
Limited Liability Partnership Accounts enablement
Department for Business, Energy & Industrial Strategy –
Companies House

RPC rating: validated

Description of proposal

The measure gives Limited Liability Partnerships (LLPs) an option to file their accounts with Companies House electronically, offering a less burdensome option to some businesses.

An LLP is an alternative legal form to a limited company, usually set up for the types of profession that traditionally operate as partnerships, e.g. solicitors. LLPs are obliged to report to Companies House every year regarding their financial performance and activities.

Previously, LLPs could only submit accounts via post, and this approach is still open to them.

Impacts of proposal

As LLPs are not obliged to switch to the electronic filing system, the BIT assessment considers only impacts on businesses deciding to use the new system.

The BIT assessment states that there are currently 62,447 LLPs registered with Companies House. However, it is assumed that only 40 per cent of those will switch to the new system. This assumption is based on previous experience with other account filing software.

In order to be able to file electronically, companies will have to use specialist software offered by 20 software providers. The BIT assessment states that LLPs are unlikely to buy the software themselves, as most of them have their financial reports prepared and filed by accountancy and corporate services firms.

The BIT assessment states that LLPs deciding to use the new system may see an increase in cost in the form of higher accountancy fees, as accountancy firms would have to upgrade their software and may, therefore, pass costs on to their clients. The total cost of services of an accountant using the new software is stated to be £1,000 per annum. However, Companies House has not attempted to quantify the total potential costs.

The main benefit relates to reduced postage and processing costs. The BIT assessment estimates that this could result in savings of £50,000 annually. The assessment discusses other benefits, such as increased client confidence or easier access to financial information for inspections but notes that these are indirect.

Overall, due to the fact that this is a permissive measure, the net cost to business is assumed to be zero - LLPs will only choose to use the electronic option if they feel that the benefits exceed the costs for them. Companies House also expects the costs and benefits to be relatively small overall.

The RPC verifies the estimated equivalent annual net direct cost to business (EANDCB) of zero. This will be a qualifying regulatory provision that will score under the Business Impact Target.

Quality of submission

The BIT assessment presents an acceptable level of analysis. It provides sufficient qualitative treatment of costs and benefits and attempts to capture the wider impact of the measure by describing its indirect impacts. Given the small direct impact of the measure and the fact that it is voluntary, the assessment is considered to be proportionate. A briefer analysis, focusing more clearly on the fact that the measure is permissive, might also have been appropriate.

The quality of the assessment could be significantly improved by setting out the analysis – including the evidence underpinning the various assumptions - more clearly and making a clearer distinction between direct and indirect impacts. The BIT assessment should be more explicit about which impacts are direct and which indirect. It should also provide a more detailed discussion of how changes in accountancy fees are likely to translate into costs or benefits to LLPs.

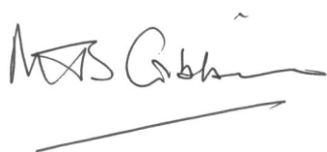
The assumption that most LLPs would have their accounts filed by accountancy firms should be more clearly justified.

Departmental assessment

Classification	Qualifying regulatory provision (OUT)
Equivalent annual net cost to business (EANCB)	Zero
Business net present value	Zero

RPC assessment

Classification	Qualifying regulatory provision (OUT)
EANCB – RPC validated ¹	Zero
Business Impact Target (BIT) Score ¹	Zero
Small and micro business assessment	Not required



Michael Gibbons CBE, Chairman

Martin Traynor (committee member) did not participate in the scrutiny of this case to avoid a potential conflict of interest.

¹ For reporting purposes, the RPC validates EANCB and BIT score figures to the nearest £100,000.