



Companies House

Cardiff  
Belfast  
Edinburgh  
London

# Annual Report and Accounts 2020/21

HC 378



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During the period of this report, Companies House  
was an Executive Agency of the Department for  
Business, Energy & Industrial Strategy (BEIS).

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Companies House

# **Annual Report and Accounts 2020/21**



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## Ministerial foreword

It is a great pleasure to introduce the annual report for Companies House for 2020 to 2021.

This year has been exceptionally busy. The companies register has continued to grow, with over 4.7 million incorporated companies at the end of March 2021. This growth demonstrates the attractiveness of the UK to be a place to set up and operate a business, and underpins the important role that Companies House plays in support of the UK economy.

The impact of the ongoing coronavirus (COVID-19) pandemic has brought many challenges during what has been an extraordinary year, and I want to extend my thanks to everyone in Companies House for their efforts in supporting the UK business community. It's pleasing to note a customer satisfaction rate of 86% in the past year, more than 7% above target. I have no doubt that Companies House will continue to strive for this level of service over the coming year and through the planned programme of transformational change.

With effect from 1 April 2020, Companies House smoothly transitioned from operating as a trading fund to being an executive agency within central government. I applaud the robust relationship between colleagues in BEIS and Companies House to deliver this transition with no impact on operational effectiveness of one of our key delivery partners.

**...a customer satisfaction rate of 86% in the past year, more than 7% above target.**

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My department has also published the government's wider plan to reform and modernise the Companies House register and to strengthen the role of the Registrar in maintaining the integrity of the Register. This includes 3 new consultations which have set out further detail on our far-reaching reforms which will allow us to crack down on fraud and money laundering, whilst providing businesses with greater confidence in register transactions. My officials and the team at Companies House will continue to work together to seek routes to further enhance the value of the services Companies House provides in the future, including legislative routes where needed.

I am grateful to the teams at Companies House for their work this year to support the UK economy, and the ongoing fight against economic crime – and for the advances they have made to develop that role for the future.



**Lord Callanan**

Minister for Business, Energy & Corporate Responsibility

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Companies House

# Performance report

# One

## Overview 2020/21

The overview shows, at a glance, Companies House's performance in measured activities during the reporting year.

For more information about our statistics, go to:

[www.gov.uk/government/organisations/companies-house/about/statistics](http://www.gov.uk/government/organisations/companies-house/about/statistics)

# 4,716,126

Register size  
(as at 31 March 2021)

## 810,323

New incorporations

## 4,985

Companies restored

## 5,419

Companies in  
receivership

## 449,881

Dissolved companies

## 204,641

In dissolution

## 95,158

In liquidation

## 91.4%

Digital take-up

**12,397,857** Accepted transactions

<b>11,327,107</b> Digital filings accepted	<b>97.5%</b> Confirmation statement compliance (filed up to date)	<b>97.8%</b> Accounts compliance (filed up to date)
<b>1,070,750</b> Paper documents accepted		

<b>75%</b> Staff engagement (at People Survey October 2020)	<b>86%</b> Customer satisfaction	<b>227,033</b> Number of times the register was accessed for paid for information
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**10,171,110,145**  
Number of times the register was accessed for free (including Application Programme Interface (API) searches)

<b>1099</b> Headcount (total) as at 31 March 2021	<b>1013.67</b> Headcount (full-time equivalents) as at 31 March 2021	<b>£71.3m</b> Income <b>£92.6m</b> Expenditure (including intra-government transfer of Property, Plant and Equipment)
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## **Chair's and Chief Executive's review**

We are pleased to introduce the 2020/21 Annual Report and Accounts, which sets out how Companies House has performed over the past financial year. This has been another busy and successful year, as well as one of unanticipated and unprecedented challenges. We have continued our ambitious journey of transformation and preparation for legislative change whilst simultaneously pivoting to maintain services and protect our people during the COVID-19 pandemic.

Our ability to respond swiftly has shown our workforce at its best and provides proof of the value of work that was already underway. The foundation we had set for a range of new digital services and ways of working has contributed to our ability to adapt so successfully during the pandemic. From transforming our services and providing company data to inform government policy, to ensuring our people could work effectively and safely from home.

Numerous changes have been made to our policies, processes, and services, to provide easements to business and allow companies to focus their efforts on continuing to operate during this challenging year. Changes have included the development of new digital services to provide an alternative to paper-based ones, and measures to support companies including non-legislative accounts filing extensions, pausing our strike-off processes twice, and the implementation of the Corporate Insolvency and Governance Act.

At the same time, we have been busy planning for our future. In September 2020, we launched our ambitious Companies House Strategy for 2020 to 2025. Our strategy sets out our aspirations for the next five years and outlines how we will achieve our purpose of driving confidence in the UK economy. This goes hand in hand with the government response to the Corporate Transparency and Register Reform consultation, which sets out a new direction and a substantially changing role for Companies House, representing the biggest legislative change since we were set up as a corporate registry in 1844.

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Proposed reforms will enhance powers to query information, increase checks to verify identity, and introduce measures to improve the exchange of intelligence between Companies House and UK Law Enforcement bodies. In setting out our purpose and vision, our strategy acknowledges the importance of these reform proposals in achieving our goals. We have continued to work closely with colleagues in BEIS and others across government and a further three new consultations were published in December 2020 seeking views on further reforms to the Companies House register. We want to express our thanks to those who have responded to these consultations, as your contributions will help us to enhance the value of our information and combat economic crime.

With the first year of our strategy nearing completion, we have made great progress towards delivering on our goals while laying the foundation for others, and we are enthusiastic about delivering even more for our customers and stakeholders over the remaining years of our strategy and beyond.

We are particularly proud to note that, despite the challenges of COVID-19, our relationship with our customers has remained strong with customer satisfaction for the year measuring above target at 86%. The engagement of people from across Companies House with our ambitious programme of change has been similarly positive, as is reflected in our people survey score of 75% – which is an increase of 5 percentage points from 2019/20.

In conclusion, we would like to say thank you to everyone in Companies House who has continued to go above and beyond to deliver for our customers throughout such a challenging year.



A handwritten signature in black ink, appearing to read 'L. Cowley', written over a horizontal line.

**Lesley Cowley OBE**  
Chair



A handwritten signature in black ink, appearing to read 'L. C Smyth', written over a horizontal line.

**Louise Smyth**  
Accounting Officer  
Chief Executive and Registrar

18 October 2021

**“We are particularly proud to note that, despite the challenges of COVID-19, our relationship with our customers has remained strong with customer satisfaction for the year measuring above target at 86%.”**

Louise Smyth

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## Highlights for the year



Over **810,000** new incorporations against more than **449,000** dissolved, continuing an upwards trend in the size of the register.



We have continued to exceed our digital services availability target of **99.9%**.



We successfully retained our **Customer Service Excellence Award**, recognising our commitment to providing excellent customer service.



We achieved an overall customer satisfaction rate of **86%** which remains high despite the challenges of the COVID-19 pandemic.

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## Highlights for the year

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We achieved **Investors in People Platinum** status, which is only awarded to around **2%** of assessed organisations.



We achieved an employee engagement score of **75%** in the Civil Service People Survey — **5 percentage points higher** than the previous year and **9 percentage points higher** than the 2020 benchmark for high performing Civil Service departments.



We consistently delivered above our public recruitment corporate target with **33.57%** of external applications from under-represented groups.



Despite the COVID-19 pandemic, our colleagues have raised nearly **£6,000** through our Corporate Social Responsibility (CSR) activities.

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## Highlights for the year



We supplied fully configured devices and homeworking equipment to **all colleagues**, supplemented with an updated ‘digital by default’ approach which is more suited to hybrid working.



Our new service to ‘Upload a document to Companies House’ has had over **145,000** submissions since 1 June 2020.



We have successfully **withdrawn our paper reminder letters** for annual accounts and confirmation statement, and we will reinvest this saving into our products and services.



We published more than **600 pieces of content** to support companies during the COVID-19 pandemic and delivered multiple communication campaigns to help directors better understand their responsibilities.

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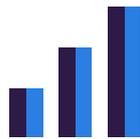
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## Highlights for the year



We have added **1.5 million** dissolved records to Companies House Service to enhance corporate transparency, giving free access to dissolved information back to 2010.



Our data was used by government as early economic indicators to **inform policy decisions** around some of the COVID-19 business support measures.



We have supported the government in the fight against economic crime by using **data analysis** and **intelligence-sharing** to help identify clusters of suspicious companies set up to defraud government.



We worked with BEIS to publish **3 new consultations** which seek views on further reforms to legislation and new powers for Companies House to verify information.

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## Delivering against our 2020/21 Business Plan

### Who we are and what we do

Companies House is an executive agency of the Department for Business, Energy & Industrial Strategy (BEIS), with fees set on a cost recovery basis funding our operations.

We incorporate companies and make available the information they are required to provide to us in exchange for limited liability. Companies are legally responsible for the information they provide to the registrar. Companies House provides services to assist the fulfilment of these obligations by companies.

The Companies House register is an important part of the UK's fair and open corporate regulatory framework, underpinning the government's approach to business by helping to deliver a strong, transparent and attractive business environment. Data from our register is made widely and freely available, supporting the UK and wider business community to make decisions. Our services underpin the UK economy and support business confidence, business growth and increasingly tackle economic crime.

Our head office is in Cardiff, and we also have offices in Edinburgh, Belfast and London.



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**Our strategy**

Companies House drives confidence in the economy and makes the UK a great place to start and run a business. The data on our registers informs business decisions, supports growth and combats economic crime.

In September 2020, we launched a new 5 year strategy coinciding with the publication of the government's response to the Corporate Transparency and Register Reform consultation.

Since our previous strategic plan was drawn up, our external environment and the challenges we face have changed significantly. Our new purpose, vision and strategic goals are our response to the challenges of our new environment and set out our plans for transformation which will enable us to maximise the value we add to the UK economy in multiple ways.

Companies House is critical to the economy. Our data is used to support millions of business decisions, and our core functions underpin entrepreneurship and business growth in the UK. As an organisation, we also have the ability to play a pivotal role in the fight against corrupt business practices, by providing the transparency and clarity necessary to combat economic crime. Our new strategy builds on the work we have undertaken to date and will put us in a stronger position in the 2020s to ensure the UK continues to be regarded as a world leading place to do business.

Our strategic goals are reflected in our business and corporate plans each year. We are proud of what we have achieved so far despite the COVID-19 pandemic and in response to the ongoing challenges it brings. We are now in a great position as we continue to progress with our 5 year strategy.

For more information about our strategy, go to:

[www.gov.uk/government/publications/companies-house-strategy-2020-to-2025](https://www.gov.uk/government/publications/companies-house-strategy-2020-to-2025)

**Companies House drives confidence in the economy and makes the UK a great place to start and run a business. The data on our registers informs business decisions, supports growth and combats economic crime.**

**Our strategy**

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**Risk management**

We take the management of risk seriously at Companies House and it is included in the way we approach both business as usual and change activities. We continue to build on improvements from previous years, maintaining our risk policy and our strategic risk register, and this year we comprehensively reviewed and agreed a new Companies House Risk Management Framework.

The revised framework builds on our current risk management maturity and capability and has now allowed us to identify and manage risks consistently at all levels through a bottom-up approach to risk management. This is supported by a new organisation risk appetite statement that reflects the need to take proportionate risks in the pursuance of our strategic goals. This has also empowered our people to conduct their own risk assessments and workshops within their local areas which feed into the wider risk governance landscape, enabling the organisation to become much more resilient to emerging threats.

We are an active member of the BEIS Risk Network, making the most of shared best practice across the BEIS partner organisations. Risk management has been built into our new 5 year strategy based around a strategic assumptions approach. This will enable us to review risks as they emerge and provide mitigation where required or alter our planning where necessary.

For more information about our risk management, see 'Governance Statement'.

**How we manage our agency**

In April 2020, following our re-classification as part of central government and change of status away from being a trading fund, we adopted the BEIS monitoring and evaluation framework.<sup>1</sup>

The framework outlines the BEIS vision for monitoring and evaluation of policies and programmes across the department and its partner organisations, to inform delivery improvement, policy options and decisions. It also sets out our governance, accountability and key relationships, plus our financial management and sponsorship arrangements; reflecting our changed status and building on fundamental good practice already established in those areas.

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1 BEIS monitoring and evaluation framework, 2020, GOV.UK  
[www.gov.uk/government/publications/beis-monitoring-and-evaluation-framework](http://www.gov.uk/government/publications/beis-monitoring-and-evaluation-framework)

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For more information on classification of public bodies, go to:

[www.gov.uk/government/publications/classification-of-public-bodies-information-and-guidance](http://www.gov.uk/government/publications/classification-of-public-bodies-information-and-guidance)

In 2020/21, our board consisted of a Non-executive Chair, Chief Executive and Accounting Officer, 6 Executive Directors and 6 Non-executive Directors.

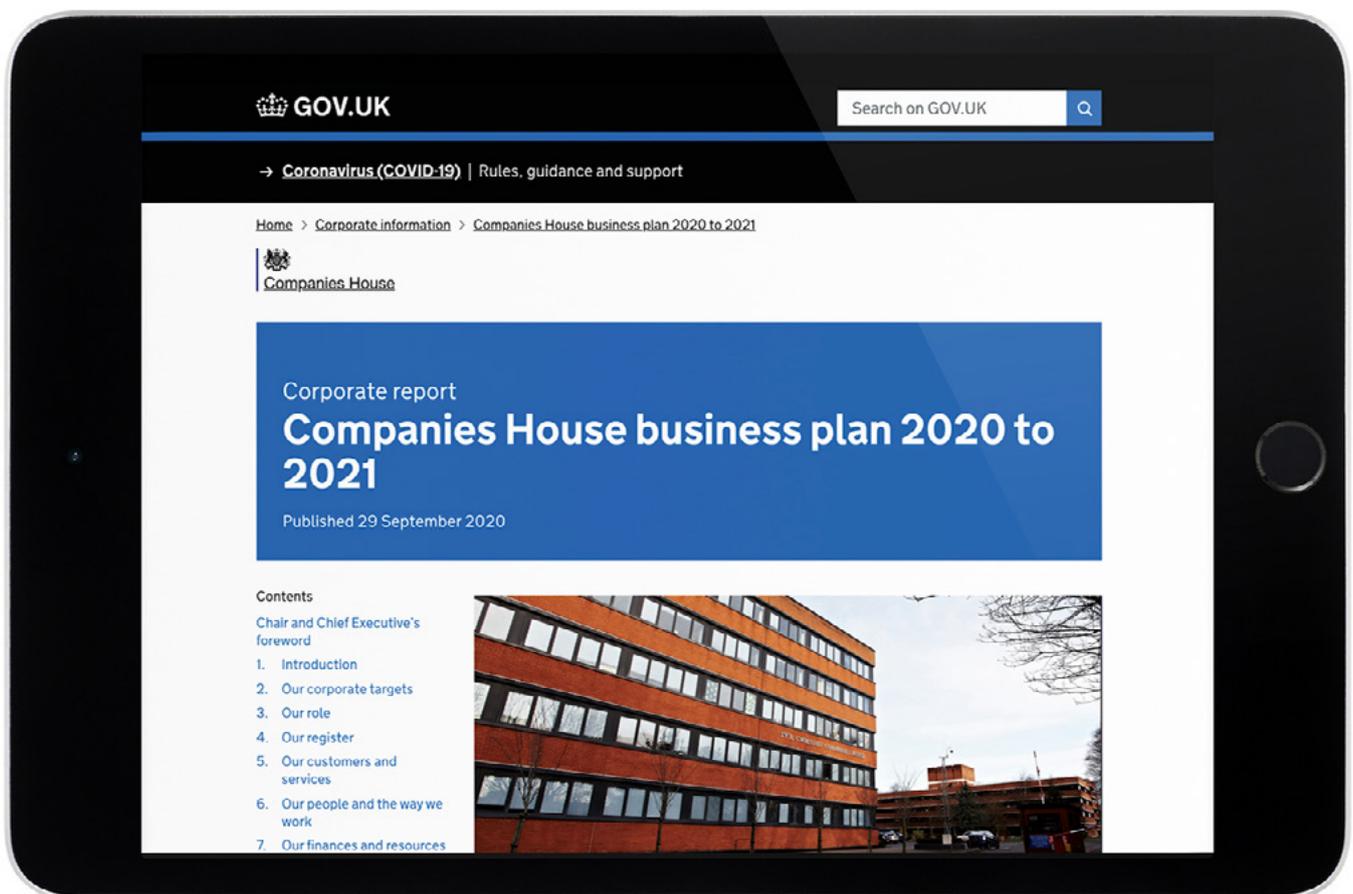
For more information about our governance, go to:

[www.gov.uk/government/organisations/companies-house/about/our-governance](http://www.gov.uk/government/organisations/companies-house/about/our-governance)

**The purpose of this document**

This Annual Report and Accounts sets out our performance and achievements for the year. For more information, see our Business Plan for 2020/21:

[www.gov.uk/government/publications/companies-house-business-plan-2020-to-2021](http://www.gov.uk/government/publications/companies-house-business-plan-2020-to-2021)



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## Corporate targets

# 1

### Target

Digital services will be available for a minimum of 99.9% of the time.

KPI	2020/21 Performance	Result
99.9%	99.91%	Met ✓

# 2

### Target

97% of companies on the register will have an up-to-date confirmation statement.

KPI	2020/21 Performance	Result
97%	97.5%	Met ✓

# 3

### Target

We will manage expenditure set out within budgetary limits.

KPI	2020/21 Performance	Result
£8m deficit	£7.6m deficit	Met ✓

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## Corporate targets

# 4

### Target

We will be in the top quartile of public service organisations for customer satisfaction.

KPI	2020/21 Performance	Result
<b>78.63%*</b>	<b>86%</b>	<b>Met ✓</b>

# 5

### Target

We will maintain the proportion of external applications from under-represented groups.

KPI	2020/21 Performance	Result
<b>27.61%</b>	<b>33.57%</b>	<b>Met ✓</b>

# 6

### Target

We will withdraw the paper channel for reminders by the end of March 2021.

KPI	2020/21 Performance	Result
<b>-</b>	<b>Delivered</b>	<b>Met ✓</b>

\*We have maintained a shadow target of 83% from 2019/20 which reflects the level of previous customer satisfaction targets and achievement.

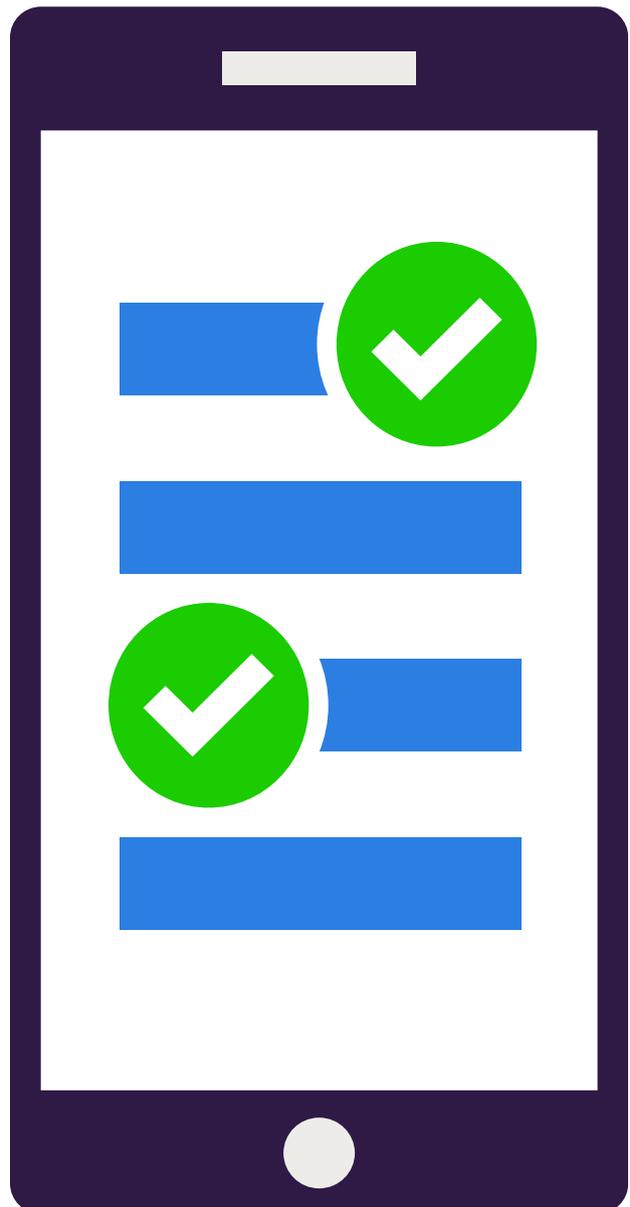
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# What we have done



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## What we have done

### Executive summary

It is impossible to reflect on our activities for 2020/21 without acknowledging the impact of the COVID-19 pandemic, which has presented significant challenges to Companies House, our users, and stakeholders.

Although some of our plans were inevitably put on hold, the government guidance for working safely during COVID-19 has also caused us to accelerate some planned aspects of our transformation. Had we not already made substantial progress towards smarter working, we would not have been as well placed to maintain business continuity by rapidly adapting our services for the public and ensuring all colleagues were fully equipped for homeworking. Despite the challenges of working remotely, we have continued to press ahead with our transformation plans, achieving a total net operating deficit before dividend of £7.6m for the year, compared to our financial forecast of an £8m deficit. It has also brought a focus on maximising efficient use of our estate in order to contribute positively to the drive to move other organisations that still need physical space out of London and the South East.

When the COVID-19 pandemic began, we started to supply early economic indicators such as insolvency figures to other parts of government, and these have played a key role in informing decisions about measures to support business. The Corporate Insolvency and Governance Act 2020 introduced temporary easements to relieve the burden on companies and allow them to focus all their efforts on continuing to operate. We also adapted our policies to complement this new legislation and support companies at a time when they were under increased pressure, with measures such as extensions to accounts filing deadlines and temporary pauses to strike off.

Before COVID-19 we were already moving to a service model to allow us to be more customer focused and responsive. This proved invaluable as we were able to rapidly introduce new and enhanced services with simpler digital interactions, removing the physical dependency on paper-based transactions and alleviating the pressures on both companies and our colleagues. Rather than regress when the pandemic is passed, we will build on these developments for the future and apply the lessons we have learned from our COVID-19 response to our longer-term transformation.

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**Our register**

The importance of a trustworthy and fit for purpose register remains a crucial part of the UK's corporate framework, and one we strive to maintain and develop in all that we do.

The register is central to Companies House's purpose, and it has continued to grow in the past year. At the end of March 2021 there were 4,716,126 companies in total<sup>2</sup>, demonstrating the attractiveness of the UK as a place to set up and operate a business.

Most of the information on the register is publicly available and free to access online, helping to deliver the UK's reputation as a global leader on corporate transparency and underpinning confidence in the economy. In the past year, the register was accessed over 10 billion times to support decision making in the economy, as well as the work of law enforcement and civil society.

Three of our strategic goals for 2020/25 relate directly to our register and how it is used. These are:

- Our register and data inspire trust and confidence
- We maximise the value of the register to the UK economy
- We combat economic crime through active use of analysis and intelligence

In 2020/21 we embarked on the first year of our journey to deliver against these goals, and we have made progress towards delivering on our goals through a number of activities, while laying the foundation for others.

**Companies on the register at the end of March 2021:**

**4,716,126**

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<sup>2</sup> Companies House official statistics, Incorporated companies in the UK January to March 2021, GOV.UK  
[www.gov.uk/government/statistics/incorporated-companies-in-the-uk-january-to-march-2021](https://www.gov.uk/government/statistics/incorporated-companies-in-the-uk-january-to-march-2021)

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**Enhancing services to enable compliance with  
the Fifth Anti-Money Laundering Directive**

The Fifth Anti-Money Laundering Directive makes amendments to the Fourth Anti-Money Laundering Directive on preventing the financial system being used for money laundering and terrorist financing purposes. The Directive further strengthens transparency and the existing preventative framework, whilst ensuring that the UK adheres to the international standards set by the Financial Action Task Force.

The Directive aims to be proportionate and manage burden on businesses. In line with this, we have enhanced our existing reporting tool which enables obliged entities entering a new business relationship to alert us of discrepancies they find between the beneficial ownership information they hold, and information on the public People with Significant Control (PSC) register.

Our new service is accessible and more intuitive, with fewer data input requirements, making it easier for users to report PSC discrepancies. At the same time, it will reduce the processing impact on our examination teams, which will result in efficiencies and improve the quality of discrepancy reports. We are excited to roll out our new online service for private testing by a small group of customers, before a wider launch in the coming year.



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**Combatting economic crime through data analysis and intelligence-sharing**

Building on the success of 2019/20, we continued to support and collaborate with colleagues across government departments, namely the Cabinet Office, BEIS, The Insolvency Service and HM Revenue & Customs (HMRC). By utilising data matching opportunities and appropriate data sharing gateways, we have helped to identify clusters of suspicious companies set up to defraud government and business, including the misuse of government grant schemes, which were introduced to aid companies struggling during the COVID-19 outbreak.

Companies House aims to be a key partner in combatting economic crime, with the functionality and legal basis to engage fully with partner organisations in protecting the integrity of our registers. To achieve this, we will continue to explore how we can strengthen and increase our role in this area by reviewing and identifying the current gaps in legislation and the changes required to address these.

**Data science**

During this challenging year, Companies House provided data to help the government understand how businesses were coping throughout the COVID-19 pandemic. These were used as early economic indicators by government partners including HM Treasury to inform policy decisions around some of the business support measures<sup>3</sup> launched this year.

By transforming the way we extract and collate data, we have created a fully automated data pipeline to share our data across government on a daily basis since April 2020. We have also worked within our networks at the Office for National Statistics (ONS) to publish some of this data in their Faster Indicators publication, enabling us to reach an even wider audience and increase the value of Companies House data.

# Companies House aims to be a key partner in combatting economic crime

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3 Coronavirus (COVID-19) Business support, GOV.UK  
[www.gov.uk/coronavirus/business-support](https://www.gov.uk/coronavirus/business-support)

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**Identity and access management (IDAM)**

The Companies House Account project was launched to deliver a new, modern and fit-for-purpose Identity and Access Management (IDAM) system, which will provide the foundation for a range of future Companies House services.

IDAM will allow users appropriate access to our digital services through a single user account, rather than the multiple accounts that some need to use currently. This new system will offer an improved and consistent user experience across multiple Companies House services with the added benefit of enhanced security and data protection. As we deliver on legislative change and make use of new powers in the future, it will also provide a means of checking and verifying information provided to us, and its source.

Since procuring a new IDAM system in January 2021, development has progressed at pace and we will deliver the new Companies House Account to our filing customers in early 2022.

**Single  
user  
account**

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**Preparing for legislation**

Throughout the year, we have continued to work closely with BEIS, developing policy measures aimed at enhancing corporate transparency and combatting money laundering. This includes work on Corporate Transparency and Register Reform, and the Register of Overseas Entities Beneficial Ownership (ROEBO).

Our aim is to ensure that legislative change is translated into new systems and processes that work for our customers, as well as effectively delivering the government's vision for the new role of Companies House in the economy and the fight against economic crime.

With the commitments set out in the government's response<sup>4</sup> to the Corporate Transparency and Register Reform consultation, we published 3 new consultations<sup>5</sup> in December 2020 which sought views on further reforms. **These focused on the more detailed aspects that gained strong public support in the initial consultation:**

- Improving the quality and value of financial information on the UK companies register
- Powers of the registrar to query, remove and amend information on the public register
- Implementing the ban on corporate directors as a measure designed to enhance transparency, specifically around verification

The consultations closed in February 2021, and the responses will be used to develop detailed proposals for the areas of reform the government intends to take forward. Over the coming year we will continue to work even more closely with BEIS and other key stakeholders to design and plan for the implementation of these significant reforms.

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4 BEIS and Companies House, Corporate transparency and register reform consultation response, 2020  
[www.gov.uk/government/consultations/corporate-transparency-and-register-reform](http://www.gov.uk/government/consultations/corporate-transparency-and-register-reform)

5 BEIS and Companies House, Corporate transparency and register reform: improving the quality and value of financial information on the UK companies register consultation, 2020  
[www.gov.uk/government/consultations/corporate-transparency-and-register-reform-improving-the-quality-and-value-of-financial-information-on-the-uk-companies-register](http://www.gov.uk/government/consultations/corporate-transparency-and-register-reform-improving-the-quality-and-value-of-financial-information-on-the-uk-companies-register)

BEIS and Companies House, Corporate transparency and register reform: powers of the registrar consultation, 2020  
[www.gov.uk/government/consultations/corporate-transparency-and-register-reform-powers-of-the-registrar](http://www.gov.uk/government/consultations/corporate-transparency-and-register-reform-powers-of-the-registrar)

BEIS and Companies House, Corporate transparency and register reform: implementing the ban on corporate directors, 2020  
[www.gov.uk/government/consultations/corporate-transparency-and-register-reform-implementing-the-ban-on-corporate-directors](http://www.gov.uk/government/consultations/corporate-transparency-and-register-reform-implementing-the-ban-on-corporate-directors)

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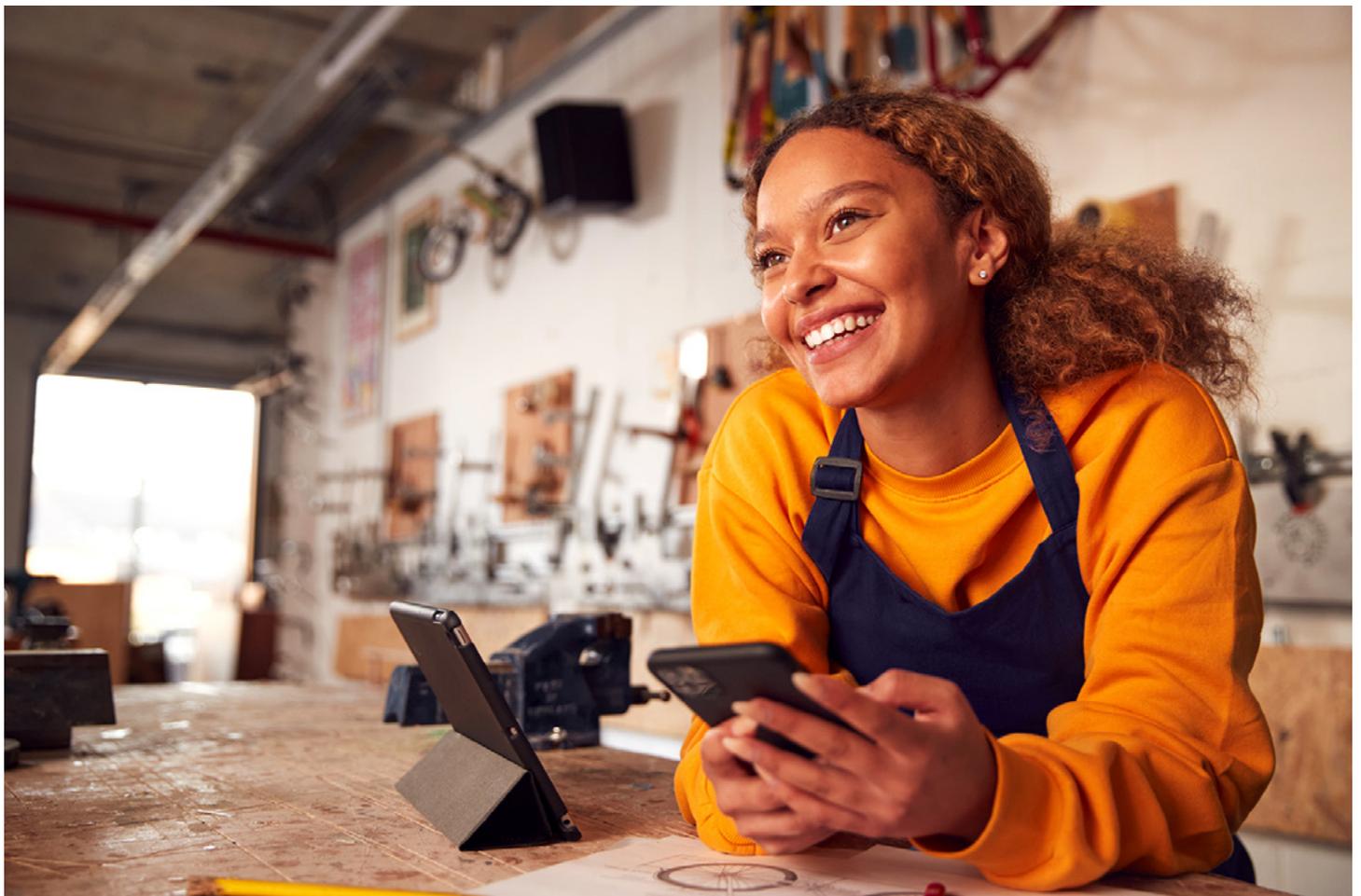
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## **Our customers and services**

Our register underpins the services we provide to our customers, whether they are providing information or searching for it. One of our 6 strategic goals for 2020 to 2025 is:

# **Our brilliant services give a great user experience.**

This year we continued to develop our services to work towards this goal, and in fact the impact of the COVID-19 pandemic has led us to accelerate some of our plans. However, this is not to say that this experience or the changes we have made to respond to COVID-19 have been without issues, and we will also make sure that we learn from those.



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**Redesigning existing filing services and developing new ones**

In line with our strategy to encourage users to interact with us digitally, we have continued to develop our online services to ensure they are accessible, easy to use and give a great user experience. Our redesigned 'Close a company' service has streamlined how online applications to dissolve a company are authorised, and this has seen an increase in digital filing by more than 35% between 2019/20 and 2020/21. Alongside this, we have launched a new online service to 'Object to a company being struck off', so people who have a reason to stop a strike off application can notify us more easily and digitally.

Allowing for simpler digital interactions has been key to relieving the burden on companies by removing the dependency on paper forms, the postal services and in-person contact. As an emergency response to COVID-19, we developed a new filing service allowing nearly 400 types of documents to be uploaded digitally instead of posting a paper form. Since 1 June 2020, there have been over 145,000 submissions through the 'Upload a document to Companies House' service, including critical insolvency related filings which were entirely paper-based.

We have also enhanced existing services to allow more users to file online. If a director is unable to access the company's authentication code at the registered office address, they can now choose to have the code sent to their home address instead. To help improve the quality of our data, we have added 'second filings' to our existing online filing service so companies can clarify simple misstatements or inaccuracies on the register quickly and easily.

**Submissions through the Upload a document  
to Companies House service since 1 June 2020, more than:**

**145,000**

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**Accounts services**

Companies can now apply to extend their filing deadline online, making it easier to request more time to file accounts where a company meets the criteria for doing so. If a company's filing deadline has already passed, users can now pay or appeal a late filing penalty online.

UK listed companies must file accounts with the Financial Conduct Authority (FCA) which are prepared digitally using the UK single electronic format (UKSEF) taxonomy. Whilst there is no legal obligation to file in this way with Companies House, we have now prepared our systems to accept UKSEF accounts filings from 1 April 2021. This will allow some of the largest companies in the UK to file digitally, paving the way for our future ambition to become a fully digital organisation.

**Decommissioning legacy services and enhancing Companies House Service (CHS)**

Companies House Service (CHS) has for some time been the service of choice for most users searching for company information. As CHS is fully accessible and optimised for use on all mobile devices, we have now discontinued the Companies House mobile app on both iOS and Android. However, in response to feedback, we decided not to close WebCheck and Companies House Direct in 2020/21 to allow users of these legacy services more time to prepare for their withdrawal.

Delaying the retirement of our older services has provided more time to respond to feedback and make further enhancements to CHS functionality. We have introduced an alphabetic search service and a free company snapshot to easily download all the information for a company in one go. On the new platform, users can also order certificates, certified copies, and images missing from the register to be scanned on demand.

**Balancing transparency and privacy**

The government's response to the 2019 consultation highlighted the need to balance enhanced corporate transparency with legitimate data privacy concerns. This year, we have added 1.5 million dissolved records to CHS, giving users free access to dissolved information back to 2010. We have also developed a dissolved search service where users can access summary details of companies dissolved prior to 2010.

Once the law is changed to allow for the protection of personal data, we will be able to freely provide 20 years of dissolved company records on CHS. In the interim, users will continue to have access to dissolved records for up to 20 years through our other products for a fee.

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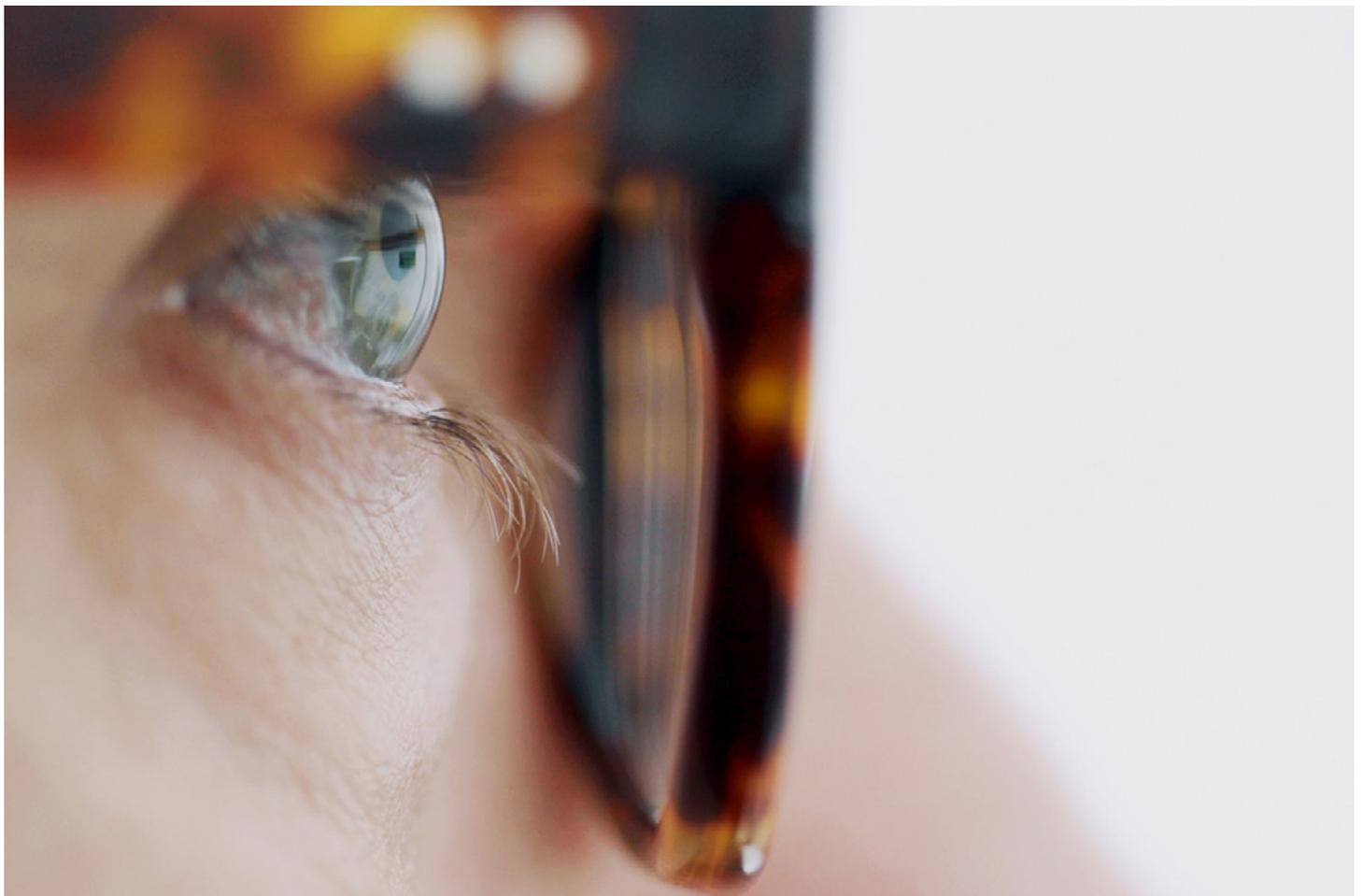
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**Capturing data and generating images on demand –  
making filing data more accessible**

Currently, the filings customers make to Companies House, whether digitally or on paper, are converted to a static image format which cannot be easily processed as data or accessed by screen reading software which may be used by people with accessibility needs.

To make the data available on CHS more accessible and functional, we launched the Accessible Filing Data project which aims to replace the images of filings with accessible data. This will make the information more efficient for us to process and of more value to consumers, as they can process the data and combine it with other data sets. However, we will also continue to generate an image where the user prefers to see data presented in this format.

This is a long-term project and this year we targeted the transactions which are most frequently accessed by our users, with a focus on digital filings first. This work brings us closer to achieving a complete digital record of companies on the register and providing a fully digital service for users.



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**Improving customer service**

Due to the impact of the COVID-19 pandemic, our contact centre phone lines were closed between April and July 2020. This resulted in Companies House dealing with fewer phone calls and more emails in comparison to 2019/20:

- **339,771 phone calls** (down nearly 60% from 827,683)
- **997,988 emails** (up just over 25% from 790,791)

Despite it being a challenging year, customer satisfaction with our contact centre remains high at 86% and this hard work and commitment was commended by maintaining our Customer Service Excellence Award. However, we are aware that things can go wrong, and when they do, we want to be able to respond to customer complaints quickly and improve our service so that it does not happen again.



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Working closely with the Institute of Customer Service, and after analysing feedback and data, we have improved the way that we handle and log any complaints. To support this process, we have published an Unacceptable Customer Behaviour policy which outlines the standards we expect when customers deal with us. We have also introduced a Quality Framework to all our operational teams, which has seen improvements in our handling of phone calls and responses to email queries.

Better customer service is vital to delivering on our strategic goal of providing brilliant services. To support this goal, we have continued to prioritise professionalisation by investing in our people through technical training and the Institute of Customer Service qualifications. Currently, over 50% of our examination processors have a dual skill, which allows us to respond flexibly to spikes in demand. In line with our Welsh Language Scheme, we have introduced a specialised Welsh Unit which offers a dedicated service for customers using the Welsh language, and ensures any new products and services we develop are available in both languages.



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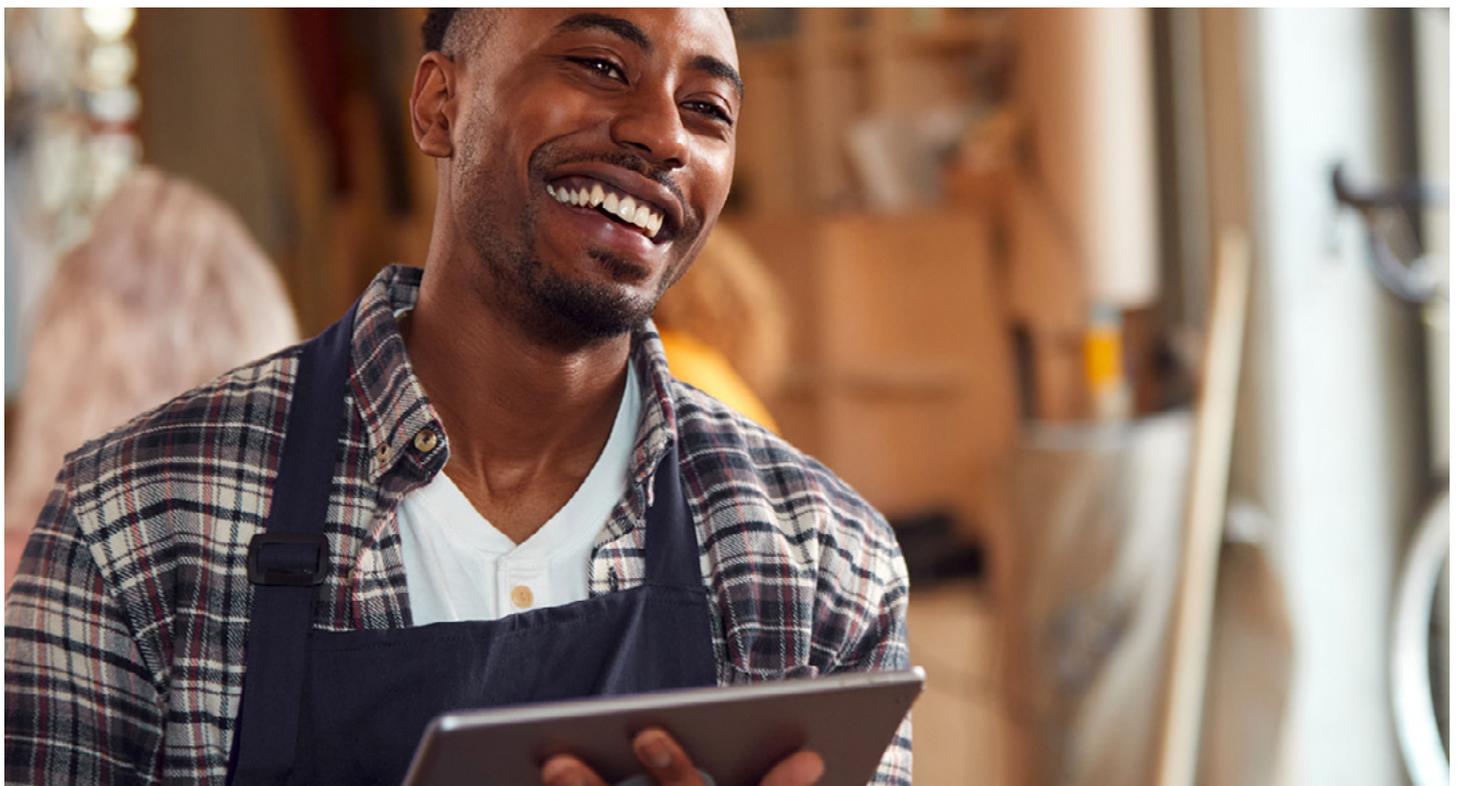
**Changing and enhancing technology to support customers**

We have replaced our legacy in-house telephone solution with an innovative system that gives customers an improved choice in how they deal with us. Natural Voice Lines (NVL) use voice recognition technology to identify what the user is calling about and provide autonomous support without the need for human assistance. Approximately 75% of calls we receive come from a mobile phone. Our system can recognise these calls and send the user a text message with a direct link to the relevant online service and guidance.

**We now have a total of 6 NVL services including 4 new services introduced this year for calls about:**

- Applying for an extension to file annual accounts
- Signing up for our email reminder service
- Paying a late filing penalty
- Appealing a late filing penalty

These services are proving to be well used and popular with customers, and we plan to introduce more digital options next year including a webchat platform. We are regularly evaluating the impact of these enhancements to explore how technology can improve the quality of our interactions with customers and coach users towards more digital, self-help interventions.



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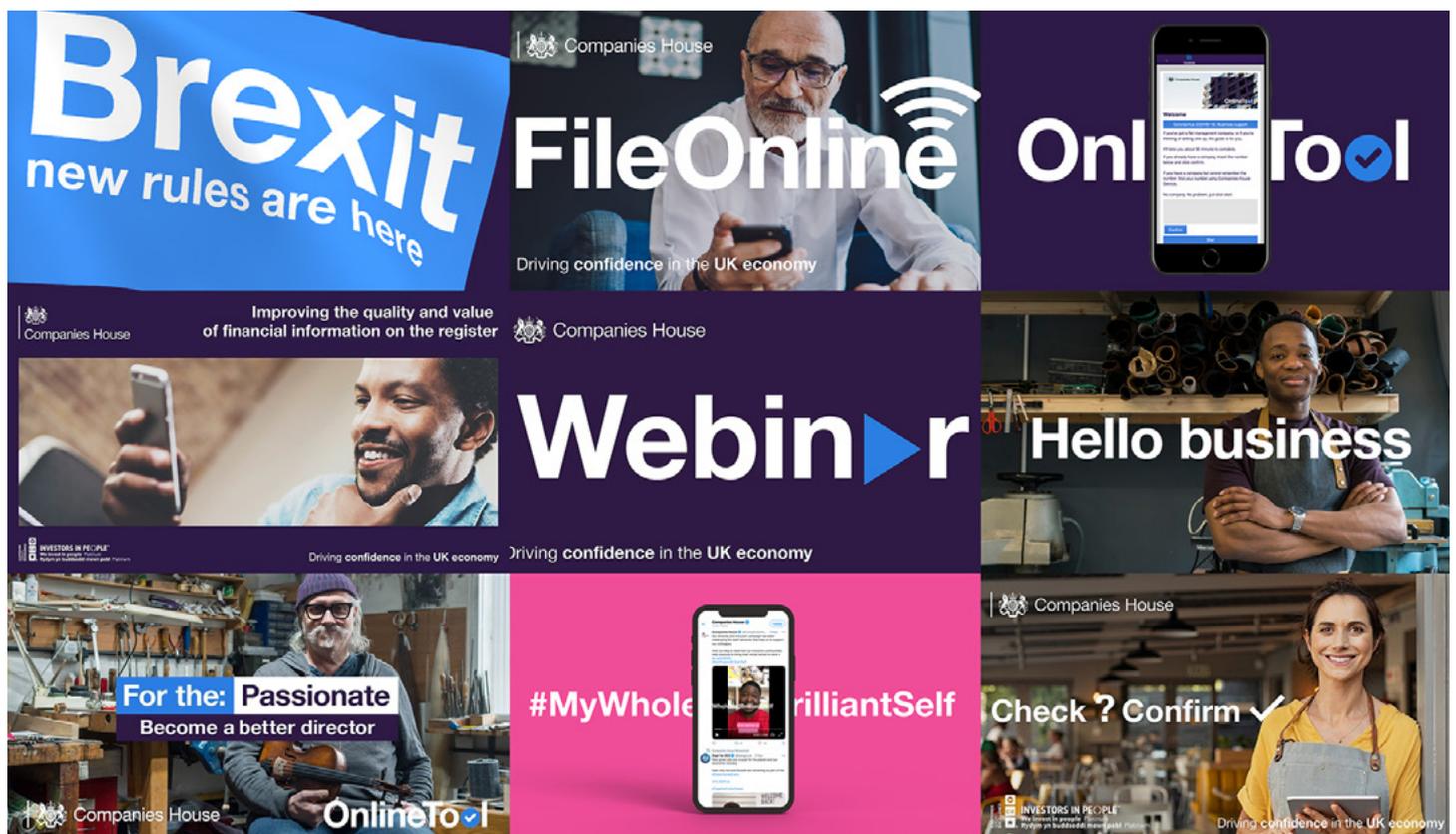
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**Communicating with our stakeholders and customers**

The COVID-19 pandemic meant that we had to adapt our policies and processes to maintain services for users and protect the welfare of our people. During the year, we produced more than 600 pieces of content to communicate urgent updates to our services and amplify the wider government support available to companies as they deal with the impact of COVID-19. This has included accounts filing extensions, pausing our strike-off processes twice, and new legislative measures introduced by the Corporate Insolvency and Governance Act.

We also delivered multiple communication campaigns to encourage online filing and help company directors better understand their legal duties and filing responsibilities. To promote online learning, we have enhanced our existing guidance with interactive digital content, including ‘bitesize’ webinars and instructional videos. In addition, we delivered a series of podcasts and blog posts in collaboration with key external stakeholders to promote the launch of our corporate strategy and its 6 strategic goals.



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# Our people and the way we work



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## **Our people and the way we work**

Our 5 year strategic goal relating to our people and the way we work is:

# Our culture enables our brilliant people to flourish and drives high performance.

Our activities in this area have not only focused on ensuring our colleagues have meaningful roles with clear responsibilities, but also on ensuring that our physical and virtual environments allow our teams to work to their best.



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**Leadership and development programmes**

This year, we have continued to invest in opportunities to develop the right skills and right mindset to support transformation and deliver brilliant services. As a result of the COVID-19 pandemic, we have adapted and re-designed our training courses to ensure they can be delivered remotely.

For our operational delivery team, specifically those in a team leader role, we have delivered a 'soft skills' programme. This has been designed to empower our workforce, support career development and help people become the best leaders they can be, while also having a positive impact on the wellbeing of individuals, their teams and the wider organisation.

For leadership development, we delivered over 100 virtual events and workshops throughout the year on themes including virtual leadership, building relationships and communicating remotely, running successful virtual meetings, and core leadership skills. We provided a virtual workshop programme for senior leaders covering themes such as psychological safety, compassion, and collaboration. We plan to launch a tailored 3 year senior leadership programme and have started to design this.

To help us evaluate the impact of our learning activities, we have introduced informal coffee meetings and group coaching sessions. This will help us understand and explore how learners can apply their new skills and knowledge into practice, and allow us to make future improvements.

**Organisational development: our service model**

After exploring the optimal way for Companies House to be set up and organised, we decided on a service delivery model centred around 3 main services:

- **Company filing**
- **Get company information**
- **Intelligence and enforcement**

This year has seen a major change as we move further towards this new organisational structure. With the 3 service owner roles already in place, we led a number of stakeholder engagement groups to design a blueprint for our Future Operating Model (FOM) which will enable us to be more customer focused, more agile and responsive to change, and help to deliver brilliant services.

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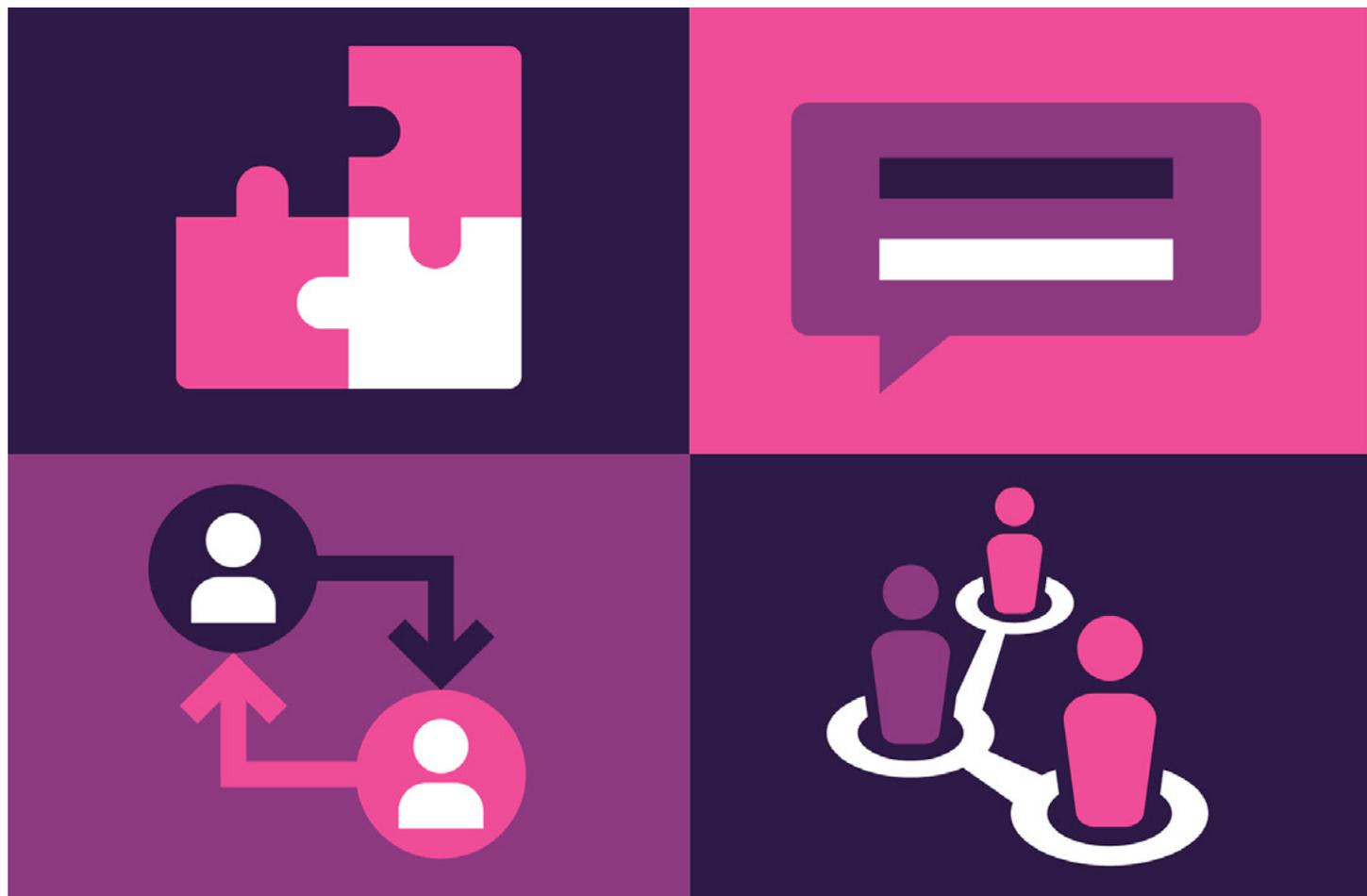
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**The right people in the right place at the right time**

To embed a culture which enables our brilliant people to flourish and drives high performance, we undertook a targeted audit to investigate and address any skills gaps including digital literacy, analysis, and commercial skills. These areas are all vital to our transformation and our future organisation, including the implementation of our new service model and our changing role in government.

We are now planning for the forthcoming skills audit and the alignment to Civil Service professions, as well as corporate skills. As part of these plans, we have redesigned our HR and payroll platforms to provide enhanced reporting and management information, and started to plan a framework on which to define, capture, record and analyse capabilities throughout the organisation.



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**Reward and recognition**

In April 2020, Companies House ceased to be a trading fund and instead became part of central government. Over the past year we have adapted our processes and governance arrangements to fit with this new model and new obligations.

To align ourselves with wider government pay policy, we had to consider the future of our Corporate Efficiency Award (CEA). Our paybill flexibility business case to effectively remove the CEA received final clearance in March 2021 from BEIS, the Cabinet Office and Treasury Ministers, alongside the 2020 pay remit request. Following successful negotiations with the Trade Union, we have been able to pay the award in April 2021, backdated to August 2020.

We have also developed a new approach to reward high performing colleagues for their contribution towards achieving one or more of our corporate objectives. The Impact Awards nomination process will be conducted twice a year, with the first assessments to be made in October 2021.

Our Instant Award Scheme enables colleagues to recognise and reward individuals or teams for their contributions to business performance, and this has been hugely popular with over 1,000 nominations this year. Following the COVID-19 pandemic, we have taken this opportunity to improve the overall award process and reduce administration by issuing digital vouchers in place of paper vouchers.



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**Review of benefits**

The results of the People Survey 2020 indicate that our staff are broadly happy with their overall benefits package. Engaging with staff to gain additional insight on the impact of homeworking has enabled us to review and refresh our benefits offering in line with our future hybrid working approach. This includes plans to increase general awareness of benefits to both existing colleagues and potential applicants to support recruitment, retention and engagement.

**Performance management**

At the start of the year, we removed our formal performance management policy in favour of embedding a culture of conversation. Instead of undergoing a prescriptive process once a year, managers and staff now have regular check-ins which focus on wellbeing, growth and career. This enables issues to be overcome and successes celebrated in real time, driving high performance.

The challenges presented by the COVID-19 pandemic quickly embedded our new approach. From April to September 2020, our regular check-ins focussed on specific challenges colleagues faced, and Companies House supported staff with a 'do what you can, when you can' approach towards the working day. From September 2020, we have enhanced our approach to performance management so that all our colleagues now work towards short and long-term goals which are discussed, reviewed and amended during regular check ins. There is also greater recognition and appreciation for activity that falls outside of people's roles, including work done through our health and wellbeing networks, and our commitment to Corporate Social Responsibility through volunteering and fundraising.



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**Diversity and inclusion**

Our Executive Board has signed off agreed definitions relating to Equality, Equity, Diversity, and Inclusion. This has provided a firm foundation upon which we have continued to grow as an organisation, driving high performance and supporting a diverse and inclusive culture which enables our brilliant people to flourish.

As an organisation, we are proud to have recently become a Disability Confident Leader. We have rolled out disability inclusion training to our line managers and HR colleagues, and to support this we have developed a vulnerable persons strategy to raise awareness of the importance of accessibility.

Our variety of staff networks help to increase inclusion and ensure that all our people feel that they can bring their whole selves to work. Communities such as our Carers' Network, Mental Health Network and Bereavement Network have also helped us to understand the needs of our colleagues and have provided much-needed support during the COVID-19 pandemic. Our networks have continued to grow over the past year, with new groups including FACE (Faith, Allyship, Culture and Ethnicity), Cancer Advocates Network and Working Families.



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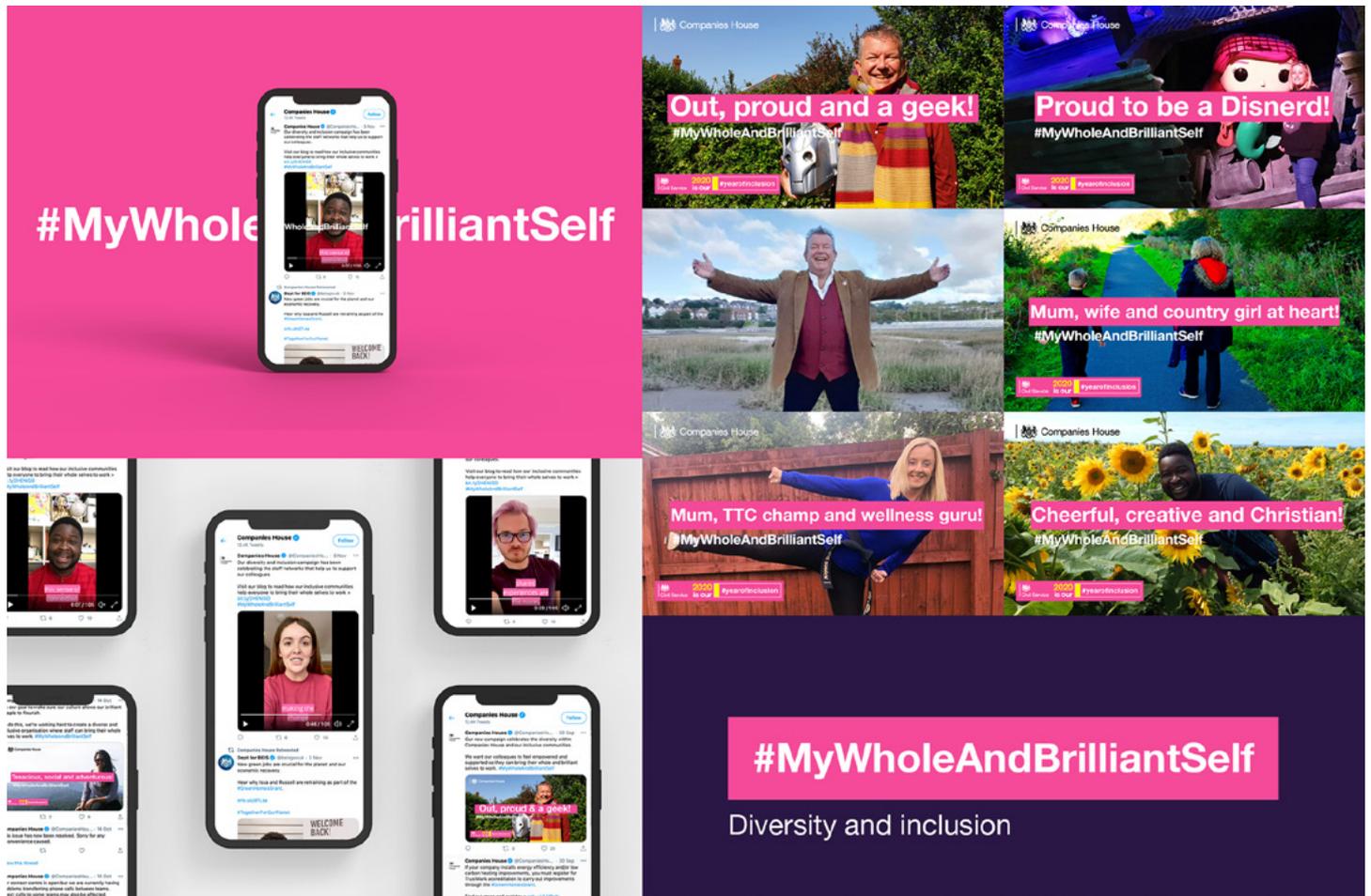
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To allow us to be truly representative of the customers we serve, we have also addressed the need to increase diversity through our recruitment activities.

During October and November 2020, we delivered a highly impactful social media campaign using the hashtag **#MyWholeandBrilliantSelf** to celebrate our diversity and promote Companies House as a great and inclusive place to work. We currently have a public recruitment target to ‘maintain the proportion of external applications from under-represented groups’. Our target for the year was 27.61% and we have consistently delivered above this target, finishing the year with 33.57% of applications from under-represented groups.



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**Staff engagement**

Despite the pressures of the COVID-19 pandemic, morale and attendance have remained high. This year, we achieved an engagement score of 75% in the Civil Service People Survey, which is 5 percentage points higher than the previous year and 9 percentage points higher than the 2020 benchmark for high performing Civil Service departments.

We have developed a suite of new approaches to communicate with staff which embraces the organisation's unique culture and ethos, and the emotional connection our people have to Companies House. This has included a dedicated COVID-19 intranet site, weekly video messages from our Chief Executive, regular Q&A sessions with our Executive Team, and remote coffee and catch ups hosted on Microsoft Teams. Our internal communications approach has strengthened loyalty and dedication, and cemented the sense of community at Companies House. This is reflected in the results of an organisation wide survey completed by 120 colleagues, where 94% of respondents stated that COVID-19 communications have worked well for them.

Some comments from our colleagues include:

**“Makes me feel more connected  
to the organisation”**

**“Excellent content and frequency”**

**“What we all need in these unusual times”**

**Highlight:**

Companies House achieved Investors in People Platinum status in September 2020 — this status is awarded to only 2% of assessed organisations.

**INVESTORS IN PEOPLE™**

**We invest in people** Platinum

**Rydym yn buddsoddi mewn pobl** Platinwm

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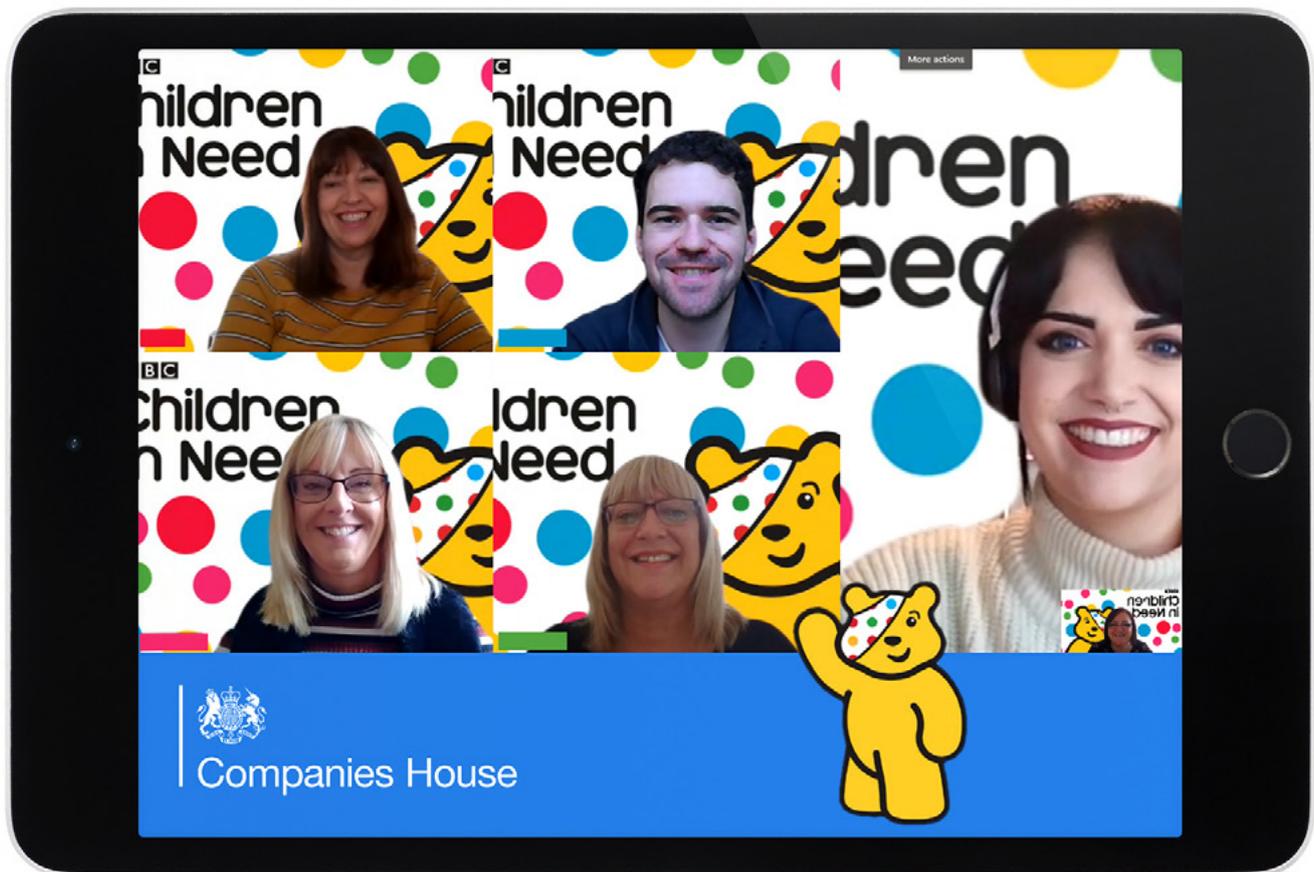
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**Corporate Social Responsibility (CSR)**

The COVID-19 pandemic meant that whilst the opportunities to physically volunteer had reduced, our colleagues were inspired to find alternative ways to give back to the wider community. We are proud of the way they have come together to support each other, their families and neighbours through the challenges of the year.

Companies House has remained committed to CSR through procurement, environment and of course, our people. During 2020/21, our colleagues have raised nearly £6,000 mostly through payroll giving but also including a number of appeals. We have distributed over 200 items of furniture valued at £23,900 between 3 local community groups, following government guidelines for working safely during COVID-19.

Virtual platforms have enabled us to maintain regular contact with charitable partners such as Tenovus Cancer Care and Amelia Trust Farm, and our dedicated 'Giving Back and Making a Difference' intranet page has encouraged colleagues to share opportunities for volunteering and fundraising initiatives. This has included Knitting for Charity in support of dementia care and premature babies, and the Cardiff Foodbank Reverse Advent Calendar where colleagues have donated an item or small amount of money every day for 25 days.



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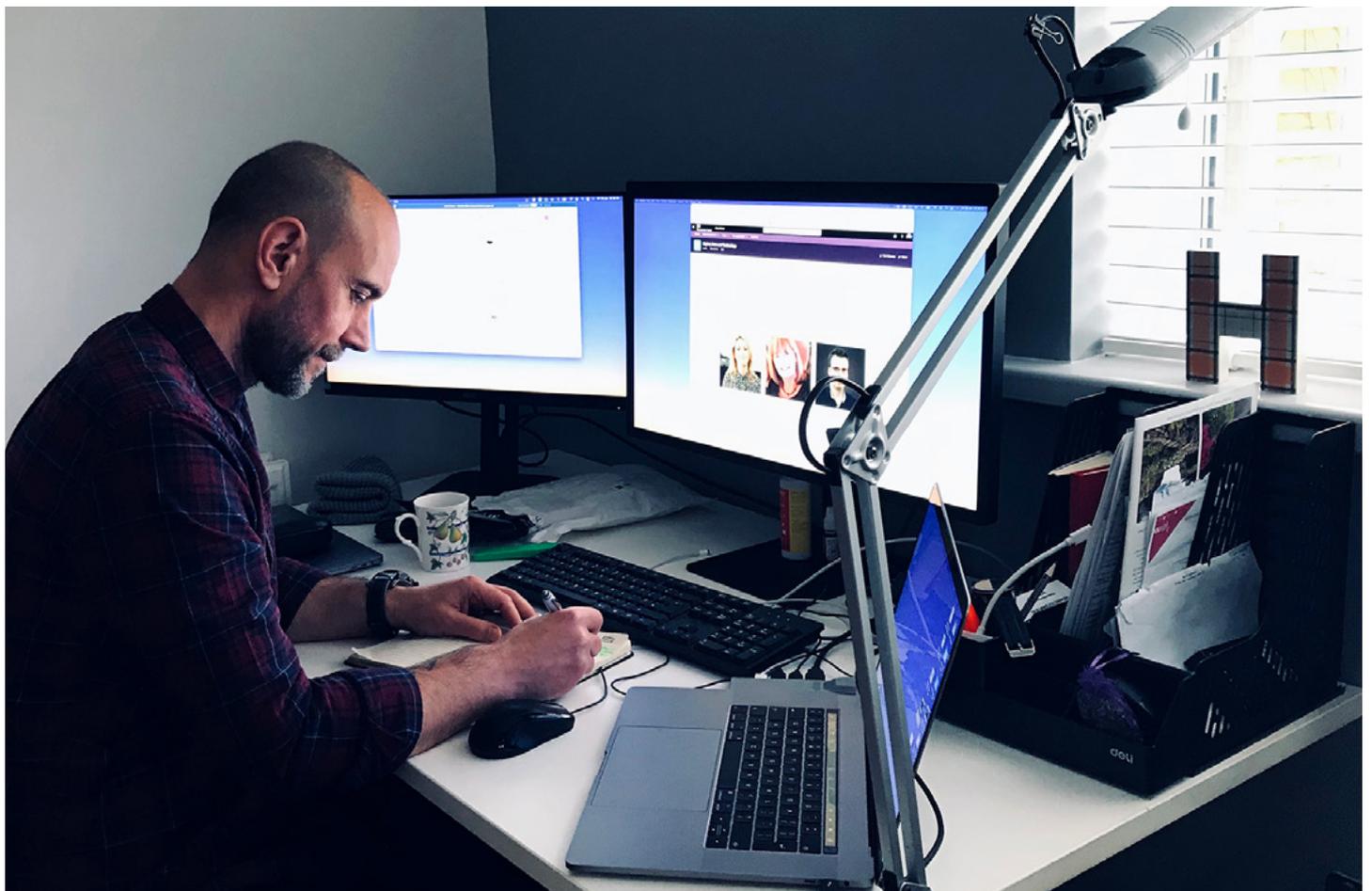
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**Smarter working**

We have been developing aspects of smarter working for some time, and this foundation has enabled us to rapidly mobilise our people to work effectively and safely from home to ensure business continuity during the COVID-19 pandemic.

As a result of the pandemic, the number of staff working on-site was capped at 180 people each week. Where the role allows for homeworking, we have now provided all colleagues with equipment including fully configured digital devices and office furniture where needed. At the same time, the cultural changes already underway gave people the tools to adapt to these new ways of working. By adopting new management styles and processes, colleague interactions have now moved to an inclusive 'digital by default' approach utilising a comprehensive suite of virtual collaboration tools such as Microsoft Teams.

Although homeworking was required through necessity, many colleagues have indicated that they are as effective, or more effective, working away from the office, and that they would adopt a hybrid working approach in future. We will use this feedback, along with other planned engagement exercises, to inform our future smarter working planning.



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**Change management**

Successful implementation of change is always important and is increasingly vital for our transformation. This year, enhancing and professionalising our change management capabilities has been a priority.

We have supported our recently recruited team of change managers with specialist training towards a professional accreditation in change management, and prioritised knowledge transfer and skills development across specific areas such as change communications and engagement. This structured approach to people change management has ensured our teams develop delivery confidence to support people change and continuous improvement across the organisation effectively.

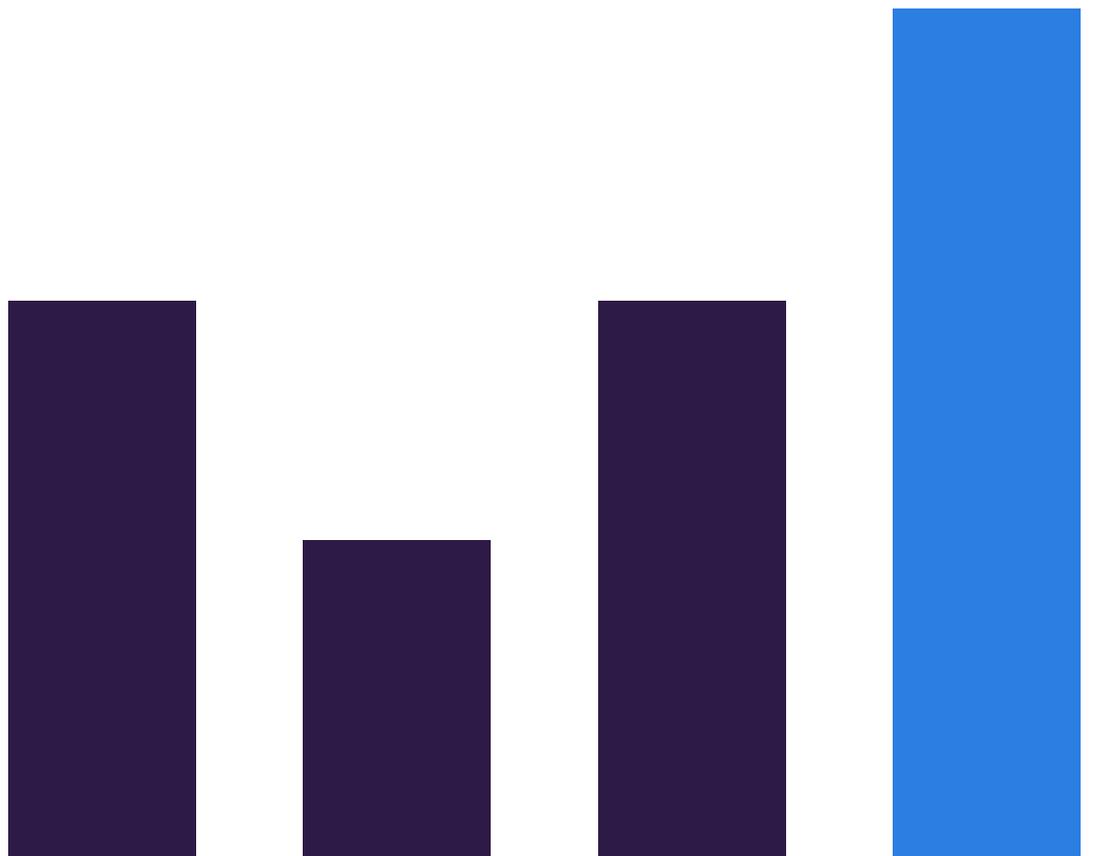
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# Our finances and resources



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## **Our finances and resources**

Our 2020 to 2025 strategic goal relating to finances and resources is:

# **We deliver value through efficient use of resources.**

On 1 April 2020, Companies House changed status from being a trading fund to being part of central government, continuing to operate as an Executive Agency within BEIS. The impact of this change has been substantial, especially in relation to running our financial operations.

Whilst there is no legal requirement for it to continue to be self-funding, Companies House continues to remain largely fee funded. Fees continue to be charged for most services, and where fees are in operation, they are set on a cost recovery basis in line with Managing Public Money<sup>6</sup>. Services which cannot be funded through fees (such as enforcement activity) or where best public value is dependent on not charging fees (including some ways of searching the register), are funded centrally.

Our changed status has also brought new requirements and reporting obligations in terms of our financial management and reporting, with more layers of scrutiny. To continue to operate effectively and efficiently according to our new status, we have had to change how we operate in terms of effective governance, management information, and workforce and workload planning. Due to prioritisation of workload resulting from the pandemic, we have not undertaken the maturity assessment as outlined in our business plan for 2020/21. We now plan to complete this in the next financial year.

Within Companies House, we have continued throughout the year to embed the principles set out in the public value framework. Our prioritisation of workload continues to be based on the principles set out in the framework.

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6 HM Treasury, Managing public money guidance, 2012 (updated 2021), GOV.UK [www.gov.uk/government/publications/managing-public-money](http://www.gov.uk/government/publications/managing-public-money)

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**Efficiency**

We have operated a corporate efficiency programme for many years. Planning for efficiencies this year has been difficult, but we have been able to accelerate some planned activity in response to the COVID-19 pandemic, such as implementing smarter ways of working, and contract management and renegotiations. In November 2020 we successfully withdrew our paper reminder letters for annual accounts and confirmation statement, and we can now reinvest this saving into our products and services.

This year, we have reviewed our methodology and implemented a strategy to develop efficiencies further. Organisational reporting of efficiencies has improved during the year, and we plan to implement the new methodology in 2021/22.

**Our working environment**

One of our priorities this year has been to ensure a safe working environment for those staff who needed to be on site and could not work from home. This includes our key worker tenants such as the NHS, and our total facilities maintenance contractors who had to be on site.

During 2020/21, we completed a number of capital investment projects at our Cardiff office to create a new modern digitally enabled facility, including a complete re-design of the reception, communal break out areas and restaurant. This not only provides an improved experience for both our customers and colleagues with additional security enhancements, but also harnesses opportunities available from emerging technologies to provide areas that can be flexed effectively during the COVID-19 pandemic.



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**Our estate**

On 28 August 2020, HM Treasury announced all government freehold properties are to transfer ownership to the Government Property Agency (GPA). The transfer was completed on 31 March 2021 when Companies House entered into an agreement with the GPA and executive agency of the Cabinet Office to transfer all land, buildings and any associated components owned by Companies House.

Immediately prior to the transfer, Montagu Evans (Chartered Surveyors) carried out an independent valuation of Crown Way on behalf of the GPA and determined that the open market value of the property as of 31 March 2021 was £13.7m, which compared with a net book value of assets being transferred of £21.3m. The difference of £7.7m was charged to the revaluation reserve as an impairment (see note 7, page 143). The assets were transferred to the GPA on 31 March 2021 for nil consideration which resulted in an intra-government loss on transfer of £13.7m (see note 7, page 143).

At the reporting date, Companies House has non-cancellable operating lease commitments of £42.5m (see note 15, page 150) for the leasing of our regional offices. The new agreement for Crown Way was entered into on 31 March 2021 following the transfer of property to the GPA. Per the terms set out in a Freehold Occupancy Agreement that was signed on 14 April 2021 between us and the GPA, Companies House began to pay rent of £2.3m per annum, commencing on 1 April 2021 for a term of 15 years.

As a result of the introduction of the new leasing standard, IFRS 16, a right of use asset and lease liability will be recognised for the Crown Way lease and will take effect from 1 April 2021. Companies House expects to recognise right-of-use assets of approximately £31.9m for Crown Way and £1.2m for the regional offices and lease liabilities of £31.4m and £ 1.1m respectively (see note 1, page 137).

During 2020/21, 7,782m<sup>2</sup> (2019/20: 7,739m<sup>2</sup>) of 29,862m<sup>2</sup> net internal space of the Crown Way building was subleased to other government departments (see note 16, page 151). As part of the freehold transfer of Crown Way to GPA, Companies House will retain the income from all existing tenants until April 2024, unless an earlier date is agreed and signed off by both parties.

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At the start of 2021 we set ourselves a challenging target of a 20% increase in the number of tenants at our Crown Way office in Cardiff by April 2021. Whilst a number of government organisations expressed an interest in this office space, progress has paused as a number of potential occupants put their plans for occupation on hold due to the uncertainty brought by the COVID-19 pandemic. This has impacted our ability to push ahead with leasing the additional footprint we had anticipated releasing. In the future, we will still retain a financial benefit from releasing additional space at our Crown Way building through an overall reduction in our rent charged for Crown Way, should the released space be let to other tenants by GPA.

At this time, the long-term impacts of the COVID-19 pandemic are unknown. However, it is clear that Companies House will need to be agile and refresh our estates strategy during 2021/22. We will need to work with the GPA to address the approach to our own estates footprint and that of other tenants in the building, retaining a degree of flexibility to allow us to pivot quickly.

We have taken a prudent approach and have not included the income generation benefit in the impact on the accounts or the funding requested at this stage.

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# Our environmental activity



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## Our environmental activity

Companies House is determined to minimise negative impacts on the environment.

During this financial year, we have received independent assurance against our ISO 14001 Environmental Management System, through an independent audit and bi-annual British Standards Institution (BSI) audit. We achieved a positive recommendation for continued certification to ISO 14001:2015.

BEIS plan to publish new Greening Government Commitments (GGC) Targets and early indications suggest that these will include a reduction of total carbon emissions (from business travel, electricity, gas, waste, water) by 62% from the 2017/2018 baseline year.

Companies House has already made significant improvements against existing government environmental targets. We will need to ensure these new targets are aligned with our strategy by identifying and agreeing specific activities, goals, and milestones. We will also consider environmental benefits upfront as part of the process for all projects across the organisation.

Plans for our sensory garden were put on hold due to the COVID-19 pandemic. However, we will continue with our commitment by embedding biodiversity into our business planning process for the coming year. This will ensure Companies House considers biodiversity in the way we operate, deliver our services, and make decisions.

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**Our supply chain and the environment**

During this financial year, our organisational procurement and buying activity has continued to be undertaken in compliance with government policy. We have continued to ensure value for money for Companies House, and that our supply chain remains compliant with relevant legislation including health, safety, quality, and environmental requirements.



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# Performance analysis and indicators



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## Performance analysis and indicators

### Financial performance – Statement of comprehensive net expenditure

Our results for the year reflect our ambitious transformation plans. Our financial forecast for the current year anticipated a deficit of £8m which compares to an actual outturn of a £7.6m deficit (2019/20 £2m deficit). As a result of the intra-government transfer of property at nil-consideration (see note 7, page 143), a total net deficit of £28.9m (2019/20: £6.6m) was transferred to reserves.

The results for the year were impacted by the operational impact of the COVID-19 pandemic with some areas of spend being brought forward and other areas being deferred; this makes comparing 2020/21 with 2019/20 challenging.

Operating income for the year was £71.3m (2019/20: £72.3m); a decrease of £1m compared to last year.

Companies House is funded largely through fees. Fees are charged for most services and where fees are in operation, they are set on a cost recovery basis, in line with Managing Public Money. Services which cannot be funded through fees (such as enforcement activity) or where best public value is dependent on not charging fees (including some ways of searching the register) are funded centrally. Penalties collected in respect of company accounts filed late with Companies House are paid entirely to HM Treasury.

An 8.4% growth in the size of the register has meant that the income related to confirmation statements increased by £1.4m and income from incorporations increased by £1.2m. This is offset by income from Search Services falling by £0.9m, primarily as the demand for certified copies fell away due to the COVID-19 pandemic and income earned through operating the late filing penalty (LFP) regime on behalf of HM Treasury also falling by £1.4m.

**Operating income for the year:**

# £71.3m

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In response to the COVID-19 pandemic, we suspended all LFP debt collection activities from 26 March 2020. We recommenced in house debt collection activities in August 2020 and in October 2020 our Debt Collection Agency (DCA), Indesser, began to progress cases which were sent to them in March. We recommenced debt collection activities through the Courts towards the end of February 2021 and by 31 March 2021, a total of c22,000 accounts had been sent to the Courts. The suspension of debt collection activities was part of government's support to businesses to enable them to focus on dealing with the pandemic.

Our gross administration costs for the year were £78.9m, an increase of £4.4m over the previous year. Staff costs (excluding contractors) have increased by £4.6m compared to 2019/20 (see note 3, page 140). Average full-time equivalent (FTE) numbers have increased by 71. Contingent labour costs have increased by a net £1.8m. The increase in staff numbers has been necessary to develop capacity and capability in key areas to support the transformation.

Non-staff administration costs have decreased by a net £2.2m compared to 2019/20 (see note 4, page 141). This change comprises a mixture of both increases and decreases.

One of the main drivers to this decrease was within the repair and maintenance of buildings expenditure which fell by a total of £2.3m. In 2019/20 we made a provision of £1.1m for the removal of asbestos which was discovered during building works. A project was undertaken in this financial year to contain or remove all identified Asbestos Contaminated Material, resulting in a £1.1m fall in costs compared to 2019/20 as the costs of the work in 2020/21 were met out of the provision. There was a further £1.2m reduction in other building related costs as a result of lower maintenance and refurbishment costs compared to 2019/20.

Non payroll staff costs such as travel and training decreased by £0.5m as all meetings became virtual and training was deferred.

The 2019/20 performance was also impacted by a decision to charge an impairment of £0.7m against two development projects (note 8a, page 147). No impairment has been recognised in 2020/21.

The main increases in non-staff administration costs compared to last year were in depreciation and amortisation, which rose by £0.7m as we continued to bring major intangible service developments into the live environment. In addition, recurring software licence costs increased by £0.6m as we expanded the number and types of licences required to enable employees to work from home.

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**Financial performance – Statement of financial position**

Total assets less liabilities fell by £29.8m from £56.3m to £26.5m.

On 28 August 2020, HM Treasury announced all government freehold properties are to transfer ownership to the Government Property Agency (GPA). The transfer was completed on 31 March 2021 when Companies House entered into an agreement with the GPA and executive agency of the Cabinet Office to transfer all land, buildings and any associated components owned by Companies House.

Immediately prior to the transfer, Montagu Evans (Chartered Surveyors) carried out an independent valuation of Crown Way on behalf of the GPA and determined that the open market value of the property as of 31 March 2021 was £13.7m, which compared with a net book value of assets being transferred of £21.3m. The difference of £7.7m was charged to the revaluation reserve as an impairment (see note 7, page 143).

The assets were transferred to the GPA on 31 March 2021 for nil consideration which resulted in an intra-government loss on transfer of £13.7m (see note 7, page 143).

At the reporting date, Companies House has non-cancellable operating lease commitments of £42.5m (see note 15, page 150) for the leasing of our regional offices. The new agreement for Crown Way was entered into on 31 March 2021 following the transfer of property to the GPA. Per the terms set out in a Freehold Occupancy Agreement that was signed on 14 April 2021 between us and the GPA, Companies House began to pay rent of £2.3m per annum, commencing on 1 April 2021 for a term of 15 years.

As a result of the introduction of the new leasing standard, IFRS 16, a right of use asset and lease liability will be recognised for the Crown Way lease and will take effect from 1 April 2021. Companies House expects to recognise right-of-use assets of approximately £31.9m for Crown Way and £1.2m for the regional offices and lease liabilities of £31.4m and £1.1m respectively (see note 1, page 137).

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Companies House invested £10.1m (2019/20: £7.5m) in improving systems and developing new services for customers, and on continuing to improve the working environment for our staff. Of this, the in-house development costs accounted for £7.5m (2019/20: £5.1m). £1.2m (2019/20: £1.5m) was spent on upgrades to IT infrastructure and hardware, and £1.4m (2019/20: £0.9m) was spent on improvements to the office environment in the Crown Way building in Cardiff.

Companies House also repaid net cash to BEIS of £10.9m. This comprised the repayment of surplus cash on our change in status from a trading fund to an Executive Agency of £20.4m less receipts to fund working capital of £9.5m. In addition, Companies House reclassified a £10m short term loan to the General Fund on 1 April 2020 following our change in status.

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**Late filing penalties**

The purpose of the late filing penalty scheme is to promote the timely delivery of accounts to Companies House. Penalties were first introduced in 1992 in response to increasing public concern about the number of companies that failed to file their accounts on time or at all. It was thought that the prospect of incurring a penalty would be an incentive for companies to file on time.

Within the financial year 95.5% of accounts were filed by the accounting deadline (2019/20: 94.9%). At the year-end 97.8% of companies had filed their due accounts (2019/20: 98.7%). During this period the register size increased to 4,716,126 (2019/20: 4,350,913).

During the financial year 181,410 penalties were levied (2019/20: 218,317), which was a decrease of 36,907 (17%) on the previous year. Despite the fall in the number of penalties issued, there was an increase in the value of the penalties issued to £96.7m (2019/20: £95.7m).

A total of 35,734 double penalties (2019/20: 47,255) were levied with a value of £40.7m (2019/20: £41.9m) against companies which had filed their accounts late in successive years.

The fall in the number of penalties issued reflects both the legislative and non-legislative easements, whereby companies were automatically given a 3 month extension to their filing deadline.

	2020/21		2019/20	
	Number of Penalties '000	£'000	Number of Penalties '000	£'000
England and Wales	169	89,985	204	88,858
Scotland	9	5,254	11	5,270
Northern Ireland	3	1,456	3	1,600
<b>Total</b>	<b>181</b>	<b>96,695</b>	218	95,728

Penalties and any associated court costs which were written off during the financial year as uncollectable amounted to £17.5m (2019/20: £54.0m). There was an increase in the impairment provision against receivables due to bad and doubtful debt of £21.0m (2019/20: decrease of £18.6m).

The net revenue for the Consolidated Fund was £52.6m (2019/20: £59.8m). The transfer of receipts to the Consolidated Fund in the year was £38m (2019/20: £54.2m), which left a balance due to the Consolidated Fund of £40m (2019/20: £25.4m) at 31 March 2021.

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## Non-Financial performance

### Procurement and commercial activity

**We are committed to compliance by ensuring suppliers adhere to legislation including, but not limited to:**

- Environmental ISO 14001
- Data Security ISO 27001
- OHSAS ISO 18001
- Data Protection Act 2018
- Modern Slavery Act 2015

**The following principles underpin our approach to all commercial activity:**

- delivering Companies House Strategy 2020 to 2025 strategic outcomes
- digital first approach (Companies House Digital Strategy)
- compliance with Government Functional Standard: GovS008: Commercial
- compliance with EU regulations
- compliance with World Trade Organisation rules
- compliance with Public Contract Regulations 2015
- compliance with Cabinet Office Spend Controls
- full compliance with Government Procurement Policy and Regulation (including all Procurement Policy Notes) which set out mandatory procedures, such as:
  - Modern Slavery
  - Supply Chain Visibility
  - Procuring for Growth
  - Open standards for Technology
  - Cyber Essentials
- goods, works and services will be procured using legally compliant, fair and open processes, guarding against corruption and fraud
- works are undertaken and assigned to people who have the required capability and capacity to undertake it

We use robust contract management to drive efficiency and continuous improvement, while ensuring value for money, performance and compliance is delivered for the life of each contract.

Business continuity planning and financial due diligence are delivered through robust supply chain management.

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## **Human Resources (HR)**

We have made some great progress in our people space this year. It has been a difficult year where our primary focus has been on maintaining the health, safety and wellbeing of our colleagues working from our offices and remotely.

We have responded to the challenges of changing guidance and legislation across all UK nations and put in place clear guidance and support for our colleagues coupled with proactive engagement to ensure that we are always listening and responding to any concerns and targeting support. We have adapted everything we do to provide an exceptional service to our colleagues virtually, from recruitment and learning activities, to workshops and culture groups. We continue to learn and improve our offering which will continue to be important as we transition to a hybrid working model in the future.

Despite the challenges of the COVID-19 pandemic, our many networks across the organisation have gone from strength to strength, providing opportunities for colleagues to come together in what has been a difficult year. We have over 20 people networks regularly attended by colleagues at Companies House. Our Ability Network continues to grow, helping to support and build confidence for our colleagues with physical and silent disabilities across the business, and we are extremely proud to have achieved our Disability Confident Leader status this year.

We have continued to promote our fantastic inclusive culture through our **#MyWholeandBrilliantSelf** social media campaign which has helped us to exceed our public target for increasing the number of applications from under-represented candidates.

One of our proudest achievements this year is our Platinum Investors in People award — an external standard where we achieved the highest possible award. This is testament to the great work that takes place across Companies House to bring out the best in our people, where we have a culture that enables our brilliant people to flourish and drives high performance.

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## Performance Indicators

### Efficiency target

Our efficiency target was to reduce the costs of our baseline activities, adjusted for inflation, by 3.5%. This year's target was exceeded; the final efficiency value achieved being 4.2%. The efficiency methodology considers inflation, volume changes and cost reductions achieved in year in comparison to the base year. Increases in costs in delivering the comparative service reduce the efficiency outcome.

### Supplier payment policy

In May 2010, all government departments were set new guidelines of paying 80% of supplier invoices within 5 days of receipt. In 2020/21, 93.55% of supplier invoices were paid within this 5-day target (2019/20: 86.8%).

**supplier invoices  
paid within 5 days:**

**93.55%**

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# Sustainability report 2020 to 2021



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## Sustainability report 2020 to 2021

### **BSI 14001:2015 accreditation**

Companies House continues to implement and maintain an Environmental Management System (EMS) certified to the International Environmental Management Standard (ISO 14001:2015). To ensure continuing compliance against the standard, and that continual improvements are identified and implemented, Companies House was audited in August 2020 and March 2021, successfully maintaining certification.

### **Environmental objectives and targets**

In February 2011, the government made a commitment to embed sustainability, including the way the government estate is run. The Greening Government Commitments (GGCs) set out firm goals for central government departments and their arms-length bodies, to tackle their carbon emissions, water use, business travel, waste and supply chain impacts.

We are continuing to work towards delivering our GGC targets, which are set by BEIS. We have aligned our EMS goals and objectives to these GGC targets, identifying specific activities and milestones that need to be delivered across the business to meet them.

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**Greenhouse gas emissions non-financial indicators (tCO<sub>2</sub>e)**

During the reporting year, we have seen reductions across most key performance indicators (KPIs). However, these reductions are mainly attributed to Companies House's response to the COVID-19 pandemic, as most staff have been working from home since the start of the year.

Compared to previous years, this year's data does not provide a true reflection of Companies House's environmental performance. Opportunities to make changes or improvements were limited due to the COVID-19 pandemic and so, the reductions realised, in the main, are due to reduced numbers on-site and a ban on all business travel to keep our staff safe.

The following data provides further information on the efficiencies that have been realised during the 2020/21 reporting year.

	2016/17 tCO <sub>2</sub> e	2017/18 tCO <sub>2</sub> e	2018/19 tCO <sub>2</sub> e	2019/20 tCO <sub>2</sub> e	2020/21 tCO <sub>2</sub> e
<b>Scope emission energy usage</b>					
Total Scope 1 Emissions (gas, fuel for fleet, fugitive emissions)	152	93	95	93	<b>158</b>
<b>Total Scope 2 Emissions (Offsite Electricity Generation)</b>					
Belfast office	39	34	28	26	<b>26</b>
Cardiff office	1,744	1,445	1,264	1,023	<b>789</b>
Edinburgh office	24	20	18	15	<b>11</b>
<b>Total Scope 3 Emissions (Transmission of Electricity)</b>					
Belfast office	4	3	2	2	<b>2</b>
Cardiff office	158	113	131	87	<b>68</b>
Edinburgh office	2	2	2	1	<b>1</b>
<b>Total emissions attributed to electricity consumption</b>	<b>1,970</b>	<b>1,617</b>	<b>1,444</b>	<b>1,155</b>	<b>897</b>
<b>Emissions attributable to Scope 3 Official Business Travel (Rail, taxi, air, underground – all offices</b>	82	78	52	52	<b>0</b>
<b>Total Emissions (all scopes)</b>	<b>2,205</b>	<b>1,788</b>	<b>1,592</b>	<b>1,286</b>	<b>1,054</b>

London office energy data is unavailable as it is covered in the service charge for the building which is multi-tenanted.

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**Greenhouse gas emissions: related energy consumption (kWh'000)**

The data below illustrates our energy consumption, greenhouse gas emissions and the associated financial indicators.

Even though our total carbon emissions have reduced for the reporting year, in our Cardiff office, emissions associated with gas have increased. This can be attributed to the biomass boiler being out of commission at the start of the 2021 calendar year. Because of this, we had to rely solely on gas, to meet energy demands to heat the building. It is important to note that gas demand is not affected by staffing levels, as we can only heat the whole building.

During Q4 of the reporting period, there has been an increase in electricity consumption at our Belfast office. Work is ongoing to determine the root cause of this, however, Q1 of the 2021/22 reporting period has seen a decrease in electricity consumption.

	2016/17	2017/18	2018/19	2019/20	2020/21
<b>Electricity usage</b>					
Belfast office	94	97	99	101	<b>112</b>
Cardiff office	4,231	4,110	4,061	4,004	<b>3,383</b>
Edinburgh office	59	57	58	60	<b>46</b>
Gas (Cardiff only)	793	530	520	484	<b>857</b>
<b>Total kWh consumption</b>	<b>5,177</b>	<b>4,794</b>	<b>4,738</b>	<b>4,650</b>	<b>4,398</b>

**Greenhouse gas emissions: financial indicators for all offices**

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
<b>Expenditure</b>					
Energy (gas, electricity)	559	562	626	678	<b>613</b>
CRC (including fees and allowances)	38	36	30	25	-
Official business travel (rail, hire cars, taxis, air and fuel)	205	198	216	206	<b>0</b>
<b>Total expenditure</b>	<b>802</b>	<b>796</b>	<b>872</b>	<b>909</b>	<b>613</b>

The government has now closed the CRC energy efficiency scheme. Organisations that qualified for the last phase were expected to report their emissions to the administrator for the last time by the end of July 2019.

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## Energy performance per building user

Energy performance	2018/19			2019/20			2020/21		
	Cardiff Office <sup>1</sup>	Belfast Office <sup>2</sup>	Edin Office <sup>3</sup>	Cardiff Office <sup>1</sup>	Belfast Office <sup>2</sup>	Edin Office <sup>3</sup>	Cardiff Office <sup>1</sup>	Belfast Office <sup>2</sup>	Edin Office <sup>3</sup>
Total kWh'000 consumption electricity	4,061	99	58	4,004	101	58	3,383	112	46
Total kWh'000 consumption gas	520	-	-	417	-	-	857	-	-
FTE <sup>4</sup>	2,094	17	34	1,992	16	37	353	12	8
kWh electricity performance per FTE	1,940	5,803	1,700	2,010	6,319	1,574	9,591	9,374	5,688
kWh gas performance per FTE	248	-	-	243	-	-	444	-	-

1. Cardiff office includes tenants' energy consumption.
2. Electricity provides heating and cooling at our Belfast office.
3. Gas is used for heating and cooling at our Edinburgh office, which is a multi-tenanted building. Gas is charged on a space basis and not sub-metered.
4. FTE (Full Time Equivalent) includes employees, tenants, contractors and visitors (and the time they spent in each respective office), calculated using monthly averages.

Energy performance per building user, for all offices, has increased. This can be attributed to the number of staff attending each respective office decreasing. Therefore, the energy consumption is spread across fewer people.

The annual Display Energy Certificate (DEC) was completed at our headquarters (Crown Way, Cardiff) in February 2021. Our operational performance is 56% better than typical (100%) for our building. The continuing improvement of the energy rating is excellent given the age of the building.

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**Waste minimisation and management: for all offices**

The pandemic has seen a significant reduction in the waste that is generated onsite. All waste is segregated into separate collection devices and staff are encouraged to recycle wherever possible. We will build on the success of 2019/20 going forward as staff numbers return to the building.

	2016/17 tonnes	2017/18 tonnes	2018/19 tonnes	2019/20 tonnes	2020/21 tonnes
<b>Non financial indicators</b>					
Recycled/reused	166	152	168	137	59
ICT waste	1	3	0	7	0
Incinerated	97	49	0	63	29
Landfill	0	29	63	1	0
Food waste	11	11	11	8	6
<b>Total (tonnes)</b>	<b>275</b>	<b>243</b>	<b>242</b>	<b>216</b>	<b>94</b>

Waste data for 2020/21 includes waste generated from our Cardiff, Edinburgh, Belfast and London offices.

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
<b>Financial implications</b>					
<b>Total disposal costs</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>67</b>	<b>55</b>

Waste data for 2020/21 includes waste generated from our Cardiff, Edinburgh, Belfast and London offices.

Due to the appointment of a new Total Facilities Management provider, in 2019/20, our waste disposal costs increased, compared to previous years, as more comprehensive/accurate information is now provided (in the form of a monthly dashboard) providing improved confidence and assurance in the data we collect.

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**Use of finite resources (water)**

Due to the aging condition of the waterpipe network that serves the building, we have experienced multiple leaks, both last year and this year.

In response, a temporary water supply was installed to provide the main building with water for a number of months and a programme of planned works has commenced to replace all of our external water pipework. Once completed, this will minimise any future water leaks, save money and offer operational resilience.

	2016/17 (m <sup>3</sup> )	2017/18 (m <sup>3</sup> )	2018/19 (m <sup>3</sup> )	2019/20 (m <sup>3</sup> )	2020/21 (m <sup>3</sup> )
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**Non-financial indicators**

Water consumption	8,707	9,229	9,552	18,735	<b>5,662</b>
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Cardiff office only. As water usage is covered in our service charge costs for our other offices.

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
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**Financial implications**

Water supply costs	32	34	36	60	<b>23</b>
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Cardiff office only. As water usage is covered in our service charge costs for our other offices.

This year, Companies House has been more proactive in analysing the monthly consumption data to highlight anomalies as they arise, meaning that water leaks are identified and isolated more quickly. In addition, we are ensuring that the new pipework, and any existing pipework, are captured under the planned preventative maintenance programme of works and will be regularly surveyed.

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**Paper**

	2016/17	2017/18	2018/19	2019/20	2020/21
Number of A4 reams used	11,140	9,645	6,035	5,700	<b>6,015</b>
Number of A3 reams used	45	25	45	30	<b>0</b>
Cost of A4 reams (£'000)	34	27	18	17	<b>19</b>
Cost of A3 reams (£'000)	0.292	0.155	0.305	0.284	<b>0</b>

In response to adapting our work processes during the COVID-19 pandemic, there was a requirement to print 90% of documents arriving between 9 April to 5 October within our Liquidation Team, which has meant that our overall paper consumption has increased this year. This requirement has now ceased as we have been able to move to a more sophisticated digital solution. As a result, we are seeing a downward trajectory in our internal paper usage and in addition, as part of our future planning for delivering on our strategic goals, we are actively investigating options for reducing and eliminating the need for outgoing paper-based communication to our customers.

**Biodiversity**

Companies House remains committed to improving its biodiversity offering, where possible, which is achieved by embedding a framework of governance and support to ensure biodiversity is addressed throughout its decision making, business planning processes and the ISO 14001 Environmental Management System. We are keen to promote ecosystem resilience and have implemented several measures to improve the management and encouragement of many diverse species by increasing the number of natural habitats onsite. We will continue to build on this further next year to maximise the potential at our headquarters in Cardiff.

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**Environmental performance reporting**

Companies House has an established Environmental Working Group (EWG), chaired by the Head of Estates and Commercial who meet on a quarterly basis. The group also consists of key individuals from across the business, including the Director of Strategy, Policy and Communications who champions environmental matters at Executive Board level. In terms of governance and assurance, again via the Head of Estates and Commercial, the EWG reports into the Companies House Business Board, who have a clear line of sight of the work, outcomes and achievements that are being planned and delivered.

During the reporting period, a new EWG SharePoint site was developed and launched which was positively received by staff. The site provides a one stop shop for all related environmental matters, information about the Environmental Management System, campaigns/initiatives being run, a knowledge centre and wider environmental news/resources. With staff working from home, the EWG have had to adjust their approach to promoting sustainability with multiple blogs and educational communications being issued to promote more sustainable home working.

In response to our our Greening Government Commitments (GGC) targets, via BEIS, we report our environmental performance on a quarterly basis, highlighting our commitment to reduce carbon emissions, water use, waste and supply chain impacts. The publishing of the GGC targets was planned for Spring 2021, but have been delayed. We have assumed the draft targets will stand, and have aligned our Environmental Management System's goals and objectives to them, using our annual targets as a road map to achieve the GGC targets by 2025.

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**Looking ahead**

In September 2020, we published our ambitious 5 year strategy. As an organisation with a strong sense of corporate social responsibility, the environment underpins all of our strategic goals, and we are determined to minimise negative impacts on the environment. We will not think about the environment in isolation, but rather as an integral consideration across everything we do: how we run our business and seek to deliver on our goals, and how we and our customers interact. We are keen to do as much as possible, to build on the successes of the past, and will continue to identify ways in which we can reduce and minimise environmental impacts, from our operations and the interactions that we have with our customers.

Companies House will work toward the UK's 2050 net zero target by reducing, as much as possible, emissions of greenhouse gases from our activities; initially our Scope 1 and Scope 2 emissions. The residual emissions that cannot be eliminated through decarbonisation of the grid, and our initiatives to reduce consumption, will be offset through various offsetting schemes.

To assist us on our journey, we will look to develop an environmental and carbon reduction strategy, highlighting key milestones that will be delivered along the way.



**Louise Smyth**

Accounting Officer

Chief Executive and Registrar

18 October 2021

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Parliamentary accountability

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The Certificate and Report of the  
Comptroller and Auditor General to  
the House of Commons

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Companies House

# Accountability report

# Two

## Corporate Governance report

### Members of the Board

The board reviews and oversees both Companies House and late filing penalties (LFP) activity.



#### **Lesley Cowley OBE:**

Chair of Companies House

Lesley Cowley was appointed Independent Non-executive Chair of Companies House in March 2017 and re-appointed in March 2020 (up to February 2023). She chairs the Companies House Main Board and also the Remuneration Committee.

Lesley is also Non-executive Chair of DVLA. She was appointed as the first ever DVLA Chair in October 2014 and re-appointed in October 2016 & 2019 and then extended in 2021. She is also Chair of the Board of The National Archives. She was appointed Lead Non-executive Director of The National Archives in January 2016 and extended in January 2019. Her title was then revised to Chair of the Board of The National Archives in October 2019.

She is a portfolio Non-executive Director and won the IoD UK Non-executive of the Year award in 2019.



#### **Louise Smyth:**

Chief Executive Officer  
and Registrar of Companies House

Louise Smyth joined Companies House in September 2017 as Chief Executive and Registrar for England and Wales.

Before joining Companies House Louise held a number of senior positions at the Intellectual Property Office (IPO), including Director of IT and Director of People, Places and Services.

Louise went on to become Chief Operating Officer in 2014, responsible for Corporate Services: IT, People, Places and Services and Finance.

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Louise has also been appointed as interim Regulator of Community Interest Companies, an office holder established by the Companies (Audit, Investigations and Community Enterprise) Act 2004. The Regulator decides if an organisation is eligible to become, or continue to be, a community interest company and investigates complaints against community interest companies and provides guidance and assistance to help people set them up.



**Debbie Gillatt CBE:**

Non-executive Board Member (NEBM)  
/BEIS representative

Debbie is the Director of Business Frameworks at the Department for Business, Energy & Industrial Strategy. She leads the teams which are responsible for the UK's company law, accounting standards and corporate governance rules, and those which lead on corporate transparency and anti-corruption initiatives. She also leads on corporate responsibility and boardroom diversity initiatives. Debbie also sits on the Board of the Insolvency Service as the BEIS representative. Debbie was appointed as Non-executive Board Member in September 2018 through to 31 March 2021.



**Ross Maude:**

Director of Digital/DDaT

Ross joined Companies House in September 2018 as the Director of Digital.

Ross has over 20 years' experience within the digital profession, having previously worked in the banking, telecommunications, defence, public and utilities sectors. Before joining Companies House, Ross worked as a Digital Solution Partner for a consultancy firm delivering digital transformation within the utilities industry.

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**Angela Lewis:**

Director of People Transformation

Angela joined Companies House in May 2012 as Head of Human Resources and Estates. She took up the role of Director of People Transformation in February 2018. Angela has over 25 years' experience within the HR profession working in the NHS, police service and higher education sector.

Before joining Companies House Angela was Assistant Director of HR in The Office for National Statistics.



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**Michelle Wall:**

Director of Finance and Commercial

Michelle joined Companies House in March 2018 as Director of Finance.

Michelle is a chartered management accountant with over 25 years' experience in leading financial and wider operational and project teams in the public and private sector in the south Wales area. Before joining Companies House, Michelle was deputy director of finance at the Intellectual Property Office in Newport.



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**Martin Swain:**

Director of Strategy, Policy and Communications

Martin joined Companies House from the Welsh Government where he has spent over 25 years working in various policy roles. Most recently, Martin was Deputy Director for Community Safety leading on the Welsh Government's approach to crime, justice, civil contingencies and emergency planning. Martin has also worked in a number of delivery roles within economic development, primarily on business development and inward investment.

Martin has an MBA with a focus on innovation and organisational culture. He is also a Welsh learner.

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**John-Mark Frost:**

Director of Transformation Delivery

John-Mark took on the role of Transformation Delivery Director in February 2021 having joined Companies House in June 2018 as the Head of Service Delivery and becoming the Director of Operations in early 2019.

John-Mark has over 15 years' experience in the public and private sectors leading large-scale operational teams and specialist social research and statistical functions, and has led and been part of many successful projects and programmes in the UK and internationally.

Before joining Companies House, John-Mark held a number of roles in the Department for Work and Pensions and the Office for National Statistics.



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**Jill Callan:**

Interim Director of Operations

Jill Callan took on the role of Interim Director of Operations in February 2021 having joined Companies House in May 2019 as the Head of Service Delivery.

Jill Callan has over 30 years' experience in the public sector leading large-scale operational teams and has led and been part of many successful projects and programmes in the UK.

Before joining Companies House, Jill Callan held a number of roles in the DVLA.

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**Martin Hagen FCA:**

Non-executive Board Member (NEBM)

Martin Hagen is a Non-executive Board Member and Chair of the Audit Committee.

Martin is a Chartered Accountant, formerly a partner in Deloitte and served as president of the ICAEW from 2009 to 2010.

He is currently a trustee of the Wallscourt Foundation and a non-executive director of 3 owner managed businesses.

He was previously a Non-executive Director of South West Water Ltd and several public and private companies, an independent member of the audit and risk assurance committee of the Department for Work and Pensions and a governor and audit committee chair of UWE Bristol.

Martin was appointed Non-executive Board Member from January 2017 through to 31 December 2019. Martin was then reappointed in January 2020 through to 31 December 2021.



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**Kathryn Cearns OBE, FCA, FCCA:**

Non-executive Board Member (NEBM)

A chartered accountant with extensive senior level experience in both the public and private sectors, Kathryn was Chair of the Financial Reporting Advisory Board to HM Treasury from 2010 to 2016 and was Chair of the ICAEW Financial Reporting Committee for 10 years up to the end of 2017. Her past roles include project director at the UK Accounting Standards Board (now the Financial Reporting Council) and many years as the consultant accountant for an international law firm. Until March 2019 she was also on the Council of the ICAEW.

Kathryn holds a number of non-executive, trustee and advisory appointments, most notably as chair of the Office of Tax Simplification, non-executive board member of the UK Supreme Court, vice-chair of The Property Ombudsman and non-executive director of Highways England. She is a former member of the External Audit Committee of the International Monetary Fund (IMF).

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Kathryn was appointed Non-executive Board Member in January 2017 through to 31 December 2019. Kathryn was then re-appointed in January 2020 through to 31 December 2021.



**Vanessa Sharp:**

Non-executive Board Member

Vanessa is an experienced commercial solicitor, beginning her professional career in a London city firm specialising in multinational commercial and insurance issues. She joined KPMG as general counsel in the UK and Europe, leaving in 2015.

Vanessa is an independent Non-executive Director of ICE Futures Europe Ltd, chair of its Authorisation, Rules and Conduct Committee and a member of its Risk and Audit committee. She is an independent Non-executive Director of Newable, chair of its Risk Committee and a member of its Audit Review Committee. And she is an independent Non-executive Director of Hill Robinson Group Limited. She is a Council member of the British Hallmarking Council and a trustee of the charity Create Arts. She is a senior advisor to a number of organisations where she works on corporate governance issues.

Vanessa is a practicing jeweller and silversmith.

Vanessa was appointed Non-executive Board Member in September 2016 through to 31 August 2019. Vanessa was then re-appointed through to 31 August 2021.



**Martin Spencer:**

Non-executive Director and Member of Main Board and Audit and Risk Committee

Martin is a Non-executive Board Member at Companies House. Martin has a background in economics, technology consulting, and business transformation and leadership. Most recently Martin was Senior Vice President at NTT DATA, a global IT services business that delivers some of the world's largest digital infrastructure and transformation projects.

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Previously, Martin has held UK and European leadership roles with Capgemini and KPMG Consulting. Martin was also a director at Detica, the international business and technology consulting firm specialising in data analytics and information intelligence.

Martin is also a Non-executive Director at the Education and Skills Funding Agency, the NHS Counter Fraud Authority and the Serious Fraud Office.

Martin was appointed Non-executive Director in May 2019 through to 12 May 2022.



### **Mike Fishwick**

Chief Technology Officer, IPO, Non-executive Director, and Member of Main Board and Audit and Risk Committee

Mike is a Non-executive Board Member at Companies House. Mike moved into the public sector in September 2015 when he was appointed Chief Technology Officer for the Intellectual Property Office (IPO). Since then, he has led a transformation of IT at the IPO and has been instrumental in the IPO changing the emphasis of its digital transformation, to one embracing a broader organisational and process re-engineering.

Before joining the civil service, Mike was CIO at Fatface. Prior to that, he founded and led a big data monetisation business for the digital division of a global telco. He was also the UK's first appointed chief data officer.

Originally a civil engineer, Mike holds a master's degree in Geographical Information Systems

Mike was appointed Non-executive Director in May 2019 through to 31 March 2021.

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### **Former members serving during the year**

Information regarding Directors and Non-executive Board Members who served during the year including joining dates and leaving dates can be found in the Governance Statement on page 93.

Companies House holds a register of declarations of interest by all members of the board who have declared they hold no significant third-party interests that may conflict with their board duties.

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### **New members serving after the year-end**

Eoin Parker was appointed as the BEIS appointed Non-executive Director on 20th April 2021.

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### **Future developments / change of status impact**

Our future developments are detailed in our Companies House Strategy 2020 to 2025.

In 2018, the Office of National Statistics (ONS) carried out a review of our sector classification (in accordance with the provisions of the European System of Accounts 2010) and so from April 2020, Companies House was classified as part of central government. This concluded nearly two years of extensive transition planning. This change has resulted in changes to our financial model and how Companies House secures its funding, with new processes and arrangements now in place that align with Cabinet Office and BEIS' cycle of spending reviews.

### **Political and charitable gifts**

There were no gifts of a political or charitable nature made during the year.

### **Regularity of expenditure**

Companies House administers its affairs ensuring prudent and economical administration, avoidance of waste and extravagance and it ensures efficient and effective use of all available resources. Adequate controls exist to ensure the propriety and regularity of its finances.

There were no special payments or losses to report for Companies House.

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### **Audit service**

The statutory external audit was performed by the National Audit Office (NAO) and reported on by the Comptroller and Auditor General. Following Companies Houses' transition to a central government department, there is no cash fee payable for the audit of 2020/21 Companies House's financial statements. Instead, there is a notional audit fee for 2020/21 of £64,000 (2019/20: Cash fee £61,000). This includes £16,000 for work carried out on LFP Trust Statement (2019/20: Cash fee £16,000). The NAO did not perform any non-audit services.

### **Conflict of interest**

A register of interests is maintained for the Accounting Officer and her Executive Team. Declarations of interest in any of the items considered at a particular meeting are asked for at Board and Audit and Risk Committee meetings.

### **Directors statement**

The Executive team consists of the Chief Executive Officer and Executive Directors. Each of these persons at the time this report is approved:

1. So far as they are aware there is no relevant audit information of which the auditor is unaware; and
2. They have taken all the steps they ought to have taken in their role in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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## Statement of Accounting Officer's responsibilities

### Accounting Officer's responsibilities

Under the Government Resources Accounts Act 2000, HM Treasury has directed Companies House to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Companies House and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

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

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

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

### Account Officer's confirmation

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

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## Governance Statement

### Introduction

HM Treasury has appointed me as Accounting Officer and Registrar of Companies for England and Wales. I am also Chief Executive Officer for the organisation.

As Accounting Officer, I have responsibility for the proper, effective, and efficient use of public funds. I am accountable to the Minister for the performance of Companies House, in accordance with the Framework Document, which sets out the relationships between Companies House and BEIS. Meetings are held with the Minister to discuss the current issues and general progress. These are attended by our Non-executive Chair, Chief Executive, and sponsor, as required.

I am also required as Accounting Officer by HM Treasury's Managing Public Money and the Government Financial Reporting Manual to provide a statement on how I have discharged my responsibility to manage and control the resources for which I am responsible during the year. The Governance Statement gives an understanding of the dynamics of the business and its control structure. It provides insight into the business of the organisation and its use of resources to allow me to make informed decisions about progress against business plans. I have ensured that our governance framework is designed to comply with the good practice guidance laid down in HM Treasury Corporate Governance in Central Government Departments: Code of Good Practice 2011.

In addition, I am also the Regulator for Community Interest Companies (CIC), appointed in September 2020. CIC decides whether an organisation is eligible to become, or continue to be, a community interest company and is responsible for investigating complaints, taking appropriate action where necessary, and providing guidance and assistance to help people set them up. A separate Annual Report is provided representative of CIC.

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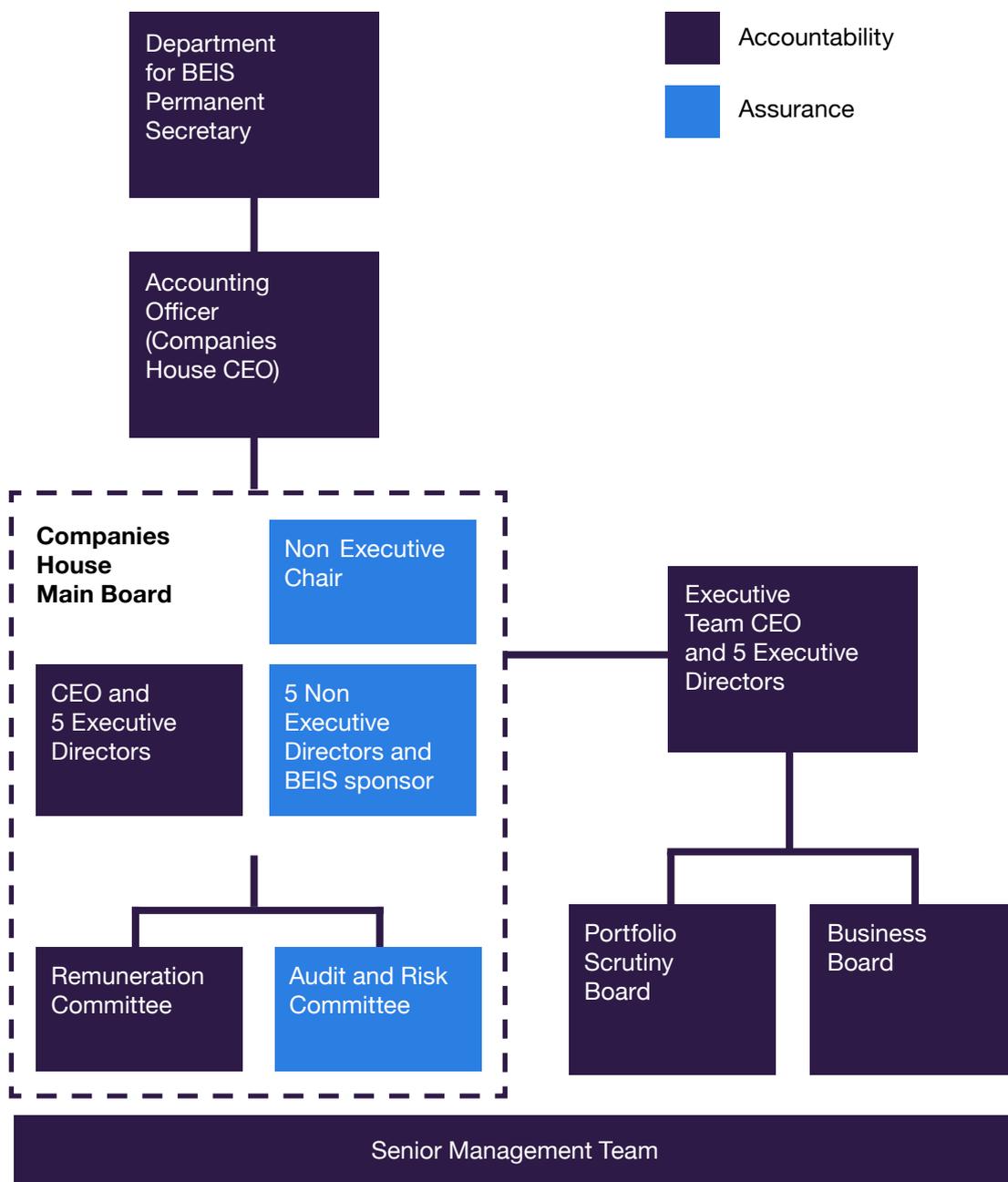
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### Governance framework

We are managed by a Board and an Executive team. The Board is chaired by an independent Non-executive Board Member. The Board has strategic oversight and is supported by the Audit and Risk Committee and Remuneration Committee. The Executive team is responsible for the day-to-day management in delivering our commitments to the government and the public as set out in the annual business plan. The COVID-19 pandemic was a significant area of focus across all governance forums to ensure a swift and robust response to maintain essential services and keeping staff safe. A specific COVID-19 Executive subgroup has been in place since March 2020.

### Governance structure



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### **Relationship with BEIS**

Following the Office of National Statistics (ONS) review of our sector classification; from April 2020 we were re-classified to form part of central government, relinquishing our trading-fund status.

This had no impact to our Executive Agency (EA) status and remaining an EA of BEIS. However, significant changes were made to internal controls and arrangements that ensured closer alignment to BEIS' governance requirements. This included a framework document setting out revised roles and responsibilities under the new relationship, in addition to agreeing new arrangements to how we secure our funding.

### **Companies House boards and committees**

All Boards and Committees were well attended throughout the year, with the occasional absence of one or two members. All discussions and decisions made at these meetings were recorded through minutes and no conflicts of interest were recorded during the year. Members of the Board declared their association with other organisations and recorded that there were no conflicts of interest.

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### **Companies House Main Board**

The Board's main role is to set Companies House strategy and direction, and to oversee operational effectiveness. It is led by an independent Non-executive Chair. It comprises 7 members of the Executive Team (including the Chief Executive), 6 Non-executive Board members (including the Chair) and 1 Non-executive BEIS sponsor representative. The Chair and Board ensure the membership of the Board contains an appropriate mix of skills and experiences to best support the organisation.

#### **During the year, the Main Board:**

- received regular updates on the strategic, operational and policy impacts and response to the COVID-19 pandemic
- developed the strategic direction and priority for the next 5 years (2020/25)
- agreed the contents of the 2020/21 Business Plan and public targets
- reviewed and agreed the 2019/20 Annual Report and Accounts
- reviewed financial performance and efficiency
- reviewed the post-trading fund/central government status arrangements and financial requirements as part of the spending review
- reviewed the transitional arrangements to transfer the Cardiff freehold to the Government Property Agency (GPA)

The information provided to the Board is to a good standard and provided in plenty of time ahead of the meetings, allowing the Board to make informed decisions.

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### **Audit and Risk Committee**

A representative from external audit attends all Audit and Risk Committee meetings and has access to all financial and other information. Other Companies House directors and senior managers attend by invitation.

The Audit and Risk Committee's role is to provide independent guidance and challenge to the Accounting Officer on matters of audit, corporate governance and the organisation's effectiveness in managing risk.

#### **To support this role, the Audit and Risk Committee:**

- received regular reports of the management and progress against the organisation's strategic risks
- held deep dive sessions into specific risk categories for example counter fraud and COVID-19 response
- reviewed and agreed the Companies House Risk Management Framework
- approved the Internal Audit plan, reviewed progress reports against the plan on a quarterly basis, and advised on the implications for the overall control framework, and the adequacy of management responses
- reviewed the Annual Report and Accounts, and the Governance Statement
- received reports and held discussions on specific areas during the year including cyber security, operational processes, information security and systems resilience

The Committee carried out an effectiveness review based on NAO guidelines. An action plan has been agreed to progress a small number of areas identified as needing improvement including plans for the induction of new Committee members given upcoming changes in membership and reviewing the processes for whistleblowing and producing the annual governance statement to ensure they remain aligned to best practice.

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### **Remuneration Committee**

The Board are also supported by a Remuneration Committee chaired by the Board's Chair. Following a period of negotiation, the Committee approved the pay and reward recommendations, including the 2020/21 in-year pay award and staff award schemes, in addition to providing a solution to the corporate efficiency award. This process involved clearance at various levels from BEIS Secretary of State, Cabinet Office and Treasury Ministers.

The Committee also considered the gender pay gap analysis and commissioned further work to build our understanding of the specific root causes and areas for improvement.

### **Board effectiveness**

The Chair meets regularly with me to discuss the performance of the Board and to ensure we utilise the external perspectives and experiences of Non-executive Board Members. The Board discusses the progress against each year's annual business plan which the Executive team is responsible for delivering and regularly reviewed our performance against the plan.

During March 2019 the Board commissioned an independent review of the Board's effectiveness to provide assurance of the Board's performance and capability. The report identified a number of strengths where the Board is working effectively. A number of areas for improvement were identified and the Board agreed an action plan to address these.

The performance of all Non-executive Board Members is appraised annually, supported by an online tool to gather feedback from fellow Board Members. The Chair discusses their performance based on that feedback.

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## Board membership

During the year, John-Mark Frost was appointed as the Director of Transformation Delivery in February 2021, having previously worked as the Director of Operations since early 2019. Jill Callan was appointed as the Interim Director of Operations in February 2021. There were no new appointments made to the Audit and Risk Committee.

## Table of attendance of the Board and its sub-committees

Figures denote meetings attended (meetings available to attend) in year.

	Board 7 meetings in year (available meetings)	Audit and Risk Committee 6 meetings in year (available meetings)	Remuneration Committee 3 meetings in year (available meetings)
<b>Board member</b>			
Lesley Cowley (NEBM) Chair of the CH Board	7 of 7 (7)		3 of 3 (3)
Louise Smyth (CEO and Registrar)	7 of 7 (7)	6 of 6 (6)	3 of 3 (3)
Martin Hagen (NEBM) Chair of ARC	7 of 7 (7)	6 of 6 (6)	3 of 3 (3)
Vanessa Sharp (NEBM)	7 of 7 (7)		
Kathryn Cearns (NEBM)	7 of 7 (7)	6 of 6 (6)	
Mike Fishwick (NEBM)	4 of 7 (7)	5 of 6 (5)	
Martin Spencer (NEBM)	7 of 7 (7)	5 of 6 (5)	
Debbie Gillatt (BEIS)	N/A		3 of 3 (3)
Angela Lewis (Director of People Transformation)	5 of 7 (7)		2 of 3 (2)
Michelle Wall (Director of Finance and Commercial)	7 of 7 (7)	6 of 6 (6)	
John-Mark Frost (Director of Operations)*	7 of 7 (7)		
Ross Maude (Director of Digital, Data and Technology) Senior Information Risk Owner	7 of 7 (7)		
Martin Swain (Director of Strategy, Policy and Communications)	7 of 7 (7)		
Jill Callan (Director of Operations)*	1 of 7 (1)		

\* Denotes John-Mark Frost's changing role, taking up the role of Transformation Director from March 2021, remaining Executive Member. Jill Callan in place as interim Director of Operations from March 2021.

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### **Managing the business – change and investment**

In addition to Main Board, Audit and Risk Committee and Remuneration Committee, I had the assistance of 3 internal Boards; the Executive Board, the Business Board and the Portfolio Scrutiny Board, which met monthly to monitor key business plan deliverables and risks within their scope.

The Boards are also complemented by the Executive COVID-19 Strategic Group which is made up of Chief Executive, Director of Operations and Director of People Transformation, the Head of the Chief Executive's Office, Head of HR, Head of Internal Communications and are responsible for monitoring the COVID-19 response, providing direction to the COVID-19 taskforce when required.

**The Executive Board is made up of the Executive Directors, Head of Legal and Head of Chief Executive's Office and is responsible for monitoring:**

- performance against the business plan and financial and non-financial targets
- the portfolio of change including benefits and finance resources
- ongoing COVID-19 pandemic impact to the business, its people and response arrangements
- compliance with best practice in governance codes
- monitoring of strategic risk

**The Business Board is made up of Corporate Leaders dispersed across the organisation and is responsible for monitoring:**

- all customer interaction
- all customer delivery systems
- all operational systems
- workload planning – including forecasts of work volumes and feed into the strategic planning in line with the principles of the Macpherson Review of Quality Assurance
- service performance i.e. throughput, quality
- operational level risk associated within the Board remit

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**The Portfolio Scrutiny Board is made up of the Head of Portfolio Delivery and select Heads of Functions and is responsible for monitoring:**

- effectiveness of the management of project and programme activity
- decisions related to projects and programmes
- management of delegated spend in support of strategic goals
- portfolio level risks and issues

### **Risk Management Framework and internal controls**

Our system of internal control is designed to manage risk to reasonable levels, rather than to eliminate all risk therefore allowing for proportionate, and not absolute assurance of effectiveness.

As part of a review of our Risk Management Framework and internal control arrangements, we sought to further build on our risk maturity and capability and move the organisation to a 'bottom up' approach to how we manage risk. This was borne out of our transformation programme's objective of having a high performing organisation with people that have an adaptable, bold, and curious mindset, with an environment that embraces and facilitates change.

The 'bottom up' risk approach was the guiding principle that led to the creation of our Risk Appetite Statement which underpinned the development of our Risk Governance and Escalation process. This new process empowered risk managers to make consistent and evidence-based decisions at all levels of risk management throughout the organisation.

The review culminated in establishing a new Risk and Opportunity Group which was set up to not only supplement the change, but to help embed the changes across Companies House. This forum is now used to share industry best practice, advice and guidance and is used to drive up compliance through use of risk champions dispersed across the organisation.

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### **Risk assessment**

Risks, opportunities, and issues are frequently reviewed by the Executive Team, Corporate Leadership Team, Heads of Functions, and local area/project staff.

Strategic risks are discussed on a monthly basis by the Executive Team, with highest risks subject to increased scrutiny and discussion during these sessions. In addition, monthly risk reviews are held with each director with particular focus on mitigation plans and judgements around their effectiveness.

**Risks and opportunities of particular significance that were identified and/or actively managed through 2020/21 include:**

- leading and responding to the COVID-19 pandemic alongside developing our broader Crisis Management capability
- cyber and physical security
- cultural change in support of transformation goals
- delivery prioritisation of transformation objectives in conjunction with other business as usual activities

### **Issues and highlights**

**Controls and Assurance Record (CAR) submissions show areas of high performance and areas that need development.**

- Risk Management — good
- Cyber Security — good
- Contract management — action plan
- Knowledge management and single points of failure — action plan

**Companies House Executive Board have considered a range of issues and highlights throughout the course of 2020/21. These have included:**

- transition from trading fund status
- development of Strategic Plan
- reviewing governance structure in support of transition to service model
- transition to transfer of the Cardiff office freehold to GPA
- response to COVID-19
- crisis management capability
- development of new key performance measures
- risk Management Framework revision and development of Risk Appetite

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### **Crisis management**

Overall responsibility for our crisis management sits with the Director of People Transformation, supported by the Risk and Assurance officer. The Government Internal Audit Agency (GIAA) provides support and input, advising on efficiency and effective ways of managing incidents.

A new Crisis Management Framework defines Companies House's approach, roles and responsibilities and protocols/plans in crisis management. The structure and methods used throughout for crisis management are based on best practice and is aligned to BS22301 and the Business Continuity Institutes Good Practice Guidelines.

This is supported by a strategic plan as well as business impact assessments and heatmaps which have all been reviewed and updated to reflect a more dispersed workforce and changing processes.

Additional support has also been provided through external training sessions for all executive directors and the Corporate Leadership Group.

### **Cabinet Office spending controls**

In addition to the rules set out in Managing Public Money, Cabinet Office operates a set of additional spending controls.

We have provided a pipeline of investment for digital and technology spend to facilitate the efficient implementation of new projects, eliminating the requirement to go through individual approvals for every stage of every project. Projects are assessed, and progress and changes monitored, through a joint Portfolio Assurance Group with members from Companies House, BEIS Digital and GDS (Cabinet Office) which meets monthly. During the immediate response to the COVID-19 crisis a service was transitioned to public beta without the correct sign off by GDS. All spend relating to this service had been approved appropriately. This was also retrospectively assured.

The pipeline and associated spend are subject to review by BEIS' Joint Assurance Review for assurance that controls have been properly applied.

An Outline Business Case for the Transformation Programme was approved by BEIS's Portfolio Investment Committee in June 2020, and has been progressing during the year. The Executive Board and Main Board receive updates on the performance against the expected deliverables and benefits.

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### **Commercial controls**

Our commercial activity is governed by the Public Contracts Regulations 2015 (PCR). Control over commercial contracts is maintained by our procurement function in conjunction with relevant budget holders, procurement procedures and project controls.

#### **We are supporting the economy by ensuring PCR compliant procurements including:**

- engagement of market through competitive processes to stimulate competition, innovation and deliver value for money, spend monitoring and review of policies and processes in line with GCF
- use of central government commercial frameworks
- committed to compliance by ensuring suppliers adhere to legislation including but not limited to:
  - Environmental ISO 14001
  - Data security ISO 27001
  - OHSAS 18001
  - Data Protection Act 2018
  - Modern Slavery Act 2005
- contract management to drive efficiency and continuous improvement, and business continuity planning and financial due diligence
- in line with Government Procurement Policy (Procurement Policy Notes, PPNs) our commercial approach to COVID-19 will be tailored to the nature, scale and location of the threat in the UK

### **Financial control**

Companies House has an established framework of financial procedures and controls. The framework is reviewed and tested as part of the regular programme of work undertaken by our internal audit partners. The programme of work is approved, and findings reviewed by the Audit and Risk Committee.

In my capacity as Accounting Officer I have responsibility for the financial affairs of the organisation, subject to authority limits delegated to me by the Permanent Secretary of BEIS and within the budget approved by the Minister. The organisation's budget is allocated between Executive directors, and authority to make financial transactions is sub-delegated to Executive and other budget holders.

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Financial performance against the budget is monitored by the Executive Board monthly and the full year outlook is reviewed on a quarterly basis.

Late filing penalties received are surrendered directly to HM Treasury and do not form part of Companies House income. The Trust Statement for late filing penalties (LFP) can be found in section 4. The LFP framework is reviewed and tested, as part of the wider regular programme of work undertaken by our internal audit partners. The programme of work is approved, and findings reviewed by the Audit and Risk Committee. Budget allocation and monitoring is sub-delegated to Executives and budget holders. The LFP scheme is also reported and reviewed with BEIS.

Individual decisions including procurement, capital expenditure and project implementation, are subject to business case approval, and will engage specialist review in addition to Executive approval. In the light of the ongoing transformation of the organisation we are currently enhancing the governance framework in this area to ensure the appropriate levels of scrutiny and assurance are maintained.

The impact of the ongoing COVID-19 pandemic accelerated Companies House's planned programme to provide alternative ways of working implementing at pace remote working to a wholly virtual home working environment.

This meant the majority of Companies House finance processes were conducted remotely at the home working environment.

Companies House ensured sufficient controls were maintained over Companies House financial reporting processes, by ensuring the adequate review and supervision of processes was maintained during this transition to home working. Workarounds were fully documented, and the maintenance of efficient and effective processes was ensured. In regards to securing IT systems, with employees working from home using personal routers for internet access, IT security was upheld, and internal control processes to prevent known and emerging fraud risks were maintained or enhanced during this time.

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### **Alexander Tax Review compliance**

The Alexander review of the tax arrangements of public sector appointees published in May 2012 made several recommendations to ensure that the highest standards of integrity could be demonstrated in the tax arrangements of public sector appointees. Companies House used the services of contractors to support its business strategy and estate requirements during the year. Companies House has procedures in place to ensure we comply with the recommendations of the review.

Furthermore Companies House has procedures in place to ensure we comply with the planned April 2021 changes to off-payroll working rules (IR35) and has reviewed its contractor contracts to gain assurance from contractors that no disguised remuneration schemes are in place.

### **Data controls**

Governance arrangements have remained in place this year. The Senior Information Risk Officer (SIRO) who is also the Director of Digital Services is accountable for information risk and is supported by the IT Security Manager and a network of Information Asset Owners (IAOs) across the organisation. IAOs are accountable for day to day control of information. Data control and risk are addressed monthly by the Security Forum which is chaired by the SIRO and attended by relevant staff – including the Data Protection Officer, IT security staff and the business continuity manager – in addition to subject matter experts from across the organisation. We have a mature incident process in place and incidents are also reviewed at the Security Forum.

There have been 59 reported incidents of personal data breaches this year. Against a backdrop of over 12 million accepted transactions, this is a low volume of breaches, and largely due to human error. One case concerning the availability of information was reported to the Information Commissioners Office (ICO), who decided that it was not necessary to take further action.

The Data Protection Officer continues work to embed a culture of data protection by design and default and demonstrate our accountability for the personal data that we process. The Record of Processing Activity (ROPA) is constantly reviewed to ensure records of the personal data processed by Companies House is up to date and accurate. All staff have received mandatory 'responsible for information' training and this will be refreshed on an annual basis. Data Protection Impact Assessments are conducted as a matter of course for any change where personal data is processed and have been made a mandatory process step for project teams.

There have been no substantial data security incidents during 2020/21.

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## Counter fraud and error

The management of fraud, error, corruption, and debt is a critical part of good governance. As an Executive Agency of the department for Business, Energy and Industrial Strategy, any losses and recoveries are reported quarterly to Cabinet Office via BEIS.

Overall responsibility for our management of fraud, error and debt sits with the Director of Finance and Commercial, supported by a Counter Fraud Group which meets monthly. The Government Internal Audit Agency (GIAA) provides support and input, advising on aspects of control and risk management.

A new Counter Fraud Strategy 2020 to 2023 is being developed with input from across the organisation as part of our internal Counter Fraud Group. This strategy outlines the actions we plan to take over the course of the next three years in detecting and preventing fraud. **These actions cover a broad range of themes which include:**

- promoting a counter-fraud culture
- reporting on fraud
- assessing fraud risk
- proactive counter fraud initiatives
- counter fraud investments
- measurements and baselines

We continue to develop our Counter Fraud capability in line with the government counter fraud standards. As well as improving general compliance against the standards there has been a greater focus on risk assessments, policies and tools for staff. For example, we have reviewed and overhauled our Gifts & Hospitality Policy and assigned ownership from HR to Finance.

Mandatory training in relation to Counter Fraud continues to be assessed for compliance i.e. Counter Fraud, Information Security, Conflict of Interest and non-compliance resulted in targeted action.

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### **Whistleblowing procedures**

The Companies House whistleblowing policy and procedures have been produced in line with the Civil Service Employee Policy. Companies House reviewed its whistleblowing policy and procedures to ensure they are fit for purpose in January 2019 and is scheduled for a further review in June 2021. This included adding a whistleblowing hotline to enable staff to report incidents anonymously and confidentially. The policy and procedures are published on the Companies House Intranet site.

### **Quality assurance of government analytical models (MacPherson Review compliance)**

The review of quality assurance of government analytical models undertaken by Sir Nicholas Macpherson and published by HM Treasury in March 2013. The Aqua book makes several recommendations for government departments and their arm's length bodies that undertake data analysis and analytical modelling. Companies House undertakes both data analysis and analytical modelling. It has reviewed its approach to quality assurance and finds that it is compliant with the statements set out within the Aqua book.

Companies House has developed a few business-critical models for forecasting and projection analysis purposes to evidence decision making within the organisation. **Some of our key business critical models include:**

- the Companies House register size and corresponding subcomponents to determine future operational workloads and projections of Companies House income levels
- electronic take up levels which are used to determine the effectiveness of Companies House digital services and our approach to digital development
- compliance levels of the Companies House register — the level at which the Companies House register is up to date

Data analysis and research is regularly undertaken at Companies House in order to aid in policy development and the delivery of programmes, projects and operational services. These analyses help to shape and appraise options, provide insight into how complex systems work, assess customer behaviour and motivations, measures system performance and improves efficiency.

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Companies House has a dedicated team of data science, statistical and research specialists who conduct data analysis, social research and analytical modelling. This team is led by our Chief Statistician who is a member of the Government Statistical Service and provides assurance that outputs are appropriately backed up by statistically significant evidence and that recommendations are unbiased and developed with independence.

Each business-critical model is owned by a single 'Senior Responsible Owner (SRO)', many of whom are Executive Board members, and they are accountable for its quality and delivery.

Standard reporting templates are used by our data analysts, researchers and statisticians which outline the quality assurance processes of their inputs, methodology and outputs in the context of the risks their use represents. Confidentiality, ethics and the General Data Protection Regulation (GDPR) are also considered, paying attention to the storage and dissemination of information.

All commissioned pieces of analysis always determine the research question as a compulsory starting point. This is then followed by a 'fit for purpose' assessment, where ethics, value and effort are balanced against one another. The commissioner and the data analyst/statistician/researcher work together to ensure the right questions are being asked so that the analysis meets the business need and can be tied to the strategic objectives of the organisation.

As data analysis is undertaken, quality principles are applied throughout its life cycle. Data is validated for errors and methodology is verified for its appropriateness. Assurances are given to the Chief Statistician and SRO at regular stages of the analysis life cycle. Key outputs are scrutinised and challenged on a weekly/monthly/quarterly basis at the relevant levels of our corporate governance structure. Methodology and quality assurance processes for key business models are reviewed quarterly by the Companies House Chief Statistician. Data transfer processes associated with business-critical models such as public targets are reviewed annually by our internal audit team.

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### **Accounting officer assurance**

The effectiveness of the systems of internal control is primarily informed by our internal audit reviews, along with the management assurance reporting of our managers who are responsible for the development and maintenance of the internal control framework. The system of internal control is designed to manage risk to a reasonable level and assurance of effectiveness. The system of internal control supports the achievement of our policies, aims and objectives, whilst safeguarding the funds and assets of the organisation, in accordance with HM Treasury's Managing Public Money.

To develop this area further, an Assurance Framework that brings together the different sources of assurance is currently in development. A new process has been adopted, the Controls and Assurance Record, which pulls together the various sources of assurance across the organisation and tests their effectiveness, with potential gaps/overlaps raised through an Assurance Improvement Plan issued at both an organisation and directorate level.

### **Internal audit**

Internal audit services are delivered by the GIAA operating under the Public Sector Internal Audit Standards. The work of the GIAA is informed by an assessment of risk to which Companies House is exposed and annual audit plans are based on this analysis.

The internal audit plans are endorsed by the Audit and Risk Committee and approved by the Accounting Officer. Regular reports are made to the Accounting Officer and Audit and Risk Committee during the year, detailing recent reviews and actions taken by management based on audit findings. At each financial year-end, the Head of Internal Audit (HIA) provides a report on the internal audit activity at Companies House. The report contains an opinion on the adequacy and effectiveness of internal controls and the management processes in place to control risk.

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### **GIAA audit opinion**

This year, the HIA returned an opinion of ‘moderate’ assurance. The annual opinion concludes on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and internal control processes.

HIA reported that we responded well to challenges posed by the COVID-19 pandemic, adopting and sustaining new ways of working in response to twelve months of restricted movement and social distancing, maintaining a good level of control within our people activities as we moved to a dispersed workforce model. HIA also noted improvements to Governance and Risk Management, evidenced via the ongoing positive development work around our assurance framework and assurance mapping, as well as developing the capacity to deliver internal reviews of ISO 27001.

Some weaknesses in controls have been identified which are actively being managed through our senior management team, which include a need to generate relevant, strategic management information to support decisions being made. Although not structurally significant, the actions taken to remedy the issues identified will continue to support organisational improvement and are reported to the Audit and Risk Committee, demonstrating accountability against delivery of these improvements.

This opinion has been formed as a result of individual audit engagements undertaken throughout the year, attendance of boards and committees, and regular meetings with senior management. **HIA’s assurance activities were aligned to the key risks to strategic objectives of the organisation, focussing on:**

- adequacy of the response to the COVID-19 pandemic
- consolidation into the BEIS accounts resulting from the change of agency status
- key financial controls
- operational delivery
- key control over people activities



**Louise Smyth**  
Accounting Officer  
Chief Executive and Registrar  
18 October 2021

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## Remuneration and staff report

### Remuneration policy

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

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

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

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

Further information about the work of the review body can be found at: [www.ome.uk.com](http://www.ome.uk.com)

### Service contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit based on fair and open competition, but also acknowledges circumstances when appointments may otherwise be made. Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended until they retire. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at: [www.civilservicecommission.independent.gov.uk](http://www.civilservicecommission.independent.gov.uk)

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## Salary

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

## Benefits in kind

No director received a benefit in kind in 2020/21 (2019/20: Nil).

## Performance pay

Senior civil servants' performance pay is determined by the senior pay committee of the Department for Business Energy and Industrial Strategy (BEIS).

Performance-related awards are assessed annually by the Remuneration Committee, a formal sub-committee of the Board. The one-off payments are determined by individual performance and criteria associated with Companies House's performance management process and aligned to the policy for public-sector pay.

## Civil Service pensions

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

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

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those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha — as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a ‘money purchase’ stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. Benefits in classic accrue at the rate of 1/80<sup>th</sup> of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years’ initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60<sup>th</sup> of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the members earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members, may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

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Further details about the Civil Service pension arrangements can be found at the website:

[www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

### Senior managers

Senior managers have been defined using the definition of 'Key Management' contained within the IAS 24 Related Party Disclosures. They are the persons having authority and responsibility for planning, directing, and controlling the major activities of the reporting entity.

### Non-executive salaries

This section has been audited.

	2020/21 £'000	2019/20 £'000
<b>Board member</b>		
Lesley Cowley <sup>1</sup> , Non-Executive Chair	50 – 55	25 – 30
Martin Hagen, Non-Executive Director & Chair of Audit Committee	10 – 15	10 – 15
Vanessa Sharp, Non-Executive Director	10 – 15	10 – 15
Kathryn Cearns, Non-Executive Director	10 – 15	10 – 15
Martin Spencer, Non-Executive Director	10 – 15	10 – 15 (FYE 10 – 15)
Mike Fishwick <sup>2</sup> , Non-Executive Director	nil	nil
Debbie Gillatt <sup>2</sup> , Non-Executive Director	nil	nil

1 Lesley Cowley was reappointed for 3 years on 1 March 2020 and her salary was reviewed at this time and the number of days per annum required for the role was increased from 48 to 84.

2 Debbie Gillatt is a Civil Servant (BEIS) and Mike Fishwick is a Civil Servant (IPO). They are not remunerated for serving on the board.

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## Executive pay disclosure

This section has been audited.

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

		2020/21	2019/20	Change
Highest paid director remuneration (FYE)	£'000	<b>120 – 125</b>	115 – 120	0 – 5
Median remuneration	£	<b>25,772</b>	24,808	4%
Ratio		<b>4.75</b>	4.74	0%
Range of staff remuneration (including temporary and agency staff)	£'000	<b>18 – 158</b>	18 – 180	

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

4 contractors had a full-time equivalent salary greater than the highest paid director. These salaries were in the range £124,000 to £158,000.

The median and range of staff remuneration has risen this year due to an increase in the FTE headcount compared to 2019/20. The increase in skilled staff members has driven the capacity and capability in key areas to support the transformation.

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## Single total figure of remuneration

This section has been audited.

Name	Salary		Bonus (Performance Payments)		Pension			Total
	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000
Louise Smyth	100 – 105	95 – 100	10 – 15	5 – 10	52	33	160 – 165	135 – 140
John-Mark Frost	70 – 75	70 – 75	5 – 10	0 – 5	28	27	105 – 110	95 – 100
Ross Maude	115 – 120	115 – 120	0 – 5	0 – 5	46	45	165 – 170	160 – 165
Michelle Wall	75 – 80	70 – 75	0 – 5	0 – 5	33	29	110 – 115	105 – 110
Angela Lewis	75 – 80	75 – 80	5 – 10	10 – 15	36	29	120 – 125	110 – 115
Martin Swain	75 – 80	75 – 80	0 – 5	0 – 5	39	45	120 – 125	120 – 125
Jill Callan <sup>1</sup>	10 – 15 (FYE 70 – 75)	n/a	n/a	n/a	18	n/a	25 – 30	n/a

Footnotes are below.

Bonuses reported in 2020/21 relate to performance in 2019/20. Bonuses to be paid in 2021/22 in respect of 2020/21 performance are yet to be determined. There were no benefits in kind.

Name	Real increase in pension and related lump sum at pension age £'000	Accrued pension as at 31/03/21 and related lump sum £'000	CETV at 31/03/21 £'000	CETV at 31/03/20 £'000	Real increase (decrease) in CETV funded by employer £'000
Louise Smyth	0 – 2.5 plus a lump sum of 0 – 2.5	40 – 45 plus a lump sum of 115 – 120	936	866	38
John-Mark Frost	0 – 2.5	15 – 20	158	137	10
Ross Maude	2.5 – 5.0	5 – 10	82	48	23
Michelle Wall	0 – 2.5	15 – 20	267	235	19
Angela Lewis	0 – 2.5	25 – 30	442	402	22
Martin Swain	0 – 2.5 plus a lump sum of 0 – 2.5	30 – 35 plus a lump sum of 65 – 70	546	503	22
Jill Callan <sup>1</sup>	0 – 2.5 plus a lump sum of 0 – 2.5	30 – 35 plus a lump sum of 65 – 70	547	532	14

<sup>1</sup> Denotes John-Mark Frost's changing role, taking up the role of Transformation Director from March 2021, remaining Executive Member. Jill Callan in place as interim Director of Operations from February 2021.

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### **Cash equivalent transfer values**

A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme.

A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member because of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### **Real increase in CETV**

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

### **Compensation for loss of office**

This section has been audited.

Companies House did not run an exit release scheme during 2020/21. This means that no members of staff left (2019/20: nil) during the year under a voluntary exit scheme, and no compensation payments (2019/20: nil) were made during the year.

During the year no employees received compensation payments following their efficiency departure (2019/20: 4 employees received compensation payments which totalled £77,767).

## Analysis of staff numbers and costs

This section has been audited.

The number of senior civil service staff (or equivalent) by band:

	2020/21 Number of senior service staff	2019/20 Number of senior service staff
Senior civil service staff band		
Band 1	5	5
Band 2	1	1
<b>Total</b>	<b>6</b>	<b>6</b>

The average number of employees during the period was as follows:

	2020/21 Total Employees	2020/21 Full-Time Equivalent Posts (FTE)	2019/20 Total Employees	2019/20 Full-Time Equivalent Posts (FTE)
<b>Staff numbers by location</b>				
Cardiff	1,019	936	952	869
Belfast	19	18	18	16
Edinburgh	38	37	36	35
London	8	8	8	8
<b>Total</b>	<b>1,084</b>	<b>999</b>	<b>1,014</b>	<b>928</b>

	2020/21 Total Employees	2020/21 Full-Time Equivalent Posts (FTE)	2019/20 Total Employees	2019/20 Full-Time Equivalent Posts (FTE)
<b>Staff numbers by activity</b>				
Customer Delivery Directorate and Late Filing Penalties	624	560	602	537
Digital Services	223	218	212	208
Corporate Services	147	134	129	117
Strategy	57	54	52	48
Chief Executive and Registrar and Legal	33	33	19	18
<b>Total</b>	<b>1,084</b>	<b>999</b>	<b>1,014</b>	<b>928</b>
Staff who worked on capital projects (also included above)	90		98	

In addition, the average number of contract staff was 43 (2019/20: 26) of whom 5 (2019/20: 9) were included on capital projects.

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	2020/21 £'000	2019/20 £'000
<b>Staff Costs (for the above persons)</b>		
Salaries	<b>32,041</b>	28,614
National Insurance	<b>3,016</b>	2,691
Pension costs	<b>8,254</b>	7,429
Contract staff	<b>4,937</b>	2,989
Capitalised staff costs (included above)	<b>(2,005)</b>	(2,118)
Capitalised contract staff project costs (included above)	<b>(638)</b>	(533)
<b>Staff costs per operating account</b>	<b>45,605</b>	39,072

Staff costs (excluding contractors) have increased by £4.6m compared to 2019/20 (see note 3, page 140). Average full-time equivalent (FTE) numbers have increased by 71. Contingent labour costs have increased by a net £1.8m. The increase in staff numbers has been necessary to continue to develop capacity and capability in key areas to support the transformation.

### Pensions

This section has been audited.

The total pension charge for the year totalled £8.3m (2019/20: £7.4m). For 2020/21 the banded charges averaged 27.95% of pensionable pay for permanent staff (2019/20: 27.62%). Within one of the Civil Service pension arrangements, permanent staff are allocated at 1 of the 4 rates in the range 26.6% to 30.3% (2019/20: 26.6% to 30.3%) of pensionable pay, based on salary bands.

Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The date of the last actuarial valuation was 31 March 2016. The contribution rates are set to meet the cost of the benefits accruing during 2020/21 to be paid when the member retires and not the benefits paid during this period to existing pensioners. All other liabilities incurred in the year were satisfied by the year end. This is an unfunded multi-employer defined benefit scheme, but Companies House is unable to identify its share of the underlying assets and liabilities.

New career average pension arrangements were introduced from 1 April 2015 and the majority of classic, premium, classic plus and nuvos members joined the new scheme. Further details of this new scheme are available at: [www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha](http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha)

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## Off-payroll engagements

This section has not been audited.

Off-payroll appointments as of 31 March, for more than £245 per day and that last longer than six months are shown below:

	2020/21	2019/20
The total number of existing engagements	17	18
The number that have existed for less than one year	6	11
The number that have existed for between one and two years	7	4
The number that have existed for between two and three years	-	-
The number that have existed for between three and four years	1	1
The number that have existed more than 4 years	3	2
Declaration that all the above appointments have been subject to a risk-based assessment regarding the payment of correct tax	Yes	Yes

For all new off-payroll appointments, or those that reach six months in duration, between 1 April and 31 March for more than £245 per day and will last for longer than six months:

	2020/21	2019/20
The number of new engagements or those that reached six months during the period	19	23
The number of these engagements which were assessed as caught by IR35	19	23
The number of these engagements which were assessed as not caught by IR35	0	0
The number that were engaged directly (via PSC contracted to department) and are on the departmental payroll	0	0
The number that were reassessed for consistency/assurance purposes during the year whom assurance has been requested but not received	0	0
The number that saw a change to IR35 status following the consistency review	0	0
The number of off-payroll engagements of board members and/or senior officials with significant financial responsibility, during the financial year	0	0
Details of the length of time each of these exceptional engagements lasted	n/a	n/a
The total number of individuals both on and off-payroll that have been deemed "board members and/or senior officials with significant financial responsibility", during the financial year	7	6

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## Consultancy and the use of contingent labour

This section has been audited.

	2020/21 £'000	2019/20 £'000
Consultancy expenditure	23	146
Contingent labour expenditure	4,937	2,843

Contingent labour expenditure has increased by £2.1m from 2019/20 due to an increase in overall staff numbers. This increase has been necessary to continue to develop capacity and capability in key areas to support the transformation.

## Staff numbers

This section has been audited.

	2020/21	2019/20
<b>Staff numbers by contract type (average headcount)</b>		
Permanent	1,057	990
Contractor/agency/temporary	70	40
Inward secondment	1	1
<b>Total</b>	<b>1,128</b>	1,031

	2020/21			2019/20		
<b>Employees (average headcount)</b>	Female	Male	<b>Total</b>	Female	Male	<b>Total</b>
Directors (senior civil servants)	3	3	6	3	3	6
Employees	602	476	1,078	562	446	1,008
<b>Total</b>	<b>605</b>	<b>479</b>	<b>1,084</b>	565	449	1,014

## Companies House Main Board

This section has been audited.

There were seven independent Non-executive Board Members as at 31 March 2021 (2019/20: 7).

## Pension liabilities

Employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). Further information on the treatment of pension liabilities is included in the accounting policies (note 1 of the financial statements).

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## Employees

This section has not been audited.

We are committed to being a responsible business and to support the people that work with us and the communities in which we work. All employees have equal access to training, career development and promotional opportunities, with reasonable adjustments being made to cater for disabilities. We continue with our guaranteed interview scheme which means that all disabled people who meet the minimum requirements of a job vacancy, are interviewed and considered on their abilities.

We continue to promote a proactive approach to managing long term health issues with individuals, with the aim of sustaining them within, or facilitating their return to work. This incorporates provision of a comprehensive occupational health support function, including access to an occupational health provider and Employee Assistance Programme, tailored case conferencing and robust support for the implementation of reasonable adjustments to aid the individual.

We use various methods of corporate and local communication to advise employees of issues which affect them. These include business plan presentation sessions, digital forms of communication such as the intranet site, digital screens, face to face discussions and awareness sessions.

The level of sickness absence was 4.31 average working days lost per person (2019/20: 7.32 days).

The average staff turnover in the year was 6%.

## Parliamentary accountability and audit report

### Parliamentary accountability

#### Fees and charges

This section has been audited.

The following information on the main activities of Companies House is produced for fees and charges purposes and does not constitute segmental reporting under IFRS 8.

	Income		Cost of services <sup>4</sup>		Surplus/ (Deficit)	
	2020/21 £m	2019/20 £m	2020/21 £m	2019/20 £m	2020/21 £m	2019/20 £m
Registration activities <sup>1</sup>	<b>68.7</b>	68.8	<b>74.6</b>	75.3	<b>(5.9)</b>	(6.5)
Dissemination activities <sup>2</sup>	<b>1.1</b>	2.1	<b>3.4</b>	2.9	<b>(2.3)</b>	(0.8)
Other services <sup>3</sup>	<b>1.5</b>	1.4	<b>0.9</b>	0.9	<b>0.6</b>	0.5
<b>Total as per operating account</b>	<b>71.3</b>	72.3	<b>78.9</b>	79.1	<b>(7.6)</b>	(6.8)

1. Registration activities—includes incorporation, annual registration, change of name, mortgage registration, dissolution, liquidation and recharges of costs incurred in the administration of late filing penalties.
2. Dissemination activities—includes searches delivered on paper, electronically and to bulk customers.
3. Other services—includes income from rentals and surplus office space.
4. Cost of services includes interest payable, interest receivable and dividends payable in accordance with the cost recovery principles of the Treasury's "Managing Public Money". Support costs are apportioned based on the usage made by the main service providers. Costs are directly attributable to services where possible.

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### **Long term expenditure trends**

Longer term expenditure plans are being driven by the key strands of our strategy for 2020/25: making sure users can transact fully online using services that are intuitive and accessible and enabling them to provide current, complete and correct information; expanding the range and accessibility of our data to enhance its usefulness and the value of our registers; and analysing that same data to derive intelligence that will allow us to play a full part in combatting economic crime. Underpinning this, we will continue to invest in building a high performing culture, ensuring that our people have skills and facilities they need to be the best they can be.

Further efficiencies and savings as well as environmental benefits are expected to be realised as we transform the way we work in line with our strategy.

### **Special payments and losses**

This section has been audited.

There were no payments made under this category.

Please see [page 162](#) of the Trust Statement for disclosure of Late Filing Penalties losses and special payments.

### **Contingent liabilities**

This section has been audited.

There are no remote contingent liabilities (2019/20: None).



**Louise Smyth**  
Accounting Officer  
Chief Executive and Registrar  
18 October 2021

## **The Certificate and Report of the Comptroller and Auditor General to the House of Commons**

### **Opinion on financial statements**

I certify that I have audited the financial statements of Companies House for the year ended 31 March 2021 under the Government Resources and Accounts Act 2000. The financial statements comprise: Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion, the financial statements:

- give a true and fair view of the state of Companies House's affairs as at 31 March 2021 and of Companies House's net operating deficit for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

### **Opinion on regularity**

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

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### **Basis of opinions**

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

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of Companies House in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### **Conclusions relating to going concern**

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

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

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

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

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### **Other information**

The other information comprises information included in the annual report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

### **Opinion on other matters**

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

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

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

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or

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- certain disclosures of remuneration specified by HM Treasury's Government Report Manual are not made; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

### **Responsibilities of the Accounting Officer for the financial statements**

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

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view
- internal controls as the Chief Executive as Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error
- assessing Companies House's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Executive as Accounting Officer anticipates that the services provided by Companies House will not continue to be provided in the future

### **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

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My procedures included the following:

- inquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to Companies House's policies and procedures relating to:
  - » identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - » detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - » the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including Companies House's controls relating to the Companies Act 2006 and Managing Public Money.
- discussing among the engagement team and involving relevant internal and external specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: posting of unusual journals; and
- obtaining an understanding of Companies House's framework of authority as well as other legal and regulatory frameworks that Companies House operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Companies House. The key laws and regulations I considered in this context included the Government Resources and Accounts Act 2000, employment law, Managing Public Money, tax legislation and other statutory instruments which relate to the delivery of services.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board; and

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- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

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

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

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## **Report**

I have no observations to make on these financial statements.

### **Gareth Davies**

Comptroller and Auditor General  
20 October 2021

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



Companies House

# Financial statements

# Three

## Statement of comprehensive net expenditure for the year ended 31 March 2021

	Note	2020/21 £'000	2019/20 £'000
<b>Operating income</b>	2	<b>71,348</b>	72,296
<b>Administration costs</b>			
Staff costs	3	<b>(45,605)</b>	(39,072)
Non-staff administration costs	4	<b>(33,298)</b>	(35,474)
<b>Gross administration costs</b>		<b>(78,903)</b>	(74,546)
<b>Operating deficit before interest</b>		<b>(7,555)</b>	(2,250)
Interest receivable	5	-	264
<b>Net operating deficit before dividend</b>		<b>(7,555)</b>	(1,986)
Dividend	6	-	(4,858)
Intra-government transfer (expense)	7	<b>(13,650)</b>	-
<b>Net operating deficit</b>		<b>(21,205)</b>	(6,844)
<b>Other comprehensive (expenditure) / income</b>			
Net gain on revaluation of land and buildings	7, 15	<b>(7,687)</b>	294
<b>Comprehensive net expenditure for the year</b>		<b>(28,892)</b>	(6,550)

All income and expenditure is derived from continuing activities.

The notes on pages 131 - 152 form part of the financial statements.

## Statement of financial position as at 31 March 2021

	Note	2020/21 £'000	2019/20 £'000
<b>Non-current assets</b>			
Property, plant and equipment	7	4,825	26,374
Intangible assets	8	22,145	17,751
<b>Total non-current assets</b>		<b>26,970</b>	44,125
<b>Current assets</b>			
Trade and other receivables	9	10,115	7,460
Cash and cash equivalents	10	1,629	30,623
Total current assets		11,744	38,083
<b>Total assets</b>		<b>38,714</b>	82,208
<b>Current liabilities</b>			
Trade and other payables	11	(12,246)	(14,876)
Short term loan	12	-	(10,000)
Provisions	13	(25)	(1,059)
<b>Total current liabilities</b>		<b>(12,271)</b>	(25,935)
<b>Non-current assets plus net current assets</b>		<b>26,443</b>	56,273
<b>Assets less liabilities</b>		<b>26,443</b>	56,273
<b>Taxpayers' equity</b>			
General Fund		26,443	47,607
Revaluation reserve	14	-	8,666
<b>Total</b>		<b>26,443</b>	56,273

The notes on pages 131 - 152 form part of the financial statements.



**Louise Smyth**  
Accounting Officer  
Chief Executive and Registrar  
18 October 2021

## Statement of cash flows for the year ended 31 March 2021

	Note	2020/21 £'000	2019/20 £'000
<b>Cash flows from operating activities</b>			
Net operating deficit before interest		(7,555)	(2,250)
Net interest receivable		-	264
<b>Net operating deficit before dividend</b>		<b>(7,555)</b>	<b>(1,986)</b>
Non-cash transactions – depreciation/ loss on disposal	7, 8	5,900	5,813
(Increase)/decrease in trade and other receivables	9	(2,655)	831
Movements in payables relating to items not passing through the operating account		(211)	(305)
Increase/(decrease) in trade payables & other current liabilities	11	1,478	2,049
Dividend paid		(4,108)	(4,988)
(Decrease)/increase in current provisions	13	(1,034)	1,057
Decrease in non-current provisions		-	-
<b>Net cash inflow from operating activities</b>		<b>(8,185)</b>	<b>2,471</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(2,419)	(2,404)
Purchase of intangible assets	8	(7,454)	(5,094)
<b>Net cash outflow from investing activities</b>		<b>(9,873)</b>	<b>(7,498)</b>
<b>Cash flows from financing activities</b>			
Repayment of Public Dividend Capital		-	(15,889)
Net funding (to)/from BEIS		(10,936)	10,000
<b>Net cash outflow from investing activities</b>		<b>(10,936)</b>	<b>(5,889)</b>
<b>Net decrease in cash and cash equivalents in the period</b>		<b>(28,994)</b>	<b>(10,916)</b>
Cash and cash equivalents at the start of the period	10	30,623	41,539
Cash and cash equivalents at the end of the period	10	1,629	30,623

The notes on pages 131 - 152 form part of the financial statements.

## Statement of changes in taxpayers' equity for the year ended 31 March 2021

	Public Dividend Capital £'000	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
<b>Balance at 1 April 2019</b>	<b>15,889</b>	<b>54,451</b>	<b>8,372</b>	<b>78,712</b>
Recognised in statement of comprehensive net expenditure	-	(6,844)	294	(6,550)
Repayment of Public Dividend Capital	(15,889)	-	-	(15,889)
<b>Balance as at 31 March 2020</b>	<b>-</b>	<b>47,607</b>	<b>8,666</b>	<b>56,273</b>
<b>Balance at 1 April 2020</b>	<b>-</b>	<b>47,607</b>	<b>8,666</b>	<b>56,273</b>
Recognised in statement of comprehensive net expenditure	-	(21,205)	(7,687)	(28,892)
Net funding payable to BEIS	-	(938)	-	(938)
Transfer between reserves	-	979	(979)	-
<b>Balance as at 31 March 2021</b>	<b>-</b>	<b>26,443</b>	<b>-</b>	<b>26,443</b>

The General Fund serves as the chief operating fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

The Revaluation Reserve records the unrealised gain or loss on revaluation of assets.

The notes on pages 131 - 152 form part of the financial statements.

## Notes to the accounts for the year ended 31 March 2021

### 1. Principal accounting policies

#### Statement of accounting policies

The accounts have been prepared in accordance with the historical cost convention modified to include the revaluation of property, plant and equipment (where material) in a form determined by HM Treasury. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted and interpreted by the 2020/21 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounts conform to, insofar as is practicable and appropriate, IFRS, the FReM and specific Treasury guidance.

#### Presentational currency

The financial statements are presented in pounds sterling, the functional currency of Companies House. Transactions denominated in a foreign currency are translated into sterling at the rate of exchange on the date of each transaction. In preparing the financial statements, monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at the reporting date. All translation differences of monetary assets and liabilities are included in net expenditure for the year.

#### Significant accounting judgements, estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are set out below.

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- **Non current assets**

The useful economic lives of assets that form the basis of periods over which property, plant and equipment is depreciated (reported in note 7, page 143) and intangible assets are amortised (reported in note 8, page 146).

- Useful economic life of intangible assets: The critical assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year relate to the estimated useful economic life of intangible assets. These are based on management's judgement of assets of a similar nature and historical trends and are revised where appropriate.
- The impairment of property, plant and equipment, and intangible assets (reported in notes 7, page 143 and 8, page 146).

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### **Revenue recognition**

Income, which excludes VAT, represents fees and charges in respect of services provided.

Other operating income includes an amount recovered from BEIS for running costs incurred by Companies House in respect of the charging, administration and collection of penalties raised on companies because of the late filing of accounts. Income is recognised when expenditure is incurred.

Any miscellaneous income, for example rent receivable, is classed as other operating income, and is recognised in the period to which it relates.

### **Companies House registration activities under IFRS 15 are assessed as:**

- the fee is payable when the document is filed. The contract should commence at the date the document is filed
- for a fee to be payable, the filing company is required to submit the relevant transaction and pay the associated filing fee at the same time
- the transaction price is fixed by fees order
- at each performance obligation, the transaction price is allocated to the transaction filed
- revenue is recognised when the relevant transaction is registered, which in effect is materially at the same time

Regulatory fees are driven by the demand for limited liability entities with incorporations, event driven filings and dissolution of the entities driven by external factors such as the economy, legislative changes and taxation policies. A significant proportion of regulatory income is arising from the requirements for entities to file the confirmation statement on an annual basis.

### **Companies House's search activities under IFRS 15 are assessed as:**

- the fee is payable on request for information
- the performance obligation arises when the information is provided
- the transaction price is fixed by fees order
- the performance obligation is the provision of the information requested
- revenue is recognised at point of provision of the information which is materially the same time as the request
- search activities are determined by customer demand and the increased availability of the information being made available for free.

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### **Property, plant and equipment**

The minimum value for capitalisation of expenditure is £2,000 for an individual asset. Where appropriate, assets falling below the individual asset threshold are capitalised as groups. All research expenditure is written off as incurred. Companies House has adopted depreciated historical cost as a proxy for fair value. The difference between these is not considered material to the accounts. Any revaluation gains or losses are treated in accordance with IAS 16 Property, Plant and Equipment. Land and buildings are externally valued on the basis of existing use in accordance with RICS (Royal Institution of Chartered Surveyors) Valuation standards.

### **Intangible assets**

In accordance with IAS 38 Intangibles, the policy on expenditure incurred on the replacement of the core information processing system (CHIPS) and the web based front end system, Companies House Service (CHS) is to capitalise only costs directly attributable to creating and developing the platform. Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of CHIPS and CHS are regularly re-assessed against our IT strategy and revised where necessary. For purchased application software, cost includes contractors' charges, materials, directly attributable labour and directly attributable overheads. Capitalisation ceases when substantially all the activities that are necessary to prepare the asset for use are complete. Amortisation commences at the point of commercial deployment over the asset's estimated useful economic life as follows:

- CHIPS 18 years
- CHS 14 years
- IT Projects 3 to 10 years

Further additions to the CHIPS and CHS Intangible assets will be amortised over the remaining useful life of the parent asset.

### **Software development**

Software development expenditure (covering the costs of third-party work and the direct costs of in-house staff effort) is capitalised when it is incurred on projects which will deliver economic benefits over several years. There are no active markets for intangible non-current assets which are valued at the lower of depreciated replacement cost and value in use using a valuation technique (for example for income-generating assets); where there is no value in use, depreciated replacement cost is used.

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### **Depreciation and amortisation**

Depreciation is provided on property, plant and equipment, except freehold land, at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life as follows:

- Freehold buildings 50 years
- Leasehold improvements Over the life of the lease
- IT equipment 2 to 5 years
- Plant and machinery 4 to 10 years

Depreciation will be charged for the full month in which the asset is capitalised.

### **Review of capitalised costs**

The carrying values of assets (except those under construction) are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The carrying value of assets under construction are reviewed annually. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. Impairment losses are charged to the income statement on recognition.

### **Leases**

Rentals payable under operating leases, including benefits received and receivable as incentives to enter into the leases, are expensed on a straight-line basis over the term of the lease. There are no finance leases for 2020/21.

### **Financial instruments**

There are no derivative financial instruments, financial instruments held for trading or financial instruments classified as held for sale.

### **Taxation**

Companies House is not liable for Corporation Tax. Companies House is not registered separately for VAT but falls within BEIS' registration. Irrecoverable VAT on expenditure is charged to the income statement and is capitalised in relation to the purchase of fixed assets.

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### **Pension costs**

Most past or present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) and alpha (a new pension scheme introduced on 1 April 2015), which are defined benefit schemes open to participating public sector bodies in which the benefit the employee receives during retirement is dependent on factors such as age, length of service and salary. These schemes are administered by My CSP on behalf of the Cabinet Office. Companies House pays contributions into these schemes at an agreed rate. As one of many participating organisations, Companies House is not able to identify its share of any liability for making future pension payments to members and accordingly, Companies House accounts for this as if it were a defined contribution scheme and recognises the costs of these contributions when they fall due. Employees may opt to join a personal stakeholder pension scheme instead, providing the scheme meets the minimum criteria set by government. These are defined contribution schemes where Companies House pays established contribution rates into a separate fund. The amount of pension benefit that a member receives in retirement is dependent on the performance of the fund. Companies House recognises the cost of these contributions in the Statement of comprehensive net expenditure when they fall due. There is no further payment obligation for Companies House once the contributions have been paid.

### **Receivables**

Receivables are shown net of impairments in accordance with the requirements of IFRS 9, where material. In prior years, following a management review, the level of impairment based on past and future performance of the receivables has shown the level of impairment is immaterial and therefore no impairment has been made. Management have reconsidered the level of impairment following the COVID-19 pandemic, and based on cash collected subsequent to 31 March 2021, consider that no further impairment is required.

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### **Provisions**

Companies House makes provision for liabilities and charges where a legal or constructive liability exists (e.g. as a present obligation arising from past events), where the transfer of economic benefits is probable, and a reasonable estimate can be made. Where the time value of money is material, Companies House discounts the provision to its present value. Each year the financing charges in the income statement include the adjustment to amortise 1 year's discount and restate liabilities to current price levels.

### **Staff costs**

Under IAS 19 Employee Benefits all staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of any untaken leave as at the year end. The cost of untaken leave has been determined using data from leave records.

### **Standards issued but not yet effective**

#### **IFRS 16**

On 28 August 2020, HM Treasury announced all government freehold properties are to transfer ownership to the Government Property Agency (GPA). The transfer was completed on 31 March 2021 when Companies House entered into an agreement with the GPA and executive agency of the Cabinet Office to transfer all land, buildings and any associated components owned by Companies House.

Immediately prior to the transfer, Montagu Evans (Chartered Surveyors) carried out an independent valuation of Crown Way on behalf of the GPA and determined that the open market value of the property as of 31 March 2021 was £13.7m, which compared with a net book value of assets being transferred of £21.3m. The difference of £7.7m was charged to the revaluation reserve as an impairment (see note 7, page 143). The assets were transferred to the GPA on 31 March 2021 for nil consideration which resulted in an intra-government loss on transfer of £13.7m (see note 7, page 143).

The introduction of the new leasing standard IFRS 16 has been deferred for public sector organisations from 1 April 2020 to 1 April 2022. However, early adoption is permitted and in accordance with the accounting policies adopted across the BEIS group for the year ended 31 March 2021, Companies House will adopt this standard with effect from 1 April 2021 with no restatement of prior year comparatives. IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset has a low value.

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At the reporting date, Companies House has non-cancellable operating lease commitments of £42.5m (see note 15, page 150) for the leasing of our regional offices. The new agreement for Crown Way was entered into on 31 March 2021 following the transfer of property to the GPA. Per the terms set out in a Freehold Occupancy Agreement that was signed on 14 April 2021 between us and the GPA, Companies House began to pay rent of £2.3m per annum, commencing on 1 April 2021 for a term of 15 years.

As a result of the introduction of the new leasing standard, IFRS 16, a right of use asset and lease liability will be recognised for the Crown Way lease and will take effect from 1 April 2021. Companies House expects to recognise right-of-use assets of approximately £31.9m for Crown Way and £1.2m for the regional offices and lease liabilities of £31.4m and £1.1m respectively.

At the commencement date, overall net assets will be approximately £0.7m higher, and net current assets will be £2.5m lower due to a portion of the liability to be presented as a current liability.

Companies House expects that the net impact on the Net Operating Surplus/(Deficit) will decrease by approximately £0.02m for FY2021/22 as a result of adopting the new standard. This is due to depreciation on the right-of-use assets of £2.5m and an interest expense on the lease liability of £0.2m impacting the Statement of comprehensive net expenditure for 2021/22. This is offset by the rental payments of £2.7m which were previously charged to the Statement of comprehensive net expenditure prior to the adoption of IFRS 16.

During 2020/21, 7,782m<sup>2</sup> (2019/20: 7,739m<sup>2</sup>) of 29,862m<sup>2</sup> net internal space of the Crown Way building was subleased to other government departments (see note 11). As part of the freehold transfer of Crown Way to GPA, Companies House will retain the income from all existing tenants until April 2024, unless an earlier date is agreed and signed off by both parties. Companies House has considered the requirements of IFRS 16 [16:61 to 66] and expect rental income will continue to be recognised as operating lease income.

### **IFRS 17**

IFRS 17 Insurance contracts is currently due to be adopted by the FREM for 2023/24. No current review on impact has been undertaken but management initial view is that this is unlikely to have any material impact.

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## 2. Income

All significant activities of Companies House are derived from a single legislative requirement, the Companies Act, and consequently are considered for segmental purposes to be one single class of business. The assets and liabilities of Companies House are reviewed by senior management on a total basis and not on a segmental reporting basis. For reporting purposes, therefore, management considers that there is only one operating segment.

The following information on the main activities of Companies House is produced for income and does not constitute segmental reporting under IFRS 8.

	2020/21 £'000	2019/20 £'000
<b>Regulatory Services</b>		
Confirmation Statement	48,527	47,137
Incorporations	9,036	7,883
Other	6,404	7,609
LFP Activity	4,714	6,150
<b>Sub Total</b>	<b>68,681</b>	<b>68,779</b>
<b>Search Services</b>		
Companies House Direct	358	524
Certified Copies	712	1,440
Other	75	132
<b>Sub Total</b>	<b>1,145</b>	<b>2,096</b>
<b>Other Income</b>		
Rent and rate from tenants	1,228	1,142
Other	294	279
<b>Sub Total</b>	<b>1,522</b>	<b>1,421</b>
<b>Total as per Operating Account</b>	<b>71,348</b>	<b>72,296</b>

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### 3. Staff costs

	2020/21 £'000	2019/20 £'000
Salaries	32,041	28,614
National Insurance	3,016	2,691
Pension costs	8,254	7,429
Contract staff	4,937	2,989
Capitalised staff costs (included above)	(2,005)	(2,118)
Capitalised contract staff project costs (included above)	(638)	(533)
<b>Staff costs per operating account</b>	<b>45,605</b>	<b>39,072</b>

#### 3a. Pensions

The total pension charge for the year totalled £8.3m (2019/20: £7.4m). For 2020/21 the banded charges averaged 27.95% of pensionable pay for permanent staff (2019/20: 27.62%). Within one of the Civil Service pension arrangements, permanent staff are allocated at 1 of the 4 rates in the range 26.6% to 30.3% (2019/20: 26.6% to 30.3%) of pensionable pay, based on salary bands.

Employer contributions are to be reviewed every 4 years following a full scheme valuation by the Government Actuary. The date of the last actuarial valuation was 31 March 2016. The contribution rates are set to meet the cost of the benefits accruing during 2020/21 to be paid when the member retires and not the benefits paid during this period to existing pensioners. All other liabilities incurred in the year were satisfied by the year end. This is an unfunded multi- employer defined benefit scheme, but Companies House is unable to identify its share of the underlying assets and liabilities.

New career average pension arrangements were introduced from 1 April 2015 and the majority of classic, premium, classic plus and nuvos members joined the new scheme. Further details of this new scheme are available at:

[www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha](http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha)

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## 4. Non-staff administration costs

	2020/21 £'000	2019/20 £'000
<b>Audit remuneration</b>		
Audit services	-	61
Other services	-	-
<b>Subtotal</b>	<b>-</b>	<b>61</b>
<p>Following Companies Houses' transition to a central government department, there is no cash fee payable for the audit of 2020/21 Companies House's financial statements. Instead, there is a notional audit fee for 2020/21 of £64,000 (2019/20: Cash fee £61,000). This includes £16,000 for work carried out on LFP Trust Statement (2019/20: Cash fee £16,000).</p>		
<b>Administration costs</b>		
Chief Executive and senior managers' travel and subsistence	4	25
Other employees travel and subsistence	62	308
Staff related costs	425	539
Recruitment and training	573	645
Printing and stationery	4,316	4,000
Communications and awareness	623	660
Maintenance contracts/leases	3,265	3,189
Repair and maintenance—buildings	1,232	3,501
Accommodation cost	3,426	3,111
Property rental	712	725
Office equipment	310	491
Software	3,200	2,580
Professional services (including contact centre, and costs of litigation)	8,050	8,320
Other administration costs	1,200	1,506
<b>Subtotal</b>	<b>27,398</b>	<b>29,600</b>
<b>Non-cash items</b>		
Depreciation and amortisation	5,812	5,104
Loss on disposal	88	-
Impairment	-	709
<b>Subtotal</b>	<b>5,900</b>	<b>5,813</b>
<b>Total non-staff administration costs</b>	<b>33,298</b>	<b>35,474</b>

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## 5. Interest and finance cost

	2020/21 £'000	2019/20 £'000
Short-term daily interest receivable from the Government Banking Service and National Loans Fund	-	264

## 6. Dividend

	31 March 2021 £'000	31 March 2020 £'000
Ordinary dividend payable	-	4,108
Special dividend paid	-	750
<b>Total</b>	-	4,858

Following the repayment of the Public Dividend Capital to BEIS on 23 March 2020, no dividend is due for this financial year.

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## 7. Property, plant and equipment 2020/21

	Land £'000	Buildings £'000	Leasehold Improvement £'000	Plant and Machinery £'000	Computer Equipment £'000	Total £'000
<b>Cost or revaluation</b>						
<b>At 1 April 2020</b>	<b>3,675</b>	<b>14,700</b>	<b>851</b>	<b>10,290</b>	<b>17,562</b>	<b>47,078</b>
Reclassifications	-	6,187	-	(6,187)	-	-
Additions	-	-	-	1,432	1,196	2,628
Impairment	-	(7,687)	-	-	-	(7,687)
Disposal/assets written off	-	-	(194)	(169)	(418)	(781)
Intra-government transfer	(3,675)	(13,200)	-	-	-	(16,875)
<b>At 31 March 2021</b>	<b>-</b>	<b>-</b>	<b>657</b>	<b>5,366</b>	<b>18,340</b>	<b>24,363</b>
<b>Depreciation</b>						
<b>At 1 April 2020</b>	<b>-</b>	<b>-</b>	<b>668</b>	<b>4,823</b>	<b>15,213</b>	<b>20,704</b>
Reclassifications	-	2,845	-	(2,845)	-	-
Charged in year	-	380	19	813	1,540	2,752
Disposals	-	-	(194)	(81)	(418)	(693)
Intra-government transfer	-	(3,225)	-	-	-	(3,225)
<b>At 31 March 2021</b>	<b>-</b>	<b>-</b>	<b>493</b>	<b>2,710</b>	<b>16,335</b>	<b>19,538</b>
<b>Net book value at 31 March 2021</b>	<b>-</b>	<b>-</b>	<b>164</b>	<b>2,656</b>	<b>2,005</b>	<b>4,825</b>
Net book value at 31 March 2020	3,675	14,700	183	5,467	2,349	26,374

All assets are owned by Companies House.

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### **Transfer of Freehold Assets**

On 28 August 2020, HM Treasury announced all government freehold properties are to transfer ownership to the Government Property Agency (GPA). The transfer was completed on 31 March 2021 when Companies House entered into an agreement with the GPA and executive agency of the Cabinet Office to transfer all land, buildings and any associated components owned by Companies House.

Immediately prior to the transfer, Montagu Evans (Chartered Surveyors) carried out an independent valuation of Crown Way on behalf of the GPA and determined that the open market value of the property as of 31 March 2021 was £13.7m, which compared with a net book value of assets being transferred of £21.3m. The difference of £7.7m was charged to the revaluation reserve as an impairment. The assets were transferred to the GPA on 31 March 2021 for nil consideration which resulted in an intra-government loss on transfer of £13.7m.

At the reporting date, Companies House has non-cancellable operating lease commitments of £42.5m (see note 15, page 150) for the leasing of our regional offices. The new agreement for Crown Way was entered into on 31 March 2021 following the transfer of property to the GPA. Per the terms set out in a Freehold Occupancy Agreement that was signed on 14 April 2021 between us and the GPA, Companies House began to pay rent of £2.3m per annum, commencing on 1 April 2021 for a term of 15 years.

As a result of the introduction of the new leasing standard, IFRS 16, a right of use asset and lease liability will be recognised for the Crown Way lease and will take effect from 1 April 2021. Companies House expects to recognise right-of-use assets of approximately £31.9m for Crown Way and £1.2m for the regional offices and lease liabilities of £31.4m and £1.1m respectively (see note 1, page 137).

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## 7a. Property, plant and equipment 2019/20

	Land £'000	Buildings £'000	Leasehold Improvement £'000	Plant and Machinery £'000	Computer Equipment £'000	Total £'000
<b>Cost or revaluation</b>						
<b>At 1 April 2019</b>	<b>3,675</b>	<b>14,700</b>	<b>653</b>	<b>9,591</b>	<b>16,055</b>	<b>44,674</b>
Additions	-	-	198	699	1,507	2,404
<b>At 31 March 2020</b>	<b>3,675</b>	<b>14,700</b>	<b>851</b>	<b>10,290</b>	<b>17,562</b>	<b>47,078</b>
<b>Depreciation</b>						
<b>At 1 April 2019</b>	-	-	<b>653</b>	<b>4,030</b>	<b>13,919</b>	<b>18,602</b>
Charged in year	-	294	15	793	1,294	2,396
Revaluation (Note 14)	-	(294)	-	-	-	(294)
<b>At 31 March 2020</b>	-	-	<b>668</b>	<b>4,823</b>	<b>15,213</b>	<b>20,704</b>
<b>Net book value at 31 March 2020</b>	<b>3,675</b>	<b>14,700</b>	<b>183</b>	<b>5,467</b>	<b>2,349</b>	<b>26,374</b>
Net book value at 31 March 2019	3,675	14,700	-	5,561	2,136	26,072

## 8. Intangible assets 2020/21

Intangible assets are software and the associated implementation costs.

	Software £'000	Assets under construction £'000	Total £'000
<b>Cost</b>			
<b>At 1 April 2020</b>	<b>72,540</b>	<b>5,025</b>	<b>77,565</b>
Additions	-	7,454	7,454
Impairment	-	-	-
Asset transfer	10,397	(10,397)	-
<b>As at 31 March 2021</b>	<b>82,937</b>	<b>2,082</b>	<b>85,019</b>
<b>Amortisation</b>			
<b>At 1 April 2020</b>	<b>59,814</b>	<b>-</b>	<b>59,814</b>
Charged in year	3,060	-	3,060
<b>As at 31 March 2021</b>	<b>62,874</b>	<b>-</b>	<b>62,874</b>
<b>Net book value at 31 March 2021</b>	<b>20,063</b>	<b>2,082</b>	<b>22,145</b>
Net book value at 31 March 2020	12,726	5,025	17,751

£0.9m (2019/20: £1.3m) of the closing Net Book Value (NBV) relates to Companies House Information Processing System (CHIPS), £2.1m (2019/20: £2.4m) for Companies House Service (CHS) and £0.1m (2019/20: £0.3m) for Companies Act Programme (CAP). £17m of the closing NBV relates to other in-house projects. The remaining amortisation period for these assets is 3-10 years.

In accordance with Companies House policy, all intangible assets were reviewed at year end for impairment.

## 8a. Intangible assets 2019/20

Intangible assets are software and the associated implementation costs.

	Software £'000	Assets under construction £'000	Total £'000
<b>Cost</b>			
<b>At 1 April 2019</b>	<b>72,052</b>	<b>1,128</b>	<b>73,180</b>
Additions	-	5,094	5,094
Impairment	-	(709)	(709)
Asset transfer	488	(488)	-
<b>As at 31 March 2020</b>	<b>72,540</b>	<b>5,025</b>	<b>77,565</b>
<b>Amortisation</b>			
<b>At 1 April 2019</b>	<b>57,106</b>	<b>-</b>	<b>57,106</b>
Charged in year	2,708	-	2,708
<b>At 31 March 2020</b>	<b>59,814</b>	<b>-</b>	<b>59,814</b>
<b>Net book value at 31 March 2020</b>	<b>12,726</b>	<b>5,025</b>	<b>17,751</b>
Net book value at 31 March 2019	14,946	1,128	16,074

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## 9. Trade receivables and other current assets

	31 March 2021 £'000	31 March 2020 £'000
Trade receivables	3,020	2,737
Other receivables	1,258	1,594
Prepayments and accrued income	3,888	2,283
Amounts due from BEIS	1,949	846
<b>Total</b>	<b>10,115</b>	<b>7,460</b>

No amounts fall due after more than one year (2019/20: Nil).

## 10. Cash and cash equivalents

	31 March 2021 £'000	31 March 2020 £'000
Balance at 1 April 2020	30,623	41,539
Net change in cash and cash equivalent balances	(28,994)	(10,916)
<b>Balance at 31 March 2021</b>	<b>1,629</b>	<b>30,623</b>

	£'000	£'000
<b>The following balances at 31 March were held at:</b>		
Government Banking Service (GBS) / RBS	1,323	30,662
Commercial banks and cash in hand	306	(39)
<b>Balance at 31 March 2021</b>	<b>1,629</b>	<b>30,623</b>

## 11. Trade payables and other current liabilities

	31 March 2021 £'000	31 March 2020 £'000
<b>Amounts falling due within one year</b>		
Trade payables	537	453
Accruals and customer prepayments	10,466	10,001
Other payables	1,243	314
Dividend payable	-	4,108
<b>Total</b>	<b>12,246</b>	<b>14,876</b>

No amounts fall due after more than one year (2019/20: Nil).

## 12. Short term loan

	2020/21 £'000	2019/20 £'000
Cash advance from BEIS	-	10,000

BEIS made an initial advance to Companies House of £10m on 31 March 2020 and on 1 April 2020, this amount was reclassified to the General Fund.

## 13. Provisions for liabilities and charges

	Provision for restoration costs £'000	Total £'000
<b>Balance at 1 April 2020</b>	<b>1,059</b>	1,059
Provisions utilised in the year	(1,034)	(1,034)
<b>Balance at 31 March 2021</b>	<b>25</b>	25

Following the commencement in February 2020 of a project to refurbish the reception and restaurant areas of Companies House, asbestos was found in areas which a previous asbestos survey had not identified. As a consequence, a new asbestos survey was commissioned and a provision of £1.1m was made in last year's financial statements to remove or encapsulate the asbestos identified in the survey. The majority of the work related to the removal or encapsulation of the asbestos and was completed by 31 March 2021.

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## 14. Revaluation reserve

	Land and Buildings £'000	Total £'000
<b>Balance brought forward 1 April 2019</b>	<b>8,372</b>	8,372
Revaluation at 31 March 2020	<b>294</b>	294
Balance carried forward 31 March 2020	<b>8,666</b>	8,666
<b>Balance brought forward 1 April 2020</b>	<b>8,666</b>	8,666
Revaluation at 31 March 2021	<b>(7,687)</b>	(7,687)
Transfer to General Fund	<b>(979)</b>	(979)
<b>Balance carried forward 31 March 2021</b>	<b>-</b>	-

## 15. Operating lease commitments

Total future minimum lease payments under non-cancellable operating leases are given in the table below for each of the following periods:

	2020/21 £'000	2019/20 £'000
<b>Amounts due</b>		
Not later than one year	<b>3,335</b>	527
Later than one year and not later than five years	<b>11,892</b>	1,521
Later than five years	<b>27,317</b>	-
<b>Total</b>	<b>42,544</b>	2,048

These leases relate to the offices in Cardiff, Belfast, Edinburgh and London. The increased commitment is as a result of the transfer of Crown Way, Cardiff to the Government Property Agency (see Note 7, page 143).

## 16. Future income due under non-cancellable operating leases

	2020/21 £'000	2019/20 £'000
<b>Land and buildings:</b>		
Receivable within 1 year	633	588
Receivable within 2–5 years	1,435	1,236
<b>Total</b>	<b>2,068</b>	1,824

The lease information above relates to the sub-letting of surplus space in the Cardiff Office. Companies House has 7 tenants (2019/20: 5). This reflects the cash payments expected over the remaining non-cancellable term of each lease. A separate rates and service charge is also levied (and is included in other income in note 2) to recover the cost of utilities and other facilities costs borne by Companies House. This charge is not included within the figures above as it varies annually.

## 17. Financial commitments

The total payments to which the agency is committed are as follows:

	2020/21 £'000	2019/20 £'000
Not later than one year	20,707	9,886
Later than one year and not later than five years	13,342	9,844
<b>Total</b>	<b>34,049</b>	19,730

During the year ended 31 March 2021, a number of new contracts were entered into to continue to support the transformation and movement to cloud services.

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## 18. Financial instruments

IFRS 7 requires Companies House to disclose information on the significance of financial instruments to its financial position and performance.

Companies House is exposed to credit risk resulting from the non-payment of debts relating to private sector customers.

We review our debtors on a frequent basis to ensure that we minimise this risk and provide for debts we believe not to be fully recoverable.

We have cash balances held with The Government Banking Service. We do not believe we are exposed to market or liquidity risk.

We do not believe that we have a foreign exchange rate risk as all material assets and liabilities are denominated in sterling, so we are not exposed to any significant currency risk.

## 19. Related party transactions

Companies House is an Executive Agency of BEIS. BEIS is regarded as a related party and during the year Companies House has had various material transactions with the divisions of the Department. In addition, Companies House had a number of material transactions with other central government bodies, most of which have been with the Treasury Solicitor, Financial Reporting Council (FRC) and HMRC. None of the Board members (including their close family members) or senior managers have undertaken any material transactions with Companies House during the year.

## 20. Subsequent events

There have been no significant events between the Statement of Financial Position and the date of authorising these financial statements.

The accounts were authorised for issue on the date of the certificate of the Comptroller and Auditor General.



Companies House

# Trust Statement Late Filing Penalties 2020/21

# Four

## **Accounting Officer's foreword to the Trust Statement**

### **Scope**

This Trust Statement reports on the revenue, expenditure, assets and liabilities required for, or generated by the operation of, the late filing penalty scheme during the financial year. The penalties collected are paid into HM Treasury's Consolidated Fund.

The Department for Business, Energy & Industrial Strategy (BEIS) funds the costs of issuing, collecting and enforcing late filing penalties. Companies House invoices BEIS for the cost of administering the scheme.

### **Statutory background**

The purpose of the late filing penalty scheme is to promote the timely delivery of accounts to Companies House. Penalties were first introduced in 1992 in response to increasing public concern about the number of companies that failed to file their accounts on time or at all. It was thought that the prospect of incurring a penalty would be an incentive for companies to file on time.

A company that delivers its accounts late is liable to a late filing penalty (LFP). This is a civil penalty that arises automatically by operation of law (Section 453(1) of the Companies Act 2006 (the 'Act')). The amount of penalty due is calculated by reference to the date upon which the accounts are finally delivered: the longer the period of default, the greater the penalty. A public company is liable to pay a greater penalty than a private company for the same period of default. A company which is late in filing its accounts in 2 consecutive years incurs in the second year twice the penalty to which it would otherwise be liable. The Companies (Late Filing Penalties) and Limited Liability Partnerships (Filing Periods and Late Filing Penalties) Regulations 2008 (SI 2008/497) prescribe the penalties payable.

LFPs are collected by the Registrar under Section 453(3) of the Companies Act 2006. As Registrar of Companies for England and Wales, I collect the penalties incurred by companies registered in England and Wales. The Registrar of Companies for Scotland and the Registrar of Companies for Northern Ireland collect the penalties in Scotland and Northern Ireland respectively. The three Registrars pay the penalties recovered into the Consolidated Fund (Section 453(3)).

Neither I nor my fellow Registrars have the power to cancel a penalty once it has accrued. There is limited discretion not to collect an LFP (Section 453(3) says that a penalty may be recovered by the Registrar). This discretion is exercised only in exceptional circumstances. If the discretion is exercised in favour of a company so that it is not required to pay, the penalty not collected is offset against penalty income in the Statement of Revenue and Expenditure.

Limited liability partnerships (LLPs) are also subject to the LFP scheme (The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (SI 2008/2011)). The LFP scheme is operated in the same way for companies and LLPs; this report uses 'company' to cover both.

### Financial background

The income collected by way of LFPs is not used to meet the expenditure incurred by Companies House in administering the LFP scheme. The expenditure incurred is disclosed as a note to the accounts.

On 1 February 2009, the penalty regime was amended. The penalties were increased, and, at the same time, the period allowed for filing accounts at Companies House was shortened. Double penalties were also introduced: where a company files its accounts late in 2 successive years, it is liable to double the penalty otherwise due in the second year.

Unlike previous Companies Acts, the Act extended to companies registered in Northern Ireland with effect from 1 October 2009. On that date, the Northern Ireland Companies Registry joined Companies House. The LFPs collected by the Registrar of Northern Ireland have been included in the results and appropriations.

### From 1 February 2009 to date as per Companies Act 2006

	Penalty: Private Company / LLP	Penalty: PLC
<b>How late are the accounts delivered</b>		
Not more than 1 month	£150	£750
More than 1 month but not more than 3 months	£375	£1,500
More than 3 months but not more than 6 months	£750	£3,000
More than 6 months	£1,500	£7,500

The above table shows the initial penalty value levied.

### **Business review and performance**

In response to the COVID-19 pandemic, we suspended all debt collection activities from 26 March 2020. We recommenced in house debt collection activities in August 2020 and in October 2020 our Debt Collection Agency (DCA), Indesser, began to progress cases which were sent to them in March. We recommenced debt collection activities through the Courts towards the end of February 2021 and by 31 March 2021, a total of c22,000 accounts had been sent to the Courts. The suspension of debt collection activities was part of Governments support to businesses to enable them to focus on dealing with the pandemic.

The majority of government departments have seen an increase in gross debt due to the pandemic and the LFP Trust is no exception, with Gross debt increasing from £57.1m to £89.1m. Assessing the level of expected credit losses in these uncertain times is challenging, but we consider that a prudent approach has been adopted. As a result, the level of bad debt provision has increased from £40.1m to £61.1m.

During the financial year, 181,410 penalties were levied (2019/20: 218,317), which was a decrease of 36,907 (17%) on the previous year. Despite the fall in the number of penalties issued, there was an increase in the value of the penalties issued to £96.7m (2019/20: £95.7m).

A total of 35,734 double penalties (2019/20: 47,255) were levied with a value of £40.7m (2019/20: £41.9m) against companies which had filed their accounts late in successive years.

The fall in the number of penalties issued reflects both the legislative and non-legislative easements, whereby companies were automatically given a three month extension to their filing deadline.

Penalties and any associated court costs which were written off during the financial year as uncollectable amounted to £17.5m (2019/20: £54.0m). There was an increase in the impairment provision against receivables due to bad and doubtful debt of £21.0m (2019/20: decrease £18.6m).

### **Results and appropriations**

The net revenue for the Consolidated Fund was £52.6m (2019/20: £59.8m). The transfer of receipts to the Consolidated Fund from the Trust in the year was £38m (2019/20: £54.2m), which left a balance due to the Consolidated Fund of £40m (2019/20: £25.4m) at 31 March 2021. Please refer to the Trust Statement on pages 153 - 180.

### **Case handling**

During the financial year 43,750 (2019/20: 31,928) appeals were received against penalties levied. Having levied a penalty, I and my fellow Registrars have applied limited discretion not to collect 7% of penalties (2019/20: 2%) under Section 453(3) of the Companies Act 2006, and this is offset against penalty income in the Statement of Revenue, Other Income and Expenditure.

### **Bad and doubtful debts**

It is the legal responsibility of the company's officers to ensure that accounts are prepared and delivered to Companies House on time under section 441. Under section 453 of the Act it is the company not the individual officers which incurs a late filing penalty. Any enforcement action that is taken is against the company.

Companies House has engaged a debt collection agency to take enforcement action in respect of outstanding LFPs. Companies may be taken to court to enforce the penalty levied and any additional costs incurred are sought to be recovered from this process.

In addition to the amounts not collected due to the exercise of each Registrar's discretion, penalties are written off as unrecoverable where a company has been struck off or dissolved, where is no economic benefit in pursuing a debt from a defunct company. Penalties (and associated court costs) are also written off as unrecoverable where the debt is over 4 years old. In 2020/21 the total debt written off was £17.5m (2019/20: £54.0m) of which 48% related to dissolved companies (2019/20: 26%).

The impairment for the year has increased by £21m to £61.1m (2019/20: £40.1m) and has been calculated in line with the accounting policy (note 1, page 172).

### **Independent adjudicators**

The independent adjudicators' principal role is to deal with appeals against late filing penalties once they have passed through the first two stages which are internal to Companies House. The adjudicators also investigate complaints about delay, discourtesy and mistakes, and the way in which complaints have been handled by the Registrar. The Adjudicators' Report is published annually and is available on the Companies House website.

### **Court costs**

Court costs awarded are shown within other income and in 2020/21 amounted to £0.9m (2019/20: £2.3m). On receipt of the payment for the court costs the money collected is transferred to Companies House to use in the further pursuit of companies via the courts. In 2020/21 this amounted to £0.1m (2019/20: £0.9m). The Registrars of Scotland and Northern Ireland exercise their discretion outside England and Wales against the companies on their respective registers.

### **Funding**

The costs of administering the scheme are provided by BEIS which provides the funds to support the costs of running the LFP Scheme and the costs incurred in enforcing collection. The costs incurred by Companies House are invoiced to BEIS (note 9, page 180).

### **Cash balances**

Net cash inflow from revenue activities for the year was £40.5m (2019/20: £60.3m). After payments of £38m to the consolidated fund (2019/20: £54.2m), the net increase in cash for the year was £2.5m, taking cash balances at the year end to £11.1m. Cash balances are managed in accordance with Treasury guidelines. Companies House transfers to the Consolidated Fund, on a monthly basis, the penalty income received.

### **Audit service**

The statutory external audit was performed by the National Audit Office (NAO) and reported on by the Comptroller and Auditor General. Following the transition to a central government department, there is no cash fee payable for the audit of the 2020/21 Trust Statement. Instead, there is a notional audit fee for 2020/21 of £16,000 (2019/20: Cash fee £16,000).

### **COVID-19 impact**

The FY2020/21 late filing penalty operations and results have been significantly impacted as a result of the COVID-19 pandemic. In respect of the late filing penalties regime, Companies House responded by introducing an automatic extension from 9 to 12 months for accounts with a filing deadline before 5 April 2021. The extension service continues to be in place through application after 5 April 2021, with an auto-accept for COVID-19 related reasons. This crisis has presented significant challenges to the organisation, our customers and stakeholders. Despite the automatic filing extension, penalty income remains at levels in line with 2019/20 where we have seen the average revenue per penalty increase by £96 to £533 (2019/20: £437). In addition, the suspension of all debt collection activities from 26 March 2020 has seen gross receivables from penalties levied increase to £89.1m (2019/20: £57.1m). Companies House are working closely with our Debt Collection Agency, Indesser, to strategically plan the recovery of these debts.

### **Registrars**

#### **England and Wales**

Louise Smyth

Chief Executive and Registrar of Companies House

#### **Scotland**

Lisa Davis

Registrar of Companies for Scotland

#### **Northern Ireland**

Lynn Cooper

Registrar of Companies for Northern Ireland



**Louise Smyth**

Accounting Officer

Chief Executive and Registrar

18 October 2021

## Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has appointed the Accounting Officer to prepare, for each financial year, a Trust Statement in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Trust Statement and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

**In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (FReM) and in particular to:**

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

HM Treasury has appointed the Chief Executive of Companies House as the Accounting Officer for the Trust Statement. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of public finances; for keeping proper records, and for safeguarding Companies House's assets, are set out in Managing Public Money published by HM Treasury.

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**Accounting Officer's confirmation**

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

## Performance report and accountability report

The Agency's Performance Report covering both Companies House and the Trust Statement, starts from page 4.

The Agency's Accountability Report covering both Companies House and the Trust Statement, starts from page 75.

A separate disclosure note, covering losses incurred in the Trust Statement is included below.

### Parliamentary accountability disclosure

#### Losses and special payments

This section has been audited

	2020/21		2019/20	
	Volumes	Values £'000	Volumes	Values £'000
Debt written off – dissolved Companies	14,021	8,306	22,262	14,075
Other write-offs <sup>1</sup>	23,193	9,166	42,650	39,967
	37,214	17,472	64,912	54,042

In accordance with managing public money (A4.10.8) total losses over £300k should be disclosed. No single item exceeded £300k within that total. Companies House has gained parent company approval from BEIS in relation to write-offs which exceed £25k in value.

1. The Registrar also writes off penalties and any associated court costs after 4 years or as deemed uncollectable following exhaustion of debt collection strategies and court action, in line with the accounting policy (note 1, page 172).



**Louise Smyth**  
Accounting Officer  
Chief Executive and Registrar  
18 October 2021

## **The Certificate and Report of the Comptroller and Auditor General to the House of Commons**

### **Opinion on financial statements**

I certify that I have audited the financial statements of the Companies House Trust Statement for the year ended 31 March 2021 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Revenue, Other Income and Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Reporting Manual.

#### **In my opinion:**

- the Companies House Trust Statement gives a true and fair view of the state of affairs of the Companies House Trust Statement as at 31 March 2021 and of the net revenue for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

### **Opinion on regularity**

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

### **Basis of opinions**

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

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities.

I am independent of the Companies House Trust Statement in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### **Conclusions relating to going concern**

In auditing the financial statements, I have concluded that the Companies House Trust Statement's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

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

### **Other information**

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

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

I have nothing to report in this regard.

### **Opinion on other matters**

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

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

In the light of the knowledge and understanding of the Companies House Trust Statement and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Report. I have nothing to report in respect of the following matters which I report to you if, in my opinion:

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

## **Responsibilities of the Accounting Officer for the financial statements**

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

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error
- assessing the Companies House Trust Statement's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Companies House Trust Statement will not continue to be provided in the future

## **Auditor's responsibilities for the audit of the financial statements**

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

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

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud. My procedures included the following:

- inquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to Companies House's policies and procedures relating to:
  - » identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;

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- » detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - » the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including Companies House's controls relating to the Companies Act 2006 and Managing Public Money.
- discussing among the engagement team and involving relevant internal and external specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following area: posting of unusual journals; and
  - obtaining an understanding of Companies House's framework of authority as well as other legal and regulatory frameworks that Companies House operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Companies House. The key laws and regulations I considered in this context included the Companies Act 2006 and the Government Resources and Accounts Act 2000, and other statutory instruments which relate to the delivery of services.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

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

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

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

### **Report**

I have no observations to make on these financial statements.

**Gareth Davies**  
Comptroller and Auditor General  
20 October 2021

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

## Statement of revenue, other income and expenditure for the year ending 31 March 2021

	Note	2020/21 £'000	2019/20 £'000
<b>Revenue</b>			
Penalties	2a	<b>96,695</b>	95,728
Discretion applied under section 453(3) Companies Act 2006	2b	<b>(6,488)</b>	(1,937)
<b>Total</b>		<b>90,207</b>	93,791
<b>Other income</b>			
Recoverable court costs		<b>906</b>	2,329
Total other income		<b>906</b>	2,329
<b>Total revenue and other income</b>		<b>91,113</b>	96,120
<b>Expenditure</b>			
Court costs transferred		<b>(91)</b>	(926)
Bad and doubtful debts	4	<b>(38,421)</b>	(35,415)
<b>Total expenditure</b>		<b>(38,512)</b>	(36,341)
<b>Net revenue for the consolidated fund</b>	7	<b>52,601</b>	59,779

There were no recognised gains or losses accounted for outside the above Statement of revenue, other income and expenditure (2019/20: Nil).

The notes on pages 172 - 180 form part of the Trust Statement.

## Statement of financial position as at 31 March 2021

	Note	31 March 2021 £'000	31 March 2020 £'000
<b>Current assets</b>			
Receivables	3	29,151	17,234
Cash and cash equivalents	8	11,103	8,638
<b>Total current assets</b>		<b>40,254</b>	25,872
<b>Current liabilities</b>			
Trade and other payables	6	(256)	(475)
<b>Total current liabilities</b>		<b>(256)</b>	(475)
<b>Assets less liabilities</b>		<b>39,998</b>	25,397
<b>Balance on consolidated fund account as at 31 March</b>	7	<b>39,998</b>	25,397



**Louise Smyth**  
Accounting Officer  
Chief Executive and Registrar  
18 October 2021

## Statement of cash flows for the year ended 31 March 2021

	Note	2020/21 £'000	2019/20 £'000
Net cash flow from revenue activities		<b>40,465</b>	60,250
Cash paid to consolidated fund	7	<b>(38,000)</b>	(54,200)
<b>Increase in cash and cash equivalent</b>		<b>2,465</b>	6,050
<b>Notes to the statement of cash flows</b>			
<b>A. Reconciliation of net cash flow to movement in net funds</b>			
<b>Net revenue for consolidated fund</b>		<b>52,601</b>	59,779
(Increase)/decrease in receivables	3	<b>(11,917)</b>	762
Decrease in liabilities	6	<b>(219)</b>	(291)
<b>Net cash flow from revenue activities</b>		<b>40,465</b>	60,250
<b>B. Analysis of changes in net funds</b>			
Increase in cash in this period		<b>2,465</b>	6,050
Net funds as at 1 April (opening cash at bank)		<b>8,638</b>	2,588
<b>Net cash as at 31 March (closing cash at bank)</b>	8	<b>11,103</b>	8,638

The notes on pages 172-180 form part of the Trust Statement.

## Notes to the accounts for the year ended 31 March 2021

### 1. Principal accounting policies

#### **Basis of accounting**

The Trust Statement is prepared in accordance with the accounts' directions issued by HM Treasury under section 7 of the Government Resources and Accounts Act 2000. The Trust Statement is prepared in accordance with the accounting policies detailed below. These have been agreed between Companies House and HM Treasury and have been developed with reference to International Financial Reporting Standards and other relevant guidance. The accounting policies have been applied consistently in dealing with items considered material to the accounts. The income and associated expenditure contained in this statement are those flows of funds which Companies House handles on behalf of the Consolidated Fund and Treasury where it is acting as an agent rather than principal.

#### **Significant accounting judgements, estimates and assumptions**

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are set out below.

#### **Impairment of receivables for doubtful debts**

Companies House recognises an allowance for expected credit losses on Late Filing Penalties issued to companies on the registers. At 31 March 2021, the expected credit loss allowance was £61.1m (2020: £40.1m).

The calculation of the expected credit loss (ECL) under IFRS 9 requires management to make a number of judgements, assumptions and estimates which are set out in Note 5a, which also includes the impact on Net Receivables of changes in assumptions.

### **Presentational currency**

The financial statements are presented in pounds sterling, the functional currency of Companies House.

### **Accounting convention**

The Trust statement has been prepared in accordance with the historical cost convention.

### **Revenue recognition**

Penalties are measured in accordance with IFRS 15. A contract is recognised when a penalty is validly imposed and an obligation to pay arises:

- The penalty is imposed when the financial statements are late in being submitted. The contract should commence at the date the penalty becomes enforceable.
- For a penalty to be enforceable, the financial statements must have been submitted after a specific date.
- The transaction price increases as the length of time for non-submission of financial statements increases.
- As each performance obligation deadline is missed so the penalty increases. Therefore, each stage has an identifiable transaction price. This means that the penalty value is recognised at the point of time of acceptance of the filing.
- Failure to submit the financial statements does not enable the penalty to be recognised.

Recoverable court costs are recognised once awarded by the courts and shown as other income.

When the court costs are fully recovered, they are treated as an expense and transferred to Companies House against previously incurred court action costs.

Penalties are dependent on individual companies' compliance with their legislative filing requirements for their accounts. Historic compliance analysis against the current register size gives an indication of expected revenue.

### **Discretion under section 453**

Companies Act 2006 Section 453(3) of the Companies Act 2006 states that the penalty “may be recovered by the Registrar”. Discretion can only be applied in exceptional circumstances, for example, where Companies House has contributed to the late filing or where an unforeseen catastrophe strikes the company immediately before the filing deadline. Where discretion is given, this is offset against penalty receipts in the statement of revenue, other income and expenditure.

### **Receivables**

Receivables are shown net of impairments in accordance with the requirements of IFRS 9. The Trust Statement uses the simplified approach using the provision matrix methodology. The impairment of receivables for doubtful debts and debts written off are treated as an expense in the statement of revenue, other income and expenditure. Penalties are written off as uncollectable when a company is dissolved, the penalty exceeds 4 years, or all debt collection strategies have been exhausted and Companies House and the debt collector deem the penalty uncollectable. Where debt is deemed uneconomical to collect in rare circumstances it may be deemed uncollectable.

Companies House regularly evaluates the collectability of debtors and records an impairment against receivables for doubtful debts based on previous experience including the comparisons of the relative aged debt, collection rates and the forecast of the dissolution rate of companies. The calculated impairment of receivables varies depending on position in the debt collection process and the ageing of the debt, for example, a debt is generally more highly impaired the older it is and if it has been transferred to a collection company. In 2020/21 there was a pause in debt collection which has resulted in a gross receivables balance above that seen historically. Since debt collection has resumed, a greater proportion of older debt is being collected than historically seen. Given the expected impact of the COVID 19 pandemic, an additional allowance has been made to reflect a future deterioration in ageing. The overall impact to the expected credit loss is a total provision percentage which is in line with previous years.

### **Cost**

The LFP Scheme is administered by the Registrar of Companies. Funding for the costs incurred in this administration is via funding from BEIS who are invoiced by Companies House on a cost-recovery basis.

**Standards issued but not yet effective**

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2021 and have not been applied in these financial statements:

The introduction of the new leasing standard IFRS 16 has been deferred for public sector organisations from 1 April 2020 to 1 April 2022. This new standard is not expected to impact the Late Filing Penalties Trust Statement as there are currently no leases or insurance contracts relevant to the Trust Statement.

IFRS 17 Insurance contracts is currently due to be adopted by the FReM for 2023/24. No current review on impact has been undertaken but management's initial view is that this is unlikely to have any material impact.

## 2. Revenue and other income

### 2a. Penalties

Late filing penalties by registry:

	2020/21		2019/20	
	Number of Penalties '000	£'000	Number of Penalties '000	£'000
England and Wales	169	89,985	204	88,858
Scotland	9	5,254	11	5,270
Northern Ireland	3	1,456	3	1,600
<b>Total</b>	<b>181</b>	<b>96,695</b>	<b>218</b>	<b>95,728</b>

### 2b. Discretion applied under section 453(3) Companies Act 2006

The Registrar must levy a penalty when accounts are delivered late. All companies which deliver accounts late will automatically incur a penalty. However, section 453(3) of the Companies Act 2006 states that the penalty “may be recovered by the Registrar”. Discretion can only be applied in exceptional circumstances, for example, where Companies House has contributed to the late filing or where an unforeseen catastrophe strikes the company immediately before the filing deadline. Where the Registrar has applied discretion, this is offset against penalty income.

## 3. Trade and other receivables

	31 March 2021 £'000	31 March 2020 £'000
Penalties levied and court costs	89,135	57,063
Amount owed by Companies House Executive Agency	1,099	304
Impairment for doubtful debts	(61,083)	(40,133)
<b>Total</b>	<b>29,151</b>	<b>17,234</b>

No amounts fall due after more than one year (2019/20: Nil).

If a company has difficulty in paying the penalty outright the Registrar may accept payment in instalments over a short period depending on individual company circumstances.

The impairment for doubtful debts reflects the type of debt incurred and the length of time taken in collecting the debt. This is calculated in line with the policy in note 1, page 172.

#### 4. Bad and doubtful debts

	31 March 2021 £'000	31 March 2020 £'000
Debt written off—dissolved companies	<b>8,305</b>	14,075
Other write offs	<b>9,166</b>	39,967
Revenue losses	<b>17,471</b>	54,042
Increase/(decrease) in impairment for doubtful debt	<b>20,950</b>	(18,627)
<b>Total</b>	<b>38,421</b>	35,415

It is the legal responsibility of the company's officers to ensure that accounts are prepared and delivered to Companies House under section 441. Section 453 of the Act states that where company accounts are filed late, the company is liable to a civil penalty. This is in addition to any liability of the directors under section 451.

The Registrar pursues this penalty under section 453(3) against the company. Where the company is no longer in existence, this is written off as uncollectable. The Registrar also writes off penalties and any associated court costs after 4 years as uncollectable or when all debt collection strategies have been exhausted and Companies House and the debt collector deem the penalty uncollectable.

#### 5. Change to impairments

	31 March 2021 £'000	31 March 2020 £'000
Balance as at 1 April	<b>40,133</b>	58,760
Change in estimated value of impairments	<b>20,950</b>	(18,627)
<b>Balance as at 31 March</b>	<b>61,083</b>	40,133

Receivables on the statement of financial position are reported after the deduction of the estimated value of impairments. This estimate is based on the expected recoverability of outstanding penalties and associated costs in line with note 1, page 172.

## 5a. Sensitivity analysis on the impairment for bad and doubtful debt

Sensitivity analysis has been conducted which has looked at the impact of movement in the collectable percentage rates applied to calculate the impairment of receivables of bad debts. The impairment has been split into three age categories with different collectable percentage rates. A lower collectable percentage rate is then assumed for an element of the debt which will relate to companies being dissolved in future periods. The key management assumption is that historic cash collection rates will continue in a similar pattern going forwards, although collections may be delayed due to the COVID 19 pandemic. Were this assumption to be incorrect and less cash collected, the impairment should be increased to reflect less debt collected. Conversely, should more cash be recovered the impairment should be decreased. The analysis has yielded the following results:

	2020/21		2019/20	
	48% of Provision – Dissolution +/- £'000	52% of Provision – Non-Dissolution +/ £'000	Total +/ £'000	Total +/ £'000
1% Flex - impact on Net Receivables				
Decrease in Cash Collected	<b>406</b>	<b>448</b>	<b>854</b>	485
Increase in Cash Collected	<b>(423)</b>	<b>(467)</b>	<b>(891)</b>	(571)
2.5% Flex - impact on Net Receivables				
Decrease in Cash Collected	<b>955</b>	<b>1,120</b>	<b>2,075</b>	1,213
Increase in Cash Collected	<b>(1,059)</b>	<b>(1,169)</b>	<b>(2,227)</b>	(1,427)
5% Flex - impact on Net Receivables				
Decrease in Cash Collected	<b>1,662</b>	<b>2,239</b>	<b>3,901</b>	2,427
Increase in Cash Collected	<b>(2,117)</b>	<b>(2,337)</b>	<b>(4,455)</b>	(2,855)

The key assumption inherent in the model used to calculate the impairment for bad and doubtful debt is that the estimated future flow of payments reflects historical trends and, as such, there is inherent uncertainty in the estimated impairment. The impact of adjusting the estimated future flow of payments to arrive at reasonable alternatives to this assumption is reflected in the table above.

## 6. Trade and other payables

	31 March 2021 £'000	31 March 2020 £'000
Other payables	256	475
<b>Total</b>	<b>256</b>	475

No amounts fall due after more than one year (2019/20: Nil).

## 7. Balance on consolidated fund

	31 March 2021 £'000	31 March 2020 £'000
Balance on the consolidated fund as at 1 April	25,397	19,818
Net revenue for the consolidated fund	52,601	59,779
Less amounts paid to consolidated fund	(38,000)	(54,200)
<b>Balance on the consolidated fund as at 31 March</b>	<b>39,998</b>	25,397

## 8. Cash and cash equivalents

	31 March 2021 £'000	31 March 2020 £'000
Balance with GBS	10,623	7,728
Balance with commercial banks	480	910
<b>Total</b>	<b>11,103</b>	8,638

	2020/21		2019/20	
	GBS £'000	Commercial £'000	GBS £'000	Commercial £'000
Balance held at 1 April	7,728	910	1,712	876
Net Movement	2,895	(429)	6,016	34
<b>Balance held at 31 March</b>	<b>10,623</b>	<b>481</b>	7,728	910

## 9. Expenditure

In managing the scheme Companies House incurred expenditure of £4.7m (2019/2020: £6.2m). This expenditure is included in Companies House's accounts because there is no express statutory provision for these costs to be deducted from the revenue collected and paid over to the Consolidated Fund.

	2020/21 £'000	2019/20 £'000
<b>Appeal administration</b>		
Staff costs	1,248	1,168
Overheads	323	562
<b>Debt collection</b>		
Staff costs	375	856
Overheads	2,768	3,564
<b>Total</b>	<b>4,714</b>	6,150
Average employees FTE	42.07	46.04

## 10. Related party disclosures

Companies House is an Executive Agency of BEIS. BEIS is regarded as a related party and during the year Companies House received funding for the LFP scheme expenditure from BEIS, invoiced on a cost-recovery basis and this is reflected within the Companies House annual accounts. None of the board members or senior managers has undertaken any material transactions with Companies House during the year.

## 11. Subsequent events

There have been no other significant events between the Statement of Financial Position and the date of authorising these financial statements.

The accounts were authorised for issue on the date of the certificate of the Comptroller and Auditor General.

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Companies House

# Annual Report and Accounts 2020/21

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Driving confidence in the UK economy