

Companies House
Annual Report and Accounts 2018/19



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

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Ministerial Foreword

It is a great pleasure to introduce the 2018/2019 annual report for Companies House.

The register, which is central to Companies House's purpose, has continued to grow and now has over 4.2 million companies, proving the attractiveness of the UK as a place to set up and operate a business. Most of the information on the register is publicly available and free to access online. This delivers the UK's reputation as a global leader on corporate transparency and underpins confidence in the economy. This year the register was accessed over 6.8 billion times to support decision making in the economy as well as the work of law enforcement and civil society.

This has been an exciting year, which has seen the initial deliveries in an organisation wide transformation programme which will deliver significant culture change and redesign Companies House's structure, systems and services. It has also been a busy year of planning for the future. Officials in Companies House have been working closely with my officials in BEIS, and those in other parts of government, on proposals for legislation which will further enhance the range, quality and usefulness of the information that Companies House holds.

Planning is also underway for the introduction of a new register for Companies House: a register of the beneficial owners of overseas legal entities that own land in the UK, targeted at combatting money laundering and achieving greater transparency in the UK property market.

I am grateful to the people in Companies House for their work this year on continuing to support the UK economy and the fight against economic crime, and for the advances they have made on building on that role for the future.

The Rt Hon. Lord Henley

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Performance Report



Overview

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

Companies House at a glance

Register size	4,202,044
New incorporations	672,893
Companies restored	7,668
Companies in receivership	6,190
Dissolved companies	512,472
In dissolution	190,436
In liquidation	89,186
Digital take-up	88.5%
Accepted transactions	11,815,875
Paper documents accepted	1,363,766
Accounts compliance (filed earlier or on time)	94.8%
Accounts compliance (filed up to date)	98.6%
Customer satisfaction	83%
Number of times the register was accessed for free (excluding application programming interface (API) searches)	6,853,845,865
Number of times the register was accessed for paid for information	620,983
Staff engagement	69%
Headcount (total employees) as at 31 st March 2019	963
Headcount (full-time equivalents) as at 31 st March 2019	884
Income	£71.7m
Expenditure (including dividend)	£71.8m

More information about our statistics can be found at <https://www.gov.uk/government/organisations/companies-house/about/statistics>

Chair's and Chief Executive's Review

We are pleased to introduce the 2018/2019 Annual Report and Accounts, which sets out how Companies House has performed over the last financial year.

2018/19 has been another busy and successful year – a year in which we have taken substantial steps towards shaping our future and on our organisational transformation:

At the beginning of the year we delivered a legislative change that has made it easier for people to ask for their address to be removed from the register. We also made the changes needed to ensure that we are prepared for a potential no-deal exit from the EU. We are working on a range of new digital services under our Transformation Programme and have extended the range of accounts that can be submitted digitally by introducing a service for filing small full accounts. At the same time, we have been busy developing further services and putting in place the building blocks that will form the foundation of future developments.

We have also been preparing for legislative changes including implementation of the 5th Money Laundering Directive, Limited Partnership Reform and establishing a new beneficial ownership register of overseas entities that own UK property. Register Reform has been a major focus this year and we worked with BEIS colleagues to develop the consultation on corporate transparency and register reform which puts forward a vision of enhancing the value of our information and an expanding role in combatting economic crime and supporting the UK economy. Whilst we are dependent on new legislation for some major change, we have this year continued to improve the quality of data on our register and to play our part in fighting economic crime as well as maintaining world-leading levels of compliance.

Our people are the ones who deliver our transformation and this year we have continued to invest in them, focusing strongly on cultural change as well as building skills and behaviours for the future. We were particularly proud to have been the top scoring organisation of our size in the 2018 Civil Service people survey, and to have won and been shortlisted for awards across a wide range of our activities.

Understanding all of our customers – their needs and how they feel about us – is of paramount importance to us. This year we have gained excellent insight through our 'Report it Now' facility and have reviewed our way of capturing customer satisfaction information so that we can use it to gain real time information. In parallel we have carried out behavioural insight trials on our communications to ensure they are as effective as possible, knowing that communication will be vital to take our customers with us through our transformation.

In conclusion, we would like to say thank you to everyone in Companies House who has worked so hard to deliver for our customers throughout the year.



Lesley Cowley OBE

Chair



Louise Smyth

Accounting Officer

Chief Executive and Registrar



DELIVERY OF SMALL FULL ACCOUNTS

our **AWARDS**



- Wales HR Awards - Employer of the Year
- Investors in People - Gold standard
- CIPD Wales - Winner, best engagement initiative
- Chwarae Teg Fair Play - Silver award
- Disability confident - Level 2
- Mind Index - Gold standard
- Customer Service Excellence

69%



**2018
PEOPLE
SURVEY**

TRANSFORMATION
PROGRAMME



**EU
EXIT**

**REGISTER
REFORM**

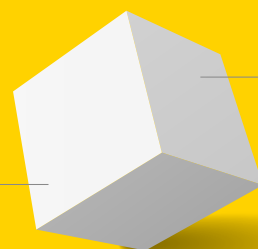
ROEBO*

**PAVING
THE
WAY**

* Establishing a new beneficial ownership register of overseas entities that own UK property

Corporate Social
Responsibility

over **£10,000**
raised for
charity



501
volunteer
days

Delivering against our 2018/2019 Business Plan

Who we are and what we do

Companies House is an Executive Agency and operates as a Trading Fund of the Department for Business, Energy & Industrial Strategy (BEIS).

We incorporate companies and make available the information they are required to provide to us. This includes information on who owns and runs a company, as well as information about their financial position. Companies provide this information in return for limited liability, and they are legally responsible for the information they provide to the registrar. The Companies Register built from this information is the base of the UK's fair and open regulatory framework, underpinning the Government's industrial strategy by helping to deliver a strong, transparent and attractive business environment.

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

Our Strategy

Our strategy for 2017 to 2020 outlines a vision to be the best registry in the world and how we propose to achieve this through:

- Excellence in company registration and search
- Making the register as complete and accurate as possible
- Building a high-performance culture

In the time since that strategy was developed there have been substantial changes in our external environment, leading us to review and change some elements of our direction. The vision and goals above remain valid, but we have changed how we are delivering against some of them, so we know we will not meet some of the original detailed objectives we set ourselves because we have chosen to prioritise and deliver in other areas.

During 2019 we will be undertaking the work needed to articulate our strategy for the five years beyond this. Our new strategy will reflect our changed environment and we expect it to be heavily influenced by the consultation on Corporate transparency and register reform launched on May 5th 2019 (<https://www.gov.uk/government/consultations/corporate-transparency-and-register-reform>). This consultation puts forward proposals to enhance the role of Companies House, increase the transparency of UK corporate entities and help combat economic crime.

How we manage our agency

We work within a framework, agreed with BEIS as our parent department, which sets out our governance, accountability, key relationships and our financial management and sponsorship arrangements.

Following a decision in 2018 that Companies House should be classified as part of central government we will, at the end of 2019/2020, transition from a trading fund to central government and expect to retain Executive Agency status within BEIS. We are currently working through the consequences of this change and how we will ensure that there will be no adverse impact on delivery of our services.

Further information on classification of public bodies can be found at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/519571/Classification-of-Public-Bodies-Guidance-for-Departments.pdf

Our board consists of a Non-Executive Chair, Chief Executive and Accounting Officer, five Executive Directors and six Non-Executive Directors. For more information about our governance see pages 28 – 37.

The purpose of this document

This Annual Report and Accounts sets out our performance and achievements for the year. For more information, see our Business Plan for 2018/2019.

Corporate targets	Result
Achieve an annual customer satisfaction score of 88%	83%
Ensure that 97% of companies have an up to date confirmation statement	98%
Ensure 40% of filings for voluntary dissolution are made digitally	34%
Ensure that our digital services are available 99.9% of the time	99.9%
Respond to 95% of PSC complaints within 10 days	97%
Reduce the cost of our baseline activities by 3.5%	4.3%
Ensure no vacancy within the digital area remains unfilled for more than 3 months	82%
Provide a digital service for the filing of small full accounts.	met

What we have done

Excellence in company registration and search

Our role in government

During 2018/2019 we worked closely and collaboratively with colleagues in BEIS and elsewhere in government on a broad range of forthcoming legislative change including establishing a new beneficial ownership register of overseas entities that own UK property, Limited Partnership Reform, changes to corporate directors, and the 5th Money Laundering Directive.

In addition, register reform has been a major focus, with Companies House helping to shape and influence vision and direction of travel as well as the proposed measures themselves. We worked with BEIS colleagues to draft the detailed consultation on corporate transparency and register reform launched on May 5th 2019 and have agreed a joint vision that includes delivering a strong contribution to UK efforts to combat economic crime and enhancing the value of our information through an even closer partnership with UK law enforcement bodies. We look forward to working with BEIS to consider register reform consultation responses, develop proposals and implement new legislative measures.

As well as preparing for the future, we made several important changes during the year:

- Delivering on a Business Plan commitment we worked closely with BEIS to urgently amend the law to make it easier for individuals to request that their home address be removed from the register. The law came into effect in April 2018 and in the year following we have received and actioned 1,523 requests.
- Working with the Department for Education we ensured we were prepared to receive insolvency filings for Further Education or Sixth Form Colleges from January 2019.
- We also worked closely with the Insolvency Service and Accountants in Bankruptcy to prepare for changes to insolvency in the form of The Insolvency (Scotland) (Company Voluntary Arrangements and Administration) Rules 2018 and The Insolvency (Scotland) (Receivership and Winding up) Rules 2018 which came into force on 6th April 2019.

We already enjoy excellent working relationships with other parts of government and have continued to build on these through the year, particularly with HM Land Registry on ROEBO and through collaborative working with HMRC. We initiated work to understand how we can better identify suspicious activity and continually consider how we can take action and build on our work with law enforcement partners within the boundaries set by our current powers.

Over the past year we have also completed preparations for the eventuality of a no-deal exit from the EU. Whilst we have as far as possible minimised the effort this has involved, we are content that we have in hand the necessary actions should this eventuality occur, including potential system changes and communications to help our customers understand any changes needed.

Digital services

During 2018/2019 we have been working on the initial stages of the services that will form the earliest deliveries under our transformation programme. We are challenging ourselves to ensure that these services are truly transformational rather than simply a matter of re-platforming what already exists or reproducing paper transactions online.

We have for example, launched our new digital service for customers who need to file small company full accounts and are already iterating the service to add extra facilities. In parallel with developing this service we have reviewed the entire journey around filing accounts. We have made changes to our reminder processes and are working on services for the minority who are unable for legitimate reasons to file on time, and those who incur a late filing penalty (LFP).

We also delivered a payment platform built around GOV.UK Pay, the cross-government payment platform. This will provide a common component enabling all of our transactions with a payment element to use the cross-government platform, thus forming a key building block for our future transformation activity. It will, for instance, allow us to quickly extend the new accounts service to accommodate Community Interest Companies (CICs) as well as underpinning future services such as an online portal for paying penalties.

Further leveraging cross-government platforms, we have used GOV.UK Notify for letter printing and email notification activities as well as introducing a staff text notification service for emergencies and business continuity.

We set ourselves a target of achieving an overall 40% take-up in year for our new digital service to close a company. This service has received good feedback and we accepted over 90,000 applications to close a company in the 2018/2019 financial year. This isn't enough to meet the 40% target, but there is clear evidence of moving in the right direction: The 90,000 digital applications represent 34% of all applications to close a company during the year, with 42% of applications being digitally filed in March 2019. Some accessibility issues have meant that the service remains in private beta - accessible only on request rather than being completely open for use. Resolving these issues has proved to be challenging in the face of competing priorities but we remain committed to developing a fully accessible service within our transformation programme.

Whilst upgrading and developing new services is a vital part of our digital journey, we also recognise the prime importance of our digital services being available. This year we met our combined service availability target, achieving 99.94% against the public target of 99.9%. We have continued to introduce improvements to our overall service resilience and are pleased to say that our cloud hosted free data service achieved 100% availability for the year.

International work

Companies House has maintained a strong presence in the international community of business registries. We are active members of international fora including the European Business Registry Association (EBRA) and the global Corporate Registers Forum (CRF). The UK is a member of the Executive Steering Committee for CRF and of two EBRA working groups, one on beneficial ownership and one on proposed amendments to the EU First Company Law Directive. We are also proud to lead the International Business Registers Report project which produces an annual report comparing the practices and performance of business registers around the world.

Companies House is regarded as a leading business register, which generates huge international interest. We host delegations from other registries, share best practice and provide guidance on various aspects of the register. Our early establishment and running of a public register of beneficial ownership has led to our being seen as a world leading authority in this area, and we are often requested to give advice to other registries and to speak at conferences.

Making the register as complete and accurate as possible

Working with colleagues in government and law enforcement

We work with colleagues in law enforcement and in government organisations such as the Insolvency Service and HM Revenue and Customs (HMRC) to make our register up-to-date, accurate and trusted. We produce intelligence to identify and target incorrect or suspicious information and work with both customers and enforcement partners to either correct information or use enforcement powers. Our work with colleagues across government on Financial Action Task Force and Global Tax Forum assessments of the UK has led to positive outcomes.

However, despite this work and the UK regulatory framework being generally well regarded, we are aware of increasing concerns about potential for misuse of the register. The consultation on corporate transparency and register reform proposes measures to improve the exchange of intelligence between Companies House and UK law enforcement bodies and to increase checks on the information companies are required to disclose. Dependant on the outcome of the consultation we anticipate in the future having powers to address issues where we are currently unable to take preventative and remedial action.

Although we currently have limited powers to address issues and to remove information that is false or fraudulent, we will, during the coming year and until we have the powers we need, continue to collaborate to investigate ways to improve data provided and safeguard against abuse of the register.

In the past year we worked with accountancy bodies and HMRC to promote best practice and compliance in company accounts, and with Cabinet Office and HMRC to conduct an exercise on comparison of company accounts. In Scotland we worked to prepare a route for prosecutions. We have also carried out a review of our internal compliance and enforcement processes.

Compliance

We will also continue the activity that has led to world-leading levels of compliance:

Over the year our teams have concentrated on increasing the level of customer service with the aim of raising the level of compliance. Through teams taking ownership for specific groups of companies, we have been able to build trust and give customers consistency in who they deal with as well as introducing a new team to deal with customers needing a more sensitive or flexible approach.

Every company has dates by which it should submit statutory documents to the registrar, and each is entitled to request an extension of the time allowed. As part of a drive to gain compliance we introduced a more flexible approach to those asking for help in this way. This has already had a positive impact and we look forward to extending this by offering this process digitally in the coming year as part of our transformation of the accounts journey.

A further part of our compliance effort is to issue reminders to companies approaching a statutory filing date. Currently this is done by issuing letters and by sending email reminders to those who have signed up for that service. During the year we undertook an email reminders take-up campaign and next year will start to trial withdrawal of the paper service. We also undertook a trial aimed at gaining behavioural insights and gauging effectiveness of reminders. Although we were unable to make any substantial improvement in digital filing take up, the trial did have a positive impact on compliance rates and we will continue investigative work in this area.

Corporate transparency and money laundering

We are involved in key working groups across both government and the private sector involved in identifying, disrupting and prosecuting fraud. Companies House plays an important part in the UK's fight against money laundering due to the unique position it holds and the value of its data in the fight against this type of crime.

2019 will see a review of the People of Significant Control (PSC) regime, delivering on a commitment made when legislation was introduced three years ago. In anticipation of this, last year we monitored the rate of PSC complaints and our response, and were successful in meeting our target of responding to 95% of complaints in 10 days. We have also established figures for the number and nature of complaints recorded and our success rate in addressing them.

PSC complaints were received through a variety of channels and generally pointed to an inaccuracy in PSC information held on the public register. They covered issues such as the number of PSCs (including no PSC), inaccurate natures of control, and discrepancies in names and addresses. Our overall compliance rate for resolving complaints is over 90% with the remainder being either current live cases or cases that have exhausted our pursuit process and been referred for possible prosecution.

Privacy

Last year we introduced measures to further protect individuals' privacy. It is important to note that, where this involves removing data from the public register, it has not been destroyed but is stored securely and where appropriate is available to organisations entitled to access it.

We have already mentioned the change in law in April 2018 to allow individuals to remove their home address from the public register. This applies to company directors and others such as secretaries, PSCs and Limited Liability Partnership (LLP) members, whose home address is publicly available on company documents. It is a manually intensive process, so we have been looking into ways to more easily remove information from the register. We also introduced a modified suppression process which provides historic suppression of a personal address (other than where used as a registered office). This process, also introduced in April 2018, makes it easier for people to suppress their personal address on historical documents by removing the need to prove risk of harm and making the process available to anybody.

Building a high performance culture

Cultural change

During the year, over 600 staff took part in culture workshops, leading to 45 becoming communication and change champions. Through employee led events and a newly created Ideas Hub to encourage submission of ideas we have generated over 200 improvement ideas to support our transformation and make Companies House a great place to work. Over half have already been actioned and others are in progress. Volunteer groups are empowered to challenge and change the way we have always done things, creating an employee led change movement and shifting our culture towards more adaptable, bold and curious employees who are trusted to deliver.

Coaching and performance management

During the last year we further developed our coaching culture, utilising a staff network of 23 coaches delivering over 260 hours of coaching to improve manager and employee interactions. We were pleased to have this work recognised by being finalists in the CIPD (Chartered Institute of Personnel and Development) 'Best Coaching and Mentoring' category.

We have also continued to embed our performance management approach, focusing on regular ongoing discussions between individuals and their line managers and a simpler mid-year and end of year review process. This enables us to identify high performers, and also those who are "partially achieving", so that appropriate support can be put in place.

Our figure for annual working days lost improved massively in the year to end at an annual figure of 5.87 compared to 7.55 in the previous year

Engagement

In the 2018 Civil Service people survey we achieved a score of 69% (with a 92% completion rate), fulfilling our target of increasing on the previous year's score of 66%. Our score made us the top scoring Civil Service department for organisations of 400-999 employees.

We were the first organisation in Wales to be awarded the Mind gold standard for our commitment to promoting mental health in the workplace, having carried out a huge amount of work in relation to mental health including Mental Health Advocates as well as Dementia Friends.

Last year we were successful in retaining the Investors in People gold standard. We were also recognised and commended for our work in employee engagement and wellbeing, and diversity and inclusion, with a variety of award nominations listed in the Governance Statement on page 28.

We are particularly proud to be winners in the Best Employer Category at the HR Wales awards. This award recognises employers who are dedicated to improving and sustaining their workforce and business environment, who have diversity and inclusion at the heart of their business, and have an employee engagement strategy that inspires, excites and values the workforce.

Skills and behaviours

We have invested in management development, delivering our new and aspiring managers pathways which have seen 60 future leaders developed this year, enabling a continuous talent pipeline into business-critical roles. We have also launched our leadership development programme for our Executive Board, demonstrating senior commitment to employee development and role-modelling leadership behaviours.

The Success Profiles framework was launched in November 2018 as a more flexible approach to recruitment. It enables us to assess candidates against a range of elements (experience, ability, technical, behaviours and strengths) using a variety of selection methods. This blended approach supports the transformation programme by enabling us to recruit the behaviours and skills required for the future.

Last year, we highlighted recruitment to digital roles as a particularly urgent need and set ourselves a corporate target to fill roles within 3 months. This proved to be challenging and we filled 82% of digital roles within the 3-month target.

Physical environment

We are proud to have completed the final phase of a 3-year programme to refurbish our working environment. This has been very positively received by our staff and has transformed our

workplace to stimulate a culture of collaboration, curiosity and innovation to positively impact the wellbeing of our employees. Our workplace is now equipped for our smarter ways of working project, which will also deliver significant business and efficiency benefits.

We want to be a brilliant organisation and it is therefore vital that the physical facilities we provide match this ambition. During the year we have developed our previously outdated conference space into a collaborative, modern, vibrant and technologically enabled space fitting for a digital organisation. As part of this transformation we engaged stakeholders to make improving the wellbeing of our staff a guiding principal. This resulted in the inclusion of imitation skylights in spaces where natural daylight cannot reach to ensure that people work in the most comfortable environment and space is optimised.

Corporate social responsibility

We are committed to having a positive impact on the local community, and this year we recorded our highest number of employee volunteers with 41% of staff taking part in volunteer activities. This amounted to 501 volunteering days with a wide variety of local organisations. Through fundraising efforts such as Children in Need, Mental Health Awareness ribbons, Cupcake Day for Alzheimer's, and a charity bike ride for Cancer Research Wales our fantastic employees have raised £10,494.26 for charity.

Through our school outreach programme, we have provided work placements to 21 students. Our Cardiff and Vale College partnership enabled students to complete 30 hours of work for their business course, and we have supported the wider economy by providing 4 placements through the DWP for long term unemployed, resulting in 2 people successfully attaining full-time employment. Our partnership with the Marion Centre and Vision 21, both organisations based in Cardiff, provided 20 placements to students with disabilities and special needs. We are proud that our autism and awareness and inclusion programme was shortlisted for a Global Good award – something that recognises and rewards organisations that are making strides towards a better world for people, the planet and the global economy.

Our customers

Customer satisfaction

The independent customer satisfaction survey for 2018/2019 reported that 83% of customers were satisfied. This was 5% below our 88% target, and 1% lower than 2017/2018. In response to comments in this and other surveys we have made a number of improvements including the ability to suppress addresses. When considering survey responses expressing dissatisfaction, we will follow up to discuss with customers wherever contact details are provided.

To ensure that we have as much up to date intelligence as possible about how our customers feel about us, we have carefully reviewed the method for calculating our annual satisfaction score, and are to change our approach in 2019/2020 to give us actionable insights throughout the year and a score that should more meaningfully represent customer satisfaction. Instead of measuring once per year with a relatively small sample, we will measure continuously throughout the year with a much larger sample. We will perform the collection and analysis of this data internally, rather than use an external research partner which will also deliver cost savings. In line with the UK Customer Services Institute, we will use the average satisfaction score (out of 10) to measure satisfaction, instead of measuring the percentage of people who score above a certain number. Our customer satisfaction target for 2019/2020 remains at our current average score of 8.3 (which we represent as 83%).

We recognise that there are times when customers are not happy and complain about the service provided by us. We have a clear and easy to understand complaints process on our website. All complaints are logged and dealt with quickly, most in under five days. We analyse our complaints and where we identify trends or key issues we put improvement plans in place to address these. These may include additional training, or changes to our processes.

Customer contact

This year our contact centre dealt with 782,266 phone calls and 802,030 emails. We are carrying out a procurement exercise for the provision of our contact centre services from November 2019. As we move towards more digital first options we want to introduce new digital tools for customers to use instead of the traditional ways of contacting us by calling or emailing us.

'Report it Now' is a facility which allows customers to tell us about anything that is wrong with the information on the register. It has in the last year elicited more than 77,000 reports. These have provided excellent feedback which has allowed us to ask companies for updated information or, in the case of unauthorised use of an address, use our powers to change the address.

This year we have created a specific page on our website to help our customers who need support in using our services and meeting their statutory requirements. It explains that we can offer reasonable adjustments for customers with visual, auditory, motor, cognitive and speech impairments as well as seizure disorders. It provides contact details for accessibility support and how we can help, for instance if someone has impaired vision and they would prefer contact from us by phone we can call them when statutory filings are due.

In the past year we have looked at ways to help our staff develop their skills, whether through making more use of the government wide Operational Delivery Profession to introduce a fundamental learning journey to help our staff develop new skills, or learning through external organisations like the Institute of Customer Services (ICS). We have staff working towards ICS qualifications and they are supported by colleagues coaching them. We plan in the coming year to roll out a customer service training programme to help us to deliver the excellent level of service our customers demand from us, and are also looking to provide further training to our customer service teams to help them to assist customers with mental health issues.

We have very positive relationships with the major users of our services and provide insight to colleagues across Companies House to improve our products and services through customer meetings or visiting organisations with our user researchers. We were therefore thrilled to have this recognised when we successfully retained the Customer Service Excellence Award. The latest award focussed on our use of customer insight to improve our products and services, the culture of the organisation and the timeliness and quality of customer service. The assessor highlighted a number of areas of excellence.

Performance analysis

Financial performance

As a trading fund, we do not receive funding from the taxpayer. We are financed by income from fees and we pay an annual 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 £71.7m (2017/18: £69.1m); an increase of £2.6m compared to last year. A 4.2% growth in the size of the register has meant that the regulatory related income increased by £3.4m. Greater activity in pursuing late filing penalties restored the amount recharged to BEIS to more normal levels than last year, an increase of £1m over 2017/18. The notable reduction was in Companies House Direct (CHD) income which fell by £0.5m in the year as customers continue to switch to the free data service which is now available.

Our gross administration costs for the year were £67.8m, an increase of £1.8m over the previous year. Staff costs have increased by £1.1m compared to 2017/18 (see note 3). Average full-time equivalent (FTE) numbers have increased by 35, and contract labour costs have decreased by a net £0.7m. Non-staff administration costs have increased by a net £2.1m compared to 2017/18 (see note 4). The main increases were due to the significant refurbishment work carried out on the freehold property which increased costs by £0.9m and an additional £1m spent on debt recovery for the late filing penalty scheme. The main reductions in expenditure compared to last year were in depreciation and amortisation which reduced by £0.9m due to extending the useful life of CHIPS and CAP (Note 9).

The operating surplus before interest for the year ending 31st March 2019 was £3.9m (2017/18: £3.0m). After interest receivable and finance costs and declaring a dividend on public dividend capital of £4.2m, a net deficit of £0.1m was transferred to reserves.

Companies House invested £6.1m (2017/18: £6.25m) in improving systems and developing new services for customers, and on continuing to improve the working environment for our staff. Of this, the in-house development costs accounted for £3.0m (2017/18: £3.4m). £0.7m (2017/18: £2.1m) was spent on upgrades to IT infrastructure and hardware, and £2.4m (2017/18: £0.8m) was spent on improvements to the office environment in the Crown Way building in Cardiff.

Our balance sheet remains strong and after investing in capital projects we carried cash balances of £41.5m (2017/18: £43.3m).

Late filing penalties

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

Within the financial year 94.8% of accounts were filed by the accounting deadline (2017/18: 94.5%). At year end 98.6% of companies had filed their due accounts (2017/18: 98.3%). During this period the register size increased to 4,202,044 (2017/18: 4,033,355).

During the financial year 218,706 penalties were levied (2017/18: 218,884). There was an increase in the value of the penalties issued to £96.0m (2017/18: £93.7m). The penalties levied are broken down by register as follows:

	Number of Penalties '000	2018/19 £000	Number of Penalties '000	2017/18 £000
England and Wales	204	88,970	204	86,918
Scotland	11	5,287	11	5,130
Northern Ireland	4	1,715	4	1,609
Total	219	95,972	219	93,657

During 2018/19 a total of 47,329 double penalties (2017/18: 45,299) were levied with a value of £41.9m (2017/18: £39.8m) against companies which had filed their accounts late in successive years.

Penalties and any associated court costs which were written off during the financial year as uncollectable amounted to £38.4m (2017/18: £38.6m). There was a decrease in the impairment of receivables due to bad and doubtful debt of £7.8m (2017/18: £9.2m increase in impairment). Resulting in a total impairment of £58.8m reducing the carrying value of net receivables to £18.0m. This follows an overall reduction of receivables due of £13.9m through the introduction of the new accounting method to write off debt where all current strategies have been exhausted following court action, which had previously been subject to the provision for bad debts. There was also a performance increase in successful collection of debt following internal process reviews during the year which has increased the volume of debt moving through the debt recovery process.

The net revenue for the Consolidated Fund was £65.4m (2017/18: £63.7m). The transfer of receipts to the Consolidated Fund from the Trust in the year was £67.5m (2017/18: £70.5m), which left a balance due to the Consolidated Fund of £19.8m (2017/18: £21.9m) at 31st March 2019.

Non-Financial performance

Procurement

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

- Environmental ISO14001
- Data security ISO27001
- OHSAS ISO18001
- Data protection act 2018
- Modern slavery act 2005

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

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

Human Resources(HR)

Our HR policies provide guidance and assurance to staff that our recruitment processes ensure fair and open competition, equal opportunities for all and that we embrace diversity. This year we have been successful in attaining disability confident level two with plans in place to achieve level three.

Our people policies demonstrate our zero tolerance for fraud, bribery and counter fraud and have been refreshed and updated. As part of our transformation programme we are remodelling our people policies to be quicker to interpret, easier to use and support manager capability and the behaviours of the future

Gender Pay Gap legislation introduced in April 2017 requires all employers of 250 or more employees to publish their gender pay gap. The Companies House Gender Pay Gap Report for the period ending 31st March 2018 was published in February 2019.

The report shows, for a snapshot date of March 31st 2018, a gap in favour of men which, at 13% (mean) and 19% (median), is higher than that across the Civil Service as a whole and is largely attributable to our employing a large number of female staff in administrative grades. The report sets out a range of measures that are in place to reduce the gender pay gap in the future.

This publication is available at: www.gov.uk/government/publications/companies-house-gender-pay-gap-report-and-data-2018

Performance indicators

Average rate of return

Companies House has a target to achieve a return, for the 5-year period from 1st April 2014 to 31st March 2019, averaged over the period as a whole, of at least 3.5%. This is set out in the HM Treasury Minute of 14th May 2014 (Appendix A). 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 31st March 2019 was 5.2% (2017/18: 3.9%) and the cumulative average return achieved since 1st April 2014 was 5.7%

Efficiency target

Our efficiency target was to reduce the costs of our baseline activities, adjusted for inflation, by 3.5%. This year's target was exceeded; the final efficiency value achieved being 4.3%. The efficiency methodology considers inflation, volume changes and cost reductions achieved in year in comparison to the base year. Increases in costs in delivering the comparative service reduce the efficiency outcome.

Supplier Payment Policy

In May 2010, all government departments were set new guidelines of paying 80% of supplier invoices within 5 days of receipt. In 2018/19, 97.0% of supplier invoices have been paid within this 5-day target (2017/18: 97.8%).

Sustainability Report 2018/19

Companies House continues to implement and maintain an Environmental Management System (EMS) certified to the International Environmental Management Standard ISO14001:2015. The success of the EMS is reflected in the reduction of energy, business mileage (and associated CO2 emissions) etc.

The following tables provide further information on the efficiency measures implemented at Companies House during 2018/19 and reflect performance against our environmental targets:

- To reduce greenhouse gas emissions from electricity and gas usage by 1% year on year when compared to FTE (Full Time Equivalent headcount)
- To reduce the amount of waste by 1% year on year when compared to FTE
- To reduce the number of domestic business flights by at least 30% from the 2009 to 2010 baseline
- To reduce water usage by 1% year on year when compared to FTE

Greenhouse gas emissions non-financial indicators tonnes of CO2e (tCO2e)

Scope / emission / energy use	2014/15 tCO ₂ e	2015/16 tCO ₂ e	2016/17 tCO ₂ e	2017/18 tCO ₂ e	2018/19 tCO ₂ e
Total Scope 1 emissions (gas, fuel for fleet, fugitive emissions)	70	82	152	93	95.21
Total Scope 2 emissions (off site electricity generation)					
Belfast office	43	42	39	34	28
Cardiff office	1,911	1,907	1,744	1,445	1264
Edinburgh office	28	26	24	20	18
Total Scope 3 emissions (transmission loss of electricity)					
Belfast office	4	3	4	3	2
Cardiff office	167	158	158	113	131
Edinburgh office	2	2	2	2	2
Total emissions attributed to electricity consumption	2,155	2,138	1,970	1,617	1,445
Emissions attributable to Scope 3 official business travel (rail, taxi, air, underground—all offices)	64	62	82	78	52
Total emissions (all scopes)	2,289	2,282	2,205	1,788	1,592

Greenhouse gas emissions: related energy consumption (kWh)

Electricity	2014/15 kWh'000	2015/16 kWh'000	2016/17 kWh'000	2017/18 kWh'000	2018/19 kWh'000
Belfast office	86	92	94	97	99
Cardiff office	3866	4127	4,231	4,110	4061
Edinburgh office	56	55	59	57	58
Gas (Cardiff only)	343	392	793	530	520
Total kWh consumption	4,351	4,666	5,177	4,794	4,738

Greenhouse gas emissions: financial indicators for all office

	2014/15	2015/16	2016/17	2017/18	2018/19
Expenditure	£'000	£'000	£'000	£'000	£'000
Energy (gas, electricity)	517	553	559	562	626
CRC (including fees and allowances)	27	37	38	36	30
Official business travel (rail, hire cars, taxis, air and fuel)	223	208	205	198	216
Total expenditure	767	798	802	796	872

The above tables illustrate our energy consumption, greenhouse gas emissions and associated financial indicators. Our total energy consumption (kWh) has decreased for the year. This can be attributed to:

- replacement of the air conditioning plant in one of the server rooms with an energy efficient alternative;
- greater awareness of energy efficiency via:
 - > energy efficiency campaigns;
 - > staff Ideas Hub; and
 - > establishment of the Environmental Working Group.
- improved IT technology and more IT services being migrated to the cloud;
- ongoing roll out of mobile devices to staff, which consume less energy than desktop PCs;
- continued replacement of fluorescent tubes with energy efficient smart LED lighting during refurbishments; and
- continued introduction of 'point of use hot water, reducing the need for boiling kettles.

A new Heating Ventilation and Air Conditioning (HVAC) system has been installed in our newly refurbished conference centre. We would have expected an increase in energy consumption, associated with the installation of such a system, however, due to the above efficiency measures that have been put in place, this has not been the case.

We have seen a decrease in business travel (and associated emissions) during the reporting year, although costs have increased. The reduction in business mileage can be attributed to:

- Greater use of IT technology via teleconferencing;
- Staff being more aware of the environmental impact of travelling and the need to reduce business mileage.

This was not however enough to meet the domestic flight target, which is very challenging due to the nature and location of our estate.

Energy performance per building user

Energy performance	Cardiff ¹			Belfast ²			Edinburgh ³		
	Cardiff ¹	Belfast ²	Edinburgh ³	Cardiff ¹	Belfast ²	Edinburgh ³	Cardiff ¹	Belfast ²	Edinburgh ³
	2016/17			2017/18					
Total kWh'000 consumption electricity	4,231	94	59	4,110	97	57	4061	99	58
Total kWh'000 consumption gas	793	-	-	530	-	-	520	-	-
FTE ⁴	1,896	17	24	2,051	18	32	2094	17	34
kWh electricity performance per FTE	2,232	5,524	2,468	2,003	5,382	1,770	1940	5803	1700
kWh gas performance per FTE	418	-	-	258	-	-	248	-	-

1. Cardiff office includes tenants' energy consumption.

2. Electricity provides heating and Cooling at our Belfast office.

3. Gas is used for heating and cooling at our Edinburgh office, which is a multi-tenanted building. Gas is charged on a space basis and not sub-metered.

4. FTE includes employees, tenants, contractors and visitors.

Companies House is required to obtain a Display Energy Certificate (DEC) rating for the building to ascertain its energy efficiency year on year. A recent assessment has classed the Crown Way building in Cardiff as category C. This is a significant achievement considering the age of the building (over 40 years old) which can be attributed to the measures identified above.

Waste minimisation and management

Cardiff office only, data not available for other regional offices.

Non-financial indicators	2014/15 (tonnes)	2015/16 (tonnes)	2016/17 (tonnes)	2017/18 (tonnes)	2018/19 (tonnes)
Recycled/reused	162	190	166	152	168
ICT waste	2	4	1	3	0.16
Incinerated		-	97	49	0
Landfill	68	87	-	29	63
Food waste	11	11	11	11	11
Total (tonnes)	243	292	275	244	242

Financial implications	2014/15 (£'000)	2015/16 (£'000)	2016/17 (£'000)	2017/18 (£'000)	2018/19 (£'000)
Total disposal cost	9	10	10	10	10

The tables above 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 and we have been able to exceed our waste reduction target.

Use of finite resources (water)

Cardiff office only, data not available for other regional offices.

Non-financial indicators	2014/15 (m ³)	2015/16 (m ³)	2016/17 (m ³)	2017/18 (m ³)	2018/19 (m³)
Water consumption	9,483	9,506	8,707	9,229	9,552

Financial implications	2014/15 (£'000)	2015/16 (£'000)	2016/17 (£'000)	2017/18 (£'000)	2018/19 (£'000)
Water supply costs	34	34	32	34	36

The tables above illustrate our water consumption and associated financial indicators. Our water consumption has increased this year, which can be attributed to the increase in the number of full-time equivalents to the site.

Despite the increase, compared against building users, water consumption equates to 4.5 m³/FTE (4,500 litres/FTE), which is identified as good practice within the Greening the Government Commitments water efficiency guidance. We were however unable to meet our water target due to a leak which, although swiftly rectified when identified, had an adverse effect on our water consumption.

Paper

Non-financial indicators	2015/16	2016/17	2017/18	2018/19
Number of A4 reams used	11,875	11,140	9,645	6,035
Number of A3 reams used	40	45	25	45
Cost of A4 reams (£'000)	31	34	27	18
Cost of A3 reams (£'000)	0.200	0.292	0.155	0.305

Consumer Single Use Plastic (CSUP)

In line with the government target for the removal of all consumer single use plastic (CSUP) from the Government estate office by 2020, we are pleased to report that Companies House has already made significant progress in eradicating CSUP from the estate. Measures include, the removal of:

- Single use plastic cups;
- Plastic cutlery;
- Plastic food containers

The table below provides a summary of the CSUP savings made to date:

	Starbucks cups	6oz plastic cups	Cutlery	Takeaway Containers	Total Savings
Monthly (£)	1,720	405	160	143	2,428
Annual (£)	20,640	4,860	1,920	1,716	29,136
Monthly volume (No.)	6,000	2,000	3,500	1,200	12,700 single use plastic items
Annual Volume (No.)	72,000	24,000	42,000	14,400	152,400 single use plastic items

Environmental Performance Reporting

Companies House's Environmental Working Group meets on a bi-monthly basis and consists of key individuals from across the organisation to ensure that all directorates are represented. The aim of the Group is to:

- Ensure continual environmental improvement;
- Identify environmental opportunities and efficiencies;
- Communicate environmental issues to key stakeholders; and
- Ensure the integration of the EMS requirements within Companies House business processes.



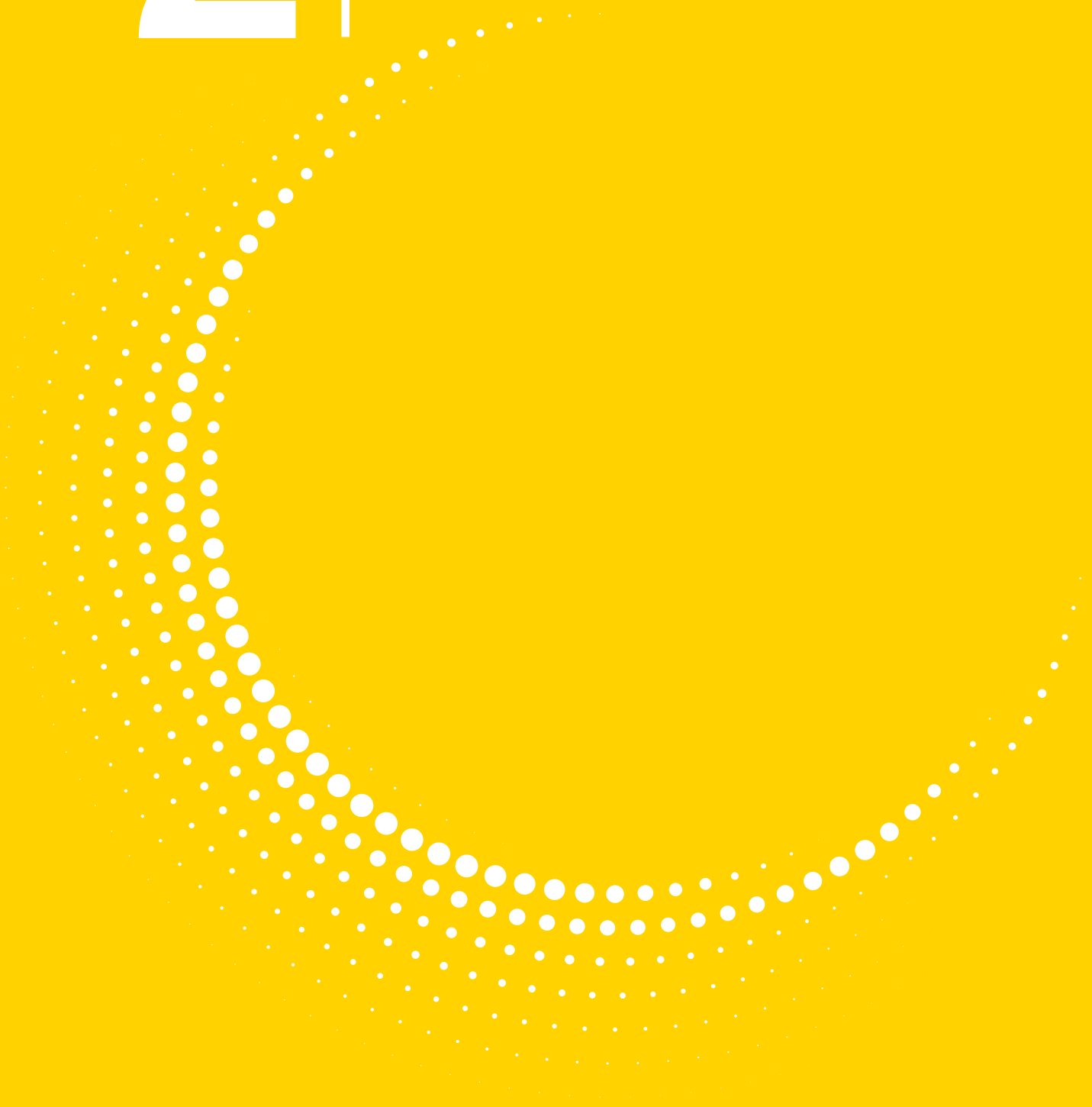
Louise Smyth

Accounting Officer

Chief Executive and Registrar

4 July 2019

2 | Accountability Report



2.1 Corporate Governance Report

Directors' Report

Members of the Board

The board reviews and oversees both Companies House and LFP activity.

Lesley Cowley OBE: Chair of Companies House

Lesley became non-executive chair of Companies House on 1st March 2017. She is also DVLA non-executive Chair, first appointed in October 2014 and re-appointed in October 2016 and Lead non-executive Board Member of The National Archives, first appointed in January 2016 and re-appointed January 2019.

Louise Smyth: Chief Executive Officer and Registrar of Companies

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

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

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

Debbie Gillatt: Non-Executive Board Member/BEIS representative

Debbie is the Director of Business Frameworks at the Department for Business, Energy & Industrial Strategy (BEIS). Debbie joined Companies House on 1 September 2018.

She leads the teams which are responsible for the UK's company law, accounting standards and corporate governance rules, and those which lead on corporate transparency and anti-corruption initiatives. She also leads on corporate responsibility and boardroom diversity initiatives.

Before starting her current job she managed a £3.2bn Government grant fund for business, and led the cross-Whitehall team which supported Lord Heseltine in producing his report on the UK's competitiveness. She has recently worked in the Cabinet Secretariat and managed Vince Cable's ministerial support team.

Her previous experience includes managing government's relationship with a range of business sectors from production machinery to telecoms, and ground-breaking work in both economic regulation and inward investment.

Debbie is also a magistrate.

Ross Maude: Director of Digital

Ross joined Companies House on 3rd September 2018 as the Director of Digital. He has over 20 years' experience in the digital profession having previously worked in the banking, telecommunications, defence, public and utilities sectors. Before joining Companies House, Ross worked as a Digital Solution Partner for a consultancy firm delivering digital transformation within the utilities industry.

Angela Lewis: Director of People Transformation

Angela joined Companies House in May 2012 as Head of Human Resources and Estates. She took up the role of Director of People Transformation in February 2018.

Angela has over 25 years' experience within the HR profession working in the NHS, police service and higher education sector. Before joining Companies House Angela was Assistant Director of HR at the Office for National Statistics.

Michelle Wall: Director of Finance

Michelle joined Companies House in March 2018 as Director of finance. Michelle is a chartered management accountant with over 25 years' experience in leading financial and wider operational and project teams in the public and private sector in the South Wales area. Before joining Companies House, Michelle was deputy director of finance at the Intellectual Property Office in Newport.

Martin Swain: Director of Policy, Strategy and Planning

Martin joined Companies House on 2nd January 2019 from the Welsh Government where he has spent over 25 years working in various policy roles.

Most recently, Martin was Deputy Director for Community Safety leading on the Welsh Government's approach to crime, justice, civil contingencies and emergency planning. Martin has also worked in a number of delivery roles within economic development, primarily on business development and inward investment.

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

John-Mark Frost: Director of Operations

John-Mark joined Companies House in June 2018 as the Head of Service Delivery and was appointed Director of Operations on 31st January 2019. He has over 15 years' experience in the public and private sectors leading large-scale operational teams and specialist social research and statistical functions, in the UK and internationally.

Before joining Companies House, John-Mark had a number of operational roles in the Department for Work and Pensions and has also worked for the Office for National Statistics. He has also undertaken projects for the Foreign and Commonwealth Office and the European Commission.

Martin Hagen: Non-Executive Board Member (NEBM)

Martin was appointed as a NEBM and chair of the audit committee on 1st January 2017. Martin 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) Bristol. Martin is a Chartered Accountant, formerly a partner in Deloitte and served as President of the ICAEW (Institute of Chartered Accountants in England and Wales) from 2009 to 2010.

Kathryn Cearns OBE: Non-Executive Board Member

Kathryn Cearns was appointed as a NEBM and Companies House audit committee member on 1st January 2017.

Kathryn was appointed as Chair of the Office of Tax Simplification in March 2019. She is also a non-executive director of Highways England, the Chair of Highways England's Audit and Risk Committee and a member of the Group Audit and Risk Committee at the Department for Transport. Kathryn currently holds a number of other non-executive, trustee and advisory appointments most notably as a member of the External Audit Committee for the International Monetary Fund, a non-executive director for the UK Supreme Court, a non-executive director for The Property Ombudsman and as a trustee for Royal British Legion Industries.

Kathryn was Chairman of the Financial Reporting Advisory Board to HM Treasury from 2010 to 2016 and was Chairman of the ICAEW Financial Reporting Committee for 10 years up to the end of 2017. Her past roles include as a project director at the UK Accounting Standards Board (now the Financial Reporting Council) and for many years as the consultant accountant for an international law firm. Until March 2019 she was also on the Council of the ICAEW.

Vanessa Sharp: Non-Executive Board Member

Vanessa was appointed as a NEBM at Companies House on 1st September 2016 and is also a member of the CH Audit Committee. 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 also a non-executive member of Newable Limited, a member of their Audit Review Committee and Chair of their Risk Committee. Vanessa also has two further appointments to the Hill Robinson Group and the British Hallmarking Council; is a trustee of Goldsmiths College, University of London, Chair of its Finance and Resources Committee and is also a trustee of the charity Create Arts. Vanessa is a senior advisor to several organisations where work includes legal and corporate governance issues. She is an experienced commercial solicitor, beginning her professional career in a London city firm specialising in multinational commercial and insurance issues. Vanessa is a former partner of KPMG and General Counsel of KPMG in the UK and Europe.

Former Members serving during the year

Information regarding Directors and Non-Executive Board Members who served during the year including joining dates and leaving dates can be found in the Governance Statement. Companies House holds a register of declarations of interest by all members of the board who have declared they hold no significant third-party interests that may conflict with their board duties.

Future developments

In 2018 the Office for National Statistics (ONS) undertook a review of the sector classification of Companies House in accordance with the provisions of the European System of Accounts 2010. Companies House provided detailed information to the ONS to inform advice being put to the Economic Statistics Classification Committee, and the case was referred further to Eurostat (the statistical office of the European Union). A decision was reached that Companies House should in future be classified as part of central government (rather than our current classification as a trading fund) and our trading fund status will be revoked on 1st April 2020 when we will transition from a trading fund to part of central government.

The change in our status will affect some features of our operating model and the way our funding is secured and managed, so the next year will see preparations for our new financial model, ensuring we have in place working practices and financial and commercial capability fit for the future.

Political and charitable gifts

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

Regularity of expenditure

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

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

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 £43,000. The statutory external audit was also carried out for the Trust Statement at a cost of £15,000. The NAO did not perform any non-audit services.

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 account's direction, given by HM Treasury. 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 judgments 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, including responsibility for the propriety and regularity of public finances; keeping of proper records, and for safeguarding the Agency's assets, are set out in Managing Public Money published by HM Treasury.

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 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

Introduction

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

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

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

Governance Framework

We are managed by a board and an executive team. Our board is chaired by a NEBM. The board has strategic oversight and is supported by the Audit Committee. Our executive team is responsible for the day-to-day management in delivering our commitments to the government and the public as set out in our annual business plan.

Companies House Boards and Committees

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

Changes to Board membership during 2018/19

Board Members	Boards/Post	Joined Board	Left Board
Ross Maude	Director of Digital	3rd September 2018	
Ceri Witchard	Director of Corporate Strategy		30th September 2018
*Robert McNeil	Acting Director of Digital		2nd September 2018
Martin Swain	Director of Corporate Strategy	2nd January 2019	
**Stuart Morgan	Acting Director of Operations and Customer Delivery	1st July 2018	30th September 2018
**Stuart Morgan	Acting Director of Corporate Strategy	1st October 2018	31st December 2018
Ann Lewis	Director of Operations and Customer Delivery		31st December 2018
John-Mark Frost	Director of Operations and Customer Delivery	30th August 2018 as Acting Member. 31st January 2019 as permanent member	
Mike Taylor	NEBM		28th February 2019
Jeff Lynn	NEBM		28th February 2019
Ed Westhead	NEBM/UKGI		31st August 2018
Debbie Gillatt	NEBM/BEIS	1st September 2018	

* Robert McNeil is a long serving member of CH and following his term as acting Director of Digital he reverted to his substantive grade and took up the role of Head of Development.

** Stuart Morgan is also a long serving member of CH and following his roles as Acting Director of Operations and Customer Delivery and of Corporate Strategy he reverted to his substantive grade and continued his role as a member of the Senior Team in Operations.

Table of attendance of the Board and its sub-committees
Figures denote meetings attended (meetings available to attend) in year.

Board members	Board	Audit Committee
	8 meetings in year (available meetings)	5 meetings in year (available meetings)
Lesley Cowley (NEBM) Chair of the CH Board	7 of 8 (8)	-
Louise Smyth (CEO & Registrar)	8 of 8 (8)	5 of 5 (5)
Martin Hagen (NEBM) Chair of the Audit Committee	7 of 8 (8)	5 of 5 (5)
Vanessa Sharp (NEBM)	8 of 8 (8)	5 of 5 (5)
Kathryn Cearns (NEBM)	7 of 8 (8)	4 of 5 (5)
Mike Taylor (NEBM)	7 of 8 (8)	4 of 5 (5)
Jeff Lynn (NEBM)	8 of 8 (8)	-
Ed Westhead (NEBM; UKGI)	3 of 8 (3)	3 of 5 (3)
Debbie Gillatt (BEIS)	4 of 8 (5)	-
Ann Lewis (Director of Operations and Customer Delivery.)	1 of 8 (7)	-
Ross Maude (Director of Digital and Senior Information Risk Owner)	5 of 8 (5)	-
Robert McNeil (Acting Director of Digital Services)	3 of 8 (3)	-
Michelle Wall (Director of Finance)	7 of 8 (8)	5 of 5 (5)
Angela Lewis Director of People Transformation	7 of 8 (8)	-
Ceri Witchard Director of Corporate Strategy	4 of 8 (4)	-
Martin Swain Director of Policy, Strategy and Planning	1 of 8 (1)	-
Stuart Morgan (as Acting Director of Operations and Customer Delivery and Acting Director of Corporate Strategy)	6 of 8 (7)	-
John-Mark Frost Director of Operations (also acting director of operations)	5 of 8 (5)	-

(UKGI = UK Government Investments; BEIS = Dept. for Business, Energy and Industrial Strategy)

Companies House Board

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

During the year, the Board

- agreed the strategic direction and priority
- agreed the contents of the 2019/20 Business Plan and public targets
- reviewed and agreed the Annual Report and Accounts
- reviewed financial performance and efficiency, and
- attended a strategic planning session day during November 2018.

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

Audit Committee

To help fulfil its role the Board has a sub-committee, the Audit Committee, chaired by a NEBM, with 5 independent NEBMs including one representing BEIS. The Accounting Officer (CEO), Finance Director, and Head of Internal Audit also attend meetings.

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

The 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 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
- reviewed and agreed the Companies House Risk Policy
- approved the Internal Audit plan, reviewed progress reports against the plan on a quarterly basis, and advised on the implications for the overall control framework, and the adequacy of management responses
- reviewed the Annual Report and Accounts, and the Companies House Governance Statement, and
- received reports and held discussions on specific areas during the year including cyber security, operational processes, information security and systems resilience.

Remuneration Committee

The Board are also supported by a Remuneration Committee chaired by the Board's chair. The Committee approved the pay and reward recommendations including the 2018/19 in-year pay award and staff award schemes at their meeting in March 2018. The Committee did not meet in 2018/19.

Board Effectiveness

The Chair meets regularly with me to discuss the performance of the Board and to ensure we gain greatest value from the external perspectives and experiences of the NEBMs. The Board discusses the progress against each year's annual business plan which the executive team is responsible for delivering and regularly reviewed our performance against the plan. The Board have agreed the characteristics and behaviors that they will adhere to in order to function effectively as a Board. In April 2018 the Board carried out a board effectiveness self-assessment which identified that the Board was operating in an effective way. The assessment highlighted areas where improvements can be made and an action plan to progress these has been agreed. This will be reviewed during 2019/2020.

The areas where the Board were operating effectively were where discussions are focussed on strategic direction and the relationships between the executive members and non-executive members strike the right balance.

The Board have agreed an action plan to address the areas where improvement would be useful including better communications between meetings and continuous engagement with NEBM's outside of meetings.

During March 2019 an external review of the Boards effectiveness was commenced. This is due to report during 2019/2020.

Managing the Business - Change and Investment

In addition, I had the assistance of two internal boards; the Executive Board and the Operational Board, which met monthly to monitor key Business Plan deliverables and risks within their scope.

The Executive Board is made up of the Executive Team and is responsible for monitoring:

- all live projects and the Transformation Programme
- benefits
- project and programme finance
- resources
- compliance with best practice in governance codes, and
- risks associated within the board remit plus monitoring of strategic risk

The Operational Board is responsible for monitoring:

- all customer interaction i.e. satisfaction, complaints, communications
- all customer delivery systems i.e. CHS (Companies House Service), WebCheck, WebFiling, GOV.UK
- all operational systems i.e. CHiPS (Companies House Information Processing System);
- 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, and
- risk associated within the board remit plus monitoring of strategic risk

Risk management

The goal of risk management is to support the successful delivery of our strategy and business plan. It plays an important part in projects, the development of new services and the everyday running of our business.

This year the Executive Board reviewed our Strategic Risk Register; attending a work shop to identify risks which provide a significant threat to achievement of the objectives set out in our Business Plan as well as our statutory responsibilities. By going back to basics and starting with a “blank sheet” they were able to focus on their immediate concerns rather than the risks as already identified and managed. The Strategic Register is reviewed regularly by the Executive Board and other Boards, with a summary also provided to the Audit Committee and Main Board. We also maintain risk registers at programme and project levels, with escalation routes in the event of a risk becoming significant.

We conducted an exercise in early 2018 to identify risks associated with our Transformation Programme; these risks are reviewed regularly by the Executive Board and will form an important part of the on-going management of the Programme.

Activities through the year:

- The Executive Board attended a workshop to identify strategic risks to the organisation. These risks now form our Strategic risk register which is monitored by our Executive Board monthly and is a rolling item on the Audit Committee agenda.
- Our corporate and internal targets, taken from our Business Plan are tabled at the beginning of the year and their progress and risks to their achievement are monitored monthly at Executive Board meetings and by the Board.
- The Fraud Error and Debt Group carried out workshops to identify and record any risk of fraud or bribery which the organisation might face. These workshops were carried out using the Government Counter Fraud Professional Standards and Guidance and have culminated in a Fraud and Bribery Risk Register which is monitored by the group on a monthly basis.
- During the year we have had useful discussions with members of the Audit Committee regarding the CH risk framework. This has led to improved risk reporting and an improvement to the overall risk culture in Companies House.

Significant risks monitored through the year and will continue to be monitored include:

- cyber security
- loss of skills through turnover of staff which may impact on our Transformation programme.
- breach of GDPR
- customer satisfaction through legislative change, and
- capacity and flexibility of our systems.

While there is evidence of good practice, there is more to do to ensure risks are monitored and actively managed throughout the organisation on a regular basis.

Companies House also actively engages with other public-sector organisations to share information and experiences on risk management practice and improvement. Through such collaboration and sharing of best practice, we aim to continually improve the effectiveness and professionalism of our risk management function.

Cabinet Office Spending Controls

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

We have previously worked with Cabinet Office to agree a pipeline of investment for digital and technology spend to facilitate the efficient implementation of new projects, eliminating the requirement to go through individual approvals for every stage of every project. Projects are assessed, and progress and changes monitored, through a joint Portfolio Assurance Group with members from Companies House, BEIS Digital and GDS (Cabinet Office) which meets monthly. The pipeline and associated spend are then subject to review by BEIS's Joint Assurance Review for assurance that controls have been properly applied.

The Outline Business Case for the Transformation Programme, which has now commenced in Companies House, received approval on 7th November 2018, and the Full Business Case for the first tranche of expenditure on this programme was approved by BEIS's Portfolio Investment Committee on 7th March 2019.

Financial Control

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

Considering the VAT errors discovered during the previous financial year, resulting in a voluntary disclosure being submitted to HMRC, an independent review of the financial controls and processes operating in Companies House was carried out in September 2018. Overall, we received a moderate assurance rating. Whilst there were no identified breaches of our financial control's framework, some areas of weakness were identified, especially in the documentation of processes and the segregation of duties. Further training has also been given around the VAT treatment of transactions in the categories identified as being at risk, and an independent VAT advisor was appointed to review the current processes and controls, which are now operating effectively. All outstanding amounts with HMRC have now been agreed and settled.

In my capacity as Accounting Officer I have responsibility for the financial affairs of the organisation, subject to authority limits delegated to me by the Permanent Secretary of BEIS and within the budget approved by the Minister. The organisation's budget is allocated between executive directors, and authority to make financial transactions is sub-delegated to executives and other budget holders. Financial performance against the budget is monitored by the Executive Team and Board monthly and the full year outlook is reviewed on a quarterly basis.

Late filing penalties received are surrendered directly to HM Treasury and do not form part of the trading fund income. The Trust Statement for Late Filing Penalties (LFP) can be found on page 71. In line with the trading fund, the LFP framework is reviewed and tested, as part of the wider regular programme of work undertaken by our internal audit partners. The programme of work is approved, and findings reviewed by the audit committee. Budget allocation and monitoring is sub-delegated to executives and budget holders. The LFP scheme is also reported and reviewed with BEIS.

Individual decisions including procurement, capital expenditure and project implementation, are subject to business case approval, and will engage specialist review in addition to executive approval. In the light of the emerging transformation change programme we are currently enhancing the governance framework in this area to ensure the appropriate levels of scrutiny, as well as implementing the '5 case' model set out in The Green Book.

Commercial Controls

As a central government body, our commercial activity is governed by legislation within the Public Contracts Regulations 2015 (PCR). Control over commercial contracts is maintained by our procurement function within the finance directorate working in conjunction with relevant budget holders. Procurement procedures and controls are embedded across the organisation and are part of a business case approval process; financial authority is subject to delegated authority and budgetary controls and is independent of procurement.

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

- consideration given to all route to markets for all 3rd party spend
- monitoring and review of policies and processes in-line with Government Commercial Function (GCF) standards 2019/20
- engagement of market through competitive processes to stimulate competition, innovation and deliver value for money
- use of central government commercial agreements for common goods and services
- committed to compliance by ensuring suppliers adhere to legislation including but not limited to
 - > Environmental ISO14001
 - > Data security ISO27001
 - > OHSAS 18001
 - > Data protection act 2018
 - > Modern slavery act 2005
- robust contract management to drive efficiency and continuous improvement whilst ensuring value for money, performance and compliance is delivered for the life of each contract
- business continuity planning and financial due diligence delivered through robust supply chain management, and
- ongoing risk assessment

Data Controls

Governance arrangements have not changed significantly this year. The Senior Information Risk Officer (SIRO) who is also the Director of Digital Services is accountable for information risk and is supported by the IT Security Manager and a network of Information Asset Owners (IAOs) across the organisation. IAOs are accountable for day to day control of information. Data control and risk are addressed monthly by the Security Forum which is chaired by the SIRO and attended by relevant staff - including the Data Protection Officer, IT security staff and the business continuity manager - in addition to subject matter experts from across the organisation. We have a mature incident process in place and incidents are also reviewed at the Security Forum. There have been 132 incidents of personal data breaches this year. Against a backdrop of over 11 million accepted transactions this is a low volume of breaches, and largely due to human error.

9 cases have been reported to the Information Commissioners Office (ICO). 7 of these related to breaches concerning the register and as such were reported directly to the ICO by Companies House. To date we have received notifications from them concerning 3 of these cases. All 3 cases were declared closed by the ICO with no further action required. One of the cases was as a result of a cyber incident but this was quickly contained, and the case was closed with no further action required by the ICO.

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

The issue of data transfers after EU Exit has been considered by CH's EU Exit Working Group and recognised as a high risk. This is mainly due to the public register being hosted on Amazon cloud services based in the EU (Ireland). To mitigate this risk, the public register has been transferred to Amazon cloud services based in London.

Fraud and Error

The management of fraud and error is a critical part of good governance. Losses and recoveries are reported to BEIS. Overall responsibility for our management of this area sits with the Director of Finance, supported by a Fraud, Error and Debt group which meets monthly.

The Government Internal Audit Agency (GIAA) provides support and input, advising on aspects of control and risk management. We have assessed our current processes in line with the government counter fraud standards. Last year we met 80% of the standards and have made a considered effort to improve across several areas including documenting where random sampling has taken place, development of outcome-based metrics and further development of our fraud risk assessment activity. The Government Functional Standard for Counter Fraud, Bribery and Corruption was launched in October 2018 and we have provided an assessment for the annual assurance. Further, we provide BEIS with a quarterly report of any fraudulent activity both internal and external.

As well as improving general compliance against the standards there has been a greater focus on risk assessments, policies and tools for staff. These will continue to embed a zero-tolerance culture throughout the organisation

Whistleblowing Procedures

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

Accounting Officer Assurance

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

Internal Audit

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

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

This year, the HIA returned an opinion that 'Moderate' assurance can be taken by the Accounting officer on the mitigating controls over the risks to delivery of objectives, that is to say some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control, although there were no significant control issues identified. Management will also take assurance from other consultancy commissioned from third 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, and
- identification of stakeholder expectations, including external certification requirements.

Areas covered in the plan included:

- information Management Systems governance
- network security
- employee & contractor vetting
- redaction of protected data
- key financial controls, and
- impact of introducing new approaches to flexible working & instant rewards

Review Of Effectiveness

During the year, we have been successful in retaining accreditation to the following standards and have received some extremely pleasing awards: Customer Service Excellence;

- Customer Service Excellence
- Investor 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.
- Mind Index gold standard
- Chwarae Teg Fair Play Silver Award
- Disability Confident Level 2
- CIPD Wales – Winner, Best engagement initiative
- REBA Employee Wellbeing Awards – Highly Commended Best health and wellbeing – mental.

We are also extremely proud to announce that we have been named Employer of the Year at the 2019 Wales HR Awards.

As Accounting Officer, I am responsible for reviewing the effectiveness of the organisation's governance, risk management and internal control. This review is informed by the work of the internal auditors and directors of 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 addition, the individual Executive Board members were commissioned, by me, to provide governance submissions. The submissions required the board members to declare areas of best practice, set against a scoring criterion, as well as those requiring further improvement within their directorates. They were required to report on their area's performance under specific headings including strategy and planning; risk; data handling etc. This proved to be a useful tool for all members to reflect and plan for the forthcoming year, as well as providing me with the evidence I require to be confidently assured of the governance processes within CH.

The Alexander review of the tax arrangements of public sector appointees published in May 2012 made several recommendations to ensure that the highest standards of integrity could be demonstrated in the tax arrangements of public sector appointees. Companies House used the services of contractors to support its business strategy and estate requirements during the year. Companies House has procedures in place to ensure we comply with the recommendations of the review. The review of quality assurance of government analytical models undertaken by Sir Nicholas Macpherson was published by HM Treasury in March 2013. The Aqua Book makes several recommendations for government departments and their arm's length bodies that undertake data analysis and analytical modelling. Companies House undertakes both data analysis and analytical modelling. It has reviewed its approach to quality assurance and finds that it is compliant with the statements set out within the Aqua book.

Companies House has developed a few business-critical models for forecasting and projection analysis purposes to evidence decision making within the organisation.

Some of our key business critical models include:

1. The Companies House register size and corresponding sub components to determine future operational workloads and projections of Companies House income levels.
2. Electronic take up levels which are used to determine the effectiveness of Companies House digital services and our approach to digital development
3. Compliance levels of the Companies House register – the level at which the companies house register is up to date

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

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

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

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

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

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

In my role as Chief Executive and Registrar I have relied on the Board's support 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 and I am confident that the organisation and its Board operated in accordance with the "Corporate Governance in central government departments: Code of good practice 2011.



Louise Smyth

Accounting Officer

Chief Executive and Registrar

4 July 2019

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, and
- 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 acknowledges circumstances when appointments may otherwise be made. Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended until they 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 director received a benefit in kind in 2018/19 (2017/18: 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 the Department for Energy and Industrial Strategy (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 1st 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 1st April 2012 remained in the PCSPS after 1st April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1st April 2012 will switch into alpha sometime between 1st June 2015 and 1st 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 4.6% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. Benefits in classic accrue at the rate of 1/80th 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 1st October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31st March) the members earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is updated in line with Pensions Increase legislation..

Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members, may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

	2018/19 £'000	2017/18 £'000
Lesley Cowley Non-Executive Chair	25- 30	25- 30
Martin Hagen Non-Executive Director & Chair of Audit Committee	10 - 15	10 - 15
Jeff Lynn Non-Executive Director until 28th February 2019	10 - 15 (FYE 10-15)	10 - 15
Mike Taylor Non-Executive Director until 28th February 2019	10 - 15 (FYE 10-15)	10 - 15
Vanessa Sharp Non-Executive Director	10 - 15	10 - 15
Kathryn Cearns Non-Executive Director	10 - 15	10 - 15
Debbie Gillatt Non-Executive Director from 1st September 2018	nil	nil
Ed Westhead Non-Executive Director until 31st August 2018	nil	nil

Debbie Gillatt is a Civil Servant (BEIS) and Ed Westhead is a Public Servant (NEBM; UKGI). They are not remunerated for serving on the board.

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.

		2018/19	2017/18	% Change
Highest paid director remuneration	£'000	115 -120	95-100	(18%)
Median remuneration	£	24,144	21,676	(11%)
Ratio		4.87	4.50	(8%)
Range of staff remuneration (including temporary and agency staff)	£'000	11 - 115	3-103	

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.

The highest paid director remuneration has increased this year due to the appointment of a specialist Digital Services Director.

The median and range of staff remuneration has risen this year due to the increase in the highest paid director and, the lowest paid member of staff increasing from £3k to £11k due to last year's figure relating to a temporary contractor.

Single total figure of remuneration

This section has been audited.

Name	Salary		Bonus (Performance Payments)		Pension		Total Remuneration	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Louise Smyth	95 - 100	45 - 50 (FYE 95 - 100)	0 - 5	n/a	47	44	145 - 150	95 - 100 (FYE 140 - 145)
Ann Lewis 1	60 - 65 (FYE 70 - 75)	75 - 80	0 - 5	0 - 5	-4	81	60 - 65	150 - 155
Ceri Witchard 2	35 - 40 (FYE 65 - 70)	50 - 55	0 - 5	0 - 5	13	16	50 - 55	60 - 65
Stuart Morgan 3	35 - 40 (FYE 70 - 75)	20 - 25 (FYE 65 - 70)	0 - 5	0 - 5	23	30	60 - 65	30 - 35 (FYE 95 - 100)
John-Mark Frost 4	35 - 40 (FYE 65 - 70)	n/a	n/a	n/a	8	n/a	45 - 50	n/a
Robert McNeil 5	30 - 35 (FYE 70 - 75)	70 - 75	0 - 5	0 - 5	8	58	40 - 45	130 - 135
Ross Maude 6	65 - 70 (FYE 115 - 120)	n/a	n/a	n/a	26	n/a	90 - 95	n/a
Michelle Wall 7	70 - 75	0 - 5 (FYE 70 - 75)	0 - 5	n/a	42	1	110 - 115	0 - 5 FYE 70 - 75)
Angela Lewis 8	70 - 75	10 - 15 (FYE 75 - 80)	0 - 5	n/a	51	8	125 - 130	15 - 20 (FYE 80 - 85)
Martin Swain 9	15 - 20 (FYE 75 - 80)	n/a	n/a	n/a	10	n/a	25 - 30	n/a

A payment for loss of office has been made during the reporting period but has not been disclosed due to an objection upheld under GDPR section 21.

Bonuses reported in 2018-19 relate to performance in 2017-18. Bonuses to be paid in 2019-20 in respect of 2018-19 performance are yet to be determined. There were no benefits in kind.

	Real increase in Pension and related lump sum at pension age	Accrued pension as at 31/03/19 and related lump sum	CETV at 31/03/19	CETV at 31/03/18	Real increase (decrease) in CETV funded by employer
	£'000	£'000	£'000	£'000	£'000
Louise Smyth	0 - 2.5 plus a lump sum of 5 - 7.5	35 - 40 plus lump sum of 110 - 115	804	681	44
Ann Lewis	0 - 2.5 plus a lump sum of 0 - 2.5	40 - 45 plus lump sum of 120 - 125	957	886	-4
Ceri Witchard	0 - 2.5 plus a lump sum of 0	15-20 plus lump sum of 40- 45	261	251	4
Stuart Morgan	0 - 2.5 plus a lump sum of 0 - 2.5	25 - 30 plus a lump sum of 70 - 75	494	438	14
John-Mark Frost	0 - 2.5	10 - 15	118	99	3
Robert McNeil	0 - 2.5 plus a lump sum of 0	25 - 30 plus a lump sum of 75 - 80	548	522	3
Ross Maude	0 - 2.5	0 - 5	17	0	12
Michelle Wall	0 - 2.5	10 - 15	206	155	26
Angela Lewis	2.5 - 5	20 - 25	353	279	34
Martin Swain	0 - 2.5 plus a lump sum of 0 - 2.5	25 - 30 plus a lump sum of 60 - 65	451	442	5

Richard Lee was appointed on a temporary basis to cover the role of Director of Finance whilst recruiting for a permanent full time Director of Finance. Richard Lee was paid as a contractor during his employment in Companies House between the 4th January and 27th April 2018. The cost for this is banded £15k - £20k (2017/18 £55k - £60k).

1. Ann Lewis was Director of Operations & Customer Delivery from 18th September 2017 until leaving the organisation on 31st December 2018. She was the Interim Chief Executive & Registrar from 1st May 2017 to 17th September 2017.
2. On 7th September 2015 Ceri Witchard started a dual role with 25% of her time spent as the regulator of Communities Interest Companies (CIC), and with 75% with Companies House. The total remuneration package reflects the amount for this role. It is not possible to determine what portion of the Cash Equivalent Transfer Value (CETV) relates to CIC or Companies House. Ceri Witchard left the organisation on 30th September 2018.
3. Stuart Morgan was the Acting Director of Operations & Customer Delivery from 1st July 2018 to 30th September 2018. He then became the Interim Director of Corporate Strategy from 1st October 2018 to 31st December 2018. The total remuneration package reflects the amount for these roles.
4. John-Mark Frost was the interim Director of Customer Delivery from 30th August 2018 to 30th January 2019. He became the Director of Operations from 31st January 2019. The total remuneration package reflects the amount for these roles.
5. Robert McNeil was the interim Director of Digital Services 1st January 2017 to 2nd September 2018. The total remuneration package reflects the amount for this role.
6. Ross Maude joined Companies House as the Director of Digital Services on the 3rd September 2018.
7. Michelle Wall joined Companies House on 26th March 2018.
8. Angela Lewis was appointed Director of People Transformation on 5th February 2018.
9. Martin Swain joined Companies House as the Director of Policy, Strategy & Planning on the 2nd January 2019.

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 2018/19. This means that no members of staff left (2017/18: nil) during the year under a voluntary exit scheme, and no compensation payments (2017/18: nil) were made during the year.

During the year two employees received compensation payments following their efficiency departure which totalled £54k (2017/18: £188k). The payments were banded as follows (2017/18 comparatives given in brackets):

Exit package cost band	2018/19 Number of compulsory redundancies	2018/19 Number of other departures agreed	2018/19 Total number of exit packages by cost band
<£10,000	0	0 (2)	0 (2)
£10,000 - £25,000	0	1 (2)	1 (2)
£25,000 - £50,000	0	1 (1)	1 (1)
£50,000 - £100,000	0	0 (2)	0 (2)
£100,000 - £150,000	0	-	-
£150,000 - £200,000	0	-	-
Total number of exit packages	0	2 (7)	2 (7)
Total Cost 2017/18 /£	0	£188k	£188k
Total Cost 2018/19 /£	0	£54k	£54k

Staff

Analysis of staff numbers and costs

This section has been audited.

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

Senior civil service staff band	2018/19	2017/18
	Number of senior service staff	Number of senior service staff
Band 1	5	5
Band 2	1	1
Total	6	6

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

Staff numbers by location	2018/19	2018/19	2017/18	2017/18
	Total Employees	Full Time Equivalent Posts (FTE)	Total Employees	Full Time Equivalent Posts (FTE)
Cardiff	905	828	878	802
Belfast	17	16	15	15
Edinburgh	34	33	28	27
London	7	7	5	5
Total	963	884	926	849

Staff numbers by activity	2018/19	2018/19	2017/18	2017/18
	Total Employees	Full Time Equivalent Posts (FTE)	Total Employees	Full Time Equivalent Posts (FTE)
Customer Delivery Directorate and Late Filing Penalties	597	537	577	518
Digital Services	190	187	181	178
Corporate Services	102	91	105	95
Strategy	50	46	45	42
Chief Executive and Registrar and Legal	24	23	18	16
Total	963	884	926	849

Staff who worked on capital projects (also included above)	104	83
------------------------------------------------------------	------------	----

In addition, there were a total number of contract staff of 26 (2017/18: 41) of which 5 (2017/18: 10) were included on projects.

Staff Costs (for the above persons)	2018/19	2017/18
	£'000	£'000
Salaries	26,639	25,394
National Insurance	2,557	2,402
Voluntary Exit Scheme (VES) costs	-	-
Pension costs	5,143	4,761
Contract staff	1,543	2,233
Capitalised staff costs (included above)	(2,388)	(1,762)
Capitalised contract staff project costs (included above)	(9)	(680)
Staff costs per operating account	33,485	32,348

Pensions

For 2018/19 the banded charges averaged 20.71% of pensionable pay for permanent staff (2017/18: 20.53%). This equates to a charge for the year of £5.1m (2017/18: £4.8m), at 1 of the 4 rates in the range 20% to 24.5% (2017/18: 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 31st March 2016 (prior date was 31st March 2014). The contribution rates are set to meet the cost of the benefits accruing during 2018/19 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 13 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 1st 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 31st March, for more than £245 per day and that last longer than six months are shown below:

	2018/19	2017/18
The total number of existing engagements	7	13
The number that have existed for less than one year	1	6
The number that have existed for between one and two years	1	2
The number that have existed for between two and three years	3	1
The number that have existed for between three and four years	1	2
The number that have existed more than 4 years	1	2
Declaration that all the above appointments have been subject to a risk-based assessment regarding the payment of correct tax	Yes	Yes

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

	2018/19	2017/18
The number of new engagements or those that reached six months during the period	16	17
The number of these engagements which were assessed as caught by IR35	16	17
The number of these engagements which were assessed as not caught by IR35	0	0
The number that were engaged directly (via PSC contracted to department) and are on the departmental payroll	0	0
The number that were reassessed for consistency / assurance purposes during the year whom assurance has been requested but not received; and	0	0
The number that saw a change to IR35 status following the consistency review	0	0
The number of off-payroll engagements of board members and/or senior officials with significant financial responsibility, during the financial year	1	1
Details of the length of time each of these exceptional engagements lasted	1 month	4 months
The total number of individuals both on and off-payroll that have been deemed "board members and/or senior officials with significant financial responsibility", during the financial year.	6	6

Consultancy and the use of contingent labour

	2018/19	2017/18
	£'000	£'000
Consultancy expenditure	40	355
Contingent labour expenditure	1,504	2,233

Staff numbers

This section has been audited

Staff numbers by contract type (average headcount)	2018/19	2017/18
Permanent	936	926
Contractor/agency/temporary	36	36
Inward secondment	3	1
Total	975	963

Employees (average headcount)	2018/19			2017/18		
	Female	Male	Total	Female	Male	Total
Directors (senior civil servants)	4	2	6	3	2	5
Employees	530	427	957	513	408	921
Total	534	429	963	516	410	926

Companies House Main Board

There were 5 independent Non-Executive Board Members as at 31st March 2019 (2017/18: 7).

Pension liabilities

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

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 with our guaranteed interview scheme which means that all disabled people who meet the minimum requirements of a job vacancy, are interviewed and considered on their abilities.

We continue to promote a proactive approach to managing long term health issues with individuals, with the aim of sustaining them within work, 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 5.84 average working days lost per person (2017/18: 7.56 days).

2.3 Parliamentary Accountability and Audit Report

Parliamentary accountability

Fees and charges

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

	Income		Cost of services ⁴		Surplus/ (Deficit)	
	2018/19 £m	2017/18 £m	2018/19 £m	2017/18 £m	2018/19 £m	2017/18 £m
Registration activities ¹	66.9	64.4	66.6	65.9	0.3	(1.5)
Dissemination activities ²	2.7	3.2	3.3	3.2	(0.6)	0.0
Other Services ³	2.1	1.5	1.9	1.1	0.2	0.4
Total as per operating account	71.7	69.1	71.8	70.2	(0.1)	(1.1)

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

Long term expenditure trends

Longer-term expenditure plans are being driven by the key strands of our strategy for 2017 to 2020, namely: making sure customers can transact fully online, making sure our services are simple and easy to use, working with others to identify data issues, designing out scope for error in our services and helping companies provide current, complete and correct information. We will also invest in building a high performing culture to support customer service by ensuring our staff have the necessary skills and infrastructure.

Further efficiencies and savings are expected to be derived as the organisation transforms the way it works in line with the strategy and especially as paper transactions reduce over this period.

Special payments and losses

This section has been audited. There were no payments made under this category. Please see page 76 of the Trust Statement for disclosure of Late Filing Penalties losses and special payments.

Contingent liabilities

This section has been audited. There are no contingent liabilities (2017/18 contingent liabilities disclosed have now been settled).

A handwritten signature in black ink that reads "L. C Smyth". The signature is written in a cursive, flowing style.

Louise Smyth

Accounting Officer

Chief Executive and Registrar

4 July 2019

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

Opinion on financial statements

I certify that I have audited the financial statements of Companies House for the year ended 31st March 2019 under the Government Trading Funds Act 1973. The financial statements comprise: the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of affairs of Companies House as at 31st March 2019 and of its net operating deficit 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 regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of Companies House in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Companies House's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Board and Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Trading Funds Act 1973.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected

to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Companies House's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Other Information

The Chief Executive as Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Trading Funds Act 1973;
- in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in Performance Report and Accountability 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 Accountability Report 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.

Gareth Davies

Comptroller and Auditor General

11 July 2019

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

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Financial Statements



Statement of comprehensive income for the year ended 31 March 2019

	Notes	2018/19 £'000	2017/18 £'000
Operating income	2	71,697	69,093
Administration costs:			
Staff costs	3	(33,485)	(32,348)
Non-staff administration costs	4	(34,356)	(32,297)
Exceptional VAT charge relating to prior years	5	-	(1,403)
Gross administration costs		(67,841)	(66,048)
Operating surplus before interest		3,856	3,045
Interest receivable	6	249	95
Interest payable and finance costs	6	(1)	(113)
Net operating surplus before dividend		4,104	3,027
Dividend	7	(4,238)	(4,087)
Net operating (deficit)/surplus		(134)	(1,060)
Other comprehensive income			
Net gain on revaluation of land and buildings	8, 14	173	694
Comprehensive income/(expenditure) for the year		39	(366)

All income and expenditure is derived from continuing operations

The notes on Pages 58 – 69 form part of these accounts.

Statement of financial position as at 31 March 2019

		31 March 2019	31 March 2018
	Note	£'000	£'000
Non-current assets			
Property, plant and equipment	8	26,072	25,132
Intangible assets	9	16,074	15,912
Total non-current assets		42,146	41,044
Current assets			
Trade and other receivables	10	8,291	7,926
Cash and cash equivalents	11	41,539	43,270
Total current assets		49,830	51,196
Total assets		91,976	92,240
Current liabilities			
Trade and other payables	12	(13,262)	(12,014)
Provisions	13	(2)	(1,551)
Total current liabilities		(13,264)	(13,565)
Non-current assets plus net current assets		78,712	78,675
Non-current liabilities			
Provisions	13	-	(2)
Total non-current liabilities		-	(2)
Assets less liabilities		78,712	78,673
Taxpayers' equity			
Public dividend capital		15,889	15,889
General Fund		54,451	54,585
Revaluation reserve	14	8,372	8,199
Total		78,712	78,673



Louise Smyth
Accounting Officer
Chief Executive and Registrar
4th July 2019

The notes on Pages 58 – 69 form part of these accounts

Statement of cash flows for the year ended 31 March 2019

	Note	2018/19 £'000	2017/18 £'000
Cash flows from operating activities			
Net operating surplus before Interest		3,856	3,045
Net interest receivable (payable)		249	(17)
Unwinding of discount on provisions		(1)	(1)
Net operating surplus before dividend		4,104	3,027
Adjustment for non-cash transactions	8,9	5,130	6,011
Decrease/(increase) in trade and other receivables	10	(365)	(1,812)
Movements in payables relating to items not passing through the operating account	8, 9	(405)	(1,061)
Increase in trade payables & other current liabilities		1,097	(8)
Dividend paid		(4,087)	(3,861)
(Decrease)/increase in current provisions	13	(1,549)	1,509
Decrease in non-current provisions	13	(2)	(36)
Net cash inflow from operating activities		3,923	3,769
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(2,646)	(1,821)
Purchase of intangible assets	9	(3,008)	(3,242)
Net cash outflow from investing activities		(5,654)	(5,063)
Net (decrease)/increase in cash and cash equivalents in the period		(1,731)	(1,294)
Cash and cash equivalents at the start of the period	11	43,270	44,564
Cash and cash equivalents at the end of the period	11	41,539	43,270

The notes on Pages 58 – 69 form part of these accounts

Statement of changes in taxpayers' equity for the year ended 31 March 2019

	Public Dividend Capital £'000	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
Balance at 1 April 2017	15,889	55,645	7,505	79,039
Recognised in statement of comprehensive income		(1,060)	694	(366)
Balance as at 31 March 2018	15,889	54,585	8,199	78,673
Balance at 1 April 2018	15,889	54,585	8,199	78,673
Recognised in statement of comprehensive income		(134)	173	39
Balance as at 31 March 2019	15,889	54,451	8,372	78,712

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.



Louise Smyth
Accounting Officer
Chief Executive and Registrar
4 July 2019

The notes on Pages 58 – 69 form part of these accounts

Notes to the accounts for the year ended 31 March 2019

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 2018/19 Government Financial Reporting Manual (FRoM) issued by HM Treasury. The accounts conform to, insofar as is practicable and appropriate, IFRS, the FRoM 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.

Revenue recognition

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

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

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

Companies House registration activities under IFRS 15 are assessed as follows:-

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

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

Companies House search activities under IFRS 15 are assessed as;

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

The adoption of IFRS 15 in 2018/19 had no effect on revenue recognition.

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.

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.

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.

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

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

Review of capitalised costs

The carrying values of assets are reviewed at each year end for impairment to identify if 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 or financial instruments classified as held for sale. There is no impact of adopting IFRS 9 in 2018/19.

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

Most past or present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) and alpha (a new pension scheme introduced on 1 April 2015), which are defined benefit schemes open to participating public sector bodies in which the benefit the employee receives during retirement is dependent on factors such as age, length of service and salary. These schemes are administered by My CSP on behalf of the Cabinet Office. Companies House pays contributions into these schemes at an agreed rate. As one of many participating organisations, Companies House is not able to identify its share of any liability for making future pension payments to members and accordingly, Companies House accounts for this as if it were a defined contribution scheme and recognises the costs of these contributions when they fall due.

Employees may opt to join a personal stakeholder pension scheme instead, providing the scheme meets the minimum criteria set by government. These are defined contribution schemes where Companies House pays established contribution rates into a separate fund. The amount of pension benefit that a member receives

in retirement is dependent on the performance of the fund. Companies House recognises the cost of these contributions in the Statement of Comprehensive Income when they fall due. There is no further payment obligation for Companies House once the contributions have been paid.

Receivables

Receivables are shown net of impairments in accordance with the requirements of IFRS 9 where material. Following a management review, the level of impairment based on past and future performance of the receivables has shown, the level of impairment is immaterial and no therefore no impairment has been made.

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 0.10%, the government standard rate, (2017/18: 0.24%). 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

There are new standards, amendments to standards and interpretations which are not yet effective for the year ended 31 March 2019 and have not been applied in these financial statements.

IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset has a low value. Government adaptation of this standard has been reflected in the FReM. The impact of the new standard is that there will be earlier recognition of expenditure in relation to leases (amortisation and interest). Given the scale of Companies House contracts currently treated as operating leases, management initial view is that the standard is unlikely to have a material effect. IFRS 16 leases is applicable from April 2019 however, it is effective in the public sector from 1 April 2020. Bodies that meet the criteria set out in the 2019-20 Government Financial Reporting Manual, including obtaining approval from HM Treasury, can apply IFRS 16 from 1 April 2019. Companies House do not meet the criteria.

IFRS 17 Insurance contracts is currently due to be adopted by the FReM for 2021-22. No current review on impact has been undertaken but management initial view is that this is unlikely to have any material impact.

2. Income

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

The following information on the main activities of Companies House does not constitute segmental reporting under IFRS 8.

Income	2018/2019	2017/ 2018
	£'000	£'000
Regulatory Services		
Confirmation Statement	45,702	44,180
Incorporations	8,073	7,450
Other	8,117	7,959
LFP Activity	5,884	4,836
Sub Total	67,776	64,425
Search Services		
Companies House Direct	879	1,386
Certified Copies	1,607	1,553
Other	175	227
Sub Total	2,661	3,166
Other Income		
Rent and rates from tenants	981	1,030
Other	279	472
Sub Total	1,260	1,502
Total as per Operating Account	71,697	69,093

3. Staff costs

Staff Costs	2018/19	2017/18
	£'000	£'000
Salaries	26,639	25,394
National Insurance	2,557	2,402
Voluntary Exit Scheme (VES) costs	-	-
Pension costs	5,143	4,761
Contract staff	1,543	2,233
Capitalised staff costs (included above)	(2,388)	(1,762)
Capitalised contract staff project costs (included above)	(9)	(680)
Staff costs per operating account	33,485	32,348

3a. Pensions

For 2018/19 the banded charges averaged 20.71% of pensionable pay for permanent staff (2017/18: 20.53%). This equates to a charge for the year of £5.1m (2017/18: £4.8m), at 1 of the 4 rates in the range 20.0% to 24.5% (2017/18: 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 2016 (prior date was 31 March 2014). The contribution rates are set to meet the cost of the benefits accruing during 2018/19 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 13. 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

4. Non-staff administration costs

	2018/19	2017/18
	£'000	£'000
Audit remuneration		
Audit services	68	55
Other services	-	-
Subtotal	68	55
Administration costs		
Chief Executive and senior managers' travel and subsistence	39	31
Other employees travel and subsistence	326	296
Staff related costs	456	662
Recruitment and training	569	770
Printing and stationery	4,304	4,638
Communications and awareness	627	888
Maintenance contracts/leases	3,259	3,215
Repair and maintenance—buildings	3,152	2,230
Accommodation cost	2,722	2,470
Property rental	594	552
Office equipment	507	353
Software	2,082	1,541
Professional services (including contact centre, debt recovery and costs of litigation)	9,115	7,161
Other administration costs	1,406	1,435
Subtotal	29,158	26,242
Non-cash Items		
Depreciation and amortisation	5,130	6,000
Loss on disposal	-	-
Impairment	-	-
Subtotal	5,130	6,000
Total non-staff administration costs	34,356	32,297

Included in audit services is £15,000 for work carried out on LFP Trust Statement (2017/18: £15,000).

5. VAT

In 2017/18 following an internal review it was found that for a number of years, VAT relating to certain types of transactions had not been properly accounted for. During 2018/19 HMRC reviewed the information provided by Companies House and concurred with the internal findings. A final settlement was reached in April 2019 of £1,699k including interest charges which resulted in a reduction of £123k in non-staff administration costs.

6. Interest and finance costs

	2018/19	2017/18
	£'000	£'000
Short-term daily interest receivable from the Government Banking Service and National Loans Fund	249	95
Unwinding of discount of early retirement scheme	(1)	(1)
Interest payable for VAT errors	-	(112)
Total Interest Payable	(1)	(113)

7. Dividend

A dividend of £4.2m (2017/18: £4.1m) is 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). Dividends are paid to BEIS in arrears after the year end.

8. Property, plant and equipment

Property, plant and equipment (2018/19)

	Land	Buildings	Leasehold Improvement	Plant and Machinery	Computer Equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or revaluation						
At 1 April 2018	3,580	14,920	653	7,251	15,421	41,825
Additions	-	-	-	2,370	681	3,051
Revaluation (Note 14)	95	(220)	-	-	-	(125)
Disposal/assets written off	-	-	-	(30)	(47)	(77)
At 31 March 2019	3,675	14,700	653	9,591	16,055	44,674

Depreciation

At 1 April 2018	-	-	653	3,428	12,612	16,693
Charged in year	-	298	-	632	1,354	2,284
Revaluation (Note 14)	-	(298)	-	-	-	(298)
Disposal/assets written off	-	-	-	(30)	(47)	(77)
At 31 March 2019	-	-	653	4,030	13,919	18,602
Net book value at 31 March 2019	3,675	14,700	-	5,561	2,136	26,072
Net book value at 31 March 2018	3,580	14,920	-	3,823	2,809	25,132

The land and buildings were independently valued as at 31 March 2019 by Cushman & Wakefield (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.

7,747m² (2017/18: 7,747m²) of 29,862m² net internal space of the Crown Way building was rented to other government departments.

All assets are owned by Companies House.

8a. Property, plant and equipment (2017/18)

	Land £'000	Buildings £'000	Leasehold Improvement £'000	Plant and Machinery £'000	Computer Equipment £'000	Total £'000
Cost or revaluation						
At 1 April 2017	3,445	14,655	653	6,559	13,638	38,950
Additions	-	-	-	762	2,120	2,882
Revaluation (Note 14)	135	265	-	-	-	400
Disposal/assets written off	-	-	-	(70)	(337)	(407)
At 31 March 2018	3,580	14,920	653	7,251	15,421	41,825
Depreciation						
At 1 April 2017	-	-	653	2,968	11,805	15,426
Charged in year	-	294	-	530	1,134	1,958
Revaluation (Note 14)	-	(294)	-	-	-	(294)
Disposal/assets written off	-	-	-	(70)	(327)	(397)
At 31 March 2018	-	-	653	3,428	12,612	16,693
Net book value at 31 March 2018	3,580	14,920	-	3,823	2,809	25,132
Net book value 31 March 2017	3,445	14,655	-	3,591	1,833	23,524

9. Intangible assets

Intangible assets (2018/19)

Intangible assets are software and the associated implementation costs

	Software £'000	Assets under construction £'000	Total £'000
Cost			
At 1 April 2018	66,851	3,899	70,750
Additions	-	3,008	3,008
Disposals	(578)	-	(578)
Impairment	-	-	-
Asset transfer	5,779	(5,779)	-
As at 31 March 2019	72,052	1,128	73,180
Amortisation			
At 1 April 2018	54,838	-	54,838
Charged in year	2,846	-	2,846
Disposal	(578)	-	(578)
Impairment	-	-	-
As at 31 March 2019	57,106	-	57,106
Net book value at 31 March 2019	14,946	1,128	16,074
Net book value at 31 March 2018	12,013	3,899	15,912

£1.9m (2018: £2.6m) of the closing Net Book Value (NBV) relates to Companies House Information Processing System (CHIPS) and £0.5m (2017: £0.7m) for Companies Act Programme (CAP).

£12.6m of the closing NBV relates to 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. .

9a. Intangible assets (2017/18)

Intangible assets are software and the associated implementation costs

	Software £'000	Assets in the course of construction £'000	Total £'000
Cost			
At 1 April 2017	65,509	2,051	67,560
Additions	-	3,242	3,242
Disposals	(52)	-	(52)
Impairment	-	-	-
Asset transfer	1,394	(1,394)	-
As at 31 March 2018	66,851	3,899	70,750
Amortisation			
At 1 April 2017	50,849	-	50,849
Charged in year	4,041	-	4,041
Disposal	(52)	-	(52)
Impairment	-	-	-
As at 31 March 2018	54,838	-	54,838
Net book value at 31 March 2018	12,013	3,899	15,912
Net book value at 31 March 2017	14,660	2,051	16,711

10. Trade receivables and other current assets

	31 March 2019 £'000	31 March 2018 £'000
Trade receivables	3,236	5,056
Other receivables	2,290	810
Prepayments and accrued income	2,152	1,613
Amounts due from BEIS	613	447
Total	8,291	7,926

No amounts fall due after more than one year (2017/18: Nil).

11. Cash and cash equivalents

	31 March 2019	31 March 2018
	£'000	£'000
Balance at 1 April	43,270	44,564
Net change in cash and cash equivalent balances	(1,731)	(1,294)
Balance at 31 March 2019	41,539	43,270

	£'000	£'000
The following balances at 31 March were held at:		
Government Banking Service (GBS) / RBS	41,264	43,421
Commercial banks and cash in hand	275	(151)
Balance at 31 March 2019	41,539	43,270

12. Trade payables and other current liabilities

	31 March 2019	31 March 2018
	£'000	£'000
Amounts falling due within one year		
Trade payables	1,328	64
Accruals and customer prepayments	7,596	7,688
Other payables	100	175
Dividend payable	4,238	4,087
Total	13,262	12,014

No amounts fall due after more than 1 year (2017/18: Nil).

13. Provisions for liabilities and charges

	VAT £'000	Voluntary retirement schemes ¹ £'000	Total £'000
Balance at 1 April 2018	1,515	38	1,553
Provided in the year	-	-	-
Provisions utilised in the year	(1,515)	(36)	(1,551)
Unwinding of discount	-	-	-
Balance at 31 March 2019	-	2	2
Analysis of expected timings of provisions			
Amounts due within 1 year	-	2	2
Amounts due within 2 – 5 years	-	-	-
Total	-	2	2

- 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 0.0% (2017/18: 0.10%), in line with the PES.
- Following a review of VAT Companies House made a voluntary disclosure to HMRC in 2017/18 for prior years errors in VAT returns arising out of incorrect interpretation of VAT rules for eligible VAT reclaim. See note 5.

14. Revaluation reserve

	Land and Buildings £'000	Total £'000
Balance brought forward 1 April 2017	7,505	7,505
Revaluation of property, plant and equipment at 31 March 2018	694	694
Balance carried forward at 31 March 2018	8,199	8,199
Balance brought forward 1 April 2018	8,199	8,199
Revaluation of property, plant and equipment at 31 March 2019	173	173
Balance carried forward 31 March 2019	8,372	8,372

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 2019 £'000	31 March 2018 £'000
Amounts due		
Not later than one year	476	505
Later than one year and not later than five years	2,625	1,266
Later than five years	611	234
Total	3,712	2,005

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

16. Future income due under non-cancellable operating leases

	2018/19 £'000	2017/18 £'000
Land and buildings:		
Receivable within 1 year	545	420
Receivable within 2–5 years	1,255	122
Receivable in more than 5 years	72	-
Total	1,872	542

The lease information above relates to the sub-letting of surplus space in the Cardiff Office. Companies House has 5 tenants (2017/18: 6). This reflects the cash payments expected over the remaining non-cancellable term of each lease. A separate rates and service charge is also levied (and is included in other income in note 2) to recover the cost of utilities and other facilities costs borne by Companies House.

This charge is not included within the figures above as it varies annually.

17. Financial commitments

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

	2018/19	2017/18
	£000	£000
Not later than one year	4,892	6,797
Later than one year and not later than five years	1,192	1,083
Total	6,084	7,880

18. Financial instruments

IFRS 9 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.

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

19. Contingent liabilities

There were no contingent liabilities at 31 March 2019 (2018: None).

20. 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.

Ceri Witchard was, until 30th September 2018, the Director of Corporate Strategy for Companies House and Regulator of Community Interest Companies (CICs); 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	Amounts owed by related party
	£'000	£'000
Community Interest Companies	24	2

21. Subsequent events

There have been no significant events between the date of 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

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 revenue 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 real¹ 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

4

Trust Statement: Late filing penalties



Accounting Officer's foreword to the Trust Statement

Scope

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

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

Statutory background

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

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

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

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

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

Financial background

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

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

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

From 1 February 2009 to date as per Companies Act 2006

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 218,706 penalties were levied (2017/18: 218,884), which was a decrease of 178 on the previous year. There was an increase in the value of the penalties issued to £96.0m (2017/18: £93.7m).

During 2018/19 a total of 47,329 double penalties (2017/18: 45,299) were levied with a value of £41.9m (2017/18: £39.8m) against companies which had filed their accounts late in successive years.

Performance

Penalties and any associated court costs which were written off during the financial year as uncollectable amounted to £38.4m (2017/18: £38.6m). There was a decrease in the impairment of receivables due to bad and doubtful debt of £7.8m (2017/18: £9.2m increase in impairment). A total impairment of £58.8m reducing the carrying value of net receivables to £18.0m. This follows an overall reduction of receivables due of £13.9m through the introduction of the new accounting method to write off debt where all current strategies have been exhausted following court action.

Results and appropriations

The net revenue for the Consolidated Fund was £65.4m (2017/18: £63.7m). The transfer of receipts to the Consolidated Fund from the Trust in the year was £67.5m (2017/18: £70.5m), which left a balance due to the Consolidated Fund of £19.8m (2017/18: £21.9m) at 31 March 2019. Please refer to the necessary financial statements pages 79 to 81.

Case handling

During the financial year 31,416 (2017/18: 33,180) 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 (2017/18: 2%) under Section 453(3) of the Companies Act 2006, and this is offset against penalty income in the Statement of Revenue, Other Income and Expenditure.

Bad and doubtful debts

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

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

In addition to the amounts not collected due to the exercise of each Registrar's discretion, penalties are written off as unrecoverable where a company has been struck off or dissolved. 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 4 years old. In 2018/19 the total debt written off was £38.4m (2017/18: £38.6m) of which 49% related to dissolved companies (2017/18: 55%).

The impairment for the year has decreased by £7.8m to £58.8m (2017/18: £66.6m) and has been constructed in line with the 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 2018/19 amounted to £2.5m (2017/18: £1.8m). 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. 2018/19: £0.9m (2017/18: £0.6m). The Registrars of Scotland and Northern Ireland exercise their discretion outside England and Wales against the companies on their respective registers.

Funding

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

Cash balances

Net cash inflow from revenue activities for the year was £65.4m (2017/18: £63.7m). After payments of £67.5m to the consolidated fund (2017/18: £70.5m), the net increase in cash for the year was £0.9m, taking cash balances at the year end to £2.6m. Cash balances are managed in accordance with Treasury guidelines. Companies House transfers to the Consolidated Fund, on a monthly basis, the penalty income received.

Audit service

The statutory external audit was performed by the Comptroller and Auditor General at a cost of £15,000 (2017/18: £15,000).

Registrars

England and Wales

Louise Smyth—Chief Executive and Registrar of Companies House

Scotland

Lisa Davis—Registrar of Companies for Scotland

Northern Ireland

Helen Shilliday—Registrar of Companies for Northern Ireland



Louise Smyth

Accounting Officer
Chief Executive and Registrar

4th July 2019

Statement of Accounting Officer's responsibilities

Under section 4(6)(a) of the Government Trading Funds Act 1973 HM Treasury has appointed the Accounting Officer to prepare, for each financial year, a Trust Statement in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Trust Statement and of its: 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 (FRoM) 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 FRoM have been followed, and disclose and explain any material departures in the Trust Statement;
- prepare the Trust Statement on a going concern basis; and
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The Treasury has appointed the Chief Executive of Companies House as the Accounting Officer for the Trust Statement. Her 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 am 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 report and accountability report

1. The Agency's Performance Report covering both the trading fund and the Trust Statement, starts from page 3.
2. The Agency's Accountability Report covering both the trading fund and the Trust Statement, starts from page 23.

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

Parliamentary accountability disclosure

Losses and special payments

This section has been audited

Losses	2018/19		2017/18	
	Volumes	Values £'000	Volumes	Values £'000
Debt written off – dissolved Companies	26,928	18,973	28,322	21,380
Other write-offs 1	36,818	19,440	22,365	17,242
	63,746	38,413	50,687	38,622

In accordance with managing public money (A4.10.7) total losses over £300k should be disclosed. No single item exceeded £300k within that total. Companies House has gained HMT approval in relation to the above write off.

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



Louise Smyth

Accounting Officer
Chief Executive and Registrar

4th July 2019

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

Opinion on financial statements

I certify that I have audited the financial statements of the Companies House Trust Statement for the year ended 31 March 2019 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, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

In my opinion:

- The financial statements give a true and fair view of the state of affairs of the Companies House Trust Statement as at 31 March 2019 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 regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Companies House Trust Statement in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Companies House Trust Statement's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Accounting Officer for the audit of the financial statements

As explained more fully in the Statement of Accounting Officer's responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Trading Funds Act 1973

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

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Companies House Trust Statement's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, but does not include the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the information given in the Performance Report and Accountability 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.

Gareth Davies

Comptroller and Auditor General

11 July 2109

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 2019

	Note	2018/19 £'000	2017/18 £'000
Revenue			
Penalties	2a	95,972	93,657
Discretion applied under section 453(3) Companies Act 2006	2b	(1,652)	(1,693)
Total		94,320	91,964
Other income			
Recoverable court costs	1d	2,535	1,779
Total revenue		2,535	1,779
Total Revenue and Other Income Total		96,855	93,743
Expenditure			
Court costs transferred	1d	(866)	(610)
Bad and doubtful debts	4	(30,572)	(29,438)
Total expenditure		(31,438)	(30,048)
Net revenue for the consolidated fund as at 31 March	7	65,417	63,695

There were no recognised gains or losses accounted for outside the above Statement of revenue, other income and expenditure (2017/18: Nil).

The notes on pages 82 – 86 form part of this statement.

Statement of financial position as at 31 March 2019

		31 March 2019	31 March 2018
	Note	£'000	£'000
Current assets			
Trade and other receivables	3	17,996	20,972
Cash and cash equivalents	8	2,588	1,725
Total current assets		20,584	22,697
Current liabilities			
Trade and other payables	6	(766)	(796)
Total current liabilities		(766)	(796)
Assets less liabilities		19,818	21,901
Balance on consolidated fund account as at 31 March	7	19,818	21,901



Louise Smyth
Accounting Officer
Chief Executive and Registrar
4th July 2019

The notes on pages 82 – 86 form part of this statement.

Statement of cash flows for the year ended 31 March 2019

		2018/19	2017/18
	Note	£'000	£'000
Net cash flow from revenue activities		68,363	63,665
Cash paid to consolidated fund	7	(67,500)	(70,500)
(Decrease)/increase in cash and cash equivalent		863	(6,835)

Notes to the statement of cash flows

Reconciliation of net cash flow to movement in net funds

Net revenue for consolidated fund		65,417	63,695
(Increase)/decrease in receivables	3	2,976	(8)
Decrease in liabilities	6	(30)	(22)
Net cash flow from revenue activities		68,363	63,665

Analysis of changes in net funds

(Decrease)/increase in cash in this period		863	(6,835)
Net funds as at 1 April (opening cash at bank)	8	1,725	8,560
Net cash as at 31 March (closing cash at bank)		2,588	1,725

The notes on pages 82 – 86 form part of this statement.

Notes to the accounts for the year ended 31 March 2019

1. Principal accounting policies

a. 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.

The financial information contained in the statement and in the notes is rounded to the nearest £'000.

b. 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 impairment of receivables for doubtful debts and the exercise of discretion under S453(3) of the Companies Act 2006.

c. Accounting convention

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

d. Revenue recognition

Penalties are measured in accordance with IFRS 15. A contract is recognised when:

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

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

When the court costs are fully recovered, they are transferred to Companies House against previously incurred court action costs.

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

e. 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.

f. Receivables

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

against receivables for doubtful debts based on previous experience including the comparisons of the relative aged debt, collection rates and the forecast of the dissolution rate of companies. The calculated impairment of receivables varies depending on position in the debt collection process and the ageing of the debt, for example, a debt is generally more highly impaired the older it is and if it has been transferred to a collection company.

The accounting policy choice allowed under IFRS9 has withdrawn the option for public sector bodies which allowed entities to restate prior periods.

The impact of adopting IFRS 9 in 2018/19 was to increase the provision for impairment for the accounting period. This was more than offset by the reduction of the length of time after which penalties are written off (from 6 to 4 years) which reduced the amount of the receivables at the end of the year. The net effect was an overall reduction in the amount of impairment required.

g. Cost

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

h. Standards Issued but not yet effective

There are new standards, amendments to standards and interpretations which are not yet effective for the year ended 31 March 2019 and have not been applied in these financial statements.

IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset has a low value. Government adaptation of this standard has been reflected in the FReM. The impact is that there will be earlier recognition of expenditure in relation to leases (amortisation and interest). Given the scale of contracts within the Trust Statement the standard is unlikely to have a material effect. IFRS 16 leases is applicable from April 2019 however, it is effective in the public sector from 1 April 2020. Bodies that meet the criteria set out in the 2019-20 Government Financial Reporting Manual, including obtaining approval from HM Treasury, can apply IFRS 16 from 1 April 2019. Companies House do not meet the criteria.

IFRS 17 Insurance contracts is currently due to be adopted by the FREM for 2021-22. No current review on impact has been undertaken but management initial view is that this is unlikely to have any material impact.

2. Revenue and other income

a. Penalties

The following is information of late filing penalties by registry:

	2018/19		2017/18	
	Number of Penalties '000	£'000	Number of Penalties '000	£'000
England and Wales	204	88,970	204	86,918
Scotland	11	5,287	11	5,130
Northern Ireland	4	1,715	4	1,609
Total	219	95,972	219	93,657

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

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

3. Receivables

Receivables falling due within the year

	31st March 2019	31st March 2018
	£'000	£'000
Penalties levied and court costs	76,756	87,573
Provision for doubtful debts	(58,760)	(66,601)
Total	17,996	20,972

Total receivables due

	31st March 2019	31st March 2018
	£'000	£'000
Penalties levied and court costs	76,756	87,573
Provision for doubtful debts	(58,760)	(66,601)
Total	17,996	20,972

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

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

4. Bad and doubtful debts

	31st March 2019	31st March 2018
	£'000	£'000
Debt written off – dissolved companies	18,973	21,380
Other write offs	19,440	17,242
Revenue losses	38,413	38,622
Increase/(decrease) in provision for doubtful debt	(7,841)	(9,184)
Total	30,572	29,438

It is the legal responsibility of the company's officers to ensure that accounts are prepared and delivered to Companies House under section 441. Section 453 of the Act states that where company accounts are filed late, the company is liable to a civil penalty. This is in addition to any liability of the directors under section 451.

The Registrar pursues this penalty under section 453(3) against the company. Where the company is no longer in existence, this is written off as uncollectable. The Registrar also writes off penalties and any associated court costs after 4 years as uncollectable or when all debt collection strategies have been exhausted and Companies House and the debt collector deem the penalty uncollectable.

5. Change to impairments

	31st March 2019	31st March 2018
	£'000	£'000
Balance as at 1 April	66,601	75,785
Change in estimated value of impairments	(7,841)	(9,184)
Balance as at 31 March	58,760	66,601

Receivables on the statement of financial position are reported after the deduction of the estimated value of Impairments. This estimate is based on the expected recoverability of outstanding penalties and associated costs in line with note 1.

5a. Sensitivity Analysis on the Impairment for Bad and Doubtful Debt

Sensitivity analysis has been conducted which has looked at the impact of movement in the collectable percentage rates applied to calculate the impairment of receivables of bad debts. The impairment has been split into seven age categories with different collectable percentage rates and separation of bad debt attributed to dissolution and non-dissolution write offs has been made. The percentage of the impairment attributed to dissolution write-offs has been inflated to account for a forecasted increase in dissolutions. The key management assumption is that historic cash collection rates will continue in a similar pattern going forwards. Were this assumption to be incorrect and less cash collected, the impairment should be increased to reflect less debt collected. Conversely, should more cash be recovered the impairment should be decreased. The analysis has yielded the following results:

	2018/19		2017/18	
	49% of Provision - Dissolution	51% of Provision - Dissolution Rate	Total	Total
	+/- £'000	+/- £'000	+/- £'000	+/- £'000
1% Flex - impact on Net Receivables	286	294	580	858
Decrease in Cash Collected	(387)	(397)	(784)	(858)
Increase in Cash Collected				
2.5% Flex - impact on Net Receivables	716	734	1,450	2,146
Decrease in Cash Collected	(968)	(992)	(1,960)	(2,146)
Increase in Cash Collected				
5% Flex - impact on Net Receivables	1,432	1,467	2,899	3,828
Decrease in Cash Collected	(1,936)	(1,983)	(3,919)	(4,292)
Increase in Cash Collected				

The key assumption inherent in the model used to calculate the impairment for bad and doubtful debt is that the estimated future flow of payments reflects historical trends and, as such, there is inherent uncertainty in the estimated impairment. The impact of adjusting the estimated future flow of payments to arrive at reasonable alternatives to this assumption is reflected in the table above.

6. Trade and other payables

	31st March 2019	31st March 2018
	£'000	£'000
Other payables	766	796
Total	766	796

No amounts fall due after more than one year (2017/18: Nil).

7. Balance on consolidated fund

	31st March 2019	31st March 2018
	£'000	£'000
Balance on the consolidated fund as at 1 April	21,901	28,706
Net revenue for the consolidated fund	65,417	63,695
Less amounts paid to consolidated fund	(67,500)	(70,500)
Balance on the consolidated fund as at 31 March	19,818	21,901

8. Cash and cash equivalents

	31st March 2019	31st March 2018
	£'000	£'000
Balance with GBS	1,712	929
Balance with commercial banks	876	796
Total	2,588	1,725

	2018/19		2017/18	
	GBS	Commercial	GBS	Commercial
	£'000	£'000	£'000	£'000
Balance held at 1 April	929	796	982	7,578
Net movement	783	80	(53)	(6,782)
Balance held at 31 March	1,712	876	929	796

9. Expenditure

In managing the scheme Companies House incurred expenditure of £5.9m (2017/18: £4.8m). 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.

	2018/19	2017/18
	£'000	£'000
Appeal administration		
Staff costs	1,051	1,113
Overheads	497	94
Debt collection		
Staff costs	595	482
Overheads	3,741	3,147
Total	5,884	4,836
Average employees FTE	46.6	46.2

10. Related party disclosures

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.

11. Subsequent events

Events after the reporting period date.

There have been no other significant events between the date of 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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