Annual Report and Accounts

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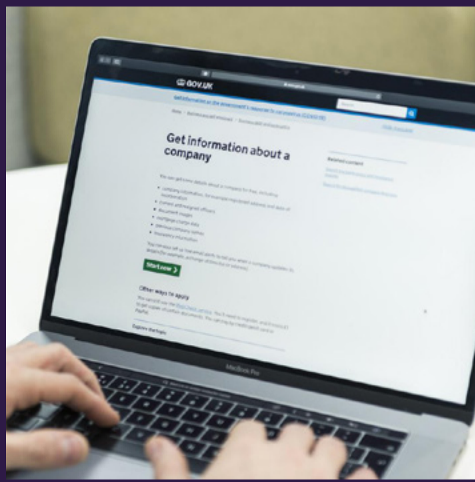
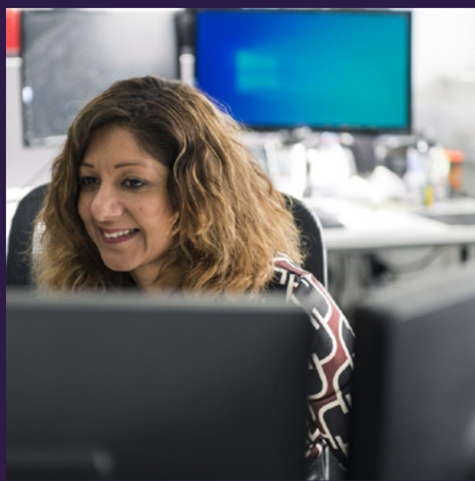
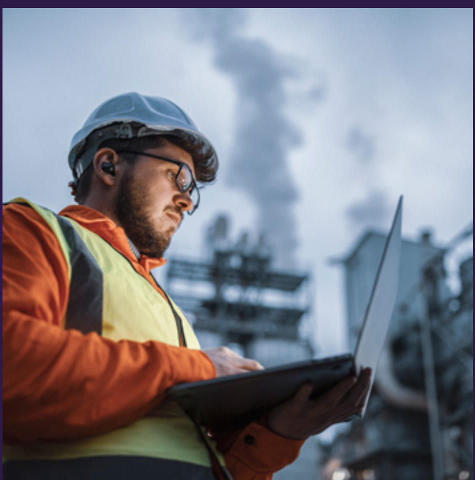
**2021
22**

Companies House




HC 427

Driving **confidence** in the **UK economy**

Companies House
Annual report and accounts 2021-2022

For the period 1 April 2021 to 31 March 2022

Presented to the House of Commons pursuant to section 7 (1 and 2) of the Government Resources and Accounts Act 2000

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

Ordered by the House of Commons to be printed on 27 October 2022

HC 427

Annual Report and Accounts 2021/22

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enquiries@companieshouse.gov.uk

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Ministerial foreword

It is a great pleasure to introduce the Annual Report and Accounts for Companies House for 2021 to 2022.

Companies House plays a critical role in enabling economic activity across the UK. At the end of March 2022, the companies register had grown to holding information on around 4.9 million incorporated companies and the register has been accessed over 12 billion times, informing many business and lending decisions. Russia's invasion of Ukraine reinforced the need to enhance the quality and value of information available on the register, and we acted quickly to boost the powers and role of Companies House. On the 15th of March 2022, the Economic Crime (Transparency and Enforcement) Act 2022 received Royal Assent following an expedited passage through Parliament. Companies House have already implemented key components of the Act, including establishing the Register of Overseas Entities within 4 months.

As we look ahead, we are planning to enhance the role of Companies House in leading the fight against economic crime and boosting transparency still further. On the 22nd of September 2022, the Economic Crime and Corporate Transparency Bill was introduced to Parliament.

This will introduce key reforms set out in the Corporate Transparency and Register Reform White Paper published in February 2022, including reforms to enable the Registrar to query information on the register which appears to be inaccurate or fraudulent, and reforms to verify the identity of directors. These reforms, coupled with Companies House's planned transformation programme, will help strengthen the UK's economy, further the UK's reputation on the world stage and improve the experiences of all those who rely on the services Companies House provides.

I am grateful to the team at Companies House for their work this year to support the UK economy, as well as the ongoing fight against economic crime, and for the advances they have made in strengthening their capability for the future.

Lord Callanan
Minister for Business, Energy and Corporate Responsibility

Companies House

Performance Report

01

Performance overview 2021/22

Purpose of this document

This report sets out our performance and achievements for the year against our Corporate Plan for 2021/22 and our 5-year strategy for 2020-25. You can find our Corporate Plan on:
Companies House Corporate plan 2021-to-2022

Our 5-year strategy can be found on: Companies House strategy 2020 to 2025 - GOV.UK (www.gov.uk)

Companies House at a glance during 2021/22

Digital take-up
91.1%

Digital filings accepted
12.6m

Register size
(as at 31 March 2022)
4.89m

Accepted transactions
13.8m

Companies restored
7k

Over
753k
new incorporations

Companies in receivership
4.8k

In dissolution
294k

More than
581k
dissolved companies

Staff engagement
(at People Survey October 2021)
71%

In liquidation
101k

Confirmation statement compliance (filed up to date)

97.2%

1.2m

Paper documents accepted

83.36%

Customer satisfaction

More than

12bn

Number of times the register was accessed

Headcount
(total)
As at 31 March 2022

1,178

Headcount
(full-time equivalents)
As at 31 March 2022

1,093

Income

£83.9m

Operating expenditure

£99.5m

Accounts compliance
(filed up to date)

98.37%

155.5k

Number of times the register was accessed for paid information

For more information about our statistics, go to:
www.gov.uk/government/organisations/companies-house/about/statistics

Chair's and Chief Executive's review

We are pleased to introduce the 2021/22 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 we continued our journey of transformation whilst navigating the COVID-19 pandemic. We have seen changes to our non-executive board members and welcomed Emir Feisal, Carol Shutkever, Eoin Parker and Timothy Burt, whilst saying goodbye to Martin Hagen, Vanessa Sharp, Debbie Gillatt and Kathryn Cearns. We would like to extend our thanks for their contribution.

We are proud of the work our people have undertaken to improve Companies House's digital capabilities, improve user experiences, and prepare us for legislative reform. In particular, we would like to commend the adaptability, resilience and drive our people have displayed in responding to the challenges presented by recent geopolitical events. We have increased our dialogue with central government agencies on cyber security threats which might affect our services or their availability and have reviewed and revised our business continuity plans accordingly.

The Economic Crime (Transparent and Enforcement) Act, which was expedited though Parliament and received Royal Assent on the 15th of March, provided a new power, enabling Companies House to introduce a Register for Overseas Entities. This was introduced on the 1st of August 2022 and further phases of work are due, with the purpose of making transparent the identity of those who are based outside the UK and own property and land in the UK. The aim is to prevent UK property being used as a means for foreign criminals to launder money. Our people have responded swiftly to ensure that the register is implemented as a matter of priority and that we make a greater contribution within our role to combat economic crime.

The Corporate Transparency and Register Reform White Paper was published in February 2022, and we would like to express our gratitude to everyone who took part in the consultations and helped shape the policy. We look forward to implementing further legislative reforms set out in the Economic Crime and Corporate Transparency Bill (September 2022), which will equip us to elevate the quality of information held on the company register even more, and also further strengthen our information sharing with partners in tackling economic crime. This represents a significant but exciting shift in the role and purpose of Companies House. Whilst it will bring with it challenges, we are confident that through our culture of encouraging “Adaptable, Bold and Curious behaviours”, our people will come together to support and inspire one another, to deliver for our customers and stakeholders.

Indeed, it is with thanks to the dedication of our people, we have successfully achieved 83.36% customer satisfaction. We also continued to exceed our digital services availability target of 99.9% and created new digital services. Our culture and people are critical to the delivery of our transformation, and at the heart of this are our people-led staff networks. We are immensely proud to foster a culture where people can bring their whole selves to work.

Companies House has achieved a considerable amount this year, but we also have a lot planned. Thank you to everyone who have supported Companies House on our journey this year and we look forward to what 2022/23 has to bring.

L. Cowley

Lesley Cowley OBE
Chair

L. C Smyth

Louise Smyth
Accounting Officer,
Chief Executive and Registrar
for England and Wales

24 October 2022

Highlights for the year

We had over **753,000** new incorporations against approximately **581,000** companies being dissolved, continuing an upward trend in the size of the register.

Our registers were accessed over **12 billion** times for both free and paid for information.

We have started work to introduce a new Register of Overseas Entities.

We 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 **83.36%** which remains high despite the challenges of the COVID-19 pandemic.

We donated approximately **£7,000** worth of items of furniture and equipment to schools and community centres in Cardiff and surrounding areas for reuse or recycle.

We launched our Sign Video service so we could better support our customers with hearing difficulties.

We released a new Advanced Search Company service.

We built a new specialised dissolved search service. This provides summary information on companies dissolved back to 1989, and more detailed information for those dissolved within the last 20 years.

We achieved an employee engagement score of **71%** in the Civil Service People Survey; **5 percentage** points higher than the overall Civil Service result.

We developed our Equality, Diversity and Inclusion strategy.

We drive confidence in the economy and make 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. — Who we are and what we do

Who we are and what we do

Companies House is an executive agency of the Department for Business, Energy & Industrial Strategy (BEIS). The essence of our work is to incorporate and dissolve companies, register company information, and make it available to the public.

We also have an intelligence and enforcement arm and work closely with a range of law enforcement and other government departments to support growth in the UK economy and combat economic crime.

Companies House makes company data on the register free and accessible. This enables individuals and the wider business community to make business decisions and is also a valuable resource in combatting economic crime. Companies House thus helps deliver a strong, transparent, and attractive business environment, and in doing so plays a critical role in supporting the UK economy. Both in the UK and internationally, there is reliance, trust, and confidence in our data.
In order to maximise the value our registers can bring to the UK economy, Companies House has a vision to become the most innovative, open, and trusted registry in the world – with brilliant services delivered by brilliant people.

Our organisational structure

As an executive agency of BEIS, Companies House has adopted the BEIS monitoring and evaluation framework. The framework sets out the BEIS vision for the monitoring and evaluation of policies and programmes across the department and its partner organisations.

In 2021/22, our Executive Board consisted of the Chief Executive and Executive Directors.

Louise Smyth

Chief Executive
Registrar of Companies for England and Wales

Michelle Wall

Director
of Finance and Commercial

Angela Lewis

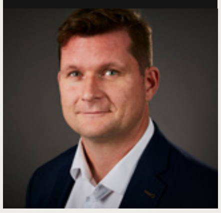
Director
of People Transformation

Martin Swain

Director
of Strategy, Policy, External Communications and Legal

Ross Maude

Director
of Digital, Data and Technology



John-Mark Frost

Director
of Transformation Delivery

Jill Callan

Director
of Operations

More information about our governance can be found on GOV.UK and in the Corporate Governance Report, which commences on page 73 in this document.

For more information on classification of public bodies, go to:
www.gov.uk/government/publications/classification-of-public-bodies-information-and-guidance
BEIS monitoring and evaluation framework, 2020, GOV.UK 17
www.gov.uk/government/publications/beis-monitoring-and-evaluation-framework
Our governance - Companies House - GOV.UK (www.gov.uk)

Our strategy

Companies House has a 5-year strategy for 2020-25.

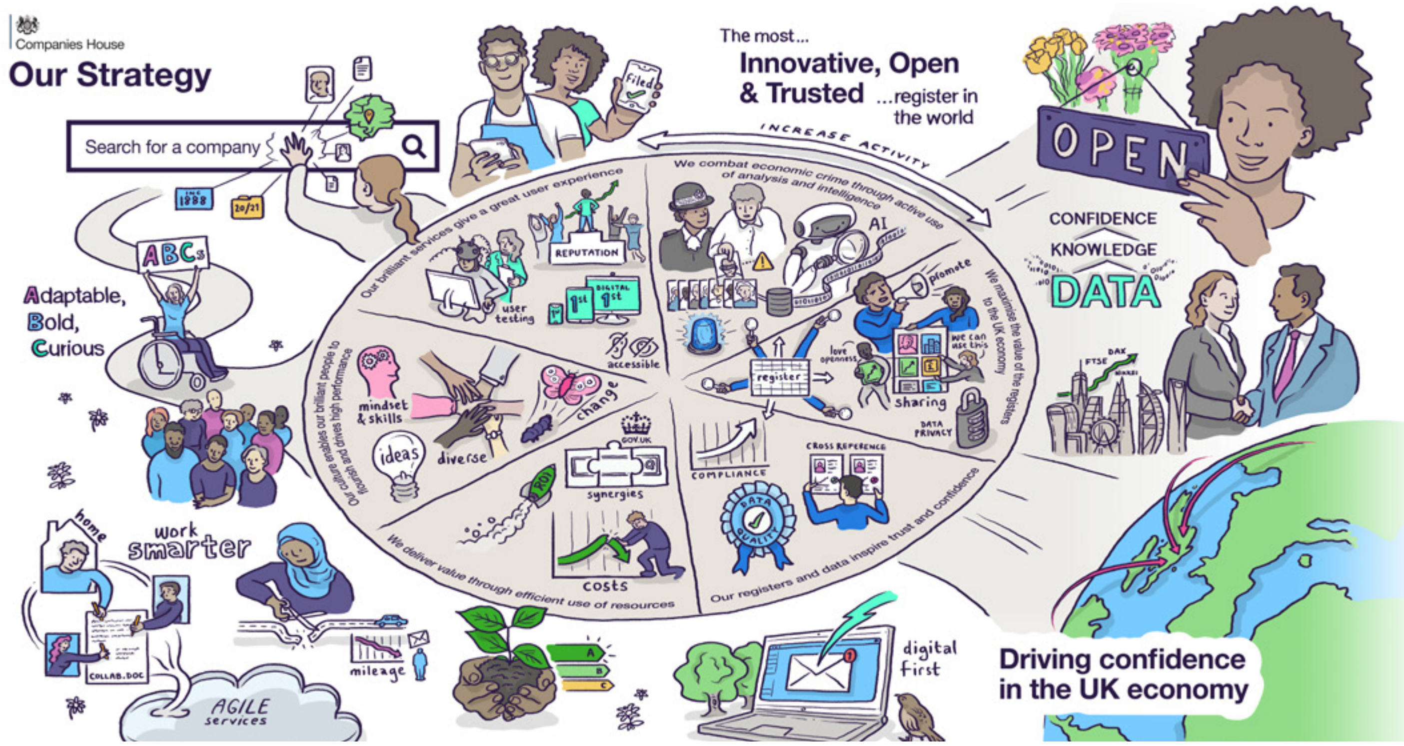
Driving confidence in the UK economy - our purpose

To be the most innovative, open and trusted registry in the world – with brilliant services delivered by brilliant people - our vision

Underpinning our purpose and vision are 6 strategic goals, the delivery of which has remained the priority for this year, and will continue to be so for future years. These are:

- Our registers and data inspire trust and confidence
- We maximise the value of our registers to the UK economy
- We combat economic crime through active use of analysis and intelligence
- Our brilliant services give a great user experience
- Our culture enables our brilliant people to flourish and drives high performance
- We deliver value through efficient use of resources

This year, we have made great strides in delivering against these goals, as described in the rest of this report.



Delivering against our 2021/22 Corporate Plan

Our performance

In the 2021/22 financial year, Companies House facilitated the incorporation of more than **753,000** new companies (2020/21: more than **810,000**) and dissolved more than **581,000** (2020/21: more than **450,000**). Overall, the register increased by over **178,000** companies, to around **4.9 million** (2020/21: around **4.7 million**). This supports BEIS' priority outcome to:

Back long-term growth: boost enterprise by making the UK the best place in the world to start and grow a business

We had set ourselves **8** targets in our Corporate Plan (2021/22), and are pleased to report that all of these were met (pages 15-16).

We also made progress against our 2020-25 strategy as detailed in the remaining parts of this report (page 19-48).

https://www.gov.uk/government/publications/department-for-business-energy-and-industrial-strategy-outcome-delivery-plan/beis-outcome-delivery-plan-2021-to-2022

Corporate targets

Our Corporate Plan included targets on the maintenance of vital standards and levels of service, as well as introducing new services and progress on transformational activities. Set out below are details of the progress made against those targets.

1. Target

Complete and up-to-date data

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

KPI	2021/22 Performance	Result
97%	97.2%	Met

2. Target

Digital service availability

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

KPI	2021/22 Performance	Result
99.90%	99.98%	Met

3. Target

New services

We will develop a new online journey for submission of confirmation statements

KPI	2021/22 Performance	Result
N/A	N/A	Met

4. Target

New services

We will develop a digital filing capability for insolvency transactions

KPI	2021/22 Performance	Result
N/A	N/A	Met

5. Target

Customer satisfaction

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

KPI	2021/22 Performance	Result
81%	83.36%	Met ✓

6. Target

Diversity

We will increase the number of staff from under-represented groups to Companies House by **10%**

KPI	2021/22 Performance	Result
+10%	+63.3%	Met ✓

7. Target

Delivering value

We will manage our expenditure within budgetary limits

KPI	2021/22 Performance	Result
N/A	N/A	Met ✓

8. Target

Spending with small and medium businesses

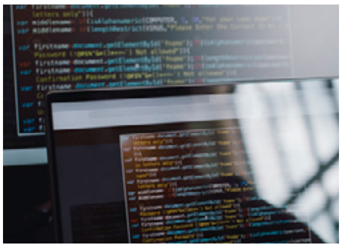
15% of what we spend will be spent directly with small and medium businesses

KPI	2021/22 Performance	Result
15%	16.57%	Met ✓

Risk management

Companies House actively manages risks across the business, and over the period April 2021 to March 2022, the principal risks were monitored and managed at Executive level. Below is a summary of the highest risks during the year, with more detail in the Performance Analysis report, which commences on page 49.

A significant risk related to the recruitment and retention of critical skills in our Digital, Data and Technology directorate. This increased during the last half of the year and impacted on the capacity and capability available for our transformation programme. To mitigate this risk, we progressed changes in the pay framework for that area, engaged specialist recruitment agencies to attract and recruit the talent we needed, and began to explore options to increase our capacity with external partners. However, we expect this risk to continue into 2022/23.



We also faced an emerging requirement to remove legacy code from our technology, which meant that the risk of not being able to deliver planned projects and activities also increased. The urgency of this work had not been anticipated and impacted on our delivery. Work on this has commenced, and will continue into 2022/23. We have reprioritised and replanned the timescales for the delivery of our projects, stabilising the risk.

During part of the year, there was a decline in the performance of our Contact Centre which introduced a risk that we would not meet our corporate target of being in the top quartile of public service organisations for customer satisfaction. The Contact Centre is a key way in which most customers directly interact with Companies House, and provides much of the vital feedback used to monitor performance in this area. From December 2021 onwards, Contact Centre performance stabilised following a number of actions taken to address the underlying issues, including investment in increased resourcing. The top quartile for public service organisations in the UK Customer Service Index (published in January 2022) was 81%, and our customer satisfaction successfully achieved 83.36% this year.

The Russian invasion of Ukraine at the end of the financial year increased the risks around cyber security, which continued into the 2022/23 year. To mitigate the risk, our dedicated cyber security team monitored threats and addressed vulnerabilities, and we also worked on developing our Cyber Security Business Continuity Plan.

To be the most innovative, open and trusted registry in the world – with brilliant services delivered by brilliant people — Our vision

What we have done

Tackling global economic crime

Executive summary

2021/22 represents the second year of our 5-year transformation journey. At the end of March 2022, the government introduced the Economic Crime (Transparency and Enforcement) Act 2022. This requires overseas entities that own UK property to reveal the identities of their beneficial owner(s). Following Russia's invasion of Ukraine, the legislation was expedited through Parliament so that the UK is better positioned to tackle suspicious wealth. We took immediate steps to act on this national priority and started to implement the legislation at pace.

Diving deeper into the 2021/22 year, we made progress in achieving our six strategic goals, set out in our strategy 2020-25. To deliver on our vision of becoming the most innovative, open, and trusted registry in the world, we made improvements in the quality of the data we receive, the data we make available to the public, and to the accessibility of that data.

In order to deliver the brilliant services we envisage, we continued to work on our organisational structure so that they operate around our three key services: Company Filing, Get Company Information, and Intelligence and Enforcement. We also created new and innovative digital journeys for some of our services and progressed on removing legacy code from our technology infrastructure. We continued the development of creating a single user account for our customers, and neared completion in moving our digital services to the cloud. These activities bring us closer to becoming a fully digital organisation, and positions Companies House as an enabler of modern business practices.

We want our services to be delivered by brilliant people, and whilst resourcing has been challenging this year, this has not compromised on our goal to attract and retain the right people, with the right skills, and the right mindset. We developed our corporate brand to ensure that we attract the right people and also developed our high-level workforce plan, which sets out our future workforce shape, size, and skills.

Throughout the year, we have remained committed to managing the environmental impact of our activities and estate. We are proud that the British Standards Institution recertified Companies House's Environmental Management System to the International Environmental Management Standard (ISO 14001), with zero non-conformances.

Our registers and data inspire trust and confidence

At the core of Companies House's purpose is being custodians of the Company Register. Most of the information on it 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. During the year 2021/22, the register was accessed over 12 billion times (for both free and paid for information).

We want our customers to be confident in our registers, and that starts with ensuring that the data we hold is complete and up-to-date. This year, we have undertaken activities to enhance compliance and data quality.

We anticipate the introduction of further legislation in 2022/23, which will broaden our powers and enable us to further improve the accuracy of the data we hold. The proposed package of reforms will enable Companies House to maintain the integrity of the companies register, and preparations are underway to ensure that key changes are implemented as soon as possible after enactment.

Our reputation is important to us and so we commissioned Reptrak to conduct pulse surveys with both the informed general public and business leaders. The latest survey in December 2021 found that Companies House continues to have a strong reputation and we remain in the top quartile of all 80 public sector bodies that are measured by the survey. However, the results also showed that we could be doing more to raise awareness about our strategy and upcoming changes. We will therefore continue to communicate our changing role and purpose and explain to our customers and stakeholders how these changes relate to them.

As outlined by the Corporate Transparency and Register Reform White Paper,
Corporate transparency and register reform - GOV.UK (www.gov.uk)

Ensuring that our data is trustworthy and fit for purpose
Central to maintaining our register is ensuring that companies comply with providing an up-to-date confirmation statement. This requires companies to confirm that the basic information we make public about them is correct. This year, we had a target that 97% of companies on the register will have an up-to-date confirmation statement. This target was successfully met and was supported by a range of activities to promote compliance.

To continue and increase compliance in the future, our Behavioural Science team undertook work to understand patterns of customer confirmation statement filing behaviour, and how these evolve over time. This research will provide an evidence base to underpin the design and testing of targeted interventions around compliance.

This year, we also continued to seek ways of further enhancing other compliance and delivered a communication campaign on company director's responsibilities. This aimed to raise awareness amongst new and existing directors of their legal duties and statutory responsibilities to Companies House and encourage best practice. It is hoped that this campaign will continue to encourage compliance and online filing behaviours throughout 2022/23.

We also commissioned research to understand what more support Companies House could offer directors in the future, how we can further increase understanding of the requirement to file and update filing information, and how we can improve compliance overall. The findings and insight from this research will be available in 2022/23 and will help to inform our future approach to educational programmes and support for new directors.

We redesigned the letter that is sent to companies when they have missed their accounts deadline. This includes behavioural nudges to encourage customers to file their accounts or to email us to tell us they want to keep their company. The letter performed well in user testing sessions and will be implemented in 2022/23. We will measure the impact of the new letter against our current baseline data, with the key metric being the number of companies who file their accounts once they receive the letter.

This year, we had a target that 97% of companies on the register will have an up-to-date confirmation statement. This target was successfully met and was supported by a range of activities to promote compliance.

Whilst we want to encourage compliance, at the same time we recognise, especially in the current operating environment, the range of pressures on companies. This is why we worked with BEIS to support legislation that provided companies with more time to file. Both prior to and following the withdrawal of the legislative easements, we took steps to make it easier for companies to apply for an extension of their accounts filing deadline, by enhancing our digital services. Whilst accounts compliance is encouragingly high (at over 98%), where companies do not file accounts and there is no other contact from them, action can be taken to strike them off the register. In the future, we anticipate that new legislation will provide us with additional powers to take alternative actions where companies do not comply, including further sanctions for non-compliance and annotating or removing incorrect information from the register.

Verifying information
We anticipate that legislative reform will not only enable us to match data against other data sources and identify discrepancies on the register, but will also enable us to share information and discrepancies with partners. In readiness, we are working with other government departments, law enforcement agencies and other appropriate stakeholders, to identify suitable data sources.

Verifying the identity of those who are setting up, managing, and controlling companies, including those providing information, is another power we have started to prepare for as we wait on further legislative reform.

We maximise the value of our registers to the UK economy

Since 2015, almost all the data we hold has been accessible online, free of charge and without delay. Making data free prompted an exponential increase in its use and this continues to rise. Register data was accessed via our services over 12 billion times in the 2021/22 year. This has increased from 10.1 billion times in 2020/21.

Supporting transparency by providing open access to data
We are always looking for ways to continuously improve the information we make available. In 2021/22 we focused on: increasing the amount of searchable data, providing different ways to access and process data, and adding to our existing data set.

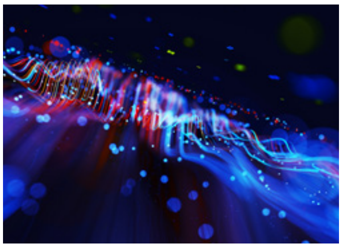
We have released a new Advanced Company Search service and iterated this based on user feedback. The service allows users to search for companies matching the following criteria: company name (with the ability to apply include and exclude conditions), registered office address (including partial address), incorporation date range, company status, nature of business (using a SIC code), company type, and dissolved date range. We have also further enhanced the service to allow a download of up to 5,000 results as CSV data that can then be examined in Excel. The service has been extremely well received and we have received positive mentions for the continued iteration of the service.

At the end of the last financial year, we loaded 1.5 million extra dissolved records onto Companies House Service (CHS), covering companies dissolved from 1 January 2010. This year, we built a new specialised dissolved search service. This provides summary information on companies dissolved back to 1989, and more detailed information for those dissolved within the last 20 years.

As part of providing different ways for users to access and process data, we concluded the Accessible Filing Data project which was launched in 2020/21. This means any new digital filings of our most searched document image types are now made available as accessible PDFs containing data (that can be searched and processed), as opposed to the static ‘pictures’ that used to be produced.

Promoting the use of register data across government

The companies register provides a wealth of information about business activity in the UK. During the reporting period, we continued to work with colleagues in government on where our data can be used to inform and underpin key decision making. This included working with the Home Office, Office of National Statistics, Bank of England, Data Standards Authority, BEIS, HMRC, The Insolvency Service, and HM Treasury.



Encouraging use of our data

In order to encourage use of our data, as outlined above, we made our data more accessible and easier to analyse. In 2021/22 we worked to introduce a new Register of Overseas Entities. This is a new transparency measure providing information about the beneficial owners of foreign entities that own property in the UK. It will give law enforcement partners information to help them track down those using UK property as a money laundering vehicle. Companies House is also working closely with the UK Land Registries to ensure our data is effective to support legitimate business and property investment in the UK.

Protecting data

In 2021/22 we progressed with strengthening our data systems and infrastructure. We launched a project to implement our data strategy, which will mature our processes around how we manage our data throughout its journey within Companies House. As part of this, we are working with a cross government network, the Data Quality Hub, to help pilot a single government data maturity assessment model. This will help us to benchmark our current data practices against what we want to achieve. The findings from these pieces of work will help direct future plans for work on our data, including improving and monitoring our data quality, making data more accessible for analytics, and exploring how we synchronise our data.

We combat economic crime through active use of analysis and intelligence

The UK government set out in the Economic Crime Plan 2019 to 2022, the crucial role that Companies House will play in combatting economic crime.

We welcome the requirement to implement a Register of Overseas Entities and in 2021/22 mobilised a team to start building the register.

We are keen to go further and look forward to other new legislation being introduced in 2022/23. In this regard, we anticipate more extensive legal gateways for data sharing with law enforcement, other government bodies and the private sector. This will mean more efficient sharing of suspicious activity with law enforcement and the establishment of feedback loops with other government bodies and the private sector. This will lead to quicker identification of discrepancies between information on the register and information held by other bodies that can then be questioned by the Registrar's new powers to query information. Whilst we await this, we have continued to deploy the powers available to us in the fight against economic crime within the constraints of current legislation.

Being proactive in identifying suspicious activity
The legislative reforms will empower us to proactively share information about suspicious activity we have collected with law enforcement partners and other relevant agencies. In preparation, we are developing an intelligence hub that will be able to identify relevant information. We have made significant progress in relation to the people, systems, and skills required to support this work. In the meantime, we continued to use existing powers to identify those cases that warrant further attention. This has included using legislative sharing gateways to share information and exploring opportunities to better use existing offences to disrupt those seeking to misuse the register.

The legislative reforms will empower us to proactively share information about suspicious activity we have collected with law enforcement partners and other relevant agencies.

Economic Crime Plan, 2019 to 2022, accessible version - GOV.UK (www.gov.uk)

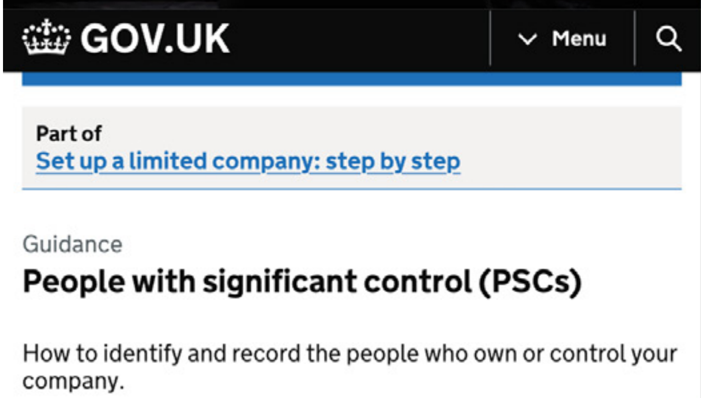
Collaborating with others to share information to prevent and tackle crime

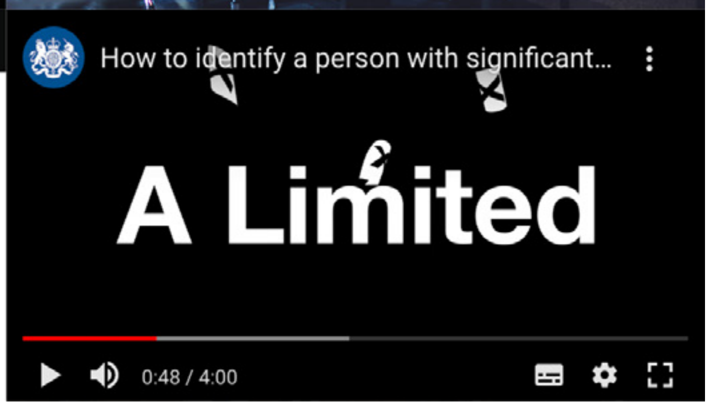
We continued to work with law enforcement partners and other government departments, working with over 45 different partners to combat economic crime and other types of criminality. We plan to launch new systems which will be used to record, store, and share information where relevant sharing gateways permit in the beginning of 2022/23.

Responding positively and promptly to information received

The Fifth Anti-Money Laundering Directive made 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 strengthened transparency and the existing preventative framework, whilst ensuring that the UK adheres to the international standards set by the Financial Action Task Force.

In line with requirements under the Directive, last year we enhanced our reporting tool, enabling obliged entities entering a new business relationship to alert us of material discrepancies they find between the beneficial ownership information they hold, and information on the public People with Significant Control (PSC) register. The service was rolled out during the 2021/22 financial year, and enhanced to respond to increases in reporting, with further iterations planned. This will be supported by further targeted communications to raise the quality of the reports submitted.





Our brilliant services give a great user experience

A central part of our strategic vision is to provide brilliant services for our customers. We set a target that we will be in the top quartile of public service organisations for customer satisfaction. The top quartile score for public service organisations in the UK Customer Service Index (published in January 2022) was **81%** and our customer satisfaction score was above target at **83.36%**.

Brilliant services
As part of our transformation, Companies House is committed to delivering new user journeys which improve the quality and timeliness of the data we receive. This year we set ourselves a target to develop a new online journey for submission of confirmation statements and a digital filing capability for insolvency transactions. We are pleased to say that both of these have been developed and the targets met.

The digital filing capability for insolvency transactions is a publicly available Application Processing Interface (API) offering the first insolvency transaction to appoint a liquidator for voluntary liquidations (Form 600). This is one of the highest volume insolvency service transactions. We are now looking to work with third party software providers to roll this out to their end users as part of their software upgrade cycles. In 2022/23, we plan to add other insolvency service transactions based on feedback from users. We will continue our engagement with both the software providers and Insolvency Practitioners and monitor usage of the service. This is just the start of digital insolvency transactions, but we have paved the way ready for further digital enablement; so this is an important milestone.

At the beginning of our strategy, we recognised that improving our existing internal systems was integral to enable some of our service transformation work. This year, removing a legacy programming language in Companies House Service (CHS) became a priority. Whilst this impacted on the timeline of the delivery of other projects, this was, and remains a necessary piece of work, as it will enable us to subsequently introduce a single user account on CHS. This means that customers will have one set of sign-in details for a central account, where they can access all of our services in one place. Supporting this, is our work on implementing an Identity Access Management (IDAM) system, which we worked on during 2021/22. Work on this will continue into 2022/23.

As part of improving our services, we continued to pursue ways in which users can retrieve and use information themselves, called self-serve. Our new Advanced Company Search service and specialised dissolved search service, gives users the ability to retrieve information themselves that they may previously have had to request through contacting Companies House. In addition, we started to gather regular insight from our customer-facing teams to identify other potential areas for self-service, thereby improving overall efficiency. Using this, and based on behavioural insights, we are working on several solutions to improve the customer experience and reduce the need to contact us.

We understand however, that no matter how good or intuitive our services are, users may need to contact us for help with queries. Over the 2021/22 financial year, we answered 492,667 calls and 917,043 emails, compared to 339,771 calls and 997,988 emails in 2020/21 (Contact Centre phone lines were closed between April and July 2020). The number of calls answered in the 2021/22 financial year is lower than previous years for the same opening periods. This is likely to be as a result of the performance issues the Contact Centre had during the year.

We currently have 6 Natural Voice Lines in operation. These use voice recognition technology to identify what the user is calling about and provide autonomous support without the need for human assistance. These are well used and we had planned to introduce more lines this year, as well as options such as webchat. However, our commitment to providing excellent customer service meant that our focus shifted to raising the performance of our Contact Centre, and we will now look to introduce these in 2022/23.

Improving customer service is key to delivering our strategic goal of providing brilliant services. To support this goal, we continued to invest in our people by using the Institute of Customer Service qualifications. In recognition of our commitment to delivering excellent customer service, this year we retained our Customer Service Excellence Award and were shortlisted for an Institute of Customer Service Award.

We are proud to provide excellent support to customers with diverse accessibility needs. In response to customer feedback that we could be doing more for people with hearing difficulties, we launched our Sign Video service, which is a British Sign Language video relay service. Customers with hearing difficulties can now telephone Companies House via an app, and with the support of a qualified British Sign Language interpreter, receive an instant live video link with our advisors.

As part of our enhancements to our customer service, we are looking to introduce a customer relationship management approach. Whilst we had planned to achieve that in 2021/22, unfortunately this was not possible due to a reprioritisation of work, and we now hope to commence the project in 2022/23.

We are proud to provide excellent support to customers with diverse accessibility needs. In response to customer feedback that we could be doing more for people with hearing difficulties, we launched our Sign Video service, which is a British Sign Language video relay service.

Informing our service developments and working with users
Over the coming years, we will work with our users to further develop services in order to make creating and maintaining a compliant company as easy as possible. Since the beginning of the pandemic, we used distanced user research techniques to undertake our critical user research activities, and during the year we have continued to enhance our approach. We recognised that there were gaps in our user panel when trying to assess the accessibility of our services. We therefore worked with external partners to recruit users with assisted digital and accessibility needs. We will continue to use external user research agencies and our existing user panel until we can build in a more efficient process for this.

Digital first
Over the period of the strategy, we aim to become a fully digital organisation. This financial year, we had a target of ensuring that digital services will be available for a minimum of 99.90% of the time. This was an ambitious target which we successfully achieved with 99.98% service availability.

We saw an increase in digital accounts filings (from 84.9% in 2019/20 to 89.6% in 2021/22), and undertook some initial thinking as to how we could support mandatory digital filing of Accounts, which is a power we anticipate receiving through legislative reform. We will continue to explore this in 2022/23.

This year, we also looked to make available digitally, the certification of information on the register, which is currently provided on physical certificates and copies. This project has been commenced, but due to a reprioritisation of work, it will now be completed in 2022/23. We also started to investigate ways of making available digitally, historic information currently held on microfiche and roll-film.

We explored our payment services to try and enhance these, and end reliance on payment methods like cheques. To that end, we developed a payments strategy, identifying how the payment options will be streamlined and modernised. We completed the New Card Payment Provider project, migrating from Barclaycard (SmartPay) over to GOV.UK Pay (WorldPay), and implemented a technical solution to support payments made via PayPal.

We want to make the journey to digital with our customers, and therefore it is important for us to understand why some of our customers choose to file accounts by paper where digital channels exist. Our Behavioural Science Team undertook analysis to understand these customers, and the findings will be used to inform our activities in 2022/23.

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

Our people, our organisational structure, and our culture are fundamental to delivering on our strategic goals.

Right people, right skills, right mindset
Having the right people, with the right skills, and the right mindset is critical to the successful delivery of our strategy. Central to delivering this, is our workforce strategy. This year, we developed a high-level workforce plan that sets out our future workforce shape, size, and skills.

The plan is critical for a number of our activities, including enabling us to identify and deliver timely training and development. Whilst working on the plan, we have explored the skills required post legislative reform, and identified strengths as well as areas for development. As leadership and management capabilities play a key role in driving the ongoing transformation of Companies House, we launched a management foundation programme and a Senior Leadership Programme to develop skills in these areas. The programmes have been successful so far and the Learning and Development team is scoping several new programmes to complement the overall offer to our leaders and managers. Further new programmes will launch in 2022/23.

The workforce plan will also help us to identify where we need to recruit. In this regard, one of our priorities this year was to ensure that our corporate brand attracts the people we need. This year we have welcomed 195 new starters into Companies House, and 97 internal candidates were successful in the recruitment process. In that period, we received and processed 3,971 applications with 956 interviews being conducted. 151 candidates were appointed as reserve candidates.

However, as referred to earlier, Companies House has faced challenges this year in attracting and retaining the right people with the right skills in some of our more technical roles. To that end, we established a Recruitment Task Force and are working with our recruiting managers to ensure we have real clarity in terms of the roles and skills needed. In tandem, we engaged in outreach events, presenting the Companies House employer brand to an external market. This is particularly in relation to digital roles, which is a scarce skill in a competitive market, and we are using all available tools to recruit into these posts and retain. We also opened up internal opportunities for our existing employees, encouraging and facilitating progression.

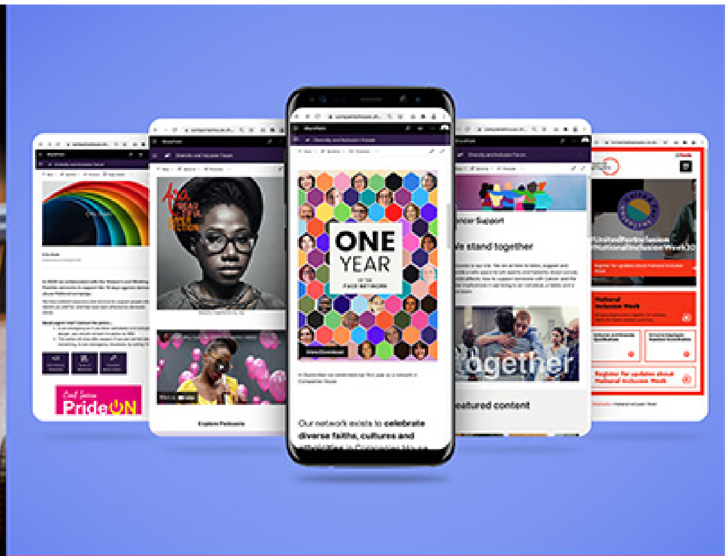
While we continue to work within a challenging recruitment market, we remain focused on candidate outreach and attraction, as well as fully utilising Civil Service centred schemes such as loans, secondments, and redeployments, to ensure we are accessing all potential candidate streams. Recognising our limited options to increase base pay, we are reviewing our overall reward and benefits package. We invested time engaging colleagues to understand what benefits they value most and gathered feedback on where we can improve. We plan to take this forward and deliver a revised benefits package in 2022/23.

This year, we completed the alignment of our people to the Civil Service Professions Framework. We identified 26 relevant professions in Companies House and chose 3 to pilot. This was successfully completed in March 2022, and work on the prioritisation and implementation of the Professions Framework will continue into 2022/23.

Diversity and inclusion

Inclusion is a golden thread that runs through all of Companies House's activities. Throughout the lifetime of our strategy, we are committed to finding ways to embed diversity in everything we do. In 2020/21, we surpassed our target to maintain the proportion of external applications from underrepresented groups. So for 2021/22 we moved to a new challenge; to increase the number of staff recruited to Companies House from under-represented groups by 10%. We are incredibly proud to say that this was not only achieved, but exceeded, achieving over a 63% increase rather than the 10% required to meet the target.

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. As part of National Inclusion Week 2021, members from our culture community and people networks worked together to create the #THISISUS campaign. The campaign aimed to unite us as an organisation, celebrate inclusion in all its forms and encourage us all to challenge misconceptions.




Networks have also applied an intersectional approach in promoting key events during the year. One example of this is for Black History Month where the Faith, Allyship, Culture & Ethnicity Network and Working Families Network came together to produce an “Asking the Future about the Past” project. This was an opportunity for network members to ask young people in their families about Black History Month and who inspires them and why.

During this financial year, we also developed our Equality, Diversity and Inclusion (ED&I) Strategy. This puts ED&I at the heart of staff experience, which starts with our outreach work to attract diverse candidates, and flows through all our careers at Companies House. The strategy focuses on the three main themes of:

- Recruiting and attracting the best diverse talent
- Support, development, reward and retain
- The work that we do

We established an ED&I Steering Group with representation from across all Directorates, our Culture Change Community, our networks, and Trade Union colleagues. The Steering Group members play a strategic role in monitoring development, delivery, and implementation of the ED&I strategy, to ensure our work in this area is outcome focused. The current ambition is to increase declaration data, which will be a key area of focus in 2022/23.

In 2021, we ran a pilot in Reverse Mentoring. This provided our colleagues the opportunity to share with our Executive Board the lived experiences across protected characteristics, and the potential challenges and barriers they may face within the workplace. We plan to enhance this programme, before looking to expand it to our Senior Managers in 2022/23.

Our organisational structure
We have transitioned to focusing around our three key services as part of our new operating model: Company Filing, Get Company Information, and Intelligence and Enforcement. During the reporting period, we built on this model, and developed an organisational operating model blueprint, along with an implementation plan, to complete our transition to a fully service led organisation. We will use our blueprint to guide the evolving shape and structure of Companies House, and to reinforce agile working, high performance, and collaboration.

Embracing and facilitating change

The power to influence, shape, and ultimately deliver the change we need is in the hands of our people. In 2021/22 we continued to ensure that their voice is heard.

Our Culture Change Community, which is open to all, has gone from strength to strength. It seeks innovative and inclusive ways of involving people in all aspects of change and averaged 200 colleagues in attendance each month, making it Companies House's largest online platform for discussion. We also had 21 colleague led networks play a pivotal role in mental health support, diversity, social well-being, and inclusion.

The 2021 People Survey closed with a 93% participation rate. In response to the key themes identified from those results, and from our Investors in People assessment, we created and published our Corporate Action Plan. This sets out three key priority areas for focus: leadership and managing change, hybrid working, and pay and benefits. We will also work with engagement groups in each directorate on individual plans for their areas too.

In order to cultivate a culture that enables our people to flourish, we continued to explore new ways of working to facilitate smarter working. Our plans to fully embed hybrid working have developed over the year, and we engaged regularly with all colleagues to provide clarity on the need to balance the requirements of the business with individual preferences. The results of the Leesman Survey, a staff survey across government, provided a high-level insight into the needs and working priorities of colleagues across Companies House, wherever they are working. Analysis of the results will continue into the start of the 2022/23 financial year, and will be used to inform decisions and initiatives as part of Companies House's transformation. In response to our recruitment and retention issues mentioned above, we advertised some of our digital and hard to recruit roles as fully homeworking to attract a wider talent pool. We recognise that hybrid working is a significant benefit and will ensure this is linked closely to our recruitment and retention plans.

Corporate Social Responsibility (CSR)

Our CSR activity ensures that Companies House acts on its commitment to being a responsible business. There are 4 main pillars to our activity which combine to form an overarching umbrella across the whole of our business. These are procurement and finance, community, people, and environment.

In the sphere of procurement and finance, we set ourselves a corporate target that 15% of what we spend will be spent directly with small and medium businesses. We successfully exceeded this target achieving over 16.5% direct spend with small and medium businesses. One of our key achievements was that Companies House's new gatehouse/physical security construction project to improve site security and access at our Cardiff site, was contracted with a local small and medium sized enterprise (SME). During quarter 4 of 2021/22, we established a Procurement Policy for Reserving Low Value Procurements, alongside our commercial pipeline (published externally) for targeted opportunities for SMEs and Voluntary, Community and Social Enterprises (VCSEs).

As regards other CSR activity, our ability to undertake our usual initiatives were curtailed during the pandemic, but we cautiously offered opportunities to colleagues to volunteer outdoors. In the 2021/22 year, 164 colleagues volunteered in COVID-safe environments, including the Amelia Trust Farm, and the Cardiff Council Coed Caerdydd Project to plant trees in response to the OnePlanet climate change strategy. We donated items of furniture and equipment to schools and community centres in Cardiff and surrounding areas for reuse or recycle. The value of items donated totalled approximately £7,000. As restrictions have eased, and with appropriate risk assessments in place, we are planning to return to offering indoor volunteering to complement our established outdoor offering. A new CSR strategy has been developed and is due to be signed off in the 2022/23 financial year.

We deliver value through efficient use of resources

Operating effectively and efficiently as part of central government
Companies House is an Executive Agency within BEIS. We are committed to operating effectively and efficiently, and demonstrating the public value of our work. We are required to secure budgets and funding from central government, and one of our corporate targets for 2021/22 was to manage our expenditure within budgetary limits. This target was met, with an underspend against total managed expenditure of £9.5m at the end of the year. The main contributory drivers of the underspend were an overperformance against revenue due to an increase in the register size, as well as a large number of unfilled staff vacancies across the year. Further details on this are provided in the Performance Analysis report which starts on page 49. Key drivers of the underspend were external factors outside the control of Companies House. Throughout the financial year, we continued to operate internal budget management processes, carefully monitored the level of underspend, and took actions to mitigate the underspend within our control.

During this financial year, we strengthened our financial governance framework including the introduction of the Finance and Investment Committee, to ensure oversight of delivery of value on our investments. We continued to operate effectively as part of central government by collaborating with BEIS to prepare for upcoming legislative change. Our efficiency measurement methodology and reporting were improved in year, and performance was reported regularly to the Executive and Main Board.

A major factor in operating more efficiently is our estates infrastructure programme, which is focused on making improvements to the Cardiff site's facilities while also incorporating the Government Property Agency's (GPA's) net zero initiatives. As we transition to hybrid working, we have undertaken, and started to work towards reducing the footprint of office space we occupied in Cardiff pre-pandemic. We aim to reduce this by approximately 60% by the end of March 2024. The changes will be phased to ensure that the space we plan to occupy meets our needs. In parallel, we continued to work with our colleagues in GPA and have developed a register of interest from Other Government Departments (OGDs) in taking up space in the building. We are additionally looking to release space in our Belfast site. We anticipate a small number of new occupations in 2022, while progressing further planned occupations in 2023.

We also looked for other ways to break reliance on our building and physical estate. Our decision to move away from physical to digital products contributed to this (see "Our brilliant services give a great user experience" above), as does moving our digital services to the cloud. This was largely complete at the end of 2021/22, with some residual components due for completion in the 2022/23 financial year. This leads into our plans to decommission our onsite server rooms, reducing our overheads, and delivering efficiencies through lowering the cost of electricity and cooling. This will also have the effect of further reducing our carbon footprint.

In addition, we turned our attention to our use of paper. We have now stopped issuing paper-based reminders to carry out statutory filings, relying instead on our established digital reminder service. This financial year, £0.8m of financial savings were made in the period up to November 2021. At the end of March 2022, we stopped issuing a confirmation letter when a company or their representatives filed a change of accounting reference date. This is expected to realise further savings. We have set up a paper output working group to explore further opportunities where paper output can be eliminated. Working across the organisation, we are actively seeking opportunities to reduce our paper correspondence in anticipation of digital tools being implemented in the coming years.

Performance Report
Accountability Report
Financial Statements
Trust Statement

We still intend to decommission our legacy services, WebCheck and Companies House Direct. In response to feedback, we decided not to close these in 2020/21 to allow users more time to prepare for their withdrawal, and for us to be able to enhance our other services to address their concerns. During the reporting period, we continued to respond to customer concerns and enhanced the CHS service with improvements to its existing search functionality, the delivery of Advanced Company Search, the loading of more dissolved data and the provision of a specialist search service for older dissolved company data. We will check the impact of these improvements against the prior concerns, before proceeding with notice of closure.

Manage our costs to deliver value to our customers and government
We are fully committed to delivering value for money and are continuously seeking ways to improve economy, efficiency, and effectiveness.

This year we commenced work to embed The Public Value Framework into our planning and performance processes. This practical tool will be rolled out to assess the extent to which we demonstrate value in terms of how well we are turning the money we receive, which is largely through fees, into successful policy outcomes.

Actively collaborate across government and more widely
Working with wider government and other partners is a route for Companies House to deliver additional benefits, both internally, and more widely, including to our customers, the UK economy, and the rest of government. In 2021/22, we sought and embraced opportunities for active collaboration, which has in turn helped improve services and generate efficiencies.

We continued to strengthen relationships with HMRC and worked collaboratively to add value to both our activities. We worked closely on our Corporate Transparency and Register Reform consultations, especially on the proposals relating to improving the quality and value of the financial information on the Companies Register. We are seeking to align filing requirements where possible, and working together to minimise fraud and error in accounts to make efficiencies both for business and government in the long term.

We worked with the Home Office on the development of the Accountancy Fraud Sector Charter. This sets out actions that the government and the sector can deliver in partnership to reduce economic crime.

We continued to work with the Financial Reporting Council and other government departments on the development of the UK taxonomies that support digital filing of company accounts.

We shared expertise with the Financial Conduct Authority on the development of the UK Single Electronic Format to find technological solutions to minimise burden on companies that are required to file with both departments.

We also engaged with the cross-government group looking at "Starting and Sustaining a Business," led by the Cabinet Office. We worked with the Government Digital Service to provide improved customer journeys and offer newly registered businesses personalised content specific to their business type, size, and future ambitions. Since May 2021, following incorporation of their company with Companies House, users are prompted to answer additional questions to receive a personalised set of "next steps."

We explored options for a File Once with Government approach for filing financial information. We worked with BEIS, HMRC, and the Charity Commission to progress ideas on how we could enable companies to file their financial information once with government instead of separately with each government department which requires it. This links to the UK government's strategic direction around data sharing and how to make the most of it. Making efficiencies is a huge driver for us, but getting the right data in the right place at the right time will not only achieve cost savings, but will also help to ease burden on businesses and reduce the risk of fraud. File Once is a long-term ambition and discussions are at an early stage.

Our collaboration with others outside the UK Government included the European Business Registries Association (EBRA) and the Corporate Registers Forum (CRF). We are a member of both. In addition, Louise Smyth (Chief Executive of Companies House and Registrar for England and Wales) is President of the CRF, and Companies House executes the function of CRF Secretariat. Martin Swain (Director of Strategy, Policy, External Communications and Legal) was also elected to the Nominations Committee of EBRA. International engagement via these groups offered a fantastic opportunity for us to learn from other registries, and allowed us to exchange information on best practice and procedures, technology, and emerging trends, especially those that need cross-border solutions. This included key agenda-setting roles for the virtual CRF Conference in 2021, hosting a global Technical Workshop on our award-winning Directors Responsibilities campaign, and looking forward to an in-person CRF Conference later in 2022. Companies House also took part in the United Nations Commission on International Trade Law working group on micro, small and medium sized enterprises.

Companies House and the environment

Reducing our impact on the environment forms a central element throughout our strategy and is factored into all aspects of our business. This includes our internal operations, our supply chain, and how we and our customers interact.

In our strategy, the environment is therefore a consideration that runs through all of our goals rather than being a goal in its own right.
For example, as part of our aim to become a digital organisation, we are considering ways of reducing our paper output, which in turn has a positive environmental outcome. Specific environmental activities for 2021/22 included implementing stage one of our Nature Recovery Plan, where fruit trees and pollinators were planted and three bug hotels were installed at the Crown Way Estate (Cardiff Office).

The aim of this was to promote biodiversity and enable flora and fauna to flourish. For stage 2, which we plan to commence in 2022/23, we will plant additional pollinating flowers and introduce a wildflower garden at the rear of our site. In addition, as part of the enhancements made to the physical security of the Cardiff Office, we incorporated plans to mitigate biodiversity loss. This involved planting semi-mature trees to replace the ones that were removed during the enabling works.

With the GPA now taking ownership of the Crown Way Estate, multiple interventions have been identified to increase the environmental performance of the Cardiff Office. This includes adding LED lighting to areas of the building that do not currently have it and the introduction of solar panels to the main roof. These represent the biggest impact we could have on our environmental performance in the coming years. Companies House will work closely with the GPA to support the completion of this work, and will continue to do so as further interventions are implemented.

We are proud that Companies House's Environmental Management System was recertified by the British Standards Institution to the International Environmental Management Standard (ISO 14001), with zero non-conformances. This highlights our commitment to managing the environmental impact of our activities and estate.

As anticipated in last year's Annual Report and Accounts, BEIS have now published new Greening Government Commitments (GGC) targets for 2021-25. Our Corporate Plan 2022/23 includes a clear commitment towards achieving these.

COVID-19 pandemic

Performance

Throughout the pandemic, Companies House's focus has been on keeping colleagues safe, whilst maintaining momentum on continuously improving its processes to maintain the integrity of the UK Register of Companies.

In the last financial year, the impact of the pandemic has lessened as the organisation adapted to new ways of working and COVID-19 measures became less restrictive. Furthermore, absences due to COVID-19 infections tended to be shorter in nature as colleagues recovered more quickly than the previous year, likely due to increased protection through the coronavirus (COVID-19) vaccination programme.

The impact on services we did see was a significant rise in the number of companies that filed late. Accounts filed on time fell by more than 5% between March 2020 and March 2022. This is despite an automatic 3-month extension due to the COVID-19 legislative easements.
This resulted in an increase in the number of late filing penalties issued and subsequent appeals (please see page 166 for more details). For same day transactions which were suspended in 2020/21, we reinstated some of these services. For the remaining same day services that are only available on paper, we are currently looking into alternatives as part of our transformation rather than reinstating the services as they were pre-pandemic.

Our processes for identifying those workers who were essential to our customer facing operations had been established in the first year of the pandemic, and allowed us to flex our physical on-site presence quickly in response to changing restrictions throughout the year. This ensured the ongoing safety of our on-site colleagues and the continued delivery of services to customers. However, this did result in some of our paper-based processing that relies on colleagues being in the office to drop below our normal levels of service.

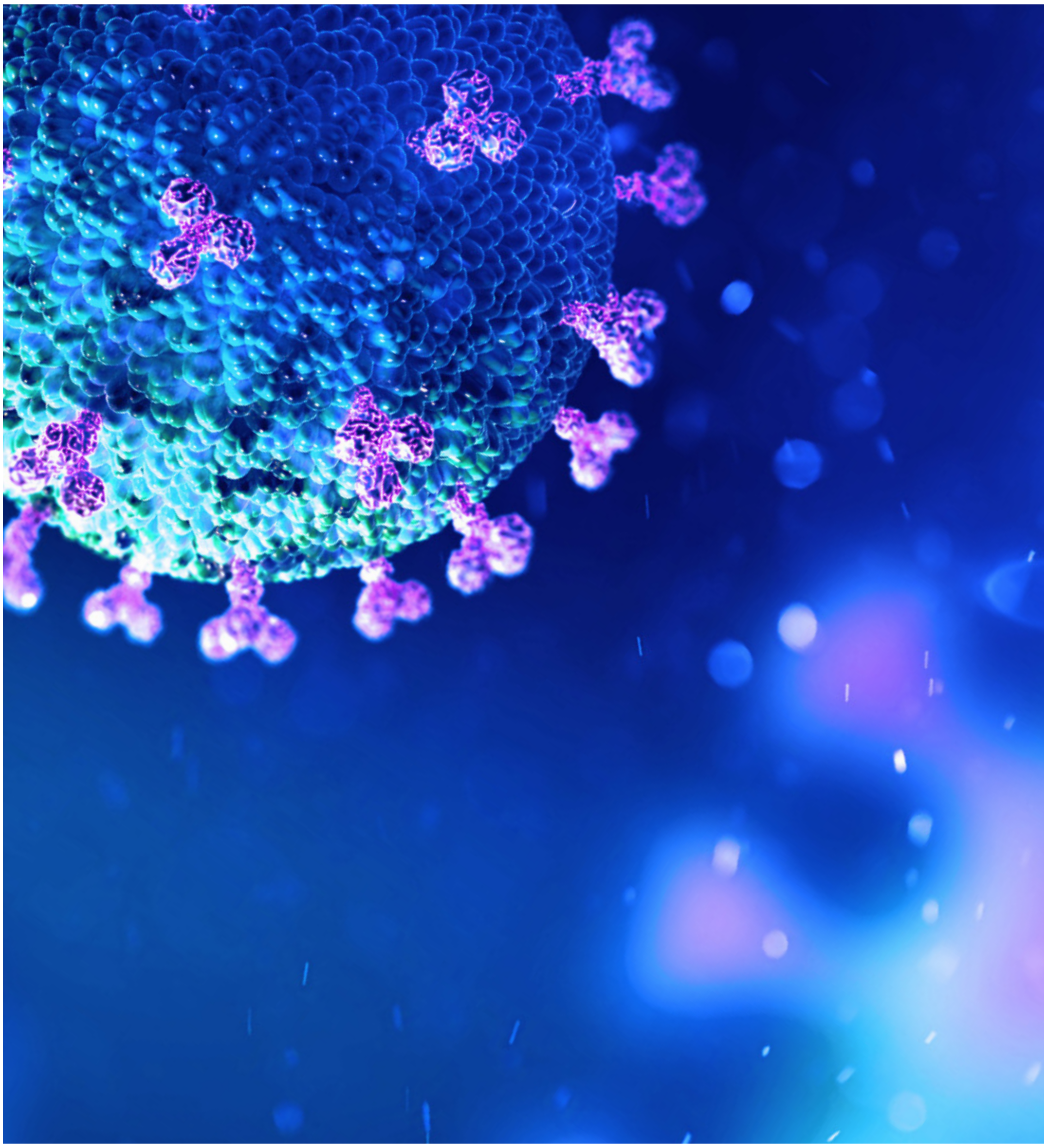
Whilst the pandemic had accelerated our hybrid working ambition to encourage people to work from home, conversely it meant that our Smarter Working goals were paused. Towards the end of the 2021/22 financial year, Companies House eased some of the restrictions it had put in place in line with the approach taken by the UK Government and regionally, and this allowed our Smarter Working project to gather pace again.

Risks

When the pandemic hit in March 2020, Companies House reacted quickly and developed new processes and ways of working to maintain our services and mitigate impact on our customers. As these were introduced rapidly, at the start of the financial year 2021/22, it increased the risk that errors could be made in sensitive filings to high. However, it was quickly mitigated through the introduction of extra controls, and further provision of training and coaching to our staff.

Companies House's response and recovery is led by the Executive COVID strategic group; a sub-group of the Executive Board. They are supported by the Head of COVID Response in implementing strategic decisions. The emergence and spread of new variants, and the new guidance and restrictions, meant that the risk of effectively managing a response and recovery was volatile for most of the last year. As at the end of March 2022, we sought to transition from pandemic to endemic in line with national and local government advice.

The prospect of new variants created uncertainties, and restrictions also increased the risk that we would not be able to deliver the cultural change needed to support Companies House as it transforms in the lifetime of the strategy. However, this has been mitigated through a high degree of engagement. Managing this risk is supported by our plans to allow colleagues to return to the office for face-to-face collaboration, as we transition to a hybrid working model and into an endemic state.



COVID-19 related expenditure

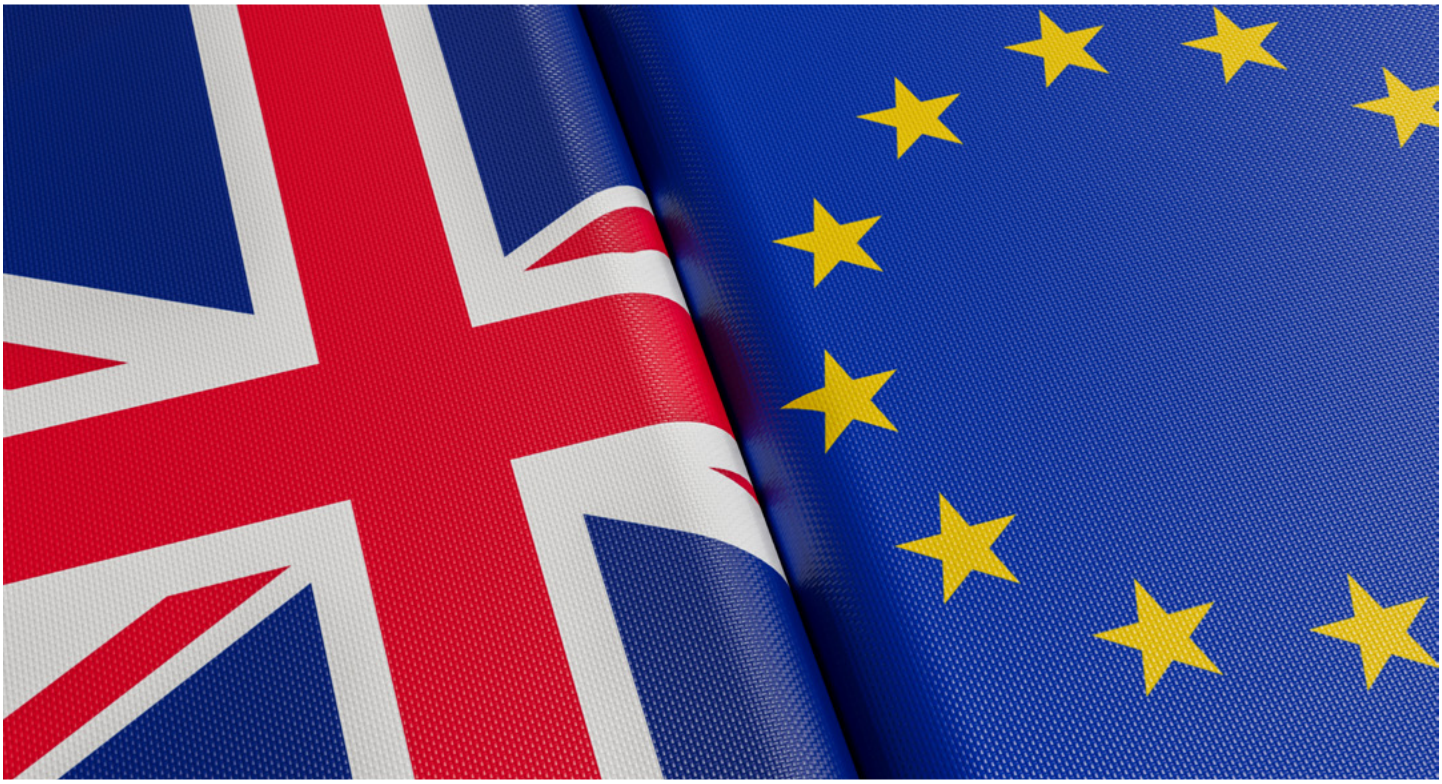
Our direct COVID-19 related expenditure amounted to £0.1m in 2021/22. Expenditure was on enabling colleagues with appropriate home working equipment and minimising the spread of COVID-19 within the office and amongst staff. This was self-funded out of the spending review settlement and no additional funding was required over and above our allocation for COVID-19 related expenditure.

COVID-19 support schemes

Companies House did not administer any of the COVID-19 financial support schemes itself. However, throughout the pandemic we have played a supporting role to law enforcement and other government departments operating in this area. This has ranged from work with the Cabinet Office to identify suspicious activity in the support schemes, and more recently, providing assistance to law enforcement agencies investigating fraud in the bounce back loan schemes.

EU exit

As much of our activities in relation to UK's exit from the EU was already completed, our activities this year were fewer. We supported BEIS and the Secretary of State for Business, Energy and Industrial Strategy to share vital information with businesses following the end of the transition period. This was through e-mail contact with our newsletter subscribers and amplifying key messages on our social channels. Companies House did not have any EU exit related expenditure during this reporting period.



We supported BEIS and the Secretary of State for Business, Energy and Industrial Strategy to share vital information with businesses following the end of the transition period.

Complaints

Complaints to the Parliamentary Ombudsman

The Parliamentary Ombudsman is currently investigating two complaints regarding Companies House; one of which was received in the 2020/21 financial year. Companies House is supporting the Parliamentary Ombudsman with these. In the 2021/22 financial year, the complaints have not been concluded and both remain with the Parliamentary Ombudsman.

Complaints to Companies House

We are proud to deliver excellent customer service. But like any large organisation, we will make mistakes. Should anyone be dissatisfied with the service we have provided, we have a complaints procedure which can be found on: https://www.gov.uk/government/organisations/companies-house/about/complaints-procedure

Performance analysis

This provides a detailed view of Companies House's non-financial and financial performance in the 2021/22 financial year.

Non-financial performance

Priority outcome

Companies House's Spending Review 2020 priority outcome, which forms part of the wider strategic objectives of the Department for Business, Energy & Industrial Strategy (BEIS), was to:

Back long-term growth: boost enterprise by making the UK the best place in the world to start and grow a business

In the 2021/22 financial year, Companies House facilitated the incorporation of 753,164 new companies. Overall, the size of the register grew by 3.8% in 2021/22, compared to the size of the register in 2020/21.

Strategic outcomes

Companies House's performance against its strategic objective have been set out in the Performance Overview report which starts on page 4.

This year we have created an evaluation framework of performance indicators to enable us to better measure the success of our transformation. We have now recruited the relevant expertise and have started work to establish an array of baseline measures, assess the quality of those measures, and establish data pipelines allowing the organisation to enhance our ability to set targets and closely monitor progress. Whilst we had hoped to complete the work this year, it will now continue into 2022/23.

BEIS Outcome Delivery Plan: 2021 to 2022 - GOV.UK (www.gov.uk)

Risk profile

Over the 2021/22 financial year, eleven new strategic risks were identified. Of these, eight were new to the organisation and three were escalated to the Executive Board. In this period, eight strategic risks were fully mitigated and closed and six risks were de-escalated following treatments.

One of the risks that increased most significantly through the year was cyber security. At the beginning of the year the risk was an unlikely probability and medium impact. It was managed on an ongoing basis to ensure that threats were identified and mitigated in a timely manner. However, towards the end of the financial year, the risk increased to a probability of possible and impact of high. This was due to unrest in the global political space and our active role in implementing economic sanctions. To that end, our dedicated cyber security team worked hard to monitor threats and treat vulnerabilities. The risk persists into 2022/23 and our team continue to work collaboratively with wider government security teams to ensure the latest protections and updates are in place to safeguard Companies House's people, our systems, and our data. We are also developing our Cyber Security Business Continuity plan.

The Russian invasion of Ukraine also impacted on the speed that legislative reform is being introduced and as a result, this has led to a slight increase in the risk that Companies House may not have a sustainable funding model considering the pace and concentrated volume of reform. Resources from the Finance Team and Commercial Team are now part of the Register of Overseas Entities project, where funding requirements will be assessed and a plan can be remodelled. A dedicated project team has been assembled to ensure that the Register of Overseas Entities is implemented effectively and to the policy intent.

Another risk that increased significantly through the year relates to having the right people with the right skills. The increasingly challenging recruitment market for digital and data skills moved the risk from a medium probability and low impact to a very likely probability and high impact. Mitigating action was taken to address this, including making changes to the pay framework and engaging specialist recruitment agencies. We are also exploring options to increase our capacity with external partners.

Risks relating to customer satisfaction and the performance of frontline services increased during the year as a result of performance issues in our Contact Centre and COVID-19 restrictions impacting how resources in the office were managed. Both of these issues were addressed in the year and service levels were returned to pre-pandemic levels.

This year we continued our transformation journey and we managed and closed many operational and strategic risks driven by both business-as-usual activities and major changes, such as change of payment transaction provider over the past 12 months. In 2022/23 we expect to close a few other strategic risks around our governance structure caused by transitioning to the new service operating model. In fact, the new governance structure is being implemented to better support the future requirements. The strategic risk of not effectively implementing a hybrid working model was originally assessed as high due to its huge scope, potentially affecting almost all staff. Smarter Ways of Working is a dedicated project to help Companies House mitigate this risk through innovative solutions. Due to the positive impact of this project and the relaxation of COVID-19 restrictions, the risk has reduced and due to be de-escalated in 2022/23 with further mitigating actions being managed at directorate level.

A further review of the strategic risks has been planned for the 2022/23 financial year to ensure risks reflect Companies Houses' strategic priorities, as we are about to embark on the journey to deliver legislative reform and digital transformation. The identified new strategic risks associated with these major developments will be actively managed at the strategic level.

Workforce

Details of our workforce for 2021/22 can be found in the Staff Report which commences on page 113.

Commercial

In line with government policy and commercial best practice, Companies House has commenced implementation of the strategic priorities outlined in The National Procurement Policy Statement (the NPPS), with works during this financial year focusing on:

- Embedding social value through our commercial agreements
- Regularly assessing our capabilities against government commercial standards

Social value
The NPPS clarifies how contracting authorities should secure the best mix of quality and price, directs contracting authorities to include award criteria that achieve social, economic, and environmental benefits, and advises on the development of procurement specifications, as well as other measures.

To support the national priority outcomes for social value as outlined in the NPPS, we set an ambitious public corporate target to ensure that 15% of what we spend in Companies House would be spent directly with small and medium businesses. We exceeded this target, achieving over 16.5% direct spend with small and medium businesses.

Companies House is open and transparent in its procurement and commercial processes. We publish our commercial pipeline externally and give smaller businesses every opportunity to bid for and win contracts.

Commercial, contract management, and procurement delivery
Companies House has a Commercial Assurance Panel, which is chaired by our Director of Finance and Commercial. It provides assurance that our commercial processes, and commercial activity planned and undertaken, complies with government commercial policies and best practice, specifically The Sourcing Playbook. Companies House builds the latest government procurement policy and best practice guidance into our commercial solutions.

Procurement Policy Note 05/21: National Procurement Policy Statement - GOV.UK (www.gov.uk)

The Sourcing Playbook – May 2021 (publishing.service.gov.uk)

Our contract management maturity as an organisation has been developed throughout this financial year with further works planned during 2022/23 to develop and embed improvements. This includes a refresh of our contract management practices and behaviours as we move to engage more collaboratively with strategic suppliers to improve delivery of government objectives.

In 2021/22, our commercial team continued to lead on works contributing to Companies House's efficiency target, negotiating cashable and value-added savings.

Cashable savings by the commercial team	Cost avoidance by the commercial team
£0.4m	£0.2m

During this financial year, our commercial team grew in scale to support both business as usual and transformation activity, and pivoted at pace to support changing business priorities, and alleviate adverse effects on our customers and staff.

Skills and capability for procurement
Our organisational and team capability is measured and monitored against the Government Commercial Functional Standards, with formal assurance and regular reporting to the Cabinet Office in their Commercial Standards Team. Commercial Senior Leads are fully MCIPS qualified.

During 2021/22, we strengthened our team capacity via additional recruitment. Our commercial resourcing strategy is underpinned by growing and nurturing internal talent, supplemented by external recruitment. We now look to prepare for the forthcoming procurement legislative change, Transforming Public Procurement.

Sustainability

Companies House's Sustainability Report can be found on page 60.

Government Commercial Function: Standards - GOV.UK (www.gov.uk)

Financial performance

Expenditure

How expenditure is presented
Companies House's expenditure is reported in the financial statements, in the statement of comprehensive net expenditure (SoCNE) (page 132). This is prepared in accordance with accounting standards (International Financial Reporting Standards (IFRS)) and guidance which are explained in more detail in the accounting policies in note 1, on page 136.

Companies House's net operating expenditure for the year ending 31 March 2022 was £15.6m.

Overview of expenditure in 2021/22
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.

For expenditure on services and transformation activity which cannot be funded through fees, Companies House agree a budget with BEIS as part of the spending review. The budget is agreed in accordance with HM Treasury's consolidated budgeting guidance, which differs in several respects from the accounting basis referred to above. It is against these limits that Companies House is held accountable for its performance and use of taxpayers' funds.

HM Treasury sets the budgetary framework for government spending. The total amount a department spends is referred to as the Total Managed Expenditure (TME), which is split into:

- Annually Managed Expenditure (AME); and
- Departmental Expenditure Limit (DEL).

HM Treasury does not set firm AME budgets. They are volatile or demand-led in a way Companies House cannot control. Companies House, alongside BEIS, monitors AME forecasts closely and updates them annually.

HM Treasury sets firm limits for DEL budgets, as DEL budgets are understood and controllable. The limit is set during a spending review which typically occurs every three to five years. DEL budgets are classified into Resource and Capital.

Below is an overview of Companies House's expenditure in 2021/22.

	2021/22 Budget £'000	2021/22 Actual £'000	2021/22 Variance £'000	2020/21 Actual £'000
Resource DEL	20,073	7,506	(12,567)	7,556
Capital DEL	13,000	8,388	(4,612)	10,242
Total DEL	**33,073**	**15,894**	**(17,179)**	**17,798**
Resource AME	699	8,420[1]	7,721	-
Capital AME	151	151	(0)	-
Total AME	**850**	**8,571**	**7,721**	**-**

[1] A total of £8.1m resource AME spend for the 2021/22 financial year relates to a post-close revaluation adjustment, following the revaluation of the Crown Way, Cardiff right of use asset. Companies House is currently in the process of securing additional resource AME delegation cover within the 2022/23 supplementary estimates review with BEIS. See further details of the revaluation loss within the statement of comprehensive net expenditure review below.

This table is not a replica of the SoCNE reported in the accounts. The headings used in this table reflect budgetary classifications used within Companies House.

Statement of comprehensive net expenditure
In the 2021/22 financial year, the size of the register grew by 3.8% (compared to the size of the register in 2020/21) which led to an operating income of £83.9m (2020/21: £71.3m). This higher than anticipated increase in the size of the register resulted in an overperformance against plan of £3.9m.

Operating expenditure in year totaled £99.5m (2020/21: £92.6m) including staff costs of £47.6m (2020/21 (re-presentation): £47.7m). Compared to the budget, staff costs in 2021/22 were underspent by a total of £6.2m. This was due to a large number of unfilled staff vacancies in year.

Non-staff operating expenditure increased by £7.1m from last year to £51.9m (2020/21 (re-presentation): £44.8m). Of this increase, £5.4m was in relation to an increase in spend on the recovery of late filing penalty debt. This is due to Companies House ceasing external debt recovery activity during 2020/21 as part of its response to ease burdens on companies during the coronavirus pandemic, and therefore there was a reduction in spend during this stop period.

In addition, depreciation and amortisation increased by £2.4m to £8.2m on the previous year (2020/21: £5.8m), due in part to the implementation of IFRS 16 from 1 April 2021. This brought property leases onto the statement of financial position for the first time.

A further £2.5m of the 2021/22 non-staff administration costs was in relation to the payment to HMRC of previously underpaid VAT identified in year. This repayment relates to VAT reclaimed between 2018/19 and 2021/22 on our external software development supplier contracts. Of the £2.5m repaid, £0.5m related to VAT recovered in relation to 2021/22, and £1.1m in relation to 2020/21. The remaining £0.9m related to periods prior to 2020/21. For further details see note 5, page 152.

A revaluation loss has been recognised in the statement of comprehensive net expenditure relating to the revaluation of the Crown Way, Cardiff right of use asset, leased from the Government Property Agency (GPA). Following a professional valuation of the Crown Way right of use asset from Montagu Evans (chartered surveyors) as at 31 March 2022, in accordance with the Royal Institution of Chartered Surveyors' (RICS) valuation standards, the right of use asset was revalued from £30.8m to £21.7m, resulting in a revaluation loss of £8.1m. For further details see note 7, page 154.

Statement of financial position

During the 2021/22 financial year, Companies House adopted the new international accounting standard, IFRS 16. The new standard brought right of use assets and corresponding lease liabilities balances onto our statement of financial position to recognise our four property leases as a lessor. The new standard took effect from 1 April 2021 where we capitalised right of use assets and lease liabilities of £33.2m. As at the year-end date of 31 March 2022, lease liabilities of £30.2m and right of use assets of £22.7m were recognised, following a market revaluation of the Crown Way right of use asset. See note 7, page 154 for further details on the impact of IFRS 16.

The introduction of IFRS 16 contributed to the increase in non-current assets by £25.2m, from £27.0m to £52.2m. The increase is also attributed to an increase in our capitalised intangible assets.

The gross book value (GBV) of intangible assets has increased by £6.2m, from £85.0m to £91.2m as a result of our transformation activity. Companies House invested £4.4m (2020/21: £7.5m) in improving systems and developing new services for customers and £1.9m (2020/21: £0.4m) on our transfer of data to the cloud to bring us closer to becoming a fully digital organisation. Of this, the in-house development costs accounted for £5.6m (2020/21: £7.5m).

During 2021/22, Companies House also spent £1.8m (2020/21: £1.4m) on improvements to our office environment. Following the transfer of the Crown Way office in Cardiff to the Government Property Agency (GPA) during the 2020/21 financial year, £1.0m of these fixed asset additions relate to works integral to the Crown Way building. Companies House will transfer these assets to the GPA once the work is complete. At the year-end date of 31 March 2022, this work was still in progress.

Companies House had a total cash balance of £2.8m (2020/21: £1.6m) as at 31 March 2022. This is following £14.1m (2020/21: £0.9m) of cash drawn down from BEIS during the year, to fund working capital. The 2020/21 net cash drawn down from BEIS was £13.2m lower than in 2021/22 due to the re-presentation of a £10m short term loan to the General Fund on 1 April 2020, following our change in status from a trading fund to an Executive Agency.

Performance Report
Accountability Report
Financial Statements
Trust Statement

Late filing penalties

The purpose of the Late Filing Penalty (LFP) 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.

Expenditure for the LFP scheme activity is not funded through fees but is agreed with BEIS as part of the spending review. Penalties collected in respect of company accounts filed late with Companies House are paid entirely to HM Treasury.

Within the financial year 93.2% of accounts were filed by the accounting deadline (2020/21: 95.5%). At year end, 98.4% of companies had filed their accounts due (2020/21: 97.8%). During this period the register size increased to 4,894,356 (2020/21: 4,716,126). During the financial year 383,276 penalties were levied (2020/21: 181,410), which is an increase of 201,866 (111.0%) on the previous year. For further details on the LFP performance, see the Trust Statement on page 162.

Within the financial year

93.2%

of accounts were returned by the accounting deadline

Sustainability report 2021/22

Environmental objectives and targets

In October 2021, the UK Government published its Greening Government Commitments (GGCs) 2021-25 (reporting against a 2017/18 baseline, which was changed from 2009/10 during the financial year). These set out the actions UK Government departments and their partner organisations will take to reduce their carbon emissions, water use, business travel, waste, and supply chain impacts.

Companies House continues to work towards delivering our GGC goals. The goals and objectives of Companies House's Environmental Management System (EMS) are aligned to these GGC targets, and specific activities and milestones are identified across the business to meet them. Progress against our GGC's are reported quarterly to the Department of Business, Energy, Industry & Strategy (BEIS).

ISO 14001:2015 accreditation

In 2021/22 Companies House continued to maintain an EMS certified to the International Environmental Management Standard, ISO 14001:2015. Companies House was audited in August 2021 and March 2022, achieving recertification to the standard for another year.

As part of our recertification process, Companies House is required to demonstrate that environmental improvements and efficiencies are identified and implemented. In addition, we need to evidence that suitable and sufficient control measures are put in place to ensure that all environmental risks and aspects are effectively managed, and any negative impact to the environment is minimised.

Mitigating climate change: working towards net zero by 2050

Greenhouse gas emissions non-financial indicators (tCO2e)
Companies House has a GGC target of a 62% reduction (by 2025) in our total greenhouse gas emissions from the 2017/18 baseline. The table below shows we have already made great progress against this, achieving over 50% reduction in total emissions. However, it should be acknowledged that the coronavirus pandemic has had an impact on the estate's carbon footprint, having reduced the number of staff and visitors coming to site. The challenge will be maintaining this great progress as we move away from the pandemic and into the future working environment.

The data below provides further information on greenhouse gas emissions during the 2021/22 reporting year, and the four years prior.

Scope emission energy usage	2017/18 (tCO_2e)	2018/19 (tCO_2e)	2019/20 (tCO_2e)	2020/21 (tCO_2e)	2021/22 (tCO_2e)
Total scope 1 emissions (gas, fuel for fleet, and fugitive emissions)	**103**	**101**	**93**	**158**	**107**
Total scope 2 emissions (offsite electricity generation)					
Belfast office	34	28	26	26	**19**
Cardiff office	1,445	1,264	1,023	789	**694**
Edinburgh office	20	18	15	11	**10**
Total scope 3 emissions (transmission loss of electricity)					
Belfast office	3	2	2	2	**2**
Cardiff office	135	131	87	68	**61**
Edinburgh office	2	2	1	1	**1**
Total emissions attributed to electricity consumption	**1,639**	**1,444**	**1,155**	**897**	**787**
Emissions attributable to scope 3 official business travel (rail, taxi, air, and underground — all offices)	**78**	**52**	**52**	**0**	**0.4**
Total emissions (all scopes)	**1,820**	**1,597**	**1,300**	**1,055**	**894**

Note: Energy data for the London office is unavailable as it is covered in the service charge for the building, which is multi-tenanted.

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

For the first quarter of the reporting year, the biomass boiler that supplies heating to the Cardiff office was out of action, awaiting critical repairs. This resulted in the back-up gas boilers solely providing heat and an increased gas consumption.

The data below shows the total kWh for electricity and gas consumption for all offices.

Electricity usage	2017/18 kWh'000	2018/19 kWh'000	2019/20 kWh'000	2020/21 kWh'000	2021/22 kWh'000
Belfast office	97	99	101	112	**88**
Cardiff office	4,109	4,061	4,004	3,383	**3,269**
Edinburgh office	57	58	60	46	**47**
Gas (Cardiff only)	530	520	484	857	**582**
Total kWh consumption	**4,793**	**4,738**	**4,649**	**4,398**	**3,986**

The data below shows the collective costs for our energy and travel consumption for all offices.

Expenditure	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Energy (gas and electricity)	562	626	678	613	**623**
CRC (including fees and allowances)	36	30	25	N/A	**N/A**
Official business travel (rail, hire cars, taxis, air and fuel)	198	216	206	0	**1**
Total expenditure	**796**	**872**	**909**	**613**	**624**

Note: 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.

Energy performance per building user

Due to restrictions arising from the coronavirus pandemic and the requirement to continue to limit the number of staff on site, energy performance per building user was still higher than pre-pandemic figures. The pre-pandemic heating system control strategy, coupled with the safety need to social distance, have compounded this. As more staff return to the office, energy performance per building user is likely to improve, as the energy consumption will be spread across more people.

	2019/20			2020/21			2021/22		
Energy performance	Cardiff office[1]	Belfast Office[2]	Edin office[3]	Cardiff office[1]	Belfast office[2]	Edin office[3]	Cardiff office[1]	Belfast office[2]	Edin office[3]
Total kWh'000 consumption electricity	4,004	101	58	3,383	112	46	**3,269**	**88**	**47**
Total kWh'000 consumption gas	417	-	-	857	-	-	**582**	**-**	**-**
FTE[4]	1,992	16	37	353	12	8	**440**	**14**	**21**
kWh electricity performance per FTE	2,010	6,319	1,574	9,591	9,374	5,688	**7,423**	**6,385**	**2,206**
kWh gas performance per FTE	243	-	-	444	-	-	**1,320**	**-**	**-**

[1] Cardiff office includes tenant's 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.

In terms of size, Companies House's head office in Cardiff is situated within its own grounds. It consists of a large five storey building, which has 21,518 sq. metres of floor space. Companies House rents office space in multi-tenanted buildings for both the Belfast and Edinburgh Offices, occupying 560 sq. metres and 725 sq. metres respectively.

Energy consumption volumes for the London office are covered within the service charge we pay the landlord, and this data is not available. During the reporting year, the London office was closed.

Minimising waste and promoting resource efficiency

Waste has increased from 2020/21 due to:

1. The number of staff working from the office increasing.
2. The retention period of our document disposal decreasing by 1 year, resulting in a year's worth of additional confidential waste.
3. Multiple projects on site, which has required office space to be cleared.

Although we have produced more waste this reporting year compared to last year, the percentage of waste we have recycled has significantly increased. This illustrates our commitment in following the waste hierarchy, sending waste to be incinerated as the last option. Companies House also has a specific GGC target to reduce waste generated by 15% (by 2025) from the 2017/18 baseline year.

The data below highlights the amount of waste generated, and the associated disposal costs, across all of our offices

Non-financial indicators	2017/18 tonnes	2018/19 tonnes	2019/20 tonnes	2020/21 tonnes	2021/22 tonnes
Recycled/reused	152	168	137	59	**106**
ICT waste	3	0	7	0	**0**
Incinerated	49	0	63	29	**31**
Landfill	29	63	1	0	**0**
Food waste	11	11	8	6	**4**
Total (tonnes)	**244**	**242**	**216**	**94**	**141**

Financial implications	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Total disposal costs	**10**	**10**	**67**	**55**	**42**

Note: Since 2020/21, all incinerated waste is with energy recovery, and nothing is sent to landfill.

The management of our waste disposal activity is provided by Total Facilities Management, and the associated costs are not broken down into the individual waste streams.

Consumer Single Use Plastics (CSUP)

To minimise the transference of infection during the pandemic, the use of single use plastics, primarily coffee cups and cutlery, was re-introduced in our staff restaurant. This was so that items could be thrown away after use and thus avoid being handled by staff. However, as we emerge from the pandemic and restrictions have eased, in March 2022, arrangements were made to remove these items from the restaurant and were replaced with more sustainable options.

In line with the GGC target to remove CSUP from the Companies House estate, we will continue to identify other areas where further efficiencies can be made, for example stationery. Where possible, we will eliminate these items by 2025, if not before.

Paper

This year, we have seen a reduction in our paper consumption. This is partly due to the migration of services to a digital platform in response to the coronavirus pandemic, but also as a result of Companies House's strategy. One of Companies House's GGC targets is to achieve a 50% reduction (by 2025) in paper usage from a 2017/18 base line.

The data below shows the volume and associated cost of paper purchased during 2021/22.

Non-financial indicators	2017/18	2018/19	2019/20	2020/21	2021/22
Number of A4 reams used	9,645	6,035	5,700	6,015	**5,783**
Number of A3 reams used	25	45	30	0	**0**

Financial indicators	2017/18	2018/19	2019/20	2020/21	2021/22
Cost of A4 reams (£'000)	27	18	17	19	**24**
Cost of A3 reams (£'000)	0.155	0.305	0.284	0	**0**

Reducing our water use

Following major water leaks in the reporting year 2019/20, substantial works have been undertaken, and a new external waterpipe network now serves the building. As a result, water consumption has stabilised and reduced from the previous year, even though the number of staff working in the office has started to increase.

Companies House has a GGC target to reduce its water consumption by 8% (by 2025) from a 2017/18 baseline. Water consumption has dropped by nearly 38% since last year, but a major contributing factor is drastically reduced staff numbers working in the office. As we introduce staff into the building, we will continue to monitor water consumption closely to ensure we meet our GGC target.

The data below highlights water consumption and water supply costs for the Cardiff office only. Water usage is covered in our service charge costs for our other offices.

Like energy usage, water sources can be classified in a similar way to carbon emissions. As the mains water supplying the Cardiff office is purchased from a third party, this comes under scope 2.

Non-financial indicators	2017/18 m^3	2018/19 m^3	2019/20 m^3	2020/21 m^3	2021/22 m^3
Water consumption	9,229	9,552	18,735	5,622	**3,485**

Financial implications	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Water supply costs	34	36	60	23	**17**

Based on the information presented above, and the number of full time equivalent (FTE) staff working in the office, on average, each person used approximately 8 metres cubed of water.

Sustainable procurement

Companies House follows the government commercial policies and standards which are set by the Cabinet Office.

Companies House takes a practical and realistic approach to identify and maximise all possible opportunities to reduce the environmental and economic impact of our sourcing activity. Sustainability principles are applied to the evaluation criteria of in-scope procurements, and considers the type of contract, the potential environmental impact, and whether the contract is attractive to Small or Medium Enterprises (SME).

Companies House undertakes smaller construction works and associated services periodically. These contracts are typically awarded via a framework where sustainability considerations will have been part of the supplier selection criteria. However, Companies House will still apply sustainability criteria to the quality and technical evaluation criteria of such contracts.

The successful bidders of applicable procurements are required to provide quarterly carbon emission reports to Companies House. Suppliers awarded contracts over £5m are required to provide Companies House with a Carbon Reduction Plan (CRP) detailing their decarbonisation pathway to achieving Net Zero by 2050 as referenced in the Procurement Policy Note 06/21.

All suppliers to Companies House are encouraged to improve their environmental and sustainability awareness and to reduce the impact of their activities.

Companies House outsources its catering provision to Aramark. Further details of their sustainability activities and reporting can be found on the Aramark website.

Nature Recovery Plan

In line with the GGC to maximise space for plants and encourage wildlife to thrive, Companies House is keen to promote ecosystem resilience whenever possible, and where the estates environment can facilitate this. A framework of governance has been created to support this key area of work and to ensure that biodiversity issues are included in our decision-making.

Stage one of Companies House's Nature Recovery Plan (for our Cardiff office) was implemented in the summer of 2021, where several enhancements were made. These included:

1. Altering grounds maintenance to allow the growth of wildflower meadows and reducing the amount of noise pollution generated.
2. Planting fruit trees and berry-bearing shrubs to support local bird populations.
3. Installing bug hotels in the grounds to promote local insect populations, improving biodiversity on site.
4. Installing signage on site to promote the benefits of biodiversity to staff and the public.

Building on the success of this year, stage two of our Nature Recovery Plan will be taken forward during the next reporting year. This will include activities that look outside Companies House's estate, for example, working in partnership with the local council to plant trees, shrubs etc to encourage flora and fauna to flourish in our community.

To comply with section 6 of the Environment (Wales) Act 2016, in 2019, Companies House published a report highlighting what the organisation's nature recovery plans were for the next three years. During 2022/23, Companies House will produce a report outlining what was achieved and what it has done to maintain and improve biodiversity.

Adapting to climate change

Climate change is here, and Companies House understands its responsibilities in doing all it can to cut its CO^2 emissions and help slow the pace of global warming. To achieve this, we will develop and implement robust, practical, and tactical plans, ensuring that any adverse effects of the organisation's activities on climate change are mitigated. During the next reporting year, Companies House will conduct a Climate Change Risk Assessment across the estate and operational areas, to better understand the risks affecting the organisation and where resources should be targeted to ensure greater resilience. Thereafter, we will develop a Climate Change Adaptation Action Plan, which will highlight the control and mitigating actions we look to implement.

Reducing environmental impacts from ICT and digital

In 2021/22, Companies House largely completed the process of moving all of its digital services to the cloud. This will conclude in the 2022/23 financial year and will enable us to decommission our onsite server rooms for power and cooling. We monitored and measured the reduction in electricity consumption for power and cooling in our data centres which we will convert into a carbon saving. We also worked with our cloud suppliers to ascertain the carbon cost of our cloud footprint so we can work out the net carbon impact of the migration.

In 2022/23 we will further improve our sustainable procurement so that we can better understand the carbon impact of the equipment that we buy (such as laptops) and the various cloud-hosted services that we use. We will also assess all IT suppliers on their own sustainability/net zero plans.

Environmental performance reporting

In response to our GGC, Companies House reports environmental performance on a quarterly basis to BEIS. This ensures that Companies House is proactively monitoring its progress against the GGC, and that any challenges can be identified early and solutions implemented.

Over the next 3 years, delivering against the GGC targets (2021-25) will remain high on the organisation's agenda. Any efficiencies and improvements identified will be implemented across all associated processes to ensure they are met. This pro-active approach will also provide the pathway for our journey to being a Net Zero organisation by 2050, if not before.

Working towards Net Zero 2050

Through the accurate monitoring of our GGC, the organisation is fully aware of what our current carbon footprint is. By taking a pragmatic approach, Companies House will look to identify some quick wins for reducing it in the first instance, and drive forward change through raising awareness.

There are already many workstreams and activities being undertaken to lower the carbon emissions in the Cardiff office. For example, the Future Cardiff Footprint Project is looking at significantly reducing the current space that Companies House occupies, and the cloud data migration project will mean that several server farms will be closed, and the air conditioning units that serve them will be decommissioned.

In terms of sustainable construction, we will continue to ensure that environmental efficiencies are factored into any estates related building or refurbishment works that are undertaken. This has been a fundamental driver for all building projects and will remain a key focus by engaging the services of sustainable contractors to ensure that the environment is considered in all aspects of our planning.

As we progress through our strategy and out of the pandemic, the way our customers interact with us and the way our staff use our estate is changing. We will therefore need to adapt and evolve the way in which we measure and influence environmental performance, with a view to ensuring that our requirement for resources is minimised and monitored effectively.

Government Property Agency – Net Zero interventions
On 1 April 2021, the Government Property Agency (GPA) took ownership of the Cardiff office. The GPA have already identified three significant environmental interventions, that once implemented will improve the environmental performance of the building.

Plans for their implementation are in their infancy. However, during the 2022/23 reporting year, we expect progress to be made. The interventions identified are as follows:

- Installation of Light Emitting Diode (LED) lighting to floors of Other Government Departments (OGDs) where not installed.
- A Life-Cycle Replacement (LCR) of the roof membrane in readiness for PV/solar installation.
- Installation of an Energy Management System throughout the building.

These interventions will improve the Cardiff office in two ways. Firstly, the LED lighting and Energy Management System will allow Companies House to further reduce its electricity consumption and to monitor its energy more effectively. Secondly, the Solar PV will allow Companies House to generate its own electricity, reducing its demand from the National Grid and therefore its carbon emissions.

Louise Smyth
Accounting Officer,
Chief Executive and Registrar
for England and Wales
24 October 2022

Companies House

02 Accountability Report

Corporate governance report

Directors' report

Members of the Board

The Board reviews and oversees both Companies House and late filing penalties (LFP) activity. During the financial year there were changes to the membership of the Board. The detail regarding these changes is in the "Board Membership" section of the Governance Statement on page 90. Additional detail regarding the role and function of the Board is set out in the Governance Statement on page 84-104.

Lesley Cowley OBE:

Chair of Companies House's Main Board and Chair of the Remuneration Committee

Lesley is the Chair of DVLA (appointed in October 2014) and Chair of Companies House (appointed in March 2017). She was Lead Non-Executive Director and then Chair of The National Archives from 2016 to 2022. She is also Chair of ACL Ltd and a Non-Executive Director of Public Digital Ltd., both private companies. She was the 2019 winner of the Institute of Directors UK Non-Executive Director of the year.

Louise Smyth:

Chief Executive Officer and Registrar of Companies House for England and Wales

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

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, investigates complaints against community interest companies, and provides guidance and assistance to help people set them up.

Louise is also President of the Corporate Registers Forum, which is an international association of corporate registries.

Eoin Parker:

Non-Executive Board Member/BEIS representative

Eoin is the Director of Business Frameworks in the Department of Business, Energy & Industrial Strategy (BEIS).

Before joining BEIS, Eoin was Director of Strategy and Legislation in the Transition Taskforce within the Cabinet Office, and before that the Co-Director of Market Access and Budget in the Department for Exiting the European Union (DExEU). Eoin has held positions in a number of departments across government working on economic policy, international trade, and climate change.

Ross Maude:

Director of Digital, Data and Technology

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.

Angela Lewis:

Director of People Transformation

Angela joined Companies House in May 2012 as Head of Human Resources and Estates. She took up the new role as Director of People Transformation in February 2018. This role brought together HR, estates, internal communications, engagement, and people change management, and puts people at the heart of delivering the 5-year corporate strategy and ambitious transformation agenda.

Angela has over 30 years' experience within the HR profession and is a Fellow of the CIPD. She has worked in a range of diverse organisations including the NHS, police service and higher education sector.

Michelle Wall:

Director of Finance and Commercial

Michelle joined Companies House in March 2018 as Director of Finance and Commercial. Her passion is equality, diversity, and inclusion, and she is the executive champion.

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.

Martin Swain:

Director of Strategy, Policy, External Communications and Legal

Martin joined Companies House in 2019 having spent the majority of his career working for the Welsh Government in various policy roles including economic development and inward investment, public health, education, and social policy in relation to children and families.

His most recent role in Welsh Government was Deputy Director for Community Safety leading on the Welsh Government's approach to crime, justice, civil contingencies, and emergency planning.

As well as leading on strategy, policy, external communications and legal for Companies House, Martin is the Board lead on our environmental priorities and also supports the intelligence and enforcement service. Martin has an MBA with a focus on innovation and organisational culture. He is also a Welsh learner.

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 sector of leading large-scale operational teams, specialist social research, and statistical functions. He 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.

Martin Spencer:

Non-Executive Board Member and Audit and Risk Assurance Committee Member

Martin was appointed to the Companies House Main Board as a Non-Executive Director in May 2019 and has accepted a second 3-year term. Previously, Martin was Senior Vice President at NTT DATA; a Tokyo based professional services business. He was specifically accountable for NTT DATA's public services businesses including strategy, growth, programme delivery, and risk and compliance.

Martin has a background in business management and technology consulting, and in the delivery of large infrastructure programmes, having previously worked for KPMG, Capgemini and BAE Systems Detica, in European and UK leadership roles.

Martin also holds Non-Executive Director roles with the NHS Counter Fraud Authority and Ofsted, has recently been appointed as interim Chair of the Education and Skills Funding Agency, and is a Civil Service Commissioner.

Tim Burt:

Non-Executive Board Member and Audit and Risk Assurance Committee Member

Tim Burt is Vice-Chair of Teneo; an international strategic advisory firm. Since joining Teneo in 2015, he has provided senior counsel to leading global corporations on critical issues including reputation management, mergers and acquisitions, restructuring, capital reorganisations, and crisis mitigation.

Prior to Teneo, Tim was a founder Managing Partner at StockWell Group and previously served as a Partner at Brunswick Group. From 1989 to 2005, he was a journalist at The Financial Times, where he worked in a number of roles including Media Editor, Motor Industry Correspondent, and Nordic Correspondent. He is a graduate of the University of Durham and a Fellow of the Royal Society of Arts & Commerce.

Carol Shutkever:

Non-Executive Board Member and Remuneration Committee Member

Carol is a Corporate Lawyer who was a Partner at Herbert Smith Freehills LLP for 20 years. She headed the firm's UK corporate governance team, providing advice on company law, board governance, listed company regulation, corporate social responsibility, risk management and corporate reporting. She also led the firm's UK corporate knowledge management team, with responsibility for legal precedents and resources, technical expertise, analysing new law and regulation, legal training, briefings, and seminars.

Carol is now an independent Consultant and is an Examiner for The Chartered Governance Institute. She is a Board Director and Trustee of a schools Multi Academy Trust and a homeless charity, and is a Member of the Finance & Governance Committee of the United Nations Association-UK.

Emir Feisal:

Non-Executive Board Member and Chair of the Audit and Risk Assurance Committee

Emir is a Chartered Accountant and is a specialist in transformational change and essential resource planning. The majority of his career was spent at the Sunday Times as Associate Managing Editor for this leading Sunday paper.

He is a Commissioner for the Judicial Appointments Commission, which selects candidates for judicial office in Courts and Tribunals. He is at present, a Board Member and Audit Chair of the Serious Fraud Office, the Driver and Vehicle Standards Agency, The Pension Ombudsman, the Honours Committee, and is a Trustee of The Henry Smith Charity, one of the largest grant makers in the UK.

He has held Non-Executive Board Member positions with Lambeth Clinical Commissioning group, London Metropolitan University, and the Bar Tribunal Adjudication Service, amongst others.

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 84-104.

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 responsibilities.

Future developments/change of status impact

Companies House's future developments are detailed in its strategy 2020-25.

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). Following this, and after nearly two years of extensive transition planning, Companies House was classified as part of central government from April 2020. 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's and BEIS' cycle of spending reviews.

Political and charitable gifts

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

Audit service

The statutory external audit was performed by the National Audit Office (NAO) and reported on by the Comptroller and Auditor General.

The notional audit fee for 2021/22 was £67,000. This includes £16,750 for work carried out on the LFP Trust Statement. 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 Board, and the non-executive board members are asked for declarations of interest in any of the items considered at a particular meeting at Board, Audit and Risk Assurance Committee, and Remuneration Committee meetings.

Directors’ statement

The Executive Board consists of the Chief Executive Officer and Executive Directors. In respect of 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.

Personal data breaches reported to the Information Commissioner’s Office

Information regarding Companies House’s data controls and breaches, of which one was reported to the Information Commissioner’s Office, can be found in the “Data Controls” section of the Governance Statement on page 99.

Statement of 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; and
- 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 of 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.

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 Companies House auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

Governance Statement

Introduction

I have been appointed as Accounting Officer and the Registrar of Companies for England and Wales. I am also the Chief Executive Officer for the organisation. 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 relationship 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's Corporate Governance in Central Government Departments: Code of Good Practice 2017.

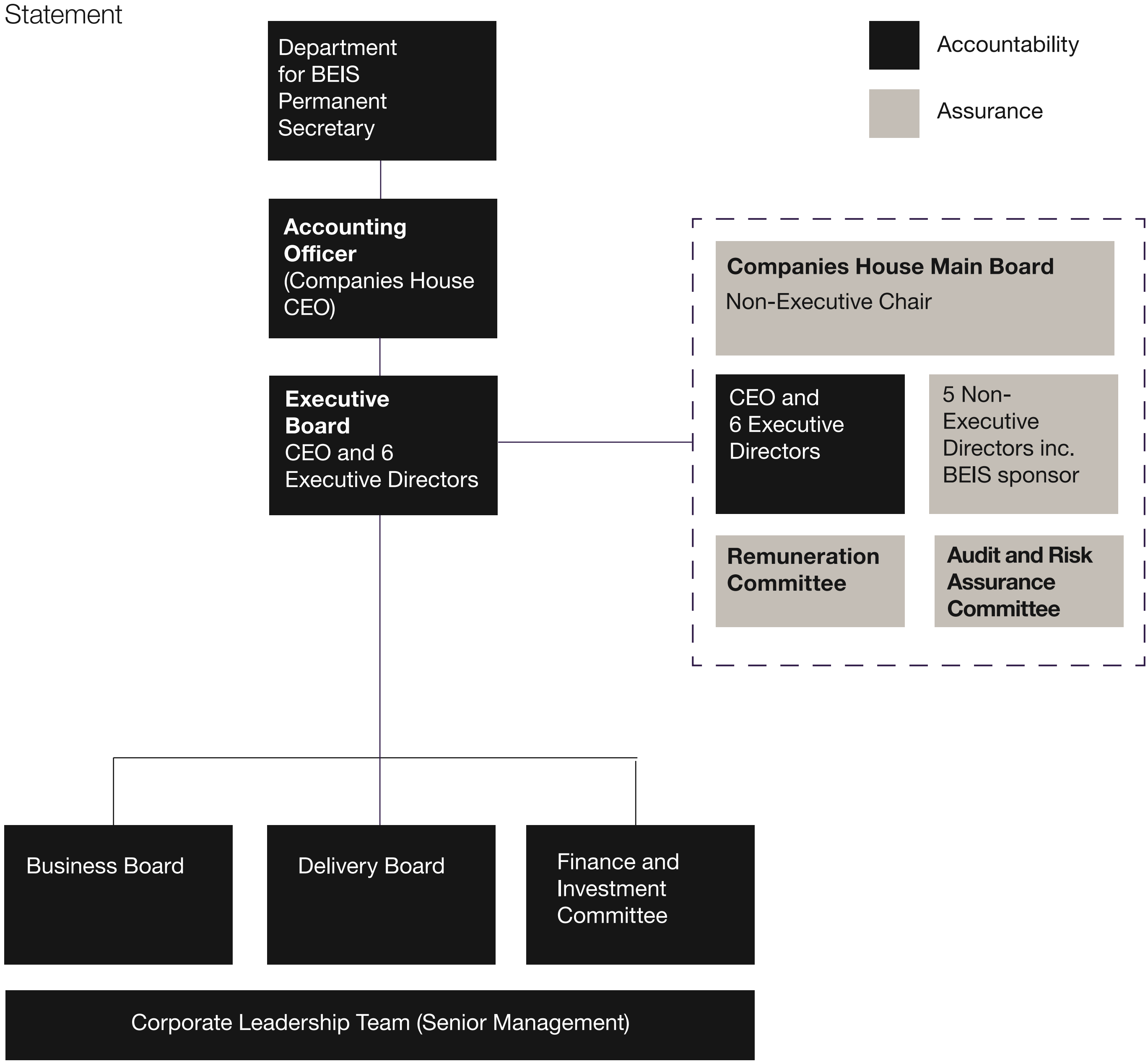
In addition, I am also the Regulator for Community Interest Companies (CIC), appointed in September 2020. CIC decides whether an organisation is eligible to become, or continue to be, a community interest company, and is responsible for investigating complaints, taking appropriate action where necessary,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

Governance framework

We are managed by a Board (also referred to as Main Board) and an Executive Board. The Board is chaired by an independent non-executive board member. The Board has strategic oversight and is supported by the Audit and Risk Assurance Committee and Remuneration Committee. The Executive Board is responsible for the day-to-day management in delivering our commitments to the government and the public as set out in the annual corporate/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 to keep staff safe. In addition, a specific COVID-19 executive subgroup (in place since March 2020) monitored the level of risk and ensured that appropriate controls were in place and adapted as circumstances changed.

Governance structure



Relationship with BEIS

Following the Office of National Statistic 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 status as an Executive Agency (EA) of BEIS. However, significant changes were made to our 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's 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.

Companies House's Main Board

The Board's main role is to set Companies House's strategy and direction, and to oversee operational effectiveness. It is led by an independent Non-Executive Chair. It comprises seven members of the Executive team (including the Chief Executive), five Non-Executive Board Members (including the Chair) and one Non-Executive BEIS sponsor representative. The Chair and Board ensure that 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 remaining years of our strategy (2020-25);
- agreed the contents of the 2022/23 Business Plan and public targets;
- reviewed and agreed the 2020/21 Annual Report and Accounts; and
- reviewed financial performance and efficiency.

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.

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

The Audit and Risk Assurance 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 Assurance 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, operations, finance, and commercial activity;
- received regular strategic risk updates;
- 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 Companies House Governance Statement; and
- received reports and held discussions on specific areas during the year including cyber security, operational processes, information security, and systems resilience.

An internal effectiveness review was carried out for the Audit and Risk Committee across March and April 2021 based on NAO guidance, from which an internal action plan was built. An action plan was agreed to progress a small number of areas identified for improvement.

Remuneration Committee
The Board is also supported by a Remuneration Committee chaired by the Board's Chair. During this financial year, following a period of negotiation, the Committee endorsed the Executive's pay and reward recommendations, and staff award scheme recommendations.

The Committee also considered the gender pay gap analysis, and held discussions regarding matters of equality, diversity, and inclusion.

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 Board is responsible for delivering, and regularly reviews our performance against the plan.

In Spring 2021, an internal annual effectiveness review was carried out for Main Board, from which areas of improvement were identified and from which the Board agreed an action plan.

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.

Board membership

During the year, there were changes to the composition of the Main Board, the Audit and Risk Assurance Committee (ARAC), and the Remuneration Committee. The terms of appointment for Debbie Gillatt, Kathryn Cearns, Martin Hagen, and Vanessa Sharp ended; and there were four new Non-Executive Board Member (NEBM) appointments.

Below is a table of attendance of the Board and its sub-committees. The figures denote meetings attended (meetings available to attend, subject to term dates) in year.

Board member	**Main Board 6 meetings in year** (available meetings, subject to term dates)	**Audit and Risk Assurance Committee 5 meetings in year** (available meetings, subject to term dates)	**Remuneration Committee 2 meetings in year** (available meetings, subject to term dates)
Lesley Cowley (NEBM and chair of the CH Board)	6 of 6 (6)	-	2 of 2 (2)
Louise Smyth (CEO and Registrar)	6 of 6 (6)	5 of 5 (5) (Attendee)	2 of 2 (2)
Martin Hagen (NEBM and chair of ARAC) (Term ended 31 December 2021)	4 of 4 (4)	4 of 4 (4)	0 of 1 (1)
Vanessa Sharp (NEBM) (Term ended 31 August 2021)	2 of 2 (2)	-	-
Kathryn Cearns (NEBM) (Term ended 31 December 2021)	4 of 4 (4)	3 of 4 (4)	-
Martin Spencer (NEBM)	5 of 6 (6)	5 of 5 (5)	-
Eoin Parker (BEIS)	6 of 6 (6)	-	2 of 2 (2)
Emir Feisal (NEBM and chair of ARAC) (Appointed 7 January 2022)	0 of 2 (2)	1 of 1 (1)	-
Carol Shutkever (NEBM) (Appointed 17 January 2022)	1 of 2 (2)	-	0 of 1 (1)
Timothy Burt (NEBM) (Appointed 7 January 2022)	2 of 2 (2)	1 of 1 (1)	-
Angela Lewis (Director of People Transformation)	6 of 6 (6)	-	2 of 3 (2) (Attendee)
Michelle Wall (Director of Finance and Commercial)	6 of 6 (6)	5 of 5 (5) (Attendee)	-
John-Mark Frost (Director for Transformation Delivery)	5 of 6 (6)	1 of 1 (5)	-
Ross Maude (Director of Digital, Data and Technology and Senior Information Risk Owner)	5 of 6 (6)	-	-
Martin Swain (Director of Strategy, Policy, External Communications and Legal)	6 of 6 (6)	-	-
Jill Callan (Director of Operations)	4 of 6 (6)	-	-

Managing the business — change and investment
In addition to the Main Board, the Audit and Risk Assurance Committee, and the Remuneration Committee, I had the assistance of three 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.

In late 2021, the governance arrangements for change and investment activities were reviewed. To optimise our portfolio governance arrangements and improve organisational efficiencies, the functions of the Portfolio Scrutiny Board were separated and in its place two new groups were constituted - the Delivery Board and the Finance and Investment Committee.

The Executive Board comprises of the Executive Directors 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;
- the impact of the COVID-19 pandemic to the business and its people, and response arrangements;
- compliance with best practice in governance codes; and
- the monitoring of strategic risks.

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

The Business Board comprises 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 which feeds into the strategic planning in line with the principles of the Macpherson Review of Quality Assurance;
- service performance (throughput and quality); and
- operational level risk within the Board's remit.

The Delivery Board is chaired by the Director for Transformation Delivery, and membership includes the Head of Portfolio Delivery and select Heads of Function. It is responsible for monitoring:

- the delivery of the portfolio delivery planning;
- spend against profiled budget and management of resources;
- the effectiveness of the management of project activity;
- decisions relating to projects; and
- portfolio level risks and issues.

The Finance and Investment Committee is chaired by the Director of Finance and Commercial, and membership comprises of the Director of Strategy, Policy, External Communications and Legal, and various Heads of Function; including the Head of Strategic Finance and the Head of Financial Control. This group is responsible for:

- overseeing, monitoring, and reviewing stewardship of Companies House's finances and investments, including financial planning and performance of revenue and capital expenditure plans; and
- providing the Executive Board with a means of assurance regarding the organisation's financial position and investments in support of delivering value through efficient use of resources.

Risk Management Framework and internal controls

Following the revision of our Risk Management Framework and implementation of a bottom-up risk approach towards the end of the 2020/21 financial year, we transitioned to new risk governance arrangements in the early part of this financial year. This entailed more robust risk registers being dispersed across all levels of Companies House, with clear risk escalation and reporting lines established.

To enable the Business Board to carry out quality assurance of operational risk management, a new Business Board reporting template was also created. The new report promotes further scrutiny, visibility, and mitigation of risks across Companies House.

We continued our journey to further mature the risk management culture across Companies House by establishing the service area risk registers which is aligned with our move to the service model. This was shortly followed by the development of issue management arrangements across the organisation to ensure that a consistent and evident mechanism of issue management is facilitated. This process allows issues to be managed alongside risks, across three tiers and using similar principles to risk management which ensures transparency and timely mitigation of issues.

We continued monthly Risk and Opportunity Group meetings, and dedicated training and campaigns, with the aim of further developing Companies House's risk management capabilities and maturity through provision of tools to support adaptable, bold, and curious behaviours.

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

Strategic risks are discussed on a monthly basis by the Executive Board, with highest risks subject to increased scrutiny and discussion. 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 during the 2021/22 financial year include:

- Cyber and physical security
- Companies House not sufficiently having the right people with the right skills and competencies in the right places (particularly in the digital and data teams)
- Delivery prioritisation of transformation activities in conjunction with other business as usual activities
- Not meeting the public target on customer satisfaction

Issues and highlights
(Including Controls and Assurance Records [CAR] Outputs)

CAR submissions show areas of high performance and areas that need development.

- Risk management – good
- Cyber security – good
- Contract management – action plan which has seen significant progress
- Knowledge management and single points of failure – action plan

Companies House's Executive Board considered a range of issues and highlights throughout the course of 2021/22. These have included:

- Reviewing the governance structure in support of the transition to a service model
- Responding to COVID-19
- Crisis management capability
- Developing new key performance measures
- Risk Management Framework revision and development of risk appetite

Compliance with functional standards

Companies House has established Executive sponsorship and organisational leads for each of the functional standards in scope. A baseline assessment has confirmed that levels of implementation vary across all standards. Companies House has an organisational focus of implementation of mandatory elements.

There are two standards which have not been applied – "Grants" and "Internal Audit". Internal audit will be assessed in the next financial year, along with the implementation of a continuous improvement framework.

Crisis management

Overall responsibility for our crisis management sits with the Director of People Transformation and is supported by strategic and operational business continuity leads. The Government Internal Audit Agency (GIAA) also provides support and input, advising on efficiency and effective ways of managing incidents.

Supporting Crisis Management is a clarified incident escalation process which includes an incident categorisation matrix aligned to the risk management process. Along with developing a COVID-19 timeline, an all-new Pandemic Plan was produced to reflect all the lessons learnt over the last two years.

With engagement across Companies House, scenario specific tactical and strategic level plans have also been developed. These include:

- An Estates Plan. This identifies actions in response to incidents which may impact the infrastructure of Companies House at Crown Way.
- A Suspect Mail/Package Plan. This identifies specific actions for those directly involved in mail handling and internal responders.
- A Cyber Attack Plan. This sets out Companies House's response to any cyber-attack including disruptions to communications, access to critical information and Companies House's services. This work was prioritised following the Russian invasion of Ukraine which increased the cyber threat for Companies House due to its active role in implementing legislative reform and economic sanctions.
- National Power Outage Plan. This sets out Companies House's response to a national power outage including protecting infrastructure, assets, and colleagues.

In line with best practice, a review of all Business Impact Analysis (which identifies critical activities and their requirements for recovery) has been started to reflect the transformation of Companies House, including changes to our systems, services, and ways of working.

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

Companies House 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 Pipeline Assurance Group which meets monthly, with members from Companies House, BEIS Digital, and Central Digital and Data Office (Cabinet Office).

We identified one project which did not have the appropriate spend control approval for the relevant phase. This was reported to BEIS and the Cabinet Office, and consequently the Joint Assurance Review Panel stated that the project has been assured as a project "in control". 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 approved by BEIS' Portfolio Investment Committee in June 2021, progressed during the year. The Executive Board and Main Board received updates on the performance against the expected deliverables and benefits.

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 Government Commercial Function (GCF).
- Use of central government commercial frameworks.
- Commitment to compliance by ensuring suppliers adhere to legislation including but not limited to:
  - Environmental ISO14001
  - Data Security ISO27001
  - ISO 45001
  - Data Protection Act 2018
  - Modern Slavery Act 2015
- Contract management to drive efficiency and continuous improvement, business continuity planning, and financial due diligence.
- In line with Government Procurement Policy (Procurement Policy Notes, PPNs), tailoring our commercial approach to COVID-19 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 Assurance 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 the Executive and other budget holders.

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

LFPs received are surrendered directly to HM Treasury and do not form part of Companies Houses' Executive Agency income. The Trust Statement for Late Filing Penalties 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. 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 light of the ongoing transformation of the organisation, we are currently enhancing the governance framework in this area to ensure that appropriate levels of scrutiny and assurance are maintained.

During the 2021/22 financial year, the majority of staff continued to work from home due to the COVID-19 pandemic. This meant that the majority of Companies House's finance processes and controls were conducted remotely in the home working environment. We continued to ensure that sufficient controls were maintained over Companies House's financial reporting processes, by ensuring an adequate review and supervision of processes whilst working remotely. In regard to securing IT systems, IT security continued to be a focus. Internal control processes to prevent known and emerging fraud risks were maintained and we strengthened our controls around password security.

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 implemented procedures to ensure we comply with the changes to off-payroll working rules (IR35) which came into effect from 6 April 2021. We reviewed our contractor contracts to gain assurance from contractors that no disguised remuneration schemes are in place. Where off-payroll worker rules do apply, we issued Status Determination Statements to each contractor, to outline the IR35 status of the contract.

As part of the internal tax review on off-payroll contracts, Companies House identified that a portion of our software development supplier contracts should be considered resource-based, instead of contracted-out-services as they were previously regarded. Prior to the 2021/22 financial year, VAT was recovered on these contracts under the government's contracted-out-service headings. As a result, we voluntarily disclosed an over recovery of VAT to HMRC during 2021/22 and subsequently repaid a balance of £2.5m. Due to the prompt voluntary disclosure and controls now in place to mitigate any future issues, HMRC do not intend to impose any penalties. Please see page 152 for further details.

Data controls

Governance arrangements have remained in place this year. The Senior Information Risk Officer (SIRO), who is also the Director of Digital, Data and Technology, 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, the business continuity manager, and 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 61 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 was reported to the Information Commissioner's Office (ICO) as a precaution and in accordance with their guidelines. The ICO was content that the incident was very low level and did not 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 2021/22.

Application of Business Appointment Rules
In compliance with the Business Appointment Rules, Companies House is transparent in its advice given to individual applications for senior staff. There were no changes in staff at SCS1 or SCS2 during the financial year.

Counter fraud and error
The management of fraud, error, corruption, and debt is a critical part of good governance. As an Executive Agency of BEIS, any losses and recoveries are reported quarterly to the 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 Network Group which meets monthly. The GIAA provides support and input, advising on aspects of control and risk management.

A new Counter Fraud Strategy 2022-25 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 continued to develop our counter fraud capability in line with the government counter fraud standards. As well as improving general compliance against the standards, there was a greater focus on risk assessments, policies, and tools for staff. For example, we reviewed and overhauled our Gifts and Hospitality Policy and assigned ownership from HR to Finance.

Mandatory training in relation to counter fraud continued to be assessed for compliance i.e., counter fraud, information security, conflict of interest, and non-compliance resulted in targeted action.

Whistleblowing procedures

Companies House's whistleblowing policy and procedures have been produced in line with the Civil Service Employee Policy. Companies House reviewed its whistleblowing policy and procedures in March 2022 to ensure they are fit for purpose. 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 was 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. We have reviewed our approach to quality assurance and found that we are 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 our income levels
- Electronic take up levels which are used to determine the effectiveness of Companies House's digital services and our approach to digital development
- Compliance levels of the Companies House register; the level at which the 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 helps to shape and appraise options, provides insight into how complex systems work, assess customer behaviour and motivations, measures system performance, and improves efficiency.

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 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 UK 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 and 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, and 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.

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 and 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 Assurance Committee and approved by the Accounting Officer. Regular reports are made to the Accounting Officer and to the Audit and Risk Assurance 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.

GIAA audit opinion

This financial year, the Head of Internal Audit (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. This opinion is formed as a result of individual audit engagements undertaken throughout the year, attendance of boards and committees, and regular meetings with senior management. The HIA assurance activities were aligned to the key risks to the strategic objectives of the organisation, focusing on:

- Strategic change activities – specifically those that support the Transformation Programme
- Key financial controls
- Governance, risk management, and internal control design
- Physical and cyber security
- Business planning
- The customer journey

HIA reported that through the transformation agenda, activities are being delivered and Companies House continues to progress with necessary change to support the amendments to the Companies Act, gaining regulatory powers, and delivering register reform. Governance structures are changing, financial processes are becoming more aligned to the parent department and internal controls are adapting to meet the ongoing needs of the business. Companies House is now also delivering to the strategic government agenda on economic crime though the Economic Crime Bill, using lessons learned from the pace of change seen during the COVID-19 pandemic to introduce the Register of Overseas Entities. In the face of these significant changes and challenges, Companies House continues to maintain good systems for governance, risk management and internal controls, with no significant weaknesses observed.

HIA also noted that as the UK moves away from significant restrictions arising from COVID-19, Companies House is starting to adapt to a new state of normal. Lessons are being actively learned from the pace of change required to respond to COVID-19, and opportunities are being evaluated and fed into new ways of working, supporting the transformation agenda. However, the tailwinds of COVID-19 are still having an impact, especially in the delivery of sufficient staff capacity. The current jobs market and the difficulty in recruiting individuals into specialist areas is a problem seen across the Civil Service, and Companies House is not immune. Management is aware of this and have identified capacity as a strategic issue. To mitigate, an exercise has been undertaken to reprioritise and realign the portfolio of change activities.

HIA added that during the year, in line with Companies House's risk appetite, all high, medium, and low priority actions driven from their recommendations have been monitored to closure. In the majority of instances, management actions are closed in line with agreed deadlines, but there are instances where actions remain open beyond agreed closure dates, extending the risk exposure.

Louise Smyth
Accounting Officer,
Chief Executive and Registrar
for England and Wales
24 October 2022

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 and local variations in labour markets and their effects on the recruitment and retention of staff
- Government policies for improving 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.gov.uk/government/organisations/review-body-on-senior-salaries

Service contracts

The Constitutional Reform and Governance Act 2010 requires civil service appointments to be made on merit on the basis of fair and open competition. The recruitment principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated in this remuneration report, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at: http://www.civilservicecommission.org.uk/

Fee entitlements for non-executive board members

The table below shows fee entitlements for non-executive directors who were members of Companies House's Main Board during the year ending 31 March 2022.

Board member	2021/22 £'000	2020/21 £'000
Lesley Cowley[1], non-executive chair	**45 - 50**	50 - 55
Martin Hagen, non-executive director and chair of the Audit and Risk Assurance Committee (term ended 31 December 2021)	**5 - 10 (FYE 10 - 15)**	10 - 15
Vanessa Sharp, non-executive director (term ended 31 August 2021)	**0 - 5 (FYE 10 - 15)**	10 - 15
Kathryn Cearns, non-executive director (term ended 31 December 2021)	**10 - 15 (FYE 15 -20)**	10 - 15
Martin Spencer, non-executive director	**10 - 15**	10 - 15
Emir Feisal, non-executive director and chair of the Audit and Risk Assurance Committee (appointed 7 January 2022)	**0 - 5 (FYE 10 - 15)**	Nil
Timothy Burt, non-executive director (appointed 7 January 2022)	**0 - 5 (FYE 10 - 15)**	Nil
Carol Shutkever, non-executive director (appointed 17 January 2022)	**0 - 5 (FYE 10 - 15)**	Nil
Eoin Parker[2], non-executive director	**Nil**	Nil

This table has been subject to audit.

[1]The Chair's remuneration is in respect of a time commitment of a minimum of 84 days per annum. The non-executive director remuneration is in respect of a time commitment of a minimum of 20 days per annum. Lesley Cowley was reappointed for 3 years on 1 March 2020 and her salary was reviewed at this time. The number of days per annum required for the role was increased from 48 to 84.
[2]Eoin Parker is a civil servant (BEIS) and is not remunerated for serving on the Board.

Directors - single total figure of remuneration

The table below outlines the single total figure of remuneration for Companies House directors.

Name	Salary 2021/22 £'000	Salary 2020/21 £'000	Bonus (performance payments) 2021/22 £'000	Bonus (performance payments) 2020/21 £'000	Pension 2021/22 £'000	Pension 2020/21 £'000	Total 2021/22 £'000	Total 2020/21 £'000
Louise Smyth	**110 - 115**	100 -105	**5 - 10**	10 - 15	**20**	52	**135 - 140**	160 -165
John-Mark Frost	**75 - 80**	70 - 75	**5 - 10**	5 - 10	**30**	28	**110 - 115**	105 - 110
Ross Maude	**120 - 125**	115 - 120	**0 - 5**	0 - 5	**48**	46	**165 - 170**	165 - 170
Michelle Wall	**75 - 80**	75 - 80	**0 - 5**	0 - 5	**27**	33	**105 - 110**	110 - 115
Angela Lewis	**80 - 85**	75 - 80	**5 - 10**	5 - 10	**24**	36	**110 - 115**	120 - 125
Martin Swain	**80 - 85**	75 - 80	**0 - 5**	0 - 5	**21**	39	**100 - 105**	120 - 125
Jill Callan	**70 - 75**	10 - 15 (FYE 70-75)	**0 - 5**	N/A	**70**	18	**140 - 145**	25 - 30

This table has been subject to audit.

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 2021/22 (2020/21: Nil).

Bonus (performance payments)

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 Main 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.

Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2021/22 relate to performance in 2021/22 and the comparative bonuses reported for 2020/21 relate to the performance in 2020/21.

Fair pay disclosure

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation, and the lower quartile, median and upper quartile remuneration, and corresponding ratio of the organisation's workforce.

The banded remuneration of the highest paid director at Companies House in the financial year 2021/22 was £120,000-£125,000 (2020/21: £120,000-£125,000). This was 4.46 times the median remuneration of the workforce (2020/21: 4.53), which was £27,462 (2020/21: £27,038).

In 2021/22, 44 employees received remuneration in excess of the highest paid director (2020/21: 52). Remuneration ranged from £18,000 to £366,000 (2020/21: £18,000 to £356,000).

The decrease in the average salary and allowances of Companies House employees of 7% is due to a decrease in the pay attributed to contingent workers during 2021/22. Comparatively, there has been a decrease in the median pay ratio from the 2020/21 organisational remuneration, which is representative of the increase in pay and reward for filling lower band staff vacancies.

The decrease in the average performance pay and bonuses paid of 87% is attributed to the removal of the Corporate Efficiency Award (CEA) in 2020/21. This was to align ourselves with the wider government pay policy and therefore there was no such award paid in 2021/22.

Total remuneration includes salary, non-consolidated performance related pay, and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions. All employee remuneration figures have been calculated, including temporary and agency staff, in line with the Government Financial Reporting Manual (FReM) guidelines.

Percentage change in total salary and bonuses for the highest paid director and the staff average

	Total salary and allowances	Bonus payments
Salary average	(7%)	(87%)
Highest paid director	3.4%	(100%)

This table has been subject to audit.

Ratio between the highest paid directors' total remuneration and the lower quartile, median and upper quartile for staff pay

		2021/22	2020/21 (re-presentation)
Band of highest paid director's total remuneration (FTE)	£'000	**120 - 125**	120 - 125
Range of staff remuneration (including temporary and agency staff)	£'000	**18 - 366**	18 - 356
Median remuneration	£	**27,462**	27,038
Ratio		**4.46**	4.53
25th percentile remuneration	£	**22,735**	-
Ratio		**5.39**	-
75th percentile remuneration	£	**39,816**	-
Ratio		**3.08**	-

This table has been subject to audit.

2021/22 is the first year the total pay and benefits and salary component of total pay and benefits are required for the lower, median and upper quartile remuneration. 2021/22 is also the first year the lower quartile and upper quartile pay ratios are required. As a result, no 2020/21 comparatives are available for these disclosures.

The staff's 2021/22 salary and allowances equalled the total pay and benefits for the lower quartile, median and upper quartile. This is due to 2020/21 being the final year the Corporate Efficiency Award (CEA) was paid, and the pay awards schemes now offered, do not have a bearing on the quartile disclosures.

The 2020/21 figures in the table above have been represented from the figures disclosed in the 2020/21 published Annual Report and Accounts. This is due to additional workers who were identified as contingent labour as per the definition outlined in Public Expenditure System 2022 (see page 149 for further details). As a result, we have represented our total staff remuneration balances above, to include the annualised costs of these individuals.

Directors - pension benefits

Name	Real increase in pension and related lump sum at pension age £'000	Accrued pension as at 31 March 2022 and related lump sum £'000	CETV[1] at 31 March 2022 £'000	CETV[2] at 31 March 2021 £'000	Real increase (decrease) in CETV funded by employer £'000
Louise Smyth	0 - 2.5 plus a lump sum of 0	45 - 50 plus a lump sum of 115 - 120	1,016	950	6
John-Mark Frost	0 - 2.5	15 - 20	178	158	11
Ross Maude	2.5 - 5	5 - 10	117	82	24
Michelle Wall	0 - 2.5	20 - 25	302	270	14
Angela Lewis	0 - 2.5	30 - 35	487	448	12
Martin Swain	0 - 2.5 plus a lump sum of 0	35 - 40 plus a lump sum of 65 - 70	595	554	8
Jill Callan	2.5 - 5 plus a lump sum of 5 - 7.5	30 - 35 plus a lump sum of 70 - 75	643	557	54

This table has been subject to audit.

[1]Cash equivalent transfer value
[2]The opening balance at the start of the default period scheme year does not agree with the closing balance in the previous year because of a retrospective update to salary data.

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 Exchequer. 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.

Staff report

Overview
The staff report covers employee matters in the year. It also provides statutory disclosures on staff costs, numbers, composition, and other activities.

Staff policies
This financial year, employee wellbeing has been a key area of focus. Through structuring our wellbeing offer around five pillars (mental, physical, financial, social and digital), we have been able to understand and target specific support and interventions for our colleagues. Colleagues were also supported by comprehensive occupational health support with 24/7 access to an Employee Assist programme, specialist counselling, and proactive case conferences to enable the safe return to work, including any reasonable adjustments to support that transition.

Our people led networks continued to thrive, bringing colleagues together to promote inclusivity in the workplace. Through our networks, we supported colleagues with protected characteristics and their allies, and helped to foster relationships, increase understanding, and breakdown barriers. We utilised coaching, mentoring and reverse mentoring opportunities to support colleagues to advance equality of opportunity for all, and once again we achieved our public target to increase the number of under-represented applicants appointed to roles in Companies House.

We continued with our guaranteed interview scheme where disabled people who meet the minimum requirements for a role are interviewed and considered on their abilities. We also signed up for other life chance schemes that operate in a similar way, providing opportunities for veterans and prison leavers to find employment.

As part of our planning for post-pandemic working, we have been reviewing our people policies and employee offer to ensure they continue to be relevant for our new hybrid ways of working. This is a collaborative process with our various networks, union colleagues and engagement groups, to ensure our focus and decisions are shaped by those that matter. Our aim is to provide colleagues with modern people policies that enable hybrid working, and an attractive benefits package to support the recruitment and retention of talent in Companies House. This work will continue into the next financial year.

Staff engagement

This financial year, 93% of Companies House colleagues participated in the people survey (2020/21: 90%). This far exceeds the overall completion rate for the Civil Service, which was 62% (2020/21: 66%).

The people survey results showed that in Companies House, employee engagement stood at 71%, (2020/21: 75%). In view of the significant challenges presented by the COVID-19 pandemic and the restrictions Companies House put in place to keep colleagues safe, this remains an extremely positive result and compares well to the overall Civil Service result of 66%. We continued to adopt our two-tier approach in responding to the results of the people survey by creating our corporate action plan and working with our directorate engagement groups. There is work underway, or planned for, in all of the key areas identified where we could improve. Driven by colleague led support, a host of activity has enabled us to keep our "you said, we did" commitment on every agenda whilst capturing valuable data for our continued work with Investors in People.

Staff composition

The information included within the staff report has been subject to audit.

The table below shows the number of senior civil service staff (or equivalent) by band.

Senior civil service staff band	2021/22 Number of senior service staff	2020/21 Number of senior service staff
Band 1	**6**	5
Band 2	**1**	1
Total	**7**	6

This table has been subject to audit.

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

Staff numbers by location	2021/22 Total employees	2021/22 Full-Time Equivalent posts (FTE)	2020/21 Total employees	2020/21 Full-Time Equivalent posts (FTE)
Cardiff	**1,062**	**981**	1,019	936
Belfast	**21**	**19**	19	18
Edinburgh	**40**	**39**	38	37
London	**6**	**6**	8	8
Total	**1,129**	**1,045**	1,084	999

This table has been subject to audit.

Staff numbers by activity	2021/22 Total employees	2021/22 Full-Time Equivalent posts (FTE)	2020/21 Total employees	2020/21 Full-Time Equivalent posts (FTE)
Customer delivery directorate and late filing penalties	**651**	**590**	624	560
Digital services	**236**	**231**	223	218
Corporate services	**157**	**143**	147	134
Strategy	**59**	**56**	57	54
Chief Executive and Registrar and legal	**26**	**25**	33	33
Total	**1,129**	**1,045**	1,084	999
Staff who worked on capital projects (also included above)	**125**	-	90	-

This table has been subject to audit.

In addition, the average number of contract staff was 58 (2020/21 (re-presentation): 101) of whom 36 (2020/21 (re-presentation): 60) were included on capital projects.

Staff numbers by contract type (average headcount)	2021/22	2020/21
Staff with a permanent (UK) employment contract with Companies House	**1,097**	1,057
Other staff engaged on the objectives of Companies House	**90**	71
Total	**1,187**	1,128

This table has been subject to audit.

Staff composition (average headcount)	2021/22 Female	Male	Total	2020/21 Female	Male	Total
Directors (senior civil servants)	**4**	**3**	**7**	3	3	6
Employees	**622**	**500**	**1,122**	602	476	1,078
Total	**626**	**503**	**1,129**	605	479	1,084

There were seven independent non-executive board members as at 31 March 2022 (2020/21: 7).

The average staff turnover in the year was 12% (2020/21: 6.0%).

During 2021/22, the total number of whole time equivalent (WTE) days lost to sickness absence was 7,480 days (2020/21: 4,350 days). This equated to an average of 7.15 working days lost per staff member (2020/21: 4.31 days); a total sickness absence rate of 2.8% (2020/21: 1.7%).

Staff costs

Staff costs (for the above persons)	2021/22 £'000	2020/21 £'000 (re-presentation)[1]
Salaries	**32,492**	32,041
National Insurance	**3,254**	3,016
Pension costs	**8,852**	8,254
Contract staff[1]	**7,528**	11,551
Capitalised staff costs (included above)	**(1,539)**	(2,005)
Capitalised contract staff project costs (included above)[1]	**(2,976)**	(5,137)
Staff costs per operating account	**47,611**	47,720

This table has been subject to audit.

[1]As outlined on page 99 above, during the year, Companies House identified a portion of contracts which should have been reported as resource based supply of staff rather than a contracted-out-service, resulting in a re-presentation of non-staff expenditure (note 4, page 151) to staff expenditure (note 3, page 149) for 2020/21 comparative figures.

The re-presentation has increased the contract staff spend in 2020/21 by £6.7m (from £4.9m to £11.6m). Of this total contract staff spend, £5.1m related to capitalised contract staff costs, a £4.5m increase compared to the £0.6m reported in 2020/21. This resulted in a re-presentation of capitalised costs from contracted-out-service costs to contract staff costs and therefore, does not impact the PPE and intangible comparative balances.

Following this review, Companies House voluntarily disclosed this finding to HMRC and has subsequently repaid a balance of previously underpaid VAT of £2.5m during the financial year. See further details of the repayment of this liability in note 5, page 152.

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. This 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 The Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 switched into alpha sometime between 1 June 2015 and 1 February 2022. Because the government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the CETV shown in this report – see above).

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

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic, and benefits for service from October 2002 worked out as in premium. In nuvos, a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with The 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 an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

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

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

Further information on the treatment of pension liabilities is included in the accounting policies (note 3 of the financial statements on page 149).

Consultancy and the use of contingent labour

Consultancy and the use of contingent labour	2021/22 £'000	2020/21 £'000 (re-presentation)[1]
Consultancy expenditure	**151**	23
Contingent labour expenditure[1]	**7,528**	11,551

[1]See staff costs note above (page 116) for details on the re-presentation of 2020/21 contingent labour costs.

Compensation for loss of office

Companies House did not run an exit release scheme during 2021/22. This means that no members of staff left during the year under a voluntary exit scheme (2020/21: Nil), and no compensation payments were made during the year (2020/21: Nil).

During the year no employees received compensation payments following their efficiency departure (2020/21: Nil).

This section has been subject to audit.

Off-payroll engagements

The table below shows the number of highly paid off-payroll worker engagements as at 31 March 2022, who earned £245 per day or greater.

	2021/22
Number of existing engagements as at 31 March 2022	**57**
Of which:	
Number that have existed for less than one year	**37**
Number that have existed for between one and two years	**11**
Number that have existed for between two and three years	**6**
Number that have existed for between three and four years	**0**
Number that have existed more than 4 years	**3**

The table below shows the number of highly paid off-payroll workers engaged at any point during the year ending 31 March 2022, who earned £245 per day or greater.

	2021/22
Number of temporary off-payroll workers engaged during the year ending 31 March 2022 earning £245 per day or greater	**130**
Of which:	
Not subject to off-payroll legislation	**69**
Subject to off-payroll legislation and determined as in-scope of IR35	**0**
Subject to off-payroll legislation and determined as out-of-scope of IR35	**61**
Number of engagements reassessed for compliance or assurance purposes during the year	**0**
Of which: Number of engagements that saw a change to IR35 status following review	**0**

The table below shows any off-payroll engagements of board members and/or senior officials with significant financial responsibility between 1 April 2021 and 31 March 2022.

	2021/22
Number of off-payroll engagements of board members and/or senior officials with significant financial responsibility during the financial year	**0**
Number of individuals on-payroll and off-payroll that have been deemed board members and/or senior officials with significant financial responsibility during the financial year	**7**

Auditable and non-auditable elements of this report

The tables in this remuneration and staff report specified as audited have been subject to audit and are referred to in the Certificate and Report of the Comptroller and Auditor General to the House of Commons. The Auditor General's opinion is included within his certificate and report, which can be found on pages 124 to 130.

Parliamentary accountability and audit report

Parliamentary accountability

The information included within the Parliamentary accountability and audit report has been subject to audit.

Fees and charges

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 2021/22 £'000	Cost of services[4] 2021/22 £'000	Surplus/(deficit) 2021/22 £'000
Registration activities[1]	80,449	(78,435)	2,014
Dissemination activities[2]	1,237	(2,765)	(1,528)
Other services[3]	2,173	(18,585)	(16,412)
Total as per operating account	**83,859**	**(99,785)**	**(15,926)**

This table has been subject to audit.

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. The costs of services are made up of all other expenditure incurred which is outside of the costs to deliver registration and dissemination activities. The deficit is as a result of the transformational reform Companies House is currently undertaking and the market revaluation of our Crown Way right of use asset and is not recovered through fees.
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.

Regularity of expenditure

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

Special payments and losses
There were no payments (2020/21: no payments) made under this category that met the reporting threshold of £0.3m in aggregate for disclosure.

Please see page 171 of the Trust Statement for disclosure of late filing penalties losses and special payments.

Remote contingent liabilities
There are no remote contingent liabilities to disclose for 2021/22.

Louise Smyth
Accounting Officer,
Chief Executive and Registrar
for England and Wales
24 October 2022

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 2022 under the Government Resources and Accounts Act 2000.

The financial statements comprise: Companies House's

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

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

In my opinion, the financial statements:

- give a true and fair view of the state of Companies House's affairs as at 31 March 2022 and its net expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and having regard to Practice Note 10 *Audit of Financial Statements of Public Sector Entities in the United Kingdom* and the terms of my contract. 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 us 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 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 my 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 opinions.

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 concluded that 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 Chief Executive as 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 Financial 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 financial statements nor my auditor's certificate and report. The Chief Executive as 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 are 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 are required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

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

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

- the parts of the Accountability Report 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 and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of 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:

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Companies House 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

- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Chief Executive as Accounting Officer for the financial statements

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

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- 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; and
- 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.

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

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

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

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

- the nature of the sector, control environment and operational performance including the design of Companies House's accounting policies, performance incentives, and key performance indicators;
- inquiring of management, the Companies House head of internal audit, 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 Companies House's compliance with the Government Resources and Accounts Act 2000 and Managing Public Money;
- discussing among the engagement team and involving relevant internal specialists including IT Audit specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within Companies House for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, manipulating Companies House's key performance indicators to meet and externally communicated targets and timings of income recognition and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of Companies House's framework of authority as well as other legal and regulatory frameworks in which Companies House operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of Companies House. The key laws and regulations I considered in this context included the Companies Act 2006, Government Resources and Accounts Act 2000, Managing Public Money, employment law, tax legislation and other statutory instruments which relate to the delivery of services.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports; 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 remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

Other auditor's responsibilities

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

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

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General
24 October 2022

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

Companies House

Financial Statements

03

Statement of comprehensive net expenditure for the year ending 31 March 2022

	Note	2021/22 £'000	2020/21 £'000 (re-presentation)[1]
Total operating income	2	**83,859**	71,348
Staff costs[1]	3	**(47,611)**	(47,720)
Non-staff administration costs[1]	4	**(41,290)**	(31,183)
Repayment of VAT	5	**(2,527)**	-
Net (loss) on revaluation of right of use asset	7	**(8,069)**	
Intra-government transfer (expense)		**-**	(13,650)
Total operating expenditure		**(99,497)**	(92,553)
Net operating expenditure		**(15,638)**	(21,205)
Interest payable on lease liability	7	**(288)**	-
Net expenditure for the year		**(15,926)**	(21,205)
Other comprehensive net expenditure			
Net (loss) on revaluation of land and buildings	6	-	(7,687)
Comprehensive net expenditure for the year		**(15,926)**	(28,892)

[1]See note 3 (page 149) and note 4 (page 151) for details on the re-presentation of 2020/21 non-administration costs to staff costs.

All income and expenditure is derived from continuing activities.

The notes on pages 136-161 form part of the financial statements.

Statement of financial position as at 31 March 2022

	Note	2021/22 £'000	2020/21 £'000
Non-current assets			
Property, plant and equipment	6	**4,680**	4,825
Right of use assets	7	**22,729**	-
Intangible assets	8	**24,750**	22,145
Total non-current assets		**52,159**	26,970
Current assets			
Trade and other receivables	9	**11,267**	10,115
Cash and cash equivalents	10	**2,801**	1,629
Total current assets		**14,068**	11,744
Total assets		**66,227**	38,714
Non-current liabilities			
Provisions	12	**(151)**	-
Lease liability	7	**(27,721)**	-
Total non-current liabilities		**(27,872)**	-
Current liabilities			
Trade and other payables	11	**(10,778)**	(12,246)
Provisions	12	**(376)**	(25)
Lease liability	7	**(2,517)**	-
Total current liabilities		**(13,671)**	(12,271)
Total liabilities		**(41,543)**	(12,271)
Assets less liabilities		**24,684**	26,443
Taxpayers' equity			
General fund		**24,684**	26,443
Total		**24,684**	26,443

The notes on pages 136-161 form part of the financial statements.

L. C Smyth

Louise Smyth
Accounting Officer,
Chief Executive and Registrar
for England and Wales
24 October 2022

Statement of cash flows for the year ending 31 March 2022

	Note	2021/22 £'000	2020/21 £'000
Cash flows from operating activities			
Net operating expenditure	SoCNE	**(15,638)**	(21,205)
Non-cash transactions			
Net (loss) on revaluation of right of use asset	7	**8,069**	
Intra-government transfer (expense)		**-**	13,650
Depreciation and amortisation	6, 7, 8	**8,197**	5,812
Impairment	8	**124**	-
Loss on disposal	6	**-**	88
Auditor's remuneration	SoCiTE	**67**	64
Changes in operating assets and liabilities			
(Increase)/decrease in trade and other receivables	9	**(1,152)**	(2,655)
Increase/(decrease) in trade payables and other current liabilities		**(1,324)**	1,414
Movements in payables relating to items not passing through the operating account		**(539)**	(211)
Movement in provisions	12	**502**	(1,034)
Dividend paid		**-**	(4,108)
Net cash outflow from operating activities		**(1,694)**	(8,185)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,486)**	(2,419)
Purchase of intangible assets		**(6,274)**	(7,454)
Net cash outflow from investing activities		**(7,760)**	(9,873)
Cash flows from financing activities			
Principal element of finance lease payments	7	**(3,474)**	-
Net Parliamentary funding – drawn down	SoCiTE	**14,100**	(10,936)
Net cash outflow from financing activities		**10,626**	(10,936)
Net increase/(decrease) in cash and cash equivalents the period		**1,172**	(28,994)
Cash and cash equivalents as at the start of the period		**1,629**	30,623
Cash and cash equivalents as at the end of the period		**2,801**	1,629

The notes on pages 136-161 form part of the financial statements.

Statement of changes in taxpayers' equity for the year ending 31 March 2022

	General fund £'000	Revaluation reserve £'000	Total reserves £'000
Balance as at 1 April 2020	**47,607**	**8,666**	**56,273**
Comprehensive net expenditure for the year	(21,205)	(7,687)	(28,892)
Net Parliamentary funding - payable	(938)	-	(938)
Transfer between reserves	979	(979)	-
Balance as at 31 March 2021	**26,443**	**-**	**26,443**
Balance as at 1 April 2021	**26,443**	**-**	**26,443**
Comprehensive net expenditure for the year	(15,926)	-	(15,926)
Net Parliamentary funding – drawn down	14,100	-	14,100
Non-cash charges – auditor's remuneration[1]	67	-	67
Balance as at 31 March 2022	**24,684**	**-**	**24,684**

[1]The 2020/21 notional audit fee is not presented separately within the 2020/21 Statement of changes in taxpayers' equity. The 2020/21 notional audit fee totalled £64,000 and is included within the net operating expenditure for the year ending 31 March 2021.

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 136-161 form part of the financial statements.

Notes to the accounts for the year ending 31 March 2022

1. Accounting policies, judgements and estimates

1.1 Basis of accounting

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards. These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adapted and interpreted by the HM Treasury 2021/22 Government Financial Reporting Manual (FReM) and as set out in the Accounts Direction to the Department for Business, Energy & Industrial Strategy (BEIS) pursuant to section 5(2) of the Government Resources and Accounts Act 2000 (GRAA). Where the FReM permits a choice of accounting policy, the policy selected is that judged to be most appropriate to the particular circumstances of the BEIS Departmental Group for the purpose of giving a true and fair view. The policies adopted by Companies House are described below and they have been applied consistently to items considered material to the accounts. Companies House is domiciled in the UK.

1.2 Accounting convention

These accounts have been prepared under the historical cost convention modified to measure property, plant and equipment, intangibles, investment properties and financial instruments at fair value to the extent required or permitted under IFRS as set out in these accounting policies.

1.3 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.

1.4 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements in conformity with the 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 and estimates in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

- judgements made in adopting IFRS 16 (note 7)
- subsequent measurement of ROU assets under IFRS 16 (note 7)
- estimated useful life of intangible assets (note 8)
- assessment of the existence of impairment indicators for intangible assets (note 8)

1.5 New and amended standards adopted
IFRS 16 Leases supersedes IAS 17 Leases and is generally effective for periods beginning on or after 1 January 2019. Implementation of IFRS 16 in the public sector has been delayed and government departments are required to adopt IFRS 16 from 1 April 2022 in accordance with the FReM. However, as departments can elect to adopt the standard early, Companies House agreed with BEIS and HM Treasury that it would adopt IFRS 16 from 1 April 2021. See accounting policy 1.14 below for further details.

No new additional standards have been adopted in these financial statements.

1.6 Standards issued but not yet effective
IFRS 17 Insurance Contracts is 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.

1.7 Revenue recognition
Operating income represents fees and charges in respect of services provided. Operating income is made up of regulatory and search services. Regulatory and search services income is out of scope for Value Added Tax (VAT) purposes.

<u>Regulatory services</u>
The recognition of regulatory fees are dependent on:

- The number of entities on the register, which drives annual confirmation statement filings.
- The demand for limited liability incorporations, which drives incorporation applications.

- External factors such as the economy, legislative changes and taxation policies, which drives dissolution.
- The number of late filing penalties incurred, which drives the income collected from BEIS to reimburse costs relating to late filing penalty collection activities.

Companies House's income from regulatory activities are assessed under the IFRS 15 framework as follows:

- 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 performance obligation is typically satisfied when the document is filed.
- 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.

Search services
Many of Companies House's search services, such as obtaining basic company information, can be obtained free of charge from the Companies House website. There are other services such as "Companies House Direct" and "Certified Copies" which attract fees and are driven by user demand for the services.

Companies House's income from search activities are assessed under the IFRS 15 framework as follows:

- 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 the point of provision of the information which is materially the same time as the request.

Other operating income
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 classified as other operating income, and is recognised in the period to which it relates.

1.8 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.

1.9 Taxation
Companies House is exempt from corporation tax by way of Crown exemption. Companies House is not registered separately for VAT but falls within BEIS' registration. Irrecoverable VAT on expenditure is charged to the SoCNE and is capitalised in relation to the purchase of fixed assets.

1.10 Property, plant and equipment (PPE)
Assets are capitalised as PPE if they are intended for use on a continuing basis and their original carrying value, on an individual or asset pool basis, exceeds the relevant capitalisation threshold of £2,000. All research expenditure is written off as incurred. Assets under construction which are integral to property leased from the Government Property Agency (GPA) are transferred to the GPA when the asset is ready for use.

Valuation of PPE
PPE is carried at fair value held at historical cost and assets under construction which are held at cost. In accordance with the FReM, assets that have short useful lives or are of low value are carried at depreciated historical cost less impairment as a proxy for fair value. The difference between these is not considered material to the accounts.

Land and buildings are measured at current value in existing use using professional valuations in accordance with the Royal Institution of Chartered Surveyors' (RICS) valuation standards. Any revaluation gains or losses are treated in accordance with IAS 16 Property, Plant and Equipment.

Depreciation of PPE
Apart from freehold land which is not depreciated, PPE assets are depreciated to estimated residual values on a straight-line basis over the following estimated useful lives:

- 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.

1.11 Intangible assets
Intangible non-current assets are capitalised if they are intended for use on a continuing basis and their original carrying value, on an individual or asset pool basis, exceeds the relevant capitalisation threshold of £2,000. There are no active markets for Companies House's intangible assets which are valued at the lower of depreciated replacement cost and value in use. Where there is no value in use, depreciated replacement cost is used.

In accordance with IAS 38 Intangibles, the policy on expenditure incurred on the replacement of Companies House's 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. 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. Intangible assets acquired separately are measured on initial recognition at cost.

Capitalisation ceases when all the activities that are necessary to prepare the asset for use are substantially complete.

Amortisation of intangible assets
Amortisation commences at the point of commercial deployment over the asset's estimated useful economic life. The useful economic lives of CHIPS and CHS are regularly re-assessed against our IT strategy and revised where necessary. They are amortised on a straight-line basis over the following periods:

- 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.

1.12 Impairment of PPE and intangible assets

Companies House reviews carrying amounts at each reporting date. If an indicator for impairment occurs, then the recoverable amount of the asset (the higher of fair value less costs to sell and value in use) is estimated, and an impairment loss recognised to the extent that it is lower than the carrying amount. Losses arising from a clear consumption of economic benefit are charged to net expenditure for the year. Losses that do not result from a loss of economic value or service potential are taken to the revaluation reserve to the extent that a revaluation reserve exists for the impaired asset; otherwise to net expenditure for the year.

1.13 Cash and cash equivalents

Cash and cash equivalents comprise current balances with banks and other financial institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Any bank overdraft amounts are included within trade payables and other liabilities.

1.14 Leases

Adoption of IFRS 16 “Leases”

Leases as a lessee

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, as agreed with BEIS and HM Treasury, Companies House early adopted this standard with effect from 1 April 2021, with no re-presentation of prior year comparatives.

IFRS 16 represents a significant change in lessee accounting by removing the distinction between operating leases (off-statement of financial position financing) and finance leases (on-statement of financial position financing) and introducing a single lessee accounting model. Per IFRS 16, a lease is to be recognised when a contract, or part of a contract, conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

IFRS 16 requires the recognition of all leases as finance leases with exemption given to low value leases and short-term leases, i.e. those leases with “low value” de minimis threshold of £10,000 or lease terms of less than 12 months. This results in the recognition of right of use assets, measured at the present value of future lease payments, and matching liabilities in the statement of financial position (SoFP).

Companies House adopted IFRS 16 from 1 April 2021 on the cumulative catch-up basis as mandated in the FReM, and therefore the cumulative impact on previous years' results will be recognised within equity at the beginning of the period. As such, the prior year comparative information will not be re-presentation. Under the "grandfathering" rules mandated in the FReM for the initial transition to IFRS 16, right of use assets and lease liabilities will be recognised for all relevant leases not previously recognised as finance leases for accounting purposes under IAS 17.

The right of use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for initial direct costs, prepayments or incentives, and costs related to restoration at the end of a lease. The cost model is used as the subsequent measurement basis for the class of right of use assets relating to buildings, as management consider this an appropriate proxy for current value in existing use or fair value.

After the commencement date (the date that the lessor makes the underlying asset available for use by Companies House), Companies House measures the lease liability by:

- increasing the carrying amount to reflect interest
- reducing the carrying amount to reflect lease payments made
- remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in substance fixed lease payments.

The lease liability is subsequently remeasured if there is a change in the:

- lease term
- assessment of purchase option
- amounts expected to be payable under a residual value guarantee
- future payments resulting from changes in an index or rate

Impact of the new standard

Companies House has four property leases relating to the lease of our office space in Cardiff, Edinburgh, Belfast and London which are in scope for IFRS 16 adoption. Companies House has assessed the impact of IFRS 16 on the statement of comprehensive net expenditure (SoCNE) for the financial year ending 31 March 2022 compared to the position under IAS 17 for the year ending 31 March 2021. We have also assessed the impact on the statement of financial position (SoFP) at the reporting date of 31 March 2022.

Companies House has applied the HM Treasury central internal rate of borrowing which on transition to IFRS 16 was 0.91%.

The following table reconciles the movement from operating lease commitments held at 31 March 2021 to the lease liabilities recognised at 1 April 2021.

	Lease liabilities £'000
Operating lease commitments per IAS 17 as at 31 March 2021	42,544
Adjustment for irrecoverable VAT reported within IAS 17	(7,091)
Discounted using HM Treasury's incremental borrowing rate	(2,269)
Lease liabilities recognised at 1 April 2021	**33,184**

The following table reconciles the lease liabilities recognised at 1 April 2021 with the right of use asset recognised at 1 April 2021.

	1 April 2021 £'000	31 March 2021 £'000	Increase/ (decrease) £'000
Right of use assets commenced at 1 April 2021	**33,184**	-	33,184
Accrued lease incentive rent-free periods	**(143)**	(143)	-
Leasehold dilapidation provision	**151**	-	151
Total	**33,192**	(143)	33,335
Lease liabilities commenced at 1 April 2021	**33,184**	-	-
Total	**33,184**	-	-

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The following table shows the SoCNE impacts of adopting IFRS 16 for the year ending 31 March 2022, compared with the impact if IAS 17 had continued to apply.

	Impact under IFRS 16 £'000	Impact under IAS 17 £'000	Increase/ (decrease) £'000
Asset depreciation	**2,633**	-	2,633
Interest expense on discounted lease liability	**288**	-	288
IAS 17 basis rental payments	**-**	2,779	(2,779)
Total	**2,921**	2,779	142

Practical expedients on transition
Companies House has elected:

- to not reassess whether contracts contain a lease or not at the date of initial application, as mandated in the FReM;
- to apply the "cumulative catch-up" approach for adopting IFRS 16 as mandated in the FReM;
- to recognise an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application (IFRS 16, Section C8.b.ii), as mandated in the FReM;
- to not make any adjustments for leases for which the underlying asset is of a low value, as mandated in the FReM;
- to recognise all short-term leases through the statement of comprehensive net expenditure rather than recognise a right of use asset, as mandated in the FReM; and
- to use hindsight to determine the lease terms in contracts which contain options to extend or terminate as mandated in the FReM.

Valuation of right of use assets
As outlined in the FReM, the subsequent measurement basis of right of use assets shall be consistent with the principles for subsequent measurement of owned property, plant and equipment set out in the FReM adaptations to IAS 16.

Accordingly, right of use assets are measured at current value in existing use. Leases of buildings which give rise to right of use assets with a low value or short lease term, are held using the cost measurement model as a proxy for current value in existing use.

Current value in existing use for all other right of use assets is determined using professional valuations in accordance with the Royal Institution of Chartered Surveyors' (RICS) valuation standards. The full replacement cost of the right of use assets are calculated by identifying the current market rental value that could be achieved for existing use of the right of use asset and capitalising it for the full remaining lease term from the valuation date. The valuation should reflect the terms and conditions of the lease giving rise to the right of use asset and should reflect an assumption that Companies House requires the use the entire right of use asset.

Any revaluation gains or losses are treated in accordance with the principles for owned property, plant and equipment, set out in the FReM adaptations to IAS 16.

Leases as a lessor
Where leases satisfy the criteria outlined in IFRS 16 p.63, leases as a lessor are classified as finance leases. Amounts due from lessees under finance leases are recognised as receivables at the amount of Companies House's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on Companies House's net investment outstanding in respect of the leases.

Where the criteria of IFRS 16 p.63 is not met, leases as a lessor are classified as operating leases. Assets subject to operating leases are recognised in the SoFP with rental income plus initial direct costs incurred in arranging the lease, including incentives to the lessee to enter into the lease, recognised on a straight-line basis over the lease term.

1.15 Financial instruments

Companies House adopted IFRS 9 Financial Instruments from 1 April 2018. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised in the statement of financial position when Companies House becomes a party to the contractual provisions of an instrument.

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

Financial assets

Companies House holds financial assets in the following categories:

- Receivables held at amortised cost;
- Cash and cash equivalent.

Both receivables and cash and cash equivalents are held at amortised cost.

Receivables are shown net of impairments in accordance with the requirements of IFRS 9, where material. 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 2022, consider that no further impairment is required.

Financial liabilities

Companies House holds financial liabilities in the following category:

- Trade payables
- Accruals
- Other payables

Trade payables, accruals and other payables are amounts established as due at the reporting date, but where payment is made subsequently. Since these balances are expected to be settled within 12 months of the reporting date there is no material difference between fair value, amortised cost and historical cost.

1.16 Pension costs

Unfunded defined benefit pension schemes

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). These 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.

Defined contribution pension schemes

Employees may opt to join a personal stakeholder pension scheme instead, providing the scheme meets the minimum criteria set out by the 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.

1.17 Provisions

A provision is recognised when it is probable that an outflow of economic benefits will be required to settle a present obligation (legal or constructive), that can be reliably measured and which results from a past event. Where the time value of money is material, the provision is measured at present value using discount rates prescribed by HM Treasury.

2. Income

	2021/22 £'000	2020/21 £'000
Regulatory services		
Confirmation statement	**54,427**	48,527
Incorporations	**8,644**	9,036
Other	**7,240**	6,404
LFP activity	**10,138**	4,714
Sub total	**80,449**	68,681
Search services		
Companies House Direct	**295**	358
Certified Copies	**855**	712
Other	**87**	75
Sub total	**1,237**	1,145
Other income		
Rent and rates from the sub-lease of ROU assets	**1,379**	1,228
Other	**794**	294
Sub total	**2,173**	1,522
Total as per operating account	**83,859**	71,348

3. Staff costs

	2021/22 £'000	2020/21 £'000 (re-presentation)[1]
Salaries	**32,492**	32,041
National Insurance	**3,254**	3,016
Pension costs	**8,852**	8,254
Contract staff[1]	**7,528**	11,551
Capitalised staff costs (included above)	**(1,539)**	(2,005)
Capitalised contract staff project costs (included above)[1]	**(2,976)**	(5,137)
Staff costs per operating account	**47,611**	47,720

[1]As outlined on page 99 above, during the year, Companies House identified a portion of contracts which should have been reported as resource based supply of staff rather than a contracted-out-service, resulting in a re-presentation of non-staff expenditure (note 4, page 151) to staff expenditure included in note 3 above for 2020/21 comparative figures.

The re-presentation has increased the contract staff spend in 2020/21 by £6.7m (from £4.9m to £11.6m). Of this total contract staff spend, £5.1m related to capitalised contract staff costs, a £4.5m increase compared to the £0.6m reported in 2020/21. This resulted in a re-presentation of capitalised costs from contracted-out-service costs to contract staff costs and therefore, does not impact the PPE and intangible comparative balances.

Following this review, Companies House voluntarily disclosed this finding to HMRC and has subsequently repaid a balance of previously underpaid VAT of £2.5m during the financial year. See further details of the repayment of this liability in note 5, page 152.

3.1 Pensions

The total pension charge for the year totalled £8.9m (2020/21: £8.3m). For 2021/22 the banded charges averaged 26.7% of pensionable pay for permanent staff (2020/21: 28.0%). Within one of the civil service pension arrangements, permanent staff are allocated at one of the four rates in the range 26.6% to 30.3% of pensionable pay (2020/21: 26.6% to 30.3%), based on salary bands.

Employer contributions are usually 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 2021/22 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.

4. Non-staff administration costs

Auditor's remuneration	2021/22 £'000	2020/21 £'000
Audit services (non-cash transaction)	**67**	64
Subtotal	**67**	64

Following Companies House's transition to a central government department, there is no cash fee payable for the audit of 2021/22 Companies House's financial statements. Instead, there is a notional audit fee for 2021/22 of £67,000 (2020/21 notional fee: £64,000). This includes £16,750 for work carried out on the Late Filing Penalty Trust Statement (2020/21 notional fee: £16,000). This expense is charged within operating expenditure and recognised as a non-cash charge within the statement of changes in taxpayers' equity (page 135).

Administration costs	2021/22 £'000	2020/21 £'000 (re-presentation)
Chief Executive and senior managers' travel and subsistence	**1**	4
Other employees travel and subsistence	**39**	62
Staff related costs	**368**	425
Recruitment and training	**771**	573
Printing and stationery	**3,788**	4,316
Communications and awareness	**832**	623
Maintenance contracts/leases	**3,551**	3,265
Repair and maintenance—buildings	**1,589**	1,232
Accommodation cost	**2,770**	3,426
Property rental	**190**	712
Office equipment	**136**	310
Software	**4,716**	3,200
Professional services (including contact centre and costs of litigation)[1]	**12,304**	5,935
Other administration costs	**1,390**	1,200
Subtotal	**32,445**	25,283
Non-cash items		
Depreciation and amortisation	**8,197**	5,812
Impairment	**124**	-
Loss on disposal	**-**	88
Provision expense	**524**	-
Subtotal	**8,845**	5,900
Total non-staff administration costs	**41,290**	31,183

[1]A portion of the 2020/21 professional services costs have been re-presentation to staff costs. See note 3, page 149 for further details.

5. Repayment of VAT

	2021/22 £'000	2020/21 £'000
Repayment of VAT	**2,527**	**-**

As part of the internal tax review on off-payroll contracts, Companies House identified that a portion of our software development supplier contracts should be considered resource-based, instead of contracted-out-services as they were previously regarded. Prior to the 2021/22 financial year, VAT was recovered on these contracts under the government's contracted-out-service headings. As a result, we voluntarily disclosed an over recovery of VAT to HMRC during 2021/22 for VAT reclaimed between 2018/19 and 2021/22 on our external software development supplier contracts and subsequently repaid a balance of £2.5m.

Of the £2.5m repaid, £0.5m relates to VAT recovered in relation to 2021/22 and £1.1m in relation to 2020/21. Of the remaining £0.9m balance, £0.8m relates to VAT recovered in periods prior to 2020/21 and £0.1m of interest payable to HMRC.

Due to the prompt voluntary disclosure and controls now in place to mitigate any future issues, HMRC do not intend to impose any penalties.

6. Property, plant and equipment

6.1 Property, plant and equipment 2021/22

	Leasehold improvement £'000	Plant and machinery £'000	Computer equipment £'000	Assets under construction £'000	Total £'000
Cost or revaluation					
As at 1 April 2021	**657**	**5,366**	**18,340**	**-**	**24,363**
Additions	-	191	347	1,295	1,833
Disposals	-	(323)	(403)	-	(726)
At 31 March 2022	**657**	**5,234**	**18,284**	**1,295**	**25,470**
Depreciation					
As at 1 April 2021	**493**	**2,710**	**16,335**	**-**	**19,538**
Charged in year	19	505	1,454	-	1,978
Disposals	-	(323)	(403)	-	(726)
As at At 31 March 2022	**512**	**2,892**	**17,386**	**-**	**20,790**
Net book value as at 31 March 2022	**145**	**2,342**	**898**	**1,295**	**4,680**
Net book value as at 31 March 2021	164	2,656	2,005	-	4,825

During the 2020/21 financial year, Companies House transferred the Crown Way office to the GPA. £1.0m of the fixed asset additions within the Assets under construction category relate to works integral to the Crown Way building and therefore, Companies House will transfer these assets to the GPA once work is complete.

As at 31 March 2022, this work was still in progress.

6.2 Property, plant and equipment 2020/21

	Land £'000	Buildings £'000	Leasehold improve-ment £'000	Plant and machinery £'000	Computer equiment £'000	Total £'000
Cost or revaluation						
As at 1 April 2020	**3,675**	**14,700**	**851**	**10,290**	**17,562**	**47,078**
Reclassifications	-	6,187	-	(6,187)	-	-
Additions	-	-	-	1,432	1,196	2,628
Impairment	-	(7,687)	-	-	-	(7,687)
Disposals/assets written off	-	-	(194)	(169)	(418)	(781)
Intra-government transfer	(3,675)	(13,200)	-	-	-	(16,875)
As at 31 March 2021	**-**	**-**	**657**	**5,366**	**18,340**	**24,363**
Depreciation						
As at 1 April 2020	**-**	**-**	**668**	**4,823**	**15,213**	**20,704**
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)
As at 31 March 2021	**-**	**-**	**493**	**2,710**	**16,335**	**19,538**
Net book value as at 31 March 2021	**-**	**-**	**164**	**2,656**	**2,005**	**4,825**
Net book value as at 31 March 2020	3,675	14,700	183	5,467	2,349	26,374

7. Leases

7.1 Leases as a lessee

Companies House has four property leases as a lessee relating to the lease of our office space in Cardiff, Edinburgh, Belfast and London which are in scope for IFRS 16 adoption. Companies House adopted IFRS 16 on 1 April 2021. On this date, our property leases which were previously considered operating leases, transitioned to finance leases under IFRS 16. For further details on the impact of transition from IAS 17 to IFRS 16, see note 1 on page 143.

Right of use assets	Buildings £'000	Total £'000
As at 1 April 2021	**33,192**	**33,192**
Additions	239	239
Depreciation expense to SoCNE	(2,633)	(2,633)
Net (loss) on revaluation of right of use asset	(8,069)	(8,069)
As at 31 March 2022	**22,729**	**22,729**

The property lease of Edinburgh, Belfast and London give rise to right of use assets with a low value or short lease term and are held using the cost measurement model as a proxy for current value in existing use.

On 28 August 2020, HM Treasury announced all government freehold properties were to transfer ownership to the Government Property Agency (GPA). The land and buildings associated with our Cardiff office, Crown Way was transferred on 31 March 2021 when Companies House entered into an agreement with the GPA, Executive Agency of the Cabinet Office. Immediately following the transfer, a new lease agreement commenced on 1 April 2021 to subsequently lease back the Crown Way property, at a rental value of £2.3m per annum over a 15-year period.

In applying the subsequent measurement basis for right of use assets per the FReM, Companies House has obtained a professional valuation of the Crown Way right of use asset from Montagu Evans (chartered surveyors) as at 31 March 2022, in accordance with the Royal Institution of Chartered Surveyors' (RICS) valuation standards. The valuation identified the full replacement cost of the right of use asset of £21.7m, which reflects the current market rental value that could be achieved for existing use. The valuation reflects the terms and conditions of the lease between GPA and Companies House giving rise to the right of use asset and reflects the assumption that Companies House requires the use of the entire right of use asset.

The revaluation of the Crown Way right of use asset has resulted in a revaluation loss of £8.1m, which has been charged to the statement of comprehensive net expenditure. As we transition to hybrid working, we have undertaken to reduce the footprint of office space we occupy in Cardiff pre-pandemic by approximately 60% by the end of March 2024. As a result, Companies House are holding ongoing conversations with GPA regarding how this will affect lease payments and the future right of use asset valuation of Crown Way. See note 16, page 161, for further details.

Lease liabilities	Buildings £'000	Total £'000
As at 1 April 2021	**33,184**	33,184
Additions	**240**	240
Rent repayments	**(3,474)**	(3,474)
Interest expense to SoCNE	**288**	288
As at 31 March 2022	**30,238**	30,238

Right of use asset and lease liability additions relate to the extension of our Belfast office lease for an additional two years.

The table below analyses Companies House's lease liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Management monitors rolling forecasts of Companies House's cash balance on the basis of expected cash flows, to ensure we are able to pay contractual commitments as they fall due.

Amounts due	2021/22 £'000	2020/21 £'000
Not later than one year	**2,783**	-
Later than one year and not later than five years	**11,737**	-
Later than five years	**17,623**	-
Discounted using the incremental borrowing rate	**(1,905)**	-
Total lease liability	**30,238**	-

Operating lease commitments disclosed applying IAS 17 as at 31 March 2021 totalled £42.5m, which was £9.3m higher than lease liabilities recognised at the date of initial application. The difference is due to discounting on leases under IFRS 16, which would not be discounted under IAS 17.

7.2 Leases as a lessor

Future income due under non-cancellable operating leases

	2021/22 £'000	2020/21 £'000
Receivable within 1 year	**630**	633
Receivable within 2–5 years	**726**	1,435
Total	**1,356**	2,068

The information above relates to the subleasing of Companies House's head lease for the Cardiff office. Companies House has 7 tenants (2020/21: 7) who lease the surplus space. 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.

8. Intangible assets

8.1 Intangible assets 2021/22

Intangible assets include software and the associated implementation costs.

	Software £`000	Assets under construction £'000	Total £'000
Cost			
As at 1 April 2021	**82,937**	**2,082**	**85,019**
Additions	-	6,315	6,315
Impairment	-	(124)	(124)
Asset transfer	2,114	(2,114)	-
As at 31 March 2022	**85,051**	**6,159**	**91,210**
Amortisation			
As at 1 April 2021	**62,874**	**-**	**62,874**
Charged in year	3,586	-	3,586
As at 31 March 2022	**66,460**	**-**	**66,460**
Net book value as at 31 March 2022	**18,591**	**6,159**	**24,750**
Net book value as at 31 March 2021	20,063	2,082	22,145

£0.7m (2020/21: £0.9m) of the closing Net Book Value (NBV) relates to Companies House Information Processing System (CHIPS) and £1.4m (2020/21: £2.1m) for Companies House Service (CHS). £16.5m (2020/21: £17m) of the closing NBV relates to other in-house projects. The remaining amortisation period for these assets is 1-8 years.

In accordance with Companies House's policy, all intangible assets were reviewed throughout the year and at year end for impairment.

8.2 Intangible assets 2020/21

Intangible assets are software and the associated implementation costs.

	Software £`000	Assets under construction £'000	Total £'000
Cost			
As at 1 April 2010	**72,540**	**5,025**	**77,565**
Additions	-	7,454	7,454
Impairment	-		
Asset transfer	10,397	(10,397)	-
As at 31 March 2021	**82,937**	**2,082**	**85,019**
Amortisation			
As at 1 April 2020	**59,814**	**-**	**59,814**
Charged in year	3,060	-	3,060
At 31 March 2021	**62,874**	**-**	**62,874**
Net book value as at 31 March 2021	**20,063**	**2,082**	**22,145**
Net book value as at 31 March 2020	12,726	5,025	17,751

9. Trade receivables and other current assets

	31 March 2022 £'000	31 March 2021 £'000
Trade receivables	**3,342**	3,020
Other receivables	**2,009**	1,258
Prepayments and accrued income	**3,284**	3,888
Amounts due from BEIS	**2,632**	1,949
Total	**11,267**	10,115

No amounts fall due after more than one year (2020/21: Nil).

10. Cash and cash equivalents

	31 March 2022 £'000	31 March 2021 £'000
Balance as at 1 April 2021	**1,629**	30,623
Net change in cash and cash equivalent balances[1]	**1,172**	(28,994)
Balance as at 31 March 2022	**2,801**	1,629

	£'000	£'000
The following balances as at 31 March were held at:		
Government Banking Service (GBS)/RBS	**2,492**	1,323
Commercial banks and cash in hand	**309**	306
Balance as at 31 March 2022	**2,801**	1,629

[1]The 2020/21 net change in cash and cash equivalents of £29.0m comprised of a repayment of surplus cash on our change in status from a trading fund to an Executive Agency of £10.9m. The remaining balance was used to fund working capital.

11. Trade payables and other current liabilities

	31 March 2022 £'000	31 March 2021 £'000
Amounts falling due within one year		
Trade payables	**58**	537
Accruals and customer prepayments	**9,442**	10,466
Other payables	**1,278**	1,243
Total	**10,778**	12,246

No amounts fall due after more than one year (2012/22: Nil).

12. Provisions for liabilities and charges

	Provision for restoration costs £'000	Provision for legal claims £'000	Dilapidation provision for leased assets £'000	Total £'000
Balance as at 1 April 2021	25	-	**-**	25
Provisions additions in the year	-	519	**151**	670
Provisions utilised in the year	-	(22)	**-**	(22)
Provisions not required written back	(25)	(121)	**-**	(146)
Balance as at 31 March 2022	**-**	**376**	**151**	527

Of the provisions outstanding as at 31 March 2022, the dilapidation provision for leased assets of £0.2m is expected to be utilised after more than one year. The £0.4m of other provisions held for legal claims are expected to be utilised within one year.

13. Financial commitments

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

	2021/22 £'000	2020/21 £'000
Not later than one year	**14,063**	20,707
Later than one year and not later than five years	**5,455**	13,342
Later than five years	**1,211**	-
Total	**20,729**	**34,049**

Financial commitments have decreased by £13.3m from £34.0m in 2020/21 to £20.7m in 2021/22 due to a number of financially significant contracts coming up for renewable within the 2022/23 financial year.

14. 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 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.

We do not believe we are exposed to market risk as Companies Houses' fees are set by the fees model.

We do not believe we are exposed to liquidity risk as Companies House is centrally funded by BEIS through the spending review.

15. Related party transactions

Companies House is an Executive Agency of BEIS. BEIS is regarded as a related party, and during this financial year, Companies House has had various material transactions with the divisions of the Department. Companies House also 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 transactions with Companies House during the year.

16. Subsequent events

Since the reporting date of 31 March 2022, Companies House have agreed a change in consideration for the lease of our Cardiff office from 31 December 2022, with the Government Property Agency (GPA). The lease consideration for the Cardiff office was £2.3m per annum as at the reporting date of 31 March 2022. The lease consideration will reduce to £1.8m per annum on 31 December 2022, for the remainder of the lease term.

With the updated lease rate effective from 31 December 2022, the lease liability attributable to the Cardiff office would have been reported at £23.5m as at 31 March 2022, compared to the lease liability attributable to the Cardiff office of £29.4m, reported in this Annual Report and Accounts.

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 by the Accounting Officer for issue on the date of the certificate of the Comptroller and Auditor General.

Companies House

Trust Statement

Late Filing Penalties 2021/22

04

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 (LFP) 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 LFPs. Companies House invoices BEIS for the cost of administering the scheme.

Statutory background

The purpose of the LFP 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 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 two 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)).

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Neither I nor my fellow Registrars have the power to cancel a penalty once it has accrued. There is limited discretion not to collect a 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, other income 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 "companies" 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 centrally funded by BEIS and 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, so where a company files its accounts late in two 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, the initial penalty value levied is as follows:

How late the accounts are delivered	Penalty: Private Company / LLP	Penalty: PLC
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

Business review and performance

The 2021/22 financial year has seen record numbers of penalties levied as companies recover from the COVID-19 pandemic.

During the financial year 383,276 penalties were levied (2020/21: 181,410), which is an increase of 201,866 (111%) on the previous year. The increase in the number of penalties issued also led to an increase in the total value of penalties, totalling £174.0m (2020/21: £96.7m). However, the average income per penalty decreased from £533 in 2020/21 to £454 in 2021/22.

A total of 78,132 double penalties (2020/21: 35,734) were levied with a value of £71.1m (2020/21: £40.7m) against companies who had filed their accounts late for two successive years or more.

	2021/22 Number of penalties '000	2021/22 £'000	2020/21 Number of penalties '000	2020/21 £'000
England and Wales	**358**	**162,071**	169	89,985
Scotland	**19**	**9,221**	9	5,254
Northern Ireland	**6**	**2,707**	3	1,456
Total	**383**	**173,999**	181	96,695

On 20 May 2020, the Corporate Insolvency and Governance Bill was laid before Parliament with the aim to ease the burden faced by businesses during the coronavirus pandemic. As a result, during the period June 2020 to April 2021, all eligible companies received an automatic 3-month extension through legislative easements. The automatic extension had an impact on annual LFP revenue and resulted in additional LFPs being raised in the 2021/22 financial year, which would have previously been raised in 2020/21 had the Bill not been enacted.

The LFP Trust has seen an increase in gross debt due to the pandemic, with gross debt relating to penalties levied increasing from £89.1m to £150.3m. During the 2020/21 financial year, we suspended our debt collection activities in response to the COVID-19 pandemic. As a result, in order to deal with the backlog of collections, during 2021/22 we expanded our internal debt collection activities and the number of debts placed with our debt collection agency, Indesser.

As a result of our debt collection efforts, during 2021/22 we collected a total of £88.6m of cash from revenue activities (2020/21: £40.5m).

Results and appropriations

The net revenue for the Consolidated Fund was £101.2m (2020/21: £52.6m). The transfer of receipts to the Consolidated Fund from the Trust in the year was £87.0m (2020/21: £38.0m), which left a balance due to the Consolidated Fund of £54.2m (2020/21: £40.0m). Please refer to the Trust Statement on pages 179 to 181.

Case handling

As companies navigated through the pandemic, we saw an increase in the number of appeals being raised against LFPs. During the financial year 83,347 (2020/21: 43,750) appeals were received against penalties levied.

As at 31 March 2022, I and my fellow Registrars had applied limited discretion not to collect £4.9m of penalties levied under section 453(3) of the Companies Act 2006 (2020/21: £6.5m). This equates to 3% as a percentage of total penalties levied (2020/21: 7%), which is offset against penalty income in the statement of revenue, other income and expenditure.

The internal teams worked hard to respond to these appeals, but due to the unprecedented volumes, there was a backlog of LFP appeals of c.27,000 as at 31 March 2022. A provision of £0.9m has been recognised for the debts which have an appeal outstanding as at 31 March 2022 and where I and my fellow Registrars expect to apply our exceptional discretion not to collect a LFP (section 453(3) of the Companies Act).

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 of the Companies Act 2006. Under section 453 of the Act it is the company not the individual officers which incurs a LFP. Therefore, 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, or where there is no economic benefit in pursuing a debt from a defunct company. Penalties are also written off as unrecoverable where the debt is over four years old.

In 2021/22 the total debt written off was £20.5m (2020/21: £17.5m) of which 78% related to dissolved companies (2020/21: 48%). As part of the expected credit loss model, £5.2m has been recognised to provide for debts which have been through the full debt collection strategy but were not passed back over to Companies House as at 31 March 2022.

Assessing the level of expected credit losses in these uncertain times is challenging, but we consider that a prudent approach has been adopted. The level of bad debt provision has increased from £61.1m to £108.4m. The credit loss model includes the appeals backlog and end of strategy factors noted above, and has been calculated in line with the accounting policy (note 1, page 182).

Independent adjudicators

The independent adjudicators' principal role is to deal with appeals against LFPs once they have passed through the first two internal stages at 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 Companies House's website.

Court and other legal costs

Court and other legal costs awarded were previously shown within other income and in 2020/21 amounted to £0.9m. From 1 April 2021, LFP changed the accounting policy for court and other legal costs to recognise costs net of trade receivables. 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. The amount of cash collected and owed to Companies House totalled £0.6m (2020/21: £0.1m). See note 1, page 182 for further details on the accounting policy change.

Funding

The cost of administering the scheme is 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 191).

Cash balances

Net cash inflow from revenue activities for the year was £88.6m (2020/21: £40.5m). After payments of £87.0m to the Consolidated Fund (2020/21: £38m), the net increase in cash for the year was £1.6m, taking cash balances at year end to £12.7m (2020/21: £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 receipted.

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 2021/22 Trust Statement. Instead, there is a notional audit fee for 2021/22 of £16,750 (2020/21 notional fee: £16,000).

COVID-19 impact

The COVID-19 pandemic continued to have an effect on LFP operations and results.

All eligible companies received an automatic extension of 3 months (from 9 to 12 months) for accounts with a filing deadline before 5 April 2021 to support companies through the COVID-19 pandemic. The extension service continued post 5 April 2021 but through application, with an auto-accept for COVID-19 related reasons.

The automatic extension impacted annual LFP revenue and resulted in additional LFPs being raised in the 2021/22 financial year. Penalty income increased by £77.3m (from £96.7m to £174.0m). The average revenue per penalty is however back to pre-pandemic levels at £454 per penalty (2020/21: £533 and 2019/20: £437).

Registrars

England and Wales
Louise Smyth
Chief Executive and Registrar of Companies for England and Wales

Scotland
Lisa Davis
Registrar of Companies for Scotland

Northern Ireland
Lynn Cooper
Registrar of Companies for Northern Ireland

L. C Smyth

Louise Smyth
Accounting Officer,
Chief Executive and Registrar for England and Wales
24 October 2022

Statement of Accounting Officer's responsibilities

Under the Government Resources Accounts Act 2000, HM Treasury has directed Companies House to prepare a Late Filing Penalty Trust Statement ("Trust Statement") for each financial year 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 judgments 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 Trust Statement;
- prepare the Trust Statement on a going concern basis; and
- confirm that the Trust Statement as a whole is fair, balanced and understandable and take personal responsibility for the Trust Statement 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 of the Trust Statement. 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.

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 Companies House Trust Statement's are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

Performance report and accountability report

The Performance Report covering both Companies House and the Trust Statement, starts from page 3.

The Accountability Report covering both Companies House and the Trust Statement, starts from page 72.

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

Parliamentary accountability disclosure

Losses and special payments
This table had been subject to audit.

	2021/22		2020/21	
	Volumes	Values £'000	Volumes	Values £'000
Debt written off – dissolved Companies	**26,316**	**15,954**	14,021	8,305
Other write-off[1]	**16,995**	**4,519**	23,193	9,166
Total	**43,311**	**20,473**	37,214	17,471

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 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 186).

Louise Smyth
Accounting Officer,
Chief Executive and Registrar
for England and Wales
24 October 2022

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 2022 under the Government Resources and Accounts Act 2000.

The financial statements comprise the Companies House Trust Statement

- Statements of Financial Position as at 31 March 2022;
- Statement of Revenue, Other Income and Expenditure and Statement of Cash Flows for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted International Accounting Standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Companies House Trust Statement's affairs as at 31 March 2022 and its net revenue for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and the terms of my contract, and having regards to 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 us 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 my 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 opinions.

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 concluded that 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 Chief Executive as Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Companies House Trust Statement is adopted in consideration of the requirements set out in HM Treasury's Government Financial 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 financial statements nor my auditor's certificate and report. The Chief Executive as 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 are 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 are required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

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

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

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

Matters on which I report by exception

In the light of the knowledge and understanding of the [insert name of audited entity 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:

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the [insert name of audited entity] 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

- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

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

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- 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; and
- 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 Chief Executive as 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.

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

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

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

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

- the nature of the sector, control environment and operational performance including the design of the Companies House Trust Statement's accounting policies.
- Inquiring of management, the Companies House head of internal audit, and those charged with governance, including obtaining and reviewing supporting documentation relating to the Companies House Trust Statement'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 the Companies House Trust Statement's controls relating to the Companies House Trust Statement's compliance with the Government Resources and Accounts Act 2000, Companies Act 2006, and Managing Public Money.
- discussing among the engagement team and involving relevant internal specialists including IT Audit specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

I also obtained an understanding of the Companies House Trust Statement's framework of authority as well as other legal and regulatory frameworks in which the Companies House Trust Statement operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Companies House Trust Statement. The key laws and regulations I considered in this context included the Government Resources and Accounts Act 2000, Companies Act 2006, Managing Public Money, and tax legislation.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit and Risk Assurance Committee concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports; 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 remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

Other auditor's responsibilities

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

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

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General
24 October 2022

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 2022

	Note	2021/22 £'000	2020/21 £'000
Revenue			
Penalties	2	**173,999**	96,695
Discretion applied under section 453(3) Companies Act 2006		**(4,939)**	(6,488)
Total		**169,060**	90,207
Other income			
Recoverable court costs		**-**	906
Total other income		**-**	906
Total revenue and other income		**169,060**	91,113
Expenditure			
Court costs transferred		**-**	(91)
Bad and doubtful debts	4	**(67,829)**	(38,421)
Total expenditure		**(67,829)**	(38,512)
Net revenue for the Consolidated Fund	6	**101,231**	52,601

The notes on pages 182-191 form part of the Trust Statement.

Statement of financial position as at 31 March 2022

	Note	31 March 2022 £'000	31 March 2021 £'000
Current assets			
Receivables	3	**43,165**	29,151
Cash and cash equivalents	7	**12,698**	11,103
Total current assets		**55,863**	40,254
Current liabilities			
Trade and other payables	8	**(1,634)**	(256)
Total current liabilities		**(1,634)**	(256)
Assets less liabilities		**54,229**	39,998
Balance on Consolidated Fund account as at 31 March	6	**54,229**	39,998

The notes on pages 182-191 form part of the Trust Statement.

L. C Smyth

Louise Smyth
Accounting Officer,
Chief Executive and Registrar
for England and Wales
24 October 2022

Statement of cash flows for the year ending 31 March 2022

	Note	2021/22 £'000	2020/21 £'000
Net cash flow from revenue activities		**88,595**	40,465
Cash paid to the Consolidated Fund	6	**(87,000)**	(38,000)
Increase in cash and cash equivalent		**1,595**	2,465
Notes to the statement of cash flows			
A. Reconciliation of net cash flow to movement in net funds			
Net revenue for Consolidated Fund	6	**101,231**	52,601
(Increase)/decrease in receivables	3	**(14,014)**	(11,917)
Increase/(decrease) in liabilities	8	**1,378**	(219)
Net cash flow from revenue activities		**88,595**	40,465
B. Analysis of changes in net funds			
Increase/(decrease) in cash in this period	7	**1,595**	2,465
Net funds as at 1 April	7	**11,103**	8,638
Net cash as at 31 March	7	**12,698**	11,103

The notes on pages 182-191 form part of the Trust Statement.

Notes to the accounts for the year ending 31 March 2022

1. Accounting policies, judgements and estimates

1.1 Basis of accounting

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

1.2 Accounting Convention

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

1.3 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 and estimates 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 LFPs issued to companies on the registers. As at 31 March 2022, the expected credit loss allowance was £108.4m (2020/21: £61.1m).

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 5.1, page 189. The disclosure also includes sensitivity analysis on the carrying value of net receivables for changes in assumptions.

1.4 Changes in accounting policies
The LFP revenue recognition accounting policy has been amended for transactions beginning 1 April 2021. Prior to this date, third party court costs and other legal fees, incurred throughout the debt collection process and which are recoverable from the debtor, were recognised as other income once awarded by the courts. Once the costs were fully recovered, they were treated as an expense and transferred to Companies House.

From 1 April 2021, recoverable third-party costs are recognised net of trade receivables on the face of the statement of financial position and are not recognised as revenue under IFRS 15. This reflects the substance of the transaction as recoverable third-party costs are not owed to the Consolidated Fund. Once these costs are fully recovered, the payment is recognised as a liability to the LFP Trust Statement and the amounts are transferred to Companies House against previously incurred costs.

The effect of the change in accounting policy on the published 2020/21 Annual Report and Accounts is immaterial for reclassification. The change in accounting policy has been applied to all figures published from 1 April 2021.

1.5 New and amended standards adopted
IFRS 16 Leases
The introduction of the new leasing standard IFRS 16 was adopted by Companies House from 1 April 2022. This new standard does not impact the LFP Trust Statement as there were no leases relevant to the Trust Statement.

1.6 Standards issued but not yet effective

IFRS 17

IFRS 17 Insurance Contracts is 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.

1.7 Presentational currency

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

1.8 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, 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.

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.

1.9 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.

Performance Report
Accountability Report
Financial Statements
Trust Statement

1.10 Operating costs

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

Court and other legal costs

Court and other legal costs are incurred for court activity in respect of penalties levied and are recognised once awarded by the courts. Court and other legal costs are recoverable from the company to which the penalty relates and are included as part of the receivables owed. On receipt of the payment, the money collected is transferred to Companies House to use in the further pursuit of companies via the courts. The Registrars of Scotland and Northern Ireland exercise their discretion outside England and Wales against the companies on their respective registers.

1.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised in the statement of financial position when the Trust becomes a party to the contractual provisions of an instrument.

Financial assets

For the purposes of this trust statement, financial assets are held in the following categories:

- Receivables held at amortised cost
- Cash and cash equivalent

Both receivables and cash and cash equivalents are held at amortised cost.

Receivables held at amortised cost comprise of civil penalties levied in the LFP scheme, amounts for which have not been received at the financial year end.

Cash and cash equivalents comprise of current balances with banks and other financial institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Financial liabilities
For the purposes of this Trust Statement, financial liabilities are held in the other financial liabilities category.

Other financial liabilities comprise of amounts established as due at the reporting date, but where payment is made subsequently. Since these balances are expected to be settled within 12 months of the reporting date, there is no material difference between fair value, amortised cost and historical cost.

1.12 Impairment of financial instruments
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 debt collection company.

2. Revenue and other income

	2021/22 Number of penalties '000	2021/22 £'000	2020/21 Number of penalties '000	2020/21 £'000
England and Wales	**358**	**162,071**	169	89,985
Scotland	**19**	**9,221**	9	5,254
Northern Ireland	**6**	**2,707**	3	1,456
Total	**383**	**173,999**	181	96,695

3. Trade and other receivables

	31 March 2022 £'000	31 March 2021 £'000
Penalties levied recoverable	**150,299**	89,135
Amount owed by Companies House Executive Agency	**1,305**	1,099
Impairment for doubtful debts	**(108,439)**	(61,083)
Total	**43,165**	29,151

No amounts fall due after more than one year (2020/21: 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 186.

Of the total provision for doubtful accounts of £108.4m, £0.9m specifically relates to trade receivables with an appeal outstanding as at 31 March 2022. A further £5.2m of the provision relates to trade receivables which have passed through the full debt collection strategy but are held as at 31 March 2022 ahead of being written-off. The remaining £102.3m of the provision has been calculated through the expected credit loss model.

4. Bad and doubtful debts

	31 March 2022 £'000	31 March 2021 £'000
Debt written off - dissolved companies	**15,954**	8,305
Other write offs	**4,519**	9,166
Total revenue losses	**20,473**	17,471
Increase/(decrease) in impairment for doubtful debt	**47,356**	20,950
Total	**67,829**	38,421

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 2022 £'000	31 March 2021 £'000
Balance as at 1 April	**61,083**	40,133
Change in estimated value of impairments	**47,356**	20,950
Balance as at 31 March	**108,439**	61,083

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 186.

5.1. 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 spilt 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. 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:

			2021/22	2020/21
	39% of provision – non-dissolution +/- £'000	61% of provision – dissolution +/- £'000	Total +/- £'000	Total +/- £'000
1% Flex - impact on net receivables				
Decrease in cash collected	**506**	**777**	**1,283**	854
Increase in cash collected	**(565)**	**(868)**	**(1,433)**	(891)
2.5% Flex - impact on Net Receivables				
Decrease in cash collected	**1,265**	**1,943**	**3,208**	2,075
Increase in cash collected	**(1,413)**	**(2,170)**	**(3,583)**	(2,227)
5% Flex - impact on net receivables				
Decrease in cash collected	**2,531**	**3,887**	**6,418**	3,901
Increase in cash collected	**(2,826)**	**(4,340)**	**(7,166)**	(4,455)

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. Balance on the Consolidated Fund

	31 March 2022 £'000	31 March 2021 £'000
Balance on the Consolidated Fund as at 1 April	**39,998**	25,397
Net revenue for the Consolidated Fund	**101,231**	52,601
Less amounts paid to the Consolidated Fund	**(87,000)**	(38,000)
Balance on the Consolidated Fund as at 31 March	**54,229**	39,998

7. Cash and cash equivalents

	31 March 2022 £'000	31 March 2021 £'000
Balance with GBS	**12,698**	10,623
Balance with commercial banks	**-**	480
Total	**12,698**	11,103

	2021/22 GBS £'000	2021/22 Commercial £'000	2020/21 GBS £'000	2020/21 Commercial £'000
Balance held as at 1 April	**10,623**	**480**	7,728	910
Net movement	**2,075**	**(480)**	2,895	(430)
Balance held as at 31 March	**12,698**	**-**	10,623	480

8. Trade and other payables

	31 March 2022 £'000	31 March 2021 £'000
Recovered third party costs owed to Companies House	**(639)**	-
Other payables	**(995)**	(256)
Total	**(1,634)**	(256)

No amounts fall due after more than one year (2020/21: Nil).

9. Expenditure

In managing the scheme, Companies House incurred expenditure of £10.1m (2020/21: £4.7m). 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.

	2021/22 £'000	2020/21 £'000
Appeal administration		
Staff costs	**1,499**	1,248
Overheads	**802**	323
Debt collection		
Staff costs	**450**	375
Overheads	**7,369**	2,768
Total	**10,120**	4,714
Average employees FTE	**52**	42

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. This is reflected within the Companies House annual accounts. None of the board members or senior managers has undertaken any 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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