



# Framework for the Future Business Plan 2007/08

**dti**

A DTI SERVICE



*Companies House*

— *for the record* —

# Companies House

## Business Plan 2007/2008

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# Companies House

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### Headlines

Register to reach 2.6 million Companies

Income at £68m, down 3.5% due to increasing e take-up and lower levels of incorporation

Total expenditure at £75m up £10.5m

Total investment in development programmes at £11.3m

Contingency built in at £7.1m

Year end cash balance £5.5m

CHIPS delivery by end of October

Implementation of Companies Act changes for April 2007 and October 2007

New e-portal and electronic accounts services launched

10% efficiency improvement vs. 2004 / 2005

E filing at 55%

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## Business Plan 2007/2008

### Introduction

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This business plan represents a key step in the implementation of our strategy to 2010. Our vision is:

**“To be a world-class information provider – accessible, easy to use and customer focused: exchanging information; creating benefits”**

Our main focus is and must continue to be on customers and the delivery of services which add real value and create real benefits. We continue to place customers at the heart of our business. We have meaningful contact with them and develop our understanding through focus groups, seminars, our customer satisfaction survey and market research. Their comments and feedback are helping us to develop electronic services which are efficient and easy to use. Our customer proposition will provide an interactive environment, where customers can access and update their records seven days a week. Our search services will be flexible, efficient and cost-effective. These developments will be supported by changes in our processing systems, so that they focus on data, rather than paper. We will ensure staff have the skills, flexibility and customer focus they need to deliver this change, and that company directors are educated in their responsibilities, to help maintain integrity of the register.

With this in mind, 2007/08 will be a year of laying foundations. We will implement the parts of the Companies Act 2006 coming into force in April and October 2007, be fully prepared for the April 2008 implementation, and have completed the development work for the main implementation in October 2008. This is a major change in company law and has to be Companies House's main priority for 2007/08.

In past business plans, Companies House has focused on customer delivery and the development of services which are easily accessible and reduce the regulatory burden it places on business. The new Act continues this process, consolidating and simplifying legislation, with an emphasis on small companies. The key to maximising delivery of benefits from the Act will be the implementation of our programme to reform Companies House Internal Processing Systems (CHIPS). Full roll-out of CHIPS will be completed this year and this will enable full implementation of the Act in October 2008.

Our strategy for 2010 sees us as an organisation strongly focused on serving customers, through fully electronic core processes. During this business plan year we will continue to develop new services for customers, based on the greater speed, accuracy and security we can achieve by harnessing modern technology, through our Service Transformation and Re-structuring (STAR) programme. Again, this year will see us setting the framework for the developments we are planning, with much of the actual delivery taking place over the next two to four years.

In 2006 we recognised that information technology was a key enabler for achieving our corporate objective of being a world class information provider. We have taken steps to re-organise our IT function to be a provider of business solutions, rather than merely a deliverer of technology. In the coming year we will consolidate that re-organisation by growing and nurturing the skills that add most value to our business.

Our business solutions strategy will enable us to take steps towards consolidating our technology base, by removing elements that are obsolete or do not fit our preferred technology list. We will enhance the use of web services technologies and standards, especially in our customer facing systems. Our strategic effort will be to consolidate our investment in people and technologies, made through the CHIPS programme, and to leverage any opportunities where we can derive business advantage.

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While having all this in our sights, we are conscious that we must continue to deliver our core business, maintaining high levels of service to our customers and continuing to provide efficiencies from electronic services. This year sees the end of the public sector spending round CSR04. We are committed to delivering a reduction in real terms of 10% (compared to 2004/05) in the unit cost of our transactions across company incorporation, company searches and the size of the companies register. This will provide the baseline for driving further efficiencies during the CSR07 period. We are confident that our income will remain strong during 2007/08 but this is required to support high levels of investment in the Companies Act, CHIPS and STAR. To complete this work we will need a capital loan from DTI in CSR07.

### Business priorities

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In 2007/08 the priorities for Companies House will be:

- **implementation of CHIPS**
- **implementation of parts of the Companies Act 2006**
- **preparation for full implementation of the Companies Act 2006**
- **development of the customer proposition**
- **cash management**
- **efficiency**

### CHIPS

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A key element in the delivery of our strategic vision is CHIPS, which will be a key enabler to changes in our internal business processes and new initiatives, as well as an enabler for the new Companies Act 2006 and improved services to customers, delivered through the STAR programme and the customer proposition. The key milestones are:

- completion of System Integration Testing by end of April 2007
- completion of User Testing by end of August 2007
- run the pilot implementation in the Edinburgh office by October 2007
- live running in Cardiff by end of October 2007

### Companies Act 2006

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With more than 1,300 sections, the Companies Act 2006, which received Royal Assent in November 2006 and will come into force by October 2008, is one of the largest pieces of legislation to have been passed in Great Britain. As work on the CHIPS programme comes to a successful conclusion this year, a large amount of our effort will be to ensure we have sufficient skills to support this application and to deliver fully the Companies Act 2006 by October 2008. The Act is deregulatory, in line with the government's Better Regulation agenda, and will deliver savings of £250 million to business. It is tailored to small businesses; acknowledging that most companies are small and that they need legislation which is clear and accessible. The Act is written

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from their point of view, with provisions for larger companies seen as the exception. Essentially the new Act makes company law simpler and easier to comply with, and it makes it easier for Companies House to reduce the regulatory burden it places on business, by taking advantage of the efficiencies offered by new technology.

The Act will mean considerable changes to the services Companies House provides and the way it delivers these to customers. There are changes to:

- the way companies are formed and the structure of their Memorandum and Articles of Association
- the appointment of directors and the personal details they must place on the public register
- the periods for filing accounts
- the powers of the Registrar of Companies for the rejection and replacement of documents and for making amendments to the companies register.
- UK-wide company law

To achieve effective implementation of the Act, Companies House has set up an implementation programme, which will ensure that:

- Companies House customers are informed about the new Act and are able to comply with its provisions as they come into force
- Companies House processes and systems are adjusted to ensure a smooth transition of customer delivery
- historical records from the companies register, including those for Northern Ireland, are available for customers
- Companies House can take full advantage of the flexibility the Act offers to expand the use of technology in developing and delivering services.

## Customer proposition

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We are here to serve customers. Whether they file or search, they are the core of our business and we will continue to develop our services and deliver efficiencies through increasing use of technology to improve our service to them. Our aim is to provide a fully electronic service. CHIPS and the Companies Act 2006 will allow us to modernise our processes and our methods of communicating with customers. We will:

- implement a new registration and enrolment front-end, using the government gateway to provide access to Companies House's online services.
- work with HMRC on the development of the joint filing of accounts, in line with Lord Carter's recommendations and with the principles of Hampton.
- introduce an electronic messaging service; including electronic reminders, which will help to improve the rate of compliance.
- deliver a new "My Companies House" portal, which will be the first phase of our new customer proposition.
- improve the range of accounts we can accept via software filing.

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Many of these improvements are developing e-Services which help reduce the numbers of paper documents Companies House processes, as customers migrate. We do not plan to introduce mandatory electronic services at this stage, although this is provided for in the Companies Act 2006 and is something we may consider in the longer term. In line with the organic growth in electronic filing/retrieval of register data, we will automate and integrate our internal registration processes as much as possible.

In 2007/08 we will re-design our internal processes, including an assessment of the viability of scanning all incoming paper based documents on receipt, so that the resultant image can be processed immediately and concurrently by all relevant parts of the process. Paper based information will be converted to electronic data and merged with the data being captured by our e-Services, so that all register information is processed promptly and consistently via a single electronic flow. We will design this process during the 2007/08 business plan period and we will develop both the process and infrastructure capability to facilitate full introduction by 2009/10.

This work focuses heavily on the input side of our business; which is not to say we have forgotten output customers. By improving the electronic services we offer to input customers, we improve the speed with which data appears on the companies register and, because of the added security on-line systems offer, we improve the integrity of the register. Already 97% of company searches are delivered electronically and the development of "My Companies House" and our use of the XML Gateway will increase the flexibility we can offer to output customers. The implementation of CHIPS will also improve access to information for our bulk customers.

## Cash management

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Although we expect income to remain buoyant during 2007/08, we will spend a great deal on the development of electronic services and preparation for implementing the Companies Act 2006. We will take a very rigorous approach to resource and budget management. We have already reviewed expenditure with a view to cutting out waste and the process for this business plan has emphasised the need to focus on essential activity. The overall cash position will reduce by £6.8m.

There are several large uncertainties in this year's plan, including CHIPS timing, renewal of our mainframe contract and Companies Act expenditure. To accommodate this, the plan includes a £7.1 million contingency. Our aim will be to review this monthly and release funds for projects if the circumstances allow.

## Efficiency

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As CHIPS and the Companies Act 2006 come on-stream giving us greater flexibility to deliver more services electronically and to redesign our internal processing systems, we will be able to take advantage of more efficient back office processes.

The electronic services already available have allowed us to reduce headcount by 120 and we will achieve further reductions during 2007/08. This will ensure that we have a team fit for the future and capable of meeting expectations for all our stakeholders. Headcount reductions will continue to result

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from genuine efficiencies, without recourse to compulsory severance and we will maintain the staffing levels we need to deliver our services effectively.

We will develop and train staff to achieve our longer term strategy to have highly skilled staff, working flexibly to serve customers and with the knowledge and expertise to shape future products and services.

As headcount has fallen, we have vacant space in our main building at Cardiff. We will implement an accommodation strategy which consolidates this space, to make it attractive to tenants, to help us maximise value from our estate.

On balance, we expect workload to increase next year. In recent months we have seen growth in the rate of incorporation as changes in the tax regime have affected the reasons people incorporate and the uses they make of companies. The end of this financial year will see more than 400,000 companies having been incorporated. This rate is unlikely to be maintained in 2007/08 but we project that more than 360,000 will be incorporated. Companies incorporated for tax reasons may have a short life, with little incentive on the part of their directors to meet compliance requirements. Towards the end of 2007/08 these companies will have an impact on our compliance effort and have the potential to increase our workload in dissolution significantly.

We are planning changes to our pursuit system to ask companies if they are continuing in business at an early stage in the procedure. Where the answer is "no" we will be able to move to dissolution quicker, taking pressure off the compliance target. We are reviewing Late Filing Penalties, with a view to a more effective penalties regime being in place by 2010.

## People

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The start of the business plan coincides with Gareth Jones starting as our new Chief Executive and Philip Bushby as our new HR director. The main board will be a new team with only three members who were on the board at the start of the 2006/7 year. This is an exciting time for Companies House with the opportunity to develop a new team and build on the successes in recent times.

The challenges we face in 2007/8 affect the whole organisation and ensuring our staff are fully informed of our progress will be vital. Our success depends on all of us working together with the same priorities. Although there is uncertainty over some of the challenges ahead, we can have certainty in the way we tackle them by clearly demonstrating our shared values. We will continue our renewed focus on internal communication, building on the initial success of our 'peer 2 peer' cascade system. We will make full use of the variety of channels available to us, including redevelopment of our intranet site.

To succeed in meeting the challenges, we must continue to build on the successful partnership we have with our trade union, with both parties ensuring effective engagement on a wide range of issues.

The future size and design of the organisation needs to be clarified, and this year will see us developing our plans and giving clarity on the roles, skills and structure for the future. We will continue to manage the transition in size of the organisation through our 'fit for the future' work which has been an outstanding success over the last 12 months.

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### Further ahead

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Looking beyond the year covered by this business plan, Companies House will continue to pursue the aims set out in its Strategic Direction for 2010, leading to a fully electronic operation, with paper still accepted as an exception, and we will consider the option of mandating electronic filing where this offers economic benefits. As we are able to enhance our electronic services, following implementation of CHIPS, and as more companies sign up to them, we will look at expanding our Protected Online Filing system to increase security of the companies register against fraud.

To help customers, we will communicate about the Companies Act 2006 to ensure their responsibilities are clear to them. Our continuing use of technology will allow us to make compliance with company law easier and less burdensome. It will allow us to ensure the integrity of the companies register, and confirm its value as a means by which companies can advertise their own integrity, and by which data can be exchanged effectively with those assessing business partners.

In line with the better regulation agenda and the principles of Hampton, we will work with others in government to reduce the regulatory burden on companies. This will include work with colleagues in Europe on the Cross Border Transfer Directive, which will facilitate the movement of companies around Europe.

Where we are successful in delivering efficiencies, we will reduce the fees customers pay.

### Public targets

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Companies House is an executive agency and trading fund of the DTI and must set public targets, which are agreed by ministers and laid before Parliament. We are accountable to the Secretary of State for Trade and Industry and report performance in our Annual Report and Accounts. Our Steering Board advises on these targets as part of the annual cycle of governance.

### Review of public targets for 2006/07

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- To ensure that Companies House Direct, WebCheck and WebFiling are available for 99% of the time between the hours of 7am and midnight, Monday to Saturday.

*For the year to date, these targets have been exceeded slightly, with 99.5% for WebFiling and 99.4% for WebCheck and Companies House Direct*

- To achieve 40% take-up for electronic submission of documents by the end of 2006/07 and 75% take-up by the end of 2007/08.

*The year to date figure for submission of documents electronically is 32.4%. We are unlikely to achieve 40% by the end of the year and are reviewing this target going forward, in the light of market research and customer behaviour. We are confident that work in the next financial year will make our technology-based services more attractive to customers.*

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- To achieve, on average, a monthly compliance rate for accounts submitted of 95.5%.

*This figure relates to the percentage of companies on the register who, at any one time, have submitted their latest set of accounts. The target for 2006/07 is 95.5%. However, we have had increasing difficulty hitting it and have therefore proposed 95.3% as a realistic (but still stretching) target for 2007/08.*

*One of the reasons for this is that we are tending to run with larger backlogs of paper than in previous years. Accounts overwhelmingly still come in on paper. We therefore at any one time have a larger number of accounts which have been submitted to us but are not yet on the register. This makes the accounts compliance figure look worse.*

*Over and above that, we are seeing a slow but steady decline in the tendency of companies to file their accounts on time. A growing proportion of those companies incorporated appear to have no interest in making their information publicly available.*

*We have plans in place to combat this. We have proposals to reform the Late Filing Penalty regime when the new Act comes into force. Similarly, we plan to change our enforcement process: we will act faster to strike off companies which do not file because they are defunct, and we will use the threat of strike off to force into action those companies who do not file, and gamble that we will not get round to prosecuting them. But we cannot bring in this new process until CHIPS is implemented and stable. So, while we plan to arrest this decline in the compliance rate in the medium term, realistically we cannot do so in the short term.*

- To ensure that 99.5% of images placed on the Companies House image system are legible.

*Image quality is below target at 98.9% because of mechanical and software problems earlier in the year. These have now been resolved and the target has been retained at 99.5% for 2007/08.*

- To achieve for 2007/08 a reduction, in real terms, of 10% compared to 2004/05 in the unit cost of the range of transactions covering registration, company search and active register size.

*We are on track to meet this target. This year is the second of three for this target, so it will roll over into 2007/08.*

- To achieve a score of more than 85% in each quarterly Companies House Customer Satisfaction survey.

*This has been exceeded in each quarter of this financial year so far and will be raised for next year.*

- To resolve 97% of complaints within five days.

*This target has been met so far this year. Because Companies House is operating in a changing environment, we expect customer interest and comment to grow. For 2007/08, we will maintain this target at its current high level while anticipating an increased workload.*

- To achieve, taking one year with another, a 3.5% average rate of return based on the operating surplus expressed as a percentage of average net assets.

*This target continues into next year. We are on track to meet it.*

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- To pay all bills within 30 days, or on other agreed credit terms, on receipt of goods or services or a valid invoice, whichever is later.

*This is an end of year target, which we are on track to meet.*

- The Chief Executive to reply within 10 days to all letters from members of parliament delegated to her for reply.

*We are on track to meet this target for 2006/07*

### Public targets for 2007/08

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- to ensure that Companies House Direct, WebCheck and WebFiling are available for 99% of the time between the hours of 7am and midnight, Monday to Saturday.
- to achieve 55% take-up for electronic submission of documents by the end of 2007/08.
- to achieve, on average, a monthly compliance rate for accounts submitted of 95.3%.
- to ensure that 99.5% of images placed on the Companies House image system are legible.
- to achieve for 2007/08 a reduction, in real terms, of 10% compared to 2004/05 in the unit cost of the range of transactions covering registration, company search and active register size.
- to achieve a score of more than 86% in each quarterly Companies House customer satisfaction survey.
- to resolve 97% of complaints within five days.
- to achieve, taking one year with another, a 3.5% average rate of return based on the operating surplus expressed as a percentage of average net assets.
- to pay all bills within 30 days, or on other agreed credit terms, on receipt of goods or services or a valid invoice, whichever is later.
- the Chief Executive to reply within 10 days to all letters from members of parliament delegated to him for reply.

# Companies House

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### FINANCE AND WORKLOADS

#### Summary financial profile

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The transformation of the internal operation of Companies House requires considerable investment. The move from paper to 'e' brings greater variation in our income and so there is increased financial risk for Companies House.

During the period 2006 to 2010, there will be pressure on expenditure because of implementation of the Companies Act 2006 and restructuring the business for the future. In an environment of increasing workload we have still managed to effect decrease in headcount and expect further decreases during this business plan period, driving our ambitions to achieve further efficiencies.

In putting together our spending plans for 2007/08, we have been able to ensure that cash resources generated from within the business will be adequate to carry out our plans. This has been achieved by attention to continuing to drive down costs and maintain strict control over cash flow. However, a source of external finance is being sought under CSR07 to cover major non-recurring costs such as Companies Act implementation, STAR development and restructuring.

In addition cash expenditure on Companies Act implementation and restructuring, combined with increased non-cash charges for depreciation in respect of our significant capital expenditure programme, will push our operating account into deficit for 2007/8 (£8.7m), after dividends payable to DTI. After that, our operating account will return to around break-even. So, taking into account prior years' surpluses, our revenues and outgoings will be in balance over time, consistent with the Treasury Minute of 12 October 2004.

Our financial strategy is understood by DTI and we are working with FRM to ensure we have adequate medium term funding to deliver our financial and efficiency objectives.

#### Workload and income 2007/08 (Annexes A, B and C)

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For the core trading activities, the register will grow by around 3.5% but regulatory income will decrease by around £4.1million due to increasing proportion of electronic Annual Returns filed, and a small fall in the rate of companies being incorporated. Search income is expected to show a modest increase of around £300,000.

#### Annexes

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- A Workload summary**
- B Income and expenditure account summary**
- C Income**

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### Workload summary

Units are in thousands of transactions

	Year to March 2006	Year to March 2007	For Financial Plan March 2008	Inc/(Dec) 2008 v 2007
Total register (at end of period)	2323	2507	2595	3.5%
Active Register Size	2128	2301	2382	3.5%
Mail (tonnes)	225	225	225	0.0%
Dissolutions	223	241	245	1.7%
<i>Registrations</i>				
Incorporations - Electronic	301	356	297	-16.6%
Incorporations - Paper	69	56	33	-41.1%
Total Incorporations	370	412	330	-19.9%
Changes of Name	57	57	60	5.3%
<b>Total Registrations</b>	<b>427</b>	<b>469</b>	<b>390</b>	<b>-16.8%</b>

#### *Statutory Documents*

##### *DEB*

Annual Returns - paper	1047	846	536	-36.6%
Annual Returns - E-filed docs	701	1033	1450	40.4%
Total Annual Returns	1748	1879	1986	5.7%
Annual Accounts-paper	1569	1572	1520	-3.3%
Annual accounts-E-filed docs	11	118	268	127.1%
Total Annual Accounts	1580	1690	1788	5.8%
Other docs - Paper	2495	2282	1969	-13.7%
Other docs - Electronic	566	910	1181	29.8%
Other Documents	3061	3192	3150	-1.3%
Total DEB Documents	6389	6761	6924	2.4%

##### *Mortgages/Memorandum of Satisfaction*

Mortgages	223	225	225	0.0%
Liquidation Docs	123	135	135	0.0%
<b>Total Registrations/Docs</b>	<b>7162</b>	<b>7590</b>	<b>7674</b>	<b>1.1%</b>

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### Income and expenditure account summary

All figures are in £'000

2006/07 Unaudited		2007/08 Plan	Variance
72,133	TOTAL INCOME	68,161	(3,972)
68,422	OPERATING EXPENDITURE	67,824	598
1,462	REVENUE PROGRAMMES	7,242	(5,780)
69,884	TOTAL EXPENDITURE	75,066	(5,182)
2,249	OPERATING SURPLUS BEFORE INTEREST	(6,905)	(9,154)
536	Net Interest (Payable) / Receivable	208	(328)
2,785	OPERATING SURPLUS	(6,697)	(9,482)
(2,000)	Proposed Dividend	(2,000)	-
785	RETAINED SURPLUS	(8,697)	(9,482)
	CASH FLOW		
12,112	Add back depreciation	7,265	(4,847)
	<b>Capital expenditure</b>		
(10,962)	CHIPS	(3,168)	7,794
(1,378)	Other	(331)	1,047
(398)	Loan Repayments		398
1,031	Working capital movement		(1,031)
-	FER/FES	(1,500)	(1,500)
			-
1,190	CASH INFLOW/(OUTFLOW)	(6,431)	(7,621)
10,750	OPENING CASH BALANCE	11,940	1,190
<b>11,940</b>	<b>CLOSING CASH BALANCE</b>	<b>5,509</b>	<b>(6,431)</b>

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### Income

All figures are in £'000

2006/07 Unaudited		2007/08 Plan	Variance
	<b>Regulatory income</b>		
7,438	Incorporations	6,110	(1,328)
40,570	Annual returns	37,900	(2,670)
6,154	Other	5,714	(440)
<b>54,162</b>		<b>49,724</b>	<b>(4,438)</b>
	<b>Search services</b>		
8,571	Companies House Direct	8,917	346
1,378	Website sales	1,398	20
520	Information by post, fax & telephone	255	(265)
1,083	Certified copies	1,120	37
1,146	Other	1,065	(81)
<b>12,698</b>		<b>12,755</b>	<b>57</b>
	<b>Other income</b>		
1,275	Income from tenants	1,474	199
3,666	LFP running costs recovered from DTI	3,700	34
332	Other	508	176
<b>5,273</b>		<b>5,682</b>	<b>409</b>
<b>72,133</b>	<b>Total</b>	<b>68,161</b>	<b>(3,972)</b>