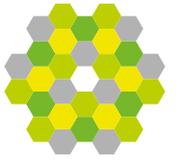


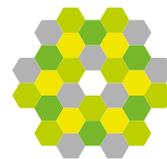
HM Land Registry



Annual Report and Accounts 2013/14



HM Land Registry Annual Report and Accounts 2013/14



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

Land Registry's future has been the subject of much public debate over the past few months. Following a consultation the Government has announced its intention to facilitate wider powers allowing us to become sole registering authority for Local Land Charges.

The Government has also been considering the results of a consultation on measures to enable the business of land registration to be more delivery focused and for Land Registry to have greater flexibility to operate. The Government has announced that further consideration of the themes raised by the consultation would be valuable. Therefore at this time, no decision has been taken to change Land Registry's model.

However this period of deliberation has been far from a hiatus for us. We have carried on working towards our objectives in the key areas of efficiency, data, assurance and capability with greater vigour and success than ever, making excellent progress towards the challenging targets in our Business Strategy.

Our commitment to greater efficiency has been demonstrated by our success in exceeding our targets in areas as diverse as the speed in which we complete registrations, the running of our operational budget and the carbon we emit into the atmosphere.

We achieved a 21 per cent rise in productivity as a stable workforce processed a fast increasing number of applications generated by the recovery in the property market. This was thanks both to their hard work and to the efficiency measures and technological enhancements we are introducing. Almost 56 per cent of applications affecting a registered title are now being lodged electronically. The next challenge will be to develop more efficient processes for these applications.

We have also been proactive in widening our role in the property market for the benefit of the economy. By developing a prototype Local Land Charges register we demonstrated how we could use our experience and expertise to improve the conveyancing process. We believe there could be areas outside our traditional remit in which we could play a similarly positive role.

We have also broken new ground in the use and reuse of our data. Over the year we've released new datasets on a regular basis and to demanding standards of quality and accessibility. Businesses are finding exciting ways of exploiting the data to create new services that benefit markets and consumers.

Our price paid data is used by virtually all of the housing and property market's analysts and is integral to the majority of property applications available. Indeed, one of the prizes in our open data challenge was awarded to Adzuna, who based their idea on a novel use of our data



to help job seekers and house buyers identify affordable areas to work and live.

Our role in providing assurance to the property market demands that we continually improve our customer service and our counter-fraud systems. High quality registrations and detailed attention to changing customer needs helped us exceed our already high customer satisfaction and Net Promoter Score targets. We know however that the plaudits will soon cease if we don't fulfil our duty to prevent property fraud. Our new free Property Alert service is one of many ways in which we are helping home owners to reduce the risk of fraud.

The uncertainty over our future status made it perhaps unsurprising that we missed our staff engagement target. But our people have continued to demonstrate their commitment to their work, their colleagues and their communities in many other ways.

We know that a skilled and motivated workforce is as crucial to helping us achieve our future ambitions as it has been to the successes of the past 12 months. During a year of uncertainty it is to the credit of both the management team led by Ed Lester and our staff that we have met so many of our targets and so been able to play our full part in assisting the economic future of the country. With further support and development we intend to build on this success to provide new and improved services for the benefit of our customers and the broader economy.

A handwritten signature in black ink, which reads "Mark Boyle". The signature is written in a cursive, slightly stylized font.

Mark Boyle
Chair
Land Registry Board



Foreword by the Chief Land Registrar and Chief Executive

My first year at Land Registry has been a year of both significant change and growth in business-as-usual activity. It is a testament to the commitment and professionalism of colleagues that Land Registry has been able to progress aspects of the new Business Strategy while servicing transaction volumes which have increased by 16 per cent compared with the previous year.

The Business Strategy approved by the Minister in 2012 has begun to take shape. A significant and demanding piece of work has been undertaken by Land Registry colleagues to develop the planning and modelling required to achieve the benefits it set out. These benefits include increases in productivity, which will be driven by digital by default, better online services to the customer and maximising the use of our data.

To fulfil the strategy, the government shareholder – the Shareholder Executive – has completed an eight-week public consultation to enable the business of land registration to be more delivery focused and to have greater flexibility to operate. It included proposals to create a new company to which responsibility for the performance of service delivery would be transferred and to have a separate Office of the Chief Land Registrar, which would primarily perform regulatory functions.

Land Registry also consulted on wider powers to become sole registering authority for Local Land Charges, enabling us to provide a streamlined standardised digital service. The Government has announced its intention to facilitate wider powers allowing Land Registry to become sole registering authority for Local Land Charges.

The Government has announced at this time, that no decision has been taken to change Land Registry's model. There are however some steps we can take to improve the way Land Registry operates. For example, the development of the Virtual Post Room service will streamline the intake of casework, allowing digital flow to our caseworkers, thereby making the best use of their skills and improving our efficiency and effectiveness.

While recognising the challenge that change brings to any business, we must continue to maintain our focus on the effective delivery of day-to-day activities.

I am pleased to be able to report that we have been able to do this. While we dealt with 22.6m transactions in the previous year, 2012/13, we saw volumes rise to 26.3 million in 2013/14. During a year of increased activity we have managed to achieve 13 of our 15 targets, maintaining critical performance measures such as quality of registration work (98.4 per cent), customer satisfaction (98 per cent), speed of service and the availability of e-services to our customers (99.7 per cent).



We were also able to meet our efficiency objective, a financial budget constraint which required a 3.2 per cent saving in real terms, while coping with the increase in work, reflecting the drive to give better value to the customer.

The targets for 2013/14 also included the first steps along the Business Strategy path. These included release of a free Property Alert service. This service was recently recognised with an award of first place in the Real IT Awards under the category Innovation in Business. It offers a free property monitoring service aimed at anyone who feels their registered property could be at risk from fraud. It is the latest counter-fraud measure that we have introduced to help protect people's most valuable asset – their home.

We also achieved the objective to develop a prototype Local Land Charges system in conjunction with a small group of local authorities supporting the pilot, to test the feasibility of the service, and we presented an evaluation of the prototype with recommendations to the Minister on next steps. This approach allows us to test future options in a low risk way, with limited financial exposure.

Our income of £381.3m was based on the fee structure which came into effect on 22 October 2012. While it was designed to reduce revenues overall by around 10 per cent, rising volumes meant we had to look at the fee income again during the year. A new Land Registration Fee Order 2013 came into effect on 17 March 2014. While this gave little time to affect overall revenue for the year it will ensure more balanced income to expenditure while offering a 50 per cent reduction incentive for electronic delivery of registrations. This is part of our strategy to develop the business as an online service, helping to drive up productivity.

Our costs of service at £227.9m were broadly stable while we absorbed the impact of inflation. Total expenditure for the year was £246.2m, leaving a surplus of £135.1m. We paid the Business Strategy dividend of £100m along with the annual dividend of £26.7m, which is based on 5.9 per cent return on the average capital employed, to the Government. Our retained surplus was £8.5m and after a gain on property revaluation the comprehensive surplus was £9.8m.

I regret to report that a financial sanction has been imposed on Land Registry owing to an interim Finance Director remaining in post, but off Land Registry payroll for more than six months.

The organisation now confident about its immediate future, is in good financial health. The workforce have met the challenge of achieving high standards in a year of rising workload, while taking significant first steps to achieve the benefits of the Business Strategy. I thank them all for their commitment and professionalism and I look forward to facing the challenge ahead now that our commercial status is known. I know they will rise to this challenge.

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

Ed Lester
Chief Land Registrar and Chief Executive
14 July 2014

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, a trading fund and an executive agency that makes no call on monies voted by Parliament. By statute we are required to ensure that our income from fees covers all of our expenditure under normal operating conditions.

Under the provisions of The Transfer of Functions (Her Majesty's Land Registry, the Meteorological Office and Ordnance Survey) Order 2011, certain statutory functions relating to Land Registry that had previously been vested in the Lord Chancellor were transferred to the Secretary of State for Business, Innovation and Skills.

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

Our 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 our primary governing statute.

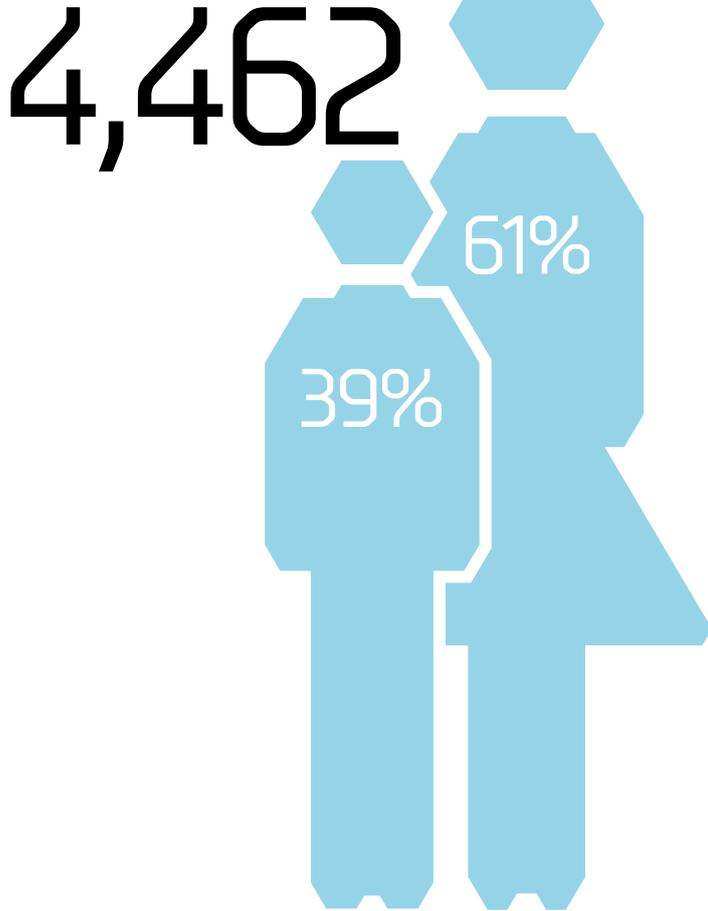
The head of Land Registry is the Chief Land Registrar, appointed under statute by the Secretary of State for Business, Innovation and Skills. The Chief Land Registrar is also Land Registry's Chief Executive and Accounting Officer. The Chief Executive is responsible for the effective and efficient day-to-day 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 2012*.

We serve a population of more than 55 million and facilitate one of the most active property and mortgage markets in the world. Almost 85 per cent of the land mass of England and Wales is registered, adding up to more than 12.9 million hectares. Just under 24 million titles are recorded in the Land Register.

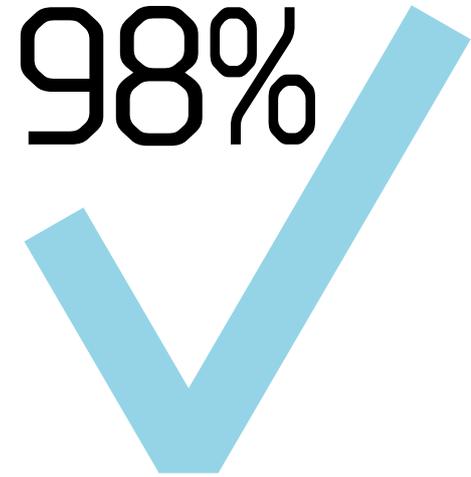
We operate through a number of offices located throughout England and Wales. Our Head Office and Croydon Office share Trafalgar House in Croydon. Our Information Systems Directorate, our Plymouth Office and our Land Charges and Agricultural Credits departments share Seaton Court in Plymouth.

Our year in figures

Number of employees

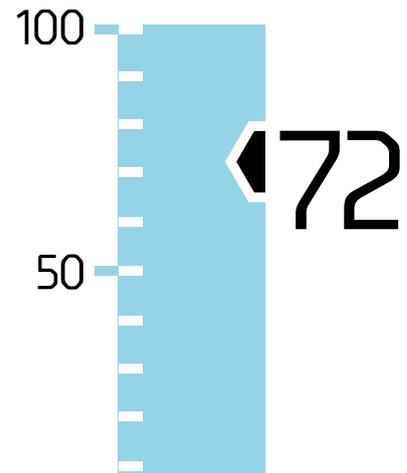


Customer satisfaction score



★ Stonewall
**TOP 100
EMPLOYERS**

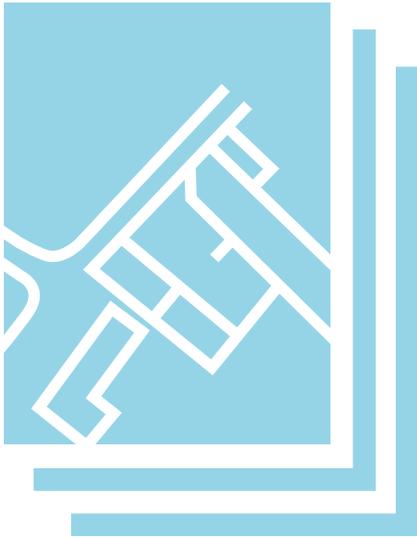
Number of applications



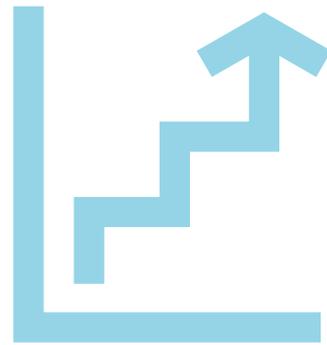
Dealing applications lodged electronically in March



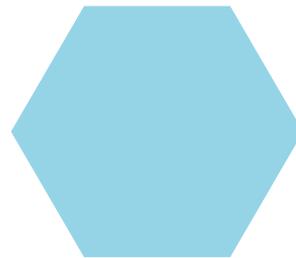
Registered titles
23.8 million



Rise in productivity
21%



Dividend including
special dividend



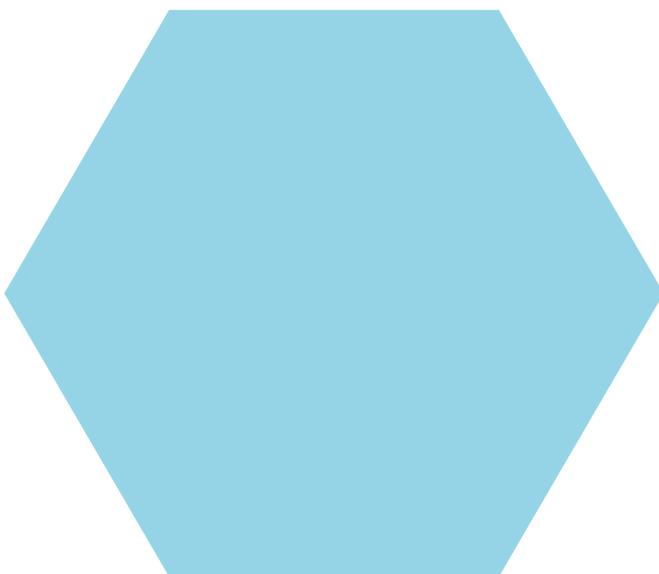
£126.7m

Retained surplus



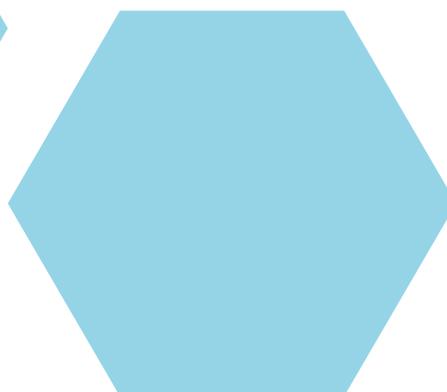
£8.5m

Income



£381.3m

Operating costs



£239.9m



Senior Registration Executive Nick Witting of Croydon Office explains a point of Land Registry practice to the Hong Kong Lands Department's Head of Survey and Mapping Data Dominic Siu Wai-ching and Chief Land Surveyor Law King-wai during their visit to Trafalgar House as guests of the International Unit

Our year in focus

Land Registry rarely makes the headlines itself but every newspaper in England and Wales seemed to be leading on the dominant story of our year: the revival in the housing market.

Our workloads climbed to their highest level since the 2008 property crash as the greater availability of mortgage finance helped push up the number of sales. Our response to the resulting rise in applications – up 16 per cent year on year – was to increase our productivity by 21 per cent.

This was thanks to the superb efforts of our teams – including part-time staff who increased their hours to boost our capacity – combined with changes in working practices and technological innovations. These allowed our caseworkers to spend less time on processing documents and as much as possible on more complex decision-making work.

Issuing official copies of property registers is one of the day-to-day tasks we're centralising. We've reduced the cost of the service and improved its efficiency through electronic processing. Of the 11.5 million official copies we issued this year, 98.2 per cent were electronic.

Meanwhile our Business e-services are allowing customers to bypass the post room by increasingly sending us their applications electronically, lightening the load for both us and them. This was helped by the almost constant availability of our electronic services – we beat our 99.6 per cent target – during business hours extended to 6.30am to 11pm every day.

At the very end of the year we started using our new Virtual Post Room, which will eventually take delivery of all postal applications from business customers for electronic scanning and allocation to the appropriate team. Our new Citizen Centre at our Wales Office is already receiving all paper applications – currently running at 6,000 a month – sent by members of the general public.

It was not just rising property sales that put our resources to the test over the year. The Land Registration Act 2002 had set an October 2013 deadline for registering overriding interests in manorial rights and chancel repair liability, presenting an additional challenge that demanded we show flexibility and capability.

The Act gave 10 years for people with interests in property such as manorial rights to ensure they were preserved through registration. Most however left it to the very last weeks if not minutes and we received 40,000 applications in the days leading up to the deadline.

Forward planning, well-honed expertise and sheer hard work ensured we were ready, with a network of 'centres of excellence' across the organisation coordinating the casework and weekend overtime supplementing the long daytime hours. As a result all the applications were recorded in good time.

We'd be far less satisfied with these achievements without evidence that customers were happy with our work. An independently verified satisfaction rate of 98 per cent and a Net Promoter Score of 52 – both beating our targets for the year – showed we were maintaining and improving upon the very high standards we'd set ourselves.

Our Land Registration Fee Order 2013 will allow our customers to benefit from the savings we have been making through more efficient working practices and continued reductions in our costs. The most significant feature was to halve the fee for many applications submitted electronically – reflecting and boosting our efforts to deliver as many of our services digitally as possible.

Our flagship electronic Document Registration Service (e-DRS) went from strength to strength, including earning a commendation at the Real IT Awards as runner-up in the Delivering Business Value category.

“What Land Registry is doing is a textbook example of how by investing in digital technology you can offer a quicker, better service.”

Sir Bob Kerslake
Head of the Civil Service

A succession of enhancements meant that by the end of the year business customers could use e-DRS to register the sale or mortgage of any registered property and register and extend leases on any registered property. By the close of the year an average of 3,680 'dealings' – applications affecting a registered title – was arriving via e-DRS each day.

One of our most high profile new launches was our free MapSearch service, a searchable online version of our index map. It allows business customers to locate any registered property in England and Wales without having to apply to us for the information.

MapSearch was developed in close consultation and cooperation with our customers. Their suggestions and feedback are now integral to the development and enhancement of all our new products and services.

“We have been using MapSearch for several weeks now, and it has become absolutely indispensable.”

David Roberts

Legal Director, Morgoed Estates Limited

We've set up a new facility at our Coventry Office where state-of-the-art equipment monitors the reactions of customers who've volunteered to test our electronic prototypes. A new database meanwhile allows us to contact and respond to customers more efficiently and knowledgeably than in the past while training material has been converted to video to increase its accessibility.

We're increasingly using Agile methodology to create new products and services. Instead of setting out all the requirements for a project before beginning work, Agile advances the work by a series of 'sprints' that bring flexibility to the process. The emphasis is on meeting the customers' needs rather than satisfying our own internal business processes.

Agile was used to build MapSearch and Property Alert, a free service that warns of potentially suspicious activity on a property register so prompt action can be taken. The service proved immediately popular, with 4,600 people signed up by the end of the year, and earned national recognition as the winner in the Innovation in Business category in the Real IT Awards.

Our counter-fraud efforts were again recognised by a nomination in the Fighting Fraud Awards for our work in raising fraud awareness. Our total net indemnity payments were down on last year at just over £9 million. This figure was helped by the £2 million recouped during our best year yet for recovering money under our rights of recourse, including the determined pursuit of a single sum of £1.2 million.

“Land Registry is doing some fantastic work on detecting and preventing property fraud.”

Mike Robinson

Departmental Counter-Fraud Officer, Department for Business, Innovation and Skills

Our releases of new sets of free data were heralded by the publication of our dataset inventory, designed to encourage potential users to think creatively about the datasets we hold and could potentially publish.

This was followed by a succession of such releases: our historical House Price Index tables, our historical price paid data and the 1862 Act Registers. Our INSPIRE Index Polygons were made available for download, allowing customers to import the registration information directly into their own mapping systems.

We showed how much we wanted entrepreneurs and analysts to make imaginative and profitable use of our data by holding an open data challenge offering £3,000 prizes for the best ideas. At an award ceremony we rewarded the ideas of search engine company Adzuna and software developer Dan Hilton. A similar challenge was made internally to staff and equally creative ideas were proposed.

“There's a great culture here for open data.”

Heather Savory

Open Data User Group Chair

We raised just over £3.9 million from sales of our commercial products and services and continued to extend the range with the launch of Online Owner Verification, which allows customers to verify their property ownership data against our records.

Our Business Strategy has challenged us to broaden the scope of our work by applying our expertise to other registers. We acted decisively on this when our advisory council identified the provision of a Local Land Charges service as an area where we could make a real difference.

After working with 10 local authorities on a pilot project we launched a consultation to widen our powers to enable us to take over the statutory function for holding and maintaining a composite Local Land Charges Register for England and Wales and provide Local Land Charges searches. By including this in the Queen's speech the Government signalled its intention to proceed in this area.

The initiative was just one way in which we widened our horizons and sought to convey our expertise, ideas and enthusiasm. We used the shop window of the Department for Business, Innovation and Skills offices in central London for an exhibition explaining who we are and what we do. Imaginative use of social media helped increase the number and range of people communicating with us on a regular basis.



An exhibition at the offices of the Department for Business, Innovation and Skills in central London explained who we are and what we do



Head of Data Programme Andrew Trigg presents Jenna Brown of Adzuna with her company's prize as a winner of our open data challenge



Sports Day 2013 volunteers and organising committee members fly the flag in Plymouth



The Keen Mean Walking Machines of Hull Office were the winning team in the Virtual Walking Challenge organised by the Charity for Civil Servants

Speakers from Land Registry visited others to explain how we deliver our services and our data and digital initiatives. Head of International Relations Julie Barry and Chief Geographic Information Officer Andrew Trigg both made presentations at the Annual World Bank Conference on Land and Property in Washington DC. Director of Legal Services Alasdair Lewis was also regularly on the move in his two-year role as President of the European Land Registry Association.

Our International Unit shared Land Registry expertise with counterparts abroad, including when Head of International Business Development Emma Vincent took part in a trade mission to the African Development Bank HQ in Tunisia under the auspices of UK Trade & Investment. The world also came to us: we welcomed study visits from Cyprus, Botswana, Gambia, Hong Kong, Malaysia, New Zealand, Nigeria, Russia and South Korea.

During a period of huge uncertainty about our future our staff engagement score remained the same as in the previous year. This made it the second strategic milestone, along with the launch date for Property Alert, in which we fell short of the target we set ourselves. For the coming year we've created a new key performance indicator which will measure how connected people feel with the organisation's goals and values, as well as their health and wellbeing. In the meantime there are plenty of positive signs they're engaged with their work, their colleagues and their customers.

Our Opportunities for All initiative offers the chance for people to broaden their horizons by taking on a new project or role within the organisation. A new Emerging Leaders programme is identifying talented individuals with the potential to progress to the top of the organisation, with five people selected for the first intake.

Sickness absence has continued to fall and our efforts to encourage 'wellness' at work were recognised by a Simplyhealth Healthy Workplace Award. Land Registry teams showed their appetite for fresh air and exercise by dominating the Charity for Civil Servants' Virtual Walking Challenge.

Our Respect campaign – promoting a working environment in which difference is valued – won the Inclusive Culture Award at the 2013 Employers Network for Equality and Inclusion (ENEI) Awards. We also increased our staff declaration rate for sexual orientation and religion by almost 15 per cent and re-entered Stonewall's league table of the Top 100 Employers for lesbian, gay and bisexual staff at number 72.

“These awards recognise the commitment of organisations to achieving diverse and inclusive workplaces, celebrating the teams and individuals who really are making a difference.”

Denise Keating, Chief Executive, ENEI

We revived our tradition – in abeyance since the property crash – of recruiting fresh talent to our Information Systems Directorate by offering work experience places to students from the University of Plymouth. Two members of the first group take up full-time jobs with us in July.

People across the organisation continued to show their commitment to their communities and good causes at home and abroad through fundraising and volunteering. Almost every office in the organisation held a World's Biggest Coffee Morning event, raising a total of £4,300 for Macmillan Cancer Support. This was however just a small fraction of the amount collected for charities over the year.

Climate Week brought a challenge to think imaginatively about how to cut carbon emissions with working groups in many local offices contributing ideas. Across the organisation we beat our target to cut our carbon emissions by 5 per cent over the year, achieving a fall of 9.9 per cent.

Our social and sporting traditions showed their continued strength with successful national golf, angling, arts & photographic and quiz competitions. A walking weekend in the Peak District drew participants from across the organisation, as did a unique version of the annual sports day in which football and athletics were replaced by dragon boat racing and kayaking on the Plymouth seafront.



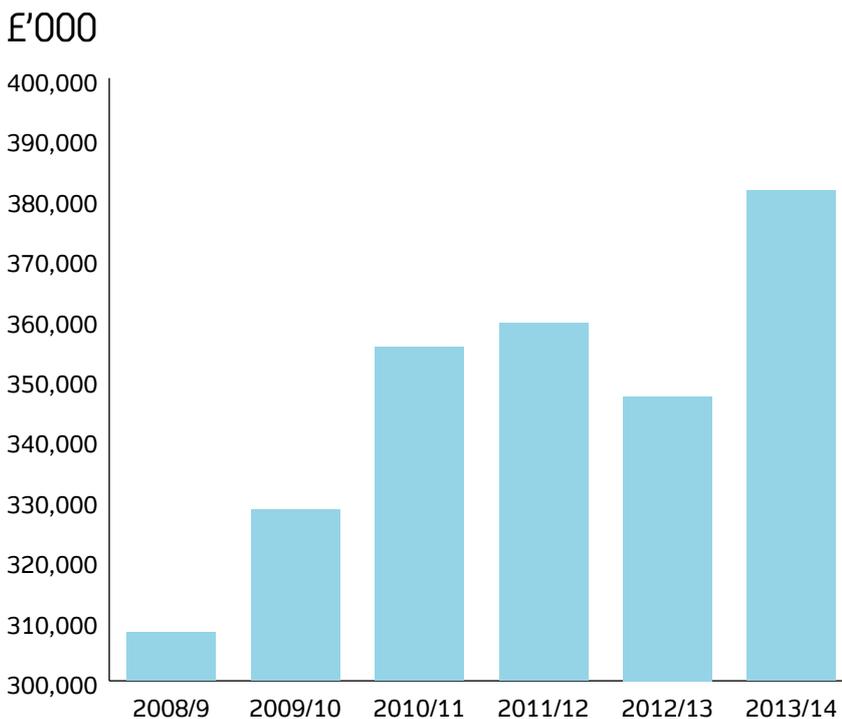
Finance Director's report

Revenue

Our total revenue was £381.3m (2012/13: £347.2m), up 9.8 per cent or £34.1m year on year. Transaction volumes, on an index basis, of 11.7m units (2012/13: 9.9m units) were up 18 per cent on the prior year. (This includes more volatile bulk register updates.) Our principal revenues incorporated a new fee structure, effective on 22 October 2012, that was designed to reduce fees on average by 10 per cent but the reduction was offset by volume increases. A new Land Registration Fee Order 2013 set a 50 per cent price reduction to incentivise the electronic delivery of substantive registrations. It came into effect on 17 March 2014, having limited impact on the financial results for 2013/14.



Revenue: six-year trend



IBNR

The financial statements include the provision in respect of indemnity claims known to have been 'incurred but not yet reported' (IBNR). This provision, which is explained in note 1.18 and 17.2 to the accounts, is an estimate that is likely to fluctuate both up and down in subsequent years.

Operating costs

Operating costs of £239.9m (2012/13: £238.3m) include salary costs of £154.1m (2012/13: £155.8m). Salary costs fell by £1.7m, reflecting efficiency gains through absorbing payroll inflation and a reduced full-time equivalent headcount of 3,999 (2012/13: 4,060) by March. The costs are reduced by a £10.9m credit following the reduction to the Indemnity Fund and are increased by the £8.0m increase in the IBNR provision, which distorted the overall outturn.

Indemnity

Indemnity payments were £11.2m in total (2012/13: £11.9m) but there were payments arising from fraud and forgery of £6.4m excluding related costs (2012/13 £4.4m excluding related costs), the increase arising from one large case, which distorted the outturn for the year. During the year £2.2m was recovered under our rights of recourse. Controls relating to fraud prevention and our counter-fraud measures continue to be improved to protect customers against registration fraud. Most notably in the year we launched Property Alert, a free service to allow home owners who might be concerned about fraud to be notified of significant changes to their registered title (www.landregistry.gov.uk>Public>Property Alert).

Other costs

Costs on the completed Accelerated Transformation Programme (ATP) fell to £1.6m (2012/13: £10.5m). Other costs were offset by investment income of £1.6m (2012/13: £1.5m). There were finance lease charges of £0.9m (2012/13: £0.9m) and amortisation and depreciation costs of e-service systems which came on line in 2010/11 of £5.4m (2012/13: £4.1m). Overall total costs are £246.2m (2012/13: £248.4m). This is a reduction of 0.9 per cent. The reduction reflects a continued trend and drive for efficiency, being 35.7 per cent cumulative from 2008/9 on the cost of service, ignoring inflation. The surplus before dividend for the year is £135.1m (2012/13: £98.8m).

This surplus largely reflects the increased volumes during the year, the year-on-year cost reductions and a credit from the Indemnity Fund which reduced expenditure. Our return on capital employed was 30.7 per cent (2012/13: 23.4 per cent), reflecting the impact of long-term ATP cost reductions and the new fee order implemented during 2012/13, which applied for most of the financial year. The Land Registration Fee Order 2013, which offers a 50 per cent price incentive for electronic delivery of registrations, was implemented on 17 March 2014 leaving insufficient time to address the surplus during the year.

Dividends

An increased dividend of £26.7m (2012/13: £26m) is based on a 5.9 per cent return on capital employed (2012/13: 6.3 per cent). In addition a £100m Business Strategy dividend was paid, leaving a retained surplus of £8.5m.

Statement of financial position

The statement of financial position remains strong and net assets increased to £444.4m (2012/13: £435.5m). Net cash outflow was £7.9m, reflecting the cash payment of the £100m Business Strategy dividend, the 2012/13 dividend and £20m of the £26.7m 2013/14 dividend. The closing cash balance was £464.6m (2012/13: £472.6m).

Non-current assets

The estate was externally valued by the Valuation Office. The overall movement was a decrease in value of £0.5m.

The value of our estate in the accounts, following disposal of the former Stevenage Office building Brickdale House, is now £76.5m.

Our total capital spend was £2m.

Indemnity Fund and IBNR provision

This year the value of the Indemnity Fund provision has fallen to £11.2m (2012/13: £22.1m) following an external review by Lane Clark & Peacock, our actuaries. The impact of this reduced provision was an increase of £10.9m to our operating surplus. The IBNR provision of £45.7m was increased by £8.0m to close at £53.7m at 31 March 2014, which decreased the operating surplus by £8.0m.

Treasury Management

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

Performance

We achieved 13 of our 15 KPI targets during a year of uncertainty with volumes rising significantly above what we expected. For details see section e of the Strategic report (page 30).

Future activities: Business Strategy and Business Plan

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

- a 60 per cent increase in productivity
- 99 per cent of information services and 60 per cent of registration services to be lodged electronically by 2017/18
- digitising data in 354 local authorities – broadening Land Registry’s role and make conveyancing easier and cheaper
- upgrading our legacy registration and geographic information (GI) systems
- maximising use of Land Registry data for the benefit of the wider economy
- reducing running costs by £40 million per annum.

These targets were published in our 2013/14 Annual Management Plan available on our website: www.landregistry.gov.uk/media/about-us/annual-reports. The targets within the Annual Management Plan for 2014/15 have been announced in Parliament by written ministerial statement following review by both the Land Registry Board and the Shareholder Executive, the Government’s shareholder.

Main trends affecting future activities

The main trend affecting future activities is the level of housing market activity. This is reviewed constantly using a range of indicators from internal and external sources. Our assumption for the 2014/15 year is that activity will be 11.6m units including bulk register updates of 1.2m units. This is higher than the planned activity for 2013/14 (9.5m units including 0.3m bulk register updates) but lower than the 2013/14 outturn of 11.7m units. The revenue forecast is built on this volume to retain a surplus before dividend of £38m, excluding the second Business Strategy dividend of £100m.

Directorships and significant interests

Our Non-Executive Chair Mark Boyle was a member of the Shareholder Executive until September 2013. 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 taxpayer. He does not take part in Shareholder Executive decisions relating to Land Registry. Details of directors’ interests are available at Head Office.

Key relationships

We maintain close relationships with our suppliers through our procurement and contract management processes. Our key suppliers include Steria, TNT, Carillion and IBM. The performance of these key suppliers is closely monitored to ensure the contracted service is being delivered effectively, improvement opportunities are sought and we continue to receive good value for money. We have also worked closely with Steria to disaggregate the Distributed IT Infrastructure Service (DITI) in a constructive and systematic manner to ensure successful transition to alternative provision.

Our key suppliers are monitored in line with the relevant strategic risk and we are taking further steps to enhance our open book contract management activity.

Increasing use continues to be made of cross-government contracts, in line with the Cabinet Office’s procurement policy.

Pensions

Details of how pension costs and liabilities are treated in the accounts can be found in notes 1.8 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 95.4 per cent of undisputed invoices received from suppliers within five working days.

Principal risks and uncertainties

We face challenges and risks to the achievement of our strategic and business objectives. Key current strategic risks relate to registration fraud and the integrity of our register. The risk to our Business Strategy relates to the delivery of benefits planned and a risk relating to people and the capability to achieve transition, with a potential impact on business as usual.

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

Auditors

The accounts have been audited by the Comptroller and Auditor General (C&AG). The cost in respect of services relating to the statutory audit for 2013/14 was £65,000 (2012/13: £67,500).

Stephen Park
Finance Director
14 July 2014





Strategic report

a) Strategy

Our Business Strategy was endorsed by the Minister in December 2012. The objectives are outlined within the governance statement in this annual report and accounts. Further details on the Business Strategy Objectives were published in the Annual Management Plan 2013/14 which set out the 12 detailed strategic targets over the five-year plan.

[www.landregistry.gov.uk>About us>Annual reports and business plans>Management plan 2013/14](http://www.landregistry.gov.uk>About-us/Annual-reports-and-business-plans/Management-plan-2013-14)

For 2014/15 our key performance indicators were announced before Parliament on 8 May 2014.

b) Significant changes

The Department for Business, Innovation and Skills has completed an eight-week public consultation to enable the business of land registration to be more delivery focused and to have greater flexibility to operate. It included proposals to create a new company to which responsibility for the performance of service delivery would be transferred and to have a separate Office of the Chief Land Registrar which would primarily perform regulatory functions.

The Government has confirmed that no decision has been taken to change Land Registry's operating model at this time.

Land Registry also consulted on wider powers to become sole registering authority for Local Land Charges, enabling us to provide a streamlined standardised digital service. The Government has announced its intention to facilitate these wider powers.

c) Sustainability report

This sustainability report demonstrates Land Registry's performance against the Greening Government Commitments and Environmental Management System requirements.

Headlines

	Achieving	Target	On target?
Carbon	36% reduction	25% reduction	Yes
Waste	51% reduction	25% reduction	Yes
Water	37% reduction	25% reduction	Yes

Summary of performance

Work continues towards the achievement of the Greening Government Commitments (GGC) targets by the target achievement date of March 2015. We are currently achieving the following against the baseline GGC reporting period of 2009/10.

- 36 per cent reduction in carbon.
- 51 per cent reduction in waste arisings.
- 37 per cent reduction in water consumption.

A key performance indicator (KPI) was introduced in 2012 directly related to sustainability performance. This was to reduce carbon emissions by 5 per cent on the previous year. We continued with this sustainability KPI during this financial year.

The performance information reported below is as required for the GGC.

Area		Performance	
		Actual	2015 25% reduction target
Energy: greenhouse gas emissions, all areas within scope	Carbon emissions (tonnes)	9,128 actual emissions	10,745 ¹
	Expenditure (£'000)	1,810,099	
Waste	Consumption (tonnes)	959	1,484 ¹
	Expenditure (£'000)	290,817	
Water	Consumption (m ³)	36,037	42,911
	Expenditure (£'000)	228,430	

1. Target was reset in line with GGC bases.

Summary of future strategy

Work continues with our major business partners towards the achievement of the GGC targets, delivering improvements in both building operation and management and our IT infrastructure. The building condition surveys were reviewed and sustainability works were identified in relation to the replacement of boilers and improvements in the Building Management Systems (BMS). These works are currently being planned and will be undertaken in the next financial year.

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

Carbon

Greenhouse gas emissions	2013/14	2012/13
Non-financial indicators (tCO₂e)		
Total gross emissions for scopes 1 and 2	8,404	10,447
Electricity: green/renewable	2,780	2,265
Total net emissions for scopes 1 and 2 (ie having removed renewable elements)	5,624	8,182
Gross emissions scope 3 travel ¹	724	893
Total gross reported emissions	9,128	11,340
Non-financial indicators (mWh)		
Electricity: purchased (grid, combined heat and power, and non-renewable)	12,200	15,943
Electricity: renewable	–	–
Gas	8,355	11,567
Other energy sources	–	–
Total energy	20,555	27,510
Financial indicators (£'000)		
Expenditure on energy	1,810	2,043
Expenditure on accredited offsets (eg Government Carbon Offsetting Fund)	–	–
Expenditure on official business travel	1,240	1,127

1. Gross emissions scope 3 includes all available business travel. Our consumption data includes government tenants sharing our estate but excludes data relating to non-government tenants.

The table overleaf shows the trend and achievement to date for Land Registry in relation to reduction in carbon emissions towards the GGC target of 25 per cent by March 2015.

Note: We have been advised by the Ordnance Survey shared service users that they have now taken ownership and reporting responsibilities for the carbon generated by their electricity consumption in our data centre location. This equates to 954,494kWh resulting in the removal of 461 tonnes of carbon from our reporting requirements to government.

	Year-on-year greenhouse gas emissions (GHG) target (tCO2e)	Forecast GHG (including Initiatives)	Forecast percentage reduction	Actual GHG (tCO2e)	Actual percentage reduction cumulative
2009/10 (baseline)	14,326.6	14,326.6	0%	14,326.6	0%
2010/11	13,610.3	14,326.6	0%	13,099.0	-9%
2011/12	12,893.9	14,326.6	0%	11,211.0	-22%
2012/13	12,177.6	14,326.6	0%	11,340.0	-21%
2013/14	11,461.3	14,326.6	0%	9,128.0	-36%
2014/15	10,745.0	13,176.6	-8%	NA	-

Waste

		2013/14	2012/13
Non-financial indicators (tonnes)			
Hazardous waste		-	-
Non-hazardous waste	Landfill waste	101	379
	Reused/recycled waste	858	1,042
	Energy from waste	-	-
	Total waste arising	959	1,421
Financial indicators (£'000)			
Hazardous waste		-	-
Non-hazardous waste	Landfill waste	144	197
	Reused/recycled waste	146	218
	Incinerated waste	-	-
	Total waste costs	290	415

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

The table opposite shows the trend and achievement to date for Land Registry in relation to reduction in waste arisings towards the GGC target of a 25 per cent reduction by March 2015.

As demonstrated by the information opposite we are currently achieving 51 per cent, which exceeds the required 25 per cent reduction.

Waste continues to be managed through the facilities management (Carillion) contract with SITA and the Banner closed-loop paper contract managed by the Central Facilities Management Team.

We continue to recycle around 85 per cent of the waste we generate. Although there is not currently a Government target for recycling it is generally accepted that the previous target of 75 per cent should be the benchmark.

	Year-on-year waste target (tonnes)	Forecast waste (including Initiatives)	Forecast percentage reduction	Actual waste (tonnes)	Actual percentage reduction cumulative
2009/10 (baseline)	1,979.0	1,979.0	0%	1,979.0	0%
2010/11	1,880.1	1,979.0	0%	1,443.0	-27%
2011/12	1,781.1	1,979.0	0%	1,689.0	-15%
2012/13	1,682.2	1,979.0	0%	1,421.0	-28%
2013/14	1,583.2	1,679.0	-15%	959.0	-51%
2014/15	1,484.3	1,679.0	-15%	NA	-

Water

	2013/14	2012/13
Non-financial indicators (cubic metres)		
Consumption		
Supplied	36,037	31,230
Abstracted	-	-
Total consumption	36,037	31,230
Financial indicators (£'000)		
Total supply costs	228	236

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

The table overleaf shows the trend and achievement to date for Land Registry in relation to reduction in water consumption towards the GGC target of a 25 per cent reduction by March 2015.

As demonstrated by the information overleaf we are currently achieving 37 per cent, which exceeds the required 25 per cent reduction.

It should be noted there was a slight increase in water consumption and this has a direct correlation with the increase in the number of government tenants we have across our estate.

A second strand to water management relates to meeting best practice of less than 4 cubic metres of water per person per annum. Currently we have 12 offices achieving this level and we will continue to monitor performance with Carillion to ensure this level is maintained.

	Year-on-year water target (m3)	Forecast water (including Initiatives)	Forecast percentage reduction	Actual water (m3)	Actual percentage reduction cumulative
2009/10 (baseline)	57,214.0	57,214.0	0%	57,214.0	0%
2010/11	54,353.3	57,214.0	0%	54,644.0	-4%
2011/12	51,492.6	57,214.0	0%	37,413.0	-35%
2012/13	48,631.9	57,214.0	0%	31,230.0	-45%
2013/14	45,771.2	56,984.0	0%	36,037.0	-37%
2014/15	42,910.5	56,984.0	0%	NA	-1%

Climate change adaptation

Our Climate Change Adaptation Plan has been reviewed and updated during 2013 as a result of reports carried out at Fylde Office that contain information that is transferable to many locations on the estate.

Biodiversity and natural environment

We encourage improvements in biodiversity through our facilities management contract with Carillion. Our grounds are managed and maintained to promote improved biodiversity. A biodiversity action plan has been created to enable the implementation of biodiversity improvements.

Sustainable procurement against GGC

Continued effort by the Corporate Procurement Team, working with their business stakeholders and key suppliers, has enabled the team to achieve Level 3 (Practice) across all categories in the Sustainable Procurement Flexible Framework maturity model.

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

Environmental Management System

Our accredited Environmental Management System (EMS) has been in place since January 2001. The scope of the EMS covers both the office and non-office estate. During this financial year the EMS has been subject to internal audits at all locations and external audit by DNV at six locations, resulting in our continued certification to ISO14001.

Governance

Our performance is subject to internal audit by our Internal Audit Group, with a specific audit conducted in 2013 on the management and reporting of carbon.

Information on electricity and gas consumption is taken directly from the invoices received from suppliers.

All utilities meters are read monthly by the facilities management contractor and the information is supplied to the Sustainability Manager. Water consumption is taken from this information and other readings are used to check the validity of invoices on a periodic basis.

The data is gathered and reported in line with the requirements of the GGC and entered on to ePIMS (electronic Property Information Mapping Service) monthly as required.

We manage compliance with environmental legislation through our Sustainability Governance Framework. This is managed through the Sustainability Manager by our Senior Facilities Business Partners and Carillion.

d) Social and community issues

These are reported in the Information round-up (page 39).

e) Business performance (strategic milestones/key performance indicators)

Our purpose is to enable the release of economic value in land and property and related data markets.

Our vision is to be recognised as a world leader in digital delivery of land registration services and in the management and re-use of land and property data.

Our four strategic objectives – efficiency, data, assurance and capability – are identified above each of the relevant targets on which we report below.

In March 2013 our 15 targets were announced in the written ministerial statement for 2013/14. These included six milestone steps to begin the journey developing the strategic themes above. Our performance is summarised below.

	Key performance indicator/objective	Performance
	Efficiency	
	<i>We will unlock efficiency in the public sector and land and property market</i>	
E1	Run the operational budget with real term efficiency and Business Strategy reduction of 3.2 per cent	Met 4%
E2	Increase the number of substantive dealing applications lodged electronically by 11 per cent to achieve 44 per cent electronic dealing delivery by March 2014	Met 55.9%
E3	Develop a prototype Local Land Charges register, evaluate it and complete a report to ministers by March 2014, with recommendations for the next steps towards a new Local Land Charges service (<i>prototype completed, Land Registry Board approved the evaluation in November, forwarded to the Minister who approved the evaluation</i>)	Met
E4	Substantive registrations completed within an average of seven working days	Met 6.8 days
E5	Five per cent reduction in carbon emissions based on 2012/13	Met 9.9%
	Data	
	<i>We will maximise the reuse of our data for the benefit of the wider economy</i>	
D1	Release additional licensable data sets by 31 March 2014 (<i>House Price Index background tables released in May, INSPIRE polygons released in September and all historical price paid data (back to 1995) released by November</i>)	Met
D2	Develop an online facility able to provide easy access for customers to licensable data by 31 March 2014 (<i>Data Publication prototype launched in September, first dataset release (Commercial and Corporate Ownership Data) launched in March</i>)	Met
D3	Release two additional datasets to W3 standard level 4 by 31 March 2014 (<i>House Price Index background tables and historical price paid data released as linked (W3) data in July</i>)	Met
D4	Average external e-services availability at 99.6 per cent or higher during published service hours	Met 99.7%
	Assurance	
	<i>We will increase and extend the assurance and compliance provided to the market</i>	
A1	The percentage of customers who rate our overall service as good, very good or excellent to achieve 96 per cent	Met 98%
A2	To achieve a Net Promoter Score (NPS) of 50	Met 52
A3	Introduce a free property alert service launched by 30 September (<i>beta launched November 2013, live service March 2014, see further explanation below</i>)	Not met
A4	Substantive registrations to pass at least 98 per cent of defined quality checks	Met 98.4%
	Capability	
	<i>We will grow and maximise the benefit of our organisational capability</i>	
C1	We will be in the 3rd quartile of Whitehall departments for staff engagement by the end of 2013/14 (<i>we remained in the fourth quartile group across Whitehall</i>)	Not met
C2	Introduce Performance & Innovation (Lean) techniques to the management teams in each directorate and local office by 31 March 2014 (<i>Performance & Innovation methodology introduced across all management teams, evidenced through development of hub communication and information points</i>)	Met

Commentary

We achieved 13 of 15 challenging targets. This has been verified by Internal Audit.

We failed to meet fully one of the targets – the release of the property alert service – which was introduced in line with the Business Strategy objective but the release was delayed until after the 30 September deadline in order to strengthen the security measures around the product. This meant we missed the strategic milestone release date but not the overall objective.

We missed our target to improve staff engagement by reaching the 3rd quartile in the Whitehall survey. Our overall score remained at 48 per cent. We are committed to improving the staff engagement score but, during a period of anticipated significant change, we have established a new external key performance indicator. This will measure the connection with short-term goals and the organisation's values as well as the health and wellbeing of the workforce.

Overall, during a year of rising workloads and uncertainty in the period of preparation for the Business Strategy, the workforce's achievement has been considerable.

Diversity

We made good progress against our two four-year equality objectives. Highlights for the external equality objective included the completion and analysis of the customer call centre survey, which found most staff were confident or better in dealing with customers in live situations. Further training tools and material will be developed in response to the survey findings. Highlights for the internal equality objective included establishing reverse mentoring for Board diversity champions and an increase in employees declaring their sexual orientation and religious belief.

Internal equality objective

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

External equality objective

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

We monitor our progress in delivering against these objectives through how well we clear the detailed actions via the Diversity Committee. We report externally through the annual Equality Information Report ([www.landregistry.gov.uk/About us/Organisation information/Diversity policies](http://www.landregistry.gov.uk/About-us/Organisation-information/Diversity-policies)).

Ed Lester

Chief Land Registrar and Chief Executive

14 July 2014





Kirsty Pearce



Mark Boyle



Catrina Holme



Tim Franklin



Gerard Connell



Ed Lester



John Peaden



Mike Westcott-Rudd



Camilla Black

Directors' report

a) Pension liabilities

Details of the treatment of pension liabilities are available in note 1.8 to the accounts and in the remuneration report.

b) Details of directors and Board members

Land Registry Board

The remit of the Land Registry Board (LRB) is primarily supervisory. The LRB is responsible for governance and public accountability, sets the Land Registry strategy and assists the Chief Land Registrar and Chief Executive in his ultimate responsibility as Accounting Officer for the governance and performance of Land Registry.

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

The LRB generally meets monthly or as and when required and held 11 formal meetings during the year. In addition several ad hoc meetings were held to discuss strategy and other specific issues. The Chair, Chief Land Registrar and Chief Executive and Finance Director also hold quarterly shareholder meetings with the Shareholder Executive.

LRB membership is as follows.

Membership	
Mark Boyle (Chair)	Non-Executive Chair (from 24 October 2011)
Tim Franklin	Non-Executive Director (from 8 July 2012)
Catrina Holme	Non-Executive Director (from 8 July 2012)
Kirsty Pearce	Non-Executive Director (from 1 November 2012)
Gerard Connell	Non-Executive Director (from 1 September 2013)
Ed Lester	Chief Land Registrar and Chief Executive (from 13 May 2013)
John Peadar	Director of Operations
Paul Hemsley ¹	Finance Director (from 21 February 2013 to 28 August 2013)
Camilla Black ¹	Finance Director (from 27 August 2013 to 9 May 2014)
Stephen Park	Finance Director (from 12 May 2014)
Mike Westcott-Rudd	Board Secretary ² (from 25 March 2014)
Malcolm Dawson OBE	Chief Land Registrar and Chief Executive (until 13 May 2013)

1. In line with Cabinet Office guidelines these interim appointments were time limited.
2. New role created.

Executive Board

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

Membership

Ed Lester (Chair)	Chief Land Registrar and Chief Executive (from 13 May 2013)
Malcolm Dawson OBE	Chief Land Registrar and Chief Executive (until 13 May 2013)
Alasdair Lewis	Director of Legal Services and Deputy Chief Land Registrar
John Peadar	Director of Operations
Stephen Park	Finance Director (from 12 May 2014)
Camilla Black	Finance Director (from 27 August 2013 to 9 May 2014)
Paul Hemsley	Finance Director (from 21 February 2013 to 28 August 2013)
Caroline Anderson	Director of Human Resources (from 16 December 2013)
Jon Cocking	Acting Director of Human Resources (from 25 February 2013 to 16 December 2013)
Rowland Coombs	Acting Director of Information Systems (from 1 October 2012)
Eddie Davies ¹	Acting Director of Commercial & Customer Strategy (from 1 January 2013)
Annette Davies-Govett	Director of Commercial & Customer Strategy (until 14 June 2013)

1. Eddie Davies provided interim cover in Annette Davies-Govett's absence and has continued to serve as Acting Director of Commercial & Customer Strategy following her departure in June.

Note: At the end of the year Paul Dowse was appointed Acting Director of Strategy.

Audit Committee

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

Membership

Tim Franklin (Chair)	Non-Executive Director (from 8 July 2012)
Gerard Connell	Non-Executive Director (from 1 September 2013)
Derrick Palmer	Non-executive member (from 1 March 2013)

Attendees

Ed Lester	Chief Land Registrar and Chief Executive (from 13 May 2013)
Malcolm Dawson OBE	Chief Land Registrar and Chief Executive (until 13 May 2013)
Stephen Park	Finance Director (from 12 May 2014)
Camilla Black	Finance Director (from 27 August 2013 to 9 May 2014)
Paul Hemsley	Finance Director (from 21 February 2013 to 28 August 2013)
Grahame Hughes	Head of Internal Audit
Representative of the National Audit Office	National Audit Office



Rowland Coombs

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 LRB and EXB.

Membership

Mark Boyle (Chair to 10 September 2013) ¹	Non-Executive Chair (from 24 October 2011)
Catrina Holme (Chair from 10 September 2013)	Non-Executive Director (from 8 July 2012)
Gerard Connell	Non-Executive Director (from 1 October 2013)
Ed Lester	Chief Land Registrar and Chief Executive (from 13 May 2013)
Malcolm Dawson OBE	Chief Land Registrar and Chief Executive (until 13 May 2013)

1. Mark Boyle stepped down from the committee when he handed over the role of chair to Catrina Holme.

c) Sickness absence data and information losses

Sickness absence data is detailed in the Information round-up (see page 39). Personal data-related incidents are covered within the governance statement (page 54).

d) Information to auditors

So far as the directors are aware there is no relevant audit information of which the auditor is unaware, and the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Ed Lester

Chief Land Registrar and Chief Executive
14 July 2014



Alasdair Lewis



Eddie Davies



Caroline Anderson



Information round-up

People

	2013/14	2012/13
Number of employees (including fixed-term appointments) on 31 March	4,462	4,579
Full-time equivalents on 31 March	3,999	4,060
Average sickness days per employee	6.2	7.1
Average number of training days per employee	4.3	4.2
Training spend as percentage of salary bill	2.6%	3.1%
Female employees	61%	62%
Employees working part-time	37%	38%
Employees from ethnic minorities	4%	4%
Employees who report they have a disability	7%	6.5%

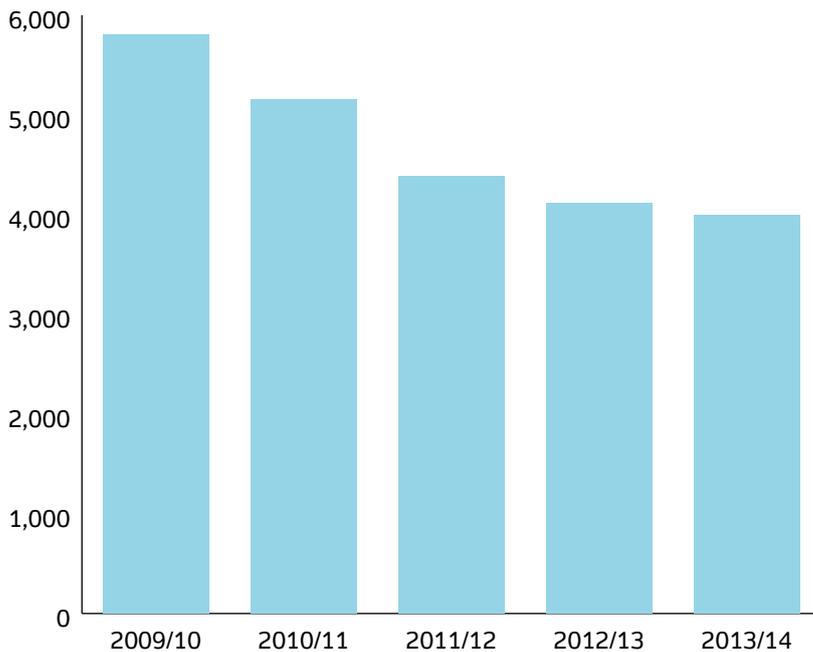
Resourcing

Our recruitment procedures are conducted on the basis of fair and open competition in accordance with the Civil Service Commissioners' Recruitment Principles and are subject to internal monitoring. Four members of staff in specialist areas were recruited into the Civil Service to permanent specialist posts and 16 on fixed-term contracts. Four transferred permanently to Land Registry from other government departments and one on a fixed-term basis.

Resourcing activity has focused on senior appointments to ensure we have the right leadership team in place to take us through upcoming significant changes. We have also brought in expertise at top team level in finance and portfolio management for a defined period, and augmented specialist IT and project management skills with fixed-term appointments and student placements. We have been unable to secure a permanent Chief Finance Officer. The Director of HR commenced her appointment in December 2013.

A review of our Legal Services Department resulted in a reduction in Senior Civil Service roles from 14 to 6, achieved through voluntary exits.

Average full-time equivalent in year



Health and wellbeing

The health and wellbeing of our staff is critical to us. Our health, wellbeing and attendance strategy, now in its second year, identified the key issues within the organisation and brought together all related activities and initiatives to tackle these issues.

The aims of the 2013/14 strategy were to:

- promote, encourage and inspire employees to make positive lifestyle choices
- continue to develop and embed health and wellbeing, supporting the development of a culture where health and wellbeing is recognised and valued as contributing to an engaged workforce
- raise awareness and understanding of mental health conditions with a view to supporting emotional wellbeing and resilience
- further develop line manager capability and confidence, shifting the focus to wellness rather than illness
- establish tools and guidance to support employee financial wellbeing.

Key achievements in 2013/14 were:

- a 31 per cent increase in staff participation in the Charity for Civil Servants' Virtual Walking Challenge – we were the winning organisation for steps taken
- winning the Simplyhealth Healthy Workplace Award
- a continued reduction of sickness absence levels to 6.2 average working days lost
- the use of our strategy as a case study by independent research organisation IDS in its briefing *Land Registry adopts a joined-up approach to health and wellbeing*.

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

- Health screening and 'Know your numbers' sessions allowing staff to monitor blood pressure, body mass index and cholesterol.
- Organisation-wide participation in physical activity challenges.
- Introduction of a cycle-to-work scheme.
- Offering an employee and management support service to help staff and managers deal with emotional, health and social issues.
- Provision of an occupational health service.
- Departmental health campaigns and publication of more comprehensive information through the intranet.

Diversity

We have continued to deliver our strategic equality objectives, which form part of our Annual Management Plan. Progress on both objectives is currently on target with an overall red/amber/green status of green.

Our declaration project has formed a key activity for our internal equality objective. Over the past 12 months we have seen a further increase in declaration rates across all groups, with 56 per cent of staff declaring their sexual orientation and religion, 99 per cent their disability status and 95 per cent their ethnicity.

Understanding the demographics of our employees is an important aspect of our diversity work, ensuring we remove any barriers to inclusion. This enables us to undertake data analysis across all human resources activity. We published our third Equality Information Report in September.

Diversity monitoring helps us to identify positive action programmes. One major activity is our Pathways course for junior staff aimed at increasing the diversity profile within middle management grades. This course is offered to black, Asian and minority ethnic staff, staff with disabilities and staff who identify themselves as gay, lesbian or bisexual.

We continue to run mentoring for staff from under-represented groups and we are currently piloting reverse mentoring with our Lesbian, Gay, Bisexual & Transgender (LGBT) Board Champion.

Improving engagement with staff from under-represented groups continues to be a key objective. We launched our Straight Allies Programme to further support our LGB colleagues in the workplace. Our local diversity champions have continued to deliver diversity-related activity across the organisation including events for Black History Month, International Day of the Disabled Person and LGBT History Month.

Work on our external equality objective has focused on ensuring our digital services meet the needs of our diverse customer base. This work has included ensuring products comply with the international standard for website accessibility and assisted digital solutions are offered. Work has continued to identify gaps in that knowledge among customer-facing staff.

Our work won external recognition with the presentation of the Employers Network for Equality and Inclusion's Inclusive Culture Award for our Respect campaign. We also re-entered the Stonewall Workplace Equality Index Top 100 Employers, ranked 72nd.

Health and safety

Carillion has continued to provide day-to-day health and safety management services for us as part of the wider facilities management contract.

We have continued to develop our health and safety guidance, processes and policies with Carillion's assistance. In particular we have paid detailed attention to the Driving Policy to reflect changes in the way that the organisation carries out its work and have also produced a new Display Screen Equipment Assessment Policy. We have also invested significant time in developing line managers' understanding of health and safety matters through a mixture of online training from Civil Service Learning and face-to-face briefings.

The total number of reported accidents at work was 112, down from 212 in the previous year. There have been four accidents reported to the Health and Safety Executive under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations, down from five in 2012/13. An Accident Reduction Strategy was introduced during the year with the aim of reducing the levels of reported accidents during the three-year period of the strategy.

We take our responsibility for the health and safety of our staff and visitors to our sites seriously and are committed to adopting best practice solutions in health and safety management wherever possible.

As part of this commitment we have begun the process of certifying our Health and Safety Management System to OHSAS18001, the British Standard. In February we undertook a review of our documentation with external auditors and the full certification audit will take place in June.

Personal data-related incidents

There were no personal data-related incidents reported to the Information Commissioner's Office.

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

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	2
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	—
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	—
IV	Unauthorised disclosure	1
V	Other	2
Total		5

Employee involvement

We engage regularly both informally and formally with staff and their representatives.

Our staff have an open invitation to email the Executive Board with questions and the answers are published on our intranet for everyone to see.

We have continued to work with management teams in the development and expansion of regular structured team meetings. The aim is to create an environment where performance is discussed openly, supported by meaningful data, and ideas for improvements to working practices are welcomed.

Managers are also encouraged to use these meetings to talk to their staff about wider organisational issues and change and to discuss staff concerns about these. The approach to corporate communications on the future of Land Registry has been a mixed one, including a range of methods: direct updates from the Chief Executive, information to senior managers to discuss with staff, and information including questions and answers published on our intranet.

We meet regularly with our unions. At departmental level we meet fortnightly, when Human Resources supported by management representatives lead discussions on changes that may affect staff. Mutual areas of concern are discussed and, although not always resolved, views are taken where possible before changes are finalised and implemented.

Twice a year the Chief Executive and members of his team formally meet representatives at the Departmental Whitley Council meetings. At local level there are structures in place for local Whitley meetings.

We believe that maintaining constructive discussion with unions at both departmental and local level, in addition to encouraging staff involvement on other committees (including health and wellbeing, social and sports, diversity and charity), as well as directors' visits where Q&A sessions take place, are all essential in ensuring our employees' views are heard and understood.

Public Sector Information Holder

We fulfil our role as a Public Sector Information Holder by adhering to the Data Protection and Freedom of Information Acts. We take the protection of our information seriously and mandate 'Responsible for Information' learning for our staff. We have also promoted a clear understanding of the new Government Security Classification Policy. Our Senior Information Risk Owner (SIRO) oversees an Information Risk Management process, which is measured through external accreditation (ISO27001) and independently challenged self assessment (using the Information Assurance Maturity Model – IAMM).

Land registration

Our teams registered 363,989 hectares of land for the first time, taking the total to 12,992,610 hectares out of the maximum capable of registration of 15,417,821 hectares and the percentage of the land mass of England and Wales in the Land Register up to 84.3 per cent.

Land Charges and Agricultural Credits departments

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

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

Some elements of customer accounts are also managed in the Land Charges Department. This year saw the closure of credit accounts and the move to variable direct debit accounts for our customers.

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

This year the combined totals of applications dealt with by the Land Charges and Agricultural Credits departments was 1,630,930 as compared with 1,344,111 in 2012/13, an increase of 286,819 applications or 21.3 per cent.

The total number of searches processed was 1,520,446 as compared with 1,218,239 in 2012/13, an increase of 302,207 search applications or 24.8 per cent.

Use of e-access for searches (full and bankruptcy) and office copy applications continued to rise. A total of 92.9 per cent of these types of application were made by direct access.

The Land Charges Department

Type of application	Number of applications or names in 2013/14	Number of applications or names in 2012/13	Percentage change
New registrations, rectifications and renewals	65,847	79,931	- 17.6%
Cancellations	10,511	12,965	- 18.9%
Official searches			
– Full searches	182,394	177,134	3.0%
– Searches limited to insolvency	1,338,052	1,041,105	28.5%
Office copies	29,859	27,639	8.0%
Total	1,626,663	1,338,774	21.5%

The Agricultural Credits Department

Type of application	Number of applications or names in 2013/14	Number of applications or names in 2012/13	Percentage change
New registrations	772	645	19.7%
Cancellations and rectifications	943	1,006	- 6.3%
Searches	2,552	3,686	- 30.8%
Total	4,267	5,337	- 20.0%

Legislation

The Land Registration Fee Order 2013

The Land Registration Fee Order 2013 was made on 12 December 2013 and came into force on 17 March 2014.

Under the Land Registration Act 2002, the Secretary of State may by order prescribe fees to be paid for dealings with Land Registry and make provision about the payment of these fees.

A fee order is made with the advice and assistance of the Rule Committee and with the consent of HM Treasury.

As fees under the 2012 fee order were generating fee income substantially in excess of our requirements, it became necessary to prepare a new fee order to reduce fees.

The main changes made by the 2013 order are:

- a 50 per cent reduction in the fees for applications to register transfers and charges of the whole of a registered title, and in the fees for some other registration applications, where these applications are lodged electronically. The reduction reflects the efficiencies and benefits that electronic lodgement brings and will provide an incentive for customers to use the e-lodgement service

— the following changes to Scale 1 fees:

- the merger of the lowest two fee bands, creating one band for properties valued between £0 to £80,000, with a fee of £40
- a reduction in the fee for properties valued between £80,001 and £100,000 from £120 to £80

— as well as simplifying the fee bands, a reduction in fees for applicants at the lower end of the property market, especially right to buy and shared equity purchases

— the simplification of the fees for inspection and official copies of documents by introducing a single fee per document (£3 per document when applied for electronically and £7 per document when applied for on paper).

The Land Registration (Proper Office) Order 2013

The Land Registration (Proper Office) Order 2013 was made on 1 July 2013 and came into force on 1 October 2013.

Under the Land Registration Act 2002 the Secretary of State may by order designate a particular office of Land Registry as the proper office for the receipt of applications or a specified description of application.

The Land Registration (Proper Office) Order 2013 designates all Land Registry's local offices as proper offices, permitting applicants or the applicants' conveyancers to deliver applications to any of those offices. Like earlier proper office orders, the 2013 order applies to all paper applications with the exception of those where the application is delivered in accordance with a written arrangement as to delivery made between the registrar and the applicant or the applicant's conveyancer.

Rule Committee

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

From September to October 2013 the committee gave advice and assistance to the Secretary of State in respect of what became the Land Registration Fee Order 2013.

Open and full information

We embrace the Government's transparency and open data agendas while appropriately protecting information. Our Data Programme is committed to the release of datasets – for free, under licence and via data sharing agreements – with the aim of boosting the wider economy. We also recognise the need to take a balanced view on the threats posed to our information and datasets to utilise the most cost-effective hosting and storage solutions.

We received 398 Freedom of Information requests, of which 396 were answered within 20 working days (99.5 per cent).

Service standards

Details of the service that customers can expect from us can be found on our website: www.landregistry.gov.uk/contact-us/service-standards.

Welsh language service

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

Complaints

We recorded 4,576 complaints in 2013/14 compared with 1,902 in 2012/13.

Part of the reason for this increase was the introduction of a new Customer Relationship Management tool which has led to more customer comments and views being captured than before. Other initiatives during the year

aimed at bringing in a wider spread of customer comment and redefining how we categorise complaints have also had an impact.

Analysis of a sample of feedback showed that overall the proportion of upheld complaints fell to 26 per cent from 35 per cent in 2012/13. The most common issues leading to complaints included delay, entries made in the register and how we deal with applications that are not in order.

We welcome this more comprehensive insight into customer complaints, not least because it provides greater opportunities to act on customer concerns and improve services for all. There were a number of examples of this in the course of the year, including:

- adding repossession sales to our House Price Index
- changing our website frequently asked questions to more closely match the questions customers were actually asking
- moving to change our 0844 telephone numbers to 0300 numbers (this change will be made in 2014/15).

Indemnity Fund

In 2013/14 we paid £11.2 million for 1,034 claims, compared with £11.9m for 1,019 claims in 2012/13. The largest claim paid this year was £1.6m for a forged transfer which was executed pursuant to a forged power of attorney. Fraud, usually by way of forgery, therefore remains the single most significant cause of indemnity payments.

The original maximum value of the substantive claims paid was £16.8m but these were settled for £9.1m, saving £7.7m. During the year a further 226 claims valued at £11.4m were settled for no value. Of these 38 were for fraud and were valued at £3.8m. During the year 1,196 new claims were received totalling £13.8m, including 59 fraud claims valued at £9.6m.

We recovered £2.2m under our statutory rights of recourse, compared with £1.2m last year. This is the highest yearly recovery we have ever made.

The figure last year was higher than previous years, and this year's figure really represents a successful recovery arising out of a very large indemnity payment made two years ago. This suggests that future recoveries may not always be as significant as much depends upon the particular legal position arising out of circumstances surrounding major fraud-based indemnities.

Nature of claim	Number of claims	Substantive loss (£)	Costs (£)	Percentage of total
Extent of registered titles	171	480,394	510,879	9
Errors in/omissions from register entries	111	2,090,280	586,192	24
Sundry plans errors	16	42,500	53,348	1
Fraud and forgery	53	6,445,498	764,215	64
Official inspections of title plans	4	–	929	–
Bankruptcy errors	1	25	–	–
Official searches	4	–	5,309	–
Official copies	3	–	1,337	–
Errors in searches of the index map (SIMs)	15	40,100	19,231	1
Errors in filed extracts	165	485	30,892	–
Lost documents/administrative errors	491	29,990	103,321	1
Land Charges errors	–	–	–	–
Total	1,034	9,129,272	2,075,653	100
Gross payment			£11,204,925	
Less sums recovered under our statutory right of recourse			£2,155,632	
Net indemnity			£9,049,293	

National Land Information Service and Connect Direct

Our focus over the year was to work with Connect Direct and National Land Information Service (NLIS) customers to migrate them to our Business Gateway service, in line with our aim to rationalise the number of electronic channels we support and reduce costs.

We completed full migration of Connect Direct in May 2013 and migration and closure of NLIS to Business Gateway in November, saving us around £400,000 per year while providing our customers with a more modern and efficient way of requesting our information and services.

International Unit

Since our International Unit was formed in 2003 it has provided advice and consultancy to more than 80 countries.

The unit has two core functions: international relations and business development.

Julie Barry, Head of International Relations, ensures our engagement with overseas land administration bodies is at the appropriate level to fulfil our obligations as a government department. Julie also works with colleagues to ensure our interests are properly represented on global land policy-making bodies.

Emma Vincent, Head of International Business Development, provides commercial consultancy and

participation in aid-funded projects, with a particular focus on the priority countries of both the Foreign & Commonwealth Office and the Department for International Development (DFID).

We have continued to develop our relationships with many jurisdictions across the globe, meeting counterparts in Iraqi Kurdistan, Norway, Moldova, Rwanda and St Helena. We have also been working with DFID's Investment Facility for the Utilisation of UK Specialist Expertise (iFuse) programme to support Tanzania, the Government's G8 partner for the Millennium Development Goals.

We have hosted study visits for representatives from Cyprus, Botswana, Gambia, Hong Kong, Malaysia, New Zealand, Nigeria, Russia and South Korea. The visits have covered a wide variety of our registration system and processes including e-registration, capacity building, finance and legislation.

Consultancy has been provided to projects in Uganda and Bermuda. We made a scoping visit to St Helena, Britain's oldest overseas territory, to look at ensuring the sustainability and modernisation of its registration system.

We also participated in a country profile study of Moldova organised by United Nations Economic Commission for Europe (UNECE).

Chief Land Registrar and Chief Executive Ed Lester was appointed to the UNECE Committee for Housing and Land Management. Alasdair Lewis, Director of Legal Services

and Deputy Chief Land Registrar, was appointed as President of European Land Registry Association. Julie Barry was re-elected to the UNECE Working Party on Land Administration (WPLA).

Head of Data Strategy Andrew Trigg was invited to speak at conferences including the World Bank Conference on Land and Poverty in Washington DC. Julie was a presenter at the same conference, where she spoke about the work of the WPLA and one of its key projects.

Emma Vincent took part in a UKTI sponsored trade mission to the African Development Bank HQ in Tunisia.

Estate

The former Stevenage Office building, Brickdale House, has been sold for £1.5m, reducing the overall estate by a further 9,175sqm.

The 14 office buildings we occupied at the end of the year totalled 78,667 square metres. Our total spend on property (including rent, business rates and service charges) and facilities management (including utilities, post and reprographics) was approximately £26m. Our spend on contracted-out services with facilities management provider Carillion was £12.3m, including major project works with a value of £0.3m.

Our estate occupancy per full-time employee has fallen from 14.13sqm to 14.05sqm.

Drakes Hill Court, Plymouth was marketed for sale and completed in April 2014. This reduces the estate by 7,613sqm.

Conditional contracts are at advanced stages of negotiation for the sale of 25 acres at Chalfont Drive, the former Nottingham Office site. The sale is anticipated to complete by the end of September 2014 and should this proceed the estate will be reduced by 25,207sqm.

Negotiations are at an advanced stage to agree leases on seven of our former nursery buildings to a child care provider, reducing the estate by approximately 1,465sqm.

We continue to share surplus space in our properties with other government departments and this year has seen further co-locations including with the Ministry of Justice in Gloucester and HMRC in Telford. Our tenants now occupy 5,185sqm of the estate.

Security incidents

Physical security is overseen by the Physical and Personnel Security Committee. There were 84 recorded incidents during the year, including two significant (Class 1) incidents.

Responsible business

We are committed to performing as a responsible business. We work 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. In 2013/14, 136 members of staff undertook volunteering across a range of activities. Those included teaching English to refugees and job coaching. 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.

Volunteering is of considerable benefit to the local community and our volunteers also gain personally through increased confidence and development of their own inter-personal skills.

We support our employees in fundraising for charitable causes, and many events have taken place across our offices to raise money for a number of national and local charities. We were the most successful participating department in the Charity for Civil Servants' annual Virtual Walking Challenge, helping raise essential funds for the charity.

In addition to community-based activities, we also continue to act as a responsible business in other ways. As already set out elsewhere in this report, we actively ensure we pay our suppliers' invoices promptly to assist with their cash flow and business planning. Sustainability and environmental management is also a key element of our responsible business performance, along with our health and wellbeing activities to support our employees.



Accounts

Governance statement

Scope of responsibility

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

My duties as Accounting Officer are set out in *Managing Public Money*. I am accountable for performance and stewardship through the LRB to the Secretary of State for Business, Innovation and Skills with day-to-day responsibility delegated to the Minister of State for Business and Enterprise.

The main duties relating to maintaining the register of title to freehold and leasehold land and charges are defined in the Land Registration Act 2002 (see *Who we are and what we do* on page 9). Land Registry operates as a non-ministerial department, a trading fund and an executive agency.

Purpose of the governance framework

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

The governance framework is designed to align with the strategic aims of the Department for Business, Innovation and Skills (BIS) and our statutory duties as set out in the *Framework Document 2012*. The framework complies with the new code published by HM Treasury and the Cabinet Office, *Corporate governance in central government departments: Code of good practice 2011*. The framework described has been in place throughout 2013/14 and up to the date of approval of the accounts.

Key elements of the framework

Land Registry is a non-ministerial government department. It is also a member of the Public Data Group under the sponsorship of BIS along with Ordnance Survey, Met Office and Companies House. The aim of the Public Data Group is to facilitate the development of data strategies and ensure collaboration between the organisations concerned.

The Land Registry Business Strategy sets out five-year objectives identified in 12 specific targets and was endorsed by the Minister at BIS in December 2012. It gives authority to the actual and the planned strategic initiatives and the general direction of the business.

The Business Strategy was developed in 2012/13, following transfer of sponsorship from the Lord Chancellor to the Secretary of State for Business, Innovation and Skills, with input from the Shareholder Executive. It examined the financial position, the need for increased digital working and the need to replace ageing information systems in order to service the land registration market more effectively and at a reduced cost to the customer while maximising the use of our data. The Business Strategy was endorsed in December 2012.

The governance framework includes:

- *Framework Document 2012*
- the LRB terms of reference
- Audit Committee terms of reference
- Remuneration and Nomination Committee terms of reference
- terms of reference for the Executive Board (EXB) and its supporting sub-committees
- matters reserved for the EXB
- minutes and communication points
- ministerial endorsement of the objectives behind the Business Strategy
- information on the Business Strategy and related portfolio strands.

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

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

Land Registry Board

The LRB recognises the importance of leadership to create an environment where performance and risk are managed effectively.

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

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

The current non-executive members are independent of management. There were no examples of company appointments or consultancy arrangements held by 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.

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

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

Table of board and committee attendance 2013/14

	Title	Period	Board		Committee	
			Land Registry Board	Executive Board	Audit	Remuneration and Nomination
Non-executive						
Mark Boyle	Non-Executive Chair	from 24 Oct 2011	10/11	–	–	3/3
Tim Franklin	Non-Executive Director	from 8 July 2012	11/11	–	4/4	–
Catrina Holme	Non-Executive Director	from 8 July 2012	10/11	–	–	4/4
Kirsty Pearce	Non-Executive Director	from 1 Nov 2012	11/11	–	–	–
Gerard Connell	Non-Executive Director	from 1 Sept 2013	6/7	–	1/2	1/1
Derrick Palmer	Non-executive member (Audit Committee)	from 19 March 2013	–	–	3/4	–
Executive						
Ed Lester	Chief Land Registrar and Chief Executive	from 13 May 2013	9/10	9/11	4/4	4/4
Malcolm Dawson OBE	Chief Land Registrar and Chief Executive	from 22 March 2011 to 13 May 2013	0/1	1/1	–	–
Alasdair Lewis	Director of Legal Services and Deputy Chief Land Registrar		–	9/12	–	–
John Peaden	Director of Operations		10/11	9/12	–	–
Camilla Black	Finance Director (interim)	from 27 August 2013 to 9 May 2014	7/7	7/7	3/3	–
Paul Hemsley	Finance Director (interim)	from 21 February 2013 to 28 August 2013	4/4	5/5	1/1	–
Eddie Davies	Acting Director of Commercial & Customer Strategy	from 1 January 2013	–	11/12	–	–
Rowland Coombs	Acting Director of Information Systems	attended meetings from Oct 2012	–	11/12	–	–
Caroline Anderson	Director of HR	from 16 December 2013	–	4/4	–	1/1
Jon Cocking	Acting Director of HR	attended meetings from March 2013	–	7/9	–	3/3
Grahame Hughes	Head of Internal Audit		–	–	4/4	–
Matthew Guntrip	Assurance and Risk		–	–	2/2	–
External Audit	National Audit Office		–	–	4/4	–

Board effectiveness

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

Information about the quality of data used by the LRB

The LRB is provided with a balanced scorecard of performance information. The underlying information is provided by established supporting systems operated with appropriate controls.

Financial performance is monitored and reported using a robust system. There is a procedure for setting annual budgets and reviewing financial performance against budgets and full-year forecasts. Quarterly forecast reviews are in operation giving the Board appropriate oversight and assurance. The budgets are aligned to the business volumes and the change activity identified in our plans. Guidance and training are provided to ensure that budget holder behaviour is consistent and I am satisfied that underspends are surrendered and overspends are minimised but where they do occur are addressed to maximise the effective use of resources to achieve the published targets.



Committees of the LRB

Audit Committee

The Audit Committee is chaired by Tim Franklin. The members who serve are disclosed in the previous table along with attendees, including the Chief Land Registrar and Chief Executive, the Finance Director and other staff who attend by invitation.

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

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

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

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

Remuneration and Nomination Committee

The Remuneration and Nomination Committee met four times during 2013/14, led from September by Catrina Holme.

Executive Board

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

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

The EXB continues to put diversity at the heart of its customer and people strategy. The Diversity Committee 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 provides me with assurance that Land Registry's wider community responsibilities are appropriately fulfilled.

During 2013/14 the EXB took regular detailed oversight of the Business Strategy programme of activity. This included the work to develop a proposed target operating model (TOM) for the delivery of benefits outlined in the strategy. The EXB also reviewed development of the commercial model options for Land Registry which is being led by the Shareholder Executive from the Department for Business, Innovation and Skills.

Auditors

The Comptroller and Auditor General, who has been appointed under statute and reports to Parliament, has audited the accounts (see the Finance Director's report).

Risk

As Accounting Officer I maintain oversight of strategic risks managed by the executive team and seek assurances on directorate risk management to afford the opportunity for escalation. Risk management systems are designed to be proportionate and effective in relation to relevant risks.

The LRB and the EXB consider strategic risks. The Chief Financial Officer is the EXB's risk champion. Risk appetite was evaluated during a review of the main strategic risks. Each month the strategic risks are reported on and reviewed at the EXB; in addition a more thorough risk review is completed each quarter. Lead indicators are monitored to provide early warning of changes in strategic risk.

A risk management strategy is in place at all levels of the organisation to ensure that risks are effectively mitigated.

The risk management strategy includes regular review of directorate risks by senior management teams supporting their Executive Director. This allows review of strategic risks owned by Directors and links to other operational risks with opportunity for escalation. The roll out of the Performance & Innovation (P&I) initiative (Lean) has embedded risk management into the performance hubs, allowing regular review of risks with the opportunity to escalate risk from lower level performance hubs up to the EXB.

The EXB maintains close oversight of the operational and financial performance and position of Land Registry. The EXB has also maintained close oversight of the progress of the Business Strategy and the development of financial assumptions and modelling for the TOM and the new commercial model work, through the weekly review meetings and the formal monthly Boards.

Through delegation to executive directors I am assured by the work of the Planning Budgeting and Investment Committee, the Information Management Committee, the Register Protection Committee, the People Committee and the Health 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.

We face challenges and risks to the achievement of our strategic business objectives. The strategic risks centre on the protection of the integrity of the register, capability and capacity to deliver the programme of change and failure to achieve the pace of delivery of the Business Strategy resulting in delays to the realisation of benefits.

Information risk

Information risk is managed through the Information Management Committee led by the Senior Information Risk Owner (SIRO). They are assured by information risk returns carried out by our Information Asset Owners (IAOs) and fully documented asset descriptions. In response to an increasing threat of malicious software attacks we have strengthened and widened our anti-virus controls. In addition, we have reviewed and tightened procedures around the administration of our computer log files. I am assured by the certification of Land Registry conforming to ISO14001, ISO20000 and ISO27001 and by accreditation in respect of GSI Code of Connection, IAMM and CMMI.

Protecting information

All staff are required to complete the appropriate levels of Protecting Information and Counter Fraud and Corruption learning modules on Civil Service Learning (CSL). CSL has now merged the two topics into one training module titled Responsible for Information (RFI). There is a suite of RFI packages aimed at various roles within organisations. However all staff must complete the general user module.

Data losses

There were no personal data-related incidents reported to the Information Commissioner's Office.

Contractors

A number of contractors were engaged by Land Registry during 2013/14 in support of the Business Strategy. Assurances were sought in respect of their taxation. With two exceptions these arrangements complied with requirements of the Review of the Tax Arrangements of Public Sector Appointees and BIS. As noted in the Remuneration report, the interim Finance Directors were engaged for periods in excess of the six month limit in the guidance. Land Registry has noted in events after the reporting period a financial sanction arising from one exception.

Risk environment

Our strategic risks are assessed on a monthly basis and subject to full reviews quarterly. The overall risk environment has developed compared with the previous year with significant emphasis on the risks around delivery of the benefits within the Business Strategy; in effect the risk environment developed with the increased focus on change-related risk.

Specifically new risks were identified around effective contract management, with an emphasis on the links to change and the potential change in Land Registry's status; the risk being potential damage to optimal contract management during this activity. In addition the risk around the ability to secure capability at all levels for transformation and for business continuity increased.

During this period it was important to keep sight of the risks relating to business-as-usual activity. By keeping ongoing business performance very much to the fore

we have been able to ensure that business performance targets were achieved in the face of rising workload volumes and the uncertainty arising from the Business Strategy.

The evaluation of second-tier risks at directorate level identified that the priority risks were around people and capability followed by risks to realising benefits from the Business Strategy. The risk environment therefore is change-focused with strategic risks balanced between externally driven change and the internal impact of change.

Risk appetite

Across the organisation we follow Cabinet Office risk appetite principles. Our EXB is asked to consider and record the appetite for each strategic risk and review these regularly.

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

Assurance Forum

The Assurance Forum serves two purposes. It enhances the quality of our assurance planning through the regular communication between the spread of providers and ensures that the duplication of assurance effort across the organisation is minimised. It also provides assurance to the LRB and to the executive directors on the veracity of the assurance sources identified in each of the directorate's assurance maps.

Working quarterly, the forum evaluates directorate assurance maps in detail and examines how the assurance sources mitigate the stated directorate and related strategic risks. The Audit Committee reviewed the progress of the Assurance Forum in December 2013 and March 2014.

Governance and effectiveness including other sources of assurance

Business Strategy development

During 2013/14 there were six key performance objectives set to establish momentum towards delivery of the objectives set out in the five-year Business Strategy. While these milestones marked the first steps towards the objectives set for completion in 2017/18, further development and planning work was necessary during 2013/14 to establish detailed plans to support the strategy.

I established a team to develop the TOM for the delivery of the strategy and to develop the appropriate commercial model for the future delivery of Land Registry services; the latter in support of the initiative driven by the Shareholder Executive from the Department for Business, Innovation and Skills.

This support included people with experience relevant to the Business Strategy from Land Registry, the Department for Business Innovation and Skills and other external organisations. This team comprised appropriate staff with the expertise and detailed knowledge required to develop the component strands of the strategy. They were supported further by the appointment of external contractors who had proven abilities in modelling, the development of strategy, governance, risk management and management of change.

In 2013/14 an Internal Audit was completed evaluating the underlying assumptions from the Business Strategy development that occurred in 2012/13. The review dealt with a sample of assumptions which served to underpin the wider strategy (rather than the strategy itself). The audit identified a need for increasing level of detail as the organisation moved through development of the strategy. Subsequent work in the 2013/14 year addressed these issues.

At the same time Internal Audit considered the work in 2013/14 towards the TOM for the Business Strategy and found that the approach had addressed all of the issues identified from the evaluation of the audit of the 2012/13 assumptions.

Internal Audit was invited to maintain continuing oversight of the work of the TOM and provided me with brief reports giving assurance and advice. I am assured by their report which concluded that the TOM development team worked as a coherent, effective team, with a shared objective of creating a thoroughly considered and well justified model that will enable Land Registry to become the most appropriately sized and shaped organisation to deliver its core business.

It has been clearly demonstrated that decisions are supported by evidence-based discussion and evaluation and that the potential impacts of these decisions on other areas of the organisation, and its staff and customers, have been considered. I am also assured by Internal

Audit that risks (both in terms of development of the TOM itself and the associated impacts of the principles within it for delivery and beyond) are being considered in an appropriately robust manner.

Procurement/contract management assurance

I am assured by the Chief Procurement Officer, at least annually, that procurement activities are conducted in line with Cabinet Office and Treasury guidance and that senior managers have complied with these and Land Registry-specific procurement guidelines.

On data and accuracy of position in terms of KPIs

I am informed on the accuracy of the organisation's performance against published targets by the audit report on key performance indicators (KPIs) which evaluates the underlying systems and methods for reporting. I am content that the system to provide performance information is robust and provides appropriate timely information to ensure effective management of performance. A key contribution to this conclusion is from the evaluation provided to me by Internal Audit on the effectiveness of KPI systems. In 2013/14 Internal Audit was able to provide substantial assurance on operational and strategic reporting of information to the LRB and the EXB.

As Accounting Officer I am provided by each of my EXB directors 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 covering the period 1 April 2013 to 31 March 2014. I am informed by the work of the Assurance Forum that assurance maps actively demonstrate that appropriate assurance sources are in place to mitigate directorate risks.

I am assured that the performance of the organisation is effective through the use of the P&I hub used by the EXB. This is informed by the underlying performance systems and risk information and is summarised in a comprehensive information hub which is reviewed monthly by my EXB. The basis of this information informs the balanced scorecard, combined with a financial report which is reviewed by the LRB 11 times per year. The LRB, the Audit Committee and EXB regularly assess and monitor our performance and related systems of internal control. Our internal auditors have reviewed systems in respect of finance and information security.

The role of internal audit

The role of internal audit is to provide an audit and assurance support service to management, examining and reporting on Land Registry's systems of control and risk management across all functions. Internal Audit supports the work of the Audit Committee which examines risk and control and advises me as Accounting Officer.

Our internal auditors operate to standards defined in the Government's Internal Audit Standards and submit regular reports to the Audit Committee which include an independent opinion by the Head of Internal Audit on the adequacy and effectiveness of our systems of internal control together with recommendations for improvement.

The opinion of the Head of Internal Audit is that Land Registry has adequate systems of risk management and effective control and governance processes to manage the achievement of our objectives.

Ed Lester

Accounting Officer
Chief Land Registrar and Chief Executive
14 July 2014





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 75. 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 (SCS) 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. The Land Registry Remuneration Committee, acting on the authority of the Land Registry Board, considers 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/recruitment/working/pay-and-reward/scs-pay

During the year the members of the Remuneration Committee were: Mark Boyle (Chair), Catrina Holme and Ed Lester (up to 30 September 2013); and Catrina Holme (Chair), Gerard Connell and Ed Lester (from 1 October 2013).

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.

Following the two-year public sector pay freeze, a £250 increase was paid to employees in the three lowest grades and a 1 per cent uplift applied to the pay steps of all other national pay bands. This provided a minimum annual pay rise of £250, full-time equivalent, for all staff. Non-consolidated performance-related awards were paid based on performance assessed through the annual appraisal system.

Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition.

The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

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

Land Registry Board Chair

Chair Mark Boyle's appointment was extended by 18 months from 24 April 2013 on the basis of two days per week.

Chief Executive

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

Interim Finance Director

Paul Hemsley was appointed from 21 February 2013 on a short-term basis through an executive interim agency. His contract with Land Registry came to an end on 28 August 2013.

Camilla Black was appointed from 27 August 2013 on a short-term basis through an executive interim agency.

The Review of the Tax Arrangements of Public Sector Appointees set out requirements in relation to contractors with significant financial responsibility. The note in the governance statement on contractors on page 54 and in the events after the reporting period note on page 93, refer.

Non-executive directors

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

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

The appointment of Gerard Connell from 1 September 2013 is for a period that will not normally exceed three years.

Off-payroll disclosure

Off-payroll engagements as of 31 March 2014, for more than £220 per day and that last for longer than six months

Existing engagements as of 31 March 2014	5
Of which existing:	
– for less than one year at time of reporting	5
– for between one and two years at time of reporting	–
– for between two and three years at time of reporting	–
– for between three and four years at time of reporting	–
– for four or more years at time of reporting	–
Off-payroll engagements, or those that reached six months in duration, between 1 April 2013 and 31 March 2014, for more than £220 per day and that last for longer than six months	
New engagements, or those that reached six months in duration, between 1 April 2013 and 31 March 2014	5
– of which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	5
– for which assurance has been requested	5
Of which:	
– assurance has been received	–
– assurance has not been received	5*
– have been terminated as a result of assurance not being received	–
Off-payroll engagements of board members and/or senior officials with significant financial responsibility between 1 April 2013 and 31 March 2014	
Off-payroll engagements of board members and/or senior officials with significant financial responsibility during the financial year	2
Individuals who have been deemed “board members, and/or, senior officials with significant financial responsibility” during the financial year. This figure should include both off-payroll and on-payroll engagements	2

An interim Finance Director was appointed in February 2013 upon the departure of the permanent Finance Director and pending recruitment of a Chief Financial Officer to lead the programme of change.

*Land Registry is currently pursuing its contractual right to seek the assurance, in the form of evidence, required under PPN 07/12 that income tax and National Insurance obligations are being met.

Salary and performance pay – executive directors¹

	2013/14				2012/13			
	Salary	Performance pay	Benefits in kind	Pension benefits	Salary	Performance pay	Benefits in kind	Pension benefits
	£'000	£'000	To nearest £100	£	£'000	£'000	To nearest £100	£
Ed Lester ²	125 – 130	–	–	50,000	–	–	–	–
Annual equivalent	(135 – 140)	–	–	–	–	–	–	–
Malcolm Dawson ³	15 – 20	0 – 5	–	–21,000	105 – 110	15 – 20	–	6,000
Annual equivalent	(105 – 110)	–	–	–	–	–	–	–
Alasdair Lewis	95 – 100	10 – 15	–	8,000	95 – 100	–	–	7,000
John Peadar	90 – 95	10 – 15	–	76,000	85 – 90	10 – 15	–	19,000
Camilla Black ⁴	150 – 155	–	–	–	–	–	–	–
Paul Hemsley ⁵	105 – 110	–	–	–	25 – 30	–	–	–
Heather Foster ⁶	5 – 10	0 – 5	–	–24,000	90 – 95	–	–	17,000
Annual equivalent	(90 – 95)	–	–	–	–	–	–	–
Caroline Anderson ⁷	25 – 30	–	–	10,000	–	–	–	–
Annual equivalent	(90 – 95)	–	–	–	–	–	–	–
Jon Cocking ⁸	60 – 65	0 – 5	–	36,000	5 – 10	–	–	3,000
Annual equivalent	(65 – 70)	–	–	–	(65 – 70)	–	–	–
David Evans ⁹	5 – 10	0 – 5	–	–29,000	80 – 85	–	–	–1,000
Annual equivalent	(80 – 85)	–	–	–	–	–	–	–
Rowland Coombs	70 – 75	0 – 5	–	47,000	35 – 40	0 – 5	–	34,000
Annual equivalent	–	–	–	–	(70 – 75)	–	–	–
Eddie Davies	65 – 70	0 – 5	300	88,000	15 – 20	–	–	12,000
Annual equivalent	–	–	–	–	(65 – 70)	–	–	–
Annette Davies-Govett ¹⁰	25 – 30	0 – 5	–	–7,000	90 – 95	–	–	–11,000
Annual equivalent	(90 – 95)	–	–	–	–	–	–	–

1. Audited.
2. Ed Lester was appointed as Chief Land Registrar and Chief Executive from 22 April 2013 with a starting date of 13 May 2013.
3. Malcolm Dawson left Land Registry with a leaving date of 13 May 2013.
4. Camilla Black was appointed as Finance Director from 27 August 2013. Under the terms of this appointment an executive interim agency received £173,420 in respect of standard services, of which the agency retained £20,631. Land Registry also paid the agency VAT of £34,684, which Land Registry was not able to recover.
5. Paul Hemsley left Land Registry on 28 August 2013. Under the terms of his appointment an executive interim agency received £120,640 in respect of standard services, of which the agency retained £14,352. Land Registry also paid the agency VAT of £24,128, which Land Registry was not able to recover.
6. Heather Foster left Land Registry on 19 March 2013 with a leaving date of 19 April 2013.
7. Caroline Anderson was appointed as Director of Human Resources from 16 December 2013.
8. Jon Cocking stood down as Acting Director of Human Resources on 31 December 2013 following the appointment of Caroline Anderson.
9. David Evans left Land Registry on 15 March 2013 with a leaving date of 19 April 2013.
10. Annette Davies-Govett left Land Registry on 14 June 2013; her reported salary range includes amounts for compensation in lieu of notice and untaken annual leave.

Salary – non-executive directors¹

	2013/14 £'000	2012/13 £'000
Mark Boyle Non-Executive Chair	60 – 65	60 – 65
Tim Franklin Non-Executive Director	20 – 25	10 – 15
Annual equivalent	–	(20 – 25)
Catrina Holme Non-Executive Director	20 – 25	10 – 15
Annual equivalent	–	(20 – 25)
Kirsty Pearce ² Non-Executive Director	–	–
Gerard Connell ³ Non-Executive Director	10 – 15	–
Annual equivalent	(20 – 25)	–

1. Audited.
2. Kirsty Pearce is a full-time employee of the Department for Business, Innovation and Skills; she receives no additional remuneration from Land Registry in relation to her role as a non-executive director.
3. Gerard Connell was appointed from 1 September 2013.

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 on page 63 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.

Performance awards

Performance awards are based on performance levels attained and are made as part of the appraisal process. Performance awards relate to the performance in the year in which they were paid to the individual. The performance awards reported in 2013/14 related to the performance in 2012/13 and the comparative performance awards reported for 2012/13 related to the performance in 2011/12.

Pension benefits¹

	Real increase in pension and lump sum at 60		Total accrued at March 2014		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	2014	2013 ²	
	£'000	£'000	£'000	£'000	£'000	£'000	
Ed Lester ³ Chief Land Registrar and Chief Executive	2.5 – 5.0	–	0.0 – 5.0	–	52	–	42
Malcolm Dawson ⁴ OBE Chief Land Registrar and Chief Executive	0.0 – 2.5	0.0 – 2.5	40 – 45	125 – 130	774	747	1
John Peadar Director of Operations & Customer Delivery	2.5 – 5.0	10.0 – 12.5	40 – 45	125 – 130	877	759	67
Alasdair Lewis Director of Legal Services & Deputy Chief Land Registrar	0.0 – 2.5	0.0 – 2.5	35 – 40	105 – 110	708	657	6
Heather Foster ⁵ Finance Director	0.0 – 2.5	0.0 – 2.5	40 – 45	120 – 125	882	880	–
Caroline Anderson ⁶ Director of Human Resources	0.0 – 2.5	–	0.0 – 5.0	–	8	–	6
Jon Cocking ⁷ Acting Director of Human Resources	0.0 – 2.5	–	15 – 20	–	192	159	19
David Evans ⁸ Acting Director of Human Resources	– 2.5 – 0.0	–	50 – 55	–	1,081	1,048	– 1
Rowland Coombs Acting Director of Information Systems	0.0 – 2.5	5.0 – 7.5	30 – 35	95 – 100	645	569	39
Eddie Davies Acting Commercial & Customer Strategy Director	2.5 – 5.0	10.0 – 12.5	20 – 25	70 – 75	345	271	54
Annette Davies- Govett ⁹ Commercial & Customer Strategy Director	0.0 – 2.5	–	10 – 15	–	137	137	– 1

1. Audited.
2. The actuarial factors used to calculate CETVs were changed in 2013/14. The CETVs at 31/3/13 and 31/3/14 have both been calculated using the new factors, for consistency. The CETV at 31/3/13 therefore differs from the corresponding figure in last year's report, which was calculated using the previous factors.
3. Ed Lester from 22 April 2013.
4. Malcolm Dawson until 13 May 2013.
5. Heather Foster until 19 April 2013.
6. Caroline Anderson from 16 December 2013.
7. Jon Cocking until 31 December 2013.
8. David Evans until 19 April 2013.
9. Annette Davies-Govett until 14 June 2013.

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium, or classic plus); or a whole career scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 1.5 per cent and 6.25 per cent of pensionable earnings for classic and 3.5 per cent and 8.25 per cent for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2014. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year and the accrued pension is up-rated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. Land Registry makes a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into an approved stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer's basic contribution). Land Registry also contributes a further 0.8 per cent of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

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

Cash equivalent transfer values

A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The CETV figures include the value of any pension benefit in another scheme or arrangement that the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefit at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax, which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Reporting of Civil Service and other compensation schemes – exit packages¹

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2014	2013	2014	2013	2014	2013
£0–£10,000	–	–	–	–	–	–
£10,001–£25,000	–	–	2	10	2	10
£25,001–£50,000	–	–	15	7	15	7
£50,001–£100,000	–	–	2	1	2	1
£100,001–£150,000	–	–	2	2	2	2
£150,001–£200,000	–	–	–	–	–	–
>£200,000	–	–	–	–	–	–
Total number of exit packages	–	–	21	20	21	20
Total cost	–	–	£1,004,362	£719,597	£1,004,362	£719,597

1. Audited

There were no ex-gratia payments in 2013/14 (2012/13: none).

Compensation for loss of office

Heather Foster left under voluntary exit terms on 19 April 2013. She received a compensation payment of £147,728 in line with guidelines and terms and conditions.

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

Annette Davies-Govett left under voluntary exit terms on 14 June 2013. She received a compensation payment of £40,194.

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

Pay multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce. Total remuneration includes salary, non-consolidated performance-related payments and benefits in kind. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

	2013/14	2012/13
Band of highest paid director's total remuneration (£'000)	135 – 140	120 – 125
Median total (£)	27,394	26,166
Remuneration ratio	5.0	4.7

In 2013/14 no employees received remuneration in excess of the highest paid permanent director. Remuneration ranged from £135,000 – £140,000 to £15,000 – £20,000, (2012/13: £120,000 – £125,000 to £15,000 – £20,000).

The appointment of an interim director on a short-term basis to provide expertise in a key role during a period of significant change would otherwise distort the remuneration ratio, and therefore has not been shown. For comparison purposes it is estimated that the 'annual equivalent' remuneration paid to the interim director role in 2013/14 would be £255,000 – £260,000 (2012/13: £220,000 – £225,000), which would generate a remuneration ratio of 9.3 (2012/13: 8.5).

Ed Lester

Chief Land Registrar and Chief Executive
14 July 2014



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 2014 under the Government Trading Funds Act 1973. The financial statements comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Reserves and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Trading Funds Act 1973. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to HM Land Registry's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by HM Land Registry; and the overall presentation of the financial statements.

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

Opinion on Regularity

In my opinion, in all material respects, the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of HM Land Registry's affairs as at 31 March 2014 and of its retained surplus, changes in reserves and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Trading Funds Act 1973; and
- the information given in the Annual Report which includes the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept, or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns, or
- I have not received all of the information and explanations I require for my audit, or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse

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

14 July 2014



Financial statements

Statement of comprehensive income for the year ended 31 March 2014

		2014	2013
	Notes	£'000	£'000
Income – continuing operations	2	381,278	347,157
Cost of service	2	(227,871)	(227,751)
Gross surplus	2	153,407	119,406
Administrative expenses	2	(12,053)	(10,515)
Operating surplus		141,354	108,891
Profit on disposal of non-current assets		66	3,913
Investment income – interest receivable	5	1,622	1,468
Finance costs	6	(953)	(936)
Amortisation and depreciation of e-service systems	8.1, 9.1	(5,357)	(4,053)
Restructure and reorganisation costs	3.2	(1,630)	(10,529)
Surplus for the financial year		135,102	98,754
Dividend payable	7	(26,654)	(25,960)
Special dividend	7	(100,000)	–
Retained surplus for the financial year		8,448	72,794
Gain on revaluation of property, plant and equipment		1,373	3,363
Comprehensive surplus for the financial year		9,821	76,157

The notes on pages 75 to 93 are an integral part of these accounts.

Statement of financial position as at 31 March 2014

		2014	2013
	Notes	£'000	£'000
Non-current assets			
Property, plant and equipment	8	87,334	91,389
Intangible assets	9	11,194	17,263
Other receivables	11.2	1,771	1,126
Total non-current assets		100,299	109,778
Current assets			
Inventories	10	1,615	1,455
Trade and other receivables	11.1	9,616	7,337
Cash and cash equivalents	12	464,639	472,583
Total current assets		475,870	481,375
Non-current assets classified as held for sale	8.3	12,950	14,344
Total assets		589,119	605,497
Current liabilities			
Trade and other payables	13.1	46,393	62,617
Obligations under finance leases	13.1, 15.1	1,376	1,606
Short-term provisions	17.1	10,015	10,870
		57,784	75,093
Indemnity Fund	17.2	64,900	67,800
Total current liabilities		122,684	142,893
Non-current assets plus net current assets		466,435	462,604
Non-current liabilities			
Obligations under finance leases	13.2, 15.1	6,548	6,840
Long-term provisions	17.1	15,466	20,255
Total non-current liabilities		22,014	27,095
Net assets		444,421	435,509
Capital and reserves			
Public Dividend Capital		61,545	61,545
Revaluation reserve		32,680	32,494
Income and expenditure account		350,196	341,470
		444,421	435,509

The notes on pages 75 to 93 are an integral part of these accounts

Ed Lester
Chief Land Registrar and Chief Executive
14 July 2014

Statement of changes in reserves for the year ended 31 March 2014

	Public Dividend Capital	Revaluation reserve	I&E reserve	Total reserves
	£'000	£'000	£'000	£'000
Balance at 31 March 2012	61,545	34,001	268,419	363,965
Changes in reserves 2012/13				
Revaluation reserve				
Transfer to retained earnings	–	(257)	257	–
Realised gain on sale of property	–	(4,263)	–	(4,263)
Revaluation of non-current assets	–	(350)	–	(350)
Comprehensive surplus	–	3,363	72,794	76,157
Balance at 31 March 2013	61,545	32,494	341,470	435,509
Changes in reserves 2013/14				
Revaluation reserve				
Transfer to retained earnings	–	(278)	278	–
Realised gain on sale of property	–	–	–	–
Revaluation of non-current assets	–	(909)	–	(909)
Comprehensive surplus	–	1,373	8,448	9,821
Balance at 31 March 2014	61,545	32,680	350,196	444,421

The notes on pages 75 to 93 are an integral part of these accounts

Cash flow statement for the year ended 31 March 2014

	Notes	2014 £'000	2013 £'000
Net cash inflow from operating activities	20.1	139,599	107,783
Investing activities			
Purchase of tangible assets		(1,725)	(2,515)
Purchase of intangible assets		(77)	(20)
Proceeds on disposal of tangible assets		1,755	3,085
Interest received		1,139	1,403
Net cash inflow from investing activities		1,092	1,953
Financing activities			
Dividends paid		(145,960)	(13,776)
Repayments of capital element of obligations under finance leases		(1,722)	(2,258)
Interest elements of obligations under finance leases		(953)	(936)
Net cash outflow from financing activities		(148,635)	(16,970)
Net (decrease)/increase in cash and cash equivalents	20.2	(7,944)	92,766
Cash and cash equivalents at beginning of year	20.2	472,583	379,817
Cash and cash equivalents at end of year	12	464,639	472,583

The notes on pages 75 to 93 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 (FRoM) 2013/14 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 FRoM follow International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FRoM permits a choice of accounting policy, the accounting policy that has been judged to be the most appropriate to the particular circumstances of Land Registry for the purposes of giving a true and fair view has been selected. Land Registry's accounting policies have been applied consistently in dealing with items considered material in relation to the financial statements.

These financial statements have been prepared on a going concern basis. Management is of the opinion that a going concern basis is appropriate as we are legally obliged under the Land Registration Act 2002 to provide statutory services relating to land registration and there are sufficient reserves to support the business going forwards. As stated on page 25 the Government has confirmed that no decision has been taken to change Land Registry's operating model.

There is one IFRS in issue but not yet effective, for the accounting period under review, IFRS 13 Fair Value – Measurement, which has been prepared to provide consistent guidance on fair value measurement. It is subject to further review by HM Treasury before adoption, but is not expected to have a material impact on the financial statements.

1.2 Accounting convention

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

1.3 Estimation techniques

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are

Note 17.2 - estimated provision for indemnity claims.

Note 8 - impairment of non-current assets.

Note 17.1 - early retirement and severance provisions.

Note 13 - deferred income - fees received in advance.

1.4 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. Refunds are recognised for transactions that are not completed or on transactions where erroneous information is provided by customers. Income is recognised in the financial statements in the financial year in which the service is delivered.

Registration of title

The registration of title stream provides customers with first registration services, discretionary first leases, transfers of part of registered land, dealings of whole with registered land and preliminary services among others.

Land charges and agricultural credits

Land Registry 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.

Land Registry 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.

Commercial income

The commercial income comes from spatial data, non-spatial data, consultancy services, flood risk indicator and other commercial services.

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.

1.5 Operating segments

Land Registry's operating segments are organised around the services it provides and are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). The three main business segments are Registration of Title, Land Charges and Agricultural Credits and Commercial Income. This is based on the group's internal organisation and management structure, and is the primary way in which the CODM is provided with financial information. The CODM of Land Registry is Ed Lester.

1.6 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.

1.7 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.

1.8 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 on a reasonable and consistent basis. Land Registry has therefore accounted for contributions and payments to the PCSPS scheme under IAS 19 as if it were a defined contribution scheme. 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/pensions).

1.9 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. A full valuation was carried out in January 2014.

Land Registry is required by the FReM to disclose other non-current assets in the statement of financial position at fair value. For short life non-property assets historical cost is used as an approximation to the fair value of the asset. Freehold land and buildings and leasehold buildings are included at revaluation less accumulated depreciation and impairment losses. All other tangible

non-current assets are included at historical cost less accumulated depreciation and impairment losses.

Assets in the course of construction are not depreciated. The depreciation charge is calculated so as to allocate the cost or revalued amount, less the estimated residual value, of non-current assets systematically over their remaining useful lives using the straight-line method.

Other property, plant and equipment includes IT and office equipment, motor vehicles and machinery. Land Registry capitalises expenditure over £1,000 for an individual asset. Where appropriate, individual assets falling below the minimum value for capitalisation are grouped. It is Land Registry's policy not to capitalise expenditure on fixtures and fittings, principally office furniture, as they are not considered material.

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

The following asset depreciation rates are used.

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

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

1.10 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. If the asset is carried at a revalued amount, the impairment loss is treated as a revaluation decrease, to the extent of the revaluation reserve that relates to the asset, with any excess in the statement of comprehensive income. 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.

1.11 Intangible assets

Software licences

Separately acquired intangible assets are shown at historical cost. The costs incurred to acquire and bring these assets to use are capitalised. These include contractors' charges, materials, directly attributable labour and directly attributable overhead costs.

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

Software development costs

In accordance with IAS 38, expenditure incurred on developing new IT infrastructure (covering third party costs and the direct costs of in-house staff effort) can be capitalised. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by Land Registry are recognised as intangible assets when the following criteria are met.

- It is technically feasible to complete the software product so that it will be available for use.
- Management intends to complete the software product and use or sell it.
- There is an ability to use or sell the software product.
- It can be demonstrated how the software product will generate probable future economic benefit.
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available.
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

All research expenditure is written off as incurred.

Land Registry portal, E-security and Business Gateway

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 assets were originally deemed to have a useful life of 10 years and in previous years amortised on a straight line basis at 10%. In 2013/14 a review of the useful life of these systems has resulted in a reduction to the estimate of their useful life to eight years. 'Catch up' amortisation has been charged in this year and the assets are now being amortised on a straight line basis, at a rate of 12.5 per cent over the revised expected useful life of eight years. The systems were reviewed and the estimated useful life has been determined with reference to the useful lives of other similar assets in use in Land Registry. Where significant enhancements to these systems are made, the costs incurred are treated as a separate component and may be capitalised (subject to meeting the criteria for capitalisation within IAS 38). These components are amortised over their useful life.

1.12 Inventories

Work-in-progress is stated at the lower of cost and net realisable value. Cost includes internal costs of staff and directly attributable overheads in preparing the Land Registry certificate for the customer. Net realisable value is based on the fee that is charged to the customer less further costs expected to be incurred in completing the services.

1.13 Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for irrecoverable amounts. These impairment provisions are recorded in administrative expenses within the statement of comprehensive income. The carrying amount of trade receivables is deemed to be an approximation of fair value.

If collection of amounts receivable is expected in one year or less they are classified as current assets.

1.14 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. The commercial bank and GBS deposits are immediately available funds. National Loans Fund deposits are short term investments of six months or less and cannot be repaid until maturity of the loan.

1.15 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not they are presented as non-current liabilities. Trade payables are stated at their nominal value. The carrying amount of trade payables is deemed to be an approximation of fair value.

1.16 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.

1.17 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 at the statement of financial position date. If the effect of discounting is material, provisions are discounted to the expected present value of their future cash flows using a risk free discount rate. 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. (Further details, including sensitivities, are given in Note 17.)

1.18 Indemnity Fund

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

1.19 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.

In order to provide a more detailed disclosure of indemnity claims pending under contingent liabilities the totals for fraud and register entries include amounts also included within the Indemnity Fund provision for claims received. Were the provision amount to be excluded it would not be possible to separately disclose the amount relating to fraud.

1.20 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.

1.21 Operating leases

An operating lease is a lease other than a finance lease. Payments made under operating leases, net of any incentives received from the lessor, (including contracts with fixed escalation clauses), are charged to the statement of comprehensive income on a straightline basis over the period of the lease.

1.22 Payments to Private Finance Initiative (PFI) suppliers

Land Registry has an agreement with Steria for the provision of computer equipment and IT infrastructure necessary for the provision of services to our customers, together with the maintenance. Payments under the contract are allocated between payments for the assets and payments for maintenance based on the relative values of the services provided. Maintenance costs are charged to the statement of comprehensive income as incurred. See also note 22.

The lease of equipment with a three to five year useful economic life falls under the guidance of IAS 17 Leases. IAS 17 requires that property, plant and equipment, where Land Registry retains substantially all the risks and rewards of ownership of those assets, are classified as finance leases. Finance leases are capitalised at the commencement of the lease at lower of the fair value of the leased property and the present value of minimum lease payments.

Each lease payment is allocated between liability and finance charges. The rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period. The equipment acquired under the finance lease with Steria is depreciated over the shorter of the useful life of the asset and the lease term.

1.23 VAT

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

1.24 Taxation

As a trading fund, Land Registry is not liable for Corporation Tax.

1.25 Interest income

Interest income represents interest receivable on the short-term bank deposits and is recognised in the statement of comprehensive income on an accruals basis.

1.26 Treasury dividend

Land Registry is required to pay the Treasury an annual dividend being 5.9 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.

1.27 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.

There have been no prior period re-statements in 2013/14.

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			Total	Statutory			Total
	Registration of title	Land charges and agricultural credits	Non-statutory Commercial ¹ income		Registration of title	Land charges and agricultural credits	Non-statutory Commercial income	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income	371,777	5,585	3,916	381,278	337,929	4,810	4,418	347,157
Cost of service	(219,047)	(5,083)	(3,741)	(227,871)	(220,148)	(4,329)	(3,274)	(227,751)
Administrative expenses	(11,505)	(279)	(269)	(12,053)	(10,081)	(241)	(193)	(10,515)
Operating surplus	141,225	223	(94)	141,354	107,700	240	951	108,891

- In 2013/14 Land Registry agreed a payment to Ordnance Survey for royalties for Land Registry's use of its maps in relation to the commercial sale of polygons. This payment covers nine years up to 2013/14 at a total value of £454k, with the estimated value for 2013/14 being £52k.

The impact of this on the commercial services operating costs would be a reduction of £0.4m, giving an in year profit of £0.3m.

3 Operating surplus

3.1 Operating surplus is stated after charging

	2014	2013
	£'000	£'000
Staff costs (see note 4.1)	154,099	155,813
Provision for indemnity costs	(2,900)	(4,900)
IT infrastructure costs (see note 22)	9,544	9,029
Hire of machinery	4,815	4,540
Auditor's remuneration – audit fee	65	68
Depreciation of tangible non-current assets – owned	4,471	5,570
Depreciation of tangible non-current assets – leased	2,089	2,910
Amortisation of intangible assets	1,280	1,395
Impairment in value of non-current assets	648	356
Charge for operating leases – buildings	1,395	2,447
Miscellaneous income	(2,087)	(1,851)

3.2 Restructure and reorganisation costs

	2014			2013			
	Early retirement	Early severance	ATP and Blueprint	Early retirement	Early severance	ATP and Blueprint	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Costs incurred in year	71	–	712	38	213	9,638	9,889
Costs provided/ (released) in year	874	(27)	–	608	32	–	640
	945	(27)	712	646	245	9,638	10,529
Profit on disposal	–	–	(56)	–	–	(4,318)	(4,318)
	945	(27)	656	646	245	5,320	6,211

The profit on disposal relates to the sale of Brickdale House, Stevenage.

4 Employee information

4.1 Staff costs

	2014			2013		
	Permanent staff	Others	Total	Permanent staff	Others	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Salaries	121,510	1,506	123,016	123,746	336	124,082
Social security costs	9,080	21	9,101	9,286	2	9,288
Other pension costs	21,932	50	21,982	22,439	4	22,443
Total staff costs	152,522	1,577	154,099	155,471	342	155,813

4.2 Staff numbers

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

	2014		2013	
	Permanent staff	Others	Permanent staff	Others
Senior management	7	1	8	1
Operational	3,425	1	3,690	1
Administration	231	8	240	4
IT	357	12	381	–
	4,020	22	4,042	6

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 61 to 67.

4.4 Pensions

Pension benefits are provided for the majority of staff through the PCSPS. For 2013/14 employer contributions of £21.9 million (2012/13: £22.4 million) were payable to PCSPS at one of four rates in the range 16.7 per cent to 24.3 per cent of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2013/14 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 2013/14 were £32,599 (2012/13: £41,975). Land Registry also contributed a further £2,109 (2012/13: £2,793) 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. Six individuals retired early during the year on ill-health grounds. The total additional accrued pension liabilities in the year amounted to £9,743 (2012/13: £16,410).

Further information relating to pension arrangements can be found in the Remuneration report on pages 61 to 67 and note 1.8 on page 76.

5 Investment income

	2014	2013
	£'000	£'000
Interest on bank deposits	1,622	1,468

6 Finance costs

	2014	2013
	£'000	£'000
Interest on obligations under finance leases	953	936

7 Dividend payable

	2014	2013
	£'000	£'000
Dividend payable	26,654	25,960
Special dividend	100,000	–
	126,654	25,960

In November 2013 a special dividend was paid to HM Treasury.

In March 2014 an interim payment of £20 million was made in respect of the ordinary dividend.

See note 1.26 on page 79 for the accounting policy relating to dividend payments.

8 Property, plant and equipment

8.1 Cost or valuation

	Property			Plant and equipment			Total
	Freehold		Leasehold	Assets under construction	IT related assets	Other plant and equipment	
	Land	Buildings	Buildings				
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2013	13,962	54,999	27,648	155	72,897	5,268	174,929
Additions	-	-	-	664	1,338	40	2,042
Assets brought into use	-	-	-	(163)	133	-	(30)
Revaluation in year	-	791	582	-	-	-	1,373
Reclassification of assets	-	(416)	417	-	2,243	-	2,244
Impairment	-	-	(144)	-	-	-	(144)
Disposals	-	(1)	-	-	(3,550)	(374)	(3,925)
At 31 March 2014	13,962	55,373	28,503	656	73,061	4,934	176,489

Accumulated depreciation and impairment

At 1 April 2013	-	13,326	6,308	-	60,007	3,899	83,540
Provided during the year	-	1,526	1,298	-	5,146	228	8,198
Current cost revaluation	-	(529)	(587)	-	-	-	(1,116)
Reclassification of assets	-	(90)	90	-	2,243	-	2,243
Disposals	-	(1)	-	-	(3,360)	(349)	(3,710)
At 31 March 2014	-	14,232	7,109	-	64,036	3,778	89,155
Carrying amount at 31 March 2014	13,962	41,141	21,394	656	9,025	1,156	87,334

8.2 Cost or valuation

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

Accumulated depreciation and impairment

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

See note 1.9 on page 76 for details of the property, plant and equipment accounting policy.

See note 1.10 on page 76 for details of the impairment accounting policy.

The net amount of finance leases at the end of the year was £3.77 million (2012/13: £3.19 million). In the year there was £0.246 million of depreciation and £0.821 million of revaluation related to these assets.

8.3 Non-current assets classified as held for sale

In 2013/14 the following property was sold: Brickdale House, Stevenage. The sites at Drakes Hill Court, Plymouth and Chalfont Drive, Nottingham were transferred to assets held for sale in 2012/13 and revalued at fair value less costs to sell. Both sites remained within assets held for sale on the statement of financial position at the year end.

9 Intangible assets

9.1 Cost

	E-security £'000	Portal £'000	Business Gateway £'000	Software licences £'000	Total £'000
At 1 April 2013	9,691	15,967	1,766	52,002	79,426
Additions	-	-	-	46	46
Assets brought into use	-	-	-	31	31
Reclassification	-	-	-	(2,243)	(2,243)
Disposals	-	-	-	(6,978)	(6,978)
At 31 March 2014	9,691	15,967	1,766	42,858	70,282
Amortisation					
At 1 April 2013	4,442	7,319	544	49,858	62,163
Charge for the year	969	1,597	177	1,280	4,023
Change to asset life	646	1,064	383	-	2,093
Reclassification of assets	-	-	-	(2,243)	(2,243)
Disposals	-	-	-	(6,948)	(6,948)
At 31 March 2014	6,057	9,980	1,104	41,947	59,088
Carrying amount at 31 March 2014	3,634	5,987	662	911	11,194

9.2 Cost

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

See note 1.11 on page 77 for details of the intangible assets accounting policy.

10 Inventories

	2014 £'000	2013 £'000
Work-in-progress	1,615	1,455
	1,615	1,455

11 Trade and other receivables

11.1 Current

	2014 £'000	2013 £'000
Trade receivables	2,250	2,166
Other receivables	2,702	2,201
Prepayments and accrued income	4,664	2,970
	9,616	7,337

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

	2014 £'000	2013 £'000
Other receivables	453	509
Prepayments	1,318	617
	1,771	1,126

12 Cash at bank and in hand

	2014 £'000	2013 £'000
Government Banking Service	6,828	177,122
Commercial banks and cash-in-hand	36,930	35,229
National Loans Fund	420,881	260,232
	464,639	472,583

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

13 Trade and other payables

13.1 Current

	2014	2013
	£'000	£'000
Trade payables	1,476	1,303
Taxation and social security	2,596	2,697
Other payables	2,433	2,343
Accruals	21,292	22,031
Net obligations under finance leases	357	305
PFI finance lease obligations	1,019	1,301
Deferred income – fees received in advance	11,942	8,283
Dividend payable	6,654	25,960
	47,769	64,223

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 5.4 days. The carrying amount of trade payables is deemed to be an approximation of their fair value.

Deferred income – fees received in advance is an estimate based on average fees.

13.2 Non-current

	2014	2013
	£'000	£'000
Net obligations under finance leases	5,236	4,699
PFI finance lease obligations	1,312	2,141
	6,548	6,840

14 Intra-government balances

14.1 Receivables

	Current		Non-current	
	2014	2013	2014	2013
Balances with	£'000	£'000	£'000	£'000
Other central government bodies	2,741	1,832	-	-
Local authorities	44	53	-	-
Public corporations	102	-	-	-
Intra-government balances	2,887	1,885	-	-
Balances with bodies external to government	6,729	5,452	1,771	1,126
Total receivables	9,616	7,337	1,771	1,126

14.2 Payables

	Current		Non-current	
	2014	2013	2014	2013
Balances with	£'000	£'000	£'000	£'000
Other central government bodies	13,952	34,837	-	-
Local authorities	47	-	-	-
Public corporations and trading funds	1,338	1,120	-	-
Intra-government balances	15,337	35,957	-	-
Balances with bodies external to government	32,432	28,266	6,548	6,840
Total payables	47,769	64,223	6,548	6,840

15 Obligations under leases

15.1 Finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	2014	2013
Amounts payable under finance leases	£'000	£'000	£'000	£'000
Within one year	2,228	2,421	1,376	1,606
In the second to fifth years inclusive	4,771	5,387	2,024	2,893
After five years	8,460	7,755	4,524	3,947
	15,459	15,563	7,924	8,446
Less: future finance charges	(7,535)	(7,117)		
Present value of lease obligations	7,924	8,446		
Less: amount due for settlement within 12 months (shown under current liabilities)			(1,376)	(1,606)
Amount due for settlement after 12 months			6,548	6,840

15.2 Operating leases

	2014	2013
	£'000	£'000
Minimum lease payments under operating leases recognised in the year	1,750	2,994
Income from tenants	(355)	(547)
	1,395	2,447

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

	2014	2013
	£'000	£'000
Within one year	-	39
In the second to fifth years inclusive	540	807
After five years	904	904
Income due from tenants	(123)	(355)
	1,321	1,395

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

16 Loans

Land Registry had no loans during the financial year ending 31 March 2014.

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
				2014				2013
At 1 April 2013	28,347	444	2,334	31,125	34,866	856	1,747	37,469
Revaluation of provision	874	726	608	2,208	608	444	1,693	2,745
Provision utilised in the year	(6,432)	(417)	(663)	(7,512)	(7,127)	(797)	(425)	(8,349)
Provision written back unused	-	(27)	(313)	(340)	-	(59)	(681)	(740)
At 31 March 2014	22,789	726	1,966	25,481	28,347	444	2,334	31,125
Included in current liabilities				10,015				10,870
Included in non-current liabilities				15,466				20,255
				25,481				31,125

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 £6.5 million in 2013/14, of which £6.4 million had been provided for within the ERP provision in the 2012/13 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 leaving Land Registry under the terms of a formal early departure programme in place at the year end. Additions in this year relate to members of staff who entered into a firm commitment to take up the offer of early severance in 2013/14. Total payments in the year amounted to £0.7 million in 2013/14, of which £0.4 million had been provided for within the ERP provision in the 2012/13 accounts.

International Accounting Standard 37 Provisions, contingent liabilities and contingent assets requires that: "Where the time value of money is material, the amount of a provision should be the present value of the expenditures expected to be required to settle the obligation".

The discount factor applied to the early retirement provision over ten years is 1.8 per cent. The impact of unwinding of the discount in 2013/14 was £1.1 million (2012/13: £1.4 million).

17.2 Indemnity Fund

	2014	2013
	£'000	£'000
At 1 April 2013	67,800	72,700
Provided in the year	9,398	12,496
Provisions utilised in the year	(9,398)	(12,496)
Provision revaluation	(10,900)	(4,700)
Prior year provision for IBNR	8,000	(200)
At 31 March 2014	64,900	67,800

Following the actuarial review by Lane Clark & Peacock, the fund in respect of reported but not settled claims has decreased in 2013/14 by £10.9m (2012/13: £4.7m decrease). The provision for claims incurred but not reported (IBNR) has increased in 2013/14 by £8m (2012/13: £0.2m decrease).

The provision for claims received but not yet settled is an estimate and as it involves projecting future payments the final amount paid on these claims is uncertain. The main uncertainties are: the proportion of outstanding claims that will ultimately be paid; and the value of the payments made.

The assessment of IBNR is by its nature uncertain and therefore the ultimate settlement value of claims for IBNR could differ from the estimates used in these accounts by as much as £5m. The areas of uncertainty relate to assumptions (which are based on past data) about: the number of claims, average claim size, the number of large claims, settlement patterns and discount rates.

18 Capital commitments

	2014	2013
	£'000	£'000
Capital expenditure		
Contracted for but not provided in these accounts.	588	12

19 Contingent liabilities

The Land Registration Act 2002 places a legal liability on Land Registry to indemnify for losses resulting from errors or omissions on the register of title. This includes errors resulting from frauds perpetrated by third parties. As a statutory insurer of titles in England and Wales, indemnity payments are not confined to mistakes made by Land Registry. All claims pending were as shown below irrespective of the likelihood of a claim being successful. Included in this total is the amount provided in the Indemnity Fund provision (see also notes 1.18 and 17.2).

	2014	2013
	£'000	£'000
In relation to entries in the register	6,166	15,168
Fraud and forgery	20,468	20,712
	26,634	35,880

There is an employment tribunal decision outstanding that will determine whether Land Registry was correct in its decision in not making progression payments to qualifying staff as a result of Treasury pay remit guidance. If the challenge is upheld Land Registry will be liable for the progression costs due since 2011. The latest guidance from Treasury Solicitors is that the likelihood of this challenge being successful is in the region of 50%. This does not satisfy the requirements for a provision and therefore is disclosed as a contingent liability. The total estimated value of this liability from 2011 up to 31 March 2014 is £5.4 million, which could be a cost in the 2014/15 accounts.

20 Notes to the cash flow statement

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

	2014	2013
	£'000	£'000
Operating surplus	141,354	108,891
Restructure and reorganisation costs	(2,180)	(7,182)
Depreciation of property, plant and equipment	6,560	8,480
Amortisation of intangible assets	1,280	1,395
Impairment in value of non-current assets	648	168
Impairment in value of intangible assets	–	188
Decrease in provisions	(5,291)	(6,343)
Increase in inventories	(161)	(89)
(Increase)/decrease in receivables	(2,441)	1,054
Increase in payables	2,730	6,121
Decrease in Indemnity Fund	(2,900)	(4,900)
Net cash inflow from operating activities	139,599	107,783

20.2 Reconciliation of net cash flow to movement in net cash

	2014 £'000	2013 £'000
Net cash at start of period	472,583	379,817
Increase in cash in the period	(7,944)	92,766
Net cash at end of period	464,639	472,583

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 was 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 1.22 on page 78 for the accounting policy covering the Steria contract.

Steria was providing a managed service and this was achieved with an on-site team that worked in partnership with Land Registry's Information Systems Service Delivery group. To maximise the use of Land Registry's IT assets, PCs, servers and hubs, that are compatible with the managed service, they were maintained by Steria on Land Registry's behalf.

Following recent guidance issued by Cabinet Office on the greater use of small and medium sized entities in delivering public services, Land Registry will not be extending the Steria contract past its initial five year term. Preparations are being made for the service to move in-house whilst the future strategy is determined. This includes both the current services Steria provide and any third-party contracts within the current agreement.

For 2013/14 £9.54 million (2012/13: £9.03 million) was charged under the Steria contract to the statement of comprehensive income.

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

	2014 £'000	2013 £'000
Within one year	3,857	9,683
In second to fifth years inclusive	-	2,799
After five years	-	-
	3,857	12,482

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

	2014		2013	
	Actual	Target	Actual	Target
	%	%	%	%
Percentage return on average capital employed	30.7	5.9	23.4	6.3

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 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 8 April we completed the sale of Drakes Hill Court, Plymouth for £1.5 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 £1.450 million. There was no loss or gain on disposal arising from this sale.

At the time of signing the Government has announced that there will be no immediate change to Land Registry's commercial model.

The Government has announced its intention to facilitate wider powers allowing Land Registry to become sole registering authority for Local Land Charges.

The Review of the Tax Arrangements of Public Sector Appointees set out requirements that board members with significant financial responsibility should be engaged on payroll unless there were exceptional circumstances and that such exceptions should exist for no longer than six months. Land Registry had two off-payroll arrangements for interim Finance Directors which exceeded the maximum six month period permitted, HM Treasury announced its decision to impose a sanction of £1,030,176 on HM Land Registry on 10 July 2014. This expenditure will be recognised in Land Registry's 2014/15 accounts and disclosed as a fruitless payment in accordance with the requirements of Managing Public Money.



Appendix A Volumes and workloads 2013/14 and 2012/13

The table below sets out the transactional activities for the year, along with comparatives for the previous year. In this financial year we serviced more than 26 million applications, fulfilling the requirements of the 2002 Land Registration Act. These form the core of our activities and the revenues associated with them. The table also details our progress towards electronic delivery, in relation to the various types of application that we receive. Excluding bulk register updates (BRUs), the proportion

of applications received electronically rose from 78.1 per cent to 83.7 per cent.

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

Application intake by type and method of receipt

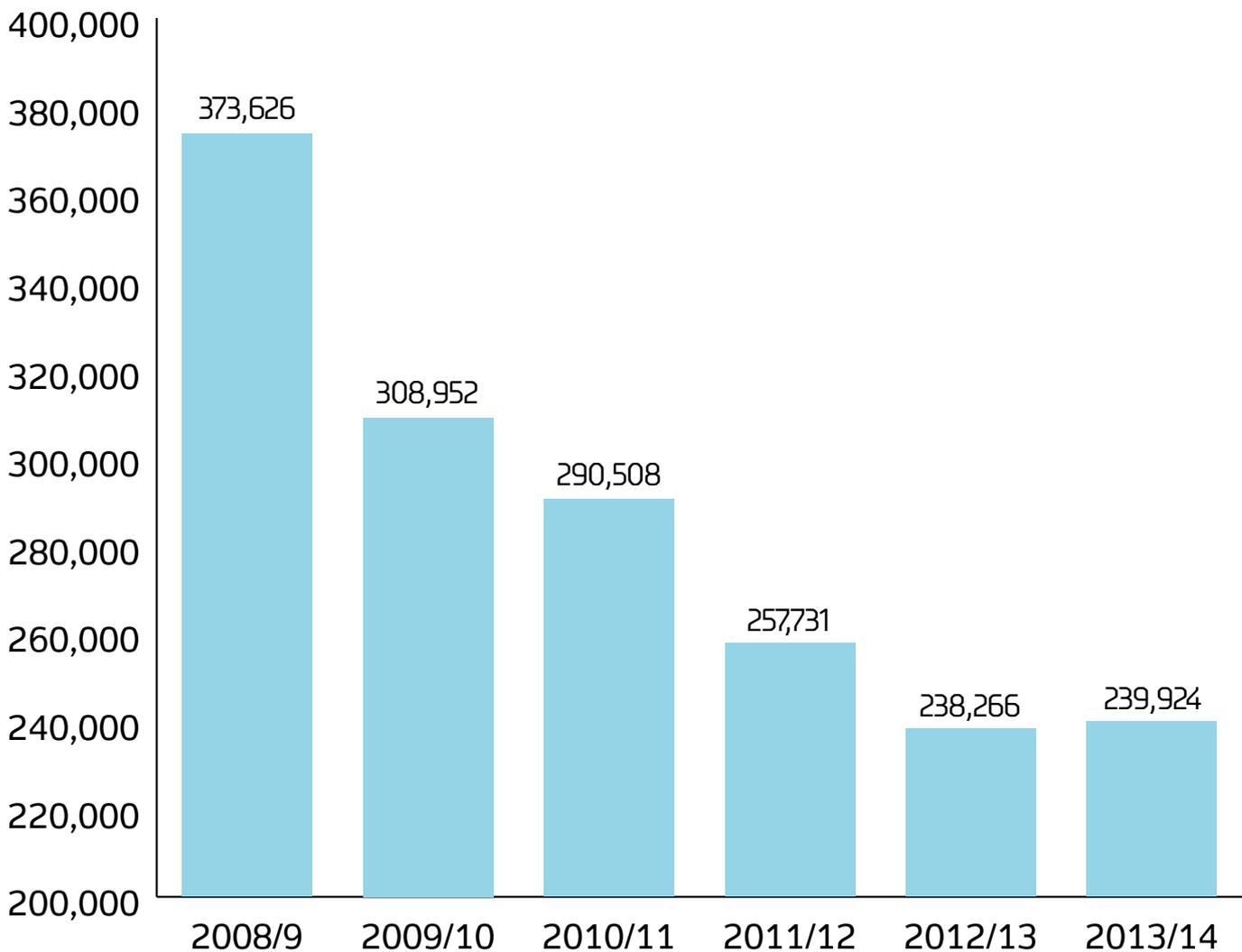
	2013/14			2012/13		
	Total applications received	Applications received through online services	% of applications received through online services	Total applications received	Applications received through online services	% of applications received through online services
Total applications	28,402,115	21,972,387	77.4	23,915,223	17,642,918	73.8
Bulk register updates (BRUs)	2,147,373	–	–	1,334,844	–	–
Total applications exc. BRUs	26,254,742	21,972,387	83.7	22,580,379	17,642,918	78.1
Substantive applications exc. BRUs	4,446,473	1,710,139	38.5	3,722,683	1,076,888	28.9
Preliminary services applications	15,323,632	14,801,517	96.6	12,793,454	11,992,153	93.7
Enquiry services applications	6,484,637	5,460,731	84.2	6,064,242	4,573,877	75.4
	26,254,742	21,972,387	83.7	22,580,379	17,642,918	78.1
Substantive applications exc. BRUs						
First registrations	135,103	–	–	140,455	–	–
Dispositional first leases	187,351	2,700	1.4	176,035	–	–
Transfers of part of registered land	145,573	1,295	0.9	128,727	–	–
Dealings of whole with registered land	3,978,446	1,706,144	42.9	3,277,466	1,076,888	32.9
	4,446,473	1,710,139	38.5	3,722,683	1,076,888	28.9
Preliminary services applications						
Official copies	11,500,285	11,289,225	98.2	9,396,780	9,076,408	96.6
Official searches	2,175,187	2,115,818	97.3	1,874,846	1,769,124	94.4
Official searches of the index map	1,648,160	1,396,474	84.7	1,521,828	1,146,621	75.3
	15,323,632	14,801,517	96.6	12,793,454	11,992,153	93.7
Enquiry services applications						
Register views	4,498,132	4,498,132	100.0	3,797,893	3,797,893	100.0
Title plan views	822,996	822,996	100.0	645,343	645,343	100.0
Document views	63,624	63,624	100.0	65,009	65,009	100.0
Correspondence	284,942	75,979	26.7	306,570	65,632	21.4
Telephone enquiries	814,943	–	–	1,249,427	–	–
	6,484,637	5,460,731	84.2	6,064,242	4,573,877	75.4

Appendix B Response to the economic climate

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

Business running costs

£'000

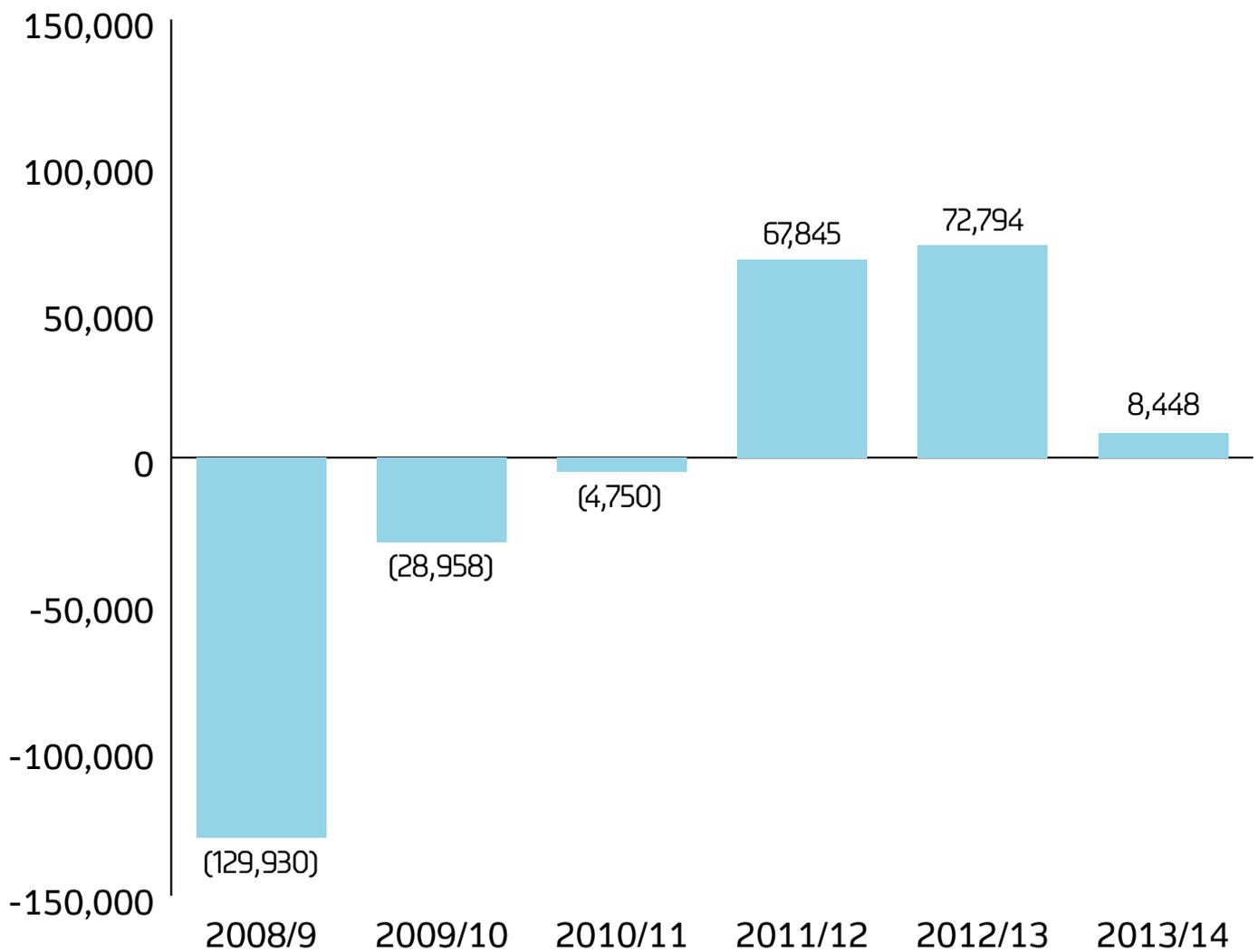


Note: the initial IBNR provision of £45.9m is excluded from 2011/12 business running costs, in the above chart, but for subsequent years the movement in the provision is included.

Our retained surplus over the six-year period since the housing market crash has recovered the position and allowed for the special dividend payment.

Retained surplus/(deficit)

£'000



Note: the initial IBNR provision of £45.9m is excluded from 2011/12 retained surplus, in the above chart, but for subsequent years the movement in the provision is included.

Income statements: six years to 2013/14

	(Re-stated) 2008/9 £'000	(Re-stated) 2009/10 £'000	(Re-stated) 2010/11 £'000	(Re-stated) 2011/12 £'000	2012/13 £'000	2013/14 £'000	Six year £'000
Fee income continuing operations	308,050	328,414	355,364	359,338	347,157	381,278	2,079,601
Cost of service	(354,634)	(292,020)	(275,675)	(289,909)	(227,751)	(227,871)	(1,667,860)
Gross surplus/(deficit)	(46,584)	36,394	79,689	69,429	119,406	153,407	411,741
Administrative expenses	(18,992)	(16,932)	(14,833)	(13,722)	(10,515)	(12,053)	(87,047)
Operating surplus/(deficit)	(65,576)	19,462	64,856	55,707	108,891	141,354	324,694
Profit/(loss) on disposals of non-current assets	(14)	4,037	39,114	5,170	3,913	66	52,286
Investment income – interest receivable	12,315	549	580	1,170	1,468	1,622	17,704
Finance costs	(7,830)	(784)	(870)	(878)	(936)	(953)	(12,251)
Amortisation and depreciation of e-service systems	–	(2,334)	(6,577)	(4,448)	(4,053)	(5,357)	(22,769)
Restructure reorganisation costs	(50,253)	(34,609)	(87,847)	(21,000)	(10,529)	(1,630)	(205,868)
Surplus/(deficit) for the financial year	(111,358)	(13,679)	9,256	35,721	98,754	135,102	153,796
Dividend payable	(18,572)	(15,279)	(14,006)	(13,776)	(25,960)	(126,654)	(214,247)
Retained surplus/(deficit) for the year	(129,930)	(28,958)	(4,750)	21,945	72,794	8,448	(60,451)
Gain/(loss) on revaluation of property, plant and equipment	–	(1,100)	1,316	(1,608)	3,363	1,373	3,344
Comprehensive surplus/(deficit) for the financial year	(129,930)	(30,058)	(3,434)	20,337	76,157	9,821	(57,107)
Full-time equivalent staff (average for the financial year)	7,350	6,525	5,322	4,588	4,325	4,042	

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

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

2010/11: total e-conveyancing write-down during the year was £10.9m, consisting of £6.4m development cost not in use and £4.5m assets already in use; disclosed in cost of service.

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

2011/12: re-stated in 2012/13 with prior year adjustments for change in policy to recognise incurred but not reported indemnity claims.

Appendix C Treasury Minute

HM Land Registry Trading Fund

HM Treasury Minute dated 24 April 2012

1. Section 4(1) of the Government Trading Funds Act 1973 (“the 1973 Act”) provides that a Trading Fund established under that Act shall be under the control and management of the responsible Minister (or, where a Trading Fund is established for operations carried on by a person appointed in pursuance of any enactment, that person, if the Order establishing the Trading Fund in accordance with section 1(6) (a) of the 1973 Act) and in the discharge of his functions in relation to the fund it shall be his duty:
 - (a) To manage the funded operations so that the revenue of the fund:
 - (i) Consists principally of receipts in respect of goods and services provided in the course of the funded operations, and
 - (ii) is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to revenue account; and
 - (b) To achieve such further financial objectives as the Treasury may from time to time, by minute laid before the House of Commons, indicate as having been determined by the responsible Minister (with Treasury concurrence) to be desirable of achievement.
 2. The Trading Fund for HM Land Registry was established on 1 April 1993 under the Land Registry Trading Fund Order 1993 (SI 1993 No. 938). Article 3 (2) of that Order provides that the Trading Fund shall be under the control and management of the Chief Land Registrar. Additional assets were appropriated to the Trading Fund on 11 March 1996 under the Land Registry Trading Fund (Additional Assets) Order 1996 (SI 1996 No. 750). On 13 October 2003, the Trading Fund was extended and amended under the Land Registry Trading Fund (Extension and Amendment) Order 2003 (SI 2003 No. 2094).
 3. The Secretary of State for the Department of Business, Innovation and Skills, being the responsible Minister for the purposes of section 4(1)(b) of the 1973 Act, has determined (with Treasury concurrence) that a further financial objective desirable of achievement by HM Land Registry to achieve, over the period from 1 April 2012 to 31 March 2017, a return, averaged over the period as a whole, of at least 3.5 per cent real¹ in accordance with Managing Public Money. This will take the form of an operating surplus on ordinary activities post exceptional items and interest (payable and receivable), but before dividends, expressed as a percentage of average capital employed. Capital employed shall equate to the total assets from which shall be deducted the total liabilities.
 4. This Minute supersedes that dated 15 December 2003.
 5. Let a copy of this Minute be laid before the House of Commons pursuant to section 4(1)(b) of the Government Trading Funds Act 1973.
- ¹ 3.5 per cent real will be calculated annually as 3.5 per cent plus the latest inflation estimate for that year, provided by ONS. By way of a worked example, for the fiscal year 2012/13 the financial target will be 6.29 per cent. This has been calculated as (1+3.5 per cent)* (1+2.7 per cent), where 2.7 per cent is the ONS 2012/13 inflation estimate (National Accounts figures from the ONS, http://www.hm-treasury.gov.uk/data_gdp_fig.htm, 22 December 2011).
- HM Treasury
24 April 2012





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