

SECTION 2

THE INSOLVENCY SERVICE

2.1 The Insolvency Service (The Service) has existed as part of what is now the Department of Trade and Industry (DTI) since 1884 and became an Executive Agency of the DTI in 1990. The Chief Executive is accountable to the Secretary of State for the day-to-day running of the Agency and carries the appointment of Inspector General. He is also the Accounting Officer for the Agency and for the statutory Insolvency Services Account (ISA).

Mission

2.2 “The Insolvency Service is committed to encouraging enterprise by fairly and effectively dealing with financial failure and deterring fraud and misconduct: It wants to deliver the best insolvency system in the world”

Functions

2.3 The Service operates mainly in England and Wales under the Insolvency Act 1986 and the Company Directors Disqualification Act 1986, and:

- undertakes the administration and investigation of compulsory insolvencies (bankruptcies and companies, including partnerships, wound up by the courts) and acts as interim receiver and provisional liquidator in public interest cases
- acts as trustee/liquidator in compulsory insolvencies where no private sector insolvency practitioner is appointed
- reports possible criminal offences in compulsory insolvencies; and takes disqualification proceedings against unfit directors of failed companies (including proceedings in Scotland)
- authorises and regulates, directly or through recognised professional bodies, private sector insolvency practitioners (including those in Scotland)
- provides banking and investment services for bankruptcies and liquidations; and
- provides policy advice to Ministers on insolvency issues (including corporate insolvency in Scotland)

Location

2.4 The Service has 34 offices, 33 in England and Wales and one in Scotland. The Headquarters is in London with some "headquarters" functions also carried out in Birmingham and Manchester. The Edinburgh office handles director disqualification proceedings in Scotland. Official Receiver Offices are in major population centres in England and Wales. List at Annex 2.1

Organisation

2.5 The Service is overseen by a Steering Board, chaired by the Director General of Competition and Markets Group in DTI, with three independent members, the Chief Executive and a representative of DTI's Finance and Resource Management Directorate.

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The Steering Board's role includes assessing the Corporate Plan, annual performance targets and the extent to which The Service carries out its functions effectively and efficiently but it has no executive or policy responsibilities. The Board meets 4 or 5 times a year.

2.6 The Chief Executive is supported by a Directing Board consisting of the senior managers of The Service. There are 2 Deputy Inspector Generals, with responsibility for "headquarters" functions and Official Receiver operations respectively.

The Service essentially comprises five inter-linked operational areas, the largest of which is Official Receiver (OR) Operations;

- **OR Operations** – dealing with the administration and investigation of all compulsory personal and corporate insolvencies;
- **Enforcement** – dealing with reports of possible criminality and of unfit conduct (including voluntary liquidations, administrative receiverships and administration);
- **Insolvency Practitioner Regulation** – dealing with the regulatory framework for insolvency practitioners and monitoring those authorised by the Secretary of State;
- **Banking and investment** - banking service for users of the Insolvency Services Account;
- **Policy** - advice to ministers on insolvency issues.

Official Receiver Operations

2.7 Official Receiver operations are grouped into 7 regions each headed by a Regional Manager. The 43 Official Receivers manage 33 offices in England and Wales. Official Receivers (OR) are officers of the court and receive all orders for bankruptcy and compulsory winding up; arrange for examination of the parties involved; make arrangements for the protection, and if they remain trustee/liquidator, the realisation of assets; and investigate and report any misconduct. ORs also act as provisional liquidator where the Secretary of State petitions the Court to wind up a company and may be appointed interim receiver on petitions for bankruptcy.

Headquarters

2.8 The Headquarters organisation comprises five Senior Managers responsible for Enforcement (Disqualification of Directors; Prosecution; Insolvency Practitioner Regulation and Compliance); Policy and Technical support; Banking and Audit; Finance,

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Planning and Corporate Resources (Secretariat, Finance, Property, Services and Procurement, IT and London and Birmingham Central Services); and Human Resources and Inspectorate. See the organisation chart and chart showing the cross relationships between functions and the range of users of the services at Annexes 2.2 and 2.3.

Staff

2.9 The majority of staff are in OR Offices with smaller numbers supporting the other key, mainly statutory, functions and providing HQ support. The Service has its own pay and grading structure with specialist grades for OR functions and enforcement, supported by generalist administrative staff and office managers. A number of posts, particularly on enforcement, are filled by Short Term Appointees (STAs).

The staff in post on 1 August 2000 was:

Function	Permanent staff		Casuals and STAs	
	Specialist	Generalist	Specialist	Generalist
- Official Receiver Operations	486.75	578.59	10	19.74
- Enforcement				
- Regulation of Insolvency Practitioners	86.48	216.62	59.79	
- Banking and Investment				
- Policy				
- Central Support				
Sub total				
Specialist	643.02			
Generalist	814.95			
Total	1457.97			

Workload

2.10 Demand fluctuates according to the state of the economy. Compulsory liquidations and individual bankruptcies have remained fairly stable across the Review period with an average 26,000 cases a year (24,549 to 27,570). In the early 1990s caseload was

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considerably higher - reaching 43,000 new cases in 1992/3. Other key workloads are cases identified for investigation by ORs and by private sector IPs in insolvencies they handle; and banking and investment transactions.

Financial Regime

2.11 The Service is funded from the main DTI Running Cost and Programme votes. It operates within Gross Running cost control and its financial framework is based on the containment of costs consistent with fulfilling its statutory responsibilities, value for money and all relevant targets. Total expenditure in 1999/2000 was £80.5m of which £14m (for specified enforcement costs) came from DTI's programme budget. A complex scale of fees and charges generated £45.3m of income, and interest of £43.4m was earned on the investment of funds from insolvent estates which have to be paid into the Insolvency Service Account. Fees and charges are paid as receipts to DTI and interest is paid directly into H M Treasury Consolidated Fund.

Contracted out functions

2.12 Since 1995 The Service has contracted out a number of non-core functions such as estate book debts and disqualification costs recovery, document storage, provision of short-term appointees (STAs), press advertising, security, travel, hotel booking and car hire, security and cleaning. Consultants are engaged for specific studies e.g. IT strategy, development of the NVQ for examiners and equal opportunities.

The Previous Quinquennial Review of The Insolvency Service

2.13 A market test of the banking function and an investigation of contracting out the administrative functions of ORs were carried out in 1993 and 1993-6 respectively. Both remained in house as the external bids did not meet the cost and/or quality criteria. A review of general performance was then carried out by the Finance and Resource Management Directorate (FRM) of DTI in 1996-97. This review was the first detailed evaluation of The Service since it became a Next Steps Executive Agency in 1990. It concluded that The Service had made significant strides in changing the way it operated and was continuing to maintain momentum, partially as result of the prior options review in 1993-96. The Review also noted that the review process had become a part of The Service's culture and although recognising the limitations on the levels of savings that could be achieved year on year, considered that The Service had laid an excellent foundation for the delivery of a good service at a significantly lower unit cost compared to the period before becoming an Agency.

Annex 2.1

Official Receivers Offices By Region

Anglia

Cambridge
Ipswich
Northampton
Norwich
St Albans
Southend

London

Offices 1-6

Midlands

Birmingham
Gloucester
Leicester
Nottingham

North East

Hull
Leeds
Newcastle upon Tyne
Sheffield
Stockton on Tees

North West

Blackpool
Chester
Liverpool
Manchester
Stoke

South East

Brighton
Canterbury
Croydon
Medway
Reading

South West

Bournemouth
Bristol
Cardiff
Exeter
Plymouth
Southampton
Swansea

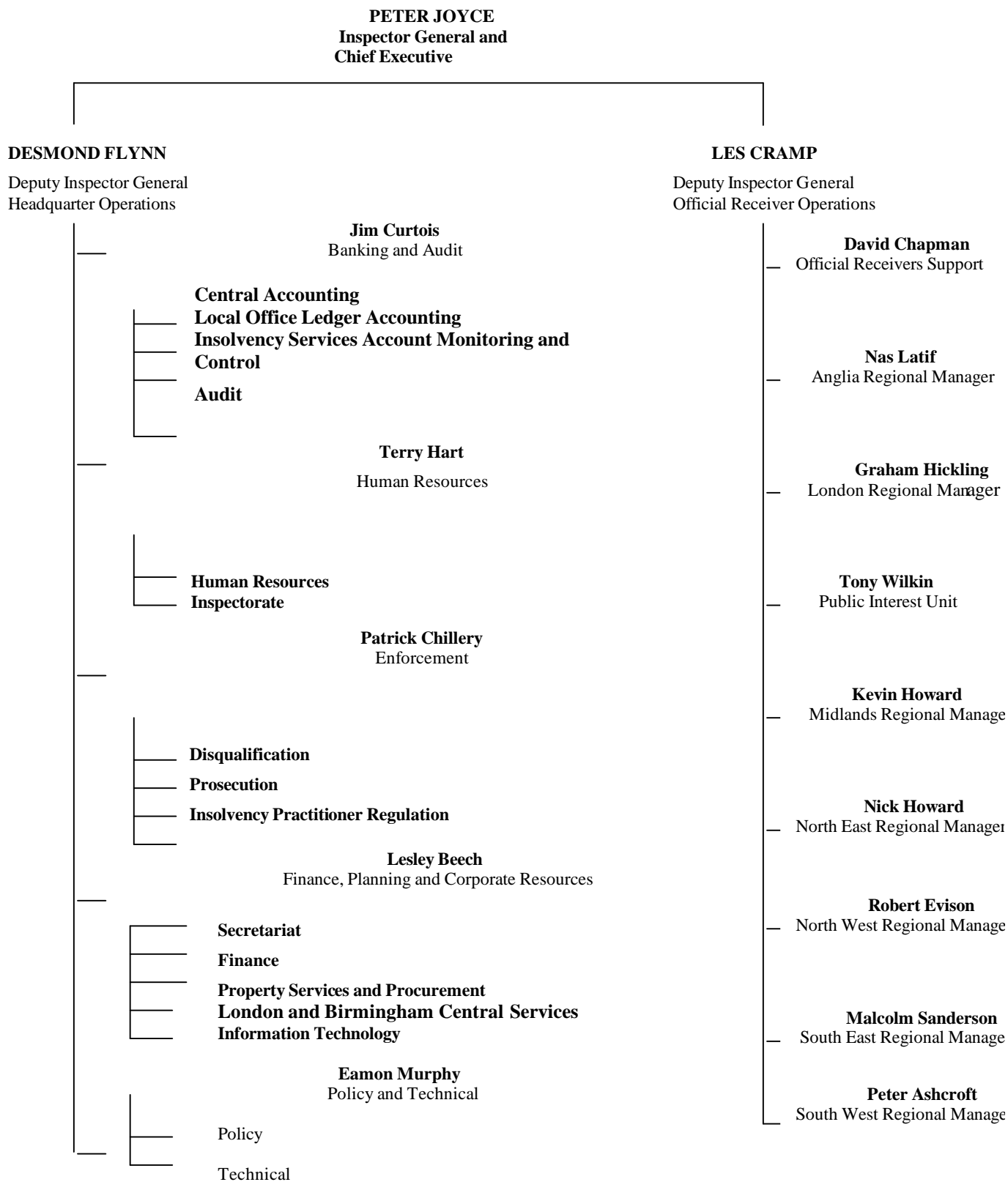
Public Interest Unit

London

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INSOLVENCY SERVICE ORGANISATION

Annex 2.2



THE SERVICE'S RELATIONSHIP WITH ITS USERS

Annex 2.3

