Companies House

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Annual Report and Accounts 2016/17

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Presented to Parliament pursuant to section 4(6) of the Government Trading Funds Act 1973 as amended by the Government Trading Act 1990.

During the period of this report, Companies House was an Executive Agency of the Department for Business, Energy and Industrial Strategy (BEIS), formerly The Department for Business, Innovation and Skills (BIS).

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1. Performance report

Overview

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

Register size as at 31 March 2017

3,896,755

New incorporations
644,750

In receivership
6,262

Dissolved companies
436,526

Companies restored
7,788

In liquidation
88,475

In dissolution
159,802

Accepted transactions
10,380,245

Digital take-up
85.1%

Paper documents accepted
1,549,505

Accounts compliance (filed up to date)
99.1%

Accounts compliance (filed earlier or on time)
94.5%

Customer satisfaction
88%

Staff engagement
63%

Number of times the register is accessed for free information (Excluding Application Programme Interface (API) searches)
2,101,656,187

Number of times the register is accessed for paid information
1,278,800

Average headcount for the year
906

Headcount (total employees) as at 31 March 2017
898

Headcount (full-time equivalents) as at 31 March 2017
824.75

Income
£67.3m

Expenditure (including dividend)
£63.9m

More information on our statistics can be found on www.gov.uk/companieshouse

Chair’s and Chief Executive’s Review

This has been a particularly challenging year for Companies House, most notably because of pressures relating to the implementation of significant legislative changes introduced by the Small Business, Enterprise and Employment Act 2015 (SBEEA). This introduced widespread changes that impacted all our customers and all areas of the organisation. We are pleased to report that Companies House and its staff have risen to the challenge and achieved a successful outcome. We have taken an international lead in introducing a public register of People with Significant Control (PSC) and at the end of March 2017, more than 2.4 million companies had presented details of around 3 million people.

As well as increasing both the size of the register to 3,896,755 companies (March 2016: 3,678,860) and the amount of information on the register, we have seen continued and impressive growth in the number of times people are accessing it. We are delighted that more than 2 billion searches of company data were made in the year covered by this report. We have continued to improve Companies House Service (CHS) for search customers, with the addition of more than 15 new features this year.

We have worked to introduce “Register Your Company”, with colleagues from Her Majesty’s Revenue and Customs (HMRC), which allows certain types of company to incorporate and register for corporation tax at the same time. So far there has been a limited launch, but it is proving successful and more than 500 companies have been incorporated using it.

Companies House continues to be well regarded with 88% of our customers expressing their satisfaction. However, that still leaves plenty of room for improvement. We constantly strive to make our systems as efficient and easy to use as possible to help the UK to be one of the easiest places in the world to do business.

We would like to pay tribute to our staff. They have absorbed an increase of 6% in the size of the companies’ register to 3,896,755, and coped with the stretch required to deal with the volume of work involved in 644,750 companies being incorporated and 436,526 being dissolved. They have recognised our desire to improve integrity and transparency of the register by taking on a greater role in ensuring the timely compliance of their customers. We are conscious of the great contribution our staff make and the need for them to have a suitable, modern environment in which to work. We have, along with various other initiatives, refurbished significant parts of the building during the year to ensure our employees are provided with modern, efficient working spaces.

Ann Lewis

Ann Lewis
Accounting Officer
Acting Chief Executive and Registrar
4 July 2017

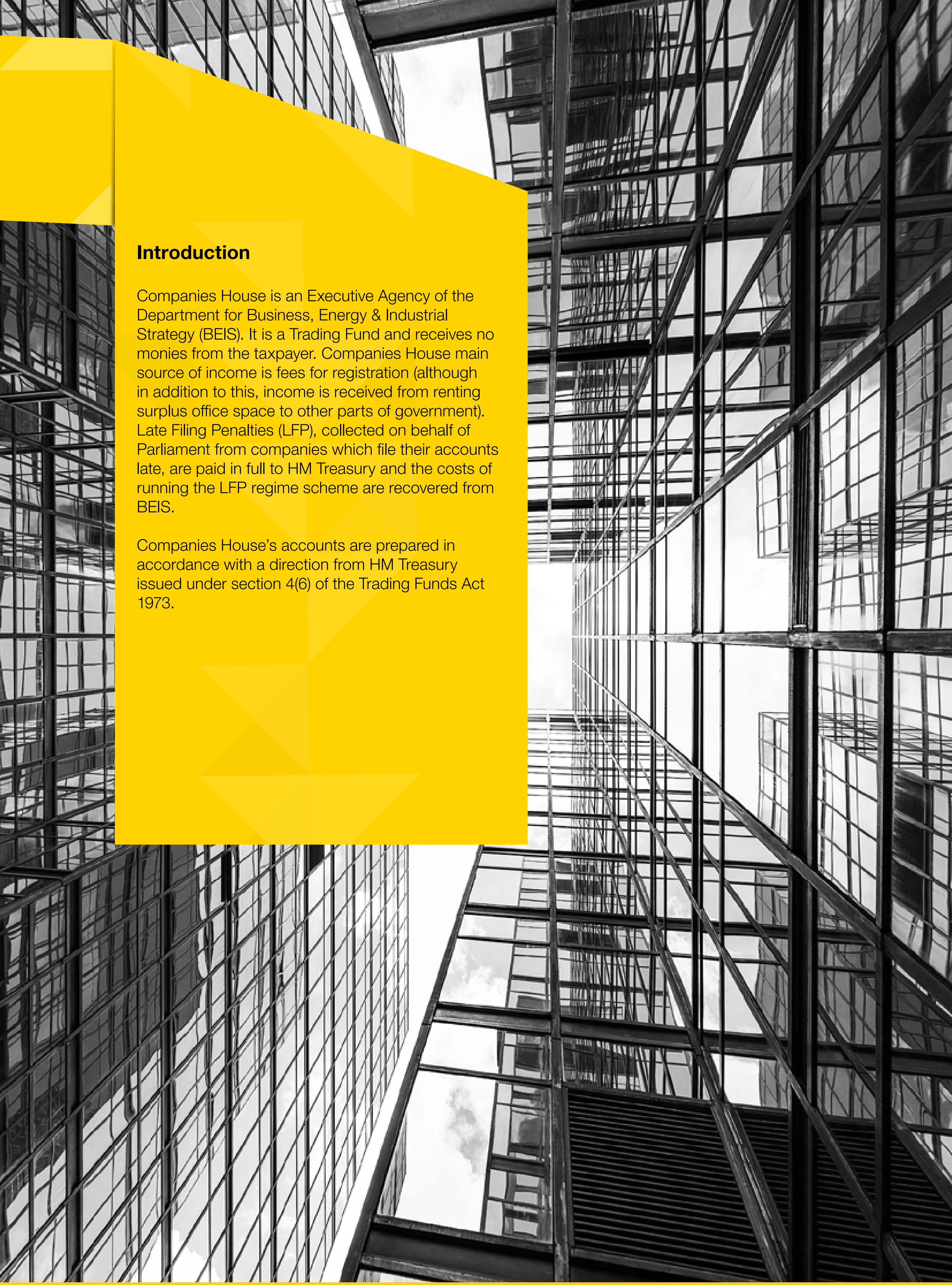
L. Cowley

Lesley Cowley OBE
Chair

Introduction

Companies House is an Executive Agency of the Department for Business, Energy & Industrial Strategy (BEIS). It is a Trading Fund and receives no monies from the taxpayer. Companies House main source of income is fees for registration (although in addition to this, income is received from renting surplus office space to other parts of government). Late Filing Penalties (LFP), collected on behalf of Parliament from companies which file their accounts late, are paid in full to HM Treasury and the costs of running the LFP regime scheme are recovered from BEIS.

Companies House's accounts are prepared in accordance with a direction from HM Treasury issued under section 4(6) of the Trading Funds Act 1973.



Principal activities

Companies House incorporates and dissolves limited companies, registers the information companies supply under statute, and makes that information available to the public. It also has responsibility for the administration of the LFP regime, delegated from the Secretary of State for BEIS.

Companies House head office is in Cardiff, with smaller offices in Edinburgh, Belfast and London. Company registrations for England and Wales are carried out in Cardiff, while those of Scotland and Northern Ireland are carried out in Edinburgh and Belfast, respectively.

During this year, Companies House has continued to work in line with the key priorities set out in its Strategic Plan, issued in 2014:

- Transformation to become a 100% digital organisation
- Open data that fully links to other government data on companies
- Improved register integrity through better investigation and remedies
- Reduced burdens through deregulation and joining up across government
- Efficiencies and the prospect of the simplification of registration fees

Becoming a 100% digital organisation

Much of our development effort during the year has been focused on the legislative changes brought about through the SBEEA. As part of this we replaced the Annual Return with the Confirmation Statement, an annual update more suited to the digital age. This gives companies a simpler way to check the information on their record and confirm it is up to date. It is also the mechanism through which information on people with significant control (PSC) is filed with Companies House. We worked closely with users to develop systems that are simple and easy to use, and that help customers through this new filing requirement.

Companies House remains committed to becoming an entirely digital organisation. This year, we have continued to work on developing high quality digital services to replace the filing of paper documents and to drive electronic take-up. Given the scale of SBEEA, we focused much of our development resource on a successful implementation. We also focused on enabling voluntary dissolution digitally, which will ultimately allow approximately 200,000 filings to be made more efficiently and securely. Although we made further progress to digitally enable our products and services we fell short of our 96% target achieving 93.6% for the year.

Digital enablement will remain a central part of our development programme for 2017/18. We intend to offer more filing services on-line and aim to enable electronic filing for 99% of accounts. We focus equally on excellent digital access to our services and information.

Our ambitions in this area have delivered real dividends by doubling the use of the Companies House Service (CHS) free search facility, from approximately 4.3 million visits in March 2016 to a little more than 8.6 million in February 2017. CHS is popular with customers, with 95% of users expressing themselves as either satisfied or very satisfied with the Service.

Its growth has been supported by the introduction of new features and improvements to the service, which include access to overseas companies and companies with UK establishments, a company name availability checker, accounts in data format and the ability to “follow” companies, receiving updates about their recent filings via email.

We have been pleased to support the increase in free searches, from 1.3 billion in 2015/16 to 2.1 billion at the end of 2016/17, and will continue our investment in making improvements to CHS through the coming year.

There is a degree of public concern about the availability of personal data on the companies register. Together with colleagues at BEIS, we will continue to monitor whether we have the right balance between ensuring corporate transparency and protecting individuals’ privacy.

Providing transparency in business through open data and improved data integrity

Important corporate transparency measures were introduced this year through SBEEA. Most importantly, because of the legislation we introduced the PSC register, which is helping to increase transparency about the ownership and control of UK companies, and is improving the image of the UK as a good place to do business.

Another impact of SBEEA was the abolition of bearer shares, a major step to improving transparency of who owns a company. Working with approximately 1,300 companies that had bearer shares, we are currently 99% compliant and the remaining companies are due to confirm in June.

Where an address is used as a registered office without authorisation or consent, SBEEA has given the registrar the power to default a company's registered office address to a PO Box at Companies House. This function provides a remedy for individuals who have had their address misused by companies. More than 1,500 addresses have been defaulted since the beginning of this reporting period. SBEEA also introduced similar measures where directors are in dispute, giving the registrar power to remove the record of a director's appointment from the register if they are satisfied that the appointment was made without the person's consent. Over the reporting period 135 cases have been considered.

We are working on a range of measures to improve the overall quality of the information on the register, including some novel approaches e.g. by introducing warnings to file earlier on the website, evidence suggested that companies were not always fulfilling their obligation to report changes in director's details to the registrar within 28 days.

We continue to work on our more established compliance activities, particularly around the filing of confirmation statements and accounts, which are important for many customers wishing to properly understand the financial position of a company with which they may choose to do business. We will continue with this work, ensuring we can accept abridged accounts from those companies that choose to file them.

These measures take us further towards our aim of improving the quality of the information on the register, through the registration of timely and accurate details, so that search customers are getting the information they need.

Reducing burdens through deregulation, service improvement and efficiency

The introduction of the Confirmation Statement has made it much easier for companies to ensure their record is up to date. Companies can confirm their record annually as well as at any other time during the year and can now do so more conveniently. This now gives the company the opportunity to confirm their record while making other amendments to the information. This represents a significant reduction in the burden on individual businesses and SBEEA has also introduced further deregulatory measures, for example removing the requirement for companies to hold their own registers, instead making use of the public register and simplifying the statement of capital filing requirements.

Companies House has also been working with Her Majesty's Revenue and Customs (HMRC) to introduce a streamlined, web-based company incorporation service. An initial version of the service, launched in February 2017, allows incorporation and registration for Corporation Tax, where a company has a single director, shareholder and PSC. We will continue to add functionality and improve this service over the coming year, based heavily on customer feedback.

Companies House is committed to making its services and processes as efficient as possible, to improve the experience for our customers. This year we committed to achieve a 3.5% reduction on the average cost of maintaining a company on the register, and exceeded that, achieving 3.96%. Noteworthy contributions include (1) £440k saving on running contracts, (document management system £120k, telephony platform £34k and I.T. contracts £80k) with a great deal of work being brought back in-house, and (2) £150k saved on postal charges, in the face of increasing postal volumes. These savings are thanks to new ideas from, and the commitment of, our staff.

Beyond the UK

The UK is seen as a leading company register by our peers abroad, and we have an influential role in leading developments across the world. This was illustrated in May 2016, when more than 290 delegates from 80 countries attended the first ever joint meeting of the Corporate Registers Forum (CRF) and the European Corporate Registers Forum (ECRF), which we hosted in Cardiff. The conference lasted 5 days with Companies House leading many of the topics under discussion along with other expert speakers sharing knowledge and best practice.

We continue to work for a single voice for business registers across Europe through the joining of the European Business Register and the European Commerce Registers Forum. We have helped to cement our international work and reputation by continuing to contribute to The United Nations Commission on International Trade Law's (UNCITRAL's) work on guidance for a model law on companies' registration and regulation.

Our people

Resourcing was a high priority for the year, with Companies House recruiting additional staff to ensure an appropriate response to the increased demands made by digitisation and legislative change. Companies House was also able to offer opportunities for staff to progress internally, ensuring a good mix of experience, talent and new ideas to help drive our challenging agenda of change.

To support this, we asked a team from across the organisation to review and refresh Companies House values. They expressed them as:

- **every achievement counts;**
- **excellent behaviours and standards;**
- **working as one.**

To ensure that these became fully embedded, we appointed values champions across the organisation. We took every opportunity to recognise and celebrate staff achievement which acknowledged the values and we used case studies to reinforce their importance.

We have continued to take part in the Civil Service wide people survey, and were rewarded by a 3% growth in engagement levels to 63%. We have continued the use of a real-time digital tool to measure the level of engagement on a weekly basis. Participation of this system is high with approximately 75% of Companies House staff actively participating in surveys. We have received regular feedback from this, which we have used to address a range of issues and concerns raised by staff.

Our efforts to maximise attendance and to focus on performance has led to a reduction in the number of short term absences. We supported these efforts with a range of health and wellbeing measures, with an emphasis on mental health. We invested significant efforts in addressing long term absences, which remain a challenge due to our demographic profile and the complex health issues involved.

A review of our entire approach to Performance Management was undertaken, involving focus groups from across the business, working together to establish how regular performance feedback can be obtained. The outcome of this work will shape our approach to improving performance during 2017/18.

A full programme of organisational development interventions has included new managers’ programmes, technical training and a corporate wide roll out of “Challenging Without Confronting” workshops to support our commitment to an inclusive diverse workforce.

The redesign and refurbishment of the Cardiff office has continued with enthusiasm and genuine buy in from staff. Results have been impressive with evidence of improved collaboration and opportunities for more creative problem solving in flexible workspaces. This will continue in 2017/18.

We have continued to demonstrate our commitment to corporate social responsibility focusing on fundraising for a range of organisations including Welsh Air Ambulance and several homeless charities. Alongside this we provided over 400 volunteering days to support local initiatives and also offered free digital skills training to help support individuals to return to the work place. Because of our efforts, we won two regional awards in recognition of our significant contribution to building stronger communities.

Our customers

At 88%, our overall Customer Satisfaction score for 2016/17 exceeded its target of 82%. We had anticipated a less positive review from customers, due to the large and significant legislative change programme and the inevitable changes in practice and services this had created. Although many of the measures introduced through SBEEA were introduced to reduce burdens on companies, we recognise that customers who were familiar with the old annual return now had to become accustomed to the new confirmation statement and the additional information requirements this included. However, we are very pleased that most customers remained satisfied with the services we were providing and there was no significant drop in satisfaction across the year.

The closer contact we have established between our processing teams and their customers, has given us grounds for optimism that this will provide a solid foundation from which to build in 2017/18. We plan to align our team members' performance objectives more closely with how they deal with the companies that they look after.

Our focus in 2017/18 is to encourage customers to use digital channels. Satisfaction with our telephone service remains high, and we want to build on this, whilst ensuring that in a multi-channel world a customer can use online services to find the answers they need to assist them to use our services. Where that is not possible we want to make sure that customers speaking to us do so in the possession of greater knowledge, enabling us to deal with voice contacts more swiftly and therefore help more people.

This will be an ambitious programme of change, involving the introduction of a new knowledge base which will underpin enhanced search capabilities, a virtual assistant, focused contact management and potentially web chat.

Risk and uncertainty

Companies House identifies and manages risk to minimise the potential impact on delivery of our services and strategic goals.

There are several inherent business risks that Companies House believes to be of an ongoing nature. They will receive continued vigilance to maintain our services to the desired level. They include:

- infrastructure and applications resilience;
- the capacity to deliver legislative change while ensuring that customer satisfaction is upheld and that progress is made against its strategy;
- loss of critical staff, especially technical staff due to local competition plus IR35 issues;
- staff engagement during periods of constant change.

(for more information see the Governance Statement page 28)

Performance analysis

Public targets

We met 5 of our 6 public targets. Companies House exceeded the target for availability of services, electronic filing, reducing our costs and customer satisfaction rates, but failed to meet its digital enablement target.

Public targets	Target	Results
Overall satisfaction score of customers scoring 6 or above in the Annual Customer Satisfaction Survey (Annual Independent Survey) conducted by IFF Research during December 2016 - January 2017	82%	88.0%
Compliance rate of companies filing their accounts early or on time	94.5%	94.5%
To digitally-enable by volume Companies House transactions (number of accepted documents which could have been electronically filed)	96%	93.6%
Time that all Companies House services are available	99.9%	99.99%
Digital take-up rates for all documents filed electronically	85%	85.1%
To reduce the average cost per company, adjusted for inflation, and excluding 'one off' items	3.5%	3.96%

Financial performance

As a Trading Fund, Companies House receives no taxpayer funding. It is financed entirely by its income from fees and pays a dividend to BEIS. Penalties collected in respect of company accounts filed late with Companies House are paid in their entirety to HM Treasury.

Operating income for the year was £67.3m (2015/16 (restated): £67.3m). Whilst there has been no change overall, there has been some significant movement within individual categories. Registration income was £3.1m higher than last year mainly because of increased volumes of incorporations and annual returns/confirmation statements which saw increases of 5.5% and 9.8% respectively compared with 2015/16. Offsetting this was a reduction of £3m in search income caused by the continuing decline in demand for legacy products such as Companies House Direct and WebCHeck as customers move to free information provided by the CHS.

Costs, at £60.1m, were markedly lower than last year's restated outturn of £66.2m, although there were two large items affecting this, namely a reduction in litigation costs, and a reduction in the amortisation charge caused by a re-estimation of the useful life of the Companies House Information Processing System (CHIPS). Staff costs rose by £1.8m compared with last year mainly due to changes in National Insurance rates, and because a lower proportion of staff costs were capitalised during the year. There were increases in learning and development costs and we continued with our office refurbishment programme.

The operating surplus before interest for the year ending 31 March 2017 was £7.3m (2015/16: £1.3m). After finance costs and declaring a dividend on public dividend capital of £3.7m, a net surplus of £3.4m was transferred to reserves.

£6.7m (2015/16: £5m) was invested in improving systems and developing new services for customers, and on continuing to improve the working environment for our staff. Of this, in-house development costs accounted for £4m (2015/16: £3.2m) to complete delivery of legislative changes such as SBEEA. We invested £0.9m (2015/16: £0.9m) in hardware and upgrades, and £1.8m (2015/16: £0.9m) on improvements to the office environment in the Crown Way building.

Our balance sheet remains strong and after investing in capital projects and settling costs associated with litigation, we retained cash balances of £44.6m (2015/16: £47.1m).

Late Filing Penalties

There is a separate Trust Statement for the Late Filing Penalties (LFP) regime (page 68). The cost of operating the scheme in 2016/17 was £3.48m (2015/16: £4.1m), and penalties collected of £51m (2015/16: £57m) was paid into the HM Treasury's Consolidated Fund.

Performance Indicators

Average rate of return

As defined in the Treasury Minute of 14 May 2014, (Appendix A) Companies House has a target to achieve a return, for the 5-year period from 1 April 2014 to 31 March 2019, averaged over the period as a whole, of at least 3.5%. This is in the form of an operating surplus on ordinary activities post exceptional items and interest (payable and receivable), but before dividends, expressed as a percentage of average capital employed. Capital employed equates to the total assets less total liabilities.

The return achieved for the year ended 31 March 2017 was 9.4% (2015/16: 1.7%) and the cumulative average return achieved since 1 April 2014 was 6.6%.

Efficiency target

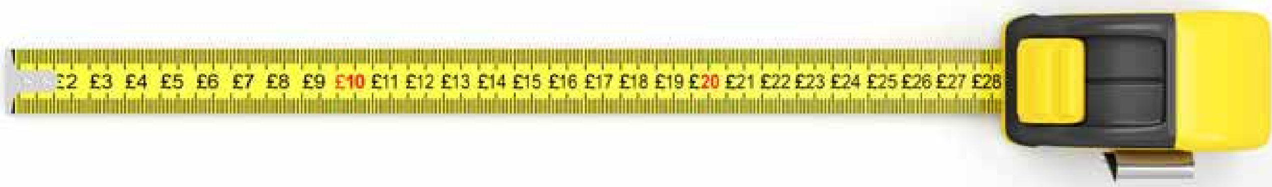
A new efficiency target was introduced this year which was to reduce the average operating cost per company, adjusted for inflation, by 3.5% in 2016/17.

This year's target was exceeded; the final efficiency value achieved being 3.96%.

Payment Policy

In May 2010, all government departments were set new guidelines of paying 80% of supplier invoices within 5 days.

In 2016/17, 98.4% of supplier invoices have been paid within this 5-day target (2015/16: 98.7%).



Sustainability Report

Companies House was again successful in maintaining certification to ISO14001; the International Environmental Management Standard. ISO14001 enables Companies House to identify and control its environmental impacts, whilst also providing the mechanisms to monitor and measure its environmental performance.

The ISO14001 Standard was revised in 2015, and we have been working to improve our Environmental Management System (EMS) to comply with the new Standard. We anticipate gaining certification to the new Standard in November 2017.

Greenhouse gas emissions non-financial indicators tonnes of CO^{2}e (tCO^{2}e)

Scope/Emission/Energy usage	2013/14 tCO^{2}e	2014/15 tCO^{2}e	2015/16 tCO^{2}e	**2016/17 tCO^{2}e**
Total Scope 1 emissions (gas, fuel for fleet, fugitive emissions)	82	70	82	**152**
Total Scope 2 emissions (off site electricity generation)				
Belfast Office	38	43	42	**39**
Cardiff Office	1,583	1,911	1,907	**1,744**
Edinburgh Office	25	28	26	**24**
Total Scope 3 emissions (transmission loss of electricity)				
Belfast Office	3	4	3	**4**
Cardiff Office	135	167	158	**158**
Edinburgh Office	2	2	2	**2**
Total emissions attributed to electricity consumption	1,786	2,155	2,138	**1,971**
Emissions attributable to scope 3 official business travel (rail, taxi, air, underground - all offices)	91	64	62	**82**
Total Emissions (all scopes)	1,959	2,289	2,282	**2,205**

Greenhouse gas emissions: related energy consumption (kWh)

Energy Usage	2013/14 KWh'000	2014/15 KWh'000	2015/16 KWh'000	**2016/17 KWh'000**
Belfast Office	86	86	92	**94**
Cardiff Office	3,551	3,866	4,127	**4,231**
Edinburgh Office	54	56	55	**59**
Gas (Cardiff only)	405	343	392	**785**
Total kWh consumption	4,096	4,351	4,666	**5,169**

Greenhouse gas emissions: financial indicators for all offices

Expenditure	2013/14 £'000	2014/15 £'000	2015/16 £'000	**2016/17 £'000**
Energy (gas, electricity)	473	517	553	**559**
CRC (including fees and allowances)	31	27	37	**38**
Official business travel (rail, hire cars, taxis, air and fuel)	211	223	208	**205**
Total expenditure	715	767	798	**802**

The above tables illustrate our energy consumption, greenhouse gas emissions and associated financial indicators. Our total energy consumption (kWh) has risen for the year primarily due to vacant office space being leased to other government organisations. This is in line with the government property strategy which encourages government departments to share building space to reduce overheads. Other reasons for the increase in energy usage include:

- Technical difficulties with our biomass boiler at the Cardiff office, resulting in increased gas usage (the technical difficulties have been resolved); and
- Increased cooling requirements.

We have implemented several measures to promote energy efficiency, which has helped to minimise the increase in electricity consumption. These include:

- The provision of in-depth Building Management System (BMS) training to the Facilities Management Team to control the heating system more effectively;
- The introduction of mobile devices which consume less energy than desktops;
- Replacement of fluorescent tubes with energy efficient smart LED lighting during refurbishments; and
- Introduction of 'point of use hot water' which has resulted in a significant reduction in the use of kettles.

We have seen an increase in emissions associated with business travel, this can be attributed to an increase in long haul flights due to our presence at international events.

Energy Performance per building user

Energy Performance	2015/16 Cardiff[1]	2015/16 Belfast[2]	2015/16 Edinburgh[3]	**2016/17 Cardiff[1]**	**2016/17 Belfast[2]**	**2016/17 Edinburgh[3]**
Total kWh'000 consumption electricity	4,127	92	55	**4,231**	**94**	**59**
Total kWh'000 consumption gas	392	-	-	**785**	**-**	**-**
FTE[4]	1,885[5]	18	22	**1,767**	**17**	**24**
kWH electricity performance per FTE	2,189	5,064	2,505	**2,395**	**5,524**	**2,468**
kWh gas performance per FTE	208	-	-	**414**	**-**	**-**

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 includes employees, tenants, contractors and visitors.
5. We have revised the Cardiff office FTE figure for 2015/16 due to the revised methodology for calculating visitor numbers.

Waste minimisation and management

***Non-financial indicators**	2013/14 (tonnes)	2014/15 (tonnes)	2015/16 (tonnes)	**2016/17 (tonnes)**
Recycled/reused	199	162	190	**166**
ICT waste	5	2	4	**1**
Incinerated				**97**
Landfill	70	68	87	**0**
Food waste	11	11	11	**11**
Total (tonnes)	**285**	**243**	**292**	**275**

*****_Cardiff office only, data is not available for other regional offices._

Financial implications	2013/14 £'000	2014/15 £'000	2015/16 £'000	**2016/17 £'000**
Total disposal costs	9	9	10	**10**

Our waste is collected via a Total Facilities Management framework; therefore, costs cannot be segregated by waste stream.

The previous tables provide our waste production figures and associated financial indicators. Our total waste production has decreased this year due to greater awareness amongst staff regarding the need to reduce waste. In addition, we have ensured that surplus furniture has been donated to charity for re-use rather than being treated as waste.

We have also achieved zero waste to landfill this year. All residual waste (waste that cannot be re-used, recycled or composted) is now diverted from landfill to an 'energy from waste' recovery plant in Cardiff.

Use of Finite Resources (Water)

*Non-financial indicators	2013/14 (m3)	2014/15 (m3)	2015/16 (m3)	**2016/17 (m3)**
Water Consumption	10,111	9,483	9,506	**8,751**

*Financial implications	2013/14 £'000	2014/15 £'000	2015/16 £'000	**2016/17 £'000**
Water supply costs	39	34	34	**32**

*****_Cardiff office only, data is not available for other regional offices._

The table above illustrates our water consumption and associated financial indicators. Our water consumption has decreased this year, which can be attributed to the water efficiency measures we have implemented during the past few years.

Paper

Non-financial indicators	2015/16	2016/17
Number of A4 reams used	11,875	**11,140**
Number of A3 reams used	40	**45**
Cost of A4 reams (£'000)	31	**34**
Cost of A3 reams (£'000)	0.200	**0.292**

The table above illustrates our paper consumption and associated financial indicators. Our paper consumption has decreased this year due to the introduction of mobile devices and meeting room AV equipment. This has helped reduce paper as employees reference their devices rather than use paper.

Environmental Performance Reporting

Quantifiable key environmental performance indicators have been developed to track our environmental performance. We will continue to develop more accurate key performance indicators as the management of our environmental impact progresses.

Ann Lewis

Ann Lewis
Accounting Officer
Acting Chief Executive and Registrar

4 July 2017

2. Accountability report

2.1 Corporate governance report

Directors' Report

This report is presented as required by the 2016/17 Government Financial Reporting Manual (FReM) issued by HM Treasury.

Members of the Board

During the period, there have been several changes to the Board membership. Most notably, Lesley Cowley replaced Brian Landers as Chair from 1 March 2017. Since the end of the period Ann Lewis has been appointed as Acting Chief Executive and Accounting Officer from 1 May 2017, and is responsible for signing off the Annual Report and Accounts.

Lesley Cowley OBE
Chair of Companies House

Lesley was appointed non-executive chairperson of Companies House on 1 March 2017. She was first appointed non-executive chairperson of DVLA in October 2014 and was re-appointed in October 2016, and appointed a non-executive director of aql (an Ofcom regulated telecommunications operator) in October 2014 and lead non-executive director of The National Archives in January 2016.

Tim Moss CBE
Chief Executive and Registrar of Companies House
(left 30th April 2017)

Tim became the Registrar in March 2012 and was the 31st Chief Executive and Registrar of Companies in a long line that first started back in 1844. Tim joined Companies House in 2002 and spent the first two years running the operations and compliance departments, before moving into the role of Director of Corporate Strategy. During his career at Companies House he was heavily involved in leading digital transformation, the move to open data, major legislative changes, business strategy and developing cross government services. Before joining Companies House, he spent 12 years in senior operational roles in the manufacturing industry. He has a natural sciences degree from Cambridge University, an MBA from Swansea University and lives on a farm in South Wales.

Ann Lewis
Director of Operations and Customer Delivery (acting CEO from 1st May 2017)

Ann joined Companies House in July 2009 with responsibility for the Customer Delivery Directorate including Customer Service, Operations and Enforcement. Since joining Companies House, Ann has led the delivery of major successes and continues to drive forward process improvements and change beneficial to the organisation with enthusiasm, determination and engaging staff at all levels.

Prior to joining Companies House, Ann was a deputy director within the Office for National Statistics (ONS) based in Newport. Ann spent over 30 years at the ONS, covering a variety of roles with a great deal of experience and success in introducing and managing major business-change strategies. Ann has managed various large teams delivering complex portfolios, specialising in operational management and driving forward business change and efficiencies. She is now Acting Chief Executive and Registrar of Companies House.

Neil Hartley
Director of Finance

Neil joined Companies House in 2012. Since April 2015, he has also worked at the Intellectual Property Office (IPO), another BEIS trading fund, in an innovative arrangement where the finance director role is shared. Neil has had a varied public-sector career including lead finance and change programme roles at the Infrastructure Planning Commission and the Government Office for the Regions. Earlier posts included HMRC, Energy Regulation and the Planning Inspectorate. Neil is a Chartered Institute of Public Finance and Accountancy (CIPFA) qualified accountant and holds a Post-Graduate Diploma in Public Finance & Leadership from Warwick Business School.

Ceri Witchard
Director of Corporate Strategy

Ceri joined Companies House in 2015 and is responsible for leading on policy and strategy development for the organisation. She has extensive experience of policy development within government, including legislative policy, negotiation and implementation of European directives. In her previous role, Ceri led communications and business support teams and developed online tools to assist small businesses.

Ceri is a trustee for a small community transport charity and a community governor at a local primary school. She is also the Regulator for Community Interest Companies. Ceri has a degree in mathematics and post-graduate qualifications in law and intellectual property.

Robert McNeil
Acting Director of Digital Services

Robert joined Companies House in July 1988 as a computer programmer and has over 25 years' experience of working in the I.T. and Digital sector, with roles in development and support. He has implemented technical, process and cultural changes. This includes the Companies House Service (CHS), which is an important part of our free data strategy.

In January 2017, he took over the role of Acting Director of Digital Services at Companies House.

Jeff Lynn
Non-Executive Board Member (NEBM)

Jeff became a NEBM in March 2013. He is Chief Executive Officer and co-founder of Seedrs, one of the world's leading equity crowdfunding platforms. He was also founding chair of the Coalition for a Digital Economy (Coadec), which advocates on behalf of digital start-ups and small and medium-sized enterprises on policy and regulatory issues. Jeff began his career practicing corporate law with Sullivan & Cromwell LLP in New York and London.

Mike Taylor
Non-Executive Board Member (NEBM)

Mike has been a NEBM since March 2013, his professional career started in the City where he was a research analyst. Mike rose to Director level and headed the media research team at Credit Suisse First Boston. He was ranked highly within the leading internal and external polls and was involved in a number of high profile capital raising exercises for companies such as BSkyB, Granada Media and Thomson Corporation. Mike left the city in 2003 and founded Innovise Ltd. As founder CEO, Mike has led the buy-and-build growth of Innovise that has been recognised for its rapid growth in the IT market as a three times Deloitte Fast 50 Winner (2010, 2011, 2012) and a two times Sunday Times Tech Track Winner (2011, 2012). Mike lives in Surrey with his wife and two daughters.

Martin Hagen
Non-Executive Board Member (NEBM)

Martin was appointed as a NEBM and chair of the audit committee on 1 January 2017.

He is a non-executive director of South West Water Ltd, an independent member of the audit and risk assurance committee of the Department for Work and Pensions and a governor and audit committee chair of the University of the West of England (UWE). Martin is a Chartered Accountant, formerly a partner in Deloitte and served as President of the ICAEW from 2009 to 2010.

Kathryn Cearns OBE
Non-Executive Board Member (NEBM)

Kathryn was appointed as a NEBM and Companies House audit commitee member on 1 January 2017. She is a Chartered Accountant with experience in dealing with financial reporting, audit, company law and corporate governance issues. She trained with a large audit firm and spent 14 years as consultant accountant to the international law firm Herbert Smith Freehills.

Kathryn is an independent member of the audit committee of the Press Recognition Panel and Public-Sector Audit Appointments Ltd. She is a member of the ICAEW Council and chairs the institute's Financial Reporting Committee (FRC). She is also on the FRC's Financial Reporting Review Panel and the Consultative Advisory Group to the International Public-Sector Accounting Standards Board. Kathryn writes, consults and teaches on corporate governance issues for a wide range of organisations.

She was previously the chair of the Financial Reporting Advisory Board to HM Treasury.

Vanessa Sharp
Non-Executive Board Member (NEBM)

Vanessa became a NEBM at Companies House on 1 September 2016.

She is an experienced commercial solicitor, beginning her professional career in a London city firm specialising in multinational commercial and insurance issues. She joined KPMG as general counsel in the UK and Europe, leaving in 2015 after 19 years at the firm.

Vanessa is an independent Non-Executive director of ICE Futures Europe Ltd, a member of its audit and risk committee and chair of its Authorisation, Rules and Conduct Committee. She is a trustee of Goldsmiths College, University of London, and Chair of its Finance and Resources Committee. She is also a trustee of the charity Create Arts. She is a senior advisor to several organisations where she works on corporate governance issues.

Niamh McBreen
Non-Executive Board Member (BEIS)

Niamh became UK Government Investments Ltd.'s (UKGI) non-executive board member of Companies House in February 2017.

Prior to joining UKGI in 2015 Niamh spent 15 years at Angel Trains and subsequently its European affiliate, Alpha Trains. There she held a variety of roles across business development, procurement and corporate finance.

Most recently she held the role of group commercial director. Niamh started her career in Germany on the graduate trainee program at Swiss-Swedish industrial conglomerate ABB.

Former members serving during the year

Several board members have left during the period. They are Brian Landers, Peter Wyman, Anne Spinalli and Companies House Director for Digital Services Gareth Lloyd. Tim Knighton attended 3 meetings as temporary Director for Digital Services. Tim was engaged on a contractor basis during this period.

Personal data related incidents

During 2016/17, there were 87 minor incidents involving the unauthorised disclosure of personal information (compared with 37 in 2015/16). 49 of these unauthorised disclosures were related to the disclosure of a director's full date of birth following changes introduced in the SBEE Act 2015.

Late Filing Penalties

Late filing penalties received are surrendered directly to HM Treasury and do not form part of the Trading Fund's income. The amount paid to the consolidated fund by Companies House in 2016/17 was £51m (2015/16: £57m).

Included in Companies House income is £3.5m recovered from the Department for Business, Energy and Industrial Strategy (BEIS) for the running costs incurred in the charging, administration and collection of late filing penalties (2015/16: £4.1m).

Further information is available in the Trust Statement for Late Filing Penalties.

Future developments

Our future developments are set out throughout the Performance report.

Political and charitable gifts

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

Regularity of expenditure

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

Audit service

The statutory external audit was performed by the National Audit Office (NAO) and reported on by the Comptroller and Auditor General at a cost of £36,000. The statutory external audit was also carried out for the Trust Statement at a cost of £12,000. The NAO did not perform any non-audit services.

In the case of each of the persons who are directors at the time the report is approved:

- so far as the director is aware, there is no relevant audit information of which the entity's auditor is unaware;
- the director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information, and to establish that the auditor is aware of that information.

Statement of Accounting Officer's responsibilities

Under section 4(6)(a) of the Government Trading Funds Act 1973, the Treasury has directed Companies House to prepare a statement of accounts for each financial year in the form, and on the basis, set out in the accounts direction, given by HM Treasury December 2016. The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's financial position at the year-end showing a Statement of Comprehensive Income for the year as well as a Statement of Financial Position, a Statement of Cash Flows and a Statement of Changes in Taxpayers' Equity.

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

- observe the accounts direction issued by the 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 any applicable accounting standards, as set out in the FReM, have been followed and disclose and explain any material departures in the financial statements;
- prepare the financial statements on a going-concern basis.

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

Accounting Officer's confirmation

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

The annual report and accounts is fair, balanced and understandable and I take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

Governance statement 2016/17

Scope

Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of governance and internal control that supports the achievement of Companies House's policies, aims and objectives. I must also ensure that the organisation's business is conducted (in accordance with Managing Public Money) so that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

Purpose

The Governance Statement gives a clear understanding of the dynamics of the business and its control structure. Essentially, it records the stewardship of the organisation to supplement the accounts, providing a sense of how the organisation performs; and of how successfully it has coped with the challenges it faces. It provides an adequate insight into the business of the organisation and its use of resources to allow me to make informed decisions about progress against business plans.

This statement explains how Companies House and its administration of the late filing penalties scheme has complied with the principles of good governance and reviews the effectiveness of these arrangements.

Companies House Governance structure

Companies House Boards and Committees

All boards and committees were well attended during the year, with the occasional unavoidable absence of one or two members. On these occasions, where possible, members delegated or provided comment electronically prior to the meeting. All discussions and decisions made at these meetings were recorded through minutes and no conflicts of interest were recorded during the year.

Table of attendance of the Board and its sub-committees (NEBM = Non-executive Board Members; UKGI =UK Government Investments)

Board members	**Main Board Meetings** (9 meetings—including a strategic planning away session)	**Audit Committee** (5 Meetings)
Brian Landers (NEBM)	8/8 (Left 28 February 2017)	3/3
Peter Wyman (NEBM)	6/6	4/4 (Left 31 December 2016)
Lesley Cowley (NEBM)	1/1 (Joined 1 March 2017)	-
Tim Moss (CEO and Registrar)	9/9	5/5
Jeff Lynn (NEBM)	6/9	3/5
Mike Taylor (NEBM)	8/9	5/5
Anne Spinali (NEBM, UKGI)	3/3 (Maternity leave from September 2016)	1/2
Niamh McBrean (NEBM; UKGI)	1/1 (Joined 1 February 2017)	-
Vanessa Sharp (NEBM)	6/6 (Joined 1 September 2016)	-
Martin Hagen (NEBM)	4/4 (Joined 1 January 2017)	1/1
Kathryn Cearns (NEBM)	4/4 (Joined 1 January 2017)	1/1
Ann Lewis (Director of Operations and Customer Service)	5/9	-
Neil Hartley (Director of Finance)	7/9	5/5

Board members	Main Board Meetings (9 meetings—including a strategic planning session)	Audit Committee (5 Meetings)
Gareth Lloyd (Director of Digital Services)	2/2 (Left 22 July 2016)	-
Ceri Witchard (Director of Corporate Strategy)	8/9	-
Tim Knighton (Interim Director of Digital Services)	3/3	-
Robert McNeil (Acting Director of Digital Services)	2/2	-

Change to Board membership during 2016/17

Board members	Board/Post	Left Board	Joined Board
Gareth Lloyd	Director of Digital Services	22 July 2016	
Brian Landers	NEBM Main Board Chair	28 February 2017	
Peter Wyman	NEBM Audit Committee Chair	31 December 2016	
Anne Spinali	NEBM	30 November 2016	
Vanessa Sharp	NEBM		1 September 2016
Martin Hagen	NEBM Audit Committee Chair		1 January 2017
Kathryn Cearns	NEBM		1 January 2017
Lesley Cowley	NEBM Main Board Chair		1st March 2017
Niamh McBrean	NEBM; UKGI		1 February 2017
Tim Knighton	Interim Director of Digital Services	31 December 2016	17 August 2016
Robert McNeil	Acting Director of Digital Services		1 January 2017

Brian Landers, Chair of the Board, also attended business planning meetings, the Audit Committees in June and December, and paid ad-hoc visits to Companies House during the year.

To cover the role on an interim basis following Gareth Lloyd's departure, we employed Tim Knighton, previously a Director of Digital Services at Companies House, on a contract basis until 31 December 2016. While we continue the recruitment for a permanent director, Robert McNeil is fulfilling this role.

The Companies House Board's principal role is to set Companies House strategy and direction and to oversee operational effectiveness. It is led by an independent Non-Executive Chair. It comprises senior executives and NEBMs, one of whom is a representative of the UKGI. The Chair ensures the membership of the Board contains an appropriate mix of skills and experiences to best support the organisation.

During the year, the Board:

- Received strategic direction updates;
- Agreed the organisations refreshed strategy;
- Agreed the contents of the 2017/18 Business Plan and public targets;
- Reviewed and agreed the Annual Report and Accounts;
- Reviewed financial performance and efficiency;
- Attended a Strategic Planning session during November 2016;

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 any necessary decisions without the need for further information.

To help fulfil its role the Board has a sub-committee, the Audit Committee, which is chaired by a Non-Executive Board Member (NEBM). Membership of the Audit Committee consists of a Non-Executive Chair, and two independent Non-Executive Board Members (NEBMs) and the NEBM UK Government Investments (UKGI) representative. Meetings are also attended by the Accounting Officer, the Finance Director, and Head of Internal Audit. The National Audit Office (NAO) act as Companies House external auditors and a designated representative attends all Audit Committee meetings and has access to all financial and other information. Other Companies House directors and senior managers attend by invitation on an ad-hoc basis.

The Companies House Audit Committee's role is to provide independent guidance and challenge to the Accounting Officer on matters of audit, corporate governance and the organisation's capacity and effectiveness in managing risk. To support this role the Audit Committee:

- Received quarterly reports of the management and progress against the organisation's corporate risks;
- 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 as well as adequacy of management responses;
- Reviewed the Annual Report and Accounts and the Companies House Governance Statement;
- Received reports and held discussions on specific areas during the year including: cyber security, operational processes, information security and systems resilience.

The Remuneration Committee chaired by the Board's chair, held one meeting on 22nd March 2016. In June and December, the Committees affairs were carried out by the Main Board, however the Remuneration Committee is still operational.

In addition, the Accounting Officer had the assistance of two Advisory Panels who met monthly to monitor key Business Plan deliverables and risks within their scope.

The Change Advisory Panel discussed and advised on:

- All live projects and programmes;
- Benefits;
- Project and programme finance;
- Resources;
- Risks associated within the panel remit plus monitoring of strategic risk.

The Service Delivery Advisory Panel discussed and advised on:

- All customer interaction i.e. satisfaction; complaints, communications;
- All customer delivery systems i.e. CHS, WebCheck, Gov.uk;
- All operational systems i.e. CHiPS;
- Workload – including contributions by the Workload Planning Group, whose forecasts of work volumes feed into the strategic planning in line with the principles of the Macpherson Review of Quality Assurance;
- Service performance i.e. throughput, quality;
- Risk associated within the panel remit plus monitoring of strategic risk.

Each panel contains members of the Corporate Leadership Group and is chaired by a member of the Executive Team of Companies House ensuring a clear line of sight for escalation of issues through the organisation and to the Board and Audit Committee if required.

During September 2016, a full review of the efficiency and effectiveness of the then three panels (including People, Places and Resources Advisory Panel (PPR) was carried out, the results of which concluded that there was no longer a requirement for the PPR panel.

Risk Management

The goal of risk management is to support the successful delivery of our strategy and business plan. A formal framework proactively identifying and managing risk exists throughout the organisation from Board level to all operational and project areas. The continuous process of risk management ensures achievement of Companies House objectives and takes into consideration longer-term factors, through horizon scanning as well as more immediate concerns. The risk management process also provides Internal Audit with necessary information to help compile its annual plan and gives a focus for individual audits.

Risks, such as those impacting on infrastructure and applications resilience, resource capacity, cyber security etc. are carefully monitored and managed at a level suited to their considered impact on the organisation. Strategic risks are updated and monitored monthly by the Companies House Advisory Panels who provide challenge to the Risk Owners (all members of the panels). The panels will question whether the current controls and actions are sufficient to reduce the risk in question and may commission further actions if appropriate. In addition, the Audit Committee receives quarterly updates of these high-level risks as well as a six-monthly review of all risk being managed in Companies House, again providing valuable challenge. Cyber and data security risks are monitored carefully by the Companies House Security Forum, chaired by the Companies House Senior Information Risk Owner (SIRO), who in turn reports monthly to the Service Delivery Advisory Panel.

The Companies House Advisory Panels review current strategic and key operational risks monthly. The Audit Committee receives quarterly updates on current risks as well as movement within the register during the quarter.

The Companies House Risk Management Policy and Strategy (the policy) encourages the taking of controlled risks designed to maximise new opportunities, provided the resultant exposures are within our documented risk appetite range. This appetite aids a balanced response to threats and opportunities and provides direction to ensure desired outcomes and protection of our reputation. The policy also sets out the allocation of roles and responsibilities to the risk management process of all members of Companies House from Board level down.

In June 2016 Companies House successfully implemented a wide range of legislative changes brought in through SBEEA 2015. This was a high-risk programme for Companies House, impacting on our main income stream, and bringing in new requirements that significantly affected a majority of our systems and staff. The programme was delivered on time and to budget. Nevertheless, we will be reviewing how we tackled the programme issues that arose and lessons learnt which will be absorbed into our risk management approach.

Whistleblowing procedures

Companies House reviewed and amended its whistleblowing policy and procedures in line with the Civil Service Employee Policy (CSEP). The policy and procedure is published on the Companies House Intranet site. The policy and procedure has been tested and found to be fit for purpose.

Internal Audit

Internal audit services are delivered via the Government Internal Audit Agency (GIAA) operating to the Public Sector Internal Audit Standards. The work of the team 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 Committee and approved by the Accounting Officer. At each financial year-end, the Head of Internal Audit 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. Management will also take assurance from other consultancy commissioned 3rd parties, such as IT penetration testing services.

The assurance work delivered during the year was based on:

- An assessment of risk from the risk management framework;
- Review of the Business Plan and Strategic Direction;
- Consideration of previous coverage in each area of the organisation;
- Additional risk management and assurance activity by management and third parties in addition to their day-to-day oversight;
- Identification of stakeholder expectations, including external certification requirements.

The audit plan for the year was designed to offer assurance on the management of the organisation's key risks and processes. Areas covered included:

- Finance;
- Information Security;
- Physical Security & Business Continuity;
- Register Integrity;
- Key Registration Processes;
- Environmental and Health & Safety Management Systems.

The Head of Internal Audit offers an annual opinion on the system of internal control. This is based largely upon the detailed audit work delivered during the year. The individual reviews consider the adequacy and effectiveness of the governance, risk management and control framework; the impact of any weaknesses on delivery objectives and materiality. The Head of Internal Audit offered 'moderate assurance' in his annual assessment i.e. some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control, particularly given Companies House's low risk appetite for anything other than excellence.

Review of effectiveness

During the year, we have been successful in retaining accreditation to the following standards:

- Customer Service Excellence;
- Investors in People – Gold Standard;
- ISO 27001:2013 – Information Security;
- ISO 14001 – Environmental Management;
- OHSAS 18001 – Health & Safety;
- Corporate Health Standard – Silver award;
- Member of the Institute of Customer Services.

The Accounting Officer has responsibility for reviewing the effectiveness of the system of the organisation's governance, risk management and internal control. This review is informed by the work of the internal auditors and the directors within Companies House who have responsibility for the development and maintenance of the governance structures, internal control framework and comments made by the external auditors in their management letter and other reports. The Governance Statement represents the product of the review of the effectiveness of the governance framework, risk management and internal control.

In my role as Acting Chief Executive and Registrar I have relied on the Board's support and my experience of the organisation over the last eight years to assist me in the assessment of assurance of the Companies House control structure. I have considered the evidence provided with regards to the production of the Annual Governance Statement as well as the reports provided by Internal and External Audit.

Companies House used the services of contractors to support its Business Strategy and estate requirements during the year.

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 has procedures in place to ensure we comply with the recommendations of the report.

The review of quality assurance of government analytical models undertaken by Sir Nicholas Macpherson and published by HM Treasury in March 2013 made several recommendations for government departments and their arm's length bodies. Companies House reviewed its use of analytical modelling and concluded that there is only one business model used that could be classed as business critical (CHIPS). The model is owned by a single Senior Responsible Owner. The model's design & meta structure has been reviewed by an appropriately qualified BEIS statistician and deemed fit for purpose, is subject to regular challenge, and has been re-iterated on several occasions for example to scope in additional responsibilities on the Registrar brought in by new legislation. The working assumptions underpinning the outputs from the model are challenged by a dedicated and diverse group of subject specialists, also on a quarterly basis, with their work then reviewed by a senior panel.

In conclusion, I am confident that the organisation and its Board operated in accordance with the relevant sections of the "Corporate Governance in central government departments: Code of good practice 2011."

Ann Lewis

Ann Lewis
Accounting Officer
Acting Chief Executive and Registrar
4 July 2017

2.2 Remuneration and staff report

Remuneration

Remuneration policy

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

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

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

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

Further information about the work of the review body can be found at: www.ome.uk.com

Service contracts

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

Further information about the work of the Civil Service Commission can be found at: www.civilservicecommission.independent.gov.uk

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 directors received a benefit in kind in 2016/17 (2015/16: Nil).

Performance pay

All staff are eligible to participate in the corporate efficiency award scheme. The scheme is available to all staff not subject to formal disciplinary letters within the period. Senior civil servants' performance pay is determined by the senior pay committee of BEIS.

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

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015, a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or Alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date, all newly appointed civil servants and the majority of those already in service joined Alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS).

The PCSPS has four sections: three providing benefits on a final salary basis (Classic, Premium or Classic Plus) with a normal pension age of 60; and one providing benefits on a whole career basis (Nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium, Classic Plus, Nuvos and Alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within ten years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into Alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to Alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave Alpha. (The pension figures quoted for officials show pension earned in PCSPS or Alpha – as appropriate. Where the official has benefits in both the PCSPS and Alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of Classic (and members of alpha who were members of Classic immediately before joining Alpha) and between 4.6% and 8.05% for members of premium, Classic Plus, Nuvos and all other members of Alpha. Benefits in Classic accrue at the rate of 1/80th 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 his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the members earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in Alpha build up in a similar way to Nuvos, except that the accrual rate in 2.32%. In all cases members, may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

(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 the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Senior managers

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

Non-executive salaries

This section has been audited.

Non-executive salaries	**2016/17 £'000**	2015/16 £'000
Brian Landers (Resigned 28 February 2017)	**25-30** (FYE* 25-30)	25-30
Peter Wyman (Resigned 31 December 2016)	**5 - 10** (FYE10-15)	10 - 15
Jeff Lynn	**10 - 15**	10 - 15
Mike Taylor	**10 - 15**	10 - 15
Anne Spinali (Resigned 30 November 2016) 1.	**nil**	nil
Vanessa Sharp (Joined 1 September 2016)	**5-10** (FYE10-15)	nil
Kathryn Cearns (Joined 1 January 2017)	**0 - 5** (FYE10-15)	nil
Martin Hagen (Joined 1 January 2017)	**0 - 5** (FYE10-15)	nil
Niamh McBreen (Joined 1 February 2017) 1.	**nil**	nil
Lesley Cowley (Joined 1 March 2017)	**0 - 5** (FYE25-30)	**nil**

* Full year effect

1. Remuneration is paid by the Department for Business, Energy & Industrial Strategy (BEIS).

Executive pay disclosure

This section has been audited.

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

The ratio presented here is the total remuneration of the highest paid director (taking the mid-point of the range disclosed) and the median full-time equivalent remuneration of all other Companies House employees.

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

Executive pay	**2016/17 £'000**	2015/16 £'000	**% Change**
Highest paid director remuneration	**125-130**	125-130	0%
Median remuneration £	**23,285**	22,311	(4%)
Ratio	**5.48**	5.71	(4%)
Range of staff remuneration (including temporary and agency staff) £'000	**14-125**	16-115	

The above table does not include Tim Knighton as he was paid by an agency during his employment in Companies House. Therefore, the actual remuneration to Tim Knighton is not known.

Single total figure of remuneration

This section has been audited.

Name	Salary		Bonus (Performance Payments)		Pension Benefit		Total Remuneration	
	2015/16 £'000	**2016/17 £'000**	2015/16 £'000	**2016/17 £'000**	2015/16 £'000	**2016/17 £'000**	2015/16 £'000	**2016/17 £'000**
Robert McNeil 1	n/a	**15 - 20** (FYE 70-75)	n/a	**n/a**	nil	**5** (FYE 15 - 20)	nil	**20 - 25** (FYE 90-95)
Tim Moss	85 – 90	**85 - 90**	10 – 15	**5 – 10**	nil	**33**	100 – 105	**125 – 130**
Ann Lewis	70 – 75	**70 - 75**	0 – 5	**0 – 5**	29	**nil**	100 – 105	**70 – 75**
Neil Hartley 2	35 – 40	**35 – 40**	0 – 5	**0 – 5**	18	**12**	55 – 60	**50 – 55**
Gareth Lloyd	125 – 130	**40 - 45** (FYE 125-130)	0 – 5	**0 – 5**	49	**15**	175 – 180	**60 – 65** (FYE 170-175)
Ceri Witchard 3	25 – 30	**50 - 55**	0 – 5	**0 – 5**	24	**29**	50 – 55	**80 – 85**

	Real increase in Pension	Lump sum at age 60	Total Accrued pension at age 60 as at 31/03/17	Related Lump Sum	CETV at 31/03/17	CETV at 31/03/16	Real increase (decrease) in CETV funded by employer
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Robert McNeil	0 – 2.5	1 – 2.5	25 – 30	65 – 70	453	437	14
Tim Moss	0 – 2.5	nil	15 – 20	40 – 45	298	267	15
Ann Lewis	nil	nil	35 – 40	105 – 110	757	835	(114)
Neil Hartley 1	0 – 2.5	nil	30 – 35	nil	495	464	8
Gareth Lloyd	0 – 2.5	nil	5 -10	nil	70	60	6
Ceri Witchard 2	0 – 2.5	0 – 2.5	15 – 20	40 – 45	228	199	17

On 22 July Gareth Lloyd left Companies House and Tim Knighton stepped into his position in the interim. Tim Knighton was paid as a contractor during his employment at Companies House, between 17 August 2016 to the 31 December 2016. He was employed as Companies House had difficulty in recruiting into the role. The cost to Companies House for this is banded 50k to 55k. He was the only off payroll engagement on the board during the financial year. The total number of board members during the year was 17.

1. On 1 January 2017 Robert McNeil started a role as acting Director of Digital Services. The total remuneration package reflects the amount charged for this role.

2. On 1 April 2015 Neil Hartley started a dual role where 50% of time is with the Intellectual Property Office (IPO) and 50% with Companies House. Although he is employed by Companies House the IPO is charged for the work undertaken on its behalf. The total remuneration package reflects the amount charged for this role. It is not possible to determine what portion of the Cash Equivalent Transfer Value (CETV) relates to IPO or Companies House. These values are also reported in full in the IPO annual report and accounts 2016/17.

3. On 7 September 2015 Ceri Witchard started a dual role where 25% of time is spent as the Regulator of Community Interest Companies (CIC) and 75% with Companies House. Although she is employed by Companies House the CIC is charged for the work undertaken on its behalf. The total remuneration package reflects the amount charged for this role. It is not possible to determine what portion of the CETV relates to CIC or Companies House. These values are also reported in full in the CIC's annual report and accounts 2016/17.

Robert McNeil was appointed as an interim on 1 January 2017 whilst the recruitment process for a permanent director continues.

The highest paid director in Companies House received annualised remuneration of £125,000 - £130,000 in 2016/17 (2015/16: £125,000 - £130,000). No-one has been paid more than the highest paid director.

Total remuneration includes salary, non-consolidated performance related pay, benefits-in-kind as well as severance payments.

It does not include employer pension contributions, N.I pension benefits and the cash equivalent transfer value of pensions (CETV).

Cash equivalent transfer values

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

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

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

Real increase in CETV

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

Compensation for loss of office

This section has been audited.

Companies House did not run an exit release scheme during 2016/17. This means that no members of staff left (2015/16: nil) during the year under a voluntary exit scheme and no compensation payments (2015/16: nil) were made during the year. Prior year departure costs were paid in accordance with the provisions of the Civil Service Compensation Scheme applicable at that time and they related to previous exit schemes.

During the year four employees received compensation payments following their dismissal which totalled £130,000 (2015/16: £nil). The payments were banded as follows:

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
£10,000 - £25,000	-	1	1
£25,000 - £50,000	-	3	3
£50,000 - £100,000	-	-	-
£100,000 - £150,000	-	-	-
£150,000 - £200,000	-	-	-
Total number of exit packages	-	4	4
Total cost /£	-	£130k	£130k

Staff

This section has been audited.

Analysis of staff numbers and costs

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

Senior civil service staff band	**2016/17 Number of senior service staff**	2015/16 Number of senior service staff
Band 1	**4**	4
Band 2	**1**	1
Total	**5**	5

The average number of employees during the period

Staff numbers by location	2016/17 Total Employees	2016/17 Full time Equivalent Posts (FTE)	2015/16 Total Employees	2015/16 Full time Equivalent Posts (FTE)
Cardiff	**859**	**783**	838	766
Belfast	**16**	**17**	17	16
Edinburgh	**23**	**24**	22	21
London	**8**	**8**	7	7
Total	**906**	**832**	884	810

Staff numbers by activity	2016/17 Total Employees	2016/17 Full time Equivalent Posts (FTE)	2015/16 Total Employees	2015/16 Full time Equivalent Posts (FTE)
Customer Delivery Directorate and Late Filing Penalties	**557**	**500**	536	482
Digital Services	**184**	**180**	199	192
Corporate Services	**100**	**91**	102	93
Strategy	**46**	**45**	28	25
Chief Executive and Registrar and Legal	**19**	**16**	19	18
Total	**906**	**832**	884	810
Staff who worked on capital projects (also included above)	**106**		85	

In addition, there were a total number of contract staff of 31 (2015/16: 23) of which 21 (2015/16: 16) were included on projects.

Staff Costs (for the above persons)	**2016/17 £'000**	2015/16 £'000
Salaries	**24,012**	23,741
National Insurance	**2,269**	1,570
Voluntary exit scheme (VES) costs	**202**	12
Pension costs	**4,556**	4,427
Income seconded staff	**(111)**	(148)
Contract staff	**1,804**	1,669
Capitalised staff costs (included above)	**(1,898)**	(2,035)
Capitalised contract staff project costs (included above)	**(956)**	(1,131)
Staff costs per operating account	**29,878**	28,105

Pensions

For 2016/17 the banded charges averaged 20.6% of pensionable pay for permanent staff (2015/16: 20.7%). This equates to a charge for the year of £4.6m (2015/16: £4.4m), at 1 of the 4 rates in the range 20% to 24.5% (2015/16: 20% to 24.5%) of pensionable pay, based on salary bands.

Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The date of the last actuarial valuation was 31 March 2014 (prior date was 31 March 2010). The contribution rates are set to meet the cost of the benefits accruing during 2016/17 to be paid when the member retires and not the benefits paid during this period to existing pensioners. Companies House has provided for early retirement / voluntary exit costs, which are disclosed more fully in note 14 of the financial statements. All other liabilities incurred in the year were satisfied by the year end. This is an unfunded multi-employer defined benefit scheme but Companies House is unable to identify its share of the underlying assets and liabilities.

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

Off-payroll engagements

Off-payroll appointments as of 31 March, for more than £220 per day and that last longer than six months are shown below:

	2016/17	2015/16
The total number of existing engagements	**11**	15
The number that have existed for less than one year	**6**	5
The number that have existed for between one and two years	**1**	6
The number that have existed for between two and three years	**2**	3
The number that have existed for between three and four years	**2**	1
The number that existed more than four years	**0**	0
Declaration that all of the above appointments have been subject to a risk based assessment regarding the payment of correct tax	**Yes**	Yes

For all new off-payroll appointments, or those that reach six months in duration, between 1 April and 31 March for more than £220 per day and will last for longer than six months:

	2016/17	2015/16
The number of new engagements or those that reached six months during the period	**13**	9
The number of these engagements which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	**13**	9
The number for whom assurance has been requested	**13**	9
The number for whom assurance has been requested and received	**13**	9
The number for whom assurance has been requested but not received	**-**	-
The number that have been terminated from non-receipt of assurance	**-**	-

Consultancy and the use of contingent labour

	2016/17 £'000	2015/16 £'000
Consultancy expenditure	**464**	838
Contingent labour expenditure	**1,822**	1,669

Staff numbers

Staff numbers by contract type (average headcount)	**2016/17 £'000**	2015/16 £'000
Permanent	**906**	884
Contractor/agency/temporary	**21**	23
Inward secondment	**1**	3
Total	**928**	910

Permanent employees (average headcount)		**2016/17**			2015/16	
	Female	**Male**	**Total**	Female	Male	Total
Directors (senior civil servants)	**2**	**3**	**5**	2	3	5
Employees	**401**	**500**	**901**	486	393	879
Total	**403**	**503**	**906**	488	396	884

Companies House Main Board

There were 6 independent Non-Executive Board Members (NEBM) as at 31 March 2017 (2015/16: 5).

Pension liabilities

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

Employees

We are committed to being a responsible business and to support the people that work with us and the communities in which we work. All employees have equal access to training, career development and promotional opportunities, with reasonable adjustments being made to cater for disabilities.

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

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

The level of sickness absence was 7.9 average working days lost per person (2015/16: 8.1 days).

2.3 Parliamentary accountability and audit report

Parliamentary accountability

Segmental reporting

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

Fees and charges

This section has been audited.

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

	Income		**Cost of services [4]**		**Surplus/ (Deficit)**	
	2016/17	2015/16 (restated)	**2016/17**	2015/16 (restated)	**2016/17**	2015/16
	£m	£m	**£m**	£m	**£m**	£m
Regulatory activities [1]	**62.0**	58.9	**59.2**	64.2	**2.8**	(5.3)
Dissemination activities [2]	**3.9**	6.9	**4.6**	4.4	**(0.7)**	2.5
Other services [3]	**1.4**	1.5	**0.1**	1.2	**1.3**	0.3
Total as per operating account	**67.3**	67.3	**63.9**	69.8	**3.4**	(2.5)

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

Long term expenditure trends

Longer-term expenditure plans are being driven by the key strands of the Strategic Plan (2014/19), namely: to facilitate a transformation to become a 100% digital organisation; to provide an open data service that fully links to other government data on companies; to improve register integrity through better investigation and remedies; to reduce burdens through deregulation and joining up across government, as well as simplification of registration fees.

Further efficiencies and savings are expected to be derived as the organisation reduces paper transactions over this period.

Special payments and losses

This section has been audited.

There were no payments made under this category.

Contingent liabilities

This section has been audited.

There are no contingent liabilities (2015/16: Nil).

Ann Lewis
Accounting Officer
Acting Chief Executive and Registrar

4 July 2017

The certificate and report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of Companies House for the year ended 31 March 2017 under the Government Trading Funds Act 1973. The financial statements comprise: Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and the Parliamentary Accountability Disclosures that is described as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Trading Funds Act 1973. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Companies House's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Companies House; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income 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.

Opinion on regularity

In my opinion, in all material respects the expenditure and income 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.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Companies House's affairs as at 31 March 2017 and of its net operating surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Parliamentary Accountability Disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Trading Funds Act 1973; and

- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General
4 July 2017

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

Financial statements

Statement of comprehensive income for the year ended 31 March 2017

	Notes	2016/17	2015/16 (Restated)
		£'000	£'000
Operating income	2	**67,280**	67,347
Administration costs:			
Staff costs	3	**(29,878)**	(28,105)
Non-staff administration costs	7	**(30,246)**	(38,084)
Gross administration costs		**(60,124)**	(66,189)
Operating surplus before interest		**7,156**	1,158
Interest receivable	8	**99**	164
Interest payable and finance costs	8	**-**	(22)
Net operating surplus before dividend		**7,255**	1,300
Dividend	9	**(3,861)**	(3,840)
Net operating surplus/(deficit)		**3,394**	(2,540)
Other Comprehensive Income			
Net gain on revaluation of land and buildings	5, 10	**313**	844
Comprehensive income/(expenditure) for the year		**3,707**	(1,696)

All income and expenditure is derived from continuing operations.

Amounts received via the Government Legal Department from companies being restored to the register and previously netted off against the costs of carrying out that restoration has been reclassified to operating income. The amount received in 2016/17 was £957,158 (2015/16: £1,013,513).

The notes on Pages 53– 66 form part of these accounts.

Statement of financial position as at 31 March 2017

	Note	**31 March 2017 £'000**	31 March 2016 £'000
Non-current assets			
Property, plant and equipment	5	**23,524**	22,464
Intangible assets	6	**16,711**	16,703
Total non-current assets		**40,235**	39,167
Current assets			
Trade and other receivables	11	**6,114**	6,827
Cash and cash equivalents	12	**44,564**	47,102
Total current assets		**50,678**	53,929
Total assets		**90,913**	93,096
Current liabilities			
Trade and other payables	13	**(11,794)**	(11,265)
Provisions	14	**(42)**	(6,419)
Total current liabilities		**(11,836)**	(17,684)
Non-current assets plus net current assets		**79,077**	75,412
Non-current liabilities			
Provisions	14	**(38)**	(80)
Total non-current liabilities		**(38)**	(80)
Assets less liabilities		**79,039**	75,332
Taxpayers' equity			
Public dividend capital		**15,889**	15,889
General fund		**55,645**	52,251
Revaluation reserve		10	**7,505**	7,192
Total		**79,039**	75,332

Ann Lewis

Ann Lewis
Accounting Officer
Acting Chief Executive and Registrar
4 July 2017

The notes on Pages 53– 66 form part of these accounts.

Statement of cash flows for the year ended 31 March 2017

	Note	2016/17 £'000	2015/16 £'000
Cash flows from operating activities			
Net operating surplus before Interest		**7,156**	1,158
Net interest receivable (payable)		**99**	142
Net operating surplus before dividend		**7,255**	1,300
Adjustment for non-cash transactions	7	**5,860**	7,809
Decrease/(increase) in trade and other receivables	11	**713**	(294)
Movements in payables relating to items not passing through the operating account	5,6	**(1,463)**	-
Increase/(decrease) in trade payables and other current liabilities		**529**	(214)
Dividend paid		**(3,840)**	(4,363)
(Decrease)/increase in current provisions	14	**(6,377)**	5,980
(Decrease)/increase in non-current provisions	14	**(42)**	(75)
Net cash inflow from operating activities		**2,635**	10,143
Cash flows from investing activities			
Purchase of property, plant and equipment	5	**(1,918)**	(1,240)
Purchase of intangible assets	6	**(3,255)**	(3,201)
Net cash outflow from investing activities		**(5,173)**	(4,441)
Net increase in cash and cash equivalents in the period		**(2,538)**	5,702
Cash and cash equivalents at the start of the period	12	**47,102**	41,400
Cash and cash equivalents at the end of the period	12	**44,564**	47,102

The notes on Pages 53– 66 form part of these accounts.

Statement of changes in taxpayers' equity for the year ended 31 March 2017

	Public Dividend Captial £'000	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
Balance at 1 April 2015	**15,889**	**54,791**	**6,348**	**77,028**
Recognised in statement of comprehensive income	-	(2,540)	844	(1,696)
Balance as at 31 March 2016	**15,889**	**52,251**	**7,192**	**75,332**
Balance at 1 April 2016	**15,889**	**52,251**	**7,192**	**75,332**
Recognised in statement of comprehensive income	-	3,394	313	3,707
Balance as at 31 March 2017	**15,889**	**55,645**	**7,505**	**79,039**

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 53– 66 form part of these accounts.

Notes to the accounts for the year ended 31 March 2017

1. Principal accounting policies

Statement of accounting policies

The accounts have been prepared in accordance with the historical cost convention modified to include the revaluation of property, plant and equipment (where material) in a form determined by HM Treasury in accordance with section 4(6) of the Government Trading Funds Act 1973. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted and interpreted by the 2016/17 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounts conform to, insofar as is practicable and appropriate, international financial reporting standards, the FReM and specific Treasury guidance.

Dividend

The dividend is calculated in accordance with the Treasury minute (Appendix A) and is not discretionary.

Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and judgements that affect the reported assets, liabilities, revenue and expenditure. Actual results can differ from those estimates. The accounting policy descriptions set out those areas where judgement needs exercising. The most significant in management's view are intangible assets (capitalisation of internal development costs), provisions, and amortisation of intangible assets.

Property, plant and equipment

The minimum value for capitalisation of expenditure is £2,000 for an individual asset. Where appropriate, assets falling below the individual asset threshold are capitalised as groups.

All research expenditure is written off as incurred.

Companies House has adopted depreciated historical cost as a proxy for fair value. The difference between these is not considered material to the accounts.

Any revaluation gains or losses are treated in accordance with IAS 16 Property, Plant and Equipment.

Land and buildings are externally valued on the basis of existing use in accordance with RICS (Royal Institution of Chartered Surveyors) Valuation standards.

Intangible assets

In accordance with IAS 38 Intangibles, the policy on expenditure incurred on the replacement of the core information processing system (CHIPS) is to capitalise only costs directly attributable to creating and developing the platform.

Intangible assets acquired separately are measured on initial recognition at cost. For purchased application software, cost includes contractors' charges, materials, directly attributable labour and directly attributable overheads. Capitalisation ceases when substantially all the activities that are necessary to prepare the asset for use are complete. Amortisation commences at the point of commercial deployment over the asset's estimated useful economic life. At the year end the life of CHIPS was extended by two years to February 2020 and the amortisation charge amended to reflect this.

CHIPS	12 years
IT Projects	3 to 10 years

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

Depreciation and amortisation

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

Freehold buildings	50 years
Leasehold improvements	3 years
IT equipment	2 to 5 years
Plant and machinery	4 to 10 years

Software development

Software development expenditure (covering the costs of third party work and the direct costs of in-house staff effort) is capitalised when it is both material (greater than £250,000) and incurred on projects which will deliver economic benefits over several years.

Review of capitalised costs

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

Leases

Operating lease rentals are charged to the income statement on a straight-line basis over the term of the lease, there are no finance leases.

Financial instruments

There are no derivative financial instruments, financial instruments held for trading nor any financial instruments classified as held for sale.

Revenue recognition

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

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

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

Taxation

As a Trading Fund, Companies House is not liable for Corporation Tax.

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

Pension costs

Employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is a defined benefit scheme and is unfunded. Companies House recognises the expected cost of providing pensions on a systematic basis over the period in which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. Further information is given in the Remuneration and Staff Report.

Provisions

Companies House makes provision for liabilities and charges where a legal or constructive liability exists (e.g. as a present obligation arising from past events), where the transfer of economic benefits is probable and a reasonable estimate can be made.

Where the time value of money is material, Companies House discounts the provision to its present value using a discount rate of 0.24%, the government standard rate, (2015/16: 1.37%). Each year the financing charges in the income statement include the adjustment to amortise 1 year's discount and restate liabilities to current price levels.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Any outstanding monetary assets and liabilities at the year-end are translated into sterling at the rates ruling at 31 March. Translation differences are dealt with in the income statement.

Staff costs

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

Standards issued but not yet effective

Companies House provides disclosure where it has not yet applied a new accounting standard, and known or reasonably estimable information relevant to assessing the possible impact that the initial application of a new standard would have on the financial statements. There were no new standards issued for 2016/17 and not applied, which would materially affect Companies House Financial Statements. IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers will be applied for the first time in our 2018/19 accounts; IFRS 16 Leases will apply from 2019/20, assuming it is endorsed for use in the EU. Companies House has not adopted any standards early and do not intend to do so. We have not yet assessed the impact of the new standards on our financial statements, however we will make an assessment on any future disclosure once it becomes clear how Companies House will be impacted

2. Income

The following information on the main income activities of Companies House is produced for fees and charges purposes and does not constitute segmental reporting under IFRS 8.
The assets and liabilities of Companies House are reviewed by senior management on a total basis and not on a segmental reporting basis.

	2016/17		2015/16	
Income	**£'000**	**£'000**	£'000 (Restated)	£'000 (Restated)
Confirmation Statement	**42.1**		39.2	
Incorporations	**8.1**		8.2	
Other	**8.4**		7.5	
LFP Activity	**3.4**		4	
Total registration income		**62.0**		58.9
Companies House Direct	**1.9**		3.7	
Certified Copies	**1.7**		1.9	
Other	**0.3**		1.3	
Total dissemination income		**3.9**		6.9
Rent and rates from tenants	**1.0**		1.0	
Other	**0.4**		0.5	
Total income other services		**1.4**		1.5
Total income as per Operating Account		**67.3**		67.3

3. Staff costs

Staff Costs	2016/17 £'000	2015/16 £'000
Salaries	**24,012**	23,741
National Insurance	**2,269**	1,570
Voluntary exit scheme (VES) costs	**202**	12
Pension costs	**4,556**	4,427
Income seconded staff	**(111)**	(148)
Contract staff	**1,804**	1,669
Capitalised staff costs (included above)	**(1,898)**	(2,035)
Capitalised contract staff project costs (included above)	**(956)**	(1,131)
Staff costs per operating account	**29,878**	28,105

4. Pensions

For 2016/17 the banded charges averaged 20.6% of pensionable pay for permanent staff (2015/16: 20.7%). This equates to a charge for the year of £4.6m (2015/16: £4.4m), at 1 of the 4 rates in the range 20.0% to 24.5% (2015/16: 20.0% to 24.5%) of pensionable pay, based on salary bands. Employer contributions are to be reviewed every 4 years following a full scheme valuation by the Government Actuary. The date of the last actuarial valuation was 31 March 2014 (prior date was 31 March 2010). The contribution rates are set to meet the cost of the benefits accruing during 2016/17 to be paid when the member retires and not the benefits paid during this period to existing pensioners. Companies House has provided for early retirement / voluntary exit costs, which are disclosed more fully in note 14. All other liabilities incurred in the year were satisfied by the year end. This is an unfunded multi-employer defined benefit scheme but Companies House is unable to identify its share of the underlying assets and liabilities.

New career average pension arrangements were introduced from 1 April 2015 and the majority of Classic, Premium, Classic Plus and Nuvos members joined the new scheme. Further details of this new scheme are available at:
www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha

5. Property, plant and equipment

Property, plant and equipment (2016/17)

	Land	Buildings	Leasehold Improvement	Plant and Machinery	Computer Equipment	**Total**
	£'000	£'000	£'000	£'000	£'000	**£'000**
Cost or revaluation						
At 1 April 2016	**3,435**	**14,645**	**653**	**4,778**	**13,078**	**36,589**
Additions	-	-	-	1,834	891	2,725
Revaluation (Note 10)	10	10	-	-	-	20
Disposal/assets written off	-	-	-	(53)	(331)	(384)
At 31 March 2017	**3,445**	**14,655**	**653**	**6,559**	**13,638**	**38,950**
Depreciation						
At 1 April 2016	**-**	**-**	**653**	**2,614**	**10,858**	**14,125**
Charged in year	-	293	-	407	1,278	1,978
Revaluation (Note 10)	-	(293)	-	-	-	(293)
Disposal/assets written off	-	-	-	(53)	(331)	(384)
At 31 March 2017	**-**	**-**	**653**	**2,968**	**11,805**	**15,426**
Net book value at 31 March 2017	**3,445**	**14,655**	**-**	**3,591**	**1,833**	**23,524**
Net book value at 31 March 2016	3,435	14,645	-	2,164	2,220	22,464

The land and buildings were independently valued as at 31 March 2017 by Cushman & Wakefield Debenham Tie Leung Ltd (Chartered surveyors) on the basis of existing use as set out in the RICS Appraisal and Valuation Manual. This basis is appropriate for use when valuing, for financial statements, property that is occupied for the purpose of the business operating within it.

7,747m^2 (2015/16: 7,542m^2) of 29,862m^2 net internal space of the Crown Way building was rented to other government departments.

All assets are owned by Companies House.

5a. Property, plant and equipment (2015/16)

	Land	Buildings	Leasehold	Plant and Machinery	Computer Equipment[1]	**Total**
	£'000	£'000	£'000	£'000	£'000	**£'000**
Cost or revaluation						
At 1 April 2015	**3,300**	**14,220**	**653**	**4,336**	**12,627**	**35,136**
Additions	-	-	-	943	857	1,800
Revaluation (Note 10)	135	425	-	-	-	560
Disposal/assets written off	-	-	-	(501)	(406)	(907)
At 31 March 2016	**3,435**	**14,645**	**653**	**4,778**	**13,078**	**36,589**
Depreciation						
At 1 April 2015	**-**	**-**	**648**	**2,818**	**9,588**	**13,054**
Charged in year	-	284	5	297	1,676	2,262
Revaluation (Note 10)	-	(284)	-	-	-	(284)
Disposal/assets written off	-	-	-	(501)	(406)	(907)
At 31 March 2016	**-**	**-**	**653**	**2,614**	**10,858**	**14,125**
Net book value at 31 March 2016	**3,435**	**14,645**	**-**	**2,164**	**2,220**	**22,464**
Net book value at 31 March 2015	3,300	14,220	5	1,518	3,039	22,082

1. Balances for finance leases have been reclassified to computer equipment.

6. Intangible assets

Intangible assets (2016/17)

Intangible assets are software and the associated implementation costs

	Software	Assets in the course of construction	**Total**
	£`000	£'000	**£'000**
Cost			
At 1 April 2016	**60,357**	**3,313**	**63,670**
Additions	-	3,890	3,890
Disposals	-	-	-
Impairment	-	-	-
Asset transfer	5,152	(5,152)	-
As at 31 March 2017	**65,509**	**2,051**	**67,560**
Amortisation			
At 1 April 2016	**46,967**	**-**	**46,967**
Charged in year	3,882	-	3,882
Disposal	-	-	-
Impairment	-	-	-
As at 31 March 2017	**50,849**	**-**	**50,849**
Net book value at 31 March 2017	**14,660**	**2,051**	**16,711**
Net book value at 31 March 2016	13,390	3,313	16,703

£3.8m (2015/16: £5m) of the closing Net Book Value (NBV) relates to Companies House Information Processing System (CHIPS) and £1.1m (2015/16: £1.5m) for Companies Act Programme (CAP) projects totalling £4.9m (2015/16: £6.5m). CHIPS has been subject to an exercise to re-estimate its useful life, which has led to the extending of its useful life until February 2020. The remaining amortisation period for CHIPS and CAP has therefore been extended from 28 February 2018 by 2 years until 28 February 2020.

£9.7m of the closing NBV relates to Companies House Service (CHS) and other small in-house projects. The remaining amortisation period for these assets is 3-12 years.

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

6a. Intangible assets (2015/16)

Intangible assets are software and the associated implementation costs

	Software	Assets in the course of construction	**Total**
	£`000	£'000	**£'000**
Cost			
At 1 April 2015	**60,331**	**2,036**	**62,367**
Additions	-	3,201	3,201
Disposals	(1,603)	-	(1,603)
Impairment	-	(295)	(295)
Asset transfer	1,629	(1,629)	-
As at 31 March 2016	**60,357**	**3,313**	**63,670**
Amortisation			
At 1 April 2015	**43,318**	**-**	**43,318**
Charged in year	5,252	-	5,252
Asset transfer	(1,603)	-	(1,603)
Impairment	-	-	-
As at 31 March 2016	**46,967**	**-**	**46,967**
Net book value at 31 March 2016	**13,390**	**3,313**	**16,703**
Net book value at 31 March 2015	17,013	2,036	19,049

7. Non-staff administration costs

	2016/17	2015/16 (Restated)
	£'000	£'000
Audit remuneration		
Audit services	**48**	48
Other services	**-**	-
Subtotal	**48**	48
Administration costs		
Chief Executive and senior managers' travel and subsistence	**34**	39
Other employees travel and subsistence	**285**	285
Staff related costs	**539**	419
Recruitment and training	**654**	506
Printing and stationery	**4,902**	4,517
Communications and awareness	**654**	975
Maintenance contracts/leases	**2,915**	2,784
Repair and maintenance — buildings	**2,276**	2,124
Accommodation cost	**2,304**	2,543
Property rental	**602**	612
Office equipment	**1,022**	999
Software	**396**	479
Other administration costs	**1,035**	921
Subtotal	**17,618**	17,203
Professional services (including contact centre, debt recovery and costs of litigation)	**6,720**	13,024
Subtotal (audit remuneration, administration costs & professional services)	**24,386**	30,275
Non-cash Items		
Depreciation and amortisation	**5,860**	7,514
Impairment	**0**	295
Subtotal	**5,860**	7,809
Total non-staff administration costs	**30,246**	38,084

Included in audit services is £12,000 for work carried out on LFP Trust Statement (2015/16: £12,000).

8. Interest and finance costs

	2016/17	2015/16
	£'000	£'000
Short-term daily interest receivable from the Government Banking Service and National Loans Fund	**99**	164

Unwinding of discount of early retirement scheme	**(0)**	(22)

9. Dividend

A dividend of £3.9m (2015/16: £3.8m) was payable to BEIS. The dividend is calculated as a return on the average capital employed in accordance with the Treasury Minute dated 14 May 2014 (see appendix A).

10. Revaluation reserve

	Land and Buildings	Total
	£'000	£'000
Balance brought forward 1 April 2015	**6,348**	**6,348**
Revaluation of property, plant and equipment at 31 March 2016	844	844
Transfer to general fund at 31 March 2016	7,192	7,192
Balance brought forward 1 April 2016	**7,192**	**7,192**
Revaluation of property, plant and equipment at 31 March 2017	313	313
Transfer to general fund at 31 March 2017	-	-
Balance carried forward 31 March 2017	**7,505**	**7,505**

11. Trade receivables and other current assets

	31 March 2017 £'000	31 March 2016 £'000
Trade receivables	**3,475**	3,223
Other receivables	**1,187**	1,377
Prepayments and accrued income	**1,291**	1,629
Amounts due from BEIS	**161**	598
Total	**6,114**	6,827

No amounts fall due after more than one year (2015/16: Nil).

12. Cash and cash equivalents

	31 March 2017 £'000	31 March 2016 £'000
Balance at 1 April	**47,102**	41,400
Net change in cash and cash equivalent balances	**(2,538)**	5,702
Balance at 31 March 2017	**44,564**	47,102

	£'000	£'000
The following balances at 31 March were held at:		
Government Banking Service (GBS) / (RBS)	**28,473**	30,900
Commercial banks and cash in hand	**16,091**	16,202
Balance at 31 March 2017	**44,564**	47,102

Surplus balances held in commercial banks are deposited with the National Loan Fund.

13. Trade payables and other current liabilities

	31 March 2017 £'000	31 March 2016 £'000
Amounts falling due within one year		
Trade payables	**1,479**	448
Accruals and customer prepayments	**6,433**	6,013
Other payables	**21**	964
Dividend payable	**3,861**	3,840
Total	**11,794**	11,265

No amounts fall due after more than 1 year (2015/16: Nil).

14. Provisions for liabilities and charges

	Voluntary retirement schemes [1.] £'000	Costs of litigation [2.] £'000	Total £'000
Balance at 1 April 2016	**199**	**6,300**	**6,499**
Provided in the year	**-**	**-**	**-**
Provisions utilised in the year	**(119)**	**(6,300)**	**(6,419)**
Unwinding of discount	**-**	**-**	**-**
Balance at 31 March 2017	**80**	**-**	**80**
Analysis of expected timings of provisions			
Amounts due within 1 year	**42**	**-**	**42**
Amounts due within 2 – 5 years	**38**	**-**	**38**
Total	**80**	**-**	**80**

1. Treasury guidance requires that the full cost of early retirement and severance schemes should be recognised in the accounts when early-departure decisions are made. The operating account has accordingly been charged with the full liability of new decisions taken and a balance sheet provision has been made which will be offset against the amount paid to retirees in respect of pension and related payments as they fall due between 2012 and 2020. In accordance with IAS 37, the provisions are net of the effect of discounting at a real rate of 0.24% (2015/16: 1.37%), in line with the PES.

2. Provision had been made for litigation costs which were paid during this financial year.

15. Operating lease commitments

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

	31 March 2017 £'000	31 March 2016 £'000
Amounts due		
Not later than one year	**350**	498
Later than one year and not later than five years	**1,121**	1,190
Later than five years	**514**	794
Total	**1,985**	2,482

These leases relate to the offices in Belfast, Edinburgh and London.

16. Future income due under non-cancellable operating leases

	2016/17 £'000	2015/16 £'000
Land and buildings:		
Receivable within 1 year	**430**	380
Receivable within 2–5 years	**356**	319
Total	**786**	699

The lease information above relates to the sub-letting of surplus space in the Cardiff Office. Companies House has six tenants (2015/16: 7). 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 is charged when it is incurred.

17. Financial commitments

Companies House has entered into non-cancellable contracts (which are not leases, PFI or other service concession arrangement contracts), for a variety of services such as debt collection service, IT maintenance, contact centre and printing and mail services.

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

	2016/17 £000	2015/16 £000
Not later than one year	**6,202**	9,025
Later than one year and not later than five years	**1,450**	159
Total	**7,652**	9,184

18. Financial instruments

IAS 39 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.

As a Trading Fund, we have cash balances held with The Government Banking Service and also with a commercial bank. We do not have any loans currently outstanding.

We do not believe we are exposed to market or liquidity risk. All material assets and liabilities are denominated in sterling so we do not believe we are exposed to any significant currency risk.

19. Related party transactions

Companies House is an executive agency of BEIS with Trading Fund status. BEIS is regarded as a related party and during the year Companies House has had various material transactions with the divisions of the Department. In addition, Companies House had a number of material transactions with other central government bodies, most of which have been with the Treasury Solicitor, Financial Reporting Council (FRC) and HMRC. None of the Board members or senior managers has undertaken any material transactions with Companies House during the year. Neil Hartley is the Director of Finance for Companies House and the Intellectual Property Office (IPO), IPO is a related party. Details of Neil Hartley's remuneration and that of all the Companies House directors are available in the Remuneration and Staff Report.

Ceri Witchard is the Director of Corporate Strategy for Companies House and Regulator of Community Interest Companies (CIC); CIC is a related party. Details of Ceri Witchard's remuneration and that of all the Companies House directors are available in the Remuneration and Staff Report.

Related organisation	**Income £'000**	**Amounts owed by related party £'000**
Intellectual Property Office	221	133
Community Interest Companies	30	2

20. Subsequent events

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

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

Appendix A

Treasury minute

Dated 14 May 2014

1. Section 4(1) of the Government Trading Funds Act 1973 ("the 1973 Act") provides that a trading fund established under that Act shall be under the control and management of the responsible Minister and, in discharge of his function in relation to the fund it shall be his duty:
   (a) to manage the funded operations so that the revenue of the fund:
      (i) consists principally of receipts in respect of goods or services provided in the course of the funded operations, and
      (ii) is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to venue account; and
   (b) to achieve such further financial objectives as the Treasury may from time to time, by minute laid before the House of Commons, indicate as having been determined by the responsible Minister (with Treasury concurrence) to be desirable of achievement.
2. The Trading Fund for Companies House was established on 1 October 1991 under the Companies House Trading Fund Order 1991 (SI 1991 No.1795).
3. The Secretary of State for the Department for Business, Innovation and Skills, being the responsible Minister for the purposes of section 4(1)(b) of the 1973 Act, has determined (with Treasury concurrence) that a further financial objective desirable of achievement by the Companies House Trading Fund to achieve, over the period from 1 April 2014 to 31 March 2019, a return, averaged over the period as a whole, of at least 3.5 per cent real[1] in accordance with Managing Public Money. This will take the form of an operating surplus on ordinary activities post exceptional items and interest (payable and receivable), but before dividends, expressed as a percentage of average capital employed. Capital employed shall equate to the total assets from which shall be deducted the total liabilities.
4. This Minute supersedes that dated 21 July 2009.
5. Let a copy of this Minute be laid before the House of Commons pursuant to section 4(1)(b) of the Government Trading Funds Act 1973.

[1] 3.5% real will be calculated annually as 3.5% plus the latest inflation estimate for that year, provided by ONS. By way of a worked example, for the fiscal year 2013-2014 the financial target will be 5.5%. This has been calculated as (1+3.5%+2.0%), where 2.0% is the ONS 2013-14 inflation estimate. National Accounts figures from the ONS: www.gov.uk/government/publications/gdp-deflators-at-market-prices- and-money-gdp-march-2013

Trust Statement: Late Filing Penalties 2016/17

Accounting Officer’s foreword to the Trust Statement

Scope

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

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

Statutory background

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

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

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

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

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

Financial background

The income collected by way of LFPs is not used to meet the expenditure incurred by Companies House in administering the LFP scheme. The expenditure incurred is disclosed as a note to the accounts.
On 1 February 2009, the penalty regime was amended. The penalties were increased and, at the same time, the period allowed for filing accounts at Companies House was shortened. Double penalties were also introduced: where a company files its accounts late in 2 successive years, it is liable to double the penalty otherwise due in the second year.

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

From 1 February 2009 to date as per Companies Act 2006

How late are the accounts 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

The above table shows the initial penalty value levied.

Business review

During the financial year 206,575 penalties were levied (2015/16: 194,987), which was an increase of 11,588 on the previous year. There was an overall decrease in the value of the penalties issued to £90.7m (2015/16: £91.8m). The increase in penalties levied and the conflicting decrease in revenue recognised is due to companies filing sooner. During the year, there were an additional 15,881 penalties levied for the bandings less than 3 months, and 4,293 fewer penalties for the bandings greater than 3 months.

During 2016/17 a total of 42,789 double penalties (2015/16: 40,441) were levied with a value of £38.7m (2015/16: £39.2m) against companies which had filed their accounts late in successive years.

Performance

58% of the penalties levied in 2016/17 were collected in full. Those penalties which either I or my fellow Registrars exercised our discretion not to collect are excluded from these figures.

Penalties and any associated court costs which were written off during the financial year as uncollectable amounted to £26.6m (2015/16: £26.2m). There was an increase in the bad and doubtful debt provision of £5.7m (2015/16: £5.1m increase in provision)

Results and appropriations

The net revenue for the Consolidated Fund was £56.8m (2015/16: £58.3m). The transfer of receipts to the Consolidated Fund from the Trust in the year was £51m (2015/16: £57m), which left a balance due to the Consolidated Fund of £28.7m (2015/16: £22.9m) at 31 March 2017. Please refer to the necessary financial statement pages 75 and 77.

Case handling

During the financial year 30,670 (2015/16: 31,788) appeals were received against penalties levied. Having levied a penalty, I and my fellow Registrars have applied limited discretion not to collect 2% of penalties (2015/16: 3%) under Section 453(3) of the Companies Act 2006, and this is offset against penalty income in the Statement of Revenue and Expenditure.

Bad and doubtful debts

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

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

In addition to the amounts not collected due to the exercise of each Registrar's discretion, penalties are written off as unrecoverable where a company has been struck off or dissolved. There is no economic benefit in pursuing a debt from a defunct company. Penalties (and associated court costs) are also written off as unrecoverable where the debt is over 6 years old. In 2016/17 the total debt written off was £26.6m (2015/16: £26.2m) of which 87% related to dissolved companies (2015/16: 86%).

The provision for bad debt has increased by £5.7m to £75.8m (2015/16: £70.1m and has been constructed in line with accounting policy (note 1).

Independent adjudicators

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

Court costs

Court costs awarded are shown within other income and in 2016/17 amounted to £0.6m (2015/16: £1m). 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, awarded costs collected 2016/17: £0.3m (2015/16: £0.4m). The Registrars of Scotland and Northern Ireland exercise their discretion outside England and Wales against the companies on their respective registers. The reduction in income recorded and subsequent collection and transfer of payments, has arisen due to the implementation of a new contract where the risk and rewards of recoverable legal disbursements are not borne by the Late Filing Penalty scheme. This is the second full year this contract has been in place.

Funding

The costs of administering the scheme are provided by BEIS which provides the funds to support the costs of running the LFP Scheme and the costs incurred in enforcing collection. The costs incurred by Companies House and invoiced to BEIS are disclosed in note 8.

Cash balances

Net cash inflow from revenue activities for the year was £57.2m (2015/16: £54.4m). After payments of £51m to the consolidated fund (2015/16: £57m), the net increase in cash for the year was £6.2m, taking cash balances at the year end to £8.6m. 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 Comptroller and Auditor General at a cost of £12,000 (2015/16: £12,000).

Registrars

Ann Lewis - Interim Chief Executive and Registrar of Companies House (Appointed 1 May 2017)

Tim Moss CBE - Chief Executive and Registrar of Companies House (Resigned 30 April 2017)

Aoife Martin—Registrar of Companies for Scotland

Helen Shilliday—Registrar of Companies for Northern Ireland

Ann Lewis

Ann Lewis
Accounting Officer
Acting Chief Executive and Registrar
4 July 2017

Statement of Accounting Officer’s responsibilities

Under section 4(6)(a) of the Government Trading Funds Act 1973 HM Treasury has appointed Companies House to prepare, for each financial year, a Trust Statement in the form and on the basis set out in the Accounts Direction.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Trust Statement and of its: Statement of revenue, other income and expenditure; Statement of financial position; and Statement of cash flows for the financial year.

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

- Observe the Accounts Direction issued by HM Treasury including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis
- Make judgments and estimates on a reasonable basis
- State whether applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures in the Trust Statement; and
- Prepare the Trust Statement on a going concern basis

The Treasury has appointed the Chief Executive of Companies House as the Accounting Officer for the Trust Statement. Their relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping records and for safeguarding the Companies House assets, are set out in the Accounting Officers’ memorandum issued by HM Treasury and published in Managing Public Money.

Accounting Officer’s confirmation

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

The annual report and accounts as a whole is fair, balanced and understandable and I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

Performance and accountability report

1. The Agency's Performance Report covering both the Trading Fund and the Trust Statement, is shown on page 2

2. The Agency's Accountability Report covering both the Trading Fund and the Trust Statement, is shown on page 19
   A separate disclosure note covering losses incurred in the Trust Statement is included below

3. The Agency's Governance Statement covering both the Trading Fund and the Trust Statement, is shown on page 24

Parliamentary accountability disclosure

Losses and special payments

This section has been audited

Losses	**2016/17**		2015/16	
	Volumes	**Values £'000**	Volumes	Values £'000
Debt written off – dissolved companies	**28,541**	**23,294**	29,080	22,594
Other write-offs[1]	**7,173**	**3,266**	6,798	3,610
Total	**35,714**	**26,560**	35,878	26,204

In accordance with managing public money (A4.10.7) total losses over £300k should be disclosed. No single item exceeded £300k within that total.

1. The Registrar also writes off penalties and any associated court costs after 6 years as uncollectable.

Ann Lewis
Accounting Officer
Acting Chief Executive and Registrar

4 July 2017

The certificate and report of the Comptroller and Auditor General to the House of Parliament

I certify that I have audited the financial statements of the Companies House Trust Statement for the year ended 31 March 2017 under the Government Trading Funds Act 1973. The financial statements comprise the Statement of Revenue, Other Income and Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Trading Funds Act 1973. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the Companies House Trust Statement and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Companies House; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income 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.

Opinion on regularity

In my opinion, in all material respects the expenditure and income 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.

Opinion on financial statements

In my opinion:

- The financial statements gives a true and fair view of the state of affairs of the Companies House Trust Statement as at 31 March 2017 and of the net revenue for the year then ended; and
- The financial statements have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the information given in Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General
4 July 2017

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

Statement of revenue, other income and expenditure for the year ended 31 March 2017

	Note	2016/17 £'000	2015/16 £'000
Revenue			
Penalties	2	**90,717**	91,836
Discretion applied under section 453(3) Companies Act 2006		**(2,010)**	(2,814)
Total		**88,707**	89,022
Other income			
Recoverable court costs		**643**	957
Total revenue		**89,350**	89,979
Expenditure			
Court costs transferred		**(285)**	(360)
Bad and doubtful debts	4	**(32,250)**	(31,307)
Total expenditure		**(32,535)**	(31,667)
Net revenue for the consolidated fund	6	**56,815**	58,312

There were no recognised gains or losses accounted for outside the above Statement of revenue, other income and expenditure (2015/16: Nil).

The notes on pages 78-83 form part of this statement.

Statement of financial position as at 31 March 2017

	Note	**31 March 2017 £'000**	31 March 2016 £'000
Current assets			
Trade and other receivables	3	**20,964**	21,379
Cash and cash equivalents	7	**8,560**	2,357
Total current assets		**29,524**	23,736
Total assets		**29,524**	23,736
Current liabilities			
Trade and other payables	5	**(818)**	(845)
Total current liabilities		**(818)**	(845)
Assets less liabilities		**28,706**	22,891
Balance on consolidated fund account as at 31 March	6	**28,706**	22,891

Ann Lewis

Ann Lewis
Accounting Officer
Acting Chief Executive and Registrar
4 July 2017

The notes on pages 78-83 form part of this statement.

Statement of cash flows for the year ended 31 March 2017

	Note	2016/17 £'000	2015/16 £'000
Net cash flow from revenue activities		**57,203**	54,420
Cash paid to consolidated fund	6	**(51,000)**	(57,000)
(Decrease)/increase in cash and cash equivalent		**6,203**	(2,580)

Notes to the statement of cash flows

Reconciliation of net cash flow to movement in net funds

Net revenue for consolidated fund		**56,815**	58,312
Decrease/(Increase) in non-cash assets	3	**415**	(4,459)
(Decrease)/Increase in liabilities	5	**(27)**	567
Net cash flow from revenue activities		**57,203**	54,420

Analysis of changes in net funds

Increase/(Decrease) in cash in this period		**6,203**	(2,580)
Net funds as at 1 April (opening cash at bank)	7	**2,357**	4,937
Net cash as at 31 March (closing cash at bank)		**8,560**	2,357

The notes on pages 78-83 form part of this statement.

Notes to the accounts for the year ended 31 March 2017

1. Principal accounting policies

Basis of accounting

The Trust Statement is prepared in accordance with the accounts' directions issued by HM Treasury under section 7 of the Government Resources and Accounts Act 2000. The Trust Statement is prepared in accordance with the accounting policies detailed below. These have been agreed between Companies House and HM Treasury and have been developed with reference to International Financial Reporting Standards and other relevant guidance.

The accounting policies have been applied consistently in dealing with items considered material to the accounts.

The income and associated expenditure contained in this statement are those flows of funds which Companies House handles on behalf of the Consolidated Fund and Treasury where it is acting as an agent rather than principal.

Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and judgements that affect the reported assets, liabilities, revenue and expenditure. Actual results can differ from those estimates. The accounting policy descriptions set out those areas where judgement needs exercising. The most significant in management's view are the provision for doubtful debts and the exercise of discretion under S453 (3) of the Companies Act 2006.

Accounting convention

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

Revenue recognition

Penalties are measured in accordance with IAS 18. Revenue is recognised when:

- A penalty is validly imposed and an obligation to pay arises;
- Recoverable court costs are recognised once awarded by the courts and shown as other income;
- When the court costs are fully recovered they are treated as an expense and transferred to Companies House against previously incurred court action costs.

Discretion under section 453 Companies Act 2006

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

Receivables

Receivables are shown net of a provision for doubtful debts.

Provisions

Companies House makes provision for liabilities and charges where a legal or constructive liability exists (i.e. a present obligation from past events exists), where the transfer of economic benefits is probable and a reasonable estimate can be made.

Provision for bad 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 or the penalty exceeds 6 years. At each balance sheet date Companies House evaluates the collectability of debtors and records provisions for doubtful debts based on previous experience including the comparisons of the relative aged debt, collection rates and the consideration of actual write-off history.

Costs

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

Provision for doubtful debts

A provision is made for doubtful debts based on the ageing profile of actual cash collected for penalties levied and any awarded court costs, which is updated monthly thereby enabling the calculation at year end. The debt is initially pursued by Companies House staff. When the debt has been pursued as far as possible the process is transferred to a debt collection company.

The calculated provision for doubtful debts varies depending on position in the debt collection process and the ageing of the debt, for example, a debt is generally more highly provided for the older it is and if it has been transferred to a collection company.

2. Revenue and other income

Penalties

The following is information of late filing penalties by registry:

		2016/17		2015/16
	Number of Penalties		Number of Penalties	
	'000	**£'000**	'000	£'000
England and Wales	**194**	**84,220**	182	85,526
Scotland	**10**	**4,879**	10	4,733
Northern Ireland	**3**	**1,618**	3	1,577
Total	**207**	**90,717**	195	91,836

Discretion applied under section 453(3) Companies Act 2006

The Registrar has no discretion not to levy a penalty when accounts are delivered late. All companies which deliver accounts late will automatically incur a penalty. However, section 453(3) of the Companies Act 2006 states that the penalty "may be recovered by the Registrar". Discretion can only be applied in exceptional circumstances, for example, where Companies House has contributed to the late filing or where an unforeseen catastrophe strikes the company immediately before the filing deadline. Where the Registrar has applied discretion, this is offset against penalty income.

3. Receivables

Receivables falling due after more than one year

	31st March 2017	31st March 2016
	£'000	£'000
Penalties levied and court costs	**89**	266
Provision for doubtful debts		(63)
Total	**89**	203

Receivables falling due within the year

	31 March 2017	31 March 2016
	£'000	£'000
Penalties levied and court costs	**96,660**	91,208
Provision for doubtful debts	**(75,785)**	(70,032)
Total	**20,875**	21,176

Total receivables due

	31 March 2017	31 March 2016
	£'000	£'000
Penalties levied and court costs	**96,749**	91,474
Provision for doubtful debts	**(75,785)**	(70,095)
Total	**20,964**	21,379

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 provision 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.

4. Bad and doubtful debts

	31 March 2017	31 March 2016
	£'000	£'000
Debt written off — dissolved companies	**23,294**	22,594
Other write offs	**3,266**	3,610
Revenue losses	**26,560**	26,204
Increase/(decrease) in provision for doubtful debt	**5,690**	5,103
Total	**32,250**	31,307

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 6 years as uncollectable.

4a. Sensitivity Analysis on the Provision 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 provision for bad debts. The provision has been spilt into three age categories with different collectable percentage rates. 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 provision should be increased to reflect less debt collected. Conversely, should more cash be recovered the provision should be decreased. The analysis has yielded the following results:

	2016/17 +/- £'000	2015/16 +/- £'000
1% Flex - impact on net receivables	**-**	-
Decrease in cash collected resulting in an increased provision	**950**	908
Increase in cash collected resulting in a lower provison	**(950)**	(908)
2.5% Flex - impact on net receivables	**-**	-
Decrease in cash collected resulting in an increased provision	**1,788**	2,269
Increase in cash collected resulting in a lower provison	**(2,374)**	(2,269)
5% Flex - impact on net receivables	**-**	-
Decrease in cash collected resulting in an increased provision	**2,814**	4,539
Increase in cash collected resulting in a lower provison	**(4,749)**	(4,539)

The key assumption inherent in the model used to calculate the provision 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 provision. The impact of adjusting the estimated future flow of payments to arrive at reasonable alternatives to this assumption is reflected in the table above.

Companies House reviews the most appropriate data sources and assumptions to estimate the bad debt provision on a continual basis. Data sources used to calculate the prior year provision were found to be incomplete, but it is impracticable to calculate the effect. The issue has been resolved in the 2016/17 provision.

5. Trade and other payables

	31 March 2017 £'000	31 March 2016 £'000
Other payables	**818**	845
Total	**818**	845

No amounts fall due after more than one year (2014/15: Nil).

6. Balance on consolidated fund

	31 March 2017 £'000	31 March 2016 £'000
Balance on the consolidated fund as at 1 April	**22,891**	21,579
Net revenue for the consolidated fund	**56,815**	58,312
Less amounts paid to consolidated fund	**(51,000)**	(57,000)
Balance on the consolidated fund as at 31 March	**28,706**	22,891

7. Cash and cash equivalents

	31 March 2017 £'000	31 March 2016 £'000
Balance with GBS	**982**	1,666
Balance with commercial banks	**7,578**	691
Total	**8,560**	2,357

Since February 2011 Companies House has taken sole responsibility for the transfer of funds to the Consolidated Fund. In previous years, all penalties were transferred to BEIS who subsequently transferred in to the Consolidated Fund. Companies House remits to the Consolidated Fund on a monthly basis.

8. Expenditure

In managing the scheme Companies House incurred expenditure of £3.5m (2015/16: £4.1m). This expenditure is included in Companies House 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.

	2016/17	2015/16
	£'000	£'000
Appeal administration		
Staff costs	**1,093**	1,270
Overheads	**289**	496
Debt collection		
Staff costs	**589**	539
Overheads	**1,512**	1,772
Total	**3,483**	4,077
Average employees FTE	**48.2**	51.6

9. Related party

Companies House is an Executive Agency of BEIS with Trading Fund status. BEIS is regarded as a related party and during the year Companies House received funding for the LFP scheme expenditure from BEIS, invoiced on a cost- recovery basis and this is reflected within the Companies House annual accounts. None of the board members or senior managers has undertaken any material transactions with Companies House during the year.

10. Subsequent events

Events after the reporting period date.

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 and report of the Comptroller and Auditor General.

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