unable to meet its financial target, any shortfall must be met from within BIS's budget.

The Service falls within the Department's *Request for Resources* as voted by Parliament. Our budgets are set in the context of the Government's Spending Review framework, with annual adjustments as necessary agreed between The Service and BIS as part of BIS's annual business planning process.

The Service sets its fees annually and in accordance with *Managing Public Money* to achieve full cost recovery, including the rate of return on capital employed as prescribed by HM Treasury. Amendments to The Service's fee structure are subject to the consent of HM Treasury and Parliament.

The Service's funding Departments (BIS and HMRC) have provided firm allocations for 2011-12; with indicative figures for 2012-13. Table 1, on page 4, sets out The Service's projected costs for its main activities for year one of the planning period, 2011-12. The indicative Spending Review administration-cost allocations provided by BIS and HMRC for our departmentally-funded activities will require us to make 22% and 25% savings respectively over the Spending Review period (to 2014-15).

6.1.2 Finance Section

The Service's Finance function encompasses:

- Overall strategic management (budgeting, monitoring, reporting and controlling) of The Service's income and expenditure, with local managers, in line with *Managing Public Money*;
- production of The Service's annual accounts and oversight of the Insolvency Service and Insolvency Service Investment Accounts;

- payment of statutory redundancy pay and other monies from the National Insurance Fund monies; and
- the provision of advice to the Accounting Officer (AO) on all AO issues and the provision of assurance to the AO and BIS's AO, through the joint work of The Service's Corporate Governance team and BIS's Internal Audit team and support for The Service's Audit Committee.

In 2011-12, the key focus for Finance will be to deliver the agency, ISA and ISIA accounts and to undertake the annual fees review, and a more strategic review of The Service's funding regime. The directorate will also implement changes to the financial IT systems, to link with the new redundancy payments system (CHAMP). The Corporate Governance Section will implement The Service's strategy on Managing Risk of Financial Loss, including undertaking Financial Process Assessments, in line with current Treasury guidance³.

6.2 People

Our People Strategy will seek to support The Service's emerging vision and delivery strategy (see section 2). At the heart of our developing People Strategy will be the need to provide our people with the learning and development opportunities they need to fit with the new, flexible and adaptable organisation that we wish to build. A critical success factor in this development will be to ensure that our people feel valued and engaged and involved in the changes that our delivery strategy will engender. This will place a premium on effective leadership and communication and we will therefore also intend to invest in the capability of our managers to lead change.

The context for our People Strategy this year will be dominated by the implementation of the government's Next Generation HR (NGHR) programme. This programme is seeking to raise the standards of HR delivery across the Civil Service whilst reducing costs through shared services, the appointment of business partners and expert centres providing support to Departments and Agencies in areas such as resourcing, HR policy and learning. The Service will retain responsibility for the provision of insolvency and other specialist training.

6.3 Estates

Historically, The Service has maintained a presence in a wide range of locations across Great Britain to enable it to undertake face to face interviews with either insolvent individuals or company directors. As case numbers grew in the last decade, the capacity of our local offices grew accordingly. However, having reduced

³ <http://www.hm-treasury.gov.uk/d/dao0110.pdf>

our headcount by over 1,000 in a period of just 18 months, The Service's estate no longer reflects our needs.

Our efforts to reduce our footprint are taking place against a background in which BIS is seeking to rationalise its wider family estate and contribute to the work led by the Government Property Unit (GPU) to reduce the total number of Government buildings and improve the sharing of sites to increase utilisation rates.

The Service will continue to need to be located such as to be able to fulfil our need to carry out face to face interviews when necessary around the country.

The Service faces a variety of short-term, tactical estate decisions over the next few years as leases reach break or termination points. At such points we will be required to make decisions consistent with Government policy and we will also wish to take advantage of such opportunities to start to align our estate to the footprint suggested by our delivery strategy.

6.4 Technology

6.4.1 IT Strategy

The Service's IT Strategy is designed to support delivery of our business goals, while also meeting the requirements and standards set out in the Government ICT Strategy.

The principles it sets out provide a solid foundation on which the Agency Accounting Officer and Senior Information Risk Owner (SIRO) can provide assurances to BIS and Cabinet Office, that The Service complies with mandatory public sector procurement, information and security requirements.

The Strategy aims to deliver the following outcomes:

- To provide excellent, responsive and resilient IT Services for staff and customers
- To create a common, standard, simple, secure and flexible infrastructure across The Service, aligning with BIS and Government ICT strategies and timeframes.
- To ensure that Diversity and Equality legislation and The Service's policy commitments are reflected in the IT services, development and procurement.
- To establish a clear IT governance model for strategic planning and development, decision making, resource allocation and funding.
- To drive out the benefits and value for money of IT investments, reducing the total cost of ownership and improving return on investment.
- To ensure the SIRO can confidently assure Ministers that all IT services meet the mandatory public sector information and security requirements.

- To work towards “Sustainability on the Government Estate” and the definition for carbon neutrality. The energy consumption of Government ICT on the office estate will be carbon neutral by 2012; and ICT carbon neutral across its lifecycle by 2020.

In 2011-12, The Service will focus on preparing to renew its ICT desktop infrastructure provision from 2012, improving the quality of user experience for our staff using the new case management system (ISCIS), rolling out The Service’s new redundancy payments case handling system (CHAMP) and, subject to further consideration, supporting development of a business case for the deployment of an external secure web portal (see next section).

6.4.2 Channel Strategy

Service Transformation

Currently, The Insolvency Service operates primarily through paper and telephone based customer and stakeholder channels direct to individual caseworkers. Only a limited range of online services are available and where these do exist they tend to have limited functionality. This results in limited choice for users, few opportunities for self service, relatively high costs for customers and for The Service and high levels of avoidable contact.

In support of the Government’s Digital Strategy for online services, should funding be available, we will re-scope previous work to include additional services in a revised business case.

Telephony and back office changes

The Service is also investigating ways to make more efficient use of its telephony and IT systems in RPS and ORS.

Redundancy Payment Services are shortly to complete the replacement of their IT systems, and have taken the opportunity to re-examine their working methods and to re-engineer business processes, removing inefficiencies and aligning systems and work practices. The new system (CHAMP) will be able to use data captured through Intelligent Character Recognition rather than requiring manual entry of forms. These improvements will facilitate shorter processing times, improved accuracy of information and, therefore, faster and more accurate payments.

As part of the development of its delivery strategy, The Service will also develop plans to trial the separation of the front and back office functions in a pilot OR office later in 2011 to explore whether this might later be achieved at scale across The Service. If successful this could lead to significant changes in the way The Service organises its operations.

6.5 Procurement

6.5.1 Joint Procurement With BIS and Partners

In January BIS launched a new approach to strategic procurement for the Department and its partners, establishing teams of senior leaders and procurement, finance and technical experts to work with customer representatives to design specific strategies for reducing contract expenditure across a range of spend categories. The work already under way covers the procurement of recruitment, consultancy & professional services, travel and ICT.

The Service has been heavily involved in each of the category teams, and will continue to support the process to identify and deliver large-scale savings for BIS and its partners.

6.5.2 Insolvency Service Procurement Controls

In September 2010 the Commercial Services Team (CST) within Change and Workplace Services published The Service's Commercial Strategy setting out how we will obtain the maximum benefit from the money we spend via third parties. The document provides the strategic background to a range of changes in the way The Service buys the goods and services needed to meet its objectives.

In line with best practice, all spend, excluding a pre-agreed list of items from approved suppliers, must be co-ordinated through CST. Any spend of over £1,000 is subject to the approval by The Service's Procurement Board on the basis of a sound business case, demonstrating that the proposed approach will deliver the best value for money.

6.6 Governance, Planning and Reporting

The Insolvency Service Steering Board, chaired by an independent member and including four other independent members, advises BIS on the overall strategic direction and performance of The Service and provides support and challenge to the executive. The Steering Board also includes BIS officials and The Service's senior management team. The Steering Board and the Chief Executive are supported by the Audit Committee, which is chaired by an independent member of the Steering Board and comprises also two other independent Steering Board members. Both Boards take an active role in ensuring that The Service is identifying and managing key risks appropriately.

The Directing Board (The Service's executive committee) comprises the top management team and is responsible for the operational management of The Service's business.

The Service has a corporate governance committee structure below its Directing Board. These committees provide oversight and monitoring, as well as, in some cases, a professional opinion on the development of new approaches and procedures. The Committees are under and obligation to escalate issues to the Directing Board where they raise significant Service-wide questions.

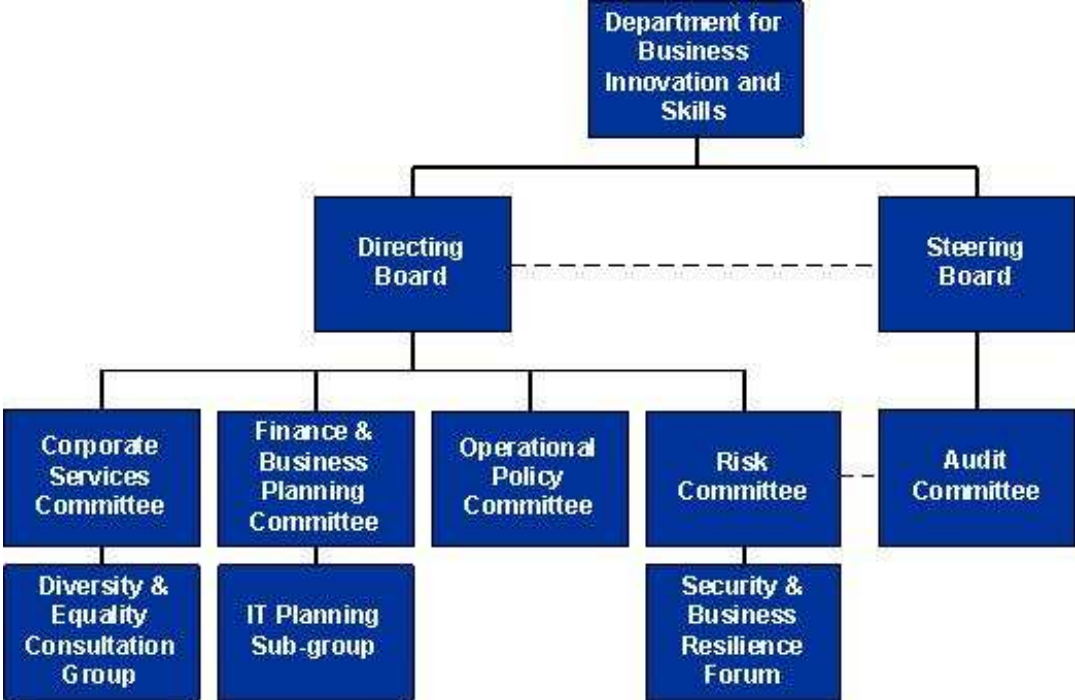


Figure 2 – Insolvency Service governance arrangements

The Service is one of a group of BIS partner bodies working to develop improved governance and sponsorship arrangements, whereby BIS can have the assurance that their partners are delivering services effectively and are providing value for money without the need for departmental sponsors to become involved in the day-to-day management of the agencies for which they are responsible.

This framework will include use of monthly reporting through our Steering Board and on a quarterly basis direct to the Minister, as well as agreed content and/or formats for Corporate Plans, Framework Documents and the Annual report and Accounts. The Service’s Ministerial published targets are submitted to the House each year, and the 2011-12 targets are detailed in Annex A.

6.7 Communications

6.7.1 Customer Satisfaction

The Service has a long history of excellent customer service and has maintained both its satisfaction targets, and its Charter Mark/Customer Service Excellence accreditation through the recent period of record levels of cases.

As we now manage our response to a rapidly declining caseload, we must continue to ensure that we minimise the impact of our own internal changes upon our customers. Our external targets for customer satisfaction and timeliness of service delivery have, therefore, either been kept at 2010-11 levels or, in some cases where we expect to improve efficiency, been made tougher.

The Service will seek Customer Service Excellence reaccreditation in June 2011.

6.7.2 Staff Engagement

The Service is committed to fully engaging with its staff and trade unions and will ensure that it lives up to its Values.

In the wake of a disappointing staff survey, conducted just ahead of the Spending Review and reflecting genuine uncertainty about The Service's future size, shape and direction, a staff engagement plan is being developed, to implement a consistent application of shared leadership behaviours and values, and to implement a robust and consistent communications plan incorporating strong feedback channels. This plan will address both high-level drivers and staff concerns and aspirations.

6.7.3 External Media

In line with the Efficiency Reform Group controls in place for advertising and marketing (see section 6.8) The Service has chosen to implement an external media strategy and campaigns based exclusively on the use of non-paid-for media coverage i.e. through local and national newspapers and radio stations, as well as an increasing level of coverage on TV news.

An external media campaign has been developed to support our enforcement work in response to feedback provided to us by means of our enforcement confidence survey, as mentioned in section 5.3.

6.7.4 Stakeholder Engagement

The Service is in regular contact with all of its stakeholders, on all aspects of policy and legislation and on any proposed changes to our operating procedures, as well as on individual cases. Stakeholder engagement ranges from a wide-ranging, formal consultation for a major change or policy, through regular dialogue with a variety of industry and user groups, to informal ongoing discussion with individual organisations on how our services or the wider market is operating on a day-to-day basis.

6.8 Efficiency Reform Group Controls

The Service will ensure that it adheres to the Government's Efficiency and Reform Group (ERG) spending controls, as well as any additional BIS guidance, to ensure that our expenditure is appropriately and efficiently directed. The Service has systems in place to direct and monitor expenditure across the agency and to publish any spend of over £500 in line with the Government's drive for transparency.

HR

Should case numbers fall further than expected in 2011 or keep falling into 2012, or possibly through the impact of shared services, in the next few years The Service could again find itself being over-resourced, and require a further exit scheme. In line with ERG requirements, this possibility has already been reported to BIS, and has been flagged for possible future agreement with the Cabinet Office.

The Service is implementing agreed changes to its learning and development provision, and will use the Civil Service Learning mechanisms for all generic learning courses. Exceptions to this agreement include specialist provision, such as our own insolvency examiner training programme.

Recruitment and temporary staff

The Service also has an exemption from the ongoing freeze on external recruitment for our customer-facing, frontline posts, and for the employment of agency, temporary or interim workers where this required to cover temporary staff absence or to allow the agency the flexibility it requires to respond quickly to changing demand for services. Our staff complement requirement is demand driven, so it is inappropriate to apply a static staffing cap or budget limit beyond which The Service cannot recruit. Instead, The Service has agreed management spans in place, as well as service delivery ratios for the number of staff required to administer a given level of cases, and it shall only be permitted to recruit staff up to the limits these spans and ratios allow.

Property

Cabinet Office must agree any new leases, renewals of existing leases, the non-exercise of lease break options, any new property acquisitions (including those made through a PFI provider), new build development, sale and leaseback, and any freehold sales as part of national property controls. The Service is already engaging fully with both BIS and the GPU to ensure that the appropriate approvals are obtained for any estates-related decisions that may be taken.

ICT

Central Government departments, agencies and NDPBs must not sign any new ICT contracts, contract extensions/modifications above a lifetime value of £5m without specific agreement and must move to adopt common infrastructure solutions and

open standards for all new spend unless an express exemption is given by Cabinet Office.

The Service, in discussion with BIS and other partner agencies, is currently evaluating options for its IT desktop service beyond 2012 when the current contract ends. In taking this forward, The Service will working towards a solution that meets its own needs as well as supporting BIS's wider IT strategy.

Operational excellence

Operational performance across Government will be improved by developing diagnostic and implementation capability to identify and drive improvements in end-to-end processes and provision of back office services. HM Treasury will not normally approve corporate service change programmes, renewal of contracts or upgrades to ERP systems (i.e. systems that support finance, HR and procurement) without prior agreement from the Cabinet Office Operational Excellence team.

This requirement is likely to be addressed by a move to shared IT systems across the BIS family and will require BIS to seek Cabinet Office approval, rather than there being any direct requirement for The Service to do so.

Moving services online

The Service has been in discussion with BIS, Direct Gov and Business Link to migrate Insolvency Service online information to the appropriate locations, enabling The Service's website (www.insolvency.gov.uk) to be decommissioned. However, the position of The Service's transactional processes in this regard is not yet clear and "insolvency.gov.uk" may need to remain until this is resolved.

We will need to work closely with BIS to ensure that any proposals for the online portal are in agreement with developing guidance from Cabinet Office and the new Ministerial Group.

Procurement

Departments must commit volume spend and buy from centrally sourced contracts and approved frameworks for all common goods and services categories covered by central procurement strategies, which will be delivered from March 2011 (*energy, office solutions, professional services, travel, fleet, learning and development, ICT commodities, advertising and media, print and print management*).

As described in section 6.5.1, this work is being centrally co-ordinated by BIS through 5 procurement category work streams, although The Service has provided staff for each category team and is fully engaged in the process to identify and deliver procurement savings. The Service will abide by any new requirements for procurement that are subsequently identified for each category.

Strategic supplier management and complex commercial models

Departments must ensure that any contact with strategic suppliers on negotiations or legal disputes is channelled through the Cabinet Office. All complex and non-standard commercial models must also be approved by the Cabinet Office in advance.

Management information

Much ERG delivery requires departments and Agencies to provide timely management information MI on their operations, against consistent definitions.

The Service will fulfil its obligations to BIS so that they can participate fully in ERG efforts to address issues raised by Sir Phillip Green and other commentators to define and implement a small set of common data standards that allow the central collation of a “single version of the truth” on Government operations.

Corporate Governance

The Service is one of a group of BIS partner bodies working to develop improved governance and sponsorship arrangements, whereby BIS can have the assurance that their partners are delivering services effectively and are providing value for money without the need for departmental sponsors to become involved in the day-to-day management of the Agencies for which they are responsible.

This framework will include use of monthly reporting through our Steering Board and on a quarterly basis direct to the Minister, as well as agreed content and/or formats for Corporate Plans, Framework Documents and the Annual report and Accounts. The Service’s Ministerial published targets are submitted to the House each March, and the 2011-12 targets are detailed in Annex A.

Advertising and marketing

In 2010, The Service reviewed its use of printed material and paid for media and has instigated a blanket freeze, with the exception of several information leaflets, most of which will transfer to online release only before the end of the year.

- Official Receiver Services print leaflets which are referred to in standard letters produced through in ISCIS. These are due to be changed, at which point ORS will have only one published leaflet *The Guide to Bankruptcy*. This is issued to all customers to explain the process they are about to enter and significantly reduces the number of calls and email that The Service receives. It costs around £20,000 per year and is therefore below both ERG thresholds.
- RPS also have leaflets to explain their processes, as well as the claims forms that those seeking payment must complete. They cost around £45,000 per year and will be declared in our return to BIS.

- We also produce an Insolvency Service Charter, at a cost of £15,000 per year, and this will be kept in line with guidance from Customer Service Excellence. Again it is below both ERG thresholds.

Transparency

All items of expenditure over £25,000, subject to a small number of exemptions, must be published monthly in accordance with Cabinet Office guidance. For expenditure from 1 April 2011 the Service has decided to publish all items over £500 unless they fall within the current exemptions.

6.9 Actions & Targets for 2011-12

Work Area	Activity or Target	Timescale	Responsible
Delivery Strategy	<ul style="list-style-type: none"> Engage staff, trade unions and stakeholders on The Service's vision and delivery strategy. 	<ul style="list-style-type: none"> Q2 	<ul style="list-style-type: none"> DB
	<ul style="list-style-type: none"> Subject to the availability of funding, finalise a business case and obtain appropriate authority for a portal to deliver online services. 	<ul style="list-style-type: none"> Q4 	<ul style="list-style-type: none"> SPC
	<ul style="list-style-type: none"> Develop key corporate strategies in support of delivery strategy: <ul style="list-style-type: none"> People Information Technology Finance Estates 	<ul style="list-style-type: none"> Q4 	<ul style="list-style-type: none"> HR / Finance CWS
	<ul style="list-style-type: none"> Ensure interim estate decisions are in agreement with Service and GPU longer-term strategy in so far as this is known. 	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> CWS
IT Improvements	<ul style="list-style-type: none"> Ensure a significant improvement in the user experience for the case administration system (ISCIS) by the end of July 2011 	<ul style="list-style-type: none"> Q2 	<ul style="list-style-type: none"> CWS
	<ul style="list-style-type: none"> Ensure that the Redundancy Payments IT system (CHAMP) is ready for go-live in a) Watford & b) Birmingham and Edinburgh, with rollout successfully completed in-year. Implement the revised Kypera Financials system to support CHAMP 	<ul style="list-style-type: none"> Q2 & Q3 Q2 	<ul style="list-style-type: none"> CWS Finance
	<ul style="list-style-type: none"> Agree, with BIS and/or one of its partners, The Service's approach to the shared provision of core IT and desktop requirements after 2012. 	<ul style="list-style-type: none"> Q1 	<ul style="list-style-type: none"> CWS
Service Standards	<ul style="list-style-type: none"> Seek re-accreditation for Customer Service Excellence. 	<ul style="list-style-type: none"> Q1 	<ul style="list-style-type: none"> SPC
	<ul style="list-style-type: none"> Seek re-accreditation for Investor in People status. 	<ul style="list-style-type: none"> Q2 	<ul style="list-style-type: none"> HR
Governance Arrangements	<ul style="list-style-type: none"> Work with BIS to develop and implement their Performance Assessment Framework. 	<ul style="list-style-type: none"> Q2 	<ul style="list-style-type: none"> SPC
	<ul style="list-style-type: none"> Agree The Service's revised Framework Document. 	<ul style="list-style-type: none"> Q3 	<ul style="list-style-type: none"> SPC
	<ul style="list-style-type: none"> Implement the Service's strategy on Managing Risk of Financial Loss, including Financial Process Assessments. 	<ul style="list-style-type: none"> Q4 	<ul style="list-style-type: none"> CGS

Ministerial Statement and Published Targets

The Insolvency Service Performance Targets 2011-12

Minister for Employment Relations, Consumer and Postal Affairs,
Department for Business, Innovation and Skills (Edward Davey MP)

I have today agreed to the publication of The Insolvency Service's Corporate Plan for the period 2011-15.

Over the past 18 months there has been a significant fall in the number of bankruptcies which has driven the number of new compulsory insolvency cases dealt with the official receiver down from 78,000 cases in 2009-10 to an expected level of 45,000 to 55,000 cases in 2011-12. In response to this, The Service has cut its costs principally by reducing its staff complement, from 3,200, to 2,100 by May 2010.

While this is significant reduction in capacity in a relatively short time, I am satisfied that The Service will be able to maintain the levels of service that it achieved in 2010-11 and so I have decided that The Service's targets for timeliness, customer satisfaction and efficiency should be maintained at 2010-11 levels. The Service will aim to achieve a real-terms reduction in insolvency case administration fees of 2.5% compared to last year.

At the same time as insolvency case numbers have fallen, the average value of assets in bankruptcy estates has also fallen, making the insolvency case administration fee more difficult to recover and putting upward pressure on The Service's bad debt position. In response to this, In 2011-12 The Service, working with BIS, will review how it raises and collects the case administration fee and whether it is possible to move to a more effective and lower-risk fee regime which is fair to those affected, relying less on internal cross subsidy and leading to lower fees overall.

Action will continue to be taken against bankrupts and company directors in respect of financial misconduct or dishonesty and The Service will continue to investigate the affairs of companies in the public interest. Since 2009 The Service has undertaken a stakeholder satisfaction survey of the level of confidence in its enforcement regime, achieving an overall confidence level of 68% and 64% in the two surveys to date. I have asked The Service to explore what drives this confidence level so as to facilitate work towards a return to a 68% confidence level during 2011-12. I have also set a timeliness target in relation to the instigation of disqualification proceedings against company directors in appropriate cases.

I have set The Service targets in relation to the timeliness of releasing reports to creditors in insolvency cases, and of processing claims for redundancy payments. I

have also asked The Service to at least maintain the overall satisfaction levels of its principal customers and users.

The Corporate Plan will be available from 5 July 2011 at <http://www.insolvency.gov.uk/aboutus/CorporatePlan.pdf>

INSS Published Targets	2010-11 Target	2011-12 Target
Customer Focus		
User Satisfaction levels as measured through the Agency User Satisfaction Index ¹	90%	90%
Case Administration		
Level of real term reduction in fees for insolvency case administration	2.5%	2.5%
Percentage of reports issued to creditors within 8 weeks <ul style="list-style-type: none"> • for bankruptcy cases • for company cases 	92% 80%	92% 80%
Enforcement		
Stakeholder confidence in The Insolvency Service's enforcement regime	68%	68%
The average time from insolvency order to the instigation of disqualification proceedings in appropriate cases	19 Months	19 Months
Redundancy Payments		
Action redundancy payment claims <ul style="list-style-type: none"> • within 3 weeks • within 6 weeks 	78% 92%	80% 93%

1 This is a combined indicator covering bankruptcy and redundancy cases.

The Service will also look to build upon its current Customer Service Excellence and Investors in People status, by gaining re-accreditation for both in 2011-12.

In addition to these targets The Service is required to meet centrally promulgated targets relating to replying to correspondence from Honourable Members, and making payments to suppliers.

Other Targets	2010-11 Target	2011-12 Target
Reply to correspondence from Members of Parliament within 10 days	100%	100%
Process payments to suppliers within 30 days	100%	100%

The Government has also instructed Departments and Agencies to maximise levels of payment of undisputed invoices within 8 days.