

SECTION 4

PERFORMANCE

ACHIEVEMENT OF AIMS, OBJECTIVES, TARGETS AND STANDARDS

DTI and wider Government Objectives

4.1 The Insolvency Service contributes to DTI's objectives of creating strong and competitive markets and developing a fair and effective legal framework by carrying out its functions efficiently, effectively and by developing policy that reflects DTI wider policies.

4.2 Under the Government's Competitiveness Agenda The Service recognises the need to focus more closely on outcomes. The Service's draft Corporate Plan for 2000-2003 includes an outline for establishing outcome-related targets. The Service plans to refine this outline and develop targets that can be formally incorporated into The Service's 2001-2004 Corporate Plan. In doing so The Service has identified the need to rely in some part on proxy measures or on what those intended to benefit perceive as having been achieved (or not). We recognise the difficulty in formulating outcome based targets which are not susceptible to distorting externalities or where performance has not been influenced by Insolvency Service actions.

4.3 The Service has shown that value for money has improved in the delivery of case administration by achieving further efficiencies against the benchmark costs set for the previous contracting out exercise. Efficiency savings have continued in this area despite the FRM observation in their 1996/7 review about limitations on savings year on year. On the existing delivery platform this may be the case but there is likely to be significant scope for greater use of electronic delivery and we asked PKF to cover this in their study of The Service's use of IT (see Section 8.2). Modernising is not without cost and this will also impact on The Service's ability to make further efficiency gains in the shorter-term. This is reflected in the redefinition of its unit cost targets for the period 1999-2002 (see para 4.8).

Work on outcomes is a key development for The Service and we will be examining the scope for establishing outcome-based targets more closely in Stage 2. This will be done along side a review of the extensive set of process targets. These have clearly contributed to the overall effectiveness of The Service across the Review period but may no longer remain appropriate as key measures in some cases.

Operational performance

Ministerially Agreed Targets 1995-2000

4.4. In addition to over-arching Government objectives, each year sets measures and targets are agreed for The Service with the Minister of Consumers and Corporate Affairs. A table of these measures, targets and performance against them year on year is at Annex 4.1. All work

areas have one or more agreed targets with the exception of the Regulatory function – for which The Service sets targets. The measures and targets cover financial costs, quality (timeliness) and productivity. Quality and productivity measures remained constant across the period though in practice, they became more stretching as staff numbers diminished against a reasonably steady caseload.

4.5 Operationally, data show that The Service's performance has been maintained or improved since the last review with performance exceeding most targets each year, including a unit cost reduction against administering bankruptcy and compulsory liquidation cases of 16.5% across the period 1995/96 - 1998/99. Our consultation established general agreement that targets were drivers to improved output and that a high degree of satisfaction was expressed at the performance achieved. This reflects The Service's HQ proactive approach to targeting customer satisfaction in recent years and was supported by staff references to pressure in this area and evidenced by the numerous initiatives undertaken to ensure customer needs are effectively met.

OR functions

4.6 The financial measure changed in 1999/2000 to allow a more detailed approach monitoring the costs of Official Receiver functions across a period of years.

The measure "to reduce the unit cost of administering bankruptcy and compulsory liquidation cases" continues, but in 1999 it was agreed with the Minister and the Steering Board that The Service would move away from an annual efficiency target and a new target of reducing costs by 5% in real terms across 1999-2002 was set.

4.7 First year progress towards the 1999-2002 target showed a major decline in performance with an increase in the unit cost of 11.8%. This apparent worsening performance is attributed to additional running costs of new IT infrastructure over the original capital purchase projection, an accelerated IT training programme, managing diversity training, start up costs for the new insolvency qualifications and an increase in overhead attributable to case administration as a result of larger than projected reduction in investigation cost (see below). Excluding the cost of the new Elgar computer system an increase of 7.7% was recorded.

4.8 In the light of the additional shorter term costs of its new IT infrastructure and the delivery of improvements in its services to users The Service agreed with the Minister that this target be reduced from a 5% efficiency in real terms across the period 1999-2002 to one of maintaining in real terms the unit cost over the period 1999-2002 at the level of 1998-99.

Investigation

4.9 Ministers and the Steering Board also agreed in 1999 that The Service would report against a new measure of "reducing the unit cost of investigating bankruptcy and liquidations". A target to reduce the cost by 10% in real terms over the period 1999 - 2002 was agreed. First year figures for this measure show a 5.9% decrease in costs – excluding Elgar 8%. Establishing this measure also extended the direct unit cost coverage of Insolvency Service business to 80% of The Service's staff. In July 2000 ministers agreed that this target should also take account of the additional shorter-term costs of new IT.

Banking

4.10 Performance against the banking function targets has remained high across the period.

The high levels of published performance are consistent with the general feedback from customers who consistently cite satisfaction with the overall performance of the Central Accounting Unit (CAU). It is notable that performance has improved since CAU won the market test of The Service's banking function. The Service now operates under a Service Level Agreement with The Service's Headquarters. This has brought focus to the work of CAU and undoubtedly encouraged improved service.

Enforcement

4.11 The targets were:

- Number of prosecution reports submitted where there is evidence of criminal behaviour.
- Take proceedings for disqualification of unfit directors.

4.12 Performance in the area of prosecution has been driven by the incidence of criminal behaviour each year. No great variation in performance has been experienced.

4.13 We were told by The Service that in the light of developing law and practice in relation to both criminal and civil proceedings, and the effectiveness of the action taken by The Service, it would not be appropriate to set specific numerical targets for prosecutions reports or disqualification proceedings and orders. Instead levels of criminality, unfit conduct and resources will be monitored and reported to the Agency Steering Board and Ministers alongside the investigation unit cost to ensure an effective and efficient investigative presence.

4.14 Although not setting a numeric target, Ministers agreed that for 2000/2001 The Service should:

- Submit reports of criminal misconduct at a level consistent with The Service's investigative caseload and resources.
- Achieve the level of disqualification proceedings and orders against unfit directors as in 1999-2000.

4.15 The Service's view is that "achieving the level of disqualification proceedings" acknowledges that although there may be more or less cases to report and that the numerical outturn might be different, the level should expect to be similar.

Effective regulation of private sector insolvency

4.16 The Service sets the following internal targets:

- Undertake monitoring visits to Recognised Professional bodies.
- Undertake monitoring visits to IPs.
- Ensure that IPs submit Company Director Disqualification Act reports within 10 months.

Chartermark Standards

4.17 In addition to its Key Targets The Service works to its published "Service Charter". The Charter replaced the Published Standard in 1999. Performance against the standard is at Annex 4.2.

Finance

4.18 DTI Accountants have reviewed The Service's financial performance and their comments are at Annex 4.3. On the basis of available information the financial performance of the Insolvency Service has improved over the Review period.

Conclusion

4.19 Although, a high level of performance has been achieved against existing targets, staff and customers have suggested that targets should be changed or broadened to include greater emphasis on quality within The Service. The maximisation of asset recovery, the application of time based targets to reflect achievement with shorter timescales to those presently measured and the outcome of The Service's work in a wider economic context were all seen as possibilities.

Some of the targets have been achieved with apparent ease in most years. We recognise The Service's expectation in its Corporate Plan for 2000-2003 that targets will be re-set at levels which are genuinely challenging, following its internal reviews and on the back of new IT. The Service envisages this to be for 2001-02. We will consider this in Stage 2 as part of an overall review of process and outcome targets.

4.20 Finally, it is worth re-emphasising that the high levels of performance achieved have taken place against a reasonably steady caseload. The Service's ability to maintain these high standards in the event of a sudden rise in workload e.g. during an economic downturn, could not be assessed during the Review.

INSOLVENCY SERVICE TARGETS 1995/96-1999/2000

PERFORMANCE AGAINST TARGET

FINANCIAL					
To reduce the unit cost of administering bankruptcy and compulsory liquidation cases*					
	1995/96	1996/97	1997/98	1998/99	
Target	3%	8%	3%	1%	
Actual	5.3%	8.5%	-4.2%	5.1%	
QUALITY (TIMELINESS)					
OFFICIAL RECEIVER ADMINISTRATIVE FUNCTIONS					
To report to creditors on assets and liabilities within 8 weeks					
	1995/96	1996/97	1997/98	1998/99	1999/00
Target	90%	90%	90%	96%	97%
Actual	96.3%	97.8%	97.7%	98.6%	98.3%
To report to creditors on assets and liabilities within 12 weeks					
	1995/96	1996/97	1997/98	1998/99	1999/00
Target	98%	98%	98%	98%	98%
Actual	99%	99.6%	99.5%	99.7%	99.7%
To hold initial meetings of creditors within 12 weeks					
	1995/96	1996/97	1997/98	1998/99	1999/00
Target	90%	90%	90%	96%	96%
Actual	94.2%	95.9%	97.3%	96.9%	97.6%
To hold initial meetings of creditors within 4 months					
	1995/96	1996/97	1997/98	1998/99	1999/00
Target	98%	98%	98%	98%	98%
Actual	98.2%	99.4%	99.6%	99.6%	99.7%
The number of open cases to be no more than 36 months old					
	1995/96	1996/97	1997/98	1998/99	1999/00
Target	<9%	<9%	<9%	<9%	<5%
Actual	7.5%	6.1%	5.9%	3.1%	2.5%
Submit prosecution reports within 10 months where there is evidence of criminality					
Bankruptcy	1995/96	1996/97	1997/98	1998/99	1999/00
Target	90%	90%	90%	90%	90%
Actual	88.8%	90.1%	89.9%	87.2%	90.9%
Submit prosecution reports within 10 months where there is evidence of criminality					
Company	1995/96	1996/97	1997/98	1998/99	1999/00
Target	80%	80%	80%	80%	80%
Actual	82.1%	85.7%	73.9%	81.9%	84.3%
Submit disqualification reports within 15 months where there is evidence of unfit conduct.					
	1995/96	1996/97	1997/98	1998/99	1999/00
Target	80%	80%	80%	80%	80%
Actual	76.4%	80.3%	81.1%	82.4%	76.7%

QUALITY (TIMELINESS)					
BANKING					
Check and action Insolvency Services Account payment requisitions within 5 days 95/6-97/8) 4 days (98/99-99/00) or by due date.					
	1995/96	1996/97	1997/98	1998/99	1999/00
Target	95%	95%	95%	97%	97%
Actual	68.7%	98.1%	98.8%	98.7%	98.9%

Post bank giro credit receipts on the day received, subject to the transfer of the estate by the Official Receiver					
	1995/96	1996/97	1997/98	1998/99	1999/00
Target	N/a	n/a	n/a	n/a	95%
Actual	N/a	n/a	n/a	n/a	96.7%
Issue half yearly interest statements within 4 weeks (97/98) 10 days (98/9-99/0).					
	1995/96	1996/97	1997/98	1998/99	1999/00
Target	N/a	n/a	100%	100%	100%
Actual	N/a	n/a	100%	100%	100%
PAYMENTS					
Action all invoices within 30 days of receipt.					
	1995/96	1996/97	1997/98	1998/99	1999/00
Target	96%	100%	95%	97%	100%
Actual	96.5%	98.8%	98.9%	99%	98.6%
POLICY					
Reply to letters from Members of Parliament, delegated to the Chief Executive, within 10 working days.					
	1995/96	1996/97	1997/98	1998/99	1999/00
Target	100%	100%	100%	100%	100%
Actual	100%	100%	100%	100%	100%
PRODUCTIVITY					
OFFICIAL RECEIVER ADMINISTRATIVE FUNCTIONS					
Completed case administrations					
	1995/96	1996/97	1997/98	1998/99	1999/00
Target	35,000	26,500	27,500	26,500	26,520
Actual	35,472	29,405	28,898	27,126	26,634
Uncompleted administrations					
	1995/96	1996/97	1997/98	1998/99	1999/00
Target	N/a	n/a	21,014	17,000	15,821
Actual	24,075	21,014	17,039	15,821	15,727
Number of prosecution reports submitted where there is evidence of criminal behaviour.					
	1995/96	1996/97	1997/98	1998/99	1999/00
Target	N/a	1,370	1,589	1,390	1,421
Actual	1370	1,589	1,390	1,421	1,125
Take proceedings for disqualification of unfit directors					
	1995/96	1996/97	1997/98	1998/99	1999/00
Target	930	1,395	1,430	1,419	1,332
Actual	1,395	1,430	1,419	1,331	1,497

REGULATION TARGETS					
Undertake monitoring visits to Recognised Professional Bodies					
	95/96	96/97	97/98	98/99	99/00
Target	n/a	n/a	n/a	2	2
Performance	n/a	n/a	n/a	1	2
Undertake monitoring visits to IPs					
	95/96	96/97	97/98	98/99	99/00
Target	n/a	n/a	n/a	37	35
Performance	n/a	n/a	n/a	32	35
Ensure that IPs submit Company Director Disqualification Act reports within 10 months.					
	95/96	96/97	97/98	98/99	99/00
Target	n/a	n/a	n/a	85%	87%

Performance	n/a	n/a	n/a	88.2%	93.5%
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* This target changed in 1999/2000 to a three year real term efficiency gain target of 5% but was reviewed in July 2000 and re-set at maintaining the unit cost across 1999-2002 at 1998/99 levels.

CHARTERMARK STANDARDS

The Published Standard targets were met for the two years data was published. These were:

Standard	Targets	Performance
Correspondence requiring a reply will be acknowledged within 5 days or replied to within 15 working days of receipt.	1997/98	1997/98
	90%	97%
	1998/99	1998/99
	90%	97.8%
Visitors with appointments will be seen within five minutes of their appointment time.	1997/98	1997/98
	90%	97%
	1998/99	1998/99
	90%	97.2%

Performance against the Insolvency Service Charter.

The Charter explains what The Service can do, the standards of service users can expect and what to do if they believe these standards have not been delivered. A leaflet giving details of the Charter is available in every office and all the courts dealing with insolvencies. Details of

how individual offices perform each month under the Charter are displayed in the reception area of each office.

Performance against key targets during 1999/2000 shows that a high level of service is being achieved.

Targets:

	Target	Achieved
Correspondence requiring a reply will be acknowledged within 5 working days with a specified reply date or replied to within 15 working days of receipt	90%	96.9%
Visitors with appointments will be seen within 5 minutes of their appointment time	90%	96.2%
Visitors without appointments will be seen within 10 minutes of arrival.	90%	90%
All calls to the central enquiry line will be answered within 20 seconds	95%	90%

Financial Performance - Comments of DTI accountants

The income and expenditure accounts for the last four years were as follows:

	1995/6 £000's	1996/7 £000's	1997/8 £000's	1998/9 £000's
Fee Income	40,706	28,843	35,155	37,892
Other Operating Income	602	1,233	2,340	2,411
Total Expenditure*	99,534	76,362	78,866	77,882
Surplus/(deficit)	(58,226)	(46,286)	(41,371)	(37,579)

* includes interest on capital.

Fee income represents statutory fees net of VAT charged to the estates of bankrupts and companies in liquidation during the year. Other operating income is principally costs awarded from directors' disqualifications, Employment Protection Act fees and insolvency practitioner authorisation fees.

Despite a modest decrease in fee income over the four year period, the deficit has decreased significantly, primarily as a result of a decrease in operating charges, in particular Investigation and Enforcement Directorate fees and debit balances written off against fees.

On the basis of available information, the trading results are satisfactory.

Financial Position

The balance sheet as at 31 March 1999 showed net current assets £20.78m, including cash at bank and in hand £17.98m. Total net assets were £23.39m, represented by revaluation reserve £0.18m and general reserve £23.06m. There are no exceptional items requiring explanation from the Agency.

There has been a significant increase in net current assets over the Review period from £0.51m as at 31 March 1995 to £20.78m as at 31 March 1999. This is due to a significant increase in cash and bank balances. However, this would appear to simply be a point of disclosure rather than one of substance as balances held in the Insolvency Services Account are now being shown on the face of the balance sheet rather than only as a note to the accounts. In view of the statutory use to which these funds are required to be put, this increase in liquidity is not considered to be a weakness of the financial management procedures operated by the Insolvency Services.