

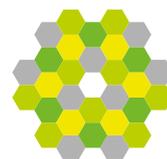
HM Land Registry

Annual Report
and Accounts
2012/13



HM Land Registry

Annual Report and Accounts 2012/13



Report presented to Parliament pursuant to Section 101 of the Land Registration Act 2002. Accounts presented to Parliament pursuant to Section 4(6)(a) of the Government Trading Funds Act 1973 as amended by the Government Trading Act 1990.

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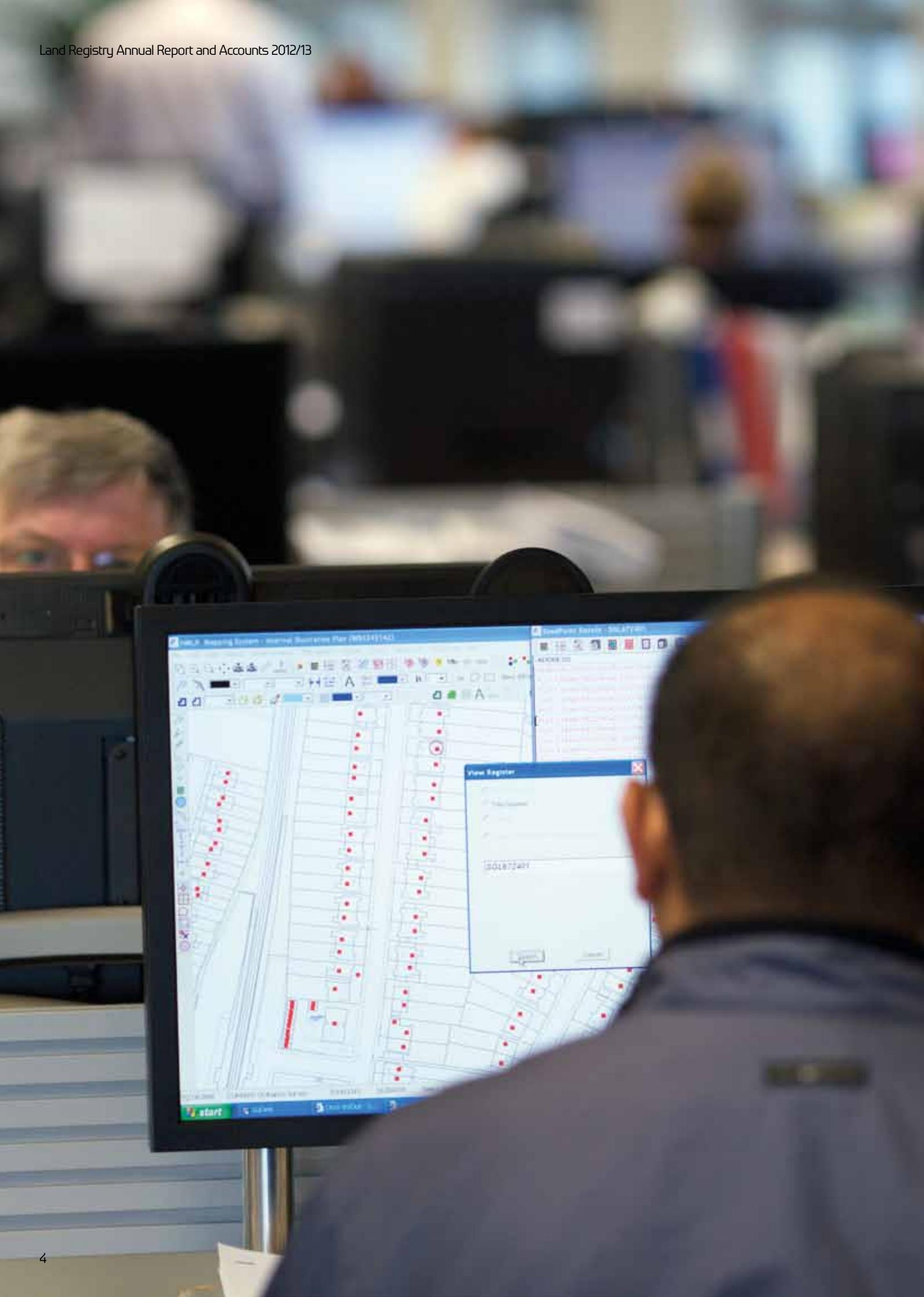
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What we do and who we are

What we do

Our principal function is to keep a register of title to freehold and leasehold land and charges throughout England and Wales and to record dealings with land once it is registered. On behalf of the Crown we guarantee title to registered estates and interests in land.

We serve a population of more than 55 million and facilitate one of the most active property and mortgage markets in the world. Around 82 per cent of the land mass of England and Wales is registered, adding up to more than 12.6 million hectares. More than 23.5 million titles are recorded in the Land Register.

We operate through a number of offices located throughout England and Wales. Our Head Office and Croydon Office share Trafalgar House in Croydon. Our Information Systems Directorate, our Plymouth Office and our Land Charges and Agricultural Credits departments share Seaton Court in Plymouth.

Who we are

We are a non-ministerial government department whose primary role is to register the ownership of land and property in England and Wales while working to support economic growth and data transparency.

Our organisation comprises the Registration of Title Department, dealing with our main business, and the much smaller Land Charges and Agricultural Credits departments. This report deals with the departments separately but the accounts are given for Land Registry as a whole.

Our functions are entirely statutory. We have no prerogative powers. The Land Registration Act 2002 empowers us to deal with “the business of registration under this Act” and is our primary governing statute.

Legal status

Her Majesty’s Land Registry (Land Registry) was established in 1862. As well as a government department, we are an executive agency (since 1990) and a trading fund (since 1993) that makes no call on monies voted by Parliament. By statute, we are required to ensure that our income from fees covers all of our expenditure under normal operating conditions. Under the provisions of The Transfer of Functions (Her Majesty’s Land Registry, the Meteorological Office and Ordnance Survey) Order 2011, certain statutory functions relating to Land Registry that had previously been vested in the Lord Chancellor were transferred to the Secretary of State for Business, Innovation and Skills.

Chief Land Registrar

The head of Land Registry is the Chief Land Registrar, appointed under statute by the Secretary of State for Business, Innovation and Skills. The Chief Land Registrar is also Land Registry’s Chief Executive and Accounting Officer. The Chief Executive is responsible for the effective and efficient day-to-day management of Land Registry, subject to financial and legislative parameters. Full details of the roles and responsibilities of the Secretary of State and the Chief Land Registrar are set out in our *Framework Document 2012*.

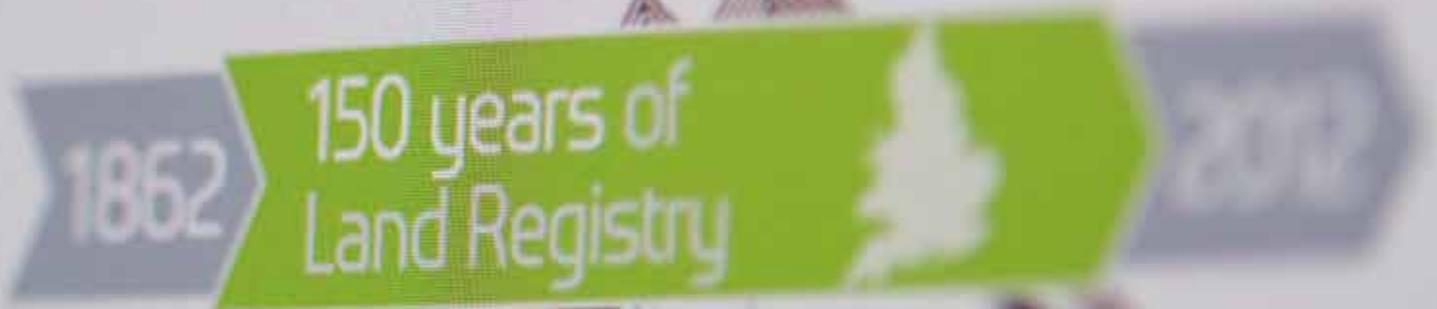
22 million

2008 Twenty-two million titles on the Land Register



2012 Land Registry is 150 years old

legislation
network for
services



Statement by the Chair



Mark Boyle
Chair

Land Registry has achieved a great deal in recent years. We have transformed ourselves into a leaner, more outward-looking organisation with a greater focus on the needs of our customers and with new roles to play in assisting the wider economy.

It's been one of the most fundamental changes in our 150-year history – a history which has been much in our thoughts over the past 12 months. While grappling with the 21st-century challenges of digitisation and data transparency we have also been reflecting on the anniversary of our creation in 1862 and how our predecessors seized the opportunities of their day.

This anniversary year was also my first full year as Land Registry's first independent Non-Executive Chair and I am proud to open this new chapter in the organisation's unfolding story.

We marked the anniversary by collecting thousands of pounds for charity at events in all our offices. The enthusiasm with which colleagues planned for and took part in the fundraising reflected their year-round commitment to helping others. For all of us it was an opportunity to celebrate our history at a time when our contemporary agenda of challenges and opportunities is as full as it has ever been.

Developing and implementing our new Business Strategy is at the top of that agenda. The high-level strategy was approved by our Minister in December and work on how we will implement it in practice is now in full swing. It's a fluid and creative process that is drawing on ideas and expertise from across the organisation and I have been impressed by the level of support and enthusiasm shown for it at all levels.

Our Minister challenged us "...to become an exemplar of a highly efficient digital and data-centric organisation". We have already made some significant strides in providing electronic services and publishing free data but we know there is a great deal more we could do.

With this and other factors in mind we decided it was appropriate to hold an open recruitment process for the role of Chief Land Registrar and Chief Executive in order to ensure that we had the person with the most relevant skills to lead the challenging task of implementing the Business Strategy.

Malcolm Dawson has filled that role with distinction since 2011 on a fixed-term basis. I would like to thank Malcolm for the very significant contribution he has made to Land Registry as Chief Land Registrar and Chief Executive over the last two years. Not only has he guided Land Registry back to financial stability but he also played a key part in the development of the Business Strategy.

Malcolm has been succeeded as Chief Land Registrar and Chief Executive by Ed Lester, who has had a distinguished career leading other organisations such as Motability, NHS Direct and, most recently, the Student Loans Company through similar periods of transformation. His knowledge and experience of digital and data issues, as well as of the cultural challenges inherent in such changes, will be invaluable in leading the organisation through the next phase of our development, implementing the Business Strategy.

In addition we redesignated the role of Finance Director as Chief Financial Officer and I would like to take this opportunity also to pay tribute to our departing Finance Director Heather Foster for her 22 years of service with Land Registry.

As a result of our governance reforms we now have a Board with a broadly equal split between non-executive and executive members, providing the independent supervision and constructive challenge our customers and stakeholders expect.

We have welcomed Catrina Holme, Tim Franklin and Kirsty Pearce as new Non-Executive Directors who have immediately added significant value to our deliberations. Lastly we have also said farewell to Non-Executive Director Dr Catherine Raines and I would like to thank her for her contribution to the organisation.

With the Business Strategy in place, our new governance structures providing the appropriate level of oversight and guidance and a mixture of experience and fresh ideas, I am confident that we are in a healthy position as we start our next 150 years.

A handwritten signature in black ink, appearing to read 'Mark Boyle'. The signature is written in a cursive style with a large 'M' and 'B'.

Mark Boyle
Chair
Land Registry Board

Foreword by the Chief Land Registrar and Chief Executive



Ed Lester
Chief Land Registrar and Chief Executive

I am proud to have been appointed, as Malcolm Dawson's successor, to the role of Chief Land Registrar and Chief Executive. Malcolm has led Land Registry skilfully and effectively through two very challenging years. He leaves us in a healthy financial position with improving staff morale and a signed-off Business Strategy. I look forward to implementing the strategy with the help of the talented and dedicated colleagues whose work is described in this report.

The past year has been one of innovation and achievement for Land Registry. While we have, as ever, fulfilled our core registration role with improving efficiency we have also continued to diversify our business and meet the challenges of the Government's growth and data transparency agendas.

At the heart of our organisation are the casework teams in our 14 local offices. We have moved from a system of processing applications by geographical location to one in which each team is dedicated to serving a number of businesses. They have continued to cultivate the personal relationships they have established with their customers, working with them to improve the service they offer. The results can be seen in our customer satisfaction score of 98 per cent and our target-beating performance in terms of the quality and speed of our registrations.

Our teams have also been alert to the ever-present threat of fraud. We have enhanced our counter-fraud measures and given extensive publicity to the ways in which property owners can help to protect themselves. I am pleased to be able to report that we have seen a fall in the number of claims against our Indemnity Fund by owners who have suffered from registration fraud. Our efforts were also recognised by the National Fraud Authority, who gave us the top prize in the fraud prevention category of the inaugural Fighting Fraud Awards.

We also won awards for IT service management, for equality and inclusion and for our project with our partner TNT to transfer millions of files from regional centres to a single storage space. Each awards ceremony was an opportunity to recognise and celebrate the achievements of our staff. They also excelled when we hosted a conference of the United Nations Economic Commission for Europe's Working Party for Land Administration in London, one of the highlights of our 150th anniversary year.

We find ourselves in robust financial health after the difficulties caused by the property market slump. We have reduced the cost of the service, continuing the steady downward trend of recent years.

Our financial position puts us in a good position to reinvest in the business and do more to improve efficiency in conveyancing and support growth in the wider economy. We're looking at various ways in which our skills and expertise can help solicitors, conveyancers, buyers, sellers and our other stakeholders. Our new electronic Document Registration Service is offering our business customers a faster and more cost-effective way of transacting with us. And our monthly releases of free data are meeting the demand for valuable property-related information.

Further progress in all these areas and more is envisaged by our five-year Business Strategy. The strategy encompasses everything from staff capability to new services. Digitisation is perhaps the key element, demanding an understanding of how our customers interact with us so we can improve their experience of our services through electronic delivery.

We will be drawing on all our resources to implement the strategy and will continue to expand our range of electronic services, be proactive in the fight against fraud and work with our partners across government to make efficiency gains.

At the heart of all this is our fantastic workforce. I thank them for their efforts for the past year and very much look forward to working with them over the coming years. Together we all know that Land Registry has to continue moving forward. Technology and customer expectations never stand still and neither can we.

A handwritten signature in black ink, appearing to read 'Ed Lester', with a large, stylized flourish at the end.

Ed Lester
Chief Land Registrar and Chief Executive
12 June 2013

Finance Director's report

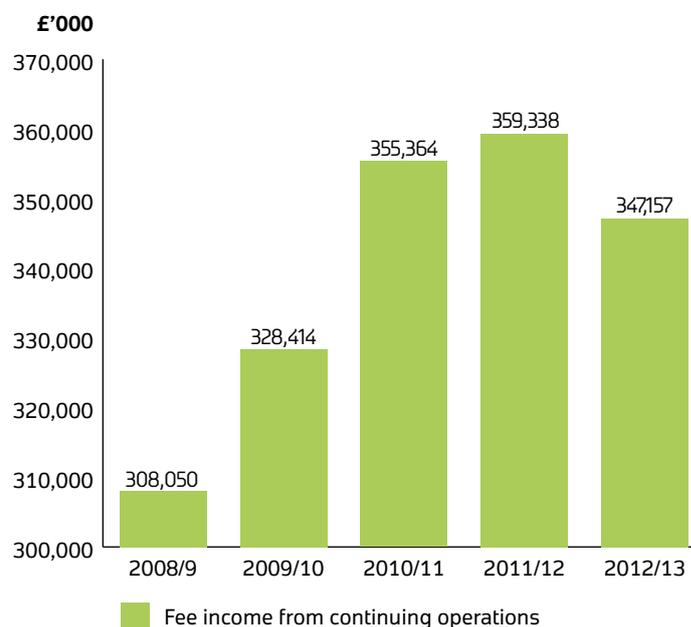


Paul Hemsley
Finance Director

"The surplus for the year of £98.8 million largely reflects year-on-year cost reductions offsetting revenue reductions partly driven by our fee order reduction."

Our total revenue was £347.2 million (2011/12: £359.3m), down 3 per cent or £12.1m year on year. Transaction volumes, on an index basis, of 9.9m units (2011/12: 9.3m units) are up 6 per cent on prior year, while our principal revenues incorporated a new fee structure, effective on 22 October 2012, that was designed to reduce 2011/12 fees on average by 10 per cent. Implementation of the reduced fee order was later than planned, reducing the full year effect of lower fees.

Revenue: five-year trend



In this report we have for the first time reflected a provision of £45.7m at 31 March 2013 in respect of indemnity claims known to have been incurred but not yet reported (IBNR). This is an omission as there is an existing liability for IBNR which is now corrected in these accounts and accounted for under IAS 8 as a prior year adjustment. This IBNR liability has been classified as a balance sheet provision with a prior year adjustment of £45.9m and a £0.2m reduction in the current year. This provision, which is explained in notes 1.16 and 1.25 to the accounts, is an estimate that is likely to fluctuate both up and down in subsequent years.

Operating costs of £238.3m (2011/12: £257.7m excluding IBNR) include salary costs of £155.8m (2011/12: £162.4m) corresponding to a 4 per cent saving on prior year, reflecting a reduced full-time equivalent headcount at 31 March of 4,060 (2011/12: 4,222). There is a £12.5m charge for indemnity costs (2011/12: £8.8m) and a downward revaluation of the Indemnity Fund of £4.7m (2011/12: increase of £5.0m). Operating costs are further analysed in our five-year operating cost trend shown in Appendix B.

Indemnity expenditure was £11.9m in total (2011/12 £9.3m) but payments in respect of fraud and forgery fell by 29 per cent, reflecting rigorous activity to counteract fraud and forgery. The indemnity expenditure in total was distorted by a large settlement for one error but appropriate controls are in place to minimise the risk of repetition.

Following completion of restructuring activities through the Accelerated Transformation Programme (ATP), the costs for this activity during the year were £10.5m (2011/12: £21m). Other highlights were an overall profit on disposal of £3.9m (which incorporates the profit on disposal of the former Lytham Office of £4.3m) (2011/12: £5.2m), investment income of £1.5m (2011/12: £1.2m), finance lease charges of £0.9m (2011/12: £0.9m) and amortisation and depreciation costs of e-service systems which came on line in 2010/11 of £4.1m (2011/12: £4.4m). Overall total costs are £248.4m (2011/12: £277.7m, excluding IBNR). This is a reduction of £29.3m, excluding the £45.9m prior year adjustment. These reductions reflect a continued trend and drive for efficiency with in-year adjusted running cost savings of 6.6 per cent, being 37.7 per cent cumulative from 2008/9.

The surplus for the year is £98.8m (2011/12: £81.6m, excluding the prior year adjustment of £45.9m) which largely reflects year-on-year cost reductions and a reduced Indemnity Fund charge offsetting revenue reductions. Our return on capital employed was 23.4 per cent (2011/12: 8.1 per cent), reflecting the impact of long-term ATP cost reductions and the new fee order implemented during 2012/13, albeit later than anticipated due to transition activities. Our cost per unit was £23.36, significantly better than the key performance target set of £28.41.

An increased dividend of £26m (2011/12: £13.8m) is based on a revised 6.3 per cent return on capital employed (2011/12: 3.5 per cent), a year-on-year increase of 88 per cent.

Statement of financial position

The statement of financial position remains strong and net assets increased to £435.5m (2011/12: £364m) after taking account of the prior year adjusted IBNR provision of £45.7m. Cash inflow is £92.8m (2011/12 £80.2m), reflecting the surplus for the year, with closing cash at bank £472.6m (2011/12: £379.8m).

Non-current assets

The estate was externally valued by the Valuation Office, resulting in an increase to the overall valuation of our remaining properties of £3m. The value of our estate in these accounts is now £77m.

Our total capital spend was £2.7m.

Non-current assets held for sale moved, due to the sale of our former Lytham Office during the year and the transfer of our former Nottingham Office and Drakes Hill Court in Plymouth to assets held for sale.

Indemnity Fund and IBNR provision

This year the value of the Indemnity Fund provision has fallen to £22.1m following an external review by Lane Clark & Peacock, our actuaries. The impact of this reduced provision was an increase of £4.7m to our operating surplus. A new IBNR provision of £45.9m was introduced as a prior year adjustment at 31 March 2012 and our operating surplus increased by £0.2m as the reserve stands at £45.7m at 31 March 2013.

Treasury management

Management of liquid assets is governed by the Land Registry Trading Fund Order 1993, the Additional Assets Order 1996, the Extension and Amendment Order 2003 and the Framework Document 2012. Non-operating cash balances are maintained in interest bearing accounts at the Government Banking Service and the National Loans Fund with the balance held with a UK commercial bank.

Performance

We achieved 14 of our 16 targets (see page 23). We managed to increase our employee engagement score to 48 per cent, compared with 45 per cent for the previous year, but we just failed to meet the target of 50 per cent. Improving our engagement score remains a priority for 2013/14. Although we achieved commercial 'Add Value' revenue of £4.4m we did not meet the target of £6m. Part of the underlying reason for this has been the shift in emphasis to the release of free data, which has reduced commercial revenue.

Future activities: Business Strategy and Business Plan

Our future activities are driven by the Business Strategy, which was approved by ministers in December 2012. This strategy, which is now incorporated within our overall Business Plan 2013–18, combines our objectives and a new vision that set out an ambition to achieve significant change including:

- a 60 per cent increase in productivity
- e-enabling 90 per cent of all Land Registry applications
- digitising data in 354 local authorities – broadening Land Registry's role and making conveyancing easier and cheaper
- upgrading our legacy registration and geographic information (GI) systems
- maximising use of Land Registry data for the benefit of the wider economy
- reducing running costs by £40 million per annum.

These targets are published in our Annual Management Plan available on our website: www.landregistry.gov.uk/media/about-us/annual-reports. Reflecting multiple stakeholder objectives, work has separately commenced upon a new fee order that we expect to implement during 2013/14, subject to consultation where required. The targets within the Annual Management Plan have been announced in Parliament by written ministerial statement following review by both the Land Registry Board and the Shareholder Executive.

Main trends affecting future activities

The main trend affecting future activities is the level of housing market activity. This is reviewed constantly using a range of indicators from internal and external sources. Our assumption for the 2013/14 year is that the activity will be broadly flat, consistent with 2012/13 volumes.



Directorships and significant interests

Our Non-Executive Chair Mark Boyle is a member of the Shareholder Executive. The Shareholder Executive's overarching objective is to be an effective shareholder of businesses owned or part-owned by the Government and to manage government's interventions in the private sector in order to secure best value for the taxpayer. He does not take part in Shareholder Executive decisions relating to Land Registry.

Key relationships

We continue to enjoy good productive relationships with our key suppliers, with a well-disciplined contract and supplier management process. The work performed by our key suppliers, including Steria, TNT, Carillion and IBM, is closely monitored by teams from the business working with procurement. Together they ensure the contracted service is effectively delivered and opportunities are sought to improve value for money.

This partnership working was recognised by receipt of the Partners in Expert Services award from *Premises & Facilities Management* magazine for our project with TNT to outsource our file storage and retrieval service, a project that has delivered significant cost savings and also improvements in service delivery.

Increasing use is also now being made of cross-government contracts, in line with the Cabinet Office's procurement policy.

Pensions

Details of how pension costs and liabilities are treated in the accounts can be found in notes 1.6 and 4.4 in the accounts and in the Remuneration report.

Payments

We comply with the Late Payment of Commercial Debt (Interest) Act 1998 and the Better Payment Practice Code. During the year we paid 96.5 per cent of invoices received from suppliers within five working days. These percentages do not include disputed invoices.

Principal risks and uncertainties

Strategic risks are managed at Land Registry Board level. Directorate risk is managed by each director. Programme and project risk is managed within parameters set for the relevant boards. Information risk is managed in line with CESG (the national technical authority for information assurance) guidance. Risk is escalated where the risk appetite is exceeded and an adverse impact on targets, reputation or operations could arise.

We face challenges and risks to the achievement of our strategic and business objectives. Key current strategic risks relate to registration fraud; failure of our business systems and the integrity of our register; failure of stakeholders to support new services; failure of customer take-up for our new products, channels and services; and the inability to have in place the right people and skills to deliver business objectives. There is also a specific risk to implementation of our Business Strategy, including people, capability and delivery of the benefits planned.

Auditors

The accounts have been audited by the Comptroller and Auditor General (C&AG). The cost in respect of services relating to the statutory audit for 2012/13 was £67,500 (2011/12: £67,500).

A handwritten signature in black ink, appearing to be 'Paul Hemsley', written over a horizontal line.

Paul Hemsley BA FCA FRSA CPFA
Finance Director
12 June 2013

Our year in figures



Customer satisfaction score

98%



Number of awards won



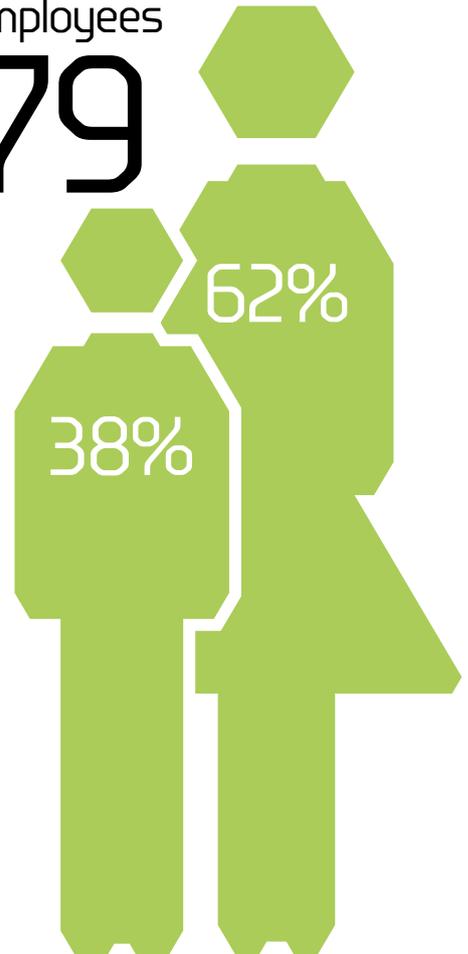
Registered titles

23.5 million



Number of employees

4,579



Number of applications

Total 23,915,223

Electronic 17,642,918

Number of diversity champions



28

Number of office locations

14



Income

£347.2m



Dividend paid to Treasury

£26m



Retained surplus

£72.8m



Operating costs

£238.3m





Our year in focus

A year that opened with the publication of our Market Trend Data in support of the Government's growth and data transparency agendas culminated in the launch of our transformational Business Strategy, positioning Land Registry as a proactive presence in the UK economy.

The strategy, signed off by our ministers in December 2012, sets out how we will develop our role and expertise in ways that support economic growth over the next five years, focusing on the four key areas of efficiency, data, assurance and capability. Our aim is to be recognised as a world leader in digitising land registration services and in managing and enabling the reuse of the data we hold.

It's the latest stage in our journey from being a reliable but essentially passive provider of land registration services to playing a key part in boosting the efficiency and performance of the property market and the wider economy.

Land registration has long underpinned the property market – a key component of growth – by safeguarding the ownership of many billions of pounds worth of housing, commercial premises and infrastructure. Now we're using our skills and expertise to improve the efficiency of the conveyancing system while releasing free data in user-friendly formats to stimulate the creative ideas of others.

Our Customer Strategy is being further developed to ensure our customers remain at the heart of everything

we do. Our fundamental aim is to be a customer-centric organisation that listens to our customers and meets their needs at a cost that we and they can afford.

Our rigorous service standards set out how we aim to serve them based on our values. This year's customer satisfaction score of 98 per cent shows we're making progress in our ambition to better serve our customers.

We've extended major reforms and initiatives, such as dedicated customer teams, which help our increasingly diverse and technologically-aware customers work more efficiently. Almost 5,000 businesses are now signed up to customer team working.

Our expanding range of electronic services is contributing to a faster, more efficient and more affordable conveyancing process. The vast majority of our preliminary services are processed without any manual intervention and, following a consultation, we have closed our telephone ordering services in response to a steep fall in demand (see overleaf).

The launch of our electronic Document Registration Service (e-DRS) this year on two of our e-channels – the portal and Business Gateway – is allowing a much wider range of applications to be made online. E-DRS was built by our in-house Information Systems (IS) teams based on the vision and customer insight of our Commercial & Customer and Operations directorates.

Just rewards: awards won across the board

We won a remarkable range of awards during the year: the IT Service Management Forum's Service Management Team of the Year; *Premises & Facilities Management* magazine's Partners in Expert Services award for our file stores project with TNT (pictured right); the top prize in the fraud prevention category in the National Fraud Authority's Fighting Fraud Awards; and Large Employer of the Year at the Employers Network for Equality and Inclusion's awards. We were also shortlisted in two categories in the Institute of Customer Service's UK Customer Satisfaction Awards.





Conference call: welcoming the world to London

Delegates came from across Europe and beyond for the United Nations Economic Commission for Europe (UNECE) conference we hosted in central London in October. At our suggestion the gathering of the UNECE Working Party for Land Administration tackled the theme of how land registration authorities can support global economic recovery. Common interests and contrasting approaches in areas such as technology, open data, common standards, security and counter-fraud were discussed in the “dynamic atmosphere” praised by Chair Damir Pahic.

Almost 72,000 applications had been submitted via e-DRS by the end of March. Nearly 7.5 per cent of dealings – applications affecting a registered title – were being lodged through e-DRS. This contributed to a total figure of 40 per cent of all dealings coming in electronically, the majority being discharges of mortgages.

We’ve made a priority of speeding up the delivery of services that are time-critical for our customers, such as pre-sale searches. We’ve also reviewed our cancellation and rejection policy so that we are now looking for

Ringling off: from phone line to online

Our telephone ordering services took their last call in December after a consultation confirmed they no longer played their once central role in our customers’ businesses. Launched in 1993, at their peak our call centres were taking 17,000 calls and processing 24,000 transactions a day. However the number of calls steadily dropped as online services grew in popularity and the centres were closed one by one until they were finally merged with our customer contact centre in 2009.

ways to improve the quality of customers’ applications rather than reasons to reject them (see page 21). We’re communicating with customers in new ways with a growing use of social media such as Twitter, Google, YouTube, LinkedIn and Facebook while our redesigned website is attracting almost 360,000 unique visitors each month.

Our Enterprise Data Warehouse delivers our data to the outside world. We met our key performance objective to release our data in a machine-readable format to achieve a four star rating as recommended by the World Wide Web consortium. Our free Price Paid Data had been downloaded 80,000 times by the end of the year, allowing a company such as Halifax to develop its Home Finder mobile phone app providing a one-stop shop for locating properties for sale.

Vital tax revenue is being recovered thanks to our data sharing with HM Revenue & Customs while growth-boosting projects such as High Speed 2 will draw upon our data, whether free or paid for via our statutory and commercial ‘Add Value’ services.

One impact of our data releases has been a slowdown in the growth of our commercial income and revenue substitution, with customers of our paid-for services now turning to our free data packages. Partly as a result of this we have missed our key performance indicator for commercial income, though we earned more than £4.4 million and surpassed our profit target.

Alongside this we have achieved some of our best-ever results in meeting our annual objectives, such as in the quality and speed of our registrations and in the record availability of our IT systems at 99.7 per cent.

Our performance is underpinned by the efficiencies that have improved our financial health. This allowed us to pass on an annual saving of £33 million to customers in the form of a reduction in property search and registration fees of 10 per cent on average, reducing transaction costs to the benefit of the economy. We will continue to review our fees.

The property market is still showing little growth and our overall workload remained essentially in line with our predictions for the year. We received 23,915,223 applications, of which 17,642,918 or 73.8 per cent were made online. This volume of work equates to 9.9m units, up from 9.3m or 6 per cent on 2011/12. Our teams registered 415,482 hectares of land for the first time, taking the total to 12,628,621 hectares and the percentage of the land mass of England and Wales in the Land Register to 81.9 per cent.

We are still enjoying the benefit of savings secured in previous years from outsourced services and various renegotiated contractual arrangements and these have been supplemented by fresh savings. At our annual conference for our suppliers we focused on the Business Strategy, encouraging them to come forward with ideas of how they could support us in its delivery.

Relationship building: working closely with our customers

Monitoring and analysing the applications from high-volume customer Countrywide has increased their quality and success rate, saving time and money for both them and us. The firm's customer team at Birkenhead Office worked hard to build a close and trusted working relationship over the phone and face to face. Laura Somers, Settlement Manager Conveyancing Services at Countrywide, said: "The benefits of having a dedicated customer team very quickly became evident. We arranged face-to-face meetings to understand both our requirements and how we might improve our current processes for our mutual benefit."

Model approach: the Local Land Charges initiative

The Local Land Charges initiative is an opportunity for us to establish a lower cost, more streamlined digital service for local authority searches and establish one standard register. To prepare for the project we interviewed local authorities, personal search companies and software suppliers and held a series of events and workshops, confirming a general consensus that digitised information along with a standard process would benefit the market. We invested approximately £234,000 during the year to develop a model for how we could potentially provide the service in collaboration with the Government Digital Service and industry stakeholders.

Working with our partner TNT we completed the transfer of 2.2 million boxes of files from our network of regional file stores to the Cross Point records management centre in Coventry. The success of the project – described as the largest move of records for any organisation in the UK – was recognised by *Premises & Facilities Management* magazine's Partners in Expert Services award.

As part of our estate strategy we continued to use property sales to rationalise our estate and bring in welcome revenue, with part of our former Nottingham Office close to sale and our former Lytham Office having sold for £3.1 million. Our estate and facilities teams managed two simultaneous office moves involving more than 650 members of staff as we entered into new leases on modern city centre buildings in Nottingham and Peterborough.

Our drive for efficiency has meant that many of our buildings have tenants from other government departments and agencies, the latest being the Probation Service taking space in our Gloucester Office. We work with public sector partners in other ways too and from January 2013 our surveyors transferred to Ordnance Survey, achieving savings and efficiencies for both organisations. We've also been cross-checking our data with Companies House and the Valuation Office.

We have managed significant change in our information and communication technology systems. A major server replacement and migration project was achieved seamlessly by IS. Each month we make 300 to 400 changes to our computer systems, which rose to 1,000 when the servers were being replaced.

IS' service management expertise was recognised with the winning of the IT Service Management Forum's Service Management Team of the Year award and the granting of the ISO 20000 accreditation, making Land Registry one of only a handful of public sector organisations to be so endorsed.

Fighting property fraud has remained a top priority, not least because eliminating fraud contributes to a healthier economy. Our Registration Fraud Unit scored considerable successes and won one of the inaugural Fighting Fraud Awards. We decided to continue our form RQ initiative allowing owners who do not live at their property to protect their asset by placing a protective restriction in the register quickly and at no cost.

Our net indemnity cost for fraud is 30 per cent down on the previous year. Anyone who suffers a loss is compensated and we are continually learning from the claims we receive. We are confident that the counter-fraud measures we have put in place will continue to bear down on fraud and the compensation we pay.

None of this would be possible without our skilled and experienced workforce with their strong track record in innovation, assurance and delivery. Total staff numbers have remained fairly stable through the year after the

momentous changes from 2008/9 that saw the figure almost halve to 4,579. Those who remain have coped resourcefully with the challenges they face.

While we fell short of the level of employee engagement we aimed for, it is on a rising trend from 45 per cent last year to 48 per cent this year following a 72 per cent response rate to the staff survey. Sickness absence is falling and consultation with the unions is thorough and coordinated.

Our People Strategy has been adjusted to support the Business Strategy, with its strong emphasis on capability. Our progressive introduction of Lean continuous improvement methodology – known as Performance & Innovation – is drawing on the knowledge, enthusiasm and adaptability of our grassroots people, who are as keen as their managers to focus on getting cases 'right first time'. More groups have joined the trials and our 'model office' experiment at our Coventry Office is starting to deliver results.

Our people have continued to show their generous spirit through volunteering and charity fundraising, not least during our 150th anniversary celebrations when each office raised money for their chosen causes. Sue Malley of our Peterborough Office was awarded the BEM for her charity work and Lucy Mason of Head Office received the MBE for her services to Land Registry.

Several colleagues gave up their own time to serve as Games Makers or London Ambassadors during the Olympics and Paralympics and to support the UNECE conference (see page 20).

Special staff: leading the way in walking challenge

The Charity for Civil Servants created a Special Achievement Award for Land Registry as the department whose staff covered the greatest distance in the nationwide Virtual Walking Challenge. Teams and individuals entered their daily steps into an interactive website as they began to lose weight, bonded with their colleagues and found ever more innovative ways to increase their daily step count. We entered 67 teams and had 322 participants, raising £2,914.50 in registration fees and sponsorship for the charity.



Directors' report

(a) Business performance

In 2012/13 our vision was:

Putting the customer, quality and innovation at the heart of land registration services.

Our purpose was:

To maintain and develop a stable and effective land registration system that provides state-backed security of title to registered estates and interests in land throughout England and Wales so as to facilitate the creation and free movement of those estates and interests, and to provide ready access to up-to-date and guaranteed land information so as to enable confident dealings in property and security of title.

Our strategic objectives and the performance against their related targets are set out below.

Key performance indicator/objective		Performance
Customer		
<i>To identify, anticipate and satisfy customer needs by constantly refining and developing products, services and channels</i>		
C1	Customer satisfaction: target 96%	Met 98%
C2	Average external e-channel availability: target 99.5%	Met 99.7%
C3	Net Promoter Score: target 40	Met 55
C4	Launch electronic Document Registration Service by 31 March 2013	Met
Quality		
<i>To continually improve operational delivery in order to drive efficiencies, quality and value</i>		
Q1	Completed registrations meet internal quality standards: target 97%	Met 98.4%
Q2	Percentage of successful e-service changes: target 96.5%	Met 98.1%
Q3	Substantive registrations processed within 12 days: target 80%	Met 84.2%
Q4	Free Market Trend Data (day 1) released to level 4 HMG rating by 31 March 2013	Met
People and innovation		
<i>To identify and implement opportunities for the development of our people and Land Registry business to the benefit of our customers and stakeholders</i>		
I1	Improve the number of employees positively engaged to 50%	Not met 48%
I2	Carbon emission reduction of 5% on 2011/12	Met 15.2%
I3	Introduce Performance & Innovation into one office by 31 March 2013	Met
I4	Develop a new Business Strategy for the Minister by 30 September 2012	Met
Finance		
<i>To be flexible and efficient and responsive to market fluctuations while funding our future investment needs</i>		
F1	Increase Add Value revenue by 20% (£6 million) with net profit of 14%	Not met £4.4m (net profit 22%)
F2	Cost per unit in cash terms: target £28.41	Met £23.36
F3	Reduction in adjusted running costs: target 4%	Met 6.6%
F4	Develop an infrastructure investment plan taking into account the Business Strategy, Public Data Group and Data Strategy Board by 31 March 2013	Met

Commentary

We achieved 14 of 16 challenging targets. This achievement has been audited by Internal Audit.

We earned £4.4 million in commercial revenue but we missed the target of £6 million. This was in part due to our increasing focus on the release of free data. We exceeded the profit target.

We missed our target to achieve 50 per cent positive staff engagement but our score of 48 per cent was an improvement on last year's 45 per cent. We are committed to improving staff engagement.

Diversity

We made good progress against our two four-year equality objectives.

Internal equality objective

To drive a culture of inclusion and respect within our organisation and positively seek to improve engagement of staff who share protected characteristics.

External equality objective

To equip our staff to identify, anticipate and satisfy our customers' diverse needs by delivering products, services and channels at a cost we can both afford.

We monitor our progress in delivering against these objectives through how well we clear the detailed actions via the Diversity Committee.



(b) Details of directors

Land Registry Board

The remit of the Land Registry Board (LRB) is primarily supervisory. The LRB is responsible for strategy, governance and public accountability.

It sets the Land Registry strategy and assists the Chief Land Registrar and Chief Executive in his ultimate responsibility as Accounting Officer for the governance and performance of Land Registry.

The LRB terms of reference were approved in summer 2012 and are published on our website.

The LRB generally meets monthly or as and when required and met on 10 occasions during the year. Additional ad hoc meetings are held to discuss strategy and other specific issues. The Chair, Chief Land Registrar and Chief Executive and Finance Director also hold quarterly shareholder meetings with the Shareholder Executive.

Recruitment for two new non-executive directors to join the LRB was completed in July 2012, providing a broad balance of non-executive and executive directors.

LRB membership is as follows.

Membership	
Mark Boyle (Chair)	Non-Executive Chair
Ed Lester	Chief Land Registrar and Chief Executive (from 13 May 2013)
John Peaden	Director of Operations
Paul Hemsley	Finance Director (from 21 February 2013)
Tim Franklin	Non-Executive Director (from 8 July 2012)
Catrina Holme	Non-Executive Director (from 8 July 2012)
Kirsty Pearce	Non-Executive Director (from 1 November 2012)
Malcolm Dawson OBE	Chief Land Registrar and Chief Executive (until 13 May 2013)
Catherine Raines	Non-Executive Director (until 31 March 2013)
Heather Foster	Finance Director (until 19 March 2013)
Jan Crosby	Non-Executive Director (until 31 Oct 2012)



Tim Franklin
Non-Executive Director



John Peaden
Director of Operations



Alasdair Lewis
Director of Legal Services and
Deputy Chief Land Registrar



Jon Cocking
Acting Director of Human Resources

Executive Board

The Executive Board (EXB) is chaired by the Chief Land Registrar and Chief Executive and its members are Land Registry's executive directors. The EXB is responsible for the delivery of Land Registry's Annual Management Plan and for the day-to-day operational management of the business. The Board meets on a monthly basis and met on 11 occasions throughout the course of the year.

Membership

Ed Lester (Chair)	Chief Land Registrar and Chief Executive (from 13 May 2013)
John Peaden	Director of Operations
Paul Hemsley	Finance Director (from 21 February 2013)
Alasdair Lewis	Director of Legal Services and Deputy Chief Land Registrar
Rowland Coombs	Acting Director of Information Systems (from 1 October 2012)
Eddie Davies ¹	Acting Director of Commercial & Customer Strategy (from 1 January 2013)
Jon Cocking	Acting Director of Human Resources (from 25 February 2013)
Annette Davies-Govett	Director of Commercial & Customer Strategy
Malcolm Dawson OBE	Chief Land Registrar and Chief Executive (to 13 May 2013)
Heather Foster	Finance Director (until 19 March 2013)
David Evans	Acting Director of Human Resources (until 15 March 2013)
John Wright	Director of Information Systems (until 30 September 2012)

¹ Eddie Davies has been providing interim cover in Annette Davies-Govett's absence.

Audit Committee

The committee supports the LRB and the Accounting Officer by seeking assurance on the risk management framework, the control framework, governance and compliance with policies, procedures and external standards and statutory requirements.

Membership	
Tim Franklin (Chair) ¹	Non-Executive Director (from 19 March 2013)
Derrick Palmer	Non-executive member (from 19 March 2013)
David Cleasby ²	Head of Central Operations Group and Area Manager (until 10 June 2013)
Catherine Raines ³	Non-Executive Director (until 31 March 2013)
Vaughan Williams	Non-executive member (until 31 December 2012)
John Wright ²	Director of Information Systems (until 30 September 2012)
Attendees	
Paul Hemsley	Finance Director (from 21 February 2013)
Grahame Hughes	Head of Internal Audit
Representative of the	National Audit Office
Malcolm Dawson OBE	Chief Land Registrar and Chief Executive (until 13 May 2013)
Heather Foster	Finance Director (until 19 March 2013)

- 1 Tim Franklin was Non-Executive Director from 8 July 2012.
- 2 Attended Audit Committee as members, not in their operational capacities.
- 3 Catherine Raines was Audit Committee Chair until March 2013.



Kirsty Pearce
Non-Executive Director

Remuneration and Nomination Committee

The committee agrees pay strategy and authorises the annual pay review for Land Registry Senior Civil Service staff and agrees a strategy for succession to the Land Registry and Executive boards.

Membership

Mark Boyle (Chair)	Non-Executive Chair
Catrina Holme	Non-Executive Director (from 8 July 2012)
Ed Lester	Chief Land Registrar and Chief Executive (from 13 May 2013)
Malcolm Dawson OBE	Chief Land Registrar and Chief Executive (until 13 May 2013)



Catrina Holme
Non-Executive Director



Rowland Coombs
Acting Director of Information Systems



Eddie Davies
Acting Director of Commercial & Customer Strategy



Annette Davies-Govett
Director of Commercial & Customer Strategy

(c) Sustainability report

Sustainability reporting is a fundamental part of the way we demonstrate our performance against Government targets and against our own Environmental Management System requirements. Reporting is delivered in several ways, including in this report, through ePIMS (electronic Property Information Mapping Service) and as part of the overall sustainability reporting in to Government, through the Department for Business, Innovation and Skills and as required by the Greening Government Commitments (GGC).

Summary of performance

We have continued to work towards the achievement of the GGC targets, with the improvement required by March 2015. We are currently achieving a 21 per cent improvement in carbon reduction, a 28 per cent improvement in waste arisings and a 45 per cent improvement in water consumption against the baseline GGC reporting period, which is 2009/10.

This year we introduced our first key performance indicator (KPI) directly related to sustainability performance – to reduce carbon emissions by 5 per cent. The performance information for carbon below is reported as required by the GGC. The KPI performance removes the energy consumed by our shared services partners within our data centre buildings as we have no control over it. When this consumption is removed from the GGC reporting requirements our end-of-year KPI improvement is 15.2 per cent.

Area		Performance	
		Actual	2015 25% reduction target
Energy: greenhouse gas emissions, all areas within scope	Carbon emissions (tonnes)	11,340	10,745 ¹
	Expenditure (£'000)	2,043	
Waste	Consumption (tonnes)	1,421	1,484 ¹
	Expenditure (£'000)	415	
Water	Consumption (m ³)	31,230	42,911
	Expenditure (£'000)	236	

1 Target was reset in line with GGC bases.

Reporting for this financial year is in line with the GGC requirements.

Water	2012/13	2011/12
Non-financial indicators (cubic metres)		
Consumption		
Supplied	31,230	38,451
Abstracted	–	–
Total consumption	31,230	38,451
Financial indicators (£'000)		
Total supply costs	236	374

Note: Our consumption data includes government tenants sharing our estate but excludes data relating to non-government tenants.

Greenhouse gas emissions	2012/13	2011/12
Non-financial indicators (tCO₂e)		
Total gross emissions for scopes 1 and 2	10,447	11,211
Electricity: green/renewable	2,265	2,754
Total net emissions for scopes 1 and 2 (ie having removed renewable elements)	8,182	8,457
Gross emissions scope 3 travel ¹	893	814
Total gross reported emissions	11,340	12,025
Non-financial indicators (mWh)		
Electricity: purchased (grid, combined heat and power, and non-renewable)	15,943	16,433
Electricity: renewable	–	–
Gas	11,567	12,521
Other energy sources	–	–
Total energy	27,510	28,954
Financial indicators (£'000)		
Expenditure on energy	2,043	2,227
Expenditure on accredited offsets (eg Government Carbon Offsetting Fund)	–	–
Expenditure on official business travel	1,127	1,216

1 Gross emissions scope 3 includes all available business travel.

Note: Our consumption data includes government tenants sharing our estate but excludes data relating to non-government tenants

Waste	2012/13	2011/12
Non-financial indicators (tonnes)		
Hazardous waste	–	1
Non-hazardous waste	Landfill waste	379
	Reused/recycled waste	1,042
	Energy from waste	–
	Total waste arising	1,421
Financial indicators (£'000)		
Hazardous waste	–	–
Non-hazardous waste	Landfill waste	197
	Reused/recycled waste	218
	Incinerated waste	–
	Total waste costs	415¹

1 A breakdown of cost was not available.

Note: Our consumption data includes government tenants sharing our estate but excludes data relating to non-government tenants.

Summary of future strategy

We continue to work towards the achievement of the GGC targets, working closely with our major business partners in delivering improvements in both building operation and management and our IT infrastructure. We are reviewing our building condition surveys to ensure effective planning of future maintenance activities, particularly those with a sustainability impact. We have commissioned reports to advise on the best options for the introduction of sustainable technologies and rain water collection and redistribution.

Climate change adaptation

Our Climate Change Adaptation Plan will be reviewed and updated during 2013 following additional reports being commissioned as recommended in the building condition surveys completed in 2012.

Biodiversity and natural environment

We encourage improvements in biodiversity through our grounds maintenance contract with Floratec delivered through our facilities management provider Carillion. Our grounds are managed and maintained to promote improved biodiversity. A biodiversity improvement plan is currently being created in conjunction with Floratec's biodiversity manager.

Sustainable procurement against GGC

Continued effort by the Corporate Procurement Team, working with their business stakeholders and key suppliers, has enabled the team to achieve Level 3 (Practice) across all categories in the Sustainable Procurement Flexible Framework maturity model. This achievement formed one of Corporate Procurement's key performance indicators for 2012/13.

We have continued to work collaboratively with our major suppliers on sustainability issues. This included partnering with one supplier in its voluntary work with a local charity, landscaping and decorating a new facility being used to integrate socially excluded young people into the wider community. We have also updated our policy and procedures, with the aim of increasing the proportion of our expenditure with small and medium-sized enterprises in line with Cabinet Office objectives.

Environmental Management System

Our accredited Environmental Management System (EMS) has been in place since January 2001. The scope of the EMS covers both the office and non-office estate. During this financial year the EMS has been successfully audited both internally and externally. An external recertification audit was conducted in January 2013 and we successfully demonstrated our effectiveness in managing our sustainability performance and improvements and received certification for a further three years.

Sustainability report (continued)

Governance

Our performance is audited internally and externally. Information on electricity and gas consumption is taken directly from the invoices received from suppliers. All utilities meters are read monthly by the facilities management contractor and the information is supplied to the Sustainability Manager. Water consumption is taken from this information and other readings are used to check the validity of invoices on a periodic basis. The data is gathered and reported in line with the requirements of the GGC and entered on to ePIMS monthly as required.

We manage compliance with environmental legislation through our Sustainability Governance Framework. This is managed through the Sustainability Manager by our senior facilities business partners and Carillion.

Ed Lester

Chief Land Registrar and Chief Executive

12 June 2013

Information round-up

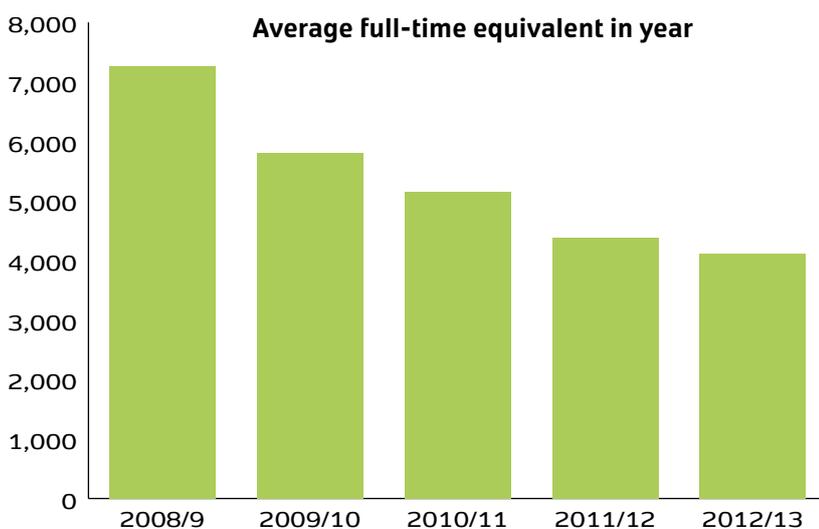
People

	2012/13	2011/12
Number of employees (including fixed-term appointments) on 31 March	4,579	4,724
Full-time equivalents on 31 March	4,060	4,222
Average sickness days per employee	7.1	7.4
Average number of training days per employee	4.2	4.4
Training spend as percentage of salary bill	3.1%	3.8%
Female employees	62%	60%
Employees working part-time	38%	36%
Employees from ethnic minorities	4%	4%
Employees who report they have a disability	6.5%	6%

Resourcing

Our recruitment procedures are conducted on the basis of fair and open competition, in accordance with the Civil Service Commissioners' Recruitment Principles, and are subject to internal monitoring. Six staff in specialist areas were recruited from outside the Civil Service and four transferred permanently to Land Registry from other government departments.

Our investment in digitisation means Land Registry is becoming a smaller, more efficient organisation. Following significant workforce reduction and restructuring from 2010 to 2012 the Accelerated Transformation Programme was completed during the year by running a number of smaller voluntary schemes, including the closure of our sub-office in Portsmouth. In addition our survey services were transferred to Ordnance Survey (OS) with 26 of our surveyors joining OS.



Health and wellbeing

The health and wellbeing of our staff is critical to Land Registry. Our health, wellbeing and attendance strategy was developed in close consultation with the unions. It identified the key issues within the organisation and brought together all related activities and initiatives to tackle these issues.

The aims of the 2012/13 strategy were to:

- better understand the organisation's current state in relation to stress, health and wellbeing and take action to address issues arising
- strengthen intervention through management culture and leadership
- further develop the capability of line managers in responding to health and wellbeing issues, including attendance management and resilience, and provide them with appropriate support and advice
- identify and promote further opportunities for staff to improve their own health and wellbeing in the workplace, with a focus on sustaining a healthy working environment.

Evaluating the impact and effectiveness of the initiatives has helped to identify further actions to be incorporated in a new strategy for 2013/14.

Staff wellbeing is meanwhile promoted through a combination of the following key activities.

- 'Know your numbers' sessions allowing staff to monitor blood pressure, body mass index and cholesterol.
- Health promotion campaigns and publication of more comprehensive information through the health and wellbeing intranet pages.
- Policies such as flexible working and special leave.
- Offering an Employee & Management Support service to help staff deal with issues.
- Making exercise facilities, classes or alternative therapies available at some locations.
- Provision of occupational health services.
- Introduction of a stress management policy.



Diversity

We are committed to creating an inclusive culture, focusing on actions that will drive sustainable culture change in the longer term. Our aim is to create a culture where our employees feel able to achieve their full potential.

In April 2012 we introduced our ambitious and stretching strategic equality objectives (see page 24). Progress on both objectives is currently on target.

Our Respect campaign, launched in January 2012, was a 12-month rolling campaign designed to embed our Respect value and increase awareness of the value itself and its relationship with cultural change and diversity. This clearly linked to our People and innovation key performance indicator, our strategic equality objectives and our Diversity Strategy, which sets out our aims in relation to behaviour and culture change.

The campaign focused on increasing understanding and visibility of the issues facing under-represented groups within the workplace, along with developing the skills of our managers in order to increase their confidence in dealing with diversity-related issues.

Alongside the Respect campaign we delivered a mandatory Civil Service Learning *Introduction to equality and diversity* e-learning package. The course provided an overview of equality legislation, along with practical activities designed to advance equality and inclusion and improve customer service.

Our declaration project has seen an increase in declaration rates across all groups, with 43 per cent of our employees declaring their sexual orientation, 43 per cent their religion, 99 per cent their disability status and 95 per cent their ethnicity. Understanding the demographics of our employees is another important aspect of our diversity work, ensuring we remove any barriers to inclusion.

We continue to undertake data analysis across all HR activity and we published our second Equality Information Report in September. This work also helps drive forward our positive action programmes, including our *Pathways* workshops aimed at minority ethnic, disabled and lesbian, gay, bisexual and transgender employees below the RE1 grade.

Improving engagement with staff from under-represented groups continues to be a key objective. We have analysed responses to the Civil Service People Survey and undertaken more detailed research with employees identifying themselves as either minority ethnic or disabled, along with those employees with alternative working patterns. Issues identified by the work will now form part of our year-two specific action plan under our internal equality objective.

Our local diversity champions have continued to deliver diversity-related activity across the business and future work will link into our health and wellbeing campaigns and local engagement work.

In support of our external equality objective we reviewed our internal processes and the information supplied to support our staff in delivering a fair and consistent service to all our customers. The internal support networks for under-represented groups have played an active role in the review and in updating our information and helping design training for our customer support staff. They have actively researched the customer experience of using our services.

Health and safety

We have continued to develop our relationship with Carillion, who now provide health and safety management services for us as part of the wider Facilities Management contract. The project to review and revise all of our internal health and safety policies and guidance referred to in last year's annual report has been completed. We have been able to look again at how we manage health and safety on a day-to-day basis, particularly in the light of our partnership with Carillion.

As well as widely publicising the changes we completed a series of seminars with managers in all our offices to explain the changes and highlight the line manager's vital role, to be followed in 2013/14 with further line manager training.

We have also continued to focus on the most significant risks facing us in terms of the Corporate Manslaughter and Corporate Homicide Act 2007. The highest risk identified is driving on duty. As part of the work done to lower this risk we have revised the driving policy, driver's guidance and the generic risk assessment for driving duties. We have also introduced processes to check driving licences, assess individuals' personal levels of driving risk and provide additional training.

We take our responsibility for health and safety seriously with a specific committee reporting into the People Committee. We carry out investigations and invest in improvements.

The total number of reported accidents at work was 212, with 'slips, trips and falls' continuing to be the single largest category. There have been nine accidents reported to the Health and Safety Executive under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations, down from 10 in 2011/12.

Personal data-related incidents

We reported one personal data-related incident to the Information Commissioner's Office.

Incidents deemed by the data controller not to fall within the criteria for reporting to the Information Commissioner's Office, but recorded centrally within the department, are set out below. Small localised incidents are not recorded centrally and are not cited in these figures.

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	1
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	4
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	—
IV	Unauthorised disclosure	1
V	Other	2
Total		8

Employee involvement

We encourage staff engagement through a range of procedures including online response to communications, the myIdea scheme and an innovations scheme. In addition two-monthly staff surveys are conducted to evaluate staff engagement. During the year senior staff events were held to encourage participation in, and development of, our performance targets for 2013/14.

We engage regularly with staff unions in order to maintain constructive and consultative relations. This input and consultation assists Land Registry in implementation of new policies and promotes staff engagement. Through the use of Performance & Innovation our people have the opportunities to actively engage with performance issues and ideas for improvement.

We see improving staff engagement as critical to the success of Land Registry and our Business Strategy and to sustaining a healthy vibrant organisation. Staff engagement is actively fostered through the local committees and led by local champions, including customer strategy champions, sustainability champions and diversity champions.

Public Sector Information Holder

Land Registry is a Public Sector Information Holder and a member of the Public Data Group. We have complied with relevant guidance on fees and charges published by HM Treasury and by the Office of Public Sector Information (OPSI), which is part of The National Archives. As a public sector seller of information we have full accreditation through OPSI's Information Fair Trader Scheme.

Land Charges and Agricultural Credits departments

The Land Charges Department operates under the authority of the Land Charges Act 1972.

The department maintains registers of Land Charges, pending actions, writs and orders affecting land and other encumbrances registered against the names of owners of property that are not registered under the Land Registration Act. The department also maintains the Index of Proprietors Names (IOPN). This index can be searched against only on production of the appropriate authority and is used to establish whether any property assets are held against individuals or companies.

Some elements of customer accounts are also managed in the Land Charges Department.

The Agricultural Credits Department is responsible for maintaining a register of short-term loans by banks under Part II of the Agricultural Credits Act 1928. These charges are secured on farming stock and other agricultural assets of the farmer.

This year the combined total of applications dealt with by the Land Charges and Agricultural Credits departments was 1,344,111, which represents a reduction of 9.6 per cent over the total for 2011/12.

The total number of Land Charges searches processed was 1,218,239, a reduction of 8.3 per cent from the previous year.

The proportion of search and office copy applications made by telephone, direct access and fax increased to 83.5 per cent of the totals received during this year, compared with 82 per cent of the totals in 2011/12; 95.4 per cent of office copy applications were delivered in this way. A total of 86.4 per cent of Land Charges searches are now processed through e-access channels. The percentage of telephone searches conducted as a proportion of total search applications fell to 3.5 per cent compared with 6.3 per cent in the previous year. The telephone search facility was withdrawn from 17 December 2012.

The Land Charges Department

Type of application	Number of applications or names in 2012/13	Percentage variation compared with 2011/12
New registrations, rectifications and renewals	79,931	- 22.1%
Cancellations	12,965	- 8.4%
Official searches		
– Full searches	177,134	- 13.6%
– Searches limited to insolvency	1,041,105	- 7.3%
Total official searches	1,218,239	- 8.3%
Office copies	27,639	- 24.6%
Total	1,338,774	- 9.6%

The Agricultural Credits Department

Year	New registrations	Cancellations and rectifications	Searches	Total
2007/8	1,267	808	4,269	6,344
2008/9	1,159	917	4,120	6,196
2009/10	917	737	3,405	5,059
2010/11	737	1,153	2,688	4,578
2011/12	840	1,086	2,689	4,615
2012/13	645	1,006	3,686	5,337

Legislation

The Land Registration Fee Order 2012

Under the Land Registration Act 2002, the Secretary of State may by order prescribe fees to be paid for dealings with Land Registry and make provision about the payment of these fees. A fee order is made with the advice and assistance of the Rule Committee and with the consent of HM Treasury.

The Land Registration Fee Order 2012 came into force in October 2012, reducing our fees by an average of 10 per cent.

The Land Charges (Amendment) Rules 2012 The Land Charges Fees (Amendment) Rules 2012

The Land Charges Rules 1974 and the Land Charges Fees Rules 1990 were made under the Land Charges Act 1972 and make provision for the operation of the Land Charges registration system. The Land Charges (Amendment) Rules 2012 and The Land Charges Fees (Amendment) Rules 2012 came into force on 17 December 2012. The former amend the 1974 rules to allow for the closure of the Land Charges telephone ordering service and to allow for the use of new technology (particularly digital) for making Land Charges applications. The latter make consequential amendments to the 1990 Rules.

Rule Committee

The Rule Committee was constituted under the Land Registration Act 2002 to provide advice and assistance originally to the Lord Chancellor and now, since the transfer of ministerial responsibility for Land Registry to the Department for Business, Innovation and Skills, to the Secretary of State in making land registration rules and fee orders under the Act.

In April 2012 the committee gave advice and assistance to the Secretary of State in respect of what became the Land Registration Fee Order 2012.

Open and full information

In 2012/13 we developed our already published Price Paid and Transaction datasets into resources for linked data at landregistry.data.gov.uk. This, along with our ongoing commitment to the INSPIRE directive for our geographic information, positions us as a lead exponent of the Government's data publication agenda. We have also expanded our Enterprise Data Warehouse, which now contains core register datasets. Finally, the completion of our dataset inventory prepares us for inclusion in the wider government National Core Reference Dataset.

The safety and accessibility of our corporate information remains a strong priority. The Executive Board agreed to reassign Information Asset Owner (IAO) roles to senior managers below director level, while underlining the fact that directors remain accountable for information risks in their business areas. Targeted training events for IAOs and their data stewards has increased awareness of their roles and responsibilities. An annual cycle of risk reviews and a ratification of asset documentation has been a major factor in our continued Information Assurance maturity.

We have begun to address knowledge management within the organisation, looking at existing platforms such as our intranet and shared folders and new methods of collaborating and sharing corporate knowledge. The shared folders exercise has seen local offices move to a standard, 'flatter' and more open folder structure to promote knowledge sharing. The implementation of SharePoint 2010 opens up many opportunities to create improved document management storage, as well as team site collaboration and improved staff search tools to help make the most of our people. Ultimately we want the platform to support improved workflows and live business intelligence dashboards.

We received 320 Freedom of Information requests, of which 316 were answered within 20 working days.

Welsh language service

Information about our Welsh language service can be found on our website: www.landregistry.gov.uk/media/about-us/policy-statements/welsh-language-scheme.

Complaints

We received 1,902 complaints in 2012/13 (compared with 2,193 in 2011/12), of which we responded to 93 per cent within our five-day target (92 per cent in 2011/12). The most common issues that led to complaints were our advice, administrative errors, errors leading to registration decisions and delays. We take care to analyse complaints and to identify patterns and trends in order to learn how to improve our practice. The most common feedback about our e-services related to system design and usability.

Examples of areas where changes have been made in response to feedback included:

- our revised cancellation and rejection policy, which was one of the largest categories for complaints in 2011/12
- the information and support material provided to our frontline staff. The material was improved as a result of the work of the Independent Complaint Reviewer Evaluation & Study Team (ICREST) to refine feedback and learning from how we handled our complaints.

We were approached three times by the Office of the Parliamentary and Health Service Ombudsman but no full reports were compiled.

Our complaints procedure is explained on our website: www.landregistry.gov.uk/contact-us/complaints.

During the year we have participated in the cross-government complaints forum and benchmarked our processes against best practice.

Indemnity Fund

In 2012/13 we paid £11.9m against 1,019 claims, compared with £9.3m for 935 claims in 2011/12. The largest claim paid was £5.1m for a missing burden of easement entry. This is the first year since 2004/5 where fraud has not been the biggest cause of loss. This is mainly attributable to the large easement claim, although fraud payments are down by nearly 30 per cent over the last year.

The original maximum value of the substantive claims accepted was £17.9m but these were settled for £10.5m, saving £7.4m. During the year a further 220 claims valued at £11.8m were settled for no value in line with the Land Registration Act 2002. Of these 28 were for fraud and were valued at £6.4m. During the year 1,171 new claims were received totalling £16.3m, including 67 fraud claims valued at £7.5m.

Indemnity claims are treated on their merits and are paid in accordance with the provisions of the Land Registration Act 2002. If claimants are dissatisfied with Land Registry's response to a claim they have a statutory right to go to court to seek an order for indemnity.

We recovered £1.2m under our statutory rights of recourse, compared with £0.5m last year. This is the highest yearly recovery we have ever made.

Nature of claim	Number of claims	Substantive loss (£)	Costs (£)	Percentage of total
Extent of registered titles	203	385,680	358,002	6.2
Errors in/omissions from register entries	121	5,464,873	217,209	47.8
Sundry plans errors	22	19,204	29,041	0.4
Fraud and forgery	43	4,385,441	716,475	42.9
Official inspections of title plans	8	–	8,385	0.1
Bankruptcy errors	1	–	720	–
Official searches	10	22,600	8,057	0.2
Official copies	6	105	1,844	–
Errors in searches of the index map (SIMs)	12	46,226	11,814	0.5
Errors in filed extracts	122	95,150	19,025	1.0
Lost documents/administrative errors	469	31,780	73,721	0.9
Land Charges errors	2	444	–	–
Total	1,019	10,451,503	1,444,293	100.0
Gross payment			£11,895,796	
Less sums recovered under our statutory right of recourse			£1,204,208	
Net indemnity			£10,691,588	

Additionally in this report for the first time we have reflected a provision of £45.7m at 31 March 2013 in respect of indemnity claims incurred but not yet reported (IBNR) which, after reflecting a £0.2m reduction from 1 April 2012, has been classified as a balance sheet provision. This provision, which is explained in note 1.16 to the accounts, is an estimate that is likely to fluctuate both up and down in subsequent years.

National Land Information Service and Connect Direct

Fee income from electronic search services Connect Direct and the National Land Information Service (NLIS) continues to fall year on year. Income from NLIS fell 31 per cent to £1,454,760 and from Connect Direct by 53 per cent to £575,914.

In line with our Digital Strategy and to reduce costs, we have been working with customers of both services to migrate them to our Business Gateway service.

For the second half of the year Connect Direct customers have been using Business Gateway alongside Connect Direct. Full migration and closure of Connect Direct will be completed early in 2013/14. Migration of NLIS to Business Gateway is also expected to be completed by the end of 2013.

We expect to save more than £400,000 per year when full migration of both services is complete.

International Unit

Our International Unit ensures we communicate and interact effectively with our stakeholder network overseas and that we are represented in relevant international forums, contributing where appropriate to the Government's wider strategic goals. We provide UK expertise to developing and transition countries and also learn from sharing best practice within the international community. Furthermore our international activities provide a unique opportunity to improve the capability, resilience and flexibility of our workforce.

We maintained our strong links with our counterparts overseas and have been active participants in the United Nations Economic Commission for Europe's (UNECE) Working Party on Land Administration (WPLA).

In October, and to coincide with 150 years of land registration in England and Wales, we hosted a WPLA conference in London. The theme for the conference was how land registration authorities could support recovery in the global property market and wider economy. The delegates from 34 countries across the UNECE region included academics, chartered surveyors, consultants, economists, geodesy and mapping surveyors, government officials, land administration experts, lenders, real estate agents, solicitors, notaries and registrars.

Our Head of Global Stakeholder Engagement Julie Barry continues to represent us on the Bureau of the WPLA.

We have also continued to be active members of the European Land Registry Association (ELRA), considering matters of international concern, particularly potential EU directives that may impact on our work. Assistant Land Registrar Chris Pitt-Lewis has continued in his role as an ELRA Board member. We have maintained formal UK representation on the Permanent Committee on Cadastre in the European Union and continue to have representation on the Board of the European Land Information Service.

During the year we received a large number of visitors from overseas, delivering tailor-made study programmes to meet their particular areas of interest such as customer service, registration processes and performance management. Such visits give us the opportunity to share knowledge and experience and to build relationships with overseas colleagues working in the same field.

This year we have hosted study visits from our counterparts and other organisations in Bulgaria, Malaysia, Nigeria, Norway, Rwanda and St Helena.



International Unit Manager Sue Knowles visiting Rwanda in March 2013



Estate

The 14 office buildings we occupied at the end of the year totalled 78,667 square metres, down from 101,888 last year. The Nottingham and Peterborough offices were successfully relocated into smaller, more efficient buildings, reducing the size of these offices by 28,797 square metres and cutting running costs by £1.9 million per year.

The property occupied by the former Nottingham Office is presently being marketed for residential development while the former Peterborough Office building has been returned to the landlord.

The former Lytham Office has been sold for £3.1 million and Drakes Hill Court in Plymouth is being marketed. Our property in Stevenage remains on the market for disposal. Our sub-office in Portsmouth was closed in March and the leasehold property returned to the landlord, reducing the estate by a further 277 square metres.

Our estate occupancy per full time employee has fallen from 16.87 square metres to 14.13 square metres.

Our total spend on property (including rent, business rates and service charges) and facilities management (including utilities, post and reprographics) was approximately £23 million. Our spend on contracted-out services with facilities management provider Carillion was £10 million, including major project works with a value of £0.8 million.

We continue to share surplus space in our properties with other government departments and this year has seen a major co-location in Gloucester with the Ministry of Justice. Other similar initiatives are in hand at Hull, Telford and Birkenhead.

Security incidents

Physical security is overseen by the Physical and Personnel Security Committee. There were 81 recorded incidents during the year, including 10 significant (Class 1) incidents.

Corporate social responsibility

We remain committed to corporate responsibility, working closely with Business in the Community to identify opportunities to promote and embed responsible business behaviour into our organisation. Land Registry people have continued to participate in volunteering opportunities in the community and we look to further encourage staff to volunteer through the promotion of our volunteering policy and specific activities.

Colleagues at our Plymouth and Information Systems offices have continued to volunteer as job coaches with the Shekinah Mission, the local delivery partner in Plymouth and Torbay for Business in the Community's Business Action on Homelessness campaign. While being of considerable benefit to the local community, the volunteers have also gained personally through increased confidence and development of their own inter-personal skills.

Land and equipment

Property#	Land#	Buildings	Equipment	Intangible	Other
Freehold					
	£'000	£'000	£'000	£'000	£'000
	19,360	61,761	2,486	-	-
res use	-	-	-	-	-
year	-	2,762	88	-	-
tion of assets	-	-	(1,041)	-	-
	(5,398)	(8,484)	2,762	-	-
	13,962	54,999	2,762	-	-
March 2013					
accumulated			12,346	5,520	
depreciation and			1,870	1,206	
impairment			(506)	626	
year			(382)	1,206	

Governance statement

Further to the commencement of my duties as Accounting Officer on 13 May 2013, I am informed on this statement by appropriate transition and handover arrangements and by the briefing from my executive directors.

Scope of responsibility

As Accounting Officer of Land Registry I have responsibility, with the Land Registry Board, for maintaining corporate governance that supports the achievement of Land Registry's aims, objectives and targets while safeguarding public funds and Land Registry's assets.

My duties as Accounting Officer are set out in Managing Public Money. I am accountable for performance and stewardship through the Land Registry Board to the Secretary of State for Business, Innovation and Skills with day-to-day responsibility delegated to the Minister for Employment Relations, Consumer and Postal Affairs.

The main duties relating to maintaining the register of title to freehold and leasehold land are defined in the Land Registration Act 2002 (see page 5). Land Registry operates as a non-ministerial department, a trading fund and an executive agency.

Purpose of the governance framework

The governance framework is designed to give assurance that Land Registry carries out its duties in a manner that meets the highest standards of effective internal control and risk management. The framework is based on processes designed to identify and prioritise the opportunities and risks to the achievement of Land Registry's strategy, the strategic objectives and targets. It is designed to evaluate the likelihood of those opportunities and risks being realised (and the impact should they be realised) and to manage them efficiently, effectively and economically.

The governance framework is designed to align with the strategic aims of the Department for Business, Innovation and Skills (BIS) and our statutory duties as set out in the Framework Document 2012. The framework complies with the new code published by HM Treasury and the Cabinet Office, Corporate governance in central government departments: Code of good practice 2011. The framework described has been in place throughout 2012/13 and up to the date of approval of the accounts.

Key elements of the framework

Land Registry is a non-ministerial government department. We are also a member of the Public Data Group (PDG) under the sponsorship of BIS along with Ordnance Survey, Met Office and Companies House. The PDG is tasked with driving efficiencies and synergies between its members and others in the public sector in order to deliver better, more efficient public services.

The governance framework includes:

- Framework Document 2012
- the LRB terms of reference
- Audit Committee terms of reference
- Remuneration and Nomination Committee terms of reference
- terms of reference for the Executive Board (EXB) and its supporting sub-committees

- matters reserved for the EXB
- minutes and communication points
- information on the new Business Strategy and related portfolio strands.

The governance framework also includes terms of reference, key decisions and other relevant information for:

- delegations of authorities
- director-led sub-committees of the EXB
- relevant second tier committees led by Heads of Group
- the new Business Strategy.

Land Registry Board

The Land Registry Board (LRB) recognises the importance of leadership to create an environment where performance and risk are managed effectively.

The LRB consists of the Non-Executive Chair Mark Boyle and myself as Chief Land Registrar and Chief Executive, the Finance Director, the Director of Operations and up to four non-executive directors.

The LRB structure described above was implemented to give more balance to the non-executive director membership. The non-executive membership includes a representative from the Shareholder Executive. The role of the LRB is to provide guidance, non-executive oversight and expertise, such as in digital and data strategies and strategic development.

The current non-executive members are independent of management. There were no examples of company appointments or consultancy arrangements held by LRB members that could give rise to a potential conflict of interest with their responsibilities as members of the LRB which were not addressed appropriately.

In line with Cabinet Office guidance, the Land Registry Board is tasked with advising on, and supervising, five main areas.

- Strategic clarity.
- Commercial sense.
- Talented people.
- Results focus.
- Management information.

More specifically, the purpose of the LRB is to support, constructively challenge and provide guidance to the EXB, to supervise the development and delivery of the agreed Business Strategy and to ensure appropriate governance of the activities of Land Registry.

Shown opposite are the attendance records for the main committees of the LRB.

Table summarising the total possible Board and committee meetings and actual attendance for each Board and committee member up to 31 March 2013

	Title	Period	Board		Committees		
			Land Registry Board	Executive Board	Audit	Remuneration and Nomination	
Non-executive							
Mark Boyle	Non-Executive Chair		10/10				2/2
Tim Franklin	Non-Executive Director	from 8 July 2012	7/7			2/2	
Catrina Holme	Non-Executive Director	from 8 July 2012	7/7				2/2
Kirsty Pearce ¹	Non-Executive Director	from 1 Nov 2012	5/5				
Derrick Palmer	Non-Executive member of Audit Committee	from 19 Mar 2013				1/1	
Vaughan Williams	Non-Executive member of Audit Committee	until 31 Dec 2012				3/3	
Dr Catherine Raines	Non-Executive Director	until 31 March 2013	8/10			3/4	
Jan Crosby	Non-Executive Director	until 31 Oct 2012	6/6				
Executive²							
Alasdair Lewis	Director of Legal Services and Deputy Chief Land Registrar				9/11		
Paul Hemsley	Finance Director	from 21 Feb 2013	2/2	1/1		1/1	
John Peadar	Director of Operations		10/10	10/11			
Rowland Coombs	Acting Director of Information Systems	attended meetings from Oct 2012		6/6			
Eddie Davies	Acting Director of Commercial & Customer Strategy	attended meetings from Nov 2012		3/5			
Jon Cocking ³	Acting Director of Human Resources	attended meetings from Mar 2013		1/1			1/1
David Cleasby ⁴	Head of Central Operations Group and Area Manager					3/4	
Grahame Hughes	Head of Internal Audit					4/4	
External Audit ⁵	National Audit Office					4/4	
Annette Davies-Govett	Director of Commercial & Customer Strategy			4/6			
Malcolm Dawson OBE	Chief Land Registrar and Chief Executive	until 13 May 2013	9/10	10/11		3/4	2/2
Heather Foster	Finance Director	attended the office until 19 Mar 2013	9/9	8/10		4/4	
David Evans ³	Acting Director of Human Resources	attended the office until 15 Mar 2013		7/10			2/2
John Wright ⁴	Director of Information Systems	attended the office until 30 Sept 2012		5/5		2/2	

1 Attended the October LRB.

2 June EXB cancelled.

3 Attended to advise on Senior Civil Service pay remit and pay framework.

4 Attended Audit Committee as members, not in their operational capacities.

5 External Audit are not part of the Executive. The table discloses National Audit Office attendance at the Audit Committee.

Note: The attendance columns show actual attendances for the attendees/against the possible number of meetings they were able to attend.

Board effectiveness

The Chair and the non-executives have played a full part in the LRB's business through their attendance and contributions at LRB meetings and its supporting committees as summarised above. The LRB played an active and robust part in supporting and challenging development of the Business Strategy.

Information about the quality of the data used by the LRB

The LRB is provided with a balanced scorecard of performance information. I am content that the system to provide performance information is robust and provides appropriate timely information to ensure effective management of performance. A key contribution to this conclusion is from the evaluation provided to me by Internal Audit on the effectiveness of key performance indicator systems.

Financial performance is based on a robust system. There is a procedure for setting annual budgets and reviewing financial performance against budgets and full year forecasts. Guidance and training are provided to ensure that budget holder behaviour is consistent and I am satisfied that underspends are surrendered and overspends are minimised but where they do occur that they are addressed to maximise the effective use of resources to achieve the published targets.

Committees of the LRB

Audit Committee

The Audit Committee is being chaired by Tim Franklin from 10 June 2013 following the resignation of Dr Catherine Raines. The members who served are disclosed in the previous table along with the attendees, including the Chief Land Registrar and Chief Executive, Finance Director and other staff who attend by invitation.

The committee supports the LRB and the Accounting Officer by seeking assurances through information and reports on:

- the strategic process for risk management, control and governance and this governance statement
- the accounting policies, the accounts and the annual report of the organisation, including levels of error identified and management's letter of representation to the external auditors
- the risk-based planned activity and results of both Internal Audit and External Audit
- the adequacy of management's response to issues identified by audit activity, including External Audit's management letter
- assurances relating to corporate governance requirements for the organisation
- anti-fraud policies, whistleblowing processes and the arrangements for special investigations.

The Audit Committee also periodically reviews its own effectiveness and reports the results of that review to the Board.

The Audit Committee considered this Annual Report and Accounts and submitted an Annual Report to the Board.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee was chaired by Mark Boyle. The committee concluded that the Director of Legal Services should attend the committee to advise on aspects of performance in relation to the legal profession. This is now in place.

The Executive Board

The EXB assist me in my responsibilities for operational management and direction, development of strategy, management of strategic risk, performance against published targets, statutory duties, decisions and development of Land Registry's investment portfolio planning.

Each month with the EXB I review the financial and operational performance of Land Registry and assess progress towards the published annual targets. This includes an evaluation of the financial resources consumed, financial forecasts and an assessment of the financial position. Embedded in the monthly review is an evaluation of the strategic risks.

The EXB continues to put diversity at the heart of our customer and people strategy. The Diversity Steering Group reports to me and helps to ensure good progress against equality targets and objectives as well as ensuring compliance with the Equality Act. The Corporate Responsibility Committee reports to me and provides me with assurance that our wider community responsibilities are appropriately fulfilled.

Auditors

The Comptroller and Auditor General, who has been appointed under statute and reports to Parliament, has audited the accounts (see pages 15 and 62).

Risk

As Accounting Officer I acknowledge my overall responsibility for the effective management of risk throughout Land Registry. I formally delegate responsibility for internal control and the adequacy of assurance arrangements, as for corporate governance as a whole, to the individual directors of Land Registry. They submit a statement to me annually that confirms that an effective system of internal control for the management of risk is in place and working within their area of responsibility.

The LRB and the EXB consider strategic risks. The Finance Director is the EXB's risk champion. During 2012/13 the risk appetite was evaluated for all strategic risks by the EXB. Each month the strategic risks are reported on and reviewed at the EXB; in addition a more thorough risk report is reviewed each quarter. Lead indicators are monitored to provide early warning of changes in strategic risk.

We face challenges and risks to the achievement of our strategic business objectives. The strategic risks centre around protection of the integrity of the register, a focus on the Customer Strategy and the ability to cope with major fluctuations in volumes of work. Strategic risks also reflect the issues around implementation of the Business Strategy, including people and capability.

We have contributed to the 2012 Government Sector Resilience Plan as we have Critical National Infrastructure assets (Category 4, Finance). The plan, published by the Cabinet Office, recognised two areas of 'Good Practice' and two areas of 'Best Practice' in our overall resilience strategy.

A risk management strategy is in place at all levels of the organisation to ensure that risks are effectively mitigated. Through delegation to executive directors I am assured by the work of the Planning Budgeting and Investment Committee, the Information Management Committee, the Register Protection Committee, the People Committee and the Health & Safety Committee. Management of the financial risks, information risk, risk to the Land Register and health and safety and statutory duties are managed by these committees with escalation to me as appropriate, at the discretion of the relevant director for each committee.

Risk management for the new Business Strategy portfolio is being developed within each strand with the support of the Programme and Project Centre (PPC). This will build on the high level risk statement included in the strategy document. The PPC maintains oversight of change-related risk.

Assurance is obtained through engagement with Business Planning, Assurance and Risk Management Group (BPARM) and an annual audit and report from internal audit to confirm that the system for the identification and management of key business risks is properly operational. In addition I obtain assurance as to directorate risk through my directors' statements of assurance at six-monthly intervals and the support of the BPARM, via the Finance Director, who conduct rolling risk assurance exercises to evaluate and develop compliance with the risk management parameters defined by the Executive Board. Incidents and trends are monitored, including by the BPARM, and escalated where appropriate.

An internal audit review of directorate risk management in 2011/12 identified opportunities to further improve risk management through the additional development of local risk appetite, which was taken forward in 2012/13. Further work included revisions to the framework for directorate risk management, statements on risk appetite, development of revised intranet guidance with examples which were developed with Internal Audit, and two risk workshops, which included input from external risk practitioners in government.

All staff are required to complete the appropriate levels of Civil Service Learning modules on protecting information and counter fraud and corruption.

Information risk

The information risk is managed through the Information Management Committee led by the Senior Information Risk Owner (SIRO). In response to an increasing threat of malicious software attacks we have strengthened and widened our anti-virus controls. We have also reviewed and tightened procedures around the administration of our computer log files. I am assured by the certification of Land Registry conforming to ISO 14001, ISO 20000 and ISO 27001 and by accreditation in respect of GSI Code of Connection, IAMM and CMMI.

Risk environment

Our strategic risks are assessed on a monthly basis and subject to full reviews quarterly. The overall risk environment for the previous year has remained broadly flat. Where risks have been evaluated at red, they have been escalated to Board level and mitigating actions have been put in place.

Risk appetite

Our risk management framework includes a methodology for ascertaining risk appetite. This ensures that the responses to each risk or groups of risks are robust and proportionate. Individual strategic risk appetites are measured against financial, reputational and performance criteria.

Assurance Forum

The Assurance Forum serves two purposes. It enhances the quality of our assurance planning through regular communication between the spread of providers and ensures that the duplication of assurance effort across the organisation is minimised. It also provides assurance to the LRB and to the executive directors on the veracity of the assurance sources identified in each of the directorate's assurance maps. Working quarterly, the forum evaluates directorate assurance maps in detail and examines how the assurance sources mitigate the stated directorate and related strategic risks. The LRB reviewed the progress of the Assurance Forum in October 2012.

Data losses

During the year one personal data loss was reported to the Information Commissioner's Office, relating to personnel papers which were subsequently recovered. The papers were retrieved and the Information Commissioner was informed. Further information on data losses not reported to the Information Commissioner is available in the Information round-up.

Contractors

We employed five contractors via employment agencies. The steps required by the Alexander review and by BIS have been completed and appropriate assurances obtained in respect of taxation.

Governance and effectiveness

I as Accounting Officer along with the Board have responsibility for reviewing the effectiveness of the system of performance management and internal control. The evidence of performance and risk management is informed by the work of internal auditors and senior managers within Land Registry, who have responsibility for developing and maintaining the internal control framework, and comments made by the external auditors in their management letter and other reports.

As Accounting Officer I am provided with assurance as to the effectiveness of risk management, and related controls designed to manage risk and ensure the effective delivery of performance and stewardship of assets, by each of my EXB directors covering the period 1 April 2012 to 31 March 2013. I am informed by the work of the Assurance Forum that assurance maps actively demonstrating appropriate assurance sources are in place to mitigate directorate risks. All my directors have confirmed that they have reviewed the assurance sources listed on their assurance maps and that those assurance sources have indicated that risks are being properly managed and that appropriate controls are in place.

I am assured that the performance of the organisation is effective through the use of the Performance & Innovation hub used by the EXB. This information hub is informed by the underlying performance systems and risk information and is summarised in a comprehensive information hub which is reviewed monthly by the EXB. The basis of this information informs the balanced scorecard, combined with a financial report which is reviewed by the LRB 10 times per year. The LRB, the Audit Committee and the EXB regularly assess and monitor our performance and related systems of internal control. Our internal auditors have reviewed systems in respect of finance and information security.

Our internal auditors operate to standards defined in the Government's Internal Audit Standards and submit regular reports to the Audit Committee which include an independent opinion by the Head of Internal Audit on the adequacy and effectiveness of our systems of internal control together with recommendations for improvement. The opinion of the Head of Internal Audit is that Land Registry has adequate systems of risk management and effective control and governance processes to manage the achievement of our objectives.

Ed Lester

Accounting Officer

Chief Land Registrar and Chief Executive

12 June 2013

Statement of Accounting Officer's responsibilities

Under Section 4(6) of the Government Trading Funds Act 1973 the Treasury has directed Land Registry to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction referred to in note 1.1 on page 67. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Land Registry and of its income and expenditure, recognised gains and losses and 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 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 judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the financial statements, and
- prepare the financial statements on a going concern basis.

The Treasury has appointed the Chief Executive of Land Registry as the Accounting Officer for the trading fund. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Land Registry's assets, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in Managing Public Money.

Remuneration report

Policy for senior civil servants

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

In reaching its recommendations, the Review Body has regard to:

- 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
- 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.

The salary of the Chief Land Registrar and Chief Executive is set by the Department for Business, Innovation and Skills. Annual pay reviews are the responsibility of the Land Registry Remuneration Committee but in 2012 Land Registry was subject to the second year of a two-year public sector pay freeze imposed in the 2010 emergency Budget.

A Senior Civil Service (SCS) Pay Committee, acting on the authority of the Land Registry Board, considers the pay recommendations provided by line managers and decides the distribution of performance pay in the annual pay review for Land Registry Senior Civil Servants, in accordance with Cabinet Office guidance.

Both base pay and non-consolidated performance related awards are dependent on performance, which is assessed through an annual appraisal system for senior civil servants, more details of which can be found at www.civilservice.gov.uk

During the year the members of the SCS Pay Committee were: Mark Boyle (Chair), Catrina Holme and Malcolm Dawson.

Policy for other civil servants

Pay for Land Registry employees who are not in SCS grades is determined each year following negotiation and consultation between Land Registry and the unions, and is subject to approval by the Secretary of State, taking into account guidance issued by HM Treasury.

In accordance with the public sector pay freeze, no progression up the pay scale was paid in 2012 and pay scales were not revalorised. However in accordance with central guidance a £250 increase was paid to employees in the two administrative grades earning less than £21,000 per annum. Non-consolidated performance-related awards were paid based on performance assessed through the annual appraisal system.

Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise specified, all the directors covered by this report hold appointments that are open-ended and are subject to a notice period of three months. Early termination for the directors on open-ended service contracts, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Land Registry Board Chair

Chair Mark Boyle's appointment has been extended by eighteen months from 24 April 2013 on the basis of two days per week.

Chief Executive

Malcolm Dawson's appointment ended on 13 May 2013. Ed Lester was appointed from 22 April 2013 for a period of three years and is subject to a notice period of three months.

Acting Finance Director

Paul Hemsley was appointed from 21 February 2013 on a short-term basis through an executive interim agency.

Non-Executive Directors

The appointments of Tim Franklin and Catrina Holme from 8 July 2012 are for a period that will not normally exceed three years.

The appointment of Kirsty Pearce from 1 November 2012 is for a period that will not normally exceed three years. She represents the interests of Shareholder Executive and does not receive any remuneration from Land Registry.

Salary and performance pay – executive directors¹

	2012/13			2011/12		
	Salary	Performance pay	Benefits in kind	Salary	Performance pay	Benefits in kind
	£'000	£'000	To nearest £100	£'000	£'000	To nearest £100
Malcolm Dawson OBE ² Chief Land Registrar and Chief Executive	105 – 110	15 – 20	–	105 – 110	–	–
John Peaden ³ Director of Operations	85 – 90	10 – 15	–	80 – 85	5 – 10	200
Alasdair Lewis Director of Legal Services & Deputy Chief Land Registrar	95 – 100	–	–	90 – 95	–	–
David Evans ⁴ Director of Human Resources (until 19 April 2013)	80 – 85	–	–	80 – 85	0 – 5	–
Jon Cocking Acting Director of Human Resources (from 25 February 2013)	5 – 10	–	–	–	–	–
Annual equivalent	(65 – 70)	–	–	–	–	–
Heather Foster ⁵ Finance Director	90 – 95	–	–	90 – 95	–	–
Paul Hemsley ⁶ Finance Director (from 21 February 2013)	25 – 30	–	–	–	–	–
John Wright ⁷ Director of Information Systems (until 15 October 2012)	70 – 75	5 – 10	–	100 – 105	–	–
Annual equivalent	(100 – 105)	–	–	–	–	–
Rowland Coombs Director of Information Systems (from 1 October 2012)	35 – 40	0 – 5	–	–	–	–
Annual equivalent	(70 – 75)	–	–	–	–	–
Annette Davies-Govett Commercial & Customer Strategy Director	90 – 95	–	–	90 – 95	–	–
Eddie Davies Acting Commercial & Customer Strategy Director (from 1 January 2013)	15 – 20	–	–	–	–	–
Annual equivalent	(65 – 70)	–	–	–	–	–

1 Audited.

2 Malcolm Dawson left Land Registry with a leaving date of 13 May 2013.

3 Remuneration for John Peaden in 2011/12 is analysed between basic pay and performance bonus.

4 David Evans left Land Registry on 15 March 2013 with a leaving date of 19 April 2013.

5 Heather Foster left Land Registry on 19 March 2013 with a leaving date of 19 April 2013.

6 Paul Hemsley was appointed as Finance Director from 21 February 2013. Under the terms of this appointment an executive interim agency received £30,160 in respect of standard services, of which they retained £4,160.

7 John Wright left Land Registry on 30 September 2012 with a leaving date of 15 October 2012.

Note: Ed Lester was appointed as Chief Land Registrar and Chief Executive of Land Registry from 22 April 2013 with a starting date of 13 May 2013.

Salary – non-executive directors¹

	2012/13 £'000	2011/12 £'000
Mark Boyle Non-Executive Chair	60 – 65	25 – 30
Annual equivalent	–	(60 – 65)
Catherine Raines Non-Executive Director (until 31 March 2013)	25 – 30	25 – 30
Jan Crosby ² Non-Executive Director (until 31 October 2012)	–	–
Tim Franklin Non-Executive Director (from 8 July 2012)	10 – 15	–
Annual equivalent	(20 – 25)	–
Catrina Holme Non-Executive Director (from 8 July 2012)	10 – 15	–
Annual equivalent	(20 – 25)	–
Kirsty Pearce ² Non-Executive Director (from 1 November 2012)	–	–

1 Audited.

2 Jan Crosby and Kirsty Pearce are full-time employees of the Department for Business, Innovation and Skills; they receive no additional remuneration from Land Registry in relation to their roles as non-executive directors.

Salary

'Salary' includes gross salary, reserved rights to London weighting or London allowances, recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation. The tables above are based on accrued payments made by Land Registry and thus recorded in these accounts.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by Land Registry and treated by HM Revenue & Customs as a taxable emolument.

Performance awards

Performance awards are based on performance levels attained and are made as part of the appraisal process. Performance awards relate to the performance in the year in which they were paid to the individual. The performance awards reported in 2012/13 relate to the performance in 2011/12 and the comparative performance awards reported for 2011/12 relate to the performance in 2010/11.

Pension benefits¹

	Real increase in pension and lump sum at 60		Total accrued at March 2013		Cash equivalent transfer value (CETV) at 31 March		Real increase in CETV after adjustment for inflation and changes in investment factors
	Pension	Lump sum	Pension	Lump sum	2013	2012 ²	
	£'000	£'000	£'000	£'000	£'000	£'000	
Malcolm Dawson OBE Chief Land Registrar and Chief Executive (until 13 May 2013)	0.0 – 2.5	0.0 – 2.5	40 – 45	125 – 130	747	703	4
John Peadar Director of Operations	0.0 – 2.5	2.5 – 3.0	35 – 40	115 – 120	760	703	16
Alasdair Lewis Director of Legal Services & Deputy Chief Land Registrar	0.0 – 2.5	0.0 – 2.5	30 – 35	100 – 105	657	617	5
David Evans Director of Human Resources (until 19 April 2013)	0.0 – 2.5	–	50 – 55	–	1,000	992	– 1
Jon Cocking Acting Director of Human Resources (from 25 February 2013)	0.0 – 2.5	–	10 – 15	–	153	151	1
Heather Foster Finance Director (until 19 April 2013)	0.0 – 2.5	2.5 – 3.0	40 – 45	120 – 125	880	817	16
John Wright Director of Information Systems (until 15 October 2012)	0.0 – 2.5	–	10 – 15	–	204	174	20
Rowland Coombs Acting Director of Information Systems (from 1 October 2012)	0.0 – 2.5	4.5 – 5.0	25 – 30	85 – 90	549	493	27
Annette Davies-Govett Commercial & Customer Strategy Director	– 2.5 – 0.0	–	5 – 10	–	111	105	– 8
Eddie Davies Acting Commercial & Customer Strategy Director (from 1 January 2013)	0.0 – 2.5	1.5 – 2.0	15 – 20	55 – 60	260	251	7

1 Audited.

2 The actuarial factors used to calculate CETVs were changed in 2012/13. The CETVs at 31/3/12 and 31/3/13 have both been calculated using the new factors, for consistency. The CETV at 31/3/12 therefore differs from the corresponding figure in last year's report, which was calculated using the previous factors.

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes: either a final salary scheme (classic, premium, or classic plus) or a whole career scheme (nuvos). 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 and nuvos are increased annually in line with Pensions Increase legislation. 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 1.5 per cent and 3.9 per cent of pensionable earnings for classic and 3.5 per cent and 5.9 per cent for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2013.

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 1 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 (31 March) the member's earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year and the accrued pension is up-rated in line with Pensions Increase legislation. 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. Land Registry makes a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into an approved stakeholder pension product chosen by the employee from a panel of three 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 per cent of pensionable salary (in addition to the employer's basic contribution). Land Registry also contributes a further 0.8 per cent 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 and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at www.civilservice.gov.uk/pensions

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 particular 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 CETV figures include the value of any pension benefit in another scheme or arrangement that the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefit 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 schemes

Reporting of Civil Service and other compensation schemes – exit packages¹

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2013	2012	2013	2012	2013	2012
£0 - £10,000	–	–	–	1	–	1
£10,001 - £25,000	–	–	10	74	10	74
£25,001 - £50,000	–	–	7	127	7	127
£50,001 - £100,000	–	–	1	125	1	125
£100,001 - £150,000	–	–	2	10	2	10
£150,001 - £200,000	–	–	–	1	–	1
>£200,000	–	–	–	–	–	–
Total number of exit packages	–	–	20	338	20	338
Total cost	–	–	£719,597	£15,502,499	£719,597	£15,502,499

1 Audited

There were no ex-gratia payments in 2012/13 (2011/12: £26,280).

Compensation for loss of office

Heather Foster left under voluntary exit terms on 19 April 2013. She received a compensation payment of £147,728.

David Evans left under normal age retirement terms on 19 April 2013. Land Registry has not incurred any additional liability in relation to his retirement.

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of contractual agreement to depart. Where applicable, additional costs of buy-out of reduced pension benefit are met by Land Registry and not by the Civil Service pension scheme. Ill health retirement costs are met by the pension scheme and are not included in the table.

Pay multiples

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. Total remuneration includes salary, non-consolidated performance-related payments and benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

	2012/13	2011/12
Band of highest paid director's total remuneration (£'000)	120 – 125	105 – 110
— including interim director (£'000)	220 – 225	–
Median total (£)	26,166	25,231
Remuneration ratio	4.7	4.3
— including interim director	8.5	–

In 2012/13 no employees received remuneration in excess of the highest-paid director. Remuneration ranged from £120,000 – £125,000 to £15,000 – £20,000 (2011/12: £105,000 – £110,000 to £15,000 – £20,000).

Although the organisation was subject to the second year of a two-year pay freeze, median total earnings increased slightly because the workforce reduced by 148 employees between 1 April 2012 and 31 March 2013 and the majority of those leaving were in the lower pay grades (RE2U or below). The appointment of an interim director on a short-term basis to provide continuity in a key role distorts the remuneration ratio and therefore for reasons of transparency this has been presented as a separate line in the table above.

Ed Lester

Chief Land Registrar and Chief Executive
12 June 2013

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of HM Land Registry for the year ended 31 March 2013 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 Reserves and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Trading Funds Act 1973. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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. This includes an assessment of: whether the accounting policies are appropriate to HM Land Registry's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by HM Land Registry; and the overall presentation of the financial statements.

In addition I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate. I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the expenditure and income 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.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of HM Land Registry's affairs as at 31 March 2013 and of its retained surplus, changes in reserves and cash flows 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 other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Trading Funds Act 1973, and

- the information given in the Foreword and Directors' 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
- the financial statements and the part of the Remuneration report to be audited are not in agreement with the accounting records or 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.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

12 June 2013

Statement of comprehensive income for the year ended 31 March 2013

		2013	2012
	Notes	£'000	Re-stated £'000
Income – continuing operations	2	347,157	359,338
Cost of service	2	(227,751)	(289,909)
Gross surplus	2	119,406	69,429
Administrative expenses	2	(10,515)	(13,722)
Operating surplus		108,891	55,707
Profit on disposal of non-current assets		3,913	5,170
Investment income – interest receivable	5	1,468	1,170
Finance costs	6	(936)	(878)
Amortisation and depreciation of e-service systems	8.1, 9.1	(4,053)	(4,448)
Restructure and reorganisation costs	3.2	(10,529)	(21,000)
Surplus for the financial year		98,754	35,721
Dividend payable	7	(25,960)	(13,776)
Retained surplus for the financial year		72,794	21,945
Gain/(loss) on revaluation of property, plant and equipment		3,363	(1,608)
Comprehensive surplus for the financial year		76,157	20,337

The notes on pages 67 to 84 are an integral part of these accounts.

Statement of financial position as at 31 March 2013

		2013	2012
	Notes	£'000	Re-stated £'000
		£'000	£'000
Non-current assets			
Property, plant and equipment	8	91,389	109,186
Intangible assets	9	17,263	22,962
Other receivables	11.2	1,126	1,086
Total non-current assets		109,778	133,234
Current assets			
Inventories	10	1,455	1,365
Trade and other receivables	11.1	7,337	8,366
Cash and cash equivalents	12	472,583	379,817
Total current assets		481,375	389,548
Non-current assets classified as held for sale	8.3	14,344	6,156
Total assets		605,497	528,938
Current liabilities			
Trade and other payables	13.1	62,617	44,598
Obligations under finance leases	13.1, 15.1	1,606	2,168
Short-term provisions	17.1	10,870	9,878
		75,093	56,644
Indemnity Fund	17.2	67,800	72,700
Total current liabilities		142,893	129,344
Non-current assets plus net current assets		462,604	399,594
Non-current liabilities			
Obligations under finance leases	13.2, 15.1	6,840	8,038
Long-term provisions	17.1	20,255	27,591
Total non-current liabilities		27,095	35,629
Net assets		435,509	363,965
Capital and reserves			
Public Dividend Capital		61,545	61,545
Revaluation reserve		32,494	34,001
Income and expenditure account		341,470	268,419
		435,509	363,965

The notes on pages 67 to 84 are an integral part of these accounts

Ed Lester

Chief Land Registrar and Chief Executive
12 June 2013

Statement of changes in reserves for the year ended 31 March 2013

	Public Dividend Capital	Revaluation reserve	I&E reserve	Total reserves
	£'000	£'000	Re-stated £'000	Re-stated £'000
Balance at 31 March 2011	61,545	41,794	246,224	349,563
Revaluation reserve				
Transfer to retained earnings	–	(250)	250	–
Transfer to assets held for sale	–	(5,935)	–	(5,935)
Comprehensive net surplus	–	(1,608)	67,845	66,237
Prior year adjustment to statement of comprehensive income	–	–	(45,900)	(45,900)
Balance at 31 March 2012	61,545	34,001	268,419	363,965
Changes in reserves 2012/13				
Revaluation reserve				
Transfer to retained earnings	–	(257)	257	–
Realised gain on sale of property	–	(4,263)	–	(4,263)
Revaluation of non-current assets	–	(350)	–	(350)
Comprehensive net surplus	–	3,363	72,794	76,157
Balance at 31 March 2013	61,545	32,494	341,470	435,509

The notes on pages 67 to 84 are an integral part of these accounts

Cash flow statement for the year ended 31 March 2013

		2013	2012
	Notes	£'000	£'000
Net cash inflow from operating activities	20.1	107,783	84,367
Investing activities			
Purchase of tangible assets		(2,515)	(1,749)
Purchase of intangible assets		(20)	–
Proceeds on disposal of tangible assets		3,085	13,436
Interest received		1,403	1,059
Net cash inflow from investing activities		1,953	12,746
Financing activities			
Dividends paid		(13,776)	(14,006)
Repayments of capital element of obligations under finance leases		(2,258)	(2,047)
Interest elements of obligations under finance leases		(936)	(878)
Net cash outflow from financing activities		(16,970)	(16,931)
Net increase in cash and cash equivalents	20.2	92,766	80,182
Cash and cash equivalents at beginning of year	20.2	379,817	299,635
Cash and cash equivalents at end of year	12	472,583	379,817

The notes on pages 67 to 84 are an integral part of these accounts

Notes to the financial statements

1 Statement of accounting policies

1.1 Basis of preparation

These financial statements have been prepared in accordance with the Government Financial Reporting Manual (FReM) 2012/13 and comply with the Accounts Direction given by the Treasury in accordance with section 4 (6) (a) of the Government Trading Funds Act 1973. The accounting policies contained in the FReM follow International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy that has been judged to be the most appropriate to the particular circumstances of Land Registry for the purposes of giving a true and fair view has been selected. Land Registry's accounting policies have been applied consistently in dealing with items considered material in relation to the financial statements.

These financial statements have been prepared on a going concern basis. Management is of the opinion that a going concern basis is appropriate as we are legally obliged under the Land Registration Act 2002 to provide statutory services relating to land registration and there are sufficient reserves to support the business going forwards. There are no plans to amend the Act and no decisions have been notified to suggest that an amendment will occur in the following 12 months.

The implementation of IFRSs in issue, but not yet effective, for the accounting period under review is not expected to have a material impact on the financial statements.

1.2 Accounting convention

The financial statements have been prepared under the historical cost convention modified for the revaluation of property, plant and equipment, assets held for sale, intangible assets and, where material, inventories to fair value as determined by the relevant accounting standard.

1.3 Fee income

This is income that relates directly to the operating activities of Land Registry. It comprises fees, net of any refunds, for statutory services for registration of title and land charges including agricultural credits, and for commercial income. Income is recognised in the financial statements in the financial year in which the service is delivered.

Certain services require receipt of payment with application resulting in payments being received for services not yet delivered within the financial year being reported upon. These amounts are reported as fees received in advance and disclosed within current liabilities.

1.4 Insurance

Insurance is charged to the statement of comprehensive income on the basis of actual premiums paid, for cover of property, lifts, the car fleet, use of hire cars and overseas travel.

1.5 Employee benefits

The cost of providing employee benefits is recognised in the period in which Land Registry receives services from its employees, rather than when it is paid or payable. Short-term employee benefits are recognised as an expense in the period in which the employee renders the service. Performance payments are recognised only when there is a legal or constructive obligation to pay them and the costs can be reliably estimated.

Termination benefits are recognised when it can be demonstrated that there is an irreversible agreement to terminate the employment of employee(s) before the schemes' retirement date or as a result of an offer to encourage voluntary redundancy.

1.6 Pensions

Land Registry employees are civil servants who are entitled to be members of the Principal Civil Service Pension Scheme (PCSPS). PCSPS is an unfunded multi-employer defined benefit scheme, but Land Registry is unable to identify its share of the underlying assets and liabilities. Land Registry recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from the employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for the payment of future benefits is a charge on the PCSPS. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office under Civil Superannuation (www.civilservice-pensions.gov.uk).

1.7 Property, plant and equipment

Freehold and leasehold land and buildings are professionally valued every three years. In the intervening years the Valuation Office Agency provides a 'desktop' valuation, which in this financial year was carried out in January 2013. The last full valuation was carried out in January 2011. Land Registry is required by the FReM to disclose other non-current assets in the statement of financial position at fair value. For short life non-property assets historical cost is used as an approximation to the fair value of the asset. Freehold land and buildings and leasehold buildings are included at revaluation less accumulated depreciation and impairment losses. All other tangible non-current assets are included at historical cost less accumulated depreciation and impairment losses.

Assets in the course of construction are not depreciated.

The depreciation charge is calculated so as to allocate the cost or revalued amount, less the estimated residual value, of non-current assets systematically over their remaining useful lives using the straight-line method.

Asset lives are reviewed at the end of each financial year.

The following asset depreciation rates are used.

Freehold land		nil
Freehold buildings		2 per cent
Leasehold buildings		period of the lease
Telecommunications equipment		20 per cent
Office equipment		20 per cent
Computers:	mainframe	20 per cent
	mini and PCs	33 ¹ / ₃ per cent
Motor vehicles		25 per cent
Structured cabling		10 per cent
Plant and heavy machinery		10 per cent

Non-current assets classified as held for sale are carried at fair value less costs to sell and are not depreciated. Land Registry classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sales transaction rather than through continuing use. To qualify the asset must be available for immediate sale in its present condition and the sale must be highly probable.

1.8 Impairment of non-current assets

Impairment reviews are undertaken at each year end and if there are indications that the asset has suffered an impairment loss a charge is reflected in the statement of comprehensive income in the year in which it occurs, unless the asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use the estimated future cash flows are discounted to their present value using the applicable government discount rate of 3.5 per cent.

1.9 Intangible assets

Land Registry has developed three systems, all of which are now in use, to deliver e-services. The costs of developing the IT systems (Land Registry portal, E-security and Business Gateway) have been capitalised as intangible assets on the statement of financial position. These are now being amortised on a straight line basis, at a rate of 10 per cent over the expected useful lives of the systems, which have been determined with reference to the useful lives of other similar assets in use in Land Registry. The systems are assessed for indications of impairment at each financial year end.

Software licences are included at cost less accumulated amortisation. They are amortised on a straight line basis at a rate of:

Mainframe	20 per cent
Desktop	33 ¹ / ₃ per cent

1.10 Inventories

Work-in-progress is stated at the lower of cost and net realisable value, which is based on the fee, less further costs expected to be incurred on completion of the case.

1.11 Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for irrecoverable amounts. The carrying amount of trade receivables is deemed to be an approximation of fair value.

1.12 Cash and cash equivalents

Cash represents cash-in-hand, cash held with the Government Banking Service, cash on deposit with the National Loans Fund and in commercial bank accounts.

1.13 Trade payables

Trade payables are stated at their nominal value. The carrying amount of trade payables is deemed to be an approximation of fair value.

1.14 Embedded derivatives

Derivatives embedded in host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and accounted for separately. A review of Land Registry’s significant

contracts has not identified any embedded derivatives and therefore no separate disclosure is required.

1.15 Provisions

Land Registry provides for legal and constructive obligations that are of uncertain timing or amount at the statement of financial position date, on the basis of management's best estimate of the expenditure required to settle the obligation. Where appropriate this is supported by independent professional advice. Provisions are charged to the statement of comprehensive income and recorded as liabilities in the statement of financial position.

1.16 Indemnity Fund

Land Registry provides indemnity compensation to third parties. The future claim payments are uncertain in timing and amount as at the end of the financial year. The Indemnity Fund is established on the basis of the best estimate of the expenditure required to settle the obligation. The Indemnity Fund is determined after considering actuarial estimates of the cost of claims reported but not settled, as well as claims incurred but not reported. The estimated cost of claims includes expenses incurred in settling these claims. (See also note 17.2.)

1.17 Contingent liabilities

Where appropriate, liabilities that have only a possible chance of crystallising and do not meet the provisions criteria have been classified as contingent liabilities. This includes, but is not limited to, claims for losses arising from errors, or fraud in relation to Land Registry's statutory responsibility as insurer of titles in England and Wales.

1.18 Finance leases

Where Land Registry retains all the risks and rewards of ownership of an asset subject to a lease, the lease is treated as a finance lease. Future instalments payable under finance leases, net of finance charges, are included in liabilities with the corresponding asset values recorded in non-current assets and depreciated over the shorter of their estimated useful lives or their lease terms. Lease payments are apportioned between the finance element, which is charged to the statement of comprehensive income as interest, and the capital element, which reduces the outstanding obligation for future instalments.

1.19 Operating leases

An operating lease is a lease other than a finance lease. Rental costs under operating leases, including short-term operating leases, are charged to the statement of comprehensive income as incurred.

1.21 Payments to Private Finance Initiative (PFI) suppliers

The Private Finance Initiative contract with Steria is accounted for under International Financial Reporting Interpretations Committee (IFRIC) 12 as amended by the FReM. The capital element of the expenditure under the contract is recorded as an asset on the balance sheet and the service element expensed through the statement of comprehensive income as incurred. The amount capitalised is amortised over the shorter of the life of the asset or the duration of the contract.

1.22 VAT

Land Registry accounts for VAT on its statutory activities under the Treasury's Taxing and Contracting Out of Services Directions. For non-statutory activity, which is business activity, VAT is charged and recovered according to commercial VAT rules. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase costs of non-current assets. Where output tax is charged or input tax is recoverable the amounts are stated net of VAT.

1.23 Dividend

Land Registry is required to pay the Treasury an annual dividend being 6.3 per cent of the average capital employed during the financial year. Land Registry considers it sufficient to calculate this figure using an annual average. There is no material impact of calculating this figure using an alternative method eg monthly average.

1.24 Estimation techniques

Estimation techniques are the methods adopted to arrive at estimated monetary amounts for income and expenditure during the reporting period and the valuation of assets and liabilities and disclosure of contingent assets and liabilities at the date of the accounts. Significant estimation techniques for Land Registry include the recognition and valuation of accrued income, PFI, the early retirement and early severance provisions and the Indemnity Fund.

1.25 Prior period re-statements

Under IAS 8 *Accounting policies changes in accounting estimates and errors*, adjustments to prior periods are required for changes to accounting policies or to correct prior period errors, arising from omissions, or misstatements.

The 2011/12 accounts have been re-stated to recognise the liability to Land Registry of 'incurred but not reported' (IBNR) indemnity claims. See note 17.2. This change is to correct its omission in prior years, to provide more relevant information about the potential effects of transactions, events or conditions on our financial position, performance or cash flows.

2 Business segments

The information contained in this note satisfies a dual purpose. The first is to comply with the Treasury *Fees and charges guide* and the second is to comply with the International Financial Reporting Standard (IFRS) 8

There are two separate statutory services carried out by Land Registry: registration of title, and land charges including agricultural credits. Detailed in the table below is the fee income, total cost of service and surplus for each of these services. Also included is the non-statutory commercial services income. The cost of service and administrative expenses are allocated if separately identifiable with the service or apportioned in proportion to the income generated by each segment.

	Statutory		Non-statutory	Total	Statutory		Non-statutory	Total
	Registration of title	Land charges and agricultural credits	Commercial income		Registration of title	Land charges and agricultural credits	Commercial income	
	2013				2012			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	Re-stated £'000
Income	337,929	4,810	4,418	347,157	349,494	4,921	4,923	359,338
Cost of service	(220,148)	(4,329)	(3,274)	(227,751)	(282,126)	(4,429)	(3,354)	(289,909)
Administrative expenses	(10,081)	(241)	(193)	(10,515)	(13,180)	(246)	(296)	(13,722)
Operating surplus	107,700	240	951	108,891	54,188	246	1,273	55,707

3 Operating surplus

3.1 Operating surplus is stated after charging

	2013	2012
	£'000	Re-stated £'000
Staff costs (see note 4.1)	155,813	162,356
Provision for indemnity costs	(4,900)	50,900
IT infrastructure costs (see note 22)	9,029	8,919
Hire of machinery	4,540	6,829
Auditor's remuneration – audit fee	68	68
Depreciation of tangible non-current assets – owned	5,570	6,521
Depreciation of tangible non-current assets – leased	2,910	2,661
Amortisation of intangible assets	1,395	2,938
Impairment in value of non-current assets	356	472
Charge for operating leases – buildings	2,447	2,331
Miscellaneous income	(1,851)	(1,906)

3.2 Restructure and reorganisation costs

	2013				2012			
	Early retirement	Early severance	ATP and Blueprint	Total	Early retirement	Early severance	ATP and Blueprint	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Costs incurred in year	38	213	9,638	9,889	397	14,083	4,850	19,330
Costs provided for in year	608	32	–	640	2,060	(390)	–	1,670
	646	245	9,638	10,529	2,457	13,693	4,850	21,000
Profit on disposal	–	–	(4,318)	(4,318)	–	–	(5,874)	(5,874)
	646	245	5,320	6,211	2,457	13,693	(1,024)	15,126

The profit on disposal relates to the sale of Birkenhead House, Lytham.

4 Employee information

4.1 Staff costs

	2013			2012		
	Permanent staff	Others	Total	Permanent staff	Others	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Salaries	123,746	336	124,082	130,049	168	130,217
Social security costs	9,286	2	9,288	9,633	5	9,638
Other pension costs	22,439	4	22,443	24,178	11	24,189
Total staff costs	155,471	342	155,813	163,860	184	164,044
Seconded staff costs	–	–	–	(1,688)	–	(1,688)
Total net staff costs	155,471	342	155,813	162,172	184	162,356

4.2 Staff numbers

Average number of persons employed (full time equivalent) by Land Registry during the year was made up as follows.

	2013			2012		
	Permanent staff	Others	Total	Permanent staff	Others	Total
Senior management	8	1	9	8	–	8
Operational	3,690	1	3,691	3,925	–	3,925
Administration	240	4	244	251	8	259
IT	381	–	381	396	–	396
	4,319	6	4,325	4,580	8	4,588

4.3 The salary and pension entitlements of the Chief Executive and the directors of Land Registry are included in the Remuneration report on pages 54 to 61.

4.4 Pensions

Pension benefits are provided for the majority of staff through the PCSPS. For 2012/13 employer contributions of £22.4 million (2011/12: £24.1 million) were payable to PCSPS at one of four rates in the range 16.7 per cent to 24.3 per cent of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2012/13 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Land Registry employer contributions to partnership stakeholder pensions for 2012/13 were £41,975 (2011/12: £46,383). Land Registry also contributed a further £2,793 (2011/12: £3,071) to cover the cost of centrally provided risk benefit cover (death in service and ill-health retirement). Any contributions due to the partnership pension providers at the statement of financial position date or contributions prepaid at that date were not material. Five individuals retired early during the year on ill-health grounds. The total additional accrued pension liabilities in the year amounted to £16,410 (2011/12: £57,569).

Further information relating to pension arrangements can be found in the Remuneration report on pages 54 to 61 and note 1.6 on page 68.

5 Investment income

	2013	2012
	£'000	£'000
Interest on bank deposits	1,468	1,170

6 Finance costs

	2013	2012
	£'000	£'000
Interest on obligations under finance leases	936	878

7 Dividend payable

	2013	2012
	£'000	£'000
Dividend payable	25,960	13,776

See note 1.23 on page 71 for the accounting policy relating to dividend payments.

8 Property, plant and equipment

8.1 Cost or valuation

	Property			Plant and equipment			Total
	Freehold		Leasehold	Assets under construction	IT related assets	Other plant and equipment	
	Land	Buildings	Buildings				
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2012	19,360	61,767	27,409	439	75,477	5,681	190,133
Additions	-	-	-	151	1,798	796	2,745
Assets brought into use	-	-	-	(435)	185	-	(250)
Revaluation in year	-	2,762	251	-	-	-	3,013
Reclassification of assets	-	-	-	-	1,359	3	1,362
Impairment	-	(1,046)	(12)	-	-	(156)	(1,214)
Disposals	(5,398)	(8,484)	-	-	(5,922)	(1,056)	(20,860)
At 31 March 2013	13,962	54,999	27,648	155	72,897	5,268	174,929

Accumulated depreciation and impairment

At 1 April 2012	-	12,346	5,633	-	58,406	4,562	80,947
Provided during the year	-	1,870	1,304	-	7,505	247	10,926
Current cost revaluation	-	(508)	(629)	-	-	-	(1,137)
Disposals	-	(382)	-	-	(5,904)	(910)	(7,196)
At 31 March 2013	-	13,326	6,308	-	60,007	3,899	83,540
Carrying amount at 31 March 2013	13,962	41,673	21,340	155	12,890	1,369	91,389

8.2 Cost or valuation

	Property			Plant and equipment			Total
	Freehold		Leasehold	Assets under construction	IT related assets	Other plant and equipment	
	Land	Buildings	Buildings				
	£'000	£'000	£'000	£'000	£'000	£'000	
At 1 April 2011	19,689	62,012	29,160	861	74,716	30,936	217,374
Additions	-	-	-	40	3,963	89	4,092
Assets brought into use	-	-	-	(462)	-	-	(462)
Revaluation in year	(329)	(44)	(1,235)	-	-	-	(1,608)
Reclassification of assets	-	-	-	-	867	-	867
Impairment	-	(201)	(422)	-	(17)	(24)	(664)
Disposals	-	-	(94)	-	(4,052)	(25,320)	(29,466)
At 31 March 2012	19,360	61,767	27,409	439	75,477	5,681	190,133

Accumulated depreciation and impairment

At 1 April 2011	-	11,090	5,008	-	54,836	27,472	98,406
Provided during the year	-	1,256	662	-	7,445	1,505	10,868
Disposals	-	-	(37)	-	(3,875)	(24,415)	(28,327)
At 31 March 2012	-	12,346	5,633	-	58,406	4,562	80,947
Carrying amount at 31 March 2012	19,360	49,421	21,776	439	17,071	1,119	109,186

See note 1.7 on page 68 for details of the property, plant and equipment accounting policy.

See note 1.8 on page 69 for details of the impairment accounting policy.

The net amount of finance leases at the end of the year was £3.19 million (2011/12: £3.32 million). In the year £0.195 million of depreciation and £0.067 million of revaluation related to these assets.

8.3 Non-current assets classified as held for sale

In 2012/13 Birkenhead House, Lytham, was sold and two further properties, Chalfont Drive, Nottingham, and Drakes Hill Court, Plymouth, were reclassified from non-current property assets to assets held for sale and revalued to fair value less costs to sell. In 2010/11 Brickdale House, Stevenage, and Birkenhead House, Lytham, were revalued at fair value less costs to sell and transferred to assets classified as held for sale. Stevenage remains on the statement of financial position as an asset held for sale.

9 Intangible assets

9.1 Cost

	E-security £'000	Portal £'000	Business Gateway £'000	Software licences £'000	Total £'000
At 1 April 2012	9,691	15,967	1,766	72,631	100,055
Additions	-	-	-	1	1
Assets brought into use	-	-	-	250	250
Reclassification	-	-	-	(1,362)	(1,362)
Disposals	-	-	-	(19,330)	(19,330)
Impairment	-	-	-	(188)	(188)
At 31 March 2013	9,691	15,967	1,766	52,002	79,426
Amortisation					
At 1 April 2012	3,473	5,722	367	67,531	77,093
Charge for the year	969	1,597	177	1,395	4,138
Disposals	-	-	-	(19,068)	(19,068)
At 31 March 2013	4,442	7,319	544	49,858	62,163
Carrying amount at 31 March 2013	5,249	8,648	1,222	2,144	17,263

9.2 Cost

	£'000	£'000	£'000	£'000	£'000
At 1 April 2011	9,691	15,967	1,766	72,017	99,441
Additions	-	-	-	1,045	1,045
Assets brought into use	-	-	-	462	462
Reclassification	-	-	-	(867)	(867)
Disposals	-	-	-	(26)	(26)
At 31 March 2012	9,691	15,967	1,766	72,631	100,055
Amortisation					
At 1 April 2011	2,504	4,125	191	64,624	71,444
Charge for the year	969	1,597	176	2,938	5,680
Disposals	-	-	-	(26)	(26)
Impairment	-	-	-	(5)	(5)
At 31 March 2012	3,473	5,722	367	67,531	77,093
Carrying amount at 31 March 2012	6,218	10,245	1,399	5,100	22,962

10 Inventories

	2013 £'000	2012 £'000
Work-in-progress	1,455	1,365
	1,455	1,365

11 Trade and other receivables

11.1 Current

	2013 £'000	2012 £'000
Trade receivables	2,166	1,602
Other receivables	2,201	3,133
Prepayments and accrued income	2,970	3,631
	7,337	8,366

The average credit period taken on provision of services is two days. No interest is charged on the receivables. An allowance has been made for estimated irrecoverable amounts from the provision of services and this allowance has been determined by reference to past default experience. The carrying amount of trade and other receivables is deemed to be an approximation of their fair value.

11.2 Non-current

	2013 £'000	2012 £'000
Other receivables	509	557
Prepayments	617	529
	1,126	1,086

12 Cash at bank and in hand

	2013 £'000	2012 £'000
Government Banking Service	177,122	82,304
Commercial banks and cash-in-hand	35,229	38,933
National Loans Fund	260,232	258,580
	472,583	379,817

Land Registry's financial assets are bank balances and cash and trade and other receivables, which represent the maximum exposure to credit risk in relation to financial assets. The credit risk is primarily attributable to trade and other receivables and is spread over a large number of customers. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by management based on past experience and an assessment of the current economic climate. The credit risk on liquid funds is limited because Land Registry's bank balances are in the main held with the Government Banking Service and the National Loans Fund.

13 Trade and other payables

13.1 Current

	2013 £'000	2012 £'000
Trade payables	1,303	851
Taxation and social security	2,697	2,914
Other payables	2,343	2,279
Accruals	22,031	17,499
Net obligations under finance leases	305	278
PFI finance lease obligations	1,301	1,890
Deferred income – fees received in advance	8,283	7,279
Dividend payable	25,960	13,776
	64,223	46,766

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 4.4 days. The carrying amount of trade payables is deemed to be an approximation of their fair value.

13.2 Non-current

	2013 £'000	2012 £'000
Net obligations under finance leases	4,699	5,003
PFI finance lease obligations	2,141	3,035
	6,840	8,038

14 Intra-government balances

14.1 Receivables

	Current		Non-current	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Balances with				
Other central government bodies	1,832	2,831	–	–
Local authorities	53	450	–	–
Public corporations	–	1	–	–
Intra-government balances	1,885	3,282	–	–
Balances with bodies external to government	5,452	5,084	1,126	1,086
Total receivables	7,337	8,366	1,126	1,086

14.2 Payables

Balances with	Current		Non-current	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Other central government bodies	34,837	19,684	-	-
Local authorities	-	-	-	-
Public corporations and trading funds	1,120	2,010	-	-
Intra-government balances	35,957	21,694	-	-
Balances with bodies external to government	28,266	25,072	6,840	8,038
Total payables	64,223	46,766	6,840	8,038

15 Obligations under leases

15.1 Finance leases

Amounts payable under finance leases	Minimum lease payments		Present value of minimum lease payments	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Within one year	2,421	3,086	1,606	2,168
In the second to fifth years inclusive	5,387	6,662	2,893	3,935
After five years	7,755	8,460	3,947	4,103
	15,563	18,208	8,446	10,206
Less: future finance charges	(7,117)	(8,002)		
Present value of lease obligations	8,446	10,206		
Less: amount due for settlement within 12 months (shown under current liabilities)			(1,606)	(2,168)
Amount due for settlement after 12 months			6,840	8,038

15.2 Operating leases

	2013 £'000	2012 £'000
Minimum lease payments under operating leases recognised in the year	2,994	2,732
Income from tenants	(547)	(401)
	2,447	2,331

At the balance sheet date Land Registry had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2013 £'000	2012 £'000
Within one year	39	1,201
In the second to fifth years inclusive	807	1,012
After five years	904	781
Income due from tenants	(355)	(547)
	1,395	2,447

Operating lease payments represent rentals payable by Land Registry for land and buildings, including the Nottingham and Peterborough local offices.

16 Loans

Land Registry had no loans during the financial year ending 31 March 2013.

17 Provisions for liabilities and charges

17.1 Early release schemes and other

	Early retirement £'000	Early severance £'000	Other £'000	Total £'000	Early retirement £'000	Early severance £'000	Other £'000	Total £'000
	2013				2012			
At 1 April 2012	34,866	856	1,747	37,469	46,436	10,519	166	57,121
Revaluation of provision	608	444	1,693	2,745	2,668	856	1,581	5,105
Provision utilised in the year	(7,127)	(797)	(425)	(8,349)	(13,630)	(9,273)	–	(22,903)
Provision written back unused	–	(59)	(681)	(740)	(608)	(1,246)	–	(1,854)
At 31 March 2013	28,347	444	2,334	31,125	34,866	856	1,747	37,469
Included in current liabilities				10,870				9,878
Included in non-current liabilities				20,255				27,591
				31,125				37,469

The early retirement provision (ERP) gives retirement benefits to certain employees. These benefits conform to the rules of the Principal Civil Service Pension Scheme (PCSPS). Land Registry bears the cost of these benefits until the normal retirement age of the employees retired under the scheme. Total payments in the year amounted to £7.2 million in 2012/13, of which £7.1 million had been provided for within the ERP provision in the 2011/12 accounts. The total pension liability up to normal retiring age in respect of

each employee is charged to the statement of comprehensive income in the year in which the employee takes early retirement and a provision for future pension payments is created. Pension and related benefit payments to the retired employee until normal retiring age are then charged annually against the provision.

The early severance provision was set up to provide for the cost of those members of staff who will be leaving Land Registry under the terms of a formal early departure programme in place at the year end. Additions in this year relate to members of staff who entered into a firm commitment to take up the offer of early severance in 2012/13. Total payments in the year amounted to £1.0 million in 2012/13, of which £0.8 million had been provided for within the ERP provision in the 2011/12 accounts.

International Accounting Standard 37 *Provisions, contingent liabilities and contingent assets* requires that: "Where the time value of money is material, the amount of a provision should be the present value of the expenditures expected to be required to settle the obligation". The discount factor applied to the early retirement provision over ten years is 2.35 per cent. The impact of unwinding of the discount in 2012/13 was £1.4 million (2011/12: £2.4 million).

17.2 Indemnity Fund

	2013	2012 Re-stated
	£'000	£'000
At 1 April 2012	72,700	21,800
Provided in the year	12,496	8,673
Provisions utilised in the year	(12,496)	(8,673)
Provision revaluation	(4,700)	5,000
Prior year provision for IBNR	(200)	45,900
At 31 March 2013	67,800	72,700

Following the actuarial review by Lane, Clark & Peacock, the fund in respect of reported but not settled claims has reduced in 2012/13 by £4.7m (2011/12: £5m increase). In addition a provision of £45.7m has been made for claims incurred but not reported (IBNR) as at 31 March 2013. The 2011/12 financial statements have been re-stated to reflect the omission of the existing liability for IBNR claims as at 31 March 2012. The provision for IBNR claims as at 31 March 2013 is £0.2m lower than the previous year. When an omission is corrected adjustment is required for the earliest period presented, limited to the extent that it is impracticable to do so before a certain point. The earliest data we have for IBNR claims is for 31 March 2012, therefore we are only able to re-state the in-year movement and closing balance in the 2011/12 comparatives.

The assessment of IBNR is by its nature uncertain and therefore the ultimate settlement value of claims for IBNR could differ from the estimates used in these accounts by as much as £10m. The areas of uncertainty relate to assumptions (which are based on past data) about: the number of claims, average claim size, the number of large claims, settlement patterns, inflation and discount rates.

18 Capital commitments

	2013 £'000	2012 £'000
Capital expenditure		
Contracted for but not provided in these accounts.	12	2,000

19 Contingent liabilities

The Land Registration Act 2002 places a legal liability on Land Registry to indemnify for losses resulting from errors or omissions on the register of title. This includes errors resulting from frauds perpetrated by third parties. As a statutory insurer of titles in England and Wales, indemnity payments are not confined to mistakes made by Land Registry. All claims pending were as shown below irrespective of the likelihood of a claim being successful. Included in this total is the amount provided in the Indemnity Fund provision for reported but not settled claims (see also notes 1.16 and 17.2).

	2013 £'000	2012 £'000
In relation to entries in the register	15,168	17,593
Fraud and forgery	20,712	57,366
	35,880	74,959

20 Notes to the cash flow statement

20.1 Reconciliation of operating surplus to net cash inflow from operating activities

	2013 £'000	2012 Re-stated £'000
Operating surplus	108,891	55,707
Restructure and reorganisation costs	(7,182)	(18,944)
Depreciation of property, plant and equipment	8,480	9,182
Amortisation of intangible assets	1,395	2,938
Impairment in value of non-current assets	168	472
Impairment in value of intangible assets	188	-
Decrease in provisions	(6,343)	(19,652)
Increase in inventories	(89)	(150)
Decrease in receivables	1,054	1,598
Increase in payables	6,121	2,316
(Decrease)/increase in Indemnity Fund	(4,900)	50,900
Net cash inflow from operating activities	107,783	84,367

20.2 Reconciliation of net cash flow to movement in net cash

	2013 £'000	2012 £'000
Net cash at start of period	379,817	299,635
Increase in cash in the period	92,766	80,182
Net cash at end of period	472,583	379,817

21 Related party disclosures

In accordance with IAS 24 *Related party disclosures*, as interpreted by the FReM, the following information is provided on related party transactions.

Land Registry is an executive agency, trading fund and government department. During the year it has had a number of material transactions with other government departments and other central government bodies. Most of these transactions have been with Ordnance Survey and the Department for Communities and Local Government.

None of the board members, members of the key management staff or other related parties have undertaken any material transactions with Land Registry.

22 Public-private partnership

A contract was awarded in July 2009 to Steria for a five year period (with an option to extend for a further two years) under a public-private partnership arrangement. Steria is required to design, implement and manage the IT infrastructure for Land Registry's registration systems. The infrastructure will support Land Registry's move towards integrating its computerised registers, title plans and supporting deeds. See note 1.21 on page 70 for the accounting policy covering the Steria contract.

Steria is providing a managed service and this is achieved with an on-site team that work in partnership with Land Registry's local system administrators. To maximise the use of Land Registry's IT assets, PCs, servers and hubs that are compatible with the managed service are now maintained by Steria on Land Registry's behalf.

For 2012/13 £9.03 million (2011/12: £8.92 million) was charged under the Steria contract to the statement of comprehensive income.

The future payments committed under the Steria contract are detailed below.

	2013	2012
	£'000	£'000
Within one year	9,683	8,381
In second to fifth years inclusive	2,799	11,087
After five years	–	–
	12,482	19,468

Due to the flexibility built into the contract these numbers are estimates subject to change dependent upon Land Registry's transformation plans.

23 Corporate financial targets

	2013		2012 Re-stated	
	Actual %	Target %	Actual %	Target %
Percentage return on average capital employed	23.4	6.3	8.1	3.5

Under Trading Fund guidance issued by Treasury there is a principle of 'taking one year with the next' where the return on average capital employed is over five years commencing 1 April 2012 to 31 March 2017. As this is the first year there is no average comparative figure. (See Treasury Minute at appendix C on page 88).

24 Financial instruments

International Financial Reporting Standard 7 *Financial instruments: disclosures* requires disclosure of the role financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities.

Land Registry has no borrowings and relies primarily on income from statutory activities and is therefore not exposed to liquidity risks. Material deposits are held with the Government Banking Service and the National Loans Fund.

As all material assets and liabilities are denominated in sterling Land Registry is not exposed to interest rate risk or currency risk.

25 Events after the reporting period

In accordance with the requirements of IAS 10 *Events after the reporting period*, events after the statement of financial position date are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the certificate and report of the Comptroller and Auditor General.

Non-adjusting event after the reporting period

On 22 April a new Chief Executive was appointed, with the outgoing Chief Executive leaving on 13 May 2013. The handover date for the new Chief Executive was 13 May 2013.

Appendix A

The table below sets out our transactional activities for the year, along with comparatives for the previous year. In this financial year we serviced almost 24 million applications, fulfilling the requirements of the Land Registration Act. These form the core of our activities and the revenues associated with them. The table also details our progress towards electronic delivery in relation to the various types of application that we receive. Excluding bulk register updates (BRUs), the proportion of applications received electronically rose from 75.5 per cent in 2011/12 to 78.1 per cent.

Bulk register updates are groups of applications lodged at Land Registry affecting a large volume of registered titles, such as a bank changing the address for service on all of its registered charges. The levels of receipt of such applications are volatile in their nature and are therefore separated from other application types in order to avoid distortion of the data.

	2012/13			2011/12		
	Total applications received	Applications received through online services	%	Total applications received	Applications received through online services	%
Substantive applications exc. BRUs:						
First registrations	140,455	–	–	146,274	–	–
Dispositional first leases	176,035	–	–	166,934	–	–
Transfers of part of registered land	128,727	–	–	125,285	–	–
Dealings of whole with registered land	3,277,466	1,076,888	32.9	3,431,281	1,038,969	30.3
	3,722,683	1,076,888	28.9	3,869,774	1,038,969	26.8
Preliminary services applications:						
Official copies	9,396,780	9,076,408	96.6	9,321,067	8,836,530	94.8
Official searches	1,874,846	1,769,124	94.4	1,968,861	1,794,730	91.2
Official searches of the index map	1,521,828	1,146,621	75.3	1,636,205	1,060,388	64.8
	12,793,454	11,992,153	93.7	12,926,133	11,691,648	90.4
Enquiry services applications:						
Register views	3,797,893	3,797,893	100.0	3,847,098	3,847,098	100.0
Title plan views	645,343	645,343	100.0	620,568	620,568	100.0
Document views	65,009	65,009	100.0	71,499	71,499	100.0
Correspondence	306,570	65,632	21.4	320,383	76,256	23.8
Telephone enquiries	1,249,427	–	–	1,321,872	–	–
	6,064,242	4,573,877	75.4	6,181,420	4,615,421	74.7
Total applications	23,915,223	17,642,918	73.8	23,306,501	17,346,038	74.4
Bulk register updates (BRUs)	1,334,844	–	–	329,174	–	–
Total applications exc. BRUs	22,580,379	17,642,918	78.1	22,977,327	17,346,038	75.5
Substantive applications exc. BRUs	3,722,683	1,076,888	28.9	3,869,774	1,038,969	26.8
Preliminary services applications	12,793,454	11,992,153	93.7	12,926,133	11,691,648	90.4
Enquiry services applications	6,064,242	4,573,877	75.4	6,181,420	4,615,421	74.7
	22,580,379	17,642,918	78.1	22,977,327	17,346,038	75.5

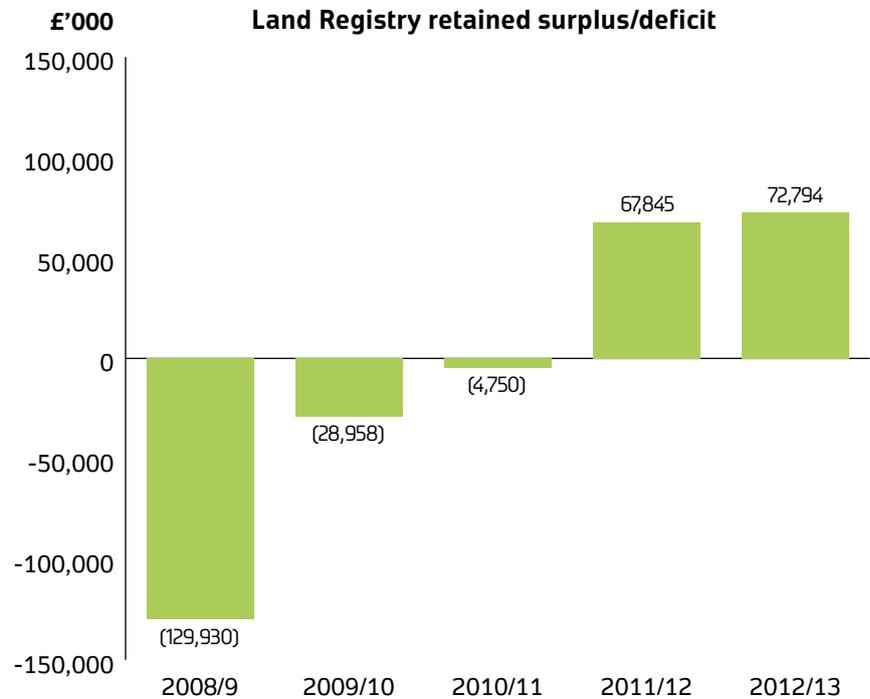
Appendix B Response to the economic climate

Our business running costs continue to fall year on year following significant restructuring through the Accelerated Transformation Programme in response to the housing market downturn and more recently our efficiency target for 2012/13, which we achieved.



Note: charts exclude 2011/12 IBNR provision.

Our retained surplus over 2011/12 and 2012/13 has redressed the deficit following the housing market downturn and we are positioned to ensure that our revenues are sufficient taking one year with another to meet outgoings.



Note: charts exclude 2011/12 IBNR provision.

The information in these charts is supported by the following five-year summary.

Land Registry income statements: five years to 2012/13

	(Re-stated) 2008/9 £'000	(Re-stated) 2009/10 £'000	(Re-stated) 2010/11 £'000	(Re-stated) 2011/12 £'000	2012/13 £'000
Fee income continuing operations	308,050	328,414	355,364	359,338	347,157
Cost of service	(354,634)	(292,020)	(275,675)	(289,909)	(227,751)
Gross surplus/(deficit)	(46,584)	36,394	79,689	69,429	119,406
Administrative expenses	(18,992)	(16,932)	(14,833)	(13,722)	(10,515)
Operating surplus/(deficit)	(65,576)	19,462	64,856	55,707	108,891
Profit/(loss) on disposals of non-current assets	(14)	4,037	39,114	5,170	3,913
Investment income – interest receivable	12,315	549	580	1,170	1,468
Finance costs	(7,830)	(784)	(870)	(878)	(936)
Amortisation and depreciation of e-service systems (conveyancing) in use	–	(2,334)	(6,577)	(4,448)	(4,053)
Restructure reorganisation costs	(50,253)	(34,609)	(87,847)	(21,000)	(10,529)
Surplus/(deficit) for the financial year	(111,358)	(13,679)	9,256	35,721	98,754
Dividend payable	(18,572)	(15,279)	(14,006)	(13,776)	(25,960)
Retained surplus/(deficit) for the year	(129,930)	(28,958)	(4,750)	21,945	72,794
Gain/(loss) on revaluation of property, plant and equipment	–	(1,100)	1,316	(1,608)	3,363
Comprehensive surplus/(deficit) for the financial year	(129,930)	(30,058)	(3,434)	20,337	76,157
FTE (average for the financial year)	7,350	6,525	5,322	4,588	4,325

2008/9: re-stated for International Financial Reporting Standards.

2009/10: re-stated for development expenditure, incorrectly classified as an asset then charged to income and expenditure account; £0.8m charged back to cost of service, and the amortisation was reduced by £0.2m.

2010/11: total e-conveyancing write-down during the year was £10.9m, consisting of £6.4m development cost not in use and £4.m assets already in use; disclosed in cost of service.

2010/11: re-stated in 2011/12 with two adjustments: (i) write off of government grant reserve £4.4m and £0.5m to the income and expenditure account; (ii) commercial income was previously offset to expenditure re-stated as commercial income with corresponding increase in costs £4.9m.

2011/12: re-stated in 2012/13 for IBNR prior year adjustment.

Appendix C Treasury Minute

HM Land Registry Trading Fund

HM Treasury Minute dated 24 April 2012

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 (or, where a Trading Fund is established for operations carried on by a person appointed in pursuance of any enactment, that person, if the Order establishing the Trading Fund in accordance with section 1(6) (a) of the 1973 Act) and in the discharge of his functions 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 and 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 HM Land Registry was established on 1 April 1993 under the Land Registry Trading Fund Order 1993 (SI 1993 No. 938). Article 3 (2) of that Order provides that the Trading Fund shall be under the control and management of the Chief Land Registrar. Additional assets were appropriated to the Trading Fund on 11 March 1996 under the Land Registry Trading Fund (Additional Assets) Order 1996 (SI 1996 No. 750). On 13 October 2003, the Trading Fund was extended and amended under the Land Registry Trading Fund (Extension and Amendment) Order 2003 (SI 2003 No. 2094).
3. The Secretary of State for the Department of 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 HM Land Registry to achieve, over the period from 1 April 2012 to 31 March 2017, 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 15 December 2003.
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 per cent real will be calculated annually as 3.5 per cent plus the latest inflation estimate for that year, provided by ONS. By way of a worked example, for the fiscal year 2012/13 the financial target will be 6.29 per cent. This has been calculated as (1+3.5 per cent)* (1+ 2.7 per cent), where 2.7 per cent is the ONS 2012/13 inflation estimate (National Accounts figures from the ONS, http://www.hm-treasury.gov.uk/data_gdp_fig.htm, 22 December 2011).

HM Treasury
24 April 2012



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