



NatWest

ACCOUNTING FOR SUSTAINABILITY

ICAEW

2012 WINNER CASE STUDY

LESSONS IN DRIVING BUSINESS SUSTAINABILITY

INFORMATION REVOLUTION SPURS SUSTAINABILITY

A companies registry that used electronic advances in filing of documents as a catalyst for a much wider programme of sustainability measures.

THE BUSINESS

Companies House has two main areas of activity: information registration, including the incorporation of companies, and maintaining a register of the documents and information available on companies to the public. Companies House was the first registry in the world to introduce electronic filing of accounts using the international standard for electronic accounts data, XBRL, and nearly half of all companies now file accounts electronically. It was an early adopter of new sustainable technologies and web-based applications, with finance staff playing a key role in pushing forward the change programme. Without the electronic services, via which nearly 75% of all information is filed on the company register, Companies House would be receiving an additional 150 tonnes of paper each year. Business sustainability is the key driver for these new models with reduced costs and charges to customers and clear benefits to the business, the community and the environment.



THE IDEA

As a paper-based monopoly register of corporate information, the arrival of the internet opened up many new ways in which the organisation could become more sustainable and efficient.

THE INNOVATION

'None of this would have been possible without the revolution of the internet', says Jack Mansfield, Head of e-Accounts Transition. 'Companies House has been part of the fabric since 1844. So over its history, it has moved from quill pen-and-paper to the microfiche of the late 1960s and

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now to electronic data'. In 2005, it had moved to become the first registry in the world to introduce the electronic filing of accounts via XBRL, the electronic accounts data protocol. This was one of a whole cascade of sustainability initiatives.

FINANCE FUNCTION LEADERSHIP

Companies House stands in the UK public sector as what is known as a trading fund and is self-financing via the fees charged to companies and searchers. 'This meant we had the autonomy to take the decision ourselves', says Mansfield. Finance staff developed the business case and business models for the new services and developed the cost recovery models, allowing significantly lower fees to be charged for electronic delivery of annual returns and incorporations. The finance function also drove the significant amount of stakeholder liaison and relationship management to ensure buy-in from a sometimes sceptical and tradition-bound user base. 'It was a big cultural change', says Mansfield. 'Accountants had to move from the security of paper. It took quite a while to get people to accept that there was another way of doing things, and when we first introduced electronic services the take-up was slow, particularly from the professions'. The method they developed to overcome the resistance was a simple one – cost. 'We dug into the cost model', says Mansfield, 'the cost of the electronic world and the cost of the paper world. We built a differential into the filing fees for the annual return and other documents. A paper

return would cost £30, electronic would cost £15. People could see there was a penalty'. This was the masterstroke in the finance function's strategy. 'Doing that exercise was the key contribution', says Mansfield, 'without that we would have taken longer to cut down on the tonnage of paper coming in'. And being one of the earliest participants in XBRL helped also. Now Companies House has a target of halving all its remaining paper filings by accepting accounts as in-line XBRL (iXBRL) and being the first registry in the world to achieve this.

POSITIVE LONG-TERM IMPACT

The savings of paper usage and lower fuel usage from



reduced transportation are very significant. Electronic filing of a company's annual returns moved from 1% take-up in 2005 to 97% in 2012 and, for the filing of annual accounts, from 10% in 2007 to 47% in 2012. The process has also reduced the number of errors that resulted in the rejection of documents to less than 2% for electronic filings compared to 13% for paper. This results in considerable savings in time and effort for both Companies House and the companies concerned.

All these efforts have also resulted in a whole programme of carbon footprint reduction. 'It is not just paper', says Mansfield. 'There are all sorts of programmes such as reducing our consumption of electricity through more

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efficient IT using updated and fewer servers. We have also invested in a bio-mass boiler to run our heating system at our headquarters building.'

Electronic services have enabled Companies House to reduce their buildings and accommodation space generally. Staff numbers have reduced significantly and they have sublet a vacated building that used to house 300 people. Companies House was an early adopter of new sustainability technologies; in addition to the biomass boiler, they have double-glazing, SMART lighting, improved cooling, improved insulation, paperless office technology and filing.

The use of XBRL information will help Companies House drive down costs and pass on those savings in the form of lower fees to filers and users of their services. Currently, it sells accounts images to information companies who have to rekey

data into their own databases for use by their customers. But Companies House now has the opportunity to provide XBRL data information directly to them and other users. 'There will be less delay and there will be better quality', says Mansfield, 'and greater speed and efficiency in handling data'.

Overall, the electronic information revolution at Companies House will feed into the wider economy. 'We are hoping it will', says Mansfield, 'provide a strong contribution to the economy over the next few years. It should enable better decisions to be made'.

The fall in paper handled has led to other public benefits. 'With the tremendous drop in paper handled by Companies House', says Mansfield, 'there has been a big increase in financial and operational efficiency, and also in the way we serve the public. There has been a huge reduction in time and effort'.

LESSONS FROM THE CASE STUDY

Technology can be used as a catalyst. Use technological breakthroughs in the core business to transform all the other parts of the business. Build sustainability throughout the

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organisation and reduce the carbon footprint in what used to be seen as peripheral activities as well as core activities.

Use the essential operational and financial changes to change the wider culture. 'Paper made you feel guilty and you became more conscious of the environment generally', says Mansfield.



There is a need across the board to convert more work currently carried out on paper to an electronic form.

Grasp innovation whenever it becomes available. 'There was a new environment that we could take advantage of', says Mansfield. 'We latched onto its potential. We were one of the first Government organisations into it'.