

Title: Companies House Fees Regulations IA No: BIS018(V)-16-CH Lead department or agency: Department for Business, Innovation and Skills Other departments or agencies: Companies House	Impact Assessment (IA)
	Date: 24/03/2016
	Stage: Enactment
	Source of intervention: Domestic
	Type of measure: Secondary legislation
Contact for enquiries: Alun Howells, ahowells@companieshouse.gov.uk	
Summary: Intervention and Options	RPC Opinion: GREEN

Cost of Preferred (or more likely) Option				
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2014 prices)	In scope of Business Impact Target?	Measure qualifies as
£3.33m	£2.33m	£-0.26m	No ¹	N/A

What is the problem under consideration? Why is government intervention necessary?

As a Trading Fund, Companies House (CH) operates on a cost recovery basis, ensuring that fees for services align with costs. This is required by guidance on Managing Public Money. Fees are regularly reviewed and require adjustment to ensure they continue to align with costs. In addition, new fees are required as a result of the implementation of the Small Business, Enterprise and Employment Act 2015 (SBEE Act). Fees for bulk protected data, which is accessed by authorised specified public authorities and credit reference agencies, are also being revoked. The current access regime for this data remains unchanged. These changes can only be achieved by amending Fees Regulations and therefore

What are the policy objectives and the intended effects?

The objectives are to align CH fees with its costs to ensure any savings from operational efficiencies at CH are passed onto business and to ensure that the appropriate parties incur the cost of each CH service. The proposed regulatory changes will reduce the overall financial burden on business by passing on savings to customers in the form of reduced or removed fees. The introduction of new fees, or increases to existing fees, will ensure that costs of providing CH services are recovered from the appropriate parties. Providing more company data free of charge is in line with the Government's open data agenda.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

Option 0 – ‘Do nothing’ and leave the existing fee structure and levels in place for the financial years 2016/17 and beyond. This option is not considered appropriate as it will mean that fees will no longer align with the costs of service provision, violating the principle of cost recovery that CH operates under as a Trading Fund. Option 1 – Introduce new fees where needed as a result of the implementation of the SBEE Act 2015 and amend existing fees to ensure that the fees CH charges accurately reflect the costs it incurs.

CH must meet its obligations as a Trading Fund and company registry (under EU law) and therefore must change fees to accurately reflect the cost of providing each service. Fee changes can only be achieved by amending Fees Regulations and therefore alternatives to regulation are not appropriate.

Will the policy be reviewed? Not applicable – the Better Regulation Framework exempts fees regulations from statutory review					
Does implementation go beyond minimum EU requirements?			No		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	Micro Yes	< 20 Yes	Small Yes	Medium Yes	Large Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded: N/A		Non-traded: N/A

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) that the benefits justify the costs.

Signed by the responsible Minister: _____ Neville-Rolfe _____ Date: 6th June 2016

¹ The removal of newspaper proprietor fees relates to a reduction in the level of regulatory activity and therefore is in scope of the Government's Business Impact Target. However this change has a negligible impact – 27 businesses are impacted, saving £270 a year – so we do not include as part of the summary statistics in this IA. The rest of the measures and their impacts are out of scope of the Business Impact Target.

Summary: Analysis & Evidence

Policy Option 1

Description:

FULL ECONOMIC ASSESSMENT

Price Base Year 2015	PV Base Year 2016	Time Period Years 3	Net Benefit (Present Value (PV)) (£m)		
			Low: 3.33	High: 3.33	Best Estimate: 3.33

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	1.2	0.2	3.2
High	1.2	0.2	3.27
Best Estimate	1.2	0.2	3.20

Description and scale of key monetised costs by 'main affected groups'

Costs to businesses and specified public authorities (SPAs) arise from adjusting/introducing fees to ensure that CH recovers its costs from the appropriate parties. Incorporation and mortgage software providers will also face costs updating software (£118,000). CH expects to incur £50,000 project costs. Total public sector costs (to CH and SPAs) are approximately £51,000 in 2016/17 and £1,000 per annum. The best estimate of total costs to society in 2016/17 will be £1.536 million (£1.486 million of these costs will be cost to business). Ongoing total costs to business and society will be £1.368 million.

Other key non-monetised costs by 'main affected groups'

We have not identified any costs that we have been unable to monetise in this cost benefit analysis.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0.0	0.7	6.5
High	0.0	0.7	6.5
Best Estimate	0.0	0.7	6.5

Description and scale of key monetised benefits by 'main affected groups'

We expect £2.605 million benefits to society from reducing or removing fees for users of CH services (i.e. businesses, specified public authorities and members of the public). From existing data we are able to identify £2.242 million benefits arising to business. This is a conservative estimate as we are not able to breakdown some estimated benefits between businesses and other beneficiaries, so we exclude them entirely from our estimate of the benefits to business.

Other key non-monetised benefits by 'main affected groups'

We have not identified any benefits that we have been unable to monetise in this cost benefit analysis.

Key assumptions/sensitivities/risks

Discount rate (%) 3.5

This analysis is based on the volumes and costs from CH's internal annual fee review in 2015. The risk of not changing fees means that CH would not pass on savings to customers in reduced or removed fees. The risk would also mean that CH would also not be recovering the costs of its services from the appropriate parties. This would lead to cross-subsidisation of the cost of one service by another service. Keeping the same fees would not be in line with HMT guidance and EU law on fees.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of BIT?	Measure qualifies as
Costs: 0.3	Benefits: 0.6	Net: 0.3	No ¹	N/A

¹ The removal of newspaper proprietor fees relates to a reduction in the level of regulatory activity and therefore is in scope of the Government's Business Impact Target. However this change has a negligible impact – 27 businesses are impacted, saving £270 a year – so we do not include as part of the summary statistics in this IA. The majority of the measures and impacts are out of scope of the Business Impact Target.

Evidence Base

A) Problem under consideration

1. Companies House (CH)¹ is the public registry for UK limited liability company information. Its main function is to support the UK's Registrars of Companies to:
 - incorporate and dissolve limited companies in the UK;
 - examine and store company information delivered under the Companies Act 2006 and related legislation; and
 - make this information available to the public.
2. CH is set up as a 'Trading Fund'.² Therefore CH operates on the principle of 'cost recovery' and must align the fees it charges the users of its services with the costs it incurs in providing these services. This requirement arises from European legislation, European case law, and HM Treasury's guidance for government departments 'Managing Public Money'³ (see Annex 1 for more details on cost recovery principles related to CH).
3. It is necessary therefore to amend some of the existing fees CH charges users, as the cost of service provision has changed. It is also necessary to introduce new fees, because, as a result of the implementation of the SBEE Act 2015⁴, CH will be required to offer some new services.

B) Rationale for intervention

4. As stated, as a Trading Fund, CH must operate on the basis of cost recovery, and ensure the fees it charges for a service accurately reflect the costs it incurs in the provision of that service. This can only be achieved by government intervention through new Fees Regulations to amend existing service fees and introduce fees for new services where required. Therefore alternatives to regulations are not considered viable to address the problem under consideration.

C) Policy objectives

5. The objective is to ensure that all CH fees (whether for existing or new services) align with the costs to CH of providing these services. Where the costs of providing existing services has changed, existing fees require alteration to ensure that prices are fair (i.e. reflect the cost of service provision) for service users and CH's fee revenue is not above or below cost recovery. Introducing a fee for service users when a new service is introduced leads to the appropriate party - the service user, who benefits from the service - covering the cost of providing this service, rather than the cost being cross-subsidised by users of another service, which is unlawful.

D) Policy option under consideration (including Do Nothing Option)

6. This Impact Assessment (IA) considers the options to adjust fees for CH services beginning in the financial year of 2016/17.

¹ <https://www.gov.uk/government/organisations/companies-house>

² <http://www.legislation.gov.uk/ukpga/1973/63>

³ <https://www.gov.uk/government/publications/managing-public-money>

⁴ <http://www.legislation.gov.uk/ukpga/2015/26/contents/enacted/data.htm>

- **Option 0** – Do Nothing and leave the existing fee structure and levels in place. This option is not considered appropriate as it will mean that fees will no longer align with the costs of service provision, violating the principle of cost recovery that CH operates under as a Trading Fund of the UK Government. It will also mean that users are not charged for newly introduced services - and thus these costs will potentially be borne by users of other CH services, which is unlawful.
- **Option 1** – Introduce new Fees Regulations as described in detail below, to ensure that the fees CH charges in the financial year 2016/17 and beyond accurately reflect the costs it incurs.

7. The following Fees Regulations are being amended under Option 1:

- The Registrar of Companies (Fees) (Companies, Overseas Companies and Limited Liability Partnerships) Regulations 2012 (SI 2012/1907)⁵
- The Registrar of Companies (Fees) (European Economic Interest Grouping and European Public Limited-Liability Company) Regulations 2012 (SI 2012/1908)⁶
- The Registrar of Companies (Fees) (Limited Partnerships and Newspaper Proprietors) Regulations 2009 (SI 2009/2392)⁷

8. The table below outlines the fees that are subject to change as a result of Option 1.

Registration services			Search services		
<i>Service</i>	<i>How is the fee being changed?</i>	<i>Who will be affected?</i>	<i>Service</i>	<i>How is the fee being changed?</i>	<i>Who will be affected?</i>
Incorporation (digital)	Amended	Limited companies and Limited Liability Partnerships (LLPs)	Certificates of incorporation and certified copies of documents	Amended	Users of the register
Newspaper Proprietors	Fee removed	UK newspaper proprietors	Usual Residential Address Bulk Data Product	Fee removed	Specified Public Authorities (SPAs) and Credit Reference Agencies (CRAs)
Mortgage charges (digital and paper)	Amended	Charges apply to mortgages related to Limited companies, LLPs and European	Protected information application	Amended	SPAs or CRAs

⁵ <http://www.legislation.gov.uk/uksi/2012/1907/made>

⁶ <http://www.legislation.gov.uk/uksi/2012/1908/schedule/1/made>

⁷ <http://www.legislation.gov.uk/uksi/2009/2392/schedule/1/made>

		Economic Interest Groupings (EEIGs). Fees are often paid by the mortgage lender (e.g. bank, building societies etc., or their representatives).			
Confirmation Statement	No change	Limited companies and LLPs	Protected information data access	New fees being introduced	SPAs or CRAs
			Definition of search service	No change to fee, but updating definition of service to avoid fees being incorrectly charged	Users of the register

9. The proposed fees changes are being implemented on 30 June 2016.

E) Monetised and non-monetised benefits and costs of each option⁸

10. This Impact Assessment (IA) analyses the impact of changing the fees CH charges for 2016/17 and years beyond via new Fees Regulations, in response to CH's annual review of the cost of its services and the fees its charges users for them. An important part of this analysis is to determine an appropriate appraisal period. Although CH internally reviews the costs of its services annually, historically following these reviews the fees have not been required to change on an annual basis. Therefore a one year appraisal period would not be appropriate, as fees set for 2016/17 may continue into future years. Past Fees Regulations IAs have adopted different length appraisal periods. For example the 2012 CH Fees Regulations IA⁹ assesses the costs and benefits of the proposed regulations over a five year period – other IAs¹⁰ have assessed the impact over a ten year period. Historical experience over the past decade suggests that CH introduces or amends its Fees Regulations, on average, approximately every three years. Therefore we adopt an appraisal period of three years, as we believe that this is the most appropriate appraisal period to assess the costs and benefits of the proposed regulations in this IA.

Option 0: Do Nothing

Benefits

11. We do not expect doing nothing to give rise to any benefits.

Costs

⁸ It should be noted that figures in this analysis have been rounded to the nearest ten (figures of the magnitude of a hundred or below), hundred (figures of the magnitude of a thousand) or thousand (figures of the magnitude of tens of thousands or above) to avoid spurious accuracy. As a consequence some figures may not sum exactly to total figures.

⁹ http://www.legislation.gov.uk/ukia/2012/358/pdfs/ukia_20120358_en.pdf

¹⁰ http://www.legislation.gov.uk/ukia/2010/281/pdfs/ukia_20100281_en.pdf

12. The benefits of the preferred Option (Option 1) will be foregone under the do nothing option.

Option 1: Introduce new Fees Regulations

Monetised Benefits

13. Benefits to business from amending fees will be realised where CH passes on savings made through efficiencies in the form of reduced, or removed, fees. All the benefits to business in this IA are annual benefits realised each year from implementation of the regulations. Their impact is based upon internal CH modelling of trends in the volume of service use (see Annex 2 for more detail about CH's forecasting model).

Registration Services

Incorporation Fees

14. Incorporation fees for limited companies and LLPs will now be lowered for standard digital incorporations. The reduction in incorporation costs has been achieved through efficiency savings and as a result of increased take up of digital filing for incorporation (now at 98.75%) which has reduced the unit cost of digital filing. The register is increasing year on year with CH internal forecasting analysis finding that 625,000 companies are expected to incorporate in 2016/17 (see Annex 3 for more detail about CH's internal forecasting statistics used in the calculation of the impact of this and other service fees mentioned in this IA). It is expected that around 607,000 of the forecast incorporations will be by standard digital means and 9,000 by same-day digital means. The remaining 9,000 of the estimated incorporations will be by paper means (7,000 standard and 2,000 same-days).
15. The fee for standard digital incorporations made through a website of the Registrar (take-up currently 37% for companies), will be reduced from £15 to £12. The fee for standard digital incorporations made through a company formation agent's software (take-up is currently 62% for companies and 78% for LLPs), will be reduced from £13 to £10.¹¹ This represents a saving to business of £1,821,000 per year¹², based upon 432,000 standard digital incorporation applications through an agent's software and 175,000 standard digital incorporation applications through a website of the Registrar each saving £3 when incorporating. The fee for the premium, same-day digital incorporation service will not be changed.
16. The changes to digital incorporation fees described above will benefit companies and LLPs.
17. The fees for incorporating through a paper application remain unchanged, apart from incorporation fees for companies who incorporate through the medium of Welsh, which are set to rise. The details and impact of this change are discussed under the costs to business of Option 1.

Newspaper Proprietors

18. Newspaper proprietors are no longer required to file returns to CH each year, because the register of newspaper proprietors was revoked as part of the Deregulation Act

¹¹ The difference in the incorporation fee between digital incorporation made through a website of the Registrar and through an agent's software reflects the additional support offered by CH to customers filing through its website.

¹² This assumes that incorporations in 2017/18 and 2018/19 remain at the same level as the 2016/17 forecast.

2015. As a consequence, the fee to register a newspaper return (£10) is now being removed because it is no longer necessary.

19. The majority of UK newspapers are registered companies under the Companies Act 2006. There were 27 newspaper proprietors registered at CH when the register of newspaper proprietors was revoked. Therefore it is estimated that revoking these provisions has resulted in savings to business of £270 per year (i.e. 27 * £10).

Search services

Certificates of Incorporation and Certified Copies of Documents

20. The standard fee for copies of certificates of incorporation and certified copies of documents will be lowered from £20 to £15, and the same day fee will be lowered from £60 to £50. This is due to increased volumes while no change in costs of providing the service (25,500 standard request and 23,500 same day requests). This represents a savings to business and society of £363,000 per year.¹³ This will benefit the general public and businesses that request copies of certificates of incorporation and certified copies of documents.

Usual Residential Address (URA) Bulk Data Product

21. As part of the Government's Open Data strategy and the drive to make data freely accessible, CH is also making its bulk data available free of charge to SPAs and CRAs that are authorised to access this information. The current access regime for this data remains unchanged, and SPAs and CRAs will need to continue to satisfy the existing statutory conditions in order to be authorised. There are two bulk data fees, outlined in regulations, which are being revoked so that the data can be made available free of charge. These relate to the provision of the URA of all directors, which is protected information (i.e. not appearing on the public register), to SPAs or CRAs. This costs £250 for a one off snapshot and £28,000 per annum to subscribe to the daily update.
22. The information contained within this bulk product relates to directors of a company, members of an LLP and permanent representatives of an overseas company. Revoking the fees will benefit CRAs who currently take the bulk data. SPAs could also benefit if they were to take the bulk data as well.
23. Two customers purchased the snapshot package in 2013/14 and one customer purchased the snapshot package in 2014/15. Revoking this fee therefore represents a saving to CRAs of £250 to £500 per year. Two customers currently purchase the daily update package. Revoking this fee therefore represents a saving to CRAs of £56,000 per year. Therefore total savings to business from this change are estimated at £57,000 a year.

Changes to the Definition of Search Services

24. In June 2015, CH made all of its digital data free of charge. This has been possible because CH has developed a single digital beta service for filing and searching company information, which delivers a more efficient service.
25. This new service will replace all of CH's legacy filing and search services over the next few years. Fees Regulations now need to be amended so that definitions of the legacy

¹³ CH data does not allow us to split this benefit into a benefit to business and a benefit to individuals. Therefore, conservatively our estimates of the net costs to business of the proposed option exclude all of this benefit. This means that in reality the benefit to business of the proposed option will be slightly higher than the total presented in this IA.

search services in Fees Regulations do not inadvertently “capture” the new search services offered as CH expands provision of free data.

26. CH will therefore amend the WebCheck definition to distinguish it from the new beta service. This will allow flexibility in further developing the beta service without its services being captured by existing fees related to WebCheck services. There is no impact on business in making this change.
27. The definition of a search-room terminal at an information centre of the Registrar (based at CH offices in London, Cardiff, Belfast and Edinburgh) also needs to be amended. The current definition captures the new beta service and means we have not been able to introduce free data in the information centres. To do so would have the unintended consequence of applying fees for using a search-room terminal at an information centre to the free beta service. Changing the definition to distinguish it from the new beta service will benefit customers and businesses that will be able to use the free service in our information centres for the first time. This will pass on savings of up to £4,000 per year based on income CH received in 2014/15. CH intends to introduce the free beta service in the information centres during the course of 2016/17.

Summary of total monetised benefits to business and society

28. Based on current trend analysis and volumes noted above, these changes will result in the total monetised benefits to business and society of £2.2m per annum as summarised below:

Service	Benefit per annum
Incorporations (<i>Benefit to business</i>)	£1,821,000
Newspaper proprietors (<i>Benefit to business</i>)	£270
Certificates of incorporation and certified copies of documents (<i>Benefit to business and society</i>)	£363,000
URA bulk data products (<i>Benefit to business and society</i>)	£57,000
Changes of definitions to search services (<i>Benefit to business and society</i>)	£4,000
Average ongoing benefits to business per annum	£1,878,000
Average ongoing benefits to society per annum (including benefits to business)	£2,240,000

Non-Monetised Benefits

29. There are not expected to be additional benefits of Option 1 that we have not noted and monetised elsewhere in the IA.

Monetised Costs

Registration Services

Incorporation Fees

30. As discussed under the benefits of Option 1 the fees for paper applications to incorporate remain unchanged, apart from the incorporation fees for companies who incorporate through paper applications in the Welsh language. This was held at £20

while digital channels were unavailable. Digital channels are now available to incorporate companies in Welsh, and so there is no longer the need to retain a lower paper incorporation fee that is below cost recovery level. Therefore to recover the cost of paper incorporations through the medium of Welsh language, the fee will increase to £40. We estimate that in total cost to business per year of this fee change will be £160. This is based upon an estimated 8 applications received per year to incorporate companies via a paper application in the Welsh language paying an extra £20 for incorporation, assuming the number of applications will remain constant future. However this is a conservative estimate of the cost to business, as these volumes are likely to decrease now a digital option is available.

31. There are costs to software providers in making minor changes to their software to account for the changes in incorporation fees. These costs are estimated, following discussion with software providers, as a one off cost of £110,000. This is based on 10 customers each incurring a maximum of £4,000 in cost and 70 customers each incurring £1,000. We have been able to identify this cost as part of our stakeholder relationship with software providers. Software providers routinely make changes to their software packages and roll these out to their clients as part of their contractual obligations. Arguably in some cases these changes would be rolled out as part of regular updates and thus the additional marginal costs of this change could be lower than noted.

Mortgage registration charges

32. CH annually reviews the costs of each of its services to ensure that customers are not being charged more or less than the cost of each service. A review of the digital and paper mortgage registration services show that CH are now under-recovering on the cost of the mortgage registration service and therefore now need to increase its fees for these services to ensure it is recovering its costs. This fee change will affect mortgages that are registered against companies, LLPs and EEIGs. These fees are typically paid by the mortgage provider and then may or may not be passed on to the business that has taken out the mortgage.
33. Therefore, the fee for the registration of a digital mortgage will be increased from £10 to £15 and the fee for the registration of a paper mortgage will be increased from £13 to £23 to ensure we are recovering the actual costs. This represents an additional cost to business of £1,035,000 per year based on 84,500 filed digitally and 61,200 filed on paper (based upon CH's internal volumes forecasts). This cost is likely to be lower as digital take up increases. The current digital take up is 58% and it has increased each year following its introduction in April 2012.
34. There will also be costs to software providers in making minor changes to their software to account for the change in digital mortgage fees. There are only 2 software providers of the mortgage service. Their costs are estimated as a one off cost of £8,000. This is based on stakeholder information about making changes to other types of software for business and so this may be higher than the cost which is actually incurred. The estimated £8,000 cost is based on both customers each incurring a maximum of £4,000 in cost. Software providers routinely make changes to their software packages and roll these out to their clients as part of their contractual obligations. Arguably in some cases these changes would be rolled out as part of regular updates and thus the additional marginal costs of this change could be lower than estimated.

Search services

Protected information

- 35.** In addition to bulk data products (described earlier in the IA), CH also discloses protected information to SPAs and CRAs following individual requests. Fees Regulations are being amended to provide for fees to be payable in respect of this service. This will ensure costs are recovered and that only the appropriate party incurs the cost of this service.
- 36.** The Companies Act 2006¹⁴ already provides for suppression of a director's URA from the public register. This has been in place since October 2009. Fees exist for an SPA or CRA to apply to become authorised to receive this information (currently £140), and for accessing the information through individual requests (currently £5).
- 37.** New fees will be set for the disclosure of the following pieces of protected information to SPAs or CRAs:
- Day of birth of a director;
 - Day of birth of a person with significant control (PSC); and
 - URA of a PSC.
- 38.** The day of birth (but not the month or year) for all directors was suppressed from the public register on 10 October 2015 under the SBEE Act 2015.
- 39.** The day of birth (but not the month or year) and URA of a PSC will be suppressed from the public register on 30 June 2016 also under the SBEE Act 2015.

Application fee

- 40.** SPAs and CRAs must apply to be authorised by the Registrar to access this information. If the Registrar, following consideration of the application, is satisfied that they meet the specified conditions in respect of each set of protected information, they will then be able to request the data. As stated above the current cost of an application in respect of a director's URA is £140. A review of our process has led to the introduction of efficiencies and development of a streamlined service. CH will therefore reduce this existing fee to £54. This same fee level will also apply to applications to become authorised to access the three new categories of protected information described above.
- 41.** In practice, a SPA or CRA will be able to make one application to become authorised for all protected information. It is anticipated that a single application could include a request to become authorised to receive all four categories: directors' URAs and days of birth, and PSCs' URAs and days of birth. If an applicant only applies initially in respect of directors' information, they will be charged £54. If they subsequently apply in respect of a PSC, they will not incur another fee. This is on the basis that the cost to CH of considering whether the subsequent application is valid will be negligible because all necessary consideration of their suitability to apply will have been undertaken by CH at the point of the initial application.
- 42.** The Regulations prescribe a list of (49) SPAs who can apply for protected information. Although this list is prescriptive, there are many public authorities that could qualify under each SPA listed, and each individual authority would need to apply separately. For example, the list of SPAs includes Police Authorities and Local Authorities, of

¹⁴ <http://www.legislation.gov.uk/ukpga/2006/46/contents>

which there are many (50 Police Authorities and 433 Local Authorities in the UK). There are also other SPAs listed who may be able to apply separately under the name of the Secretary of State or Welsh, Scottish or Northern Irish Ministers. Consequently, we are unable to quantify how many SPAs qualify under the prescribed list and are therefore unable to quantify the cost. However, it would be a one off cost which would not be incurred again. Our experience is also that an application is only made if it is necessary for a specific purpose.

43. However, since directors' URAs became protected information on 1 October 2009 only 24 SPAs have applied to be authorised to receive URAs. These will not incur another fee when they apply for additional protected information. 3 applications were made in 2014/15. Because there will now be more protected information as a result of the SBEE Act 2015 implementation (e.g. information relating to PSC) we expect more applications. Therefore we have estimated that there will be 10 applications per year which results in an annual cost of £540 incurred by SPAs. However in practice the number of applications could differ – altering the cost to business.
44. Four CRAs are already authorised by the Registrar to receive directors' URAs. While they will need to make a further application in respect of a director's day of birth, or the day of birth or URA of a PSC, the cost to CH to examine a further application is negligible and so they will not incur an additional fee. CH also does not anticipate that there are any additional CRAs who would apply because there are no additional CRAs that meet the conditions specified in regulations and so there are no additional costs to CRAs.

Data access fee

45. Once authorised by the Registrar, requests to access the information can be made. CRAs receive the data in bulk format which is being made free of charge. SPAs can also receive this information in bulk free of charge. However, they may make individual requests for an individual's data, for example, as part of an investigation. The fee for providing a director's URA in response to a request is currently £5.
46. This fee will remain unchanged but a new fee of £5 will be introduced for provision of a director's day of birth. If both URA and day of birth of an individual director is requested, then a single fee of £5 will apply.
47. Fees of £5 will also be introduced for requests for the URA or day of birth of a PSC. As with directors, a single request for both sets of information will incur one fee of £5.
48. The £5 fees reflect the fact that the provision of information in these circumstances is not automated, instead requiring manual intervention. Since directors' URAs became protected information on 1 October 2009, we have received 22 requests from SPAs for a URA (an annual average of less than 4). Based on this, and because there will now be more protected information, we have projected that we will receive on average 5 requests per year which would cost £25 to SPAs per year. However, we have no evidence on how many SPAs will make individual requests following the suppression of days of birth and the introduction of the PSC register. However if in practice the volume of requests differ then the costs will change.

Costs to Companies House

49. There are one-off transitional costs to Companies House to upgrade all systems with new fees. Total project costs are expected to be approximately £50,000. These costs are calculated based on our experience from implementing previous Fees Regulations and making changes to our systems.

Summary of the total monetised costs to business and society

50. There will be costs to business, including the higher paper fee for companies incorporated through the medium of Welsh as well as the higher mortgage fees and the cost to software providers to change their systems to account for the change in the incorporation and mortgage fees. The estimated costs in year one and years after year one of the implementation of the fees changes are outlined in the table below.

	Total Monetised Costs in year 1	Total Monetised Costs per annum
Companies incorporated through the medium of Welsh	£160	£160
Incorporation software providers	£110,000	N/A
Mortgage registration charges	£1,035,000	£1,035,000
Mortgage software providers	£8,000	N/A
Application for protected information	£540	£540
Access to protected information	£25	£25
Companies House project costs	£50,000	N/A
Total direct costs to business	£1,153,000	£1,035,000
Total direct costs to society (including costs to business)	£1,203,000	£1,035,000

Non-Monetised Costs

51. There are not expected to be additional costs arising from Option 1 that we have not noted elsewhere in the IA.

Changes with no monetised costs or benefits

Confirmation Statement

52. On 30 June 2016 various measures of the SBEE Act 2015 will be implemented. This includes introduction of a confirmation statement to replace the existing obligation to file an annual return. This requires companies and LLPs to confirm their information by filing a confirmation statement, and notify changes if necessary, at least once every 12 months. The impact on companies was considered as part of the company filing requirements IA¹⁵ consultation (prepared in response to the company law red tape challenge process¹⁶) and is due to be considered on other corporate entities (e.g. LLPs) in a forthcoming IA.
53. An annual document filing fee is currently attached to each annual return. This covers the cost of maintenance of a company on the register including processing of minor changes to company details for which no separate fee is payable (for example, changes in directors' details and capital structure). From 30 June 2016, the annual document filing fee will now be attached to the filing of a confirmation statement. The

¹⁵ www.gov.uk/government/uploads/system/uploads/attachment_data/file/327259/bis-14-909-impact-assessment-company-filing-requirements.pdf

¹⁶ <http://webarchive.nationalarchives.gov.uk/20150522175321/http://www.redtapechallenge.cabinetoffice.gov.uk/home/index/>

current statutory fee will need to reflect these changes to the law. The annual fee however will remain at £13 for digital confirmation statements and £40 for paper. There is not expected to be any impact to business from changing the wording of the statutory fee in the Fees Regulations.

Difference between Monetised Benefits and Costs to Business and Society of Option 1

54. The table below presents estimates of the difference between the total costs to business and society of implementing Option 1.

	Year 1	Year 2 and 3
Monetised direct benefits to business	£1,878,000	£1,878,000
Monetised direct benefits to society (including benefits to business)	£2,240,000	£2,240,000
Monetised direct costs to business	£1,153,000	£1,035,000
Monetised direct costs to society (including costs to business)	£1,203,000	£1,035,000

F) Direct costs and benefits to business calculations

55. The measures outlined in Option 1 have an equivalent annual net cost to business (EANCB) of £ - 0.26 million – as the savings to business from the revised fees outweighs the costs arising from some of the fee changes. The EANCB is worked out using the Government’s Impact Assessment calculator.¹⁷ The EANCB calculation excludes non-business costs and benefits (e.g. those incurred by Companies House and SPAs). We exclude the benefits and costs where it is not possible with current CH data to apportion benefits and costs net between individual members of the public and businesses (i.e. fees for certificates of incorporation and certified copies of documents, the impact of changes to the definition of search services, and the introduction of the free beta service in the information centres).
56. The analysis in this IA shows that the proposed changes to Fees Regulations provide an overall net benefit to business, through the passing on of operational efficiencies in the form of reduced fees. However following the Government’s Better Regulation Framework¹⁸, changes to fees are out of scope of the Government regulatory Business Impact Target – and therefore the EANCB figure does not count towards the Government’s target to reduce Red Tape on business. The removal of newspaper proprietor fees is an exception, as it relates to a reduction in the level of regulatory activity and therefore is in scope of the Government’s Business Impact Target. However this change has minimal impact – 27 businesses are impacted, saving £270 a year – which would round to zero.

G) Risks and assumptions

57. This analysis is based on the volumes and costs from CH’s internal annual fee review in 2015.

¹⁷ <https://www.gov.uk/government/publications/impact-assessment-calculator--3>

¹⁸ <https://www.gov.uk/government/publications/better-regulation-framework-manual>

58. The risk of not changing fees means that CH would not pass on savings to customers in reduced or removed fees. The risk would also mean that CH would also not be recovering the costs of its services from the appropriate parties. This would lead to cross-subsidisation of the cost of one service by another service. Keeping the same fees would not be line with HMT guidance and EU law on fees.

H) Wider impacts

Statutory equality duties

59. This IA has not highlighted any equality issues arising from the proposed options.

Economic Impacts

Competition Impact Test:

60. The relevant UK authorities historically have not regarded prices for statutory services, set on cost recovery basis, as falling within the Competition Act.

Small and Micro-business Assessment:

61. Small and micro-businesses have not been exempted from these regulatory measures. CH is unable to provide an exemption because the policy objective is to align CH fees with costs and ensure savings are passed onto business and that the appropriate party incurs the cost of each service. This cannot be achieved if certain businesses are exempt. CH fees are linked, as required by European Law and HM Treasury guidance, to the forecast cost of providing each service and the way in which customers access them. Cross subsidy between services or business is unlawful.

Environmental Impacts

62. The regulations are not expected to give rise to any environmental impacts.

Social Impacts

Health and Well-Being:

63. The regulations are not expected to give rise to any health and well-being impacts.

Human Rights:

64. The regulations are not expected to give rise to any human rights impacts.

Justice System:

65. The regulations are not expected to give rise to any justice system impacts.

Rural proofing:

66. The regulations are not expected to give rise to any differential impact on corporate entities located in rural areas.

Sustainable Development:

67. The regulations are not expected to give rise to any sustainable development impact.

Family Test:

68. The DWP Family Test¹⁹ sets out the following questions from officials to consider during policy-development.

- What kinds of impact might the policy have on family formation?
- What kind of impact will the policy have on families going through key transitions such as becoming parents, getting married, fostering or adopting, bereavement, redundancy, new caring responsibilities or the onset of a long-term health condition?
- What impacts will the policy have on all family members' ability to play a full role in family life, including with respect to parenting and other caring responsibilities?
- How does the policy impact families before, during and after couple separation?
- How does the policy impact those families most at risk of deterioration of relationship quality and breakdown?

69. The regulations outlined in this IA do not give rise to any direct or indirect impacts for families relating to any of the above questions.

I) Summary and preferred option with description of implementation plan

70. CH must align its fees with costs to ensure any savings from operational efficiencies are passed onto business and to ensure that the appropriate parties incur the cost of each CH service.

71. The preferred option is Option 1 – introduce new Fees Regulations, to ensure that fees CH charges accurately reflect the cost it incurs. This measure will give rise to a net present value of benefits minus costs to society of £3.33 million. Our best estimate of the net present value of benefits minus costs to business is £2.33 million.

72. The EANCB of the proposed changes is £ - 0.26 million (though this policy is not in scope of the Government's Business Impact Target).

73. Therefore the analysis presented in this IA shows that the proposed changes to Fees Regulations provide an overall net benefit to business and society.

74. The proposed fees changes will be implemented on 30 June 2016.

¹⁹ DWP (2014), The Family Test: Guidance for Government Departments, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/368894/family-test-guidance.pdf

Annex 1

Cost Recovery Principles

1. CH adheres to the following principles and legislation in setting its fees:
 - As a Trading Fund, CH has a statutory duty to break-even over time (“taking one year with another”) and to achieve an average annual return of 3.5% on average capital employed.
 - Managing Public Money which is HM Treasury guidance on fees and charges requires fees to be set to break-even (i.e. to recover the full cost) for each separate service after allowing for a cost of capital of 3.5%. This effectively prohibits cross-subsidy between different statutory services.
2. CH is unique to other Trading Funds. As a company registry it is governed by the EU law and case law that it needs to consider when setting fees. It is important to note that the EU law and case law only affects how CH must calculate its costs and has no bearing on setting Fees Regulations. The following EU law and case law applies to company registries:
 - The EC First Company Law Directive, as amended, requires copies of company records to be made available to the public at a price not exceeding the “administrative cost” of producing them.
 - The EC Capital Taxes Directive allows company registration costs to be met from fees, but prohibits charges that are effectively taxes. This means that prices cannot lawfully be set above costs for the relevant services.
 - Case law, such as *Fantask A/S e.a. v Industriministeriet Erhvervministeriet* and *Ponente Carni SpA and Cispanana Costruzioni SpA v Amministrazione delle Finanze dello Stato*, provides further guidance on the costs that can be taken into account for setting fees, such as a proportion of overhead costs. It also requires organisations to ensure costs are checked at regular intervals to ensure they are still relevant.
 - The EC Directive on Re-use of Public Sector Information also states that “the total income from supplying and allowing re-use of documents shall not exceed the cost of collection, production, reproduction and dissemination, together with a reasonable return on investment. Charges should be cost-oriented over the appropriate accounting period and calculated in line with the accounting principles applicable to the public sector bodies involved.”
3. A major result of EU law and case law is that CH must not cross subsidise between products and services and must ensure that only the costs directly associated with a service or product are used when calculating fees.

Annex 2

CH Forecasting Model

1. CH reviews its fees annually. The costs and volumes in this IA are for 2016/17. Because of cost recovery principles, we are not able to take any costs and volumes beyond this into consideration.
2. By comparing the forecast cost with the forecast volumes of each service we calculate which fees need to be adjusted in order to achieve accurate cost recovery. To calculate costs CH uses a forecast model.
3. The forecast model has been derived using activity based costing principles. Direct operational costs are driven directly onto the product groups with which they are associated in line with Managing Public Money principles. Other overhead costs are allocated using generally accepted accounting rules such as by number of employees.
4. The main assumptions applied are:
 - that cross-subsidy must not arise between input and output services;
 - that fees should underpin the strategic direction of Companies House, such that the added efficiencies of digital services are passed on to customers as soon as possible through lower fees; and
 - the model has been constructed in line with the principles of Managing Public Money.
5. The model has proved to be extremely robust in previous years. The methodology in the model were assessed in 2006 by the Office of Fair Trading as part of a Report on “The Commercial Use of Public Information (CUPI)”. This report highlighted CH as a good example of applying cost allocation consistently when setting fees for its products and services.
6. CH has a statutory duty to break even taking one year with another. However if accidental surpluses are generated (for example as a result of an increase in take up compared to forecasted volumes) then where possible, if volume trends show a continued increase in demand, fees are adjusted to ensure surpluses are not generated in future periods. This ensures costs are recovered and CH does not knowingly continue to generate a surplus for a product or service year on year.

Annex 3

CH Internal Forecast Statistics

- 1.** The volume assumptions made throughout this IA have been derived using historical trend analysis and application of known policy.
- 2.** To ensure accuracy against targets these volumes are assessed quarterly by a cross-directorate team in CH and on an annual basis to assist with CH's formal business plan. The volume assumptions have proved extremely accurate, reducing any volatility in the fee setting process.