

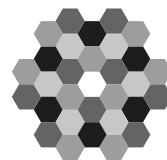


Land Registry Annual Report and Accounts 2011/12



# Land Registry

## Annual Report and Accounts 2011/12



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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## Statement by the Chair



**Mark Boyle**  
Chair

Land Registry celebrates its 150th anniversary in October, marking the significant date on which land registration began in England and Wales.

So when I was appointed its first independent Non-Executive Chair last autumn I was aware of the strong historic legacy as well as the excitement of the future.

This is an organisation with a long and proud record of public service and achievement and the challenge for me is to build on this in line with Government objectives while remaining true to Land Registry's heritage and purpose.

I first became aware of Land Registry from my position in the Shareholder Executive, part of the Department for Business, Innovation and Skills (BIS). It has since come under the executive's wing when it moved to BIS from the Ministry of Justice in July 2011. My appointment as Chair, however, is in an independent capacity and I take care to separate these

responsibilities from those I still hold in the Shareholder Executive.

I was, and continue to be, impressed by the professionalism and capability of Land Registry and by the strong base for the future created by its restructuring programme and the development of the Customer Strategy.

We now have the opportunity to build on this, with the Land Registry Board playing a fuller and more strategic role than it has in the past.

The creation of my role dates back to a governance review that identified the need for a clear separation between the Executive and Land Registry boards, together with greater oversight of the organisation's strategy and performance.

While Land Registry has always been an extremely professional and high-performing department, a balanced independent supervisory board of non-executives will bring a range of experience and external perspectives. My mandate as Chair is to refresh the Land Registry Board and to lead it in setting the overall strategy and determining the priorities for the business. Day-to-day responsibility for running the organisation continues to lie with the Executive Board led by Malcolm Dawson.

Together Malcolm and I have reviewed the governance arrangements for the Board with a view to improving its effectiveness. This includes agreeing new terms of reference for the Board and the Audit Committee and the Remuneration and Nomination Committee.

My other initial priorities have been to listen to and learn about

the organisation, by meeting and talking to as many colleagues, customers and stakeholders as I can, and, together with Malcolm, working on the development of a new Business Strategy.

Central to the latter is exploring the opportunities offered by the change of department and membership of the new Public Data Group, linking the complementary themes of greater efficiency and increased transparency of data in order to support the Government's overall objective of driving economic growth. This gives us the chance to play a wider and more proactive role in the UK economy than in the past while continuing to fulfil our core duty to maintain the integrity of the Land Register.

To achieve this we're very conscious of the need to work closely and harmoniously with all our stakeholders, customers and employees.

Much is expected of us, whether it's the Government looking for greater efficiency and transparency, our customers wanting continuing support and security, or our employees seeking confidence and a clear sense of direction for the future.

We know that Land Registry has a distinguished past. Over the last six months I've learned that a sense of optimism about its future is justified but much hard work lies ahead to make the most of this opportunity.

A handwritten signature in dark ink, appearing to read 'Mark Boyle'.

**Mark Boyle**  
Chair  
Land Registry Board

## Foreword by the Chief Land Registrar and Chief Executive



### **Malcolm Dawson OBE**

Chief Land Registrar and Chief Executive

Land Registry has changed for the better over the past year. That's not just my opinion – it's what our customers are telling me too.

I've made it a priority in my first year as Chief Land Registrar to meet and talk to as many customers as possible. I've been learning about their businesses, what they think about us and how we can work more effectively together.

The feedback has been positive. I've been told that there has been a discernible change in our approach and attitude. We're no longer hidebound by rules and working to our own agenda. Instead we're more open, flexible and focused on our customers' needs.

This is best illustrated by the impact of introducing customer teams. Nearly 80 per cent of our work now comes in from customers who are signed up to a dedicated customer team and every one of these customers I have spoken with has been positive about the new relationship they are developing.

They know who to speak to when they have problems. They get feedback on the quality of their applications and areas where issues regularly arise. This often enables the customer to enhance their processes and the training they provide for their staff and it has practical benefits in improved efficiency. Over the last 12 months the average number of written requisitions per signed up customer has fallen by 35 per cent. We have also focused on reducing rejected applications for all customers and have seen a 22 per cent reduction across the 12 months. This saves time and money for both us and our customers.

It's this proactive, customer-focused approach that is finding favour. It's a message I've heard on my visits and also when I speak at conferences. Whether it's lenders, conveyancers, other property professionals or the general public, we hope and believe that they've noticed the difference in the way we work. The improvement in our customer satisfaction score of five percentage points to 97 per cent over the full year, including an outstanding 99 per cent achieved in the final quarter, is a testament to the work that has gone in across the organisation to successfully bring our Customer Strategy to life.

Getting positive feedback in this way is energising for me and for the organisation as a whole. As well as meeting customers, I've spent a lot of time over the last 12 months talking to and listening to colleagues around Land Registry. They are full of ideas for improving our services and keen to engage with customers more directly, in the knowledge that the groundwork has been done for a better future.

By the end of last year we had completed the tough restructuring programme which began following

the economic downturn in 2008. We closed our Stevenage and Tunbridge Wells offices, ran a number of voluntary severance exercises in different parts of the organisation and completed the outsourcing of our facilities service to Carillion and our regional file store network to TNT.

It has been sad to see so many valued and experienced colleagues leave the organisation, not just last year, but over the last three years. Since 2008 we have reduced our workforce by nearly 44 per cent. But these changes were necessary and we did our best to manage them as sensitively as possible. We are back on a sustainable footing and able to focus our energies on delivering the services our customers and stakeholders need.

Alongside radical structural change, the past year has seen significant changes in Land Registry's governance. We welcomed Mark Boyle as the first Non-Executive Chair in Land Registry's history and, as a result, have reviewed and revised the structure and role of the Land Registry Board to enable it to provide more effective oversight. In July 2011 ministerial responsibility for Land Registry moved away for the first time from the Lord Chancellor to the Secretary of State for Business, Innovation and Skills (BIS). This was a precursor to our becoming a founder member of the Public Data Group later in the year, alongside Ordnance Survey, Companies House and the Met Office.

These changes are part of the Government's objectives for improving the accessibility of public data and supporting economic growth and have added a new perspective to our work. While our

continued

central purpose remains to deliver our statutory responsibilities as efficiently and effectively as possible, we are now also focused on our role as a data business and exploring how we can make better use of and share data to support growth and public service efficiency.

As a first step, we released monthly Transaction Data free for the first time in January and our monthly Price Paid Data free in March. Both data sets have generated a great deal of interest both from business and private customers and will, I believe, be just the start in deploying our resources and assets to the benefit of the economy and society at large.

While a great deal has been going on organisationally, we've still kept our focus on our day-to-day work. Performance against our key performance indicators has been very good, although we've not hit every target. I've already mentioned our customer satisfaction score, which exceeded the 95 per cent target. We also beat all our quality and finance targets and went beyond our customer and innovation benchmarks in every area bar commercial revenue, employee engagement and electronically delivering our top six dealing transactions.

Even in those areas where we didn't meet our target, we made good progress. The e-document registration service, which was the one element of our e-service target we didn't complete, will go live in Business Gateway during the summer and on the portal by the end of the calendar year. We also made progress on employee engagement, despite the difficult environment resulting from the continuing pay freeze and pension reforms. While we missed the



target for revenue from our Add Value services, we still achieved an increase in income of 13 per cent and exceeded the goal for the profit margin. This reflects good progress in a difficult trading environment.

So overall we have a great foundation to build on over the coming year – a historic one for us as we celebrate our 150th anniversary. Having completed our restructuring programme, we are now focused on embedding the cultural change that is already making a difference to our customers. We have restored financial stability and now expect to reduce our fees later this year, passing on the benefits to our customers.

We will continue to work to cement our role in BIS and the Public Data Group and to build ever closer relationships with our customers

and key stakeholders. Finally, we will complete work on our new Business Strategy setting out how we can best support economic recovery, improve public service efficiency and support the land and property market. There are some real challenges to come over the next two to three years but I am confident that we will meet them to the benefit of our customers, our partners, our employees and the wider economy.

**Malcolm Dawson OBE**  
Chief Land Registrar and Chief Executive  
12 June 2012



## Who we are and what we do

Her Majesty's Land Registry (Land Registry) was established in 1862. We are a non-ministerial government department, 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.

Land Registry 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 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.

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 Land Registry's primary governing statute.

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 2008.

We serve a population of more than 55 million and facilitate one of the most active property and mortgage markets in the world. Our Land Register comprises more than 23 million titles, and more than 12.2 million hectares – or approximately 79 per cent – of the land mass of England and Wales is now registered.

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 the Land Charges and Agricultural Credits departments share Seaton Court in Plymouth.



**Alasdair Lewis**  
Director of Legal Services and  
Deputy Chief Land Registrar

## Vision, purpose and objectives



**David Evans**  
Director of Human Resources

### **Our vision**

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

### **Our purpose**

Our purpose is 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**

Our strategic objectives align with our vision under the categories of customer, quality, innovation, and finance. These are supported by our key performance indicators and targets.

#### **Customer**

To identify, anticipate and satisfy customer needs by constantly refining and developing products, services and channels

#### **Quality**

To continually improve operational delivery in order to drive efficiencies, quality and value

#### **Innovation**

To build a flexible and efficient organisation with the capability to enable us to respond to market fluctuations and changing customer needs and to identify and implement opportunities for development for Land Registry

#### **Finance**

To meet all financial and efficiency targets while funding our future work investment programmes

#### **Diversity**

Our diversity objective is summarised in the medium-term objectives for the Senior Civil Service (SCS) and grades below SCS with the broad objective of achieving representation that better reflects the population as a whole

## Our performance



**John Peadar**  
Director of Operations & Customer  
Delivery

### **We met our targets for:**

- customer satisfaction
- the quality, accuracy and speed of our registrations
- the availability of our electronic channels
- improving, expanding and applying changes to our electronic services
- progress in our restructuring, performance management and continuous improvement programmes
- our financial performance.

### **We did not meet our targets for:**

- increasing the revenue from our commercial services
- increasing the number of employees positively engaged.

### **We postponed fulfilment of our target for:**

- delivering six more transactions electronically.

Our year in figures

Number of applications

Total 23,306,501

Electronic 17,347,688

Customer satisfaction score

97%

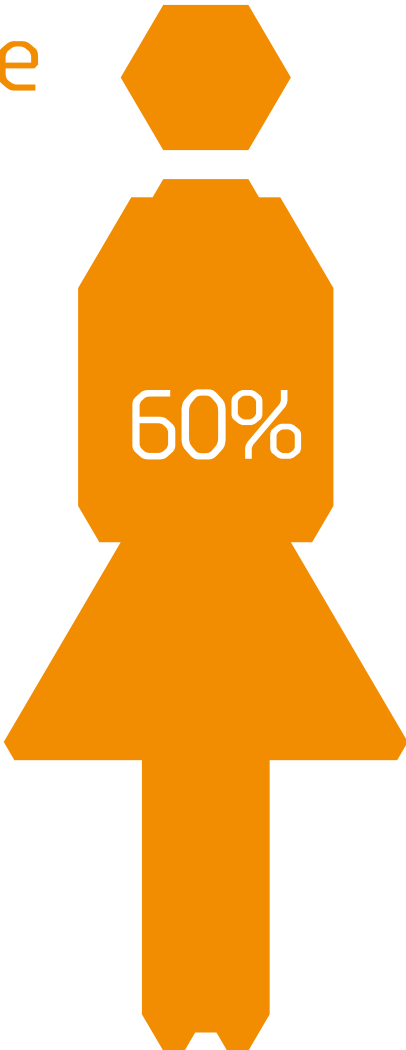
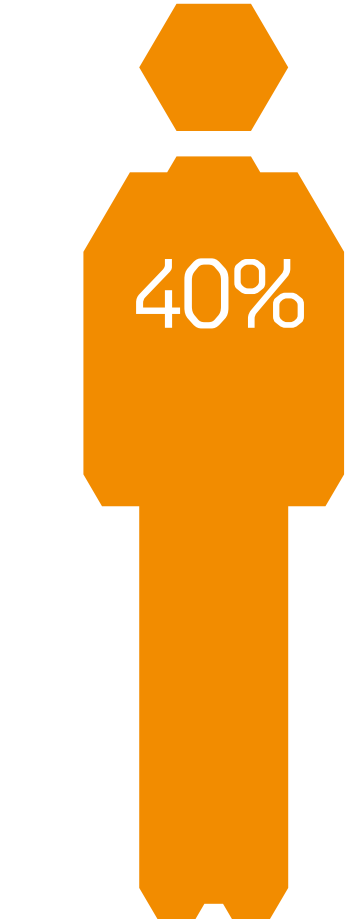


Number of employees

4,724 people

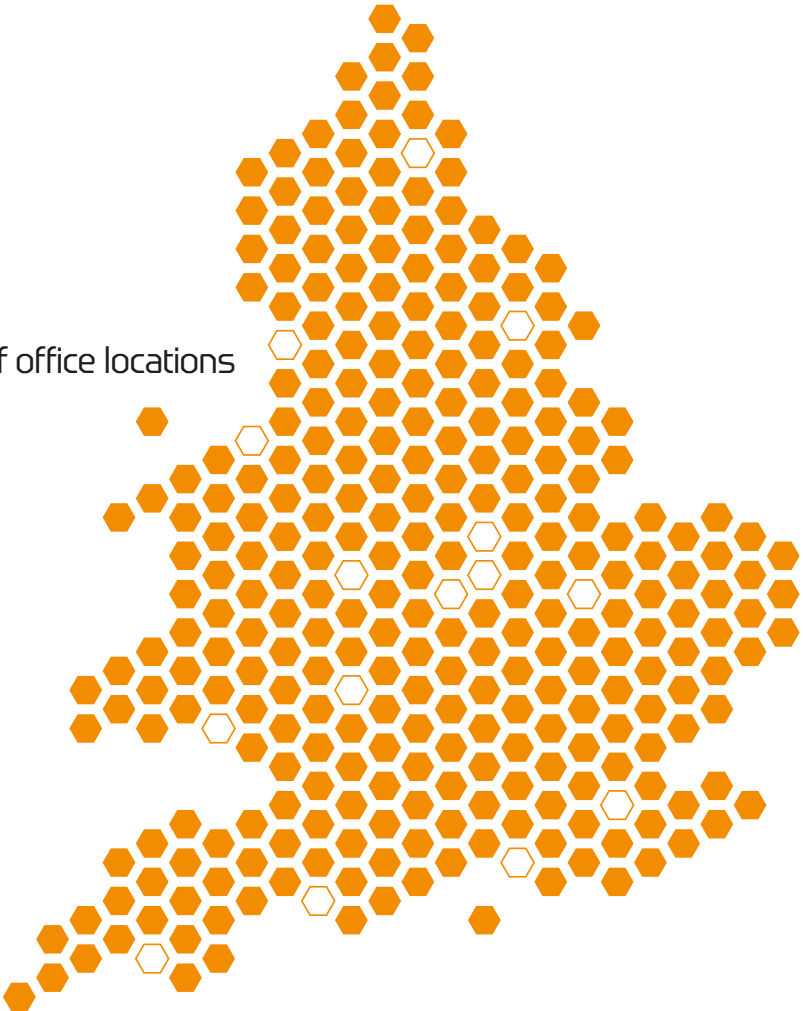
Number of diversity champions

28



Number of office locations

15



Land Registry



More than 23 million titles in the Land Register

Income

£359.3m



Retained surplus

£67.8m



Dividend paid to the Treasury

£13.8m

Operating costs

£257.7m





## Our year in focus

Land Registry has been through successive years of major internal and external change but the past 12 months were perhaps the most momentous yet.

With a new Chief Land Registrar and Chief Executive – Malcolm Dawson – appointed at the start of the year, the organisation made a historic change of department by joining the Department for Business, Innovation and Skills (BIS) after almost 150 years under the Lord Chancellor.

We also became one of the founder members of the Public Data Group (PDG), along with Companies House, the Met Office and Ordnance Survey, all of which report to BIS.

“Land Registry’s leadership in the Accelerated Transformation Programme has been very impressive. This has given Land Registry a high reputation for professionalism and managing itself which will stand it in good stead. People recognise that this organisation has met and resolved some really tough challenges over a short period of time and that’s a big tribute to all the staff involved.”



**Martin Donnelly**, Permanent Secretary, Department for Business, Innovation and Skills

The change of department and membership of PDG signal that the Government sees Land Registry and its partners as having key parts to play in the economy, actively assisting towards the central priorities of economic growth and data transparency. Our first contributions were to release two sets of data free for reuse – Transaction Data and Price Paid Data – that will now be published each month with our House Price Index under the umbrella name of Market Trend Data.

Just as historic a change was the appointment of Mark Boyle as Land Registry’s first-ever Non-Executive Chair. The role was created in response to a governance review that identified a gap in our arrangements in terms of the oversight of the Executive Board and the provision of strategic direction. Mark is Chair of the Land Registry Board. Jan Crosby, a member of the Shareholder Executive, also joined the Board as a new Non-Executive Director, with further appointments to come.

Our **Accelerated Transformation Programme** was winding down in 2011/12 as many of our counterparts in the Civil Service were embarking on their internal restructuring plans. However there were still significant and sometimes uncomfortable changes across the organisation, with the closure of our local offices at Stevenage and Tunbridge Wells and the running of voluntary redundancy programmes that demanded tough choices by employees and managers.

Our Human Resources (HR) Directorate won a Civil Service Award in 2010 for the support we provide for people affected by office closures and redundancy. That expertise was on offer to everyone who left Land Registry, or were

## High Speed 2

Land Registry data was vital to the consultations held with property owners along the proposed route of the High Speed 2 rail line. We supplied Electronic Extent Data – also known as polygons – to HS2 Ltd so it could identify people who might be affected by phase 1 of the project between Euston (pictured) and Birmingham. The company also needed to find out who owned the land on the route where migratory birds habitually winter. The consultation stage, during which community forums were set up in relevant areas, ended with the Secretary of State for Transport's decision to proceed with the recommended route in January. A dedicated Land Registry team will now be working with HS2 on the next stages.



Keith Gentry/Shutterstock.com

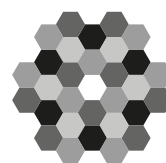
relocated or redeployed, in 2011/12. Where voluntary exit schemes were oversubscribed, managers had to prioritise and not everyone had the outcome they would have preferred. However the decisions were made with fairness and equity always in mind.

HR Directorate's initiative in implementing the Next Generation HR model ahead of many government counterparts played its part in the way the transformation programme was handled. The structure of a central HR Service Centre supporting line managers in handling their team members' personnel issues, with business partners assisting long-term organisational change, is already in place in Land Registry. The myHR intranet pages are an integral part, making HR policies clear and accessible, including in the areas of redundancy, redeployment and relocation.

## Free data initiative

The four members of the Public Data Group (PDG) are working collectively to make their data available to users and re-users at a reduced cost or free. Land Registry is already publishing two free monthly data sets under the initiative – Transaction Data and Price Paid Data. The former provides information about the number and type of customers' applications and transactions and the latter the price data for every residential property sale lodged for registration. The first Price Paid Data spreadsheet, detailing more than 56,000 sales in February, was downloaded 4,481 times in the first three weeks of publication.

Land  
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Met Office



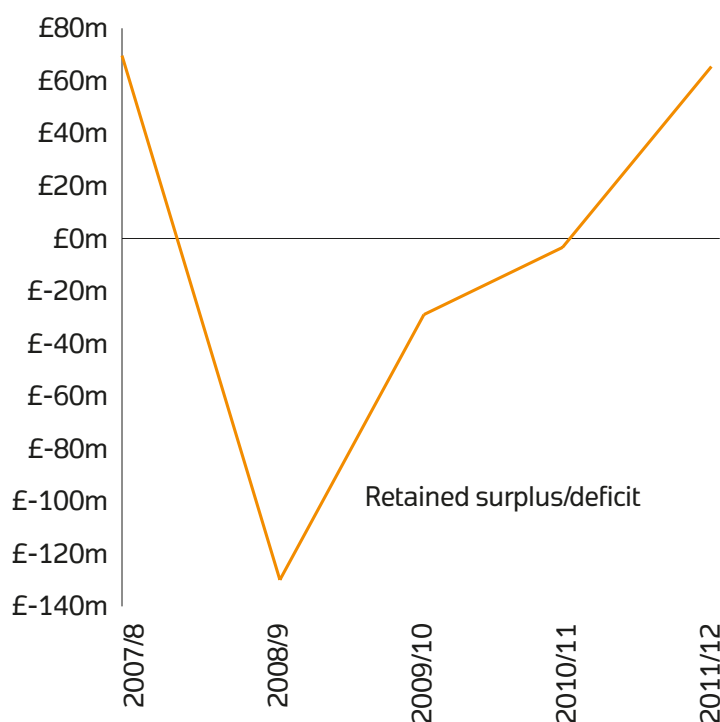
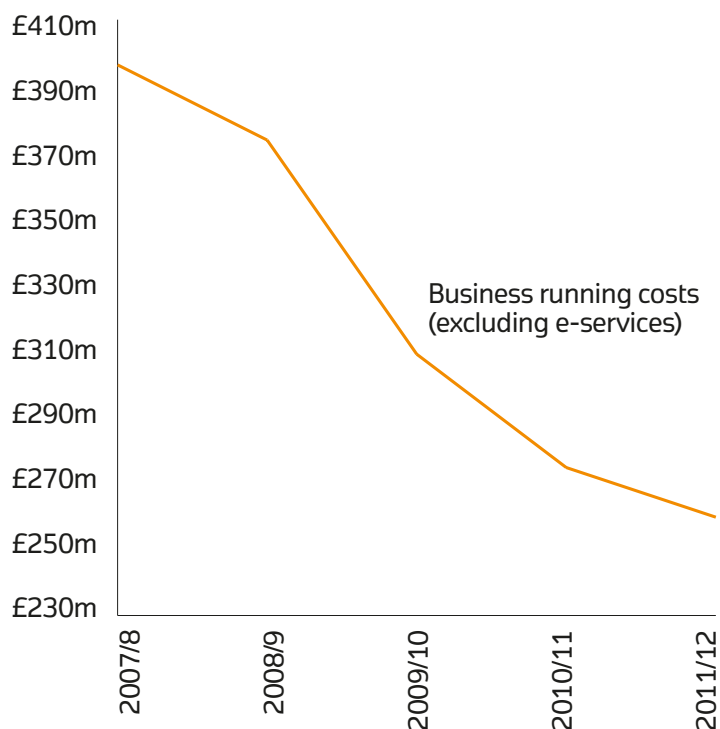
Companies House

## Our year in focus

The programme also demanded the transfer of the closing offices' work to counterparts around the country. This included some of the most complex ongoing projects in the organisation, such as the registration of the High Speed 1 rail line lease. A team at Wales Office took over this work and the successful registration meant the lease could be sold by the Secretary of State for £2 billion. This demonstrated again Land Registry's ability to manage challenging restructuring and reorganisation projects.

Our **estate management** team has been working intensively to sell off empty local office buildings and decide the future of others where leases were coming to an end or opportunities for relocation had arisen. Tŷ Bryn Glas and Manselton File Store in Swansea were sold for £3 million and £0.2 million respectively, St Andrew's Court in Portsmouth for £7.35 million and Plumer House in Plymouth for £2.85 million. Castle Wharf House in Nottingham will become the new home of our Nottingham Office from autumn 2012 following the signing of the lease. Nottingham's current home, Chalfont Drive, is up for sale with planning permission for housing.

The income from these property deals comes as Land Registry enjoys a greatly improved financial position. Our retained surplus for the year of £67.8 million is the result of a sustained programme of cost cutting since 2007/8, both in our cost of service and our administrative costs. With our staff numbers falling by 44 per cent, our staff costs have fallen from £247.22 million in 2007/8 to £185.64 million in 2010/11 and £162.36 million this year.



## Facilities contract

Carillion commenced delivery of the newly outsourced facilities management service in April 2011. An integrated team of facilities and procurement staff provide a rigorous contract management regime that monitors areas such as compliance with statutory obligations, performance against agreed service levels and value for money from any change requests. This has ensured that the outsourced service is already delivering the significant cost benefits that were forecast, including £3.6 million in 2011/12 alone.



Collaborative working between Corporate Procurement and other teams within Land Registry has delivered significant savings that have contributed to the overall reduction in the cost of service. We've outsourced our facilities and file store management contracts to Carillion and TNT respectively and ensured our contracts with partners such as IBM have delivered the greatest possible value for money.

We again invited our contractors to an annual conference, held for the first time outside London at our Coventry Office, to discuss how best we can work together to achieve savings and sustainability. The face-to-face communication is invaluable and this year the event was livelier and more productive than ever.

We've also run a tight ship on debts, with the current level of overdue debt at less than 0.01 per cent of turnover. Our finance and legal teams work closely to make the appropriate decisions on when to pursue outstanding debts and when to declare them irrecoverable.

The **efficiency savings** we have made will allow us to reduce our fees by an average of around 10 per cent in 2012/13. This has been our intention since the Fee Order of 2009 increased our fees in response to the substantial fall in our income caused by the property slump. It will mean home buyers will benefit directly from our improved efficiency.

Our customers are uppermost in our minds in every decision we take. Our Customer Strategy sets out how we intend to serve the needs of our customers at a cost that both we and they can afford. Every member of staff has taken part in an interactive workshop on the strategy, learning what it means for them in principle and in practice.

The findings of our customer satisfaction surveys suggest we're making progress. Independent agency Ipsos Mori surveys our customers every three months by phone, speaking to at least 1,200 each year. Their findings have returned an overall customer

satisfaction score of 97 per cent against our target of 95 per cent, the highest level since our independent survey began in 2007. Our additional Net Promoter Score measure, which shows us how our customers feel about their relationship with us, has climbed to 55 per cent from 38 per cent when it was first launched. Over the year we received 2,193 complaints and responded to 92 per cent within our five-day target.

**Customer teams** are now an established and integral feature of the way we serve our customers. Where previously applications were lodged on the basis of geographic location, the 4,400 firms signed up to customer team working now work solely with their designated team in one of the local offices. Sixty-five per cent say they have improved the service we offer. The teams are building personal relationships with their customers, getting to know their businesses and collaborating on enhanced working practices.

Our teams' workload remained generally steady though a surge



Our year in focus

Customer teams

Wilkin Chapman LLP is among the firms who believe customer team working has benefited their business by providing one point of contact for all their work with Land Registry. Head of Debt Recovery and Insolvency Chris Grocock says he has built a good working relationship with his customer team representative at Hull Office and they now understand his business and its needs. “This understanding has led to efficiencies by improving the speed and ease of identifying and resolving land registration problems before they occur, and as they arise,” says Mr Grocock.



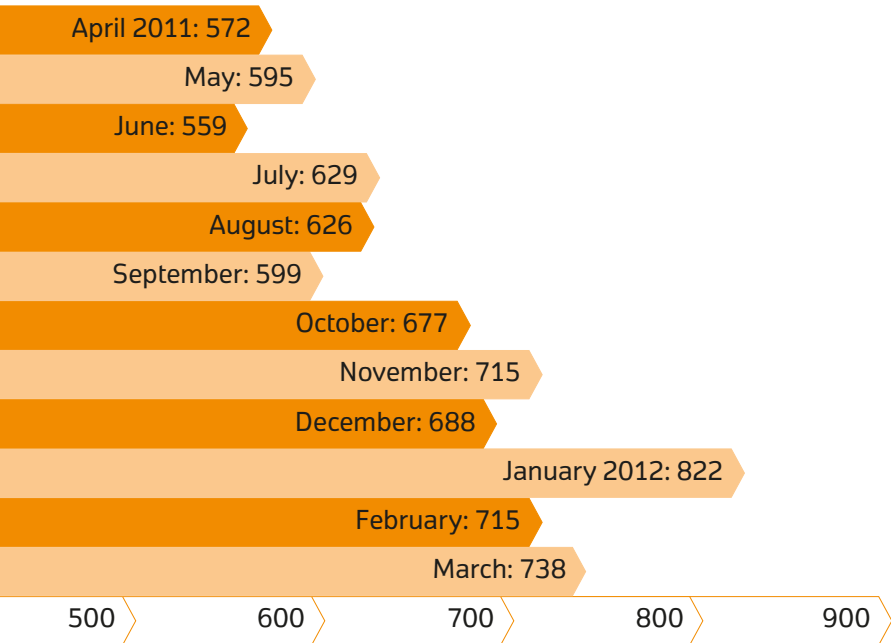
was created by solar panel leases. The rise in popularity of solar panel installation under the Feed-In Tariff scheme brought us an increasing number of dispositional first leases – first registrations of leases created out of registered titles – during the second half of the year. Our teams met this and other challenges and achieved our speed, quality and accuracy key performance indicators.

The registrations we processed over the past 12 months meant the number of titles on the Land Register topped 23 million. A total of 194,037 hectares appeared on the register for the first time, taking the proportion of the land mass of England and Wales currently registered to just over 79 per cent.

While our customer teams have transformed the way we process paper applications, we have continued to expand our **electronic services** (e-services). E-services offer speed, certainty and accuracy with the additional benefits of cost and environmental savings and an electronic audit trail that

Shareholder Executive Chief Executive Stephen Lovegrove visits a customer team

Dispositional first lease intake (per day)





## Registering the Olympics

We started preparing for the huge volume of work generated by the 2012 Olympics as soon as London was named as host. More than 90 per cent of the Olympics-related registrations had been completed by our Stevenage Office when it transferred its major project work to our Wales Office. A specialist team at Wales took up the baton at a critical time, concentrating on the remaining applications for the Olympic Park and the registration of the leases and rent charges of 1,400 of the 2,800 flats in the athletes' village. For security reasons the team lacked the usual on-site survey information and so took the innovative step of relying on architects' drawings that were downloaded onto Land Registry systems to create the title plans. Our Telford Office registered the Westfield shopping centre next door to the Olympic Park.



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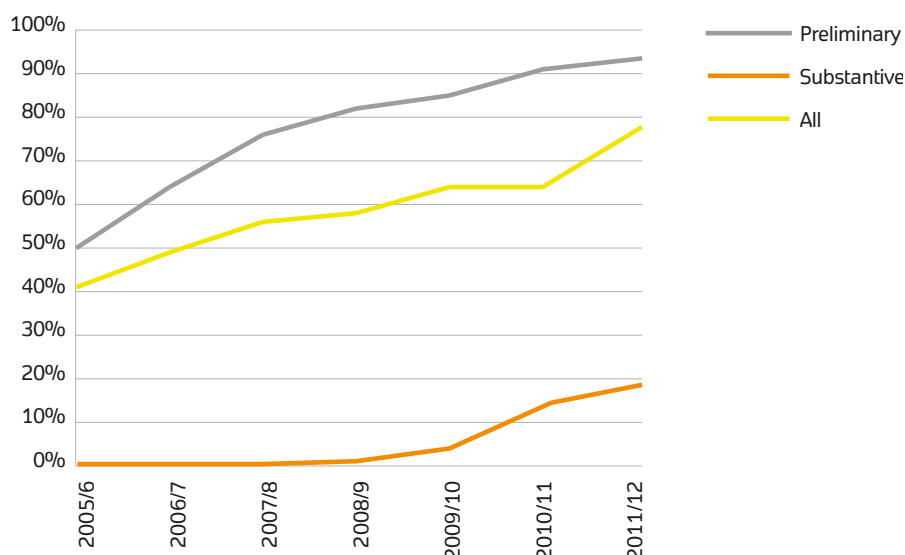
helps combat fraud. Their growth in popularity means that over the year we received more than three-quarters of our transactions electronically.

Our Business e-services are available to more than 14,000 organisations via our secure portal. Several improvements to the on-screen service were made during the year, providing clearer information and greater opportunities for interaction.

Business Gateway offers the additional benefit of direct communication via the internet between our systems and a customer's case management system, which means the information received does not need to be retyped or further validated. Until recently the service was limited

to a small number of customers but its popularity is set to grow now the fee for use has been removed and additional services added.

### E-services transactions (percentage)



## Our year in focus

### Prize-winning service

Our Register Extract Service was rated ahead of initiatives by two multinational companies when it won first prize in the Delivering Business Value and E-Commerce category of the 8th Real IT Awards. It provides a fast and efficient service for customers ordering official copies of property registers. Rather than be sent a document to be manually inputted into their systems, they receive the raw data from the Land Register directly into their case management systems via Business Gateway. The judges commented that our service provides: "A great example of a win/win in providing value for both the Land Registry and their customers."



### Praise for Business Gateway

Norton Finance: "The main benefit for Norton Finance is that our underwriters no longer have to manually enter the register details, which not only saves time but also prevents common errors. Overall the introduction of the service has streamlined our loan application process, with clients welcoming a quick and reliable application."



Enhancements to our e-services are tested with customers

We are now developing our new e-document registration service (e-DRS), which will allow customers to electronically lodge a suite of applications – including substantive registrations – that are currently submitted on paper. An application

lodged through e-DRS will be processed much faster on average than a postal application. The prototype has been successfully tested with selected customers and we plan to launch e-DRS via Business Gateway in summer 2012.

Our commercial Add Value services are for professionals, businesses and members of the public who want definitive property and property ownership information in user-friendly formats, helping them manage their records, keep track of their markets and identify business opportunities. The income goes straight back into Land Registry for reinvestment.

This year the services earned us income of £4.9 million – up by 13 per cent on last year – against our target of £5.4 million, with a profit of 26 per cent against a target of 14 per cent. We launched two new Add Value services, Volume Data Matching and Monitoring Services.

Our statutory and Add Value services draw on the **customer insight** that is informing all our work. Our internal product development team uses this insight for our research and development, and proof of concept, so everything we create is predicated on customer needs. As well as our customer surveys, our formal consultations and our day-to-day liaison with customers by our business development executives and other frontline staff, we hold regular meetings of our Land Registry Advisory Council to give us early and expert opinion on our ideas and proposals.

Vital to the success of our electronic and Add Value services is the work of our Information Systems Directorate, which both develops and manages our IT systems and services in collaboration with external partners including IBM, Steria and Logica. We make 500 changes, large and small, to our IT systems each month – with more than 98 per cent applied successfully. This level of expertise ensures that our external

### Volume Data Matching

Data Matching is our top-selling Add Value Service, earning us income of £880,202 in 2011/12. It matches names and addresses supplied to us against our database, confirming whether or not a person is the actual owner of a property. By talking to customers and potential customers, our business development executives found that some wanted to be able to submit much higher volumes of data than the service allowed. A relatively straightforward tweak created Volume Data Matching, which can process up to one million rows of information overnight. The first order, from a firm that had never used Land Registry services before, totalled £240,000.

e-channels, including our website, the portal and Business Gateway, have been available more than 99.5 per cent of the planned available time.

In December we signed a revised, improved contract with IBM to upgrade the software that we use to operate our register database and for casework and e-services. The three-year deal, extending our 20-year relationship with IBM, will deliver savings of £4.3 million over the life of the contract. The renewal, due to its value, required approval from Cabinet Office Minister Francis Maude. It includes new provisions to support the hosting of services for other public bodies, ensuring that wider government benefits can accrue from this investment.

We are one of a handful of government departments with Capability Maturity Model

Integration (CMMI) and ISO 20000 **accreditations**. The former was renewed and the latter awarded in the past 12 months. ISO 20000 is the international standard for IT service management and its award followed a testing two-stage assessment that allowed us to demonstrate we were matching the best of IT industry practice.

With so much of our work delivered through electronic channels, we've also redesigned our main website to ensure it's serving our customers as well as possible. The content and navigation have been overhauled, with dedicated sections created for members of the public and property professionals. Its capacity can now match the peaks and troughs of visitor demand and, working with supplier Squiz, we will make considerable savings by hosting the site in 'the cloud'.

## Our year in focus

**Social media** is becoming an essential means of communication with our customers. We tweet on a regular basis, with our Customer Service team responding to any queries or criticisms about our services on Twitter. We've also set up a company page on LinkedIn, the world's largest professional network, that allows us to initiate group discussions with customers and stakeholders on topics such as new products and services.

Our INSPIRE polygon dataset was published on our website at the end of November, putting quality Land Registry data in a new pan-European shop window. INSPIRE – Infrastructure for Spatial Information in Europe – is a European Commission initiative aimed at making spatial data more accessible. The publication of our polygons – electronic representations of registered titles – followed a concerted drive by our data integrity teams to prepare them in time. Our mapping systems, crucial to our casework, have been updated in line with the new Ordnance Survey database by working with our Public Data Group partner.

**Registration fraud** is extremely rare but we take the threat very seriously. Our counter-fraud measures have prevented fraud valued at £52 million since September 2009. In 2011/12 we paid out £7.19 million from our Indemnity Fund for 52 claims involving fraud, down from £7.37 million for 71 claims in 2010/11. More than half the sum paid in 2011/12 was accounted for by a single payout of £3.65 million for a fraud dating back to 2009.

The total payout from our Indemnity Fund, including claims for errors and omissions, was £9.27 million,



down from £9.42 million. We also recovered £0.484 million under our rights of recourse.

Teamwork with our partners and stakeholders has also played a part in our fraud prevention drive. We joined forces with 37 other organisations to launch the *Fighting fraud together* strategy, committing us all to work together to prevent and disrupt the activities of fraudsters.

A clear illustration of the success of this approach was how our Counter-Fraud Group worked with the Metropolitan Police during their inquiry into a property fraud. We took immediate action to protect the interests of the registered proprietors of the properties suspected of being targets of the fraud, and to ensure that further properties were not subject to the same attack. Sadly, for the first

time in our history, this inquiry led to the conviction and imprisonment of a Land Registry employee for fraud offences.

Our *Protect your property* campaign has been keeping vulnerable home owners informed about how they can reduce the risks, with the addition this year of the new form RQ service.

The Rule Committee provides external advice and assistance on **changes to our rules** and so had a key part to play when they were redrafted to take account of the alternative business structures introduced by the Legal Services Act. The main impact was to change the definition of a conveyancer, which runs through all our rules.

The committee examined the draft in detail before we put the submission to our ministers. Land Registry representatives were then on hand to support the ministers when the rules were debated by committees in the House of Commons and House of Lords. Once the rules were adopted we amended all our practice material.

### Counter-fraud initiative

An imaginative application of our rules has allowed home owners who did not live at their property to make a request, using form RQ, for a protective restriction to be entered in their register with no charge payable. The restriction requires conveyancers to certify that someone selling or mortgaging a property is the true owner, giving absent owners greater peace of mind. Since the service was launched the number of requests has been running at more than 30 a day.





## Support for Bermuda

Bermuda's conveyancing system is governed by 17th century English property law and remained largely unchanged for 400 years until the Bermuda Government turned to Land Registry to help create a modern land title registration system. Several Land Registry experts have been involved in the project, with some spending up to three years on secondment on the island. The culmination came in December 2011 when Richard Fearnley, Land Registrar at our Birkenhead Office, was invited to be present for the second reading of the Land Title Registration Bill in the Bermuda Parliament. Richard had drafted the legislation and supported the Environment Minister during the debate, which resulted in the Bill's passage into law.

We've continued to play our part **internationally**. As an active member of the United Nations Economic Commission for Europe's Working Party on Land Administration, we're preparing to host its annual conference in London in October. We're also prominent in the European Land Information Service (EULIS) and the European Land Registry Association (ELRA). Assistant Land Registrar Chris Pitt-Lewis has joined the board of ELRA, giving us an insight into potential European directives at an early stage.

We've also used our expertise to assist countries across the world with land registration-related projects. Assistant Land Registrar Patrick Milne is providing continuing support to the British Embassy and Colombian Government in Bogotá in developing security of tenure, with a



Richard Fearnley (third left) with Bermuda Land Title Registry Office staff

particular focus on helping internally displaced persons and indigenous peoples. Barbara Massey of Capability Group supported an initiative to improve the IT skills of staff in the Ministry of Lands, Housing and Urban Development in Uganda. We've also welcomed guests on study visits from Russia, Vietnam, Mongolia, Afghanistan and Bangladesh among other countries.

Our **vision and values** – Respect, Accountability, One Land Registry, Getting things done and Forward thinking – are pivotal to how we support, engage and manage our people. They have been firmly embedded into our performance management and recruitment process, emphasising that 'how' people do their work is as important as 'what' they do.

We have agreed a People Strategy that has as its vision "engaged, adaptable people possessing the capability and attitudes to deliver our customers' needs". As part of this our Capability Strategy is now linking up with Civil Service Learning to tap into cross-government expertise, and our focus on health

and wellbeing has helped reduce our sickness absence level to an average of 7.4 days per person, down from 8.1 in 2010/11.

Managers and trade unions continue to work closely together. A new consultation agreement has been drawn up to create a framework for the relationship, clarify the levels and methods of engagement, define roles and responsibilities and agree a dispute resolution process. The agreement was signed in February 2012 and came into effect on 1 April.

The consultation agreement is signed by Departmental Trade Union Side Chair Michael Kavanagh (centre) and Chief Executive Malcolm Dawson (right)





## Our year in focus

Employee engagement levels have suffered during the past few years of upheaval but we've been making sustained efforts over the past year to improve them. As well as the annual staff survey we carry out bi-monthly 'Pulse' surveys that help keep managers in touch with grassroots opinion. Every member of staff attended a session on Land Registry's future titled The Way Ahead that encouraged debate and involvement. Varied means of communication from blogs to 'meet the director' sessions give teams in each directorate a regular insight into their managers' thinking.

Our **diversity policies** have moved away from a focus on percentages of people in various categories to ensuring fair opportunities for our existing staff. Our Pathways course created to help black and minority ethnic employees take advantage of promotion opportunities has been widened to include anyone from an underrepresented group. We have three well-established diversity focus groups that have now started meeting jointly, recognising that some issues transcend their boundaries.

Sports and social activities remain an important feature of Land Registry life, with people taking part at local and national level. The annual Land Registry Challenge saw scores of participants walking the Mendip Way, while hundreds more travelled to Nottingham for sports day and a record number submitted entries to our arts and photographic competitions. Retired 'life members' gathered for their regular lunch in London, demonstrating the loyalty that the organisation can inspire.

### Respect campaign

The Respect campaign has been created to promote one of Land Registry's core values to the benefit of all. Posters featuring Board members, senior managers, diversity group members and union representatives put across the message that respect means something different to each individual but it's fundamental to the way we treat each other and our customers.



Charity events and environmental projects are also well supported. We provide special leave for **volunteering**, such as when a group from our Telford Office spent a day clearing trees and scrub in a wildlife haven in the Midlands in collaboration with our facilities partner Carillion. People from offices around the country have put themselves forward as volunteer helpers at this summer's Olympics and Paralympics.

Among the challenges and opportunities for the year ahead is the further development of our Performance and Innovation (P&I) project. P&I is our version of the Lean philosophy, aiming to cut down and eliminate waste and duplication by drawing on the ideas and expertise of our teams to improve their systems and processes. We have piloted P&I with one group and at two local offices and, after reviewing the methodology in the light of their feedback, will now introduce it into a full operational office.

We're also creating our new **Business Strategy**, which will set out how we can support economic growth and ensure the best use is made of our data while continuing to meet our statutory responsibilities and achieve greater efficiency.

We already have a Diversification Strategy in place and have been preparing a proposal to supply Local Land Charges searches as part of our information services. Extensive research with customers and stakeholders has shown a demand for a digitised database and a standard process for Local Land Charges searches. The next step is likely to be a proof of concept with the Government Digital Service and local authorities who currently supply these searches.



Volunteers from Telford Office clear trees from a wildlife haven

## Directors' report

The directors' report is prepared in line with Chapter 5 of HM Treasury's *Financial Reporting Manual 2011/12: Form and content of the annual report and accounts*. This requires the directors' report to include details of directors, a management commentary, a sustainability report and progress against key performance indicators. The sustainability report is prepared in line with HM Treasury's *Sustainability Reporting: Guidance for 2011/12*.

### (a) Details of directors

On 18 July the Government announced a machinery of government change relating to Land Registry, transferring overall responsibility from the Lord Chancellor to the Secretary of State for Business, Innovation and Skills. Land Registry became a founding member of the Public Data Group of trading funds.

### Land Registry Board

Land Registry's two top management boards are responsible for governance, public accountability and strategic and day-to-day management.

The remit of the Land Registry Board (LRB) is primarily supervisory. The LRB sets Land Registry's overall

strategy and assists Chief Land Registrar and Chief Executive Malcolm Dawson in his ultimate responsibility and accountability for the good governance and performance of Land Registry.

The first independent Non-Executive Chair of the LRB, Mark Boyle, was appointed in October 2011 with a mandate to work with the Chief Land Registrar and Chief Executive in reviewing the governance arrangements for the LRB and improving its effectiveness as a board.

The LRB started the financial year meeting quarterly, but due to the changes in governance it now meets monthly (except for August and December) on the last Tuesday of the month. It met on eight occasions in 2011/12. It also had quarterly strategy meetings.

Recruitment is currently under way for two new non-executive directors to join the LRB, the intention being to have a broad balance of non-executive and executive directors.

The first LRB under the new composition took place on 23 February 2012 and its membership is now as follows.

### Membership

Mark Boyle (Chair)	Non-Executive Chair
Malcolm Dawson OBE	Chief Land Registrar and Chief Executive
Jan Crosby	Non-Executive Director
Catherine Raines	Non-Executive Director
Heather Foster	Finance Director
John Peaden	Director of Operations & Customer Delivery



**Catherine Raines**  
Non-Executive Director



**Jan Crosby**  
Non-Executive Director

### Executive Board

The Executive Board is chaired by the Chief Land Registrar and Chief Executive and its members are Land Registry's executive directors. The Board is responsible for the delivery of Land Registry's annual Business Plan and for the day-to-day operational management of the business. The Board meets on a monthly basis and met on 12 occasions throughout the course of the year.

#### Membership

Malcolm Dawson OBE (Chair)	Chief Land Registrar and Chief Executive
Alasdair Lewis	Director of Legal Services and Deputy Chief Land Registrar
Heather Foster	Finance Director
John Peadar	Director of Operations & Customer Delivery
John Wright	Director of Information Systems
Annette Davies-Govett	Commercial & Customer Strategy Director
Katie Gordon-Smith	Acting Commercial & Customer Strategy Director <sup>1</sup>
David Evans	Director of Human Resources

<sup>1</sup> Katie Gordon-Smith provided interim cover from the beginning of the financial year until August 2011.



**Annette Davies-Govett**  
Commercial & Customer Strategy  
Director



**John Wright**  
Director of Information Systems

## Directors' report

### Audit Committee

The Audit 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

Catherine Raines (Chair)	Non-Executive Director
Vaughan Williams	Non-executive member of Audit Committee
John Wright <sup>1</sup>	Director of Information Systems
David Cleasby <sup>1</sup>	Head of Central Operations Group and Area Manager

<sup>1</sup> Attended in an independent Audit Committee member capacity, not as operational member of staff.

#### Attendees

The Audit Committee is attended by:

Malcolm Dawson OBE	Chief Land Registrar and Chief Executive
Heather Foster	Finance Director
Grahame Hughes	Head of Internal Audit
Mandy Measures	Director of Audit, National Audit Office

### 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<sup>1</sup>

Mark Boyle (Chair)	Non-Executive Chair
Catherine Raines	Non-Executive Director
Malcolm Dawson OBE	Chief Land Registrar and Chief Executive

<sup>1</sup> Membership will be expanded to include one of the new non-executive directors.



**(b) Business performance****Key performance indicators**

The results against our published Business Plan targets are set out below.

KPI target		Performance
<b>Customer</b>		
<i>To identify, anticipate and satisfy customer needs by constantly refining and developing products, services and channels</i>		
C1	Customer satisfaction target 95%	Met 97%
C2	Develop and implement the capability by 31 March 2012 to:	
	(i) electronically deliver the top six dealing transactions	Not met
	(ii) view the index map online	Met
	(iii) increase the number of services available on Business Gateway	Met
	(iv) improve intuitive online navigation	Met
C3	External e-channel availability: target >99%	Met 99.6%
C4	Increase Add Value revenue by at least 25% over 2010/11 outcome (which was £4.3m) with a minimum net contribution of 14%	Not met £4.9m
<b>Quality</b>		
<i>To continually improve operational delivery in order to drive efficiencies, quality and value</i>		
Q1	Speed of service: percentage of registrations processed within 12 working days: target 80%	Met 86.9%
Q2	Quality of service: percentage of registrations that meet internal quality standards: target 97%	Met 97.3%
Q3	Quality of service: percentage of completed registrations requiring correction: target <1.5%	Met 1.3%
Q4	Quality of service: percentage of successful changes applied to electronic services: target 95%	Met 98.8%
<b>Innovation</b>		
<i>To build a flexible and efficient organisation with the capability to enable us to respond to market fluctuations and changing customer needs and to identify and implement opportunities for development for Land Registry</i>		
I1	Introduce performance and innovation continuous improvement methodology into two operational offices and extend use in HR by 31 March 2012	Met
I2	Complete Phase 1 of Accelerated Transformation Programme by 31 December 2011	Met
I3	Embed new values and behaviours into individual performance management and recruitment processes by 31 March 2012	Met
I4	Percentage of staff positively engaged with Land Registry: target 50%	Not met 45%
<b>Finance</b>		
<i>To meet all financial and efficiency targets while funding our future work investment programmes</i>		
F1	*Return on average capital employed: target 3.5%	Met 19.7%
F2	**Cost per unit in cash terms: target £29.33	Met £27.16

## Directors' report

\*In 2011/12 the Statement of Financial Position was amended to disclose the Indemnity Fund as a provision. This has the effect of reducing net assets, which increases the return on average capital employed (ROCE) as disclosed on page 27. Under the old disclosure the ROCE would be 18.5 per cent. ROCE is calculated in line with the Treasury Minute.

\*\*In 2011/12 Land Registry introduced improved caseload reporting systems. These resulted in changes to the weighted caseload numbers, with results as reported on page 27. Using the old counting systems the unit cost would be £29.25 per unit (£18.90 real).

### Commentary

We achieved 11 of 14 targets during a challenging year when our Accelerated Transformation Programme completed our response to the housing market slump.

We took a deliberate decision not to complete the electronic delivery of our top six dealing transactions (C2(i)) following feedback on the project from customers. Instead this target has been expanded to meet the needs of our customers for a wider electronic document registration service and is planned as a target for 2012/13. We achieved the other three projects within this target.

Our Add Value revenue was up 13 per cent to £4.9 million but we missed the revenue target (C4) by 9.7 per cent. We exceeded the profit target by 12 per cent.

We missed our target to achieve 50 per cent positive staff engagement (I4), achieving 45 per cent. We are committed to improving staff engagement.



**Heather Foster**  
Finance Director



### (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 the annual accounts, through ePIMS (electronic Property Information Mapping Service), and as part of the overall sustainability reporting in to Government, through BIS and as required by the Greening Government Commitment (GGC).

#### Summary of performance

We achieved a 17 per cent reduction in carbon emissions from our offices during the Prime Minister's 10 per cent carbon reduction target, which ended in May 2011. We have continued to work towards the achievement of the GGC targets by March 2015, with our performance over the past year in line with the GGC requirements for carbon emissions. Our figures include carbon from all forms of travel and not just road travel as was reported in 2010/11.



Area	Performance	
<b>Energy: greenhouse gas emissions all areas within scope</b>	Actual	2015 25% reduction target
Carbon emissions (tonnes)	11,211	10,221
Expenditure (£)	£2,227,103	-
<b>Waste</b>		
Consumption (tonnes)	1,689	1,718
Expenditure (£)	£417,039	-
<b>Water</b>		
Consumption (m <sup>3</sup> )	38,451	42,911
Expenditure (£)	£374,878	-

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

## Directors' report

	2011/12	2010/11
<b>Greenhouse gas emissions</b>		
<b>Non-financial indicators (tonnes of CO<sup>2</sup> equivalent)</b>		
Total gross emissions for scopes 1 and 2	11,211	13,937
Electricity: green/renewable	2,754	2,426
Total <b>net</b> emissions for scopes 1 and 2 (ie having removed renewable elements)	8,457	11,511
Gross emissions scope 3 travel	814 <sup>1</sup>	383
<b>Total gross reported emissions</b>	<b>12,025</b>	<b>14,320</b>
<b>Non-financial indicators (mWh)</b>		
Electricity: purchased (grid, combined heat and power, and non-renewable)	16,433	19,060
Electricity: renewable	-	-
Gas	12,521	15,634
Other energy sources	-	-
<b>Total energy</b>	<b>28,954</b>	<b>34,694</b>
<b>Financial indicators (£'000)</b>		
Expenditure on energy	2,227	2,333
Expenditure on accredited offsets (eg Government Carbon Offsetting Fund)	140	-
Expenditure on official business travel	1,216	1,103

<sup>1</sup>Gross emissions scope 3 includes all travel. This is the first time rail and air have been added to road travel.

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

	2011/12	2010/11
<b>Waste</b>		
<b>Non-financial indicators (tonnes)</b>		
<i>Hazardous waste</i>		
Hazardous waste	1	31
<i>Non-hazardous waste</i>		
Landfill waste	614	531
Reused/recycled waste	1,074	1,367
Energy from waste	-	26
<b>Total waste arising</b>	<b>1,689</b>	<b>1,955</b>
<b>Financial indicators (£'000)</b>		
<i>Hazardous waste</i>		
Hazardous waste	-	6
<i>Non-hazardous waste</i>		
Landfill waste	152	104
Reused/recycled waste	265	268
Incinerated waste	-	5
<b>Total waste costs</b>	<b>417</b>	<b>383</b>

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

	2011/12	2010/11
<b>Water</b>		
<b>Non-financial indicators (cubic metres)</b>		
<i>Consumption</i>		
Supplied	38,451 <sup>1</sup>	54,644
Abstracted	-	-
<b>Total consumption</b>	<b>38,451</b>	<b>54,644</b>
<b>Financial indicators (£'000)</b>		
<b>Total supply costs</b>	<b>374</b>	<b>239</b>

<sup>1</sup>Some limited water information was not available when report was created.

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



## Directors' report

Sustainability report (continued)

### Future environmental strategy

We continue to work towards the achievement of the GGC targets, working closely with our business partners in delivering improvements in both building operation and management and our IT infrastructure. We will receive information on potential future improvements as part of our building condition survey, with the reports identifying the sites with potential for sustainability improvement through the introduction of sustainable technologies and rainwater collection and redistribution.

In 2012/13 we will adopt our first key performance indicator directly related to sustainability performance, focusing on the carbon target from the GGC.

### Climate change adaptation

Our Climate Change Adaptation Plan will be reviewed and updated during 2012 in line with recommendations anticipated in the building condition survey.

### Biodiversity and natural environment

We encourage improvements in biodiversity and in several office locations the grounds are managed to effectively promote improved biodiversity. There is a limited scope for improvements to biodiversity at many of the locations but where potential is identified we are working with the grounds maintenance providers to achieve this.

### Sustainable procurement

We have further developed the "Flexible Framework" assessment model. A full assessment of all framework categories has been completed, up to and including Level 3, and a detailed Improvement Action Plan has been implemented to

drive continuous progress along this journey.

A recent audit of Sustainable Procurement found the work being done with one of our major suppliers, including jointly hosting a successful sustainability supply-chain event, to be exemplary, and this model is being rolled-out for use with other high-impact suppliers. Contract managers are now proactively engaging with their suppliers to promote and progress the central sustainability agenda, including the Greening Government Commitments and the adoption of the Government Buying Standards.

### People

Staff wellbeing is promoted through a combination of:

- three-yearly health screening
- provision of health and wellbeing information through health promotion campaigns (local and departmental) and more comprehensively through the health and wellbeing pages on the intranet
- policies to support staff wellbeing, such as flexible working and special leave
- provision of the Employee and Management Support Service to help staff deal with issues
- provision of exercise facilities, classes or alternative therapies at some locations
- provision of occupational health services.

Our health, wellbeing and attendance strategy will strive to bring health and wellbeing activities together and expand them as appropriate.

### Environmental Management System

Our accredited Environmental Management System (EMS) has been in place since January 2011 and covers both the office and

non-office estate. External audits in August 2011 and January 2012 confirmed our operations comply with the requirements of the ISO 14001 standard and are effectively managed through the EMS.

### Governance

Our performance is audited internally and externally. Information on electricity and gas consumption is taken directly from suppliers' invoices and checked against meter readings taken monthly by Carillion. The data is gathered and reported in line with the GGC requirements and entered on to ePIMS monthly as required.

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

## (d) Management commentary/financial review

### Introduction/history

Our history and trading fund status are covered on page 7.

On 18 July 2011 responsibility for Land Registry transferred from the Lord Chancellor to the Secretary of State for Business, Innovation and Skills (see page 38).

We became a founding member of the Public Data Group of trading funds, along with the Met Office, Ordnance Survey and Companies House. The Public Data Group will support the Government's open data measures outlined in the Autumn Statement.

### Principal activities

Our principal activities are covered on page 7.

### Auditors

The accounts have been audited by the Comptroller and Auditor General (C&AG). The cost of this audit work for 2011/12 was £67,500 (2010/11: £67,500). The cost is in respect of services relating to the statutory audit.

So far as the Accounting Officer is aware, there is no relevant audit information of which Land Registry's auditors are unaware. The Accounting Officer has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

### 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 90.5 per cent of invoices received from suppliers within five working days. These percentages do not include disputed invoices.

### Principal risks and uncertainties

Land Registry faces challenges and risks to the achievement of its strategic business objectives. The strategic risks centre around protection of the integrity of the register, delivery of key aspects of our Customer Strategy, the availability of key skills and the ability to cope with major fluctuations in volumes of work.

Strategic risks are managed at Board level. Directorate risk is managed by each director. Risk is escalated where the risk appetite is exceeded and an adverse impact on targets, reputation or operations could arise.

### Personal data-related incidents

During 2011/12 there was one personal data-related incident reported to the Information Commissioner's Office. There were 11 centrally recorded protected personal data-related incidents not formally reported to the Information Commissioner's Office.

### Summary of protected personal data-related incidents

Incidents deemed by the data controller not to fall within the criteria for report 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, device or paper documents from outside secured government premises	7
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	-
IV	Unauthorised disclosure	1
V	Other	2
<b>Total</b>		<b>11</b>

## Directors' report

### Employee involvement

We encourage employee engagement in a number of ways including online response to communications, the myIdea scheme and an innovations scheme. In addition two-monthly surveys are conducted to evaluate employee engagement alongside participation in the annual Civil Service engagement survey. During the year we hold regular senior manager events and conference calls to improve the two-way flow of communications and increase involvement in thinking about strategic challenge and planning.

### Future activities

Our plans are published in our annual Business Plan available on the Land Registry website. The targets within the plan are announced by written ministerial statement, following review by the Shareholder Executive and the Land Registry Board. Our targets are structured around strategic objectives.

- **Customer** (identify, anticipate and satisfy customer needs by constantly refining and developing products, services and channels).
- **Quality** (continually improve operational delivery to drive efficiencies, quality and value).
- **People and innovation** (identify and implement opportunities for the development of our people and Land Registry business to the benefit of our customers and stakeholders).
- **Finance and productivity** (be flexible, efficient and responsive to market fluctuations while funding our future investment needs).

We include two medium-term equality objectives.

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

Two key performance objectives for the coming financial year are:

- to develop a new Business Strategy for the minister by 30 September 2012
- to develop an infrastructure investment plan taking account of the Business Strategy, Public Data Group and Data Strategy Board by 31 March 2013.

Our Framework Document 2008 will be revised to reflect the machinery of government change and the Public Data Group context.

Land Registry will implement a reduced fee order under the current fee scheme which will average a 10 per cent reduction over a full year.

We also plan to consult on revisions to the underlying principles of the fee order, with a view to introducing fixed fees based on the costs of providing the different services as opposed to value bands.

We will also consult on the closure of our telephone ordering service for business customers and related changes to the Land Charges Rules. Demand for the service has fallen with the introduction of online services and will soon not be cost-effective.

Our emerging e-strategy is summarised on page 40.

### 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 external sources. Our assumption for the 2012/13 year is that the activity will be broadly flat, consistent with 2011/12 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

Key relationships include our contracts with IBM, essential to the maintenance of our register, Steria for IT services, our file management contract with TNT via the Ministry of Defence framework for physical storage and our facilities management contract with Carillion for our 15 operational buildings.

### Public Sector Information Holder

Land Registry is a Public Sector Information Holder. I confirm that we have complied with relevant guidance on fees published by HM Treasury and by the Office of Public Sector Information, which is part of The National Archives. We have full accreditation through OPSI's Information Fair Trader Scheme.

### Operating and Financial Review

Demand for our services was broadly flat during the year. Income was £359.3 million (2010/11 £355.4 million).

Our operating surplus was £101.6 million (2010/11 £64.9 million) after operating costs, which fell to £257.7 million (2010/11 £290.5 million).

Change costs during the year were £21.0 million (2010/11 £87.8 million) which, along with profit on asset disposals £5.2 million (2010/11 £39.1 million), investment income £1.2 million (2010/11 £0.6 million), finance costs £0.9 million (2010/11 £0.9 million) and amortisation and depreciation costs of e-service systems of £4.4 million (2010/11 £6.6 million), left a surplus of £81.6 million (2010/11 £9.3 million) before the dividend.

This year saw a retained surplus of £67.8 million (2010/11 £4.8 million deficit) following completion of restructuring activities through the Accelerated Transformation Programme (ATP).

The disposals during the financial year related to buildings at Swansea, Portsmouth and Plymouth.

In agreement with HM Treasury our dividend payable for the year is £13.8 million, based on our average capital employed, payable to the consolidated fund (2010/11 £14 million).

Our return on capital employed was 19.7 per cent. This reflected concerted effort through the ATP to bring down costs which will allow a new reduced fee order to be implemented in 2012/13. We were unable to bring the new reduced fee order into effect during 2011/12 due to transition activities.

Our cash unit cost was £27.16 against the target set of £29.33 (£17.55 real against the target set of £18.95 real).

### **Government grants**

As a result of a change in the *Financial Reporting Manual*, our accounting treatment for government grants has changed (see note 1.20).

### **Statement of financial position**

This year the disclosure of the Indemnity Fund changes to a provision in the statement of financial position.

### **Non-current assets**

The estate was revalued resulting in a reduction to the valuation of £1.6 million. Our total capital additions were £5.1 million.

### **Indemnity Fund**

In line with Land Registry policy a high level actuarial valuation of the Indemnity Fund was undertaken by Lane Clark & Peacock, a firm of actuaries, using the same methodology as the 2010/11 full actuarial review. This resulted in a £5 million increase to the provision (see note 1.16).

### **Malcolm Dawson OBE**

Chief Land Registrar  
Chief Executive  
Accounting Officer

12 June 2012

## Information round-up

### People

	2011/12	2010/11
Number of employees (including fixed-term appointments) on 31 March	4,724	5,483
Full-time equivalents	4,222	4,927
Average sickness days per employee	7.4	8.1
Average number of training days per employee	4.4	4.4
Training spend as percentage of salary bill	3.8%	5.8%
Female employees	60%	61%
Employees working part-time	36%	34%
Employees from ethnic minorities	4%	4%
Employees who report they have a disability	6%	6%

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. The most recent audit showed no concerns. No staff were recruited from outside the Civil Service during the year, 18 transferred permanently to Land Registry from other government departments and two joined us on secondment.

### Diversity

Following the introduction of the new Public Sector Equality Duty, we have revised the way we ensure all policies and processes pay due regard to the duty itself. We have introduced a revised equality analysis process, along with an e-learning package, ensuring all key policy holders and senior managers now consider equality issues at the start of the policy-making process.

Diversity champions and local diversity forums are established at all office locations. Our champions have played a proactive role in raising the profile of diversity-related issues at a local office level. Key work has included utilising

diversity-related data, such as appraisal markings and employee engagement results, to identify gaps and common themes.

We have improved the accessibility of our web pages, including an accessibility statement to help people with disabilities navigate around the site. Our Customer Strategy has undergone equality analysis, which has enabled us to focus not only on our customers' diverse needs but also look at ensuring our people develop the skills to deliver these services.

In January we published our first suite of equality data, as per the statutory requirements under the Public Sector Equality Duty. This report provides a benchmark against which to measure progress in the future. It enables us and our stakeholders to identify priority areas for further research and action and shows how we carry out our statutory duty to promote and monitor equalities.

Over recent months we have reflected on the progress we have made via our diversity strategy and diversity delivery plan, along with trends we have identified from

our suite of equality data. This has enabled us to identify and set strategic equality objectives which now form part of our Land Registry Business Plan. These objectives will replace our diversity delivery plan, ensuring our work is clearly linked to the Land Registry vision.

We believe the process of setting specific, measurable equality objectives will enable us to better perform our statutory requirements under the Public Sector Equality Duty, focusing on the outcomes to be achieved. The aim of our equality objectives will be to help focus attention on the priority equality issues within Land Registry in order to deliver improvements in policy-making, service delivery and employment. The Diversity Committee will monitor and report on our progress.

### Health and safety

A major change in the way that health and safety is managed took place from 1 April 2011. Traditionally health and safety was managed in-house but this changed with the introduction of the outsourced facilities management contract. We continue to have responsibility for health and safety policy and strategy, with the day-to-day delivery of health and safety management being dealt with by Carillion, our facilities management provider. Part of the philosophy was to benefit from Carillion's wide experience of health and safety matters and this has been a strong influence during the year.

As part of these changes we have embarked on a major project to review and revise all of our internal health and safety policies and guidance. This piece of work is providing the opportunity to look afresh at how we manage health and safety on a day-to-day basis.



Our work on the Corporate Manslaughter and Corporate Homicide Act 2007 continues to focus us on the most significant risks facing our people in their daily work. These risks have been identified as driving on duty, working out of the office, building maintenance taking place on our premises and slips, trips and falls. Six-monthly reports are received by the Executive Board to track these risks and to monitor the effectiveness of the control measures in place.

The total number of reported accidents was 153, with slips, trips and falls continuing to be the largest category. There have been 10 accidents reported to the Health and Safety Executive under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations, an increase from eight reportable accidents during 2010/11.

#### Land Charges and Agricultural Credits

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, which are not registered under the Land Registration Act. The department also maintains the Index of Proprietors Names (IOPN). This index can only be searched against 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.

Agricultural Credits 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 totals of applications dealt with by the Land Charges and Agricultural Credits departments was 1,486,367, which represents a reduction of 27 per cent over the totals for 2010/11.

The total number of searches processed was 1,331,009, which is a reduction of 27 per cent over the previous year.

The proportion of search and official copy applications made by telephone, direct access and fax remained at 8.2 per cent of the totals received during this year, with 94 per cent of official copy applications being delivered in this way. The percentage of telephone searches conducted as a proportion of total search applications received fell to 6.3 per cent compared with 6.9 per cent in the previous year.

#### The Land Charges Department

Type of application	Number of applications or names in 2011/12	Percentage variation compared with 2010/11
New registrations, rectifications and renewals	102,620	-31%
Cancellations	14,148	-5%
Official searches:		
– full searches	204,918	-47%
– searches limited to insolvency	1,123,402	-22%
Official copies	36,664	-31%
<b>Total</b>	<b>1,481,752</b>	<b>-27%</b>

#### 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

## Information round-up

### Legislation

In October 2011, amendments were made to land registration subordinate legislation in consequence of the changes under the Legal Services Act 2007 to the regulation of persons carrying out legal activities, and the introduction of alternative business structures on the coming into force of Part 5 of that Act. The amending instruments were the Land Registration (Amendment) Rules 2011, the Land Registration (Network Access) (Amendment) Rules 2011 and the Land Registration (Proper Office) (Amendment) Order 2011.

To give full effect to the transfer of ministerial responsibility for Land Registry (and two other bodies) to the Department for Business, Innovation and Skills, the Transfer of Functions (Her Majesty's Land Registry, the Meteorological Office and Ordnance Survey) Order 2011 was made, and came into force in November 2011. Broadly, the effect of the Order, in relation to Land Registry, was that the functions of the Lord Chancellor under the Land Registration Act 2002, the Land Charges Act 1972 and the Agricultural Credits Act 1928 were transferred to the Secretary of State.

### Rule Committee

The Rule Committee was constituted under the Land Registration Act 2002 to provide advice and assistance originally to the Lord Chancellor but (since the Transfer of Functions Order) to the Secretary of State in making land registration rules and fee orders under the Act. In April 2011, the Committee met and gave advice and assistance to the Lord Chancellor in respect of what became the Land Registration (Amendment) Rules 2011, discussed above.

### Open and full information

Information management in 2011/12 has been dominated by the publication of our first freely available datasets through the Public Data Group. This has brought concentrated focus on the way that we deliver datasets in our burgeoning Enterprise Data Warehouse. We have also been documenting all of our major information assets and ensuring that information asset owners, their agents and data stewards understand the responsibilities of their roles. The documentation process has also allowed us to reassess risk and to look for opportunities associated with each asset.

The Corporate Information Management Unit has published an Information Management policy, supported by good practice guides. We are starting to use these to inform staff about how to use, store and properly dispose of information. Indications are that our Information Assurance maturity measures are improving across all elements.

We received 235 Freedom of Information requests, of which 234 were answered within 20 working days. We issued a clarification point on the remaining case received in March for which a reply is still awaited.

### Service standards

Details of the service that customers can expect from us can be found on our website: [www.landregistry.gov.uk/public/contacts/service-standards](http://www.landregistry.gov.uk/public/contacts/service-standards)

### Welsh language service

Information about our Welsh language service can be found on our website: [www.landregistry.gov.uk/public/about-us/policy-statements/welsh-language-scheme](http://www.landregistry.gov.uk/public/about-us/policy-statements/welsh-language-scheme)

### Complaints

We received 2,193 complaints in 2011/12 (compared with 3,217 in 2010/11), of which we responded to 92 per cent within our five-day target (94 per cent in 2010/11). The most common issues that led to complaints were our advice, administrative errors, delays and our cancellation and rejection policy. The most common feedback about our e-services related to their design and usability.

Examples of feedback that resulted in Land Registry making changes included:

- concerns raised about the security of the register following publicity issued by third parties offering title theft protection services and the associated coverage in the national media. In response we extended our *Protect yourself from property fraud* dedicated website page and launched an additional security measure (form RQ) aimed at owners who may be at greater risk from fraud
- issues arising relating to the availability of documents for immediate electronic delivery via our Business e-services. In September 2011 we enhanced the availability of documents and provided clearer information to our customers.

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

Our complaints procedure is explained in our leaflet *Putting things right*, which has been revised to ensure that the guidance is as clear as possible and to incorporate our commercial Add Value services.

**Indemnity Fund**

In 2011/12 we paid £9,266,959.51 for 935 claims, compared with £9,417,594.13 for 963 claims in 2010/11. We recovered £484,162.42 under our statutory rights of recourse, compared with £1,077,252.63 last year.

There have been significant challenges in the fraud arena. We have continued to develop our fraud prevention and detection capabilities and 36 fraudulent applications were either cancelled or rejected on properties worth an estimated £26.5 million. A member of staff was convicted of frauds committed in 2010 and jailed for three years nine months. Our Counter-Fraud Group worked effectively with the Metropolitan Police in the successful prosecution.

**National Land Information Service and Connect Direct**

Over the last year we have seen a fall in income from the National Land Information Service (NLIS) and Connect Direct, which are both electronic search services. Fee income from NLIS fell 35 per cent to £2,058,753 and from Connect Direct by 46 per cent to £1,221,132. We are working with customers of both to migrate them to our Business Gateway service.

**Estate**

The 15 office buildings we occupied at the end of the year totalled 101,888 square metres. Our buildings at Nottingham, Stevenage and Lytham were on the market for sale, or in preparation for sale, accounting for 41,332 square metres of surplus capacity.

Our estate occupancy per full-time equivalent employee against usable workspace was 16.87 square metres.

Note: the estate capacity and size is subject to measurement and a detailed measurement of the current occupied estate is in hand.

During the year we sold Tŷ Bryn Glas, the former Swansea Office building, for £3 million, St Andrew's Court, the former Portsmouth Office building, for £7.35 million, Plumer House, the former Plymouth Office building, for £2.85 million and Manselton File Store for £0.21 million.

Our total spend on property (including rent, business rates and service charges) and facilities management (including utilities,

continued

**Indemnity payments**

Nature of claim	Number of claims	Substantive loss (£)	Costs (£)	Percentage of total cost of claims
Extent of registered titles	199	264,023.96	415,118.38	7.33
Errors in/omissions from register entries	154	521,340.05	708,256.93	13.27
Sundry plans errors	10	-	4,226.90	0.04
Fraud and forgery	52	6,283,786.81	906,308.01	77.60
Official inspections of title plans	7	62.67	1,425.35	0.02
Bankruptcy errors	2	-	280.00	-
Official searches	5	-	5,292.00	0.06
Official copies	3	12.00	37.60	-
Errors in SIMs	21	1,013.34	9,641.01	0.11
Errors in filed extracts	116	5,583.00	20,099.96	0.27
Lost documents/administrative errors	366	29,413.78	91,037.76	1.30
Land Charges errors	-	-	-	-
<b>Total</b>	<b>935</b>	<b>7,105,235.61</b>	<b>2,161,723.90</b>	<b>100%</b>
Gross payment	£9,266,959.51			
Less sums recovered under Land Registry's statutory right of recourse	£484,162.42			
<b>Net indemnity</b>	<b>£8,782,797.09</b>			

## Information round-up

post and reprographics) was £23 million. Our spend on contracted out services with facilities management provider Carillion was £8.3 million.

Our regional file storage service is provided by TNT through the Ministry of Defence pan-government Records Management Framework. Four regional file store warehouses have been transferred to TNT with the remaining eight being emptied in readiness for disposal. TNT costs, including transition, were £3.7 million.

### E-strategy

During 2011/12 we continued to enhance our range of electronic services in our primary business-to-business channel, Business Gateway, with the launch of search of the index map, search of part with priority, daylist enquiry, enquiry by property description to obtain title numbers and an e-status report service to obtain a progress report for any outstanding e-service requests.

These have contributed to an increase in use of our e-services with 79 per cent of all transactions now being received electronically and of these 65 per cent being received, processed and dispatched electronically. To place this in context, our services break down into the high-volume, time-sensitive preliminary services and the more complex substantive services. Nearly all preliminary services (93 per cent) are now received electronically and 19 per cent of our substantive services.

In 2012/13 we will expand our range of electronic substantive services to further reduce our postal intakes and postal responses. This will be achieved through a steady increase in take-up of our electronic services expected via Business

Gateway for customers with high volumes of applications and also our web-based portal channel for other conveyancer customers. Further initiatives to increase the percentage of electronic delivery of results to customers will be launched, such as scanning documents held in paper format on customer request.

A key deliverable will be the launch of a new e-document registration service in both our electronic channels for our conveyancer customers, to remove postal delays. Most dealing application types will be accepted electronically such as transfer of whole and legal charge, with electronic responses provided to customers on receipt and on completion of the registration.

There are a number of benefits our customers can expect from this new service such as:

- speed. The electronic submission of applications and the removal of postal delivery will reduce average end-to-end processing times
- costs and environmental impact. The new e-service will support customers' need to cut back on paper consumption. It will also provide an opportunity to reduce costs such as postal and manual processing
- electronic audit trail. All applications will be received and responded to electronically, creating an audit trail. This will provide a useful tool in the prevention of fraud.

We are also providing an electronic historical register edition service in our portal channel, as a further tool to help prevent fraud.

### Security incidents

Physical security is overseen by the Physical & Personnel Security

Committee. There were 70 recorded incidents including eight significant (Class 1) incidents. This included the impact of the summer riots, which affected Croydon Office and Head Office. A review was conducted to evaluate the business continuity lessons learned from the incident, although no injury occurred to Land Registry staff and no damage was sustained to Land Registry property.

### Corporate responsibility

Land Registry remains 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 interpersonal skills, which has helped improve their performance in the workplace.

Accounts



## Governance statement

### Scope of responsibility

As Accounting Officer for 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 to the Secretary of State for Business, Innovation and Skills, with support from the Land Registry Board. The Secretary of State has delegated day-to-day responsibility 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 7). 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 statutory responsibilities, 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 has been amended during 2011/12 as described below following the appointment for the first time of a Non-Executive Chair and a review of our compliance 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 since February 2012 and up to the date of approval of the accounts.

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 Executive Board directors covering the period 1 April 2011 to 31 March 2012.

### Overall governance

Ministerial responsibility for Land Registry transferred from the Ministry of Justice to the Department for Business, Innovation and Skills (BIS) with effect from 18 July 2011. This brought Land Registry, Ordnance Survey and the Met Office under the sponsorship of BIS and together with Companies House and was a precursor to our becoming a founder member of the Public Data Group.

These changes are part of the Government's objectives for improving the accessibility of public data and supporting economic growth and have added a new perspective to our work. While our central purpose remains to deliver our statutory responsibilities as efficiently and effectively as possible, we are now also focused on our role as a data business and exploring how we can make better use of and share data to support

economic growth and public service efficiency. As a first step, we released monthly Transaction Data free for the first time in January and our monthly Price Paid Data free in March. Both data sets have generated a great deal of interest both from business and private customers and will, I believe, be just the start in deploying our resources and assets to the benefit of the economy and society at large. This is additional to and sits alongside our statutory responsibilities.

### Land Registry Board

The role of the Land Registry Board is to support, constructively challenge and provide guidance to the Executive Board, to supervise the development and delivery of the agreed Business Strategy and to ensure appropriate governance of the activities of Land Registry.

On 24 October Mark Boyle was appointed as the first Non-Executive Chair of the Land Registry Board. Following his appointment, he and I have reviewed the overall governance arrangements for Land Registry and restructured and refocused the Land Registry Board to provide greater clarity about the respective roles of the Land Registry and Executive boards.

The new Land Registry Board structure was introduced with effect from February 2012. It aims to achieve a broad balance between executive and non-executive input to Board discussions. The current composition consists of the Non-Executive Chair, two non-executive directors (one of whom represents the Shareholder Executive in BIS), the Chief Land Registrar, the Finance Director and the Director of Operations. We are in the process

continued on page 44

**Table summarising actual and possible attendance at meetings for each Board and committee member**

Revised Land Registry Board with effect from February 2012 highlighted.

	Title	Period	Board Land Registry Board	Executive Board	Audit	Remuneration and Nomination
<b>Non-Executive</b>						
Mark Boyle <sup>1</sup>	Non-Executive Chair	From Oct 2011	6/8			
Dr Catherine Raines	Non-Executive Director	2011/12	8/8		4/5	1/1
Mike Cutt	Non-Executive Director	Apr 2011 to Jan 2012	6/8			1/1
Jan Crosby <sup>2</sup>	Non-Executive Director	From Feb 2012	5/8			
Vacancy	Non-Executive Director					
Vacancy	Non-Executive Director					
Vaughan Williams	Non-executive member of Audit Committee	2011/12			5/5	
<b>Executive</b>						
Malcolm Dawson OBE	Chief Land Registrar and Chief Executive	2011/12	8/8	12/12	5/5	1/1
John Peaden	Director of Operations & Customer Delivery	2011/12	8/8	10/12		
Heather Foster	Finance Director	2011/12	8/8	12/12	5/5	
Alasdair Lewis <sup>3</sup>	Director of Legal Services & Deputy Chief Land Registrar	2011/12	6/8	12/12		
Annette Davies-Govett <sup>3</sup>	Commercial & Customer Strategy Director	From Sep 2011	4/8	5/12		
Katie Gordon-Smith	Acting Commercial & Customer Strategy Director	Apr 2011 to Aug 2011	2/8	5/12		
John Wright <sup>3</sup>	Director of IS	2011/12	6/8	11/12	5/5	
David Evans	Director of HR	2011/12	6/8	12/12		1/1
David Cleasby	Head of Central Operations Group and Area Manager	2011/12			5/5	
Grahame Hughes	Head of Internal Audit	2011/12			5/5	

**Notes to the table**

<sup>1</sup> Mark Boyle attended the September Land Registry Board as a Shareholder Executive member, then as Chair from October 2011.

<sup>2</sup> Jan Crosby attended the Land Registry Board as Shareholder Executive representative from October 2011 (three meetings) and as Non-Executive Director from February 2012.

<sup>3</sup> The executive director membership of the Land Registry Board was reduced in line with the new code in February 2012.

John Wright attends the Audit Committee as a member, not in his capacity as Director, until a new Non-Executive is recruited.

David Cleasby attends the Audit Committee as a member, not in his capacity as Area Manager, until a new Non-Executive is recruited.

Mike Cutt, Non-Executive, left the Land Registry Board at the end of January 2012.

## Governance statement

of recruiting two additional non-executive directors who will bring relevant experience to bear in relation to a customer perspective on our business and how we might best develop the use of our data in line with Government objectives.

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

During the year the Board undertook a review of its committee structure, which is published on the Land Registry intranet. This new framework includes:

- the Land Registry Board terms of reference
- Audit Committee terms of reference
- Remuneration and Nomination Committee terms of reference
- terms of reference for the Executive Board and its supporting sub-committees
- matters reserved for the Board
- minutes and communication points.

### Board effectiveness

The Chair and the non-executives have played a full part in the Land Registry Board's business through their attendance and contributions at Board meetings and its supporting committees as summarised above.

In addition to the formal meetings the Land Registry Board held a number of meetings to develop a new medium-term strategy which reflects the Public Data Group objectives and the Government's

priority to support economic growth.

### Information about the quality of the data used by the Board

The Land Registry Board is provided with a balanced scorecard of performance information.

The caseload performance data is captured using new proprietary software. I am content that the system is robust and represents an improvement on the previous system. I draw this conclusion partly from the evaluation provided to me by Internal Audit.

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 or overspends are addressed to maximise the effective use of resources to achieve the published targets.

### Committees of the Board

#### *Audit Committee*

The Audit Committee is chaired by 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 Land Registry Board and the Accounting Officer by seeking assurances through reports over:

- the strategic process for risk management, control and governance and the governance statement
- the accounting policies, the accounts, and the annual report

of the organisation, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors

- the planned activity and results of both Internal Audit and External Audit
- adequacy of management 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 will also periodically review its own effectiveness and report the results of that review to the Board.

The Audit Committee considered the annual report and accounts and submitted an annual report to the Board. Membership of the committee will be revised when the two new non-executive directors are recruited.

#### *Remuneration and Nomination Committee*

The Remuneration and Nomination Committee was chaired by Dr Catherine Raines in 2011/12. Membership of the committee will be revised when the two new non-executive directors are recruited. The committee concluded that the Director of Legal Services should attend in future, to advise on aspects of performance in relation to the legal profession.

#### *The Executive Board*

The Executive Board assist me in my responsibilities for

operational management and direction, development of strategy, management of strategic risk, performance against targets published in the Business Plan, statutory duties, decisions and development of Land Registry's investment portfolio planning.

Each month, with the Executive Board, 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.

Land Registry continues to put diversity at the heart of its 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 Land Registry's 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 33 and 54).

### **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 Land Registry Board and the Executive Board consider strategic risks. The Finance Director is the Board's risk champion. During 2011/12 the risk appetite was evaluated for all strategic risks by the Executive Board. Each month the strategic risks are reported on and reviewed at the Executive Board; in addition a more thorough risk report is taken each quarter. Lead indicators are monitored to provide early warning of changes in strategic risk.

Land Registry faces challenges and risks to the achievement of its strategic business objectives. The strategic risks centre around protection of the integrity of the register, customer and stakeholder support of our strategy and the ability to cope with major fluctuations in volumes of work.

Land Registry has contributed to the Critical National Infrastructure (Category 4, Finance) review.

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 decision-making bodies including the Planning Budgeting and Investment Committee (PBIC), the Information Management Committee, the Register Protection Committee, the People Committee and the Health and 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. Our investment programme and project risk assurance is provided via the PBIC and the Executive Board.

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 key business risks are identified and mitigated. In addition I obtain assurance as to directorate risk through my directors' assurances at six-monthly intervals and the support of BPARM via the Finance Director.

An internal audit review of directorate risk management identified opportunities to further improve risk management through the additional development of local risk appetite which is being taken forward. My staff will improve the guidance on criteria for escalation of risk and on evaluation of the effectiveness of controls applied to risk for 2012/13.

### **Information risk**

The information risk is managed through the Information Management Committee, led by the Senior Information Risk Owner (SIRO). I am assured by the certification of Land Registry conforming to ISO 27001, ISO 14001, GSI Code of Connection, IAMM, CMMI and ISO 20000.

### **Risk environment**

The strategic risk profile has fallen during 2011/12 and is assessed as medium.

## Governance statement

### Data losses

During the year one significant loss was reported to the Information Commissioner, relating to an accident report that was mislaid. The Information Commissioner confirmed after careful consideration of the facts that it did not seem appropriate to take any formal regulatory action.

### Governance and effectiveness

The Accounting Officer and 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, the latter having responsibility for developing and maintaining the internal control framework, and comments made by the external auditors in their management letter and other reports.

The Board, the Audit Committee and executive team 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.

### Malcolm Dawson OBE

Accounting Officer  
Chief Land Registrar and Chief Executive  
12 June 2012



## 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 59. 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.

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](http://www.civilservice.gov.uk)

During the year the members of the SCS Pay Committee were: Catherine Raines (Chair), Mike Cutt, David Evans 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 2011 Land Registry was subject to the first year of a two-year public sector pay freeze imposed in the 2010 emergency Budget. No progression up the pay scale was paid. Pay scales were not revalorised in accordance with the pay freeze. However, a £250 increase was paid to employees in the two administrative grades earning less than £21,000 per annum. A small number of employees in these grades based in Croydon and earning slightly more than £21,000 also received the £250 increase in order to maintain differentials between London and national pay scales.

### 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.

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, 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 has been appointed for 18 months, on the basis of two days per week.

### Chief Executive

Chief Executive Malcolm Dawson is appointed on the basis of a renewable 18-month term from March 2011.

### Non-Executive Directors

The appointment of Catherine Raines was renewed in January 2012 for a period of three years. The appointment of Mike Cutt came to an end in January 2012. The appointment of Jan Crosby is for a period that will not normally exceed three years.

### 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 table opposite is 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.

### Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2011/12 relate to the performance in 2010/11 and the comparative bonuses reported for 2010/11 relate to the performance in 2009/10.

Salary and performance pay <sup>1</sup>	2011/12			2010/11		
	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 (from 22 March 2011) Annual equivalent Chief Land Registrar and Chief Executive	105-110	-	-	0-5 (105-110)	-	-
John Peadar Director of Operations & Customer Delivery	90-95	-	200	80-85	0-5	-
Alasdair Lewis Director of Legal Services and Deputy Chief Land Registrar	90-95	-	-	90-95	5-10	-
David Evans (from 25 March 2011) Annual equivalent Director of Human Resources	80-85	0-5	-	0-5 (80-85)	-	-
Heather Foster Finance Director	90-95	-	-	90-95	-	-
John Wright Director of Information Systems	100-105	-	-	100-105	-	-
Annette Davies-Govett Commercial & Customer Strategy Director	90-95	-	-	90-95	-	-
Katie Gordon-Smith (from 15 March 2011 until 31 August 2011) Annual equivalent Acting Commercial & Customer Strategy Director	30-35 (75-80)	-	-	0-5 (75-80)	-	-
Mark Boyle (from 24 October 2011) Annual equivalent Non-Executive Chair	25-30 (60-65)	-	-	-	-	-
Catherine Raines Non-Executive Director	25-30	-	-	45-50	-	-
Mike Cutt (until 31 January 2012) Annual equivalent Non-Executive Director	15-20 (15-20)	-	-	20-25 (20-25)	-	-
Jan Crosby <sup>2</sup> (from 23 February 2012) Non-Executive Director	-	-	-	-	-	-

<sup>1</sup> This table is subject to audit.

<sup>2</sup> Jan Crosby is a full-time employee of the Department for Business, Innovation and Skills; he receives no additional remuneration from Land Registry in relation to his role as a non-executive director.

## Remuneration report

### 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 set at the rate of 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2012. 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-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

### 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 within the guidelines and framework prescribed by the Institute and Faculty of Actuaries 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 drawn.

### 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 or the 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.

Pension benefits <sup>3</sup>	Real increase in pension and lump sum at 60		Total accrued at March 2012		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	2012	2011	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Executive Board</b>							
Malcolm Dawson OBE (from 22 March 2011) Chief Land Registrar and Chief Executive	2.5 – 5.0	7.5 – 10.0	40 – 45	120 – 125	706	603	50
John Peadar Director of Operations & Customer Delivery	-2.5 – 0.0	-2.5 – 0.0	35 – 40	105 – 110	710	670	-17
Alasdair Lewis Director of Legal Services and Deputy Chief Land Registrar	-2.5 – 0.0	-2.5 – 0.0	30 – 35	95 – 100	620	580	-10
David Evans Director of Human Resources	2.5 – 5.0	-	50 – 55	-	992	855	63
Heather Foster Finance Director	-2.5 – 0.0	-2.5 – 0.0	35 – 40	115 – 120	817	757	-17
John Wright Director of Information Systems	0.0 – 2.5	-	10 – 15	-	169	139	15
Annette Davies-Govett Commercial & Customer Strategy Director	0.0 – 2.5	-	5 – 10	-	70	51	13
Katie Gordon-Smith (until 31 August 2011) Acting Commercial & Customer Strategy Director	0.0 – 2.5	-	10 – 15	-	74	65	1

<sup>3</sup> This table is subject to audit.

<sup>4</sup> The actuarial factors used to calculate CETVs were changed in 2011/12. The CETVs at 31/3/11 and 31/3/12 have both been calculated using the new factors, for consistency. The CETV at 31/3/11 therefore differs from the corresponding figure in last year's report, which was calculated using the previous factors.



## Remuneration report

**Reporting of Civil Service and other compensation schemes – exit packages<sup>5</sup>**

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2012	2011	2012	2011	2012	2011
£0-£10,000	-	-	1	89	1	89
£10,001-£25,000	-	-	74	166	74	166
£25,001-£50,000	-	-	127	186	127	186
£50,001-£100,000	-	-	125	386	125	386
£100,001-£150,000	-	-	10	119	10	119
£150,001-£200,000	-	-	1	51	1	51
>£200,000	-	-	-	68	-	68
Total number of exit packages	-	-	338	1,065	338	1,065
Total cost			£15,502,499	£79,426,950	£15,502,499	£79,426,950

<sup>5</sup> This table is subject to audit.

The data in the table above includes ex-gratia payments of £26,280 (2010/11: £49,885).

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 the contractual agreement to depart. Where Land Registry has agreed early retirements, the additional costs 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	2011
Band of highest-paid director's total remuneration (£'000)	105 – 110	160 – 165
Median total (£)	25,231	24,579
Remuneration ratio	4.3	6.6

In 2011/12, no employees received remuneration in excess of the highest-paid director. Remuneration ranged from £105,000 – £110,000 to £15,000 – £20,000 (2010/11: £160,000 – £165,000 to £15,000 – £20,000).

Although the organisation was subject to the first year of a two-year pay freeze, median total earnings increased slightly because the workforce reduced by 502 employees between 1 April 2011 and 1 April 2012, and 89 per cent of those leaving were in the lower pay grades (RE2U or below). The reduction in the band of the highest paid director's remuneration also impacted on the ratio.

### Malcolm Dawson OBE

Chief Land Registrar and Chief Executive  
12 June 2012

## 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 2012 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 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 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 2012 and of its retained surplus 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 returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

### Report

I have no observations to make on these financial statements.

### Amyas C E Morse

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

15 June 2012

## Statement of comprehensive income for the year ended 31 March 2012

	Notes	2012 £'000	2011 (Re-stated) £'000
Income – continuing operations	2	359,338	355,364
Cost of service	2	(244,009)	(275,675)
Gross surplus	2	115,329	79,689
Administrative expenses	2	(13,722)	(14,833)
<b>Operating surplus</b>		<b>101,607</b>	<b>64,856</b>
Profit on disposal of non-current assets		5,170	39,114
Investment income – interest receivable	5	1,170	580
Finance costs	6	(878)	(870)
Amortisation and depreciation of e-service systems	8.1, 9.1	(4,448)	(6,577)
Restructure and reorganisation costs	3.2	(21,000)	(87,847)
<b>Surplus for the financial year</b>		<b>81,621</b>	<b>9,256</b>
Dividend payable	7	(13,776)	(14,006)
<b>Retained surplus/(deficit) for the financial year</b>		<b>67,845</b>	<b>(4,750)</b>
(Loss)/gain on revaluation of property, plant and equipment		(1,608)	1,316
<b>Comprehensive surplus/(deficit) for the financial year</b>		<b>66,237</b>	<b>(3,434)</b>

The notes on pages 59 to 75 are an integral part of these accounts.

## Statement of financial position as at 31 March 2012

		2012		2011 (Re-stated)	
	Notes	£'000	£'000	£'000	£'000
<b>Non-current assets</b>					
Property, plant and equipment	8	109,186		118,968	
Intangible assets	9	22,962		27,997	
Other receivables	11.2	1,086		2,164	
<b>Total non-current assets</b>			133,234		149,129
<b>Current assets</b>					
Inventories	10	1,365		1,215	
Trade and other receivables	11.1	8,366		8,774	
Cash and cash equivalents	12	379,817		299,635	
<b>Total current assets</b>			389,548		309,624
Non-current assets classified as held for sale	8.3		6,156		21,111
<b>Total assets</b>			528,938		479,864
<b>Current liabilities</b>					
Trade and other payables	13.1	44,598		42,374	
Obligations under finance leases	13.1, 15.1	2,168		1,949	
Short-term provisions	17.1	9,878		24,923	
			56,644		69,246
Indemnity Fund	17.2		26,800		21,800
<b>Total current liabilities</b>			83,444		91,046
<b>Non-current assets plus net current assets</b>			445,494		388,818
<b>Non-current liabilities</b>					
Obligations under finance leases	13.2, 15.1	8,038		7,057	
Long-term provisions	17.1	27,591		32,198	
<b>Total non-current liabilities</b>			35,629		39,255
<b>Net assets</b>			409,865		349,563
<b>Capital and reserves</b>					
Public Dividend Capital			61,545		61,545
Revaluation Reserve			34,001		41,794
Income and expenditure account			314,319		246,224
			409,865		349,563

The notes on pages 59 to 75 are an integral part of these accounts.

**Malcolm Dawson OBE**

Chief Land Registrar and Chief Executive  
12 June 2012



## Statement of changes in reserves for the year ended 31 March 2012

	Public Dividend Capital	Government Grant reserve	Revaluation reserve	I&E reserve	Total reserves
	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2010</b>	61,545	4,366	64,564	246,256	376,731
Changes in accounting policy	-	(4,366)	-	4,366	-
<b>Re-stated balance at 1 April 2010</b>	61,545	-	64,564	250,622	376,731
<b>Changes in reserves 2010/11</b>					
Revaluation reserve					
Transfer to retained earnings	-	-	(352)	352	-
Transfer to assets held for sale	-	-	(23,734)	-	(23,734)
Comprehensive net deficit	-	-	1,316	(4,750)	(3,434)
<b>Balance at 31 March 2011</b>	61,545	-	41,794	246,224	349,563
<b>Changes in reserves 2011/12</b>					
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
<b>Balance at 31 March 2012</b>	61,545	-	34,001	314,319	409,865

The notes on pages 59 to 75 are an integral part of these accounts.

## Cash flow statement for the year ended 31 March 2012

	Notes	2012 £'000	2011 £'000
Net cash inflow from operating activities	20.1	84,367	51,218
<b>Investing activities</b>			
Purchase of tangible assets		(1,749)	(18,252)
Purchase of intangible assets		-	(494)
Proceeds on disposal of tangible assets		13,436	47,683
Interest received		1,059	523
<b>Net cash inflow from investing activities</b>		<b>12,746</b>	<b>29,460</b>
<b>Financing activities</b>			
Dividends paid		(14,006)	(15,279)
Repayments of capital element of obligations under finance leases		(2,047)	(2,219)
Interest elements of obligations under finance leases		(878)	(870)
<b>Net cash outflow from financing activities</b>		<b>(16,931)</b>	<b>(18,368)</b>
<b>Net increase in cash and cash equivalents</b>	20.2	<b>80,182</b>	<b>62,310</b>
<b>Cash and cash equivalents at beginning of year</b>	20.2	<b>299,635</b>	<b>237,325</b>
<b>Cash and cash equivalents at end of year</b>	12	<b>379,817</b>	<b>299,635</b>

The notes on pages 59 to 75 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) 2011/12 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 forward. 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, and the Accelerated Transformation Programme has proposed a structure to support the business as a going concern.

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 historic 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](http://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 this year was carried out in January 2012. The last full valuation was carried out in January 2011.

## Notes to the financial statements

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 historic 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 historic 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
Computers:	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**

The Indemnity Fund was established in 1993. In 2010/11 Land Registry commissioned Lane Clark & Peacock to carry out an actuarial review. The fund represents the amount calculated by the independent professional actuaries as being required to fulfill the statutory duty imposed on Land Registry to indemnify registered title in England and Wales. Lane Clark & Peacock conducted a high level review in 2011/12. The recommendation of that report was to increase the fund to £26.8 million as at 31 March 2012. Claims that are proved and covered by the fund will, in the first instance, be charged against the fund.

### **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 are charged to the statement of comprehensive income as incurred.

### **1.20 Capital government grant**

The change to accounting treatment for grants resulted in a prior year adjustment to remove the Government Grant Reserve from the statement of financial position. (See note 1.25)

### **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 FRoM. 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 fixed assets. Where output tax is charged or input tax is recoverable the amounts are stated net of VAT.

### **1.23 Treasury dividend**

Land Registry is required to pay the Treasury an annual dividend being 3.5 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 provisions eg 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.



## Notes to the financial statements

The FReM previously stated that assets financed by government grant were required to be taken to a specific reserve, and amortised to the statement of comprehensive income over the period of the life of the asset. This was changed in the 2011/12 FReM, which now requires that grants must be taken to the statement of comprehensive income on receipt, unless by exception the funder imposes conditions. The 2010/11 accounts have been re-stated to comply with this requirement. The balance on the government grant reserve has been accounted for by a movement through the I&E reserve in 2010/11 of £4.4 million for previous years; and a charge of £0.5 million to the statement of comprehensive income in 2010/11. No charges relating to the government grant reserve have been incurred in 2011/12.

The 2010/11 accounts have also been re-stated to disclose commercial income, which was previously netted off against expenditure (see note 2). The impact of this has been an increase to the total income figure and an equal increase in expenditure.

## 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 <sup>1</sup>	Total	Statutory		Non-statutory <sup>1</sup>	Total
	Registration of title	Land charges and agricultural credits	Commercial income		Registration of title	Land charges and agricultural credits	Commercial income	
	2012				2011 (Re-stated)			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income	349,494	4,921	4,923	359,338	346,422	4,580	4,362	355,364
Cost of service	(236,226)	(4,429)	(3,354)	(244,009)	(268,281)	(4,122)	(3,272)	(275,675)
Administrative expenses	(13,180)	(246)	(296)	(13,722)	(14,307)	(237)	(289)	(14,833)
Operating surplus	100,088	246	1,273	101,607	63,834	221	801	64,856

1 Commercial income is, for the first time, being separately disclosed in the 2011/12 business segments table with re-stated 2011 comparatives.

## 3 Operating surplus

### 3.1 Operating surplus is stated after charging

	2012	2011 (Re-stated)
	£'000	£'000
Staff costs (see note 4.1)	162,356	185,640
Provision for indemnity costs	5,000	(1,200)
IT infrastructure costs (see note 22)	8,919	8,262
Hire of machinery	6,829	6,513
Auditor's remuneration – audit fee	68	68
Depreciation of tangible non-current assets – owned	6,521	8,491
Depreciation of tangible non-current assets – leased	2,661	2,828
Amortisation of intangible assets	2,938	7,296
Impairment in value of non-current assets	472	11,346
Charge for operating leases – buildings	2,331	2,565
Miscellaneous income <sup>1</sup>	(1,906)	(2,538)

1 Miscellaneous income excludes commercial income, which is now separately disclosed in note 2.

## Notes to the financial statements

## 3.2 Restructure and reorganisation costs

	2012				2011			
	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	397	14,083	4,850	19,330	12,709	26,376	7,652	46,737
Costs provided for in year	2,060	(390)	-	1,670	30,606	10,504	-	41,110
	2,457	13,693	4,850	21,000	43,315	36,880	7,652	87,847
Profit on disposal	-	-	(5,874)	(5,874)	-	-	(39,324)	(39,324)
	2,457	13,693	(1,024)	15,126	43,315	36,880	(31,672)	48,523

The profit on disposal relates to the four properties sold in the period: St Andrew's Court, Portsmouth (£4.152 million); Tŷ Bryn Glas, Swansea (£1.387 million); Manselton file store, Swansea (£0.180 million) and Plumer House, Plymouth (£0.062 million).

## 4 Employee information

## 4.1 Staff costs

	2012			2011		
	Permanent staff	Others	Total	Permanent staff	Others	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Salaries	130,049	168	130,217	147,308	1,495	148,803
Social security costs	9,633	5	9,638	10,709	12	10,721
Other pension costs	24,178	11	24,189	28,054	-	28,054
<b>Total staff costs</b>	<b>163,860</b>	<b>184</b>	<b>164,044</b>	<b>186,071</b>	<b>1,507</b>	<b>187,578</b>
Seconded staff costs	(1,688)	-	(1,688)	(1,938)	-	(1,938)
<b>Total net staff costs</b>	<b>162,172</b>	<b>184</b>	<b>162,356</b>	<b>184,133</b>	<b>1,507</b>	<b>185,640</b>

## 4.2 Staff numbers

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

	2012			2011		
	Permanent staff	Others	Total	Permanent staff	Others	Total
Senior management	8	-	8	8	-	8
Operational	3,925	-	3,925	4,544	1	4,545
Administration	251	8	259	317	11	328
IT	396	-	396	438	3	441
	4,580	8	4,588	5,307	15	5,322

**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 48 to 53.

#### 4.4 Pensions

Pension benefits are provided for the majority of staff through the PCSPS. For 2011/12 employer contributions of £24.1 million (2010/11: £28.0 million) were payable to PCSPS at one of four rates in the range 16.7 per cent and 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 2011/12 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 2011/12 were £46,383 (2010/11: £58,277). Land Registry also contributed a further £3,071 (2010/11: £4,153) 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 £57,569 (2010/11: £49,611).

Further information relating to pension arrangements can be found in the remuneration report on pages 48 to 53 and note 1.6 on page 59.

## 5 Investment income

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Interest on bank deposits	<b>1,170</b>	580

## 6 Finance costs

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Interest on obligations under finance leases	<b>878</b>	870

## 7 Dividend payable

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Dividend payable	<b>13,776</b>	14,006

See note 1.23 on page 61 for the accounting policy relating to dividend payments.

## Notes to the financial statements

## 8 Property, plant and equipment

## 8.1 Cost or valuation

	Property Freehold		Leasehold	Plant and equipment			Total
	Land	Buildings	Buildings	Assets under construction	IT related assets	Other plant and equipment	
	£'000	£'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

## 8.2 Cost or valuation

	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2010	34,592	100,396	29,552	964	64,533	34,000	264,037
Additions	-	-	-	1,199	15,891	58	17,148
Assets brought into use	-	48	-	(1,302)	396	279	(579)
Revaluation in year	(753)	1,477	(48)	-	-	-	676
Reclassification of assets	-	-	-	-	15	(15)	-
Transfer assets held for sale (market value)	(4,700)	(15,820)	-	-	-	-	(20,520)
Impairment	-	-	(344)	-	-	-	(344)
Disposals	(9,450)	(24,089)	-	-	(6,119)	(3,386)	(43,044)
At 31 March 2011	19,689	62,012	29,160	861	74,716	30,936	217,374

**Accumulated depreciation and impairment**

	<b>Property</b>		Leasehold	Assets under construction	<b>Plant and equipment</b>		Total
	Freehold				IT related assets	Other plant and equipment	
	Land	Buildings	Buildings				
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2010	-	11,778	4,229	-	52,454	28,053	96,514
Provided during the year	-	2,493	779	-	7,932	2,264	13,468
Transfer assets held for sale (market value)	-	(811)	-	-	-	-	(811)
Disposals	-	(2,370)	-	-	(5,550)	(2,845)	(10,765)
At 31 March 2011	-	11,090	5,008	-	54,836	27,472	98,406
<b>Carrying amount at 31 March 2011</b>	<b>19,689</b>	<b>50,922</b>	<b>24,152</b>	<b>861</b>	<b>19,880</b>	<b>3,464</b>	<b>118,968</b>

See note 1.7 on page 59 for details of the property, plant and equipment accounting policy.

See note 1.8 on page 60 for details of the impairment accounting policy.

The net amount of finance leases at the end of the year was £3.32 million (2010/11: £3.23 million). In the year £0.191 million of depreciation and £0.279 million of revaluation related to these assets.

**8.3 Non-current assets classified as held for sale**

Brickdale House, Stevenage and Birkenhead House, Lytham were revalued in 2010/11 at fair value less costs to sell and transferred to assets classified as held for sale. In 2011/12 these properties remain on the statement of financial position as assets classified as held for sale and revalued in 2011/12 at fair value less costs to sell. Three properties were sold in the year, which had previously been recorded as assets held for sale in 2010/11, which explains the decrease in value from 2011/12.



## Notes to the financial statements

## 9 Intangible assets

## 9.1 Cost

	Development costs	E-conveyancing in service	E-security	Portal	Business Gateway	Software licences	Total
	£'000	£'000	£'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

## 9.2 Cost

	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2010	17,244	21,117	-	-	-	70,862	109,223
Additions	-	-	-	-	-	946	946
Assets brought into use	-	-	-	-	-	579	579
Reclassification	(10,812)	(16,612)	9,691	15,967	1,766	-	-
Disposals	-	-	-	-	-	(52)	(52)
Impairment	(6,432)	(4,505)	-	-	-	(318)	(11,255)
At 31 March 2011	-	-	9,691	15,967	1,766	72,017	99,441

## Amortisation

At 1 April 2010	-	2,334	-	-	-	57,579	59,913
Charge for the year	-	-	1,740	2,644	102	7,237	11,723
Reclassification	-	(2,334)	764	1,481	89	-	-
Disposals	-	-	-	-	-	(27)	(27)
Impairment	-	-	-	-	-	(165)	(165)
At 31 March 2011	-	-	2,504	4,125	191	64,624	71,444
Carrying amount at 31 March 2011	-	-	7,187	11,842	1,575	7,393	27,997

## 10 Inventories

	2012 £'000	2011 £'000
Work-in-progress	1,365	1,215
	<b>1,365</b>	<b>1,215</b>

## 11 Trade and other receivables

### 11.1 Current

	2012 £'000	2011 £'000
Trade receivables	1,602	2,744
Other receivables	3,133	2,229
Prepayments and accrued income	3,631	3,801
	<b>8,366</b>	<b>8,774</b>

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

	2012 £'000	2011 £'000
Other receivables	557	597
Prepayments	529	1,567
	<b>1,086</b>	<b>2,164</b>

## 12 Cash at bank and in hand

	2012 £'000	2011 £'000
Government Banking Service	82,304	217,336
Commercial banks and cash-in-hand	38,933	34,799
National Loans Fund	258,580	47,500
<b>Total</b>	<b>379,817</b>	<b>299,635</b>

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.

## Notes to the financial statements

## 13 Trade and other payables

<b>13.1 Current</b>	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Trade payables	851	1,499
Taxation and social security	2,914	3,401
Other payables	2,279	2,632
Accruals	17,499	15,824
Net obligations under finance leases	278	254
PFI finance lease obligations	1,890	1,695
Deferred income – fees received in advance	7,279	5,012
Dividend payable	13,776	14,006
	<b>46,766</b>	<b>44,323</b>

Trade and other payables principally comprise amounts outstanding for trade purchase and ongoing costs. The average credit period taken for trade purchases is 4.9 days. The carrying amount of trade payables is deemed to be an approximation of their fair value.

<b>13.2 Non-current</b>	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Net obligations under finance leases	5,003	5,282
PFI finance lease obligations	3,035	1,775
	<b>8,038</b>	<b>7,057</b>

## 14 Intra-government balances

<b>14.1 Receivables</b>	<b>Current</b>		<b>Non-current</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balances with:				
Other central government bodies	2,831	2,866	-	-
Local authorities	450	30	-	-
Public corporations	1	-	-	-
Intra-government balances	3,282	2,896	-	-
Balances with bodies external to government	5,084	5,878	1,086	2,164
<b>Total receivables</b>	<b>8,366</b>	<b>8,774</b>	<b>1,086</b>	<b>2,164</b>

<b>14.2 Payables</b>	<b>Current</b>		<b>Non-current</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balances with:				
Other central government bodies	19,684	21,361	-	-
Local authorities	-	109	-	-
Public corporations and trading funds	2,010	-	-	-
Intra-government balances	21,694	21,470	-	-
Balances with bodies external to government	25,072	22,853	8,038	7,057
<b>Total payables</b>	<b>46,766</b>	<b>44,323</b>	<b>8,038</b>	<b>7,057</b>

## 15 Obligations under leases

### 15.1 Finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Amounts payable under finance leases				
Within one year	3,086	2,794	2,168	1,949
In the second to fifth years inclusive	6,662	5,416	3,935	2,816
After five years	8,460	9,165	4,103	4,241
	18,208	17,375	10,206	9,006
Less: future finance charges	(8,002)	(8,369)		
Present value of lease obligations	10,206	9,006		
Less: amount due for settlement within 12 months (shown under current liabilities)			(2,168)	(1,949)
Amount due for settlement after 12 months			8,038	7,057

### 15.2 Operating leases

	2012 £'000	2011 £'000
Minimum lease payments under operating leases recognised in the year	2,732	3,046
Income from tenants	(401)	(481)
	2,331	2,565

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:

	2012 £'000	2011 £'000
Within one year	1,201	181
In the second to fifth years inclusive	1,012	2,504
After five years	781	47
Income due from tenants	(547)	(401)
	2,447	2,331

Operating lease payments represent rentals payable by Land Registry for land and buildings.

## 16 Loans

Land Registry had no loans during the financial year ending 31 March 2012.

## Notes to the financial statements

## 17 Provisions for liabilities and charges

## 17.1 Early release schemes and other

	Early retirement	Early severance	Other	Total	Early retirement	Early severance	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	2012				2011			
At 1 April 2011	46,436	10,519	166	57,121	20,978	552	1,541	23,071
Revaluation of provision	2,668	856	1,581	5,105	30,703	10,505	8	41,216
Provision utilised in the year	(13,630)	(9,273)	-	(22,903)	(5,148)	(537)	(1,383)	(7,068)
Provision written back unused	(608)	(1,246)	-	(1,854)	(97)	(1)	-	(98)
<b>At 31 March 2012</b>	<b>34,866</b>	<b>856</b>	<b>1,747</b>	<b>37,469</b>	<b>46,436</b>	<b>10,519</b>	<b>166</b>	<b>57,121</b>
Included in current liabilities				9,878				24,923
Included in non-current liabilities				27,591				32,198
				<b>37,469</b>				<b>57,121</b>

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 £14.0 million in 2011/12, of which £13.6 million had been provided for within the ERP provision in the 2010/11 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 in future years. Additions in this year relate to members of staff who entered into a firm commitment to take up the offer of early severance in 2011/12. Total payments in the year amounted to £23.3 million in 2011/12, of which £9.3 million had been provided for within the ERP provision in the 2010/11 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 expenditure expected to be required to settle the obligation". The discount factor applied to the early retirement provision over 10 years is 2.9 per cent. The impact of unwinding of the discount in 2011/12 was £2.4 million (2010/11: £4.8 million).

## 17.2 Indemnity Fund

	2012 £'000	2011 £'000
At 1 April 2011	21,800	23,000
Provided in the year	13,837	7,941
Provision utilised in the year	(8,837)	(9,141)
<b>At 31 March 2012</b>	<b>26,800</b>	<b>21,800</b>

The Indemnity Fund was established in 1993 and represents the amount calculated by independent professional actuaries as that being required to fulfill the statutory duty imposed on Land Registry to indemnify registered title in England and Wales. Claims that are proved and covered by the fund will, in the first instance, be charged against the fund.

## 18 Capital commitments

	2012 £'000	2011 £'000
<b>Capital expenditure</b>		
Contracted for but not provided in these accounts	2,000	850

## 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 under this liability 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 (see also notes 1.16 and 17.2).

	2012 £'000	2011 £'000
In relation to entries in the register	17,593	9,775
Fraud and forgery	57,366	57,616
	74,959	67,391

## 20 Notes to the cash flow statement

<b>20.1 Reconciliation of operating surplus to net cash inflow from operating activities</b>	<b>2012 £'000</b>	<b>2011 £'000</b>
Operating surplus	101,607	64,856
Restructure and reorganisation costs	(18,944)	(85,341)
Depreciation of property plant and equipment	9,182	11,319
Amortisation of intangible assets	2,938	7,296
Impairment in value of non-current assets	472	255
Impairment in value of intangible assets	-	11,091
(Decrease)/increase in provisions	(19,652)	34,050
Increase in inventories	(150)	(392)
Decrease in receivables	1,598	5,146
Increase in payables	2,316	4,138
Increase/(decrease) in Indemnity Fund	5,000	(1,200)
Net cash inflow from operating activities	84,367	51,218



## Notes to the financial statements

**20.2 Reconciliation of net cash flow to movement in net cash**

	<b>2012</b>		<b>2011</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>Land Registry funds</b>	<b>Customer deposits</b>	<b>Land Registry funds</b>	<b>Customer deposits</b>
Net cash at start of period	<b>299,635</b>	<b>147</b>	237,325	314
Increase/(decrease) in cash in the period	<b>80,182</b>	<b>(147)</b>	62,310	(167)
Net cash at end of period	<b>379,817</b>	<b>-</b>	299,635	147

**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 61 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 2011/12 £8.92 million (2010/11: £8.26 million) was charged under the Steria contract to the statement of comprehensive income.

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

	<b>£'000</b>	<b>£'000</b>
Within one year	8,381	8,890
In second to fifth years inclusive	11,087	19,311
After five years	-	-
	<b>19,468</b>	<b>28,201</b>

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

	2012 Actual %	Target %	2011 Actual %	Target %
Percentage return on average capital employed	19.7	3.5	16.4	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. For the five year period commencing 1 April 2007 to 31 March 2012 the average return on average capital employed is 8.4 per cent (2010/11: 8.9 per cent).

## 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 11 May we completed the sale of the Lytham Office, Birkenhead House for £3.1 million. At the year end the property was held on the statement of financial position within assets held for sale at a market value of £3.011 million. The sale resulted in a gain on disposal of £4.333 million, which includes a revaluation reserve release of £4.264 million and a gain on disposal of £0.069 million.

As part of the mainframe procurement exercise IBM issued a credit certificate. It is not a credit note and only has a value if booked against future work or supply of goods with IBM. This credit certificate was used to purchase assets under the new ESSO agreement to a value of £2 million. The ESSO agreement and these assets come into use on 1 April 2012; therefore no economic benefit was derived from the transaction in this financial year.

Appendices

## Appendix A

## Volumes/workloads

	2011/12	2010/11
<b>Applications</b>		
First registrations	146,274	184,668
Dispositional first leases	166,934	144,348
Transfers of part of registered land	125,285	120,529
Dealings of whole with registered land (excluding BRUs)	3,431,281	3,059,680
Bulk register updates (BRU)	329,174	1,029,524
<sup>1</sup> Preliminary services (OS, OC, CI, SIM, HR3)	12,926,133	9,423,195
Correspondence	320,383	353,022
Telephone enquiry services	1,321,872	1,540,184
Register views	3,847,098	3,985,839
Title plan views	620,568	591,606
Document views	71,499	80,973
<b>Total applications</b>	<b>23,306,501</b>	<b>20,513,568</b>
<b>Preliminary services by method of delivery</b>		
<i>Official copies (excluding CIs)</i>		
By post	351,627	282,361
By e-services	8,833,601	5,612,667
By phone	130,514	120,339
<b>Total</b>	<b>9,315,742</b>	<b>6,015,367</b>
<i>Official searches (OS1s, OS2s, OLAs)</i>		
By post	115,773	173,643
By e-services	1,663,829	1,502,252
By phone	57,762	88,246
<b>Total</b>	<b>1,837,364</b>	<b>1,764,141</b>
<i>Official search of the index map (SIMs, SIFs, PSTs)</i>		
By post	521,045	657,927
By e-services	1,060,388	766,056
By phone	54,772	70,645
<b>Total</b>	<b>1,636,205</b>	<b>1,494,628</b>

continued

<sup>1</sup> The increase in official copy (OC) output is due in part to the introduction of a new reporting base which was approved by the board.

	<b>2011/12</b>	<b>2010/11</b>
Certificate of Inspection of title plan (CI)	5,325	5,212
Home rights searches (Form HR3)	131,497	143,847
Register views	3,847,098	3,985,839
Filed plan views	620,568	591,606
Document views	71,499	80,973
<b>Total</b>	<b>4,675,987</b>	<b>4,807,477</b>
<b>Total preliminary</b>	<b>17,465,298</b>	<b>14,081,613</b>
<b>Other</b>		
Property bespoke reports	646	647
Personal searches of the register (PIC)	428	1,064

## Appendix B

### Treasury Minute dated 15 December 2003

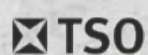
- 1 Section 4(1) of the Government Trading Funds Act 1973 ("the 1973 Act") provides that a trading fund established under that Act shall be under the control and management of the responsible Minister (or, where a trading fund is established for operations carried on by a person appointed in pursuance of any enactment, that person, if the Order establishing the trading fund so provides in accordance with section 1(6) (a) of the 1973 Act); and in the discharge of his function in relation to the fund it shall be his duty:
  - (a) to manage the funded operations so that the revenue of the fund:
    - (i) consists principally of receipts in respect of goods or services provided in the course of the funded operations, and
    - (ii) is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to revenue account; and
  - (b) to achieve such further financial objectives as the Treasury may from time to time, by minute laid before the House of Commons, indicate as having been determined by the responsible Minister (with Treasury concurrence) to be desirable of achievement.
- 2 A 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 for Business, Innovation and Skills, being the responsible Minister for the purposes of section 4(1)(b) of the 1973 Act, has determined (with Treasury concurrence) that a further financial objective desirable of achievement by HM Land Registry for the period from 1 April 2007 to 31 March 2012 shall be to achieve a return, averaged over the period as a whole, of a minimum of 3.5 per cent in the form of a surplus on ordinary activities before interest (payable and receivable) and 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 1 April 1993.
- 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.











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