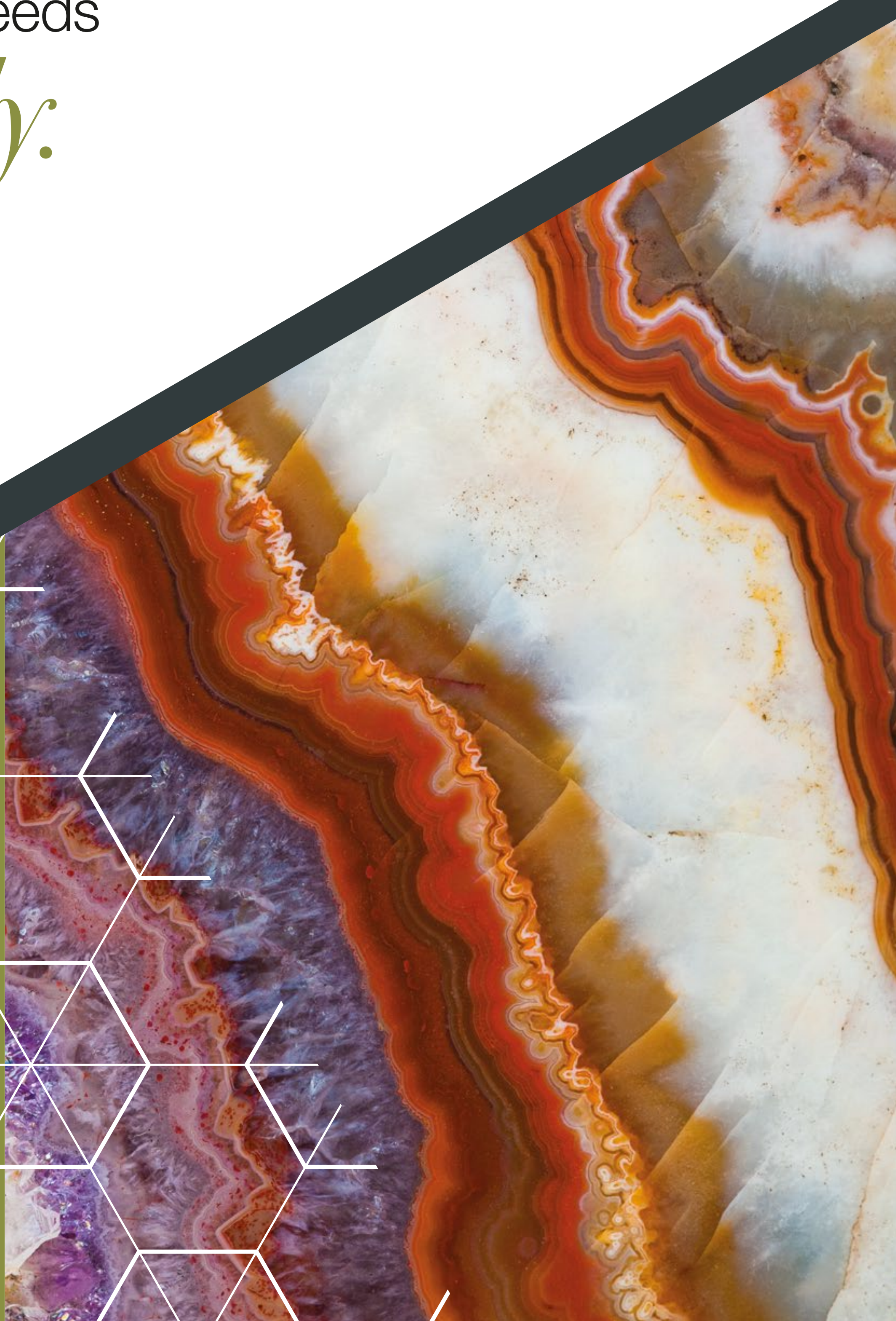
Annual Report

Registers of Scotland
ros.gov.uk

Annual Report 2015-2016

Customer focused registration: how we're evolving to meet Scotland's needs

Exactly.



Laid before the Scottish parliament by Scottish ministers September SG/2016/112.

Contents

Foreword

This has been Registers of Scotland's (RoS) first full financial year since the Land Registration etc. (Scotland) Act 2012 came into force. For the first time, we're really able to measure the impact of these legislative changes on our registration practice and activities – and the figures are impressive.

In 2015-16, we accepted over 600,000 applications, an increase of 35 per cent on the previous year. This includes 170,000 advance notices, a new security option introduced under the 2012 Act. While working through this increased workload, we were also able to complete all 45,824 of the 1979 Act applications we had received before the designated day. This is a phenomenal achievement, possible thanks to the hard work of our dedicated staff.

With new commercial opportunities created by the 2012 Act, we've seen a significant increase in demand for our products and services, with over 200 new customers signing up for Registers Direct, our online information portal. We have a new user experience panel that has allowed our customers to feed directly into our product development process, enabling us to build our services around their specific needs. This is something we intend to continue and we've already seen the introduction of plans assistance, plans drawing and pre-application checking services with more in the pipeline.

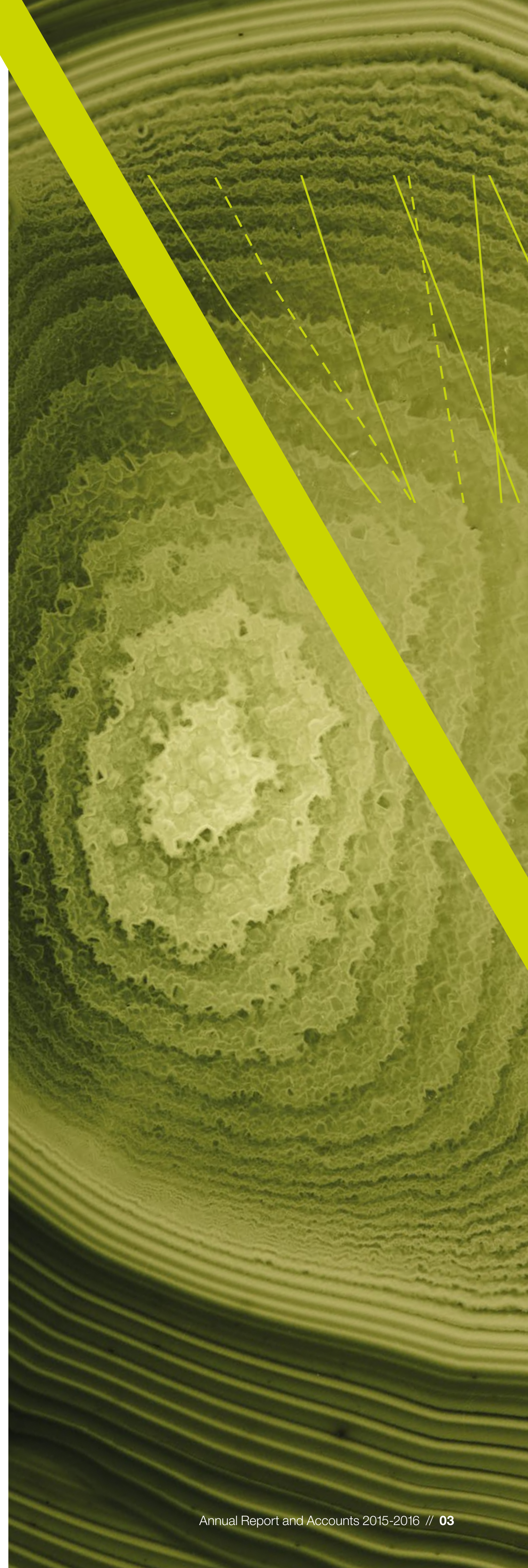
With the 2012 Act fully embedded into our working practice, our attention has turned to our three-year business transformation programme based on the increased use of digitisation. In less than a year, we've already achieved a great deal, from improving our online services to upgrading our legacy systems, giving our customers improved usability and service availability. We're already seeing a positive environmental impact from these activities. Our paper usage was down by nearly a quarter this year, while our electricity consumption at our Edinburgh office decreased by 11 per cent.

It's also been an important foundation year for our land register completion activities, an organisation-wide programme, created to meet Scottish ministers' invitation to us to complete the land register by 2024, including registering all public land by 2019.

We've focused on Scotland's largest landowners and public bodies, engaging with over 200 stakeholders to support their registration applications and help them understand the registration process. This was supported by a public consultation into keeper-induced registration, a new power introduced by the 2012 Act that will help us speed up completion.

As I reflect on everything we have achieved this year, one thing is clear: none of it would have been possible without the diligence and commitment of our staff. Their willingness to embrace change and to approach everything with a positive attitude never ceases to amaze me – and it gives me huge confidence in what we can achieve in the coming years.

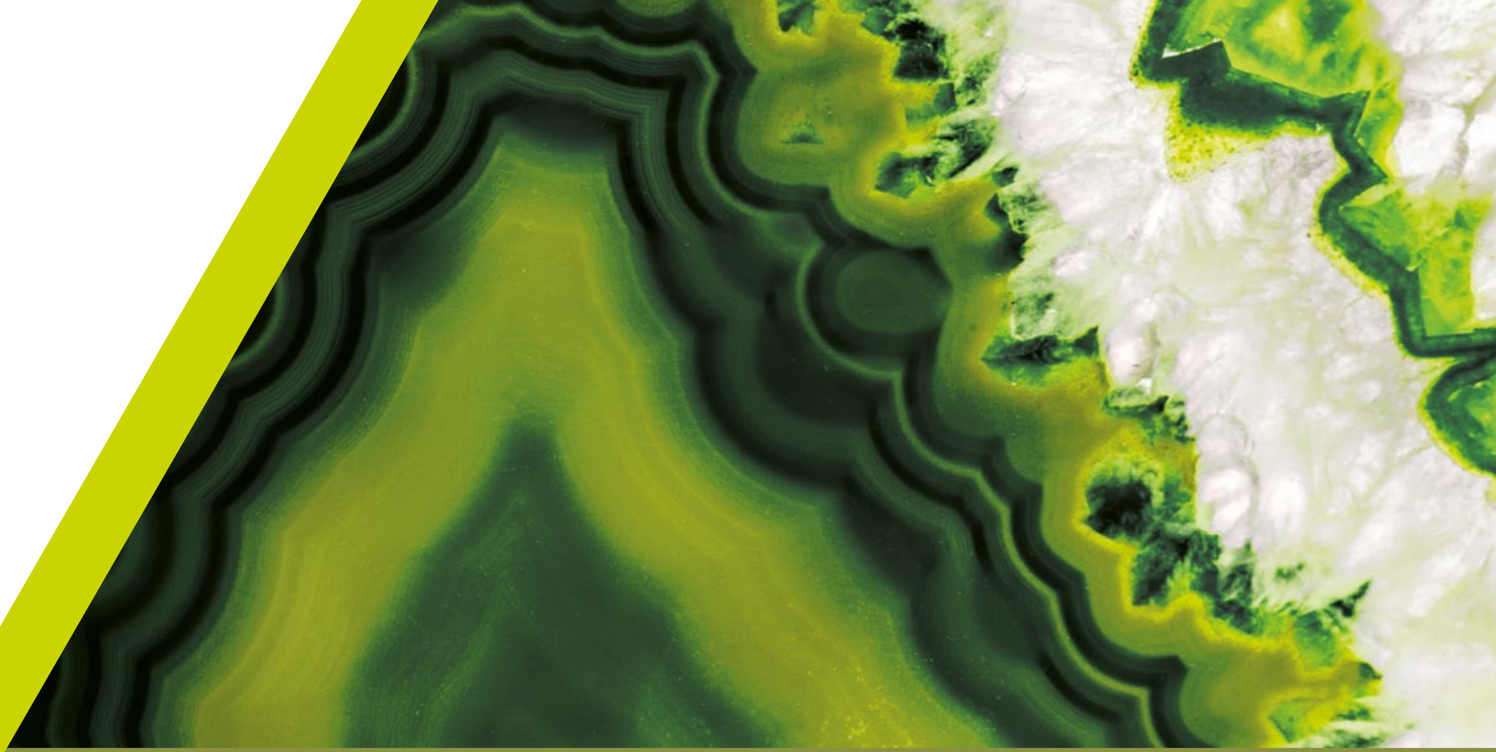
Sheenagh Adams
Keeper of the Registers of Scotland



Vision and values

Our vision

To deliver customer-focused registration and information that *creates value* for Scotland.



Our values

At the heart of our business are our values. We are:

// *impartial* – we act without bias, keeping information secure and presenting it accurately;

// *forward thinking* – we must always add value for the public of Scotland, finding better ways to deliver what they and the Scottish economy need;

// *professional* – we recognise that customers need us to be efficient and effective and to work with pace, passion and pride; and

// *customer-focused* – we strive to understand what our customers need and why so that we can design our processes and services for them.

Performance report

Overview

Brief history and statutory background

Background

Registers of Scotland (RoS) is a non-ministerial department and part of the Scottish administration. Since 1 April 1996, we've operated as a trading fund with our financial framework set out in the Public Finance and Accountability (Scotland) Act 2000.

We maintain 17 public registers that provide for the registration of legal documents in Scotland, in particular the two main registers relating to rights in land: the Land Register of Scotland and the General Register of Sasines.

Our work is demand-led, with the level of work fluctuating in response to activity in the housing market and the commercial property sector.

We have offices and customer service centres at:

Meadowbank House
153 London Road
Edinburgh

and at

Hanover House
24 Douglas Street
Glasgow

We took out a lease on a third office in St Vincent Plaza, Glasgow in early 2016 and this office will replace our Hanover House facility during the coming year.

Statement of purpose and activities

Principal activities

The Keeper of the Registers of Scotland is responsible for maintaining 17 public registers that provide for the registration of legal documents in Scotland. Most of our work involves the two main registers that relate to rights in land: the General Register of Sasines and the Land Register of Scotland.

The General Register of Sasines is a register of deeds, writs and transactions affecting heritable property in Scotland. It was the first of its kind in the world, dating back to the 1617 Registration Act of the old Scots parliament. It inspired the creation of similar registers across the world.

The Land Register of Scotland was introduced by the Land Registration (Scotland) Act 1979 and is gradually replacing the sasine register. The land register is a state-guaranteed register of title to land, which results in the creation of a title sheet in which the property is precisely defined on the ordnance survey map.

Our objectives

Our 2015-18 corporate plan covered the financial year 2015-16 and set out our five strategic objectives:

1. To ensure the integrity of the registers under the keeper's control
2. To build a commercially and environmentally sustainable business
3. To improve our services and products by understanding and collaborating with our customers
4. To promote continuous improvements that focus on providing public value
5. To promote a positive culture where staff are flexible, skilled and creative

Key issues and risks

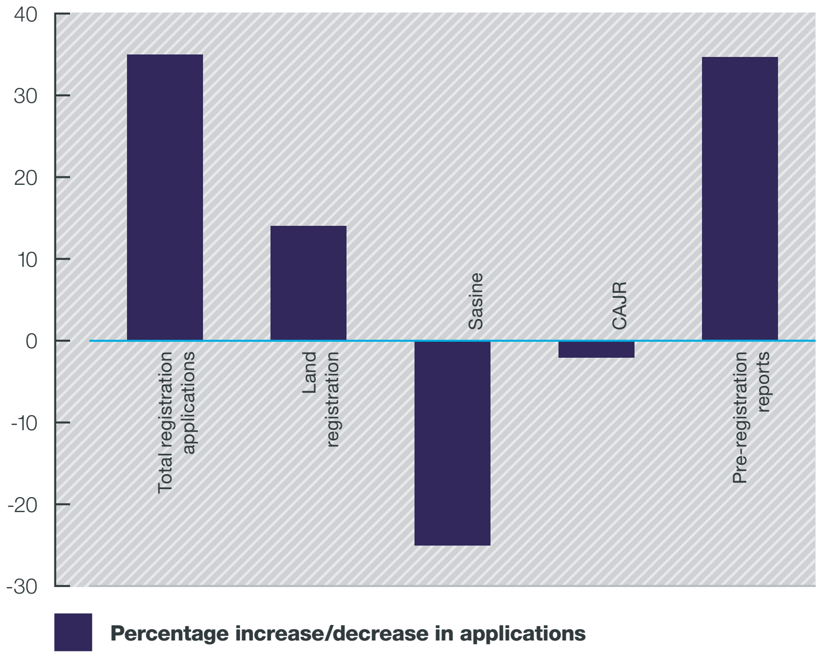
Our key risk register and issues tracker focuses on the threats that may prevent us from delivering our corporate plan objectives and longer term ambitions. It's a live document that's reviewed and updated through the year by the owners of each key risk or issue. The Executive Management Team reviews and approves the updated risks and issues monthly and the RoS board reviews it quarterly.

Risks and issues captured during 2015-16 included key challenges in relation to progressing land register completion, the transformation of our business and replacing legacy IT systems. We also face challenges in the potential for new responsibilities under the Land Reform (Scotland) Act 2016 and that we may face a skills deficit meeting our future business needs.

Operating and financial review

In 2015-16, we accepted over 600,000 applications, an increase of 35 per cent on the previous year. This increase was partly due to the 170,000 advance notices we accepted in the first full year of their operation under the Land Registration etc. (Scotland) Act 2012 (the 2012 Act). Advance notices provide additional security for people buying and selling properties.

Growth in activity in the property market, both sales and mortgaging, accounted for nine per cent of our increased intakes. Excluding advance notices, land register applications rose by 14 per cent while sasine intakes fell by 25 per cent reflecting the continuing move of titles from sasines onto the land register.



Chancery and Judicial Registers intakes fell by two per cent although the headline figure masks considerable differences between the different registers in this category. Across the year, eight per cent fewer inhibitions were registered, perhaps reflecting a more stable economic climate. Inhibitions prevent debtors selling their property without paying a particular creditor and there was a fall of over 20 per cent in court decrees registered for enforcement in Scotland during the reporting period.

In addition, we provided nearly 40,000 pre-registration reports (2014-15: 30,000), up nearly 35 per cent on 2014-15. This improvement reflects the success of our reports service in meeting the needs of customers under the 2012 Act.

As last year, around a third of all applications (around 200,000) were received electronically. Over the entire year, 70 per cent of all applications for dealings with whole of a registered title were completed in just two days. This compares with 55 per cent in 2014-15.

The year also saw the completion of the last application for registration under the Land Registration (Scotland) Act 1979. All our work in progress now falls under the 2012 Act.

RoS delivered high standards of service throughout the year, turning around three quarters of land register applications within 20 days, or even more (84 per cent) when advance notices are included.

Our customer service centres in Edinburgh and Glasgow took over 75,000 telephone calls and assisted nearly 2,000 personal callers to our public counters. Our eservices team also continued to provide support to our online customers, dealing with over 22,000 requests.

We performed strongly against our strategic objectives and more detail is provided in the Performance analysis section.

Financial summary

	2015-16	2014-15
Retained surplus	£7.5 million	£7.5 million
Continuing operations income	£69.8 million	£66.3 million
Net interest income and charges	£0.202 million	£0.125 million
Capital expenditures	£3.9 million	£1.9 million
Costs	£62.5 million	£58.9 million
Costs comprised:		
Staff costs	£41.1 million	£35.2 million
Restructuring costs	£0.113 million	£4.0 million
Administrative costs	£18.4 million	£17.5 million
Amortisation and depreciation	£2.8 million	£2.1 million
Impairment	£0	£0.038 million

Our retained profits as at 31 March 2016 were £87.1 million, up from £79.6 million as at 31 March 2015. These reserves are managed to ensure we operate as a going concern and are also able to take on initiatives such as business transformation and land register completion.

Performance analysis

Performance against service standards and targets

Performance summary

The keeper set 12 service standards for 2015-16. Details of our performance against these standards are shown below.

Service standards

Record new land register applications on the application record within one day	Within one working day	99.7%
Process automated registration of title to land applications	Within 24 hours	100%
Process Chancery and Judicial Registers applications	Within three days	100%
Process Crofting Register applications	Within three days	92.4%
Process General Register of Sasines applications	Within 20 working days	100%
Register applications for standalone deeds affecting registered land	Within 30 working days	99.3%
Register applications for deeds affecting unregistered land (standard)	Within 40 working days	100%
Register other applications for deeds affecting unregistered land	Within six months	85.4%
Register applications for deeds affecting part of registered land	Within nine months	87.4%
Process all enquiries to our customer service centres	Two days	89.4%
Increase our Public Service Quality Index (PSQI) rating: achieve a score of 74		64.2[1]
Complete 98.5% or more of registrations, over a 12 month rolling period without corrective action		99.2%

(1) The methodology used to calculate the PSQI rating has changed since this target was set. Under the new scheme, our score for the previous year would have been 63.

Financial targets

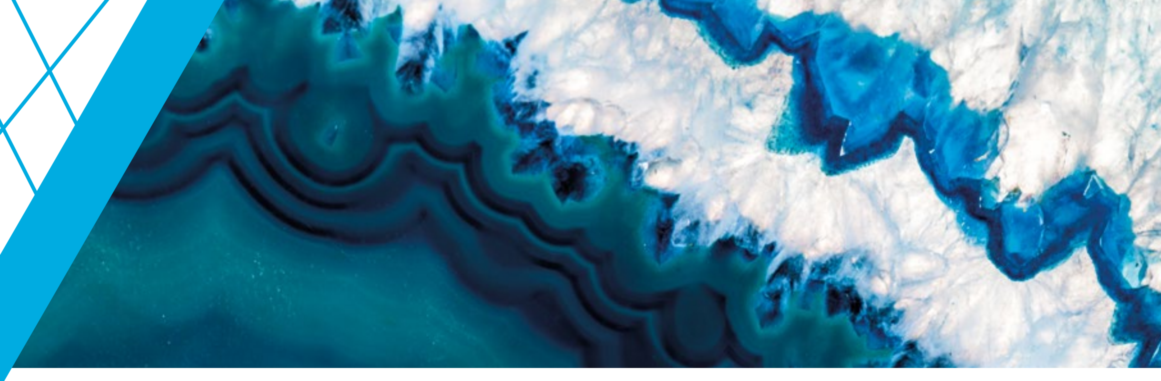
Scottish ministers set us two financial targets:

To deliver **3 per cent** *efficiency savings*

// A **4.8 per cent** efficiency improvement on the previous year was achieved.

To achieve a **5 per cent** *increase in income from commercial activities*

// A **27 per cent** increase on the previous year was achieved.



Trends affecting our future

2016-19 will see Registers of Scotland transform from a largely paper-based registration department to a digital information service. We will do this with the help and support of our customers, stakeholders and staff.

Two years from now, our world will be digital and the customer journey and staff delivery for each of the services we provide will be very different.

We've been planning and preparing for transformational change over the last few years. The foundations we need are now in place: the legislation, the commitment to completing the land register, control over our own IT, the financial benefits of our trading fund status, the leadership and professional skills, and the drive and determination to succeed. But we will continue to provide certainty in this time of substantial change.

Our land register completion programme will continue apace. By the end of 2019, we will have worked towards completing registration of all public land in Scotland. We'll also have added several hundred thousand titles to the land register through keeper-induced registration as well as a substantial number of voluntary and trigger-based registrations.

We will also be taking on responsibility for further registers, starting with the housing management registers, which include the landlord register, the letting agent register and the property factor register.

Our digitally-based business transformation programme will be largely completed over the period of our current corporate plan (2016-19). At the heart of this lies the use of innovative, customer-centric digital channels and technologies. For example, new mapping and case management products will enable us to improve the delivery of our registration and information business, removing much of the paper handling and processing that has been at the core of our workflow for centuries.

Our collaboration with the Law Society of Scotland and the Council of Mortgage Lenders (CML) will continue. We look forward to the development of our new electronic mortgage discharge system during the course of 2016-17. It won't simply replicate the current paper-based discharge process but will streamline and simplify it for all. We'll also be working with colleagues across local and national government to develop Scotland's Land and Information Service, or ScotLIS as it is more commonly known. It will be a new land and property information system for the citizens and businesses of Scotland.

In the midst of these technological advances, old will meet new in 2017 when we'll celebrate the 400th anniversary of the oldest public land register in the world, the General Register of Sasines.

We'll be marking the occasion with a series of special events, from hosting the international Registrars of Title conference to commissioning a new piece of public art. The sasine register has had a major influence on land registration systems around the world and this momentous occasion should be a source of great pride for both RoS and Scotland.

Our four challenges

// *Registration*

// *Land register completion*

// *Business transformation*

// *Commercial services*

Registration

The Land Registration etc. (Scotland) Act 2012 came into force on 8 December 2014. Our staff have spent much of this financial year embedding new practices and supporting our customers as they adapt to the changes.

A number of internal services have been introduced which take data directly from our online forms and automatically pre-populate fields within our systems. This change has improved processing times and, critically, has improved the quality of the information entered.

We completed the roll out of Development Plan Approval as a service this year. It lets developers submit mapping information prior to submitting an application, allowing for a comparison to be made between the planned development and adjoining registration information.

This provides developers and their future customers with the certainty that they require prior to developing the site. During the year, eight of the top ten developers (by volume) have used this free service on a regular basis.

When the 2012 Act came into force on 8 December 2014, we had 45,824 applications submitted under the old legislation still pending completion and inevitably many of these were the most complex cases. Our aspiration to process the remaining Land Registration (Scotland) Act 1979 casework by 8 December 2015 saw the target met, with only a small number of applications (where we were involved in ongoing correspondence with our customers) remaining.

The final two remaining cases under the Land Registration (Scotland) Act 1979 were despatched on 31 March 2016. Completing this casework has been a phenomenal achievement. The resources utilised for the eradication of the 1979 casework were transferred to 2012 Act casework quicker than anticipated, speeding up progress here in the final quarter of the year.

Land register completion

One of our main challenges is completing the land register by 2024, with all public land voluntarily registered by 2019.

A completed land register will be a national asset for Scotland that will allow transaction on land and property to be easier, faster and cheaper.

We've expanded the number of people involved in LRC and changed our governance to a programme with a number of inter-related projects. We've also combined the management of our LRC teams with the existing business unit that processed first registration to ensure a holistic approach.

This change allows us to promote and support the three main routes to move titles onto the map-based land register from the deeds-based sasine register.

The first of these routes is the existing triggers and news that initiate a first registration application. For example, a new legislative trigger came into force from 1 April 2016 when the sasine register was closed to standard securities. This means that anybody seeking to register a new security with a new lender must make an application to the land register. We estimate this will add around 4,000 to 5,000 titles onto the land register each year depending on market activity.

The second is voluntary registration. To support this, we have engagement teams who promote the benefits of voluntary registration to stakeholders in the public and private sectors. This work has allowed us to design new commercial products and services that assist landowners in preparing these types of applications. Our LRC advisors travelled more than 10,000 miles over the course of this year to meet landowners and their professional advisors.

This year, we focused on Scotland's largest landowners and the public sector. We've made contact with over 200 public bodies and this engagement will continue throughout this coming year. We've found that professional advisors play a key role in our engagement on voluntary registration. We expect them to continue to support their clients to bring forward applications and they are also working with contacts across Scotland.

The third route to the register is through Keeper-induced Registration (KIR). It allows us to register land without an application from the owner. This new power was brought in as part of the 2012 Act, primarily to accelerate the completion of the land register.

A number of KIR pilot projects were undertaken in 2015, followed by a 12-week public consultation. These initiatives informed our decision to begin using KIR initially in RoS 'research areas' – residential areas, mainly housing estates, where we already have extensive information on property titles. Live pilots will begin in late 2016 with a full roll-out of the programme following thereafter.

In 2016, we launched new plan assistance and plan drawing services. These help in the pre-application stage of land registration and were developed following consultation with landowners and their representatives. We will continue to use the information provided through our contact with stakeholders to develop new products and services to provide better support to our stakeholders going forward.

Business transformation

The last year has been an exciting time for us as we started to take advantage of digital technologies that have the potential to transform our services. Our digital strategy was approved in February 2015 and we quickly established a transformation programme to deliver value for our customers, for the Scottish public and for RoS.

We expect to deliver major benefits for our users by making our services far more efficient and easier to use. To ensure we get this right, we've adopted a collaborative and customer-centric approach to change. We invited our customers to volunteer to work with us on transformation and more than 120 people from across the conveyancing community have made that commitment.

We've also been actively engaged with the key bodies that represent many of our customers, such as the Law Society of Scotland and the Council of Mortgage Lenders (CML). This customer-focused approach allows us to identify and agree priorities, and to develop and road-test solutions. We have adopted a "little and often" approach to implementation. This allows us to provide benefits early and to get the feedback we need to continually improve.

In less than a year, we've achieved a great deal. We have:

// **appointed Informed Solutions (who have a pedigree in spatial and data domains) as our digital supplier to support us through the transformation**

// **streamlined our intake processes to eliminate the re-keying of 250,000 forms annually**

// **made a number of improvements to our online systems including:**

- // **the saving and sharing of advanced notices to simplify document sharing**
- // **enabling downloading of draft registration forms as PDFs**
- // **overhauling our notifications system to make alerts to our customers clearer**

// **implemented application programming interfaces (APIs) to support data sharing, which will be used, for example, by a number of case management systems and also the conveyancing portal being developed by Altis in partnership with the Law Society of Scotland**

// **implemented an improved approach to addressing**

// **implemented key steps in the re-architecture of our data to facilitate re-use and to support open data standards – this will underpin improved services to come in the future**

// **re-architected a number of our legacy systems resulting in:**

- // **improved service availability**
- // **the decommissioning of 33 servers**
- // **significant carbon savings**
- // **the discontinuation of very costly application support**

The focus of our first year has deliberately been foundational – ensuring we have a stable base from which to apply significant changes.

We'll start to see some of the first major transformative changes coming through during 2016-17. We'll also endeavour to provide digital solutions that go beyond a simple like-for-like alternative to paper, removing many of the inefficient processes that paper-handling requires. Our focus this year is to:

// **enable digital mortgage discharges, enhancing the processing of the 100,000 that are presented to the land register each year**

// **implement a strategic Geographic Information System (GIS) that simplifies the registration of new residential and commercial properties, as well as rural land and estates**

// **implement new case management and scanning solutions to our business operations to minimise our reliance on paper and manual processes**

// **implement additional registers that the Scottish government has requested we support**

// **begin the foundational work on ScotLIS to create a national resource that provides the Scottish public with a view of public spatial data sets**

Commercial services

Commercial services saw an increase in demand as customers became more familiar with the requirements of the 2012 Act for products and services we supply. In particular, requests for plans reports grew dramatically and over 200 new customers signed up to access information held on the registers through Registers Direct. In the coming years, we'll review these services to ensure they still meet customer expectations.

As part of the ongoing digital transformation programme, we've been working closely with customers and stakeholders to gain a better understanding of their changing requirements, and to identify any new products and services that would help them meet their needs. This has seen the introduction of plan assistance, plan drawing, and a pre-application checking service. We'll continue to work to refine and improve these services.

Our focus on stakeholder engagement is providing a better understanding of our customers' working practices. We'll continue to work with them to ensure we design our customer services in line with our introduction of new digital solutions.

This year, we intend to look at how we can improve the quality and accessibility of the information we hold on all our registers. Key to this will be the development of ScotLIS. Working with partners across the public and private sector, this service will bring together a range of land- and property-related data sets that allow citizens and professionals to access relevant information quickly and easily.

Environmental management system and sustainability

Our environmental policy

We're committed to the protection of our environment, both locally and within the broader commitment to the sustainable development agenda set out by Scottish ministers.

We're conscious that our activities affect the environment and attempt to minimise any negative impact through positive environmental stewardship. We acknowledge our responsibilities and do all we can to engage staff in the implementation of our environmental policy.

Our targets

Our focus is on the continuous improvement of our environmental performance against a set of specific targets. These activities help us to operate more effectively and efficiently, and in a more sustainable manner. Our year-on-year targets are:

// a **2.5 per cent** reduction in energy consumption

// a **2 per cent** reduction in water consumption

// a **2.5 per cent** reduction in paper usage

// a **1 per cent** reduction in waste sent to landfill

Environmental management system (EMS)

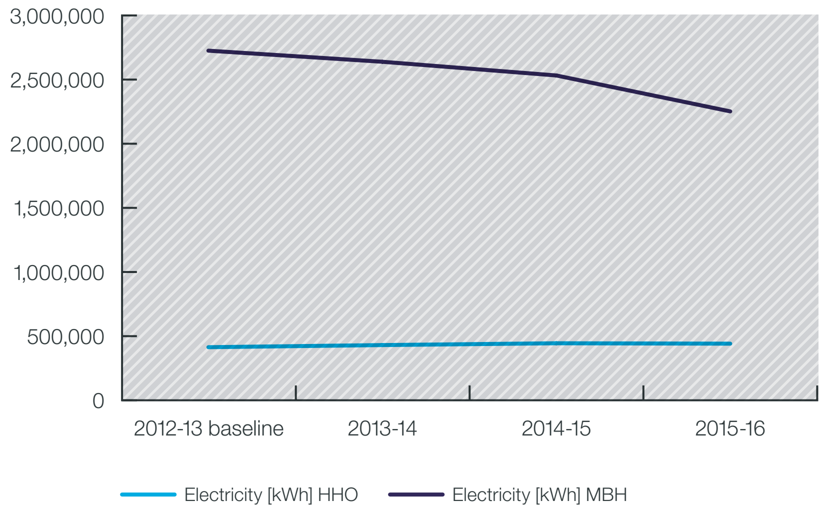
Our environmental management system was implemented in February 2011 and was reviewed during 2015-16. Data from 2012-13 was recalculated with the latest greenhouse gas conversion factors from the Department for Environment Food & Rural Affairs website. Data was also independently checked by energy and sustainability specialists, Cushman & Wakefield, who are assisting us with the development of a new carbon management plan.

Energy performance certificates are held for Meadowbank House (MBH) and Hanover House (HHO). MBH obtained a "D" performance rating prior to refurbishment and the new MBH extension obtained a "B" rating. HHO was assessed in February 2013 and obtained a "B" performance rating. The lease at HHO will expire in April 2017 and prior to this date RoS will move to our new offices at St Vincent Plaza, which has a BREEAM excellent rating.

Performance summary

Electricity consumption decreased by 11.1 per cent at MBH compared to 2014-15 and by 0.7 per cent at HHO. Overall, our total electricity usage has fallen by 9.5 per cent compared to last year and by 14.2 per cent from the baseline year.

The data centre at MBH received several equipment upgrades to accommodate virtualisation. This has contributed to reduced electrical consumption. There is also an on-going process to move some IT services from MBH to a Government data centre, which is more efficient, resilient and secure.



Gas consumption at MBH decreased by 4.0 per cent for 2015-16 compared to the previous year and increased by 40.5 per cent at HHO. The HHO increase was caused by a technical fault which took time to resolve with the landlord. Overall gas consumption increased by 5.7 per cent from the previous year and has decreased by 5.0 per cent from the baseline year.

Water consumption for 2015-16 increased by 19.6 per cent at MBH and decreased 39.8 per cent at HHO year-on-year. Overall water consumption decreased by 2.0 per cent from the previous year and has decreased by 32.0 per cent from the baseline year.

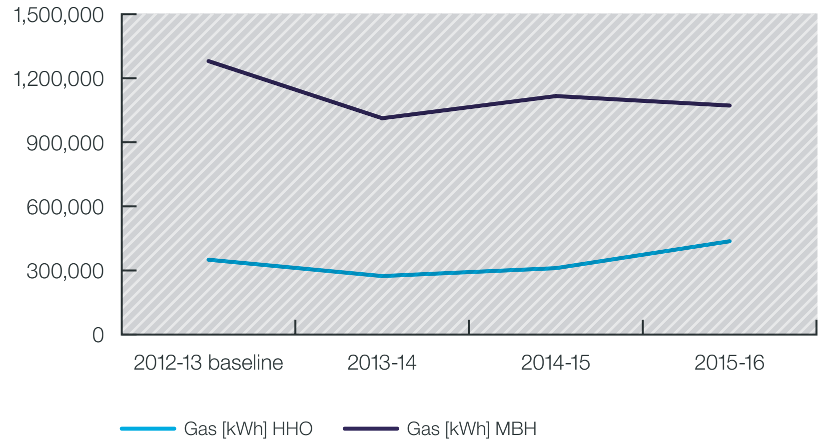
Water consumption increased at MBH due to extensive works being carried out to the water tanks and pumps. This necessitated the emptying of the tanks to complete the works. MBH now uses just one large metered tank. Water consumption decreased at HHO after a previous water-saving initiative was correctly refitted.

Paper usage for 2015-16 decreased by 22.5 per cent compared to 2014-15. Overall paper consumption decreased by 20.4 per cent from the baseline year.

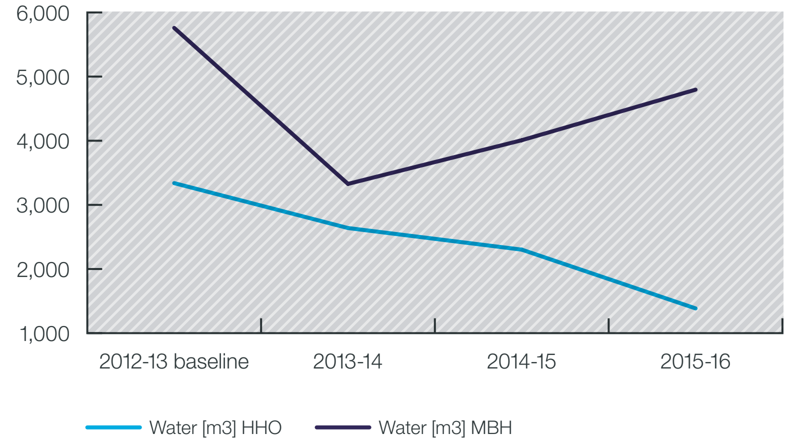
Our paper usage reduction was well above target. Decreases are due to the introduction of new processes and IT systems removing the requirement for physical documents.

All graph data can be found in Appendix 2.

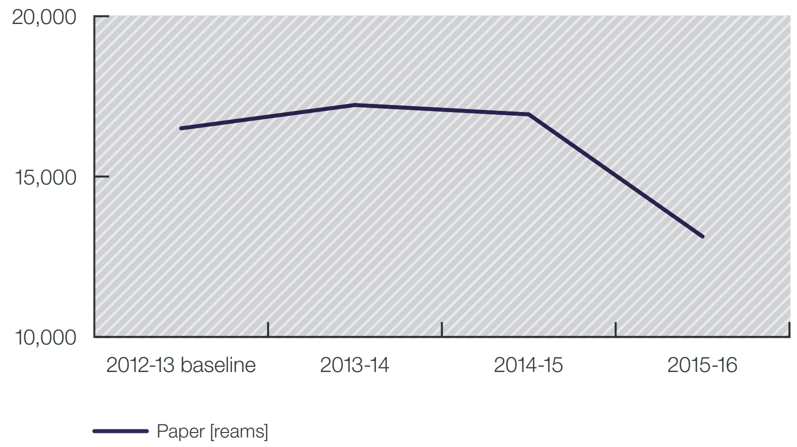
Gas consumption



Water consumption



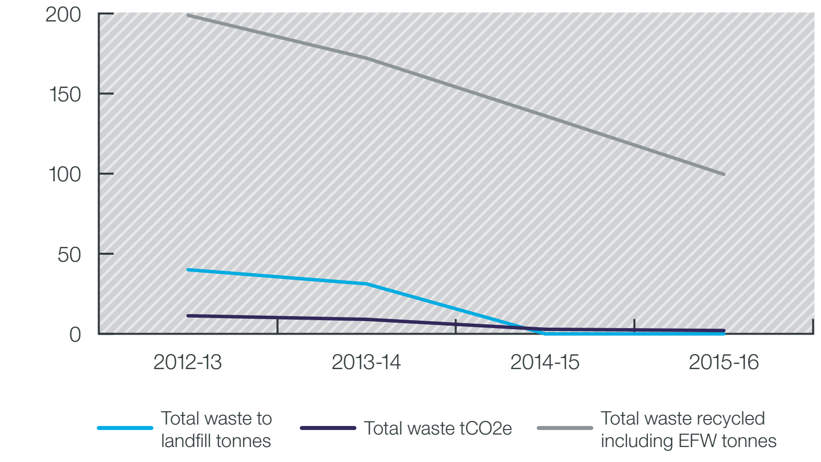
Paper usage



Waste minimisation and management

Our waste contractor provides data on a regular basis on both our recyclable waste and the general waste that previously went to landfill. General waste that cannot be recycled is now used to generate power with only ash residue being left after processing. Our overall tCO2e from waste has decreased by 81.5 per cent from the baseline year.

Non-financial indicators tCO2e



Financial indicators

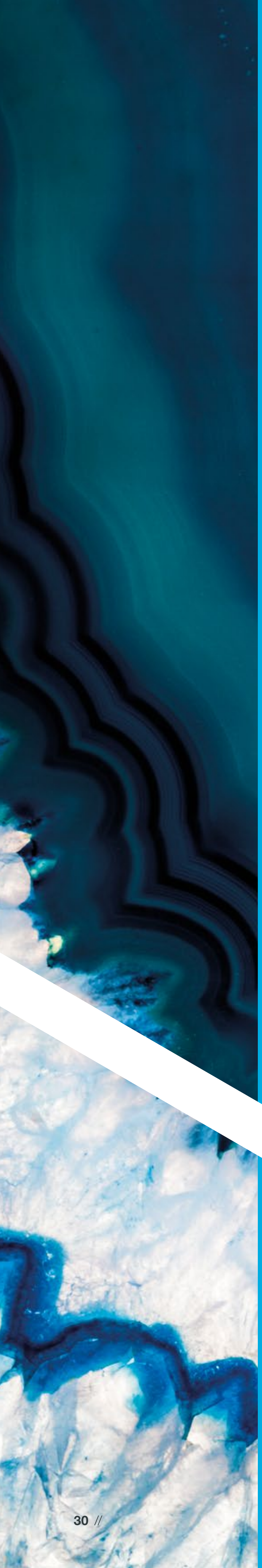
All graph data can be found in Appendix 3.

Business travel

As part of our EMS, targets have been set to reduce business travel at a local level by seeking to reduce travel between RoS offices and other government premises by increasing the use of our telephone and video conferencing facilities. We also have a travel policy highlighting the most environmentally friendly ways to undertake business travel. However, our business travel tCO2e had a small increase of 2.6 per cent from the previous year.

Environmental training and awareness

A number of communication channels were used throughout the year to raise awareness of environmental issues and provide training. Environmental awareness training was provided for all staff using on-line learning facilities. It is our intention that staff will take refresher training in this way every two years. During the year, we took part in a number of environmental campaigns supporting Greener Scotland, Pass it on Week and Earth Hour 2016. We have also published environmental information, guidance and campaign articles in our monthly newsletter.



Our future environmental strategy

We aim to:

- // contribute towards Scottish government's environmental targets
- // operate an EMS to record our progress
- // procure materials and services within a framework that encourages sustainability
- // adopt more energy efficient practices where viable and support more sustainable modes of travel to reduce our contribution to global climate change
- // comply with, and make regular checks of, environmental legislation and other relevant regulations and requirements
- // carry out periodic audits of the EMS to check for non-conformities
- // recognise that waste has an environmental impact and cost and seek to prevent it wherever possible through a reduce, reuse, recycle, recovery and landfill approach to resource management
- // set and regularly review environmental objectives and targets, in line with SMART principles, that address the three main issues of an EMS: pollution control, continuous improvement, and compliance with regulations and legislation
- // improve our processes and practices, where practicable
- // seek to provide the necessary resources and training required for effective delivery of our environmental policy
- // document our activities and openly communicate our progress in implementing and maintaining our environmental performance
- // seek the continuous improvement of both our EMS and our environmental performance
- // review this policy at every significant change and in line with our strategic objectives to ensure it is appropriate to the nature and scale of our operations

Estates strategy

In 2015, we undertook an accommodation review to determine our requirements for the near to medium term. Our key considerations were the quality of accommodation, flexibility for our changing business, location, and value for money. We looked at a wide range of options for our Glasgow office. These included consolidating all our operations in one office in Edinburgh, renewing our lease on all or part of our existing Glasgow office, moving to share part of another public sector building in Glasgow, and moving to one of a range of private sector buildings in Glasgow. Our selected option is to move during 2016 to new offices in Glasgow. This will deliver major benefits including:

- // **support for our business continuity plans by recruiting and retaining key Glasgow-based staff**
- // **a location that offers a single floor layout providing flexible accommodation for the future of the business and easy access to public transport**
- // **halving our current Glasgow space, while retaining the same number of people and more than halving our carbon footprint**
- // **a significant reduction in our accommodation costs, even after taking into account relocation expenses**

As we implement our business transformation, we expect to require significantly less office space in Edinburgh. We'll work with the Scottish government and Scottish Futures Trust to consider the future of Meadowbank House, and whether it would be appropriate for us to share the space with other public bodies, or move elsewhere.

Janet Egdell

Janet Egdell
Accountable officer

26 August 2016

Accountability report

Corporate governance report

Directors' report

Registers of Scotland board

Sheenagh Adams
Keeper
(4/4)

John Fanning
Finance and legal services director
(4/4)

Janet Egdell
Operations director
(4/4)

Shrin Honap
Non-executive director
(2/2)

John King
Business development director
(4/4)

Deepa Mann-Kler
Non-executive director
(2/2)

Billy Harkness
Corporate services director
(4/4)

Jayne Scott
Non-executive director
(3/3)

Kenny Crawford
Commercial services director
(4/4)

Fiona Ross
Non-executive director
(4/4)

Joined throughout the year

Shrin Honap
1 November 2015

Jayne Scott
1 August 2015

Deepa Mann-Kler
1 November 2015

Left throughout the year

Stephen Dingle
31 December 2015

Jas Patyal
31 December 2015

Ben Gray
31 December 2015

John Fanning
31 March 2016

Audit committee

Jayne Scott (4/4)
(Chair from December 2015)
Management consultant and non-executive director

Stephanie Kerr (3/4)
Founder and CEO of Amber Limited and non-executive director for Disclosure Scotland

Andrew Harvey (1/1)
(from December 2015)
Chair of the European Marketing Confederation and non-executive director

Chris Andrew (4/4)
Senior audit manager at the Royal Bank of Scotland

Stephen Dingle (3/3)
(Chair until December 2015)
Retired investment banker and financial advisor

Jeremy Chittleburgh
(3/3) (until December 2015)
Senior partner at Chiene and Tait

Non-executive directors' biographies

Fiona Ross

Fiona is the founding director of EPIC Ireland in Dublin and is also the co-founder and director of MyndServ, a digital healthcare company.

Following over 20 years' experience in financial services, Fiona is now an experienced board member sitting on UK and Irish boards, including the Driver and Vehicle Standards Agency, JK Funds and National Library of Ireland Trust. Fiona holds a governance fellowship from George Washington University in Washington DC and is listed in Cranfield University's 100 Women to Watch list 2014.

Deepa Mann-Kler

Deepa is a non-executive director of the South Eastern Health & Social Care Trust in Northern Ireland; an independent assessor with the Commissioner of Public Appointment in Northern Ireland and chair of the Crescent Arts Centre in Belfast. Her areas of expertise include corporate governance, risk management, communications, stakeholder engagement, research skills, strategic planning, ethics, equality and anti-discrimination. As a visual artist, Deepa Mann-Kler works in neon and light installations, painting, drawing and photography.

Shrin Honap

Shrin is a chartered accountant by profession and has held a number of senior roles at Vodafone and Capita focusing on transformation, programme management, credit risk, billing and governance.

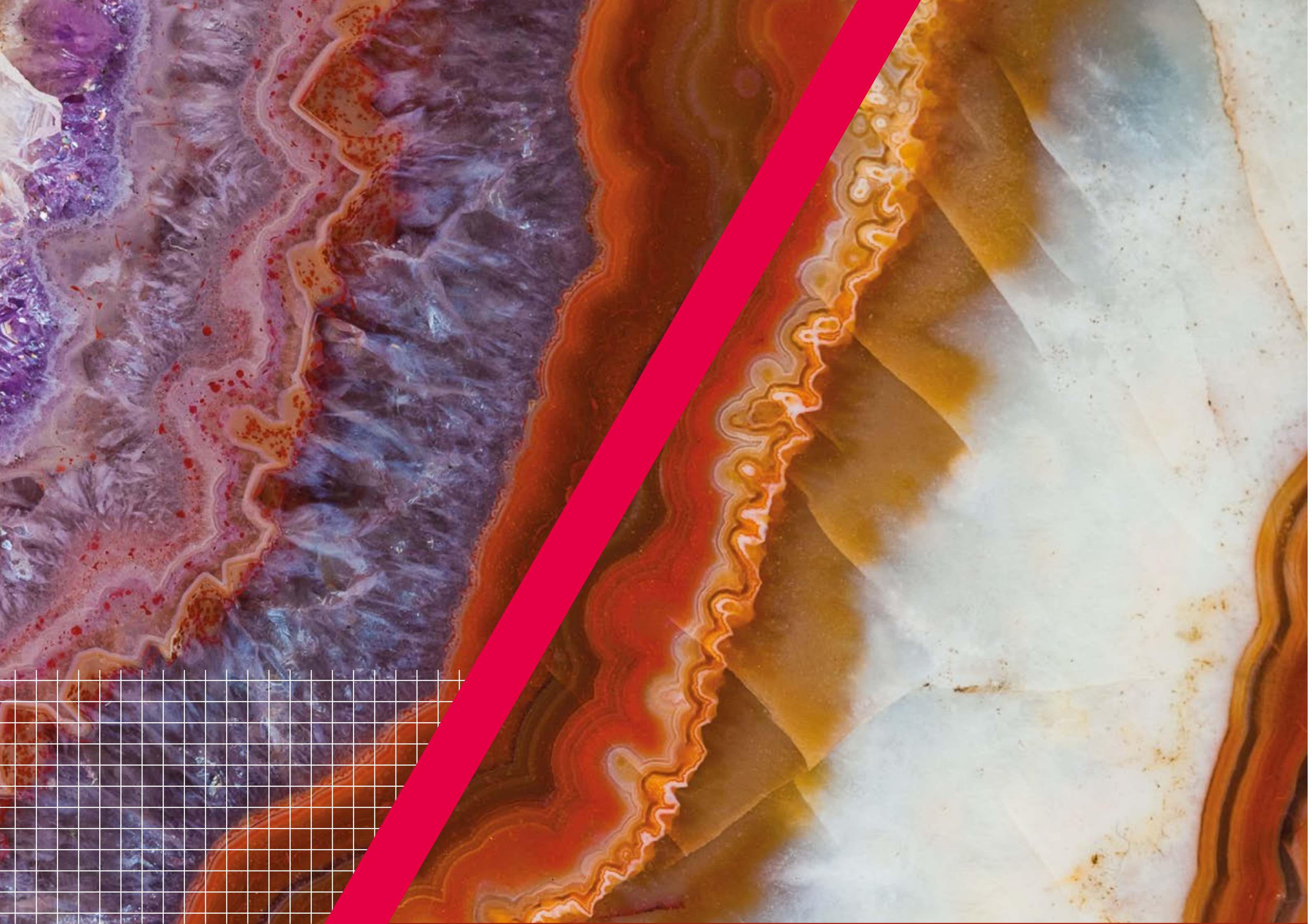
Shrin has also served previously as a non-executive director within the National Health Service, and currently serves as the chair of the audit committee with the Driver and Vehicle Standards Agency.

Jayne Scott

Jayne has run her own management consultancy firm, the Scott Ross Partnership for the last 15 years. She has worked on a range of consultancy assignments, primarily within the healthcare sector, undertaking roles in financial recovery, project management and interim management roles.

Jayne's background is in finance and she has held a number of roles across varied public sector organisations. She was awarded Scottish Finance Director of the Year in 1994 for her contribution as director of finance and performance management at Fife Health Board.

Jayne has an extensive non-executive director portfolio including being a board member at Marine Management Organisation and the Professional Standards Authority. She is also an Inquiry Panel member with Competition and Markets Authority.



Data related incidents reported to the Information Commissioner’s Office (ICO)

We have a dedicated security and information assurance team and a data protection officer, who support the accountable officer in her role as senior information risk owner. They manage any incidents involving personal data. Notification to the ICO is assessed as part of the incident management process, and in line with the Information Commissioner’s guidance on personal data breach management and reporting. During the year 2015-16, there were no incidents involving personal data reported to the ICO.

Statement of the keeper’s and accountable officer’s responsibilities

Under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000, the Scottish ministers have directed RoS to prepare a statement of accounts for each financial year in the form and on the basis set out in the accounts direction at Appendix 1 to these financial statements.

The accounts are prepared on an accruals basis and must give a true and fair view of Registers of Scotland’s state of affairs at the year-end, and of its income, expenditure and cash flows for the financial year.

In preparing the accounts, RoS is required to:

- // **observe the accounts direction issued by the Scottish ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis**
- // **make judgments and estimates on a reasonable basis**
- // **state whether applicable accounting standards as set out in the government financial reporting manual (FReM) have been followed, and disclose and explain any material departures in the financial statements**
- // **prepare the financial statements on the going-concern basis, unless it is inappropriate to presume that RoS will continue in operation**

Section 70 of the Scotland Act 1998 requires Scottish legislation to provide for members of staff of the Scottish administration to be designated as answerable to the Scottish parliament in respect of expenditure and receipts. Such members of staff are called accountable officers. The Keeper of the Registers of Scotland is a statutory office-holder and not part of the staff of the Scottish administration. This means that the keeper cannot be designated as accountable officer. Janet Egdell, operations director, has been appointed by the permanent secretary to the Scottish government as accountable officer.

Section 15 of the Public Finance and Accountability (Scotland) Act 2000 sets out particular duties that may be assigned to the accountable officer. These are:

- // **signing the accounts**
- // **ensuring the propriety and regularity of the finances of the office-holder**
- // **ensuring that the resources of the office-holder are used economically, efficiently and effectively**

The accountable officer is required to:

- // **confirm that, as far as she is aware, there is no relevant audit information of which the entity's auditors are unaware, and she has taken all the steps she ought to have taken to make herself aware of any relevant audit information and to establish that the entity's auditors are aware of that information**
- // **confirm that the annual report and accounts as a whole is fair, balanced and understandable and that she takes personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable**

More detail on the responsibilities of accountable officers are set out in the memorandum to accountable officers.

The keeper is responsible for the statutory functions placed upon her in relation to the operation of the various public registers for which she is responsible. In addition, the keeper is statutorily responsible for:

- // **achieving such financial objectives as may be determined by the Scottish ministers from time to time**
- // **the preparation for each financial year of accounts of expenditure incurred in the fulfilment of the keeper's functions and income received**
- // **arranging for an audit of the annual accounts by auditors appointed by the Auditor General in the appropriate time period**
- // **by agreement with Scottish ministers, arranging for publication of the accounts after these have been laid before parliament**

Governance statement

This governance statement outlines and evaluates the governance, risk management and internal control arrangements in place during the year. In summary, I am satisfied that, overall, RoS is operating in accordance with Scottish government and HM Treasury guidance as regards internal controls and risk management, and that the governance structure used within the organisation contributes substantially to the achievement of our overall objectives.

Scope of responsibility

As accountable officer for RoS, I am personally answerable to the Scottish parliament for the propriety and regularity of RoS' finances and for the economical, efficient and effective use of the resources placed at its disposal.

My duties and those of the keeper/chief executive officer are set out in the statement of responsibilities on page 37.

RoS is a non-ministerial department within the Scottish administration and operates as a trading fund. Information about the tasks and duties that RoS performs are set out in the 'statement of purpose and activities' section on page 08.

Our framework document sets out the role and responsibilities of the Keeper of the Registers of Scotland and Scottish ministers, as well as the respective roles and responsibilities of other key stakeholders. The framework document is reviewed at least every three years and the most recent review was carried out in 2014-15.

Governance framework

The governance framework comprises the range of systems, processes, culture and values used to direct RoS. It is designed to give assurance that the organisation carries out its duties and responsibilities using the highest standards of effective internal control and risk management.

RoS complies with the requirements and best practice principles of the Scottish Public Finance Manual (SPFM).

I am provided with assurance in my role as accountable officer by the RoS board, the executive management team, and the audit committee. A system of internal controls and active risk management is in place, along with a programme of internal audit reviews. These are described in more detail below.

Internal controls assessment

The system of internal control is designed to manage risk, rather than to eliminate all risks that the organisation might encounter. The system is subject to continuous review and it is modified as necessary to reflect changes in corporate aims and objectives and/or the assessment of risk as it applies to the organisation.

In my role as accountable officer, I am assisted by members of RoS' staff, including the executive directors. I secure considerable assurance from the controls they apply in the day-to-day execution of their duties.

Towards the end of each financial year, I also ask those executive directors to certify formally that the controls in their areas have operated properly and effectively for the entire period under review. Where appropriate, the executive directors will seek similar written assurance from their direct reports.

I can confirm that I have received appropriate certificates covering the period 1 April 2015 to 31 March 2016 from all executive directors and that, insofar as any matters were identified by them, they are reflected in this governance report.

The RoS board

The RoS board acts in an advisory capacity to the keeper. Its main responsibilities include, but are not confined to:

- // **supporting and communicating RoS' vision and values**
- // **helping set the strategy and objectives for RoS**
- // **ensuring that the necessary financial and human resources are in place to deliver the strategy and objectives**
- // **creating a framework of prudent and effective controls that enable risk to be assessed and managed**
- // **monitoring RoS' performance**

The board consists of five executive and four non-executive directors. Board membership is set out on page 33.

The non-executive directors provide an external and independent perspective on RoS' work.

The board delegates certain tasks to the executive management team and the audit committee.

The audit committee

The audit committee is chaired by non-executive director, Jayne Scott. It has three independent members, as well as the chair. Details of the membership of the committee during 2015-16 can be found on page 34 of this report. The chair and one of the other members have recent, relevant financial experience in line with the HM Treasury code of good practice on corporate governance.

The committee met four times in 2015-16. The meetings were also attended by me (in my roles as operations director and accountable officer), as well as by the finance director, the internal and external auditors, and other staff as necessary. The meetings were minuted.

The audit committee provides independent and informed support to me by overseeing and monitoring the corporate governance, risk, value for money and control systems in RoS. The audit committee reviews:

- // **the strategic processes for risk, control and governance and the associated disclosures in the annual report and accounts**
- // **procedures for whistleblowing and the prevention and detection of fraud**
- // **the accounting policies and the accounts of the organisation, including the process for review of the accounts prior to submission for audit, levels of errors identified, major judgemental areas and management's letter of representation to the external auditors**
- // **the planned activity, results and effectiveness of both internal and external audit**
- // **the adequacy of management response to issues identified by audit activity or by parliamentary committees where they affect the organisation's overall performance**
- // **assurances relating to the corporate governance requirements for the organisation**
- // **proposals for tendering for internal audit services or for purchase of non-audit services from contractors**

Each year, the audit committee reviews its own effectiveness, and the chair of the committee reports the results along with a summary of the committee's activities to the board.

After appropriate consultation with me and other executive directors, the audit committee commissions an annual programme of work from RoS' internal auditors. The programme is risk-based and, as well as seeking to assess the proper operation of the system of internal control, focuses on what might prevent the successful achievement of corporate objectives. The audit committee reviews the reports from that programme and monitors actions from audit recommendations to ensure their completion.

The audit committee has considered the annual report and accounts and I have taken account of, and confidence from, their comments and observations prior to signing this governance statement and other parts of the annual report and accounts.

The executive management team (EMT)

The EMT oversees the operational and financial management of RoS on a day-to-day basis. The EMT is chaired by me in my role as operations director and accountable officer. The keeper and all executive directors are members, as are the heads of operations, land register completion, and digital.

The EMT may appoint sub-committees as necessary to enable it to fulfil its responsibilities. There are currently five sub-committees.

Risk management

RoS manages risk as an integral part of our system of internal control using risk management principles set out in the SPFM. We have local risk registers in each directorate for each major project, and we monitor general business risks. A process exists to allow the collation of these risks and their escalation through our corporate governance structure to the board as required.

The board and audit committee hold an annual workshop where risks to our overarching corporate outcomes are considered in detail. This workshop includes a consideration of risk appetite with the results informing the overall approach to strategic risk for the forthcoming year.

Our key risk register operates as a live register and is reviewed each month by EMT, and at each audit committee and board meeting. The risk register currently identifies risks which may affect, for example, our operations, our disaster recovery capability and the completion of our business transformation. During 2015-16 we have successfully managed risks to both progress land register completion and transform our business. This has included devoting resources to stakeholder engagement, providing appropriate products and services for LRC, and ensuring that our staff has the appropriate skills to support our business' transformation. The risk register also identifies potential mitigations and countermeasures to identified risks.

As information is our core business, RoS recognises the particular importance of information risk management and information assurance and this year we completed a comprehensive information governance (IG) review.

We've updated our IG strategy and policy framework to align with our Public Records (Scotland) Act improvement plan. The information assurance group (IAG), a sub-committee of the EMT, oversees this area and outputs from IAG are reported to me as senior information risk owner.

During 2015-16, five potential information security breaches were identified and reported through our information assurance and risk management structure; none resulted in actual breaches. I am content that RoS' Information security protocols were managed effectively, with corrective actions implemented timeously.

Internal audit

The work of our internal audit provider is an important source of assurance to me in my role as accountable officer. We outsource the provision of internal audit services and PricewaterhouseCoopers (PwC) will deliver these services until March 2018. During 2015-16, PwC delivered a programme of audit studies plus additional items, either requested by the audit committee or approved by the committee at the request of senior management.

A separate report was provided for each internal audit study. Each report includes detailed findings, recommendations for improvement, and agreed management responses. A total of eight internal audit reviews were completed in 2015-16 and reported to the audit committee. These included reports on major projects, digital transformation and organisational development.

Overall the head of internal audit's opinion was that the adequacy and effectiveness of governance, risk management and control was generally satisfactory with some improvements required. This was based on the fact that whilst there were medium risk rated weaknesses identified in individual assignments these are not significant in aggregate to the system of internal control and the one high risk rated weakness identified is isolated to a specific system and was immediately rectified. None of the individual assignment reports have an overall classification of critical risk.

PwC works to the Public Sector Internal Audit Standards, as well as to their own internal technical and client service standards.

Review of effectiveness

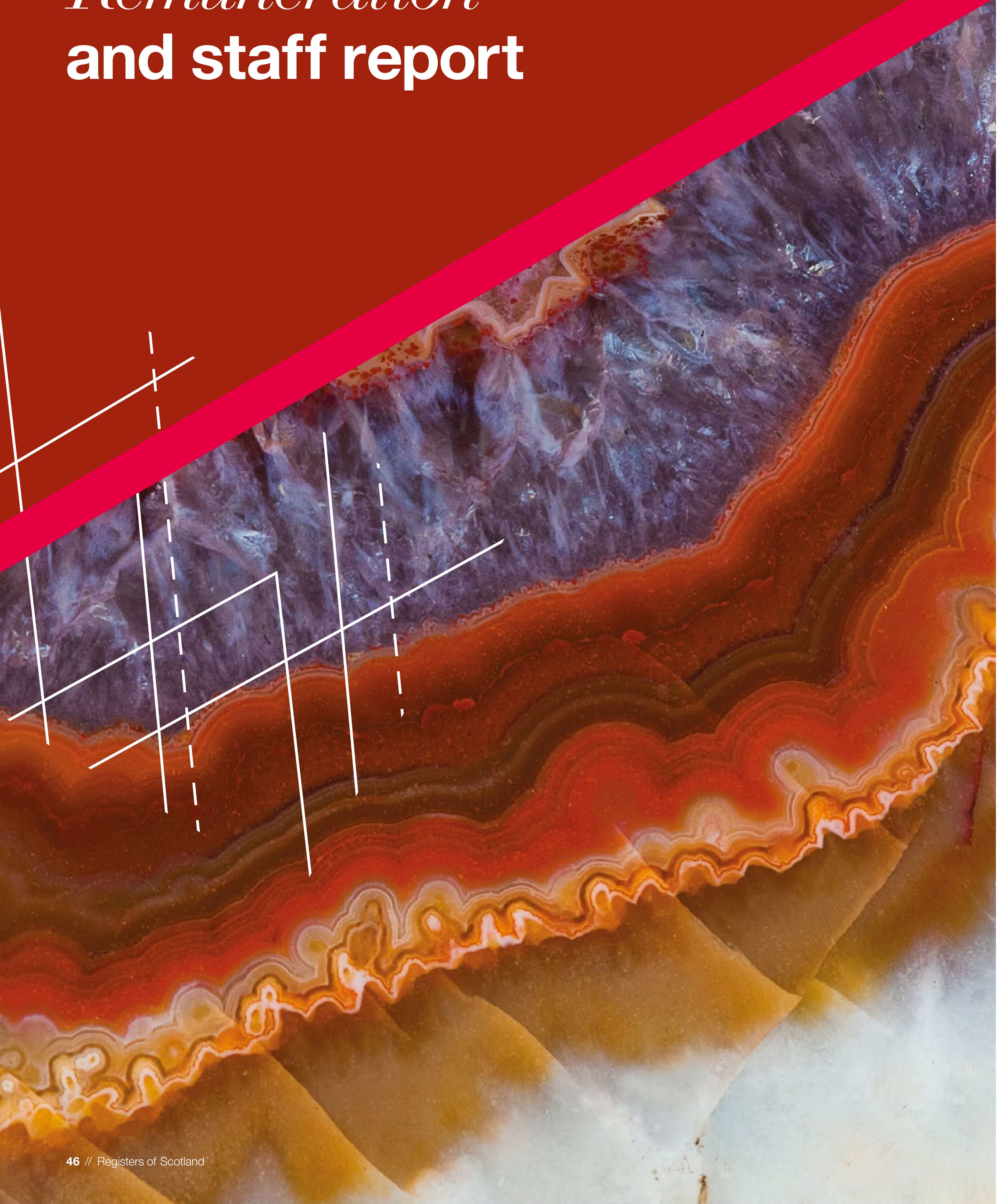
As accountable officer, I have responsibility for reviewing the ongoing effectiveness of the system of internal control. My review has been informed by the outputs from:

- **the executive managers within RoS (both in an individual capacity and as a collective group operating through the mechanism of the EMT)**
- **the board**
- **the audit committee**
- **the work of our internal audit function**
- **comments made by our external auditors (Audit Scotland) in the form of their interim and final reports**
- **other reviews and studies that are undertaken by third parties from time to time**

Based on the above and my own knowledge of the organisation, I am satisfied that, during the year under review, the overall control environment within RoS operated effectively and supported the organisation in meeting its aims and objectives.

There are no significant matters arising from my review.

Remuneration and staff report



Appointments and remuneration policy

Civil service appointments are made in accordance with the Civil Service Commission's recruitment principles. These require appointments to be made on merit on the basis of fair and open competition, but also include the circumstances when appointments may otherwise be made.

The executive directors of the RoS board hold appointments that are open-ended. The rules for termination are set out in the civil service management code. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the civil service compensation scheme. RoS, like other parts of the Scottish government and the rest of the UK civil service, has a policy of no mandatory retirement age for its senior civil servants and other staff, in line with the implementation of the Equality Act 2010. For pension details, see page 50.

Remuneration policy

The remuneration of substantive senior civil servants employed by RoS (i.e. the keeper and the operations director) is determined by the Scottish government and set in accordance with the civil service management code (available at civilservice.gov.uk) and with independent advice from the Senior Salaries Review Body (SSRB). Both the keeper and the operations director are members of the Principal Civil Service Pension Scheme (see note 1.11).

Within the Scottish government, the Top Level Pay Committee, comprising the permanent secretary, the directors general and the non-executive members of the strategic board, ensures that the pay and performance management system (PPMS) policy falls within the parameters set by the SSRB and Cabinet Office. The pay strategy is administered by a system of pay committees, which determine salary and any non-consolidated performance-related pay recommendations based on assessments of performance.

The remuneration of the other executive members of the RoS board is governed by the overall pay policy for RoS staff. It has to be agreed with the Scottish government within the guidelines set by Scottish ministers.

Non-executive directors receive fees for attendance at regular RoS board meetings. Fees are based on a daily rate at a level set out in Scottish government guidance. Non-executive directors' expenses incurred as a result of undertaking RoS business are also reimbursed.

Salary

The following sections provide details of the remuneration and pension interests of board members. The table below and supporting information is subject to audit.

Single total figure of remuneration

Board members	Salary £'000		Pension Benefits £'000		Total £'000	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Sheenagh Adams Keeper and chief executive	75-80	75-80	25	16	100-105	90-95
Janet Egdell Operations director and accountable officer (from 18 August 2014)	65-70	40-45 (65-70 full-year equivalent)	34	0	100-105	40-45 (65-70 full-year equivalent)
John King Business development director	75-80	75-80	39	43	115-120	115-120
Kenny Crawford Commercial services director	70-75	65-70	42	34	110-115	100-105
John Fanning Finance director (to 31 March 2016)	70-75	70-75	28	26	95-100	95-100
Billy Harkness Corporate services director	70-75	70-75	21	14	90-95	80-85
Fiona Ross Non-executive director	10-15	0-5	–	–	10-15	0-5
Jayne Scott Non-executive director	0-5	–	–	–	0-5	–
Shrin Honap Non-executive director	0-5	–	–	–	0-5	–
Deepa Mann-Kler Non-executive director	0-5	–	–	–	0-5	–
Stephen Dingle Non-executive director (to 31 December 2015)	0-5	5-10	–	–	0-5	5-10
Ben Gray Non-executive director (to 31 December 2015)	0-5	0-5	–	–	0-5	0-5
Jas Patyal Non-executive director (to 31 December 2015)	0-5	0-5	–	–	0-5	0-5

	2015-16	2014-15
Band of highest paid director's total remuneration £'000	75-80	75-80
Median total remuneration £	26,901	26,635
Ratio	2.9	2.9

The non-executive posts are non-pensionable.

None of the above received any benefits in kind or bonus payments during the two years.

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.

The banded remuneration of the highest-paid director in RoS in the financial year 2015-16 was £75,000-£80,000 (2014-15: £75,000-£80,000). This was 2.9 times (2014-15: 2.9) the median remuneration of the workforce, which was £26,901 (2014-15: £26,635).

In 2015-16, no (2014-15: no) member of staff received remuneration in excess of the highest-paid director. Remuneration ranged from £2,000 to £77,000 (2014-15: £2,000 to £77,000). Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

John Fanning left under voluntary exit terms on 31 March 2016. He received a compensation payment of £37,660.

The non-executive directors are not employees of the organisation, nor do they benefit from pension arrangements.

Pension benefits

The table below and supporting information is subject to audit.

	Accrued pension at pension age as at 31/3/16 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/16	CETV at 31/3/15	Real increase in CETV (see page 53)	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Sheenagh Adams Keeper and chief executive	35-40 plus lump sum of 105-110	0-2.5 plus lump sum of 2.5-5	815	735	24	–
Janet Egdell Operations director	25-30	0-2.5	453	397	18	–
John King Business development director	25-30 plus lump sum of 85-90	0-2.5 plus lump sum of 5-10	559	482	33	–
Kenny Crawford Commercial services director	25-30 plus lump sum of 85-90	0-2.5 plus lump sum of 5-10	566	487	35	–
John Fanning Finance director (to 31 March 2016)	0-5	0-2.5	74	50	14	–
Billy Harkness Corporate services director	25-30 plus lump sum of 85-90	0-2.5 plus lump sum of 2.5-5	570	507	17	–

Civil service pensions

Pension benefits are provided through the civil service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension age (or 65 if higher).

From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

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, nuvos and alpha are increased annually in line with Pensions Increase legislation.

Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022.

All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) 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 3 per cent and 8.05 per cent of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6 per cent and 8.05 per cent for members of premium, classic plus, nuvos and all other members of alpha.

Benefits in classic accrue at the rate of one-eightieth 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 one-sixtieth 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 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 uprated in line with Pensions Increase legislation.

Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32 per cent. 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.

For 2015-16, RoS contributions of £5,508,827 were payable to the Principal Civil Service Pension Scheme (PCSPS) (2014-15: £4,510,131) at one of four rates in the range 20.0 per cent to 24.5 per cent of pensionable pay (2014-15: 16.7 per cent to 24.3 per cent), based on salary bands.

The scheme actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2015-16 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

The partnership pension account is a stakeholder pension arrangement. RoS makes a basic contribution of between 3.0 per cent and 12.5 per cent up to 30 September 2015 and 8 per cent and 14.75 per cent from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers.

For 2015-16, this contribution was £23,506 (2014-15: £10,724). The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3.0 per cent of pensionable salary (in addition to the employer's basic contribution).

RoS also contributes a further 0.8 per cent of pensionable salary up to 30 September 2015 and 0.5 per cent of pensionable salary from 1 October 2015, which amounted to £69 in 2015-16 (2014-15: £52) to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

Contributions due to the partnership pension providers at the balance sheet date were £2,706. Contributions prepaid at that date were nil.

The accrued pension quoted is the pension members are entitled to receive when they reach pension age, or immediately on ceasing to be active members 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, and the higher of 65 or State Pension Age for members of alpha.

Further details about the civil service pension arrangements can be found at **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 figures include the value of any pension benefit in another scheme or arrangement which the member 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 benefits 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.

Staff report

Staff numbers by permanent and other, breakdown by gender

During 2015-16, the average number of full-time equivalent (FTE) staff employed was 1,056 (2014-15: 975).

The increase was driven by the resource requirements of business transformation and the increased volumes of work. Agency staff increased to 89 FTE (2014-15: 65) and were primarily to meet the IT aspects of transformation. There has been an increase in the administrative officer resource arising out of the changes from the Land Registration etc. (Scotland) Act 2012. This recruitment has been on a fixed term basis until greater certainty exists around the long term requirements. Fixed term contracts have increased to 141 FTE (2014-15: 5).

In relation to our diversity profile, 48 per cent of staff are female (2014-15: 48 per cent); 1.9 per cent have declared themselves as being from ethnic minority backgrounds (2014-15: 2.2 per cent); and 7.4 per cent declared themselves as being disabled (2014-15: 7.7 per cent). We have two senior civil service staff, both of whom are female.

Sickness absence

	Total days lost	Short term days lost	Long term days lost	Annual average working days lost per 1.00 FTE	2014-15 end of year annual average working days lost per 1.00
Total	6,974	4,123	2,851	6.47	8.27

Policies in relation to disabled persons

The following RoS policies have guidance related to disability:

// diversity and equal opportunities

// dignity at work

// maximising attendance

All other policies are equality impact assessed and will continue to be assessed as part of a review of all HR policies beginning in 16/17.

Our staff handbook also has guidance surrounding flexible working hours, diversity and equality and reserved car parking.

Expenditure on consultancy and off-payroll arrangements

RoS spent £258,000 on consultancy in 2015-16. There were no off-payroll arrangements.

Reporting of civil service and other compensation schemes – exit packages

During 2014-15, RoS offered a targeted voluntary exit scheme. A provision was set up for 32 people who planned to leave under the scheme but had not signed by 31 March 2015. 29 of the people provided for left and also a further 6 people left during 2015-16. The provision for these costs is shown at note 13.

The table below and supporting information is subject to audit.

	Total number of exit packages by cost band	
Exit package cost band	2015-16	2014-15
<£10,000	1	0
£10,000 - £25,000	5	1
£25,000 - £50,000	7	8
£50,000 - £100,000	17	14
£100,000 - £150,000	5	2
£150,000 - £200,000	0	1
Total number of exit packages	35	26
Total resource cost	£2.199M	£1.653M

There were no compulsory redundancies during the year.

Redundancy and other exit costs have been paid in accordance with the provisions of the civil service compensation scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of the exit package being agreed. Where the department has agreed early retirements, the additional costs are met by the department 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.

Parliamentary accountability and audit report

Fees and charges

RoS income of £69.8 million for 2015-16 was split £62.0 million from statutory fees and £7.8 million non-statutory fees. Further information on these are in note 2.1. As set out in note 1.3 RoS fee policy involves some loss-making complex transactions. These losses were £9.8 million for 2015-16 and are detailed in note 17.

As at 31 March 2016, RoS has contingent liabilities in relation to potential future indemnity payments that are not yet quantifiable. Quantifiable indemnities are noted at 13.3.

Regularity of expenditure

RoS has always been committed to paying invoices promptly. In line with Scottish government policy, we aim to pay suppliers within ten working days. We achieved a performance of 92 per cent (2014-15: 89 per cent), with 4.9 days (2014-15: 4.9 days) being the average time taken to pay creditors. A system is in place for dealing quickly with all complaints and disputes and to advise suppliers without delay when invoices, or part invoices, are contested.

Janet Egdell
Accountable officer

26 August 2016

Independent auditor's report

Independent auditor's report to Registers of Scotland, the Auditor General for Scotland and the Scottish Parliament

I have audited the financial statements of Registers of Scotland for the year ended 31 March 2016 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Comprehensive Income, Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2015/16 Government Financial Reporting Manual (the 2015/16 FReM). This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of Accountable Officer and auditor

As explained more fully in the Statement of the Keeper's and Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

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 the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, I read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements, irregularities, or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- // give a true and fair view in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2016 and of its retained surplus for the year then ended;
- // have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2015/16 FReM; and
- // have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Opinion on regularity

In my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Opinion on other prescribed matters

In my opinion:

// the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and

// the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

// adequate accounting records have not been kept; or

// the financial statements and the part of the Remuneration and Staff Report to be audited are not in agreement with the accounting records; or

// I have not received all the information and explanations I require for my audit; or

// the Governance Statement does not comply with guidance from the Scottish Ministers.

I have nothing to report in respect of these matters.

Mark Taylor CPFA

Audit Scotland
102 West Port
Edinburgh
EH3 9DN

29 August 2016

Financial statements

Statement of comprehensive income
for the year ended 31 March 2016

	Notes	**2016 £'000**	2015 £'000
Income – continuing operations	2	69,819	66,346
Staff costs	3	(41,149)	(35,232)
Administrative costs	4	(18,420)	(17,497)
Operating surplus		**10,250**	**13,617**
Profit/(loss) on disposal of non-current assets		0	0
Investment income – interest receivable	7	387	319
Interest payable	14	(185)	(194)
Amortisation and depreciation	5/6	(2,792)	(2,133)
Impairment of non-current assets	5	0	(38)
Restructuring costs	3	(113)	(4,037)
Retained surplus for the financial year		**7,547**	**7,534**
Gain/(loss) on revaluation of property, plant and equipment	5	114	68
Comprehensive surplus for the financial year		**7,661**	**7,602**

The notes on pages 66 to 83 form part of these accounts.

Statement of financial position
as at 31 March 2016

	Notes	**2016 £'000**	2015 £'000
Non-current assets			
Property, plant and equipment	5	10,792	10,050
Intangible assets	6	2,435	1,951
Receivables due after one year	10	45	33
Total non-current assets		**13,272**	**12,034**
Current assets			
Inventories	9	948	701
Trade and other receivables	10	3,353	2,799
Cash and cash equivalents	11	95,037	86,551
Total current assets		**99,338**	**90,051**
Total assets		**112,610**	**102,085**
Current liabilities			
Trade and other payables falling due within one year	12	17,941	13,561
Provisions for liabilities and charges	13	3,213	2,324
Total current liabilities		**21,154**	**15,885**
Non-current liabilities			
Trade and other payables falling due over one year	12	107	69
Provisions for liabilities and charges	13	838	3,175
Total non-current liabilities		**945**	**3,244**
Total liabilities		**22,099**	**19,129**
Net assets		**90,511**	**82,956**
Taxpayers' equity	14		
Capital Loan		2,072	2,178
Retained Profits		87,100	79,553
Revaluation Reserve		1,339	1,225
Total taxpayers equity		**90,511**	**82,956**

The notes on pages 66 to 83 form part of these accounts.

Janet Egdell

Janet Egdell
Accountable officer

26 August 2016

Statement of cash flows

for the year ended 31 March 2016

	Notes	2016 £'000	2015 £'000
Cash flows from operating activities			
Retained surplus for the financial year		7,547	7,534
Adjustments for non-cash transactions			
amortisation and depreciation	5/6	2,792	2,133
impairment of non-current assets	5/6	0	38
interest receivable		(387)	(319)
interest payable		185	194
Movements in working capital			
(Increase)/decrease in trade and other receivables	10	(513)	(79)
Increase/(decrease) in trade and other payables	12	4,422	(862)
(Increase)/decrease in inventories	9	(247)	594
Movements in provisions	13	(1,448)	2,962
Net cash flow from operating activities		**12,351**	**12,195**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(2,421)	(354)
Purchase of intangible assets	6	(1,483)	(1,548)
Proceeds from disposal of property, plant and equipment		0	0
Interest receivable	7	387	319
Interest receivable accrual adjustment		(53)	(7)
Interest payable	14	(185)	(189)
Interest payable repayment adjustment		(4)	(9)
Net cash flow from investing activities		**(3,759)**	**(1,788)**
Cash flows from financing activities			
Repayment of loans from NLF	14	(106)	(106)
Net cash flow from financing		**(106)**	**(106)**
Net increase in cash and cash equivalents		**8,486**	**10,301**
Cash and cash equivalents at beginning of period	11	86,551	76,250
Cash and cash equivalents at end of period	11	95,037	86,551

The notes on pages 66 to 83 form part of these accounts.

Statement of changes in taxpayers' equity

	Capital loan £'000	Retained profits £'000	Revaluation reserve £'000	Total reserves £'000
Balance at 31 March 2014	**2,284**	**72,019**	**1,157**	**75,460**
Repaid during year	(106)			(106)
Net gain/(loss) on revaluation of property			68	68
Net operating profit for the year		7,534		7,534
Balance at 31 March 2015	**2,178**	**79,553**	**1,225**	**82,956**
Repaid during year	(106)			(106)
Net gain/(loss) on revaluation of property			114	114
Net operating profit for the year		7,547		7,547
Balance at 31 March 2016	**2,072**	**87,100**	**1,339**	**90,511**

The notes on pages 66 to 83 form part of these accounts.

Notes to the **accounts**

1. Accounting policies

1.1 Statement of accounting policies

In accordance with the accounts direction issued by Scottish ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 (reproduced at page 85), these accounts have been prepared in compliance with the principles and disclosure requirements of the government financial reporting manual, which follows generally accepted accounting practice as defined in international financial reporting standards (IFRS) as adopted by the European Union, International Financial Reporting Interpretation Committee (IFRIC) Interpretations and the Companies Act 2006 to the extent that it is meaningful and appropriate in the public sector context. The particular accounting policies adopted by RoS are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

The accounts are prepared using accounting policies and, where necessary, estimation techniques, which are selected as the most appropriate for the purpose of giving a true and fair view in accordance with the principles, set out in International Accounting Standard (IAS) 8: *Accounting Policies, Changes in Accounting Estimates and Errors*.

The accounts are prepared on a going-concern basis.

1.2 Accounting convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment, intangible assets and, where material, current asset investments and inventories to fair value as determined by the relevant accounting standard.

1.3 Operating income, fees and charges

Operating income, which excludes value added tax (VAT), represents the invoiced value of services supplied, and is derived almost wholly from within the United Kingdom. RoS operates a system of prepayment of registration fees, which are initially held as a creditor in the statement of financial position. Revenue is only recognised once work is complete and despatched.

From 8 December 2014, fees are set in accordance with sections 110(1), (2) and (3) of the Land Registration etc. (Scotland) Act 2012, which consider the expenses incurred by the keeper in relation to the matters specified in section 110(3)(a) and (b) of that Act and the desirability of encouraging registering, recording and entering in any register under the management and control of the keeper.

The income derived from services outwith the above are set in accordance with section 108(3) of the Land Registration etc. (Scotland) Act 2012.

Prior to 8 December 2014, fees and charges were set in accordance with section 25 of the Land Registers (Scotland) Act 1868.

Operating as a trading fund, RoS is expected to ensure that income is sufficient to meet expenditure, taking one year with another. Analysis of the income from the main fees charged appears in note 2.1.

The fee policy considers income from all transactions, within which some complex transactions may incur a loss. Registrations involving the initial and more complex transactions in the land register cost more to undertake than the fee charged. The shortfall in fee income on these transactions is offset by surpluses on other registrations. The losses relating to these transactions are shown in note 17.

Full details of all fees and charges are available on the RoS website at ros.gov.uk.

1.4 Value added tax

The majority of services provided by RoS fall outside the scope of value added tax. VAT on expenditure on contracted-out services can be recovered in full by RoS. For other expenditure, only part of the input VAT may be recovered and the irrecoverable element is either charged to the income statement, or capitalised as part of the cost of acquisition of fixed assets, as appropriate.

1.5 Property, plant and equipment

Recognition

All property, plant and equipment assets are accounted for as non-current assets unless they are deemed to be held-for-sale.

Capitalisation

Minor new works and furniture are written off in the year of purchase, as are all other items of a capital nature costing less than £5,000.

Valuation

Freehold land and buildings have been stated at fair value using open market value and are professionally valued every three years. In the intervening years, the retail price index is applied to provide a desktop valuation. A professional valuation was obtained at 30 September 2013, following completion of the extension and refurbishment of Meadowbank House. The valuation was by Howard Ounsley BSc (Hons) MRICS AIWS for and on behalf of DTZ.

Plant and equipment assets that have short useful lives, low values, or both, are no longer revalued using indices but are reported at depreciated historic cost as a proxy for fair value.

Depreciation

Freehold land is not depreciated.

Provision for depreciation is made so as to write off the cost of fixed assets on a straight line basis over the expected useful lives of the assets concerned. The expected useful lives of assets are regularly and systematically reviewed to ensure that they genuinely reflect the actual replacement cycle of all assets. The expected useful lives are as follows:

// plant and machinery	five years (see below)
// computer equipment	various (see below)
// office equipment	five years (see below)
// freehold building	20 years (see note 5)

Computer equipment requires to be assessed on an individual basis and is depreciated over three to five years, depending on the expected useful life of the asset involved. Asset lives are reviewed at the end of each financial year.

Plant and machinery, and office equipment for Hanover House, including infrastructure set-up costs, are depreciated over the 10-year lease of the building.

The fixed assets do not include the value of the various registers created and maintained by RoS, nor the records ancillary to them.

1.6 Intangible assets

Software and licences to use software developed by third parties are treated as intangible. Intangible assets are reported at depreciated historic cost as a proxy for fair value.

Assets are typically depreciated over three to five years, depending on the expected useful life of the asset involved, however in particular circumstances the useful life may be two years and the depreciation is set accordingly.

RoS has a programme to develop IT systems, and applies IAS 38 *Intangible Assets*. All costs eligible to be defined as development expenditure, including directly related staff costs, are capitalised and held as assets under construction. Depreciation commences when the asset enters into use.

1.7 Impairment of non-current assets

RoS carries out an annual review of non-current assets, applying IAS 36 *Impairment of Assets*. If an asset has suffered an impairment loss then a charge is recognised in the statement of comprehensive income. If the asset is carried at a revalued amount, the impairment loss is treated as a revaluation decrease.

1.8 Financial instruments

IFRS 7 *Financial Instruments: Disclosures* requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities.

RoS relies primarily on income from statutory activities and has one small loan as detailed at note 14.1 and is therefore not exposed to any material liquidity risks. Material deposits are held with the National Loans Fund and the Government Banking Service.

RoS is not exposed to interest rate risk or currency risk as all material assets and liabilities are denominated in sterling.

1.9 Finance leases

Where substantially all the risks and rewards of ownership of an asset subject to a lease are borne by RoS, it will be recorded as a non-current asset and a corresponding creditor recorded in respect of the debt due to the lessor, with the interest element of the finance lease payment charged to the statement of comprehensive income. RoS does not have any finance leases.

1.10 Operating leases

An operating lease is a lease other than a finance lease. Rentals payable in respect of operating leases will be charged to the statement of comprehensive income on a straight line basis over the term of the lease.

1.11 Pension costs

RoS 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 RoS is unable to identify its share of the underlying assets and liabilities. The scheme is accounted for as a defined contribution scheme under the multi-employer exemption permitted in IAS 19 *Employee Benefits*. The scheme actuary valued the scheme as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (civilservice.gov.uk/pensions).

Further pension details can be found in the remuneration report in the annual report section of this document.

1.12 Employee benefits

The cost of providing employee benefits is recognised in the period in which RoS 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. The cost of annual leave and flexible working time entitlement earned but not taken by employees at the end of the year is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following year. Performance payments are recognised only when there is a legal or constructive obligation to pay them and the costs can be reliably estimated.

On occasion, RoS offers voluntary exit schemes in line with Scottish government guidelines. Termination benefits are recognised when it can be demonstrated that there is an irreversible agreement to terminate the employment of employee(s) before the scheme's retirement date, or as a result of an offer to encourage voluntary redundancy.

1.13 Inventories – work in progress

Work in progress (WIP) is stated at the lower of cost or net realisable value. In determining net realisable value, if expected costs to completion exceed estimated fee income, a provision is established to cover the shortfall. In the case of work in progress, cost includes all direct expenditure and production overheads based on normal levels of activity. Costs are apportioned on the basis of per capita and working days.

1.14 Trade receivables

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

1.15 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 cash in commercial bank accounts.

1.16 Trade and other payables

Trade payables are stated at their nominal value. The carrying amount of trade payables is deemed to be an approximation for fair value. Registration fees received in advance are shown as creditors until completed, as stated in note 1.3.

1.17 Provisions

RoS provides for legal and constructive obligations that are of uncertain timing or amount at the statement of financial position date, on the basis of management's best estimate of the expenditure required to settle the obligation. Where appropriate, this is supported by independent professional advice. Provisions are charged to the statement of comprehensive income and recorded as liabilities in the statement of financial position. IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* is applied.

1.18 Contingent liabilities

Where appropriate, liabilities that have only a possible chance of crystallising and do not meet the provisions criteria will be classified as contingent liabilities. IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* is applied.

1.19 Capital government grant

Government grants provided to finance the purchase of a specific asset are recognised as income in the statement of comprehensive income.

1.20 Segmental reporting

RoS' operating segments are broadly split between registration activity covered by statutory fees and commercial activity covered by non-statutory fees. Reporting on these segments is at note 2. IFRS 8 *Operating Segments* is applied. This is the first year these segments have been reported on and this is due to non-statutory fees meeting the criteria for reportable segments accounting for 10 per cent or more of revenue.

1.21 Date of issue of accounts

The accountable officer authorised these accounts for issue on the date they were certified by the external auditor.

2. Operating segments

International Financial Reporting Standard 8 (IFRS8) – Operating Segment Reporting, requires analysis of income and expenditure by principal business activities.

There are two operating segments to our business – statutory registration services and non-statutory commercial services.

Detailed in the table below is the income from statutory fees and non-statutory fees, the cost of service and the net operating surplus for each segment. The staff costs and administrative costs are allocated with the service if directly identifiable or otherwise apportioned according to the income from each segment.

	Statutory £'000	Non-statutory £'000	**2016 Total £'000**
Income	62,020	7,799	69,819
Staff costs	(36,238)	(4,911)	(41,149)
Administrative costs	(16,379)	(2,041)	(18,420)
Operating surplus	**9,403**	**847**	**10,250**

	Statutory £'000	Non-statutory £'000	**2015 Total £'000**
Income	60,161	6,185	66,346
Staff costs	(31,606)	(3,626)	(35,232)
Administrative costs	(15,952)	(1,545)	(17,497)
Operating surplus	**12,603**	**1,014**	**13,617**

More detail on the income for each segment is at note 2.1 and detail on the administrative costs is at note 4.

2.1 Income – continuing operations	**2016 £'000**	2015 £'000 re-stated
Statutory		
First Registrations	9,592	8,766
Transfers of Part	6,881	8,531
Dealings with Whole	41,439	38,278
Sasines	1,736	3,023
Chancery and Judicial Registers	1,216	1,261
Other statutory income	1,156	302
	62,020	60,161
Non-statutory		
Registers Direct and Customer Service Centres	4,956	4,344
Reports and other income (including recoveries)	2,843	1,841
	7,799	6,185
	69,819	**66,346**

The 2014-15 figures are re-stated due to the move to reporting income split by statutory and non-statutory fees. Previously the reporting was split by registration and commercial areas.

3. Staff costs

	2016 £'000	2015 £'000
Administration Costs		
Wages and Salaries	28,189	25,957
Social Security costs	1,984	1,884
Other Pension costs	5,532	4,521
Inward secondments	206	212
Agency Staff costs	5,237	2,657
Other Staff Costs	1	1
Total administration staff costs	**41,149**	**35,232**
Restructuring costs	113	4,037
	41,262	**39,269**

Restructuring costs include lump sum compensation payments and providing for future pension payments.

Average number of persons employed	**2016**	2015
Permanent staff		
Registration	565	647
Corporate services (including customer service centres)	260	256
	825	**903**
Other staff		
Agency staff	89	65
Fixed term contracts	141	5
Secondees in	3	3
Seconded out	(2)	(1)
	1,056	**975**

4. Administrative costs

	Notes	2016 £'000	2015 £'000
Staff-related costs			
Travel and subsistence expenses		202	304
Staff training		402	224
Other staff costs		314	130
Supplies and services			
Catering		55	38
Security		385	435
Equipment and services		8,895	8,036
General administrative expenditure		919	896
Services from Ordnance Survey		467	442
Copy deeds/quick copies		20	36
Professional fees		959	941
Bank charges		25	24
Indemnity and legal costs		1,755	582
External audit		55	54
Internal audit		58	66
Accommodation and utilities			
Estate charges		1,136	1,302
Operating leases – rents		710	685
Repairs, maintenance and minor works		648	675
Utilities		414	439
Environmental services		276	296
Non-cash items			
Movement in work in progress	9	376	988
Movement in provision for indemnity	13	115	904
Movement in provision for VAT	13	161	0
Movement in provision for dilapidations	13	73	0
		18,420	**17,497**

5. Property, plant and equipment

5.1 Cost or valuation	Land – freehold £'000	Buildings – freehold £'000	Information technology £'000	Plant & machinery £'000	Assets under construction £'000	Total £'000
At 1 April 2015	1,735	6,388	6,451	3,440	0	18,014
Additions	–	–	2,396	–	25	2,421
Revaluation in year	27	99	–	–	–	126
Disposals	–	–	(941)	(109)	–	(1,050)
At 31 March 2016	**1,762**	**6,487**	**7,906**	**3,331**	**25**	**19,511**
Depreciation						
At 1 April 2015	0	479	4,143	3,342	0	7,964
Charged in year	–	320	1,399	74	–	1,793
Backlog depreciation	–	12	–	–	–	12
Revaluation in year	–	–	–	–	–	0
Disposals	–	–	(941)	(109)	–	(1,050)
At 31 March 2016	**0**	**811**	**4,601**	**3,307**	**0**	**8,719**
NBV at 31 March 2016	**1,762**	**5,676**	**3,305**	**24**	**25**	**10,792**
NBV at 31 March 2015	1,735	5,909	2,308	98	0	10,050
Analysis of asset financing						
Owned	1,762	5,676	3,305	24	25	10,792
NBV at 31 March 2016	**1,762**	**5,676**	**3,305**	**24**	**25**	**10,792**

5.2 Cost or valuation	Land – freehold £'000	Buildings – freehold £'000	Information technology £'000	Plant & machinery £'000	Assets under construction £'000	Total £'000
At 1 April 2014	1,720	6,331	14,076	3,442	0	25,569
Additions	–	–	354	–	–	354
Revaluation in year	15	57	–	–	–	72
Disposals	–	–	(7,979)	(2)	–	(7,981)
At 31 March 2015	**1,735**	**6,388**	**6,451**	**3,440**	**0**	**18,014**
Depreciation						
At 1 April 2014	0	158	10,748	3,269	0	14,175
Charged in year	–	317	1,374	75	–	1,766
Backlog depreciation	–	4	–	–	–	4
Revaluation in year	–	–	–	–	–	0
Disposals	–	–	(7,979)	(2)	–	(7,981)
At 31 March 2015	**0**	**479**	**4,143**	**3,342**	**0**	**7,964**
NBV at 31 March 2015	**1,735**	**5,909**	**2,308**	**98**	**0**	**10,050**
NBV at 31 March 2014	1,720	6,173	3,328	173	0	11,394
Analysis of asset financing						
Owned	1,735	5,909	2,308	98	0	10,050
NBV at 31 March 2015	**1,735**	**5,909**	**2,308**	**98**	**0**	**10,050**

All assets are owned by RoS, and there are no finance leases or PFI arrangements in place.

5.3 Freehold land and buildings

Note 1 on accounting policies states that RoS will professionally revalue freehold land and buildings every three years, and in the intervening years the figures will be updated by a desktop valuation. Freehold land and buildings were revalued at £7,960k as at 30 September 2013, on the basis of existing use value. The valuation was split into £1,700k land and £6,260k buildings.

The expected useful life of the building was put at 20 years. The valuation was carried out as per note 1.5 by independent external valuers, DTZ, and was prepared in accordance with the requirements of the Royal Institution of Chartered Surveyors (RICS) appraisal and valuation manual.

6. Intangible assets

Intangible assets comprise software and licences to use software developed by third parties.

6.1 Cost or valuation	Assets under development £'000	Software £'000	Computer licences £'000	Total £'000
At 1 April 2015	271	30,481	927	31,679
Additions	223	0	1,260	1,483
Reclassification	(411)	411	–	0
Impairment	–	–	–	0
Disposals	–	(6,846)	(722)	(7,568)
At 31 March 2016	**83**	**24,046**	**1,465**	**25,594**
Amortisation				
At 1 April 2015	0	28,901	827	29,728
Charged in year	–	741	258	999
Reclassification	–	–	–	0
Impairment	–	–	–	0
Disposals	–	(6,846)	(722)	(7,568)
At 31 March 2016	**0**	**22,796**	**363**	**23,159**
NBV at 31 March 2016	**83**	**1,250**	**1,102**	**2,435**
NBV at 31 March 2015	271	1,580	100	1,951

6.2 Cost or valuation – re-stated	Assets under development £'000	Software £'000	Computer licences £'000	Total £'000
At 1 April 2014	184	29,161	842	30,187
Additions	1,306	150	92	1,548
Reclassification	(1,181)	1,181	–	0
Impairment	(38)	–	–	(38)
Disposals	–	(11)	(7)	(18)
At 31 March 2015	**271**	**30,481**	**927**	**31,679**
Amortisation				
At 1 April 2014	0	28,568	811	29,379
Charged in year	–	344	23	367
Reclassification	–	–	–	0
Impairment	–	–	–	0
Disposals	–	(11)	(7)	(18)
At 31 March 2015	**0**	**28,901**	**827**	**29,728**
NBV at 31 March 2015	**271**	**1,580**	**100**	**1,951**
NBV at 31 March 2014	184	593	31	808

2014-15 has been re-stated as £36k of assets under development had been wrongly classified as software. Assets under development included new systems being developed as part of the transformation programme. These assets are being developed internally and in collaboration with external parties. Computer licences include a VMWare enterprise agreement which had an NBV of £1.029 million at 31 March 2016 and 30 months remaining amortisation.

7. Interest receivable

	2016 £'000	2015 £'000
On Paymaster and National Loans Fund balances	387	319

8. Financial instruments

Financial instruments (policy)

Financial assets (represented by lending and receivables) are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining period of the instrument, using the following assumptions:

- // no early repayment or impairment is recognised
- // where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- // the fair value of trade and other receivables is taken to be the invoiced or billed amount

An impairment review is carried out for all financial assets at the balance sheet date.

Credit risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other third parties as well as credit exposures to RoS' customers. Cash investments are held with the National Loans Fund and are guaranteed by HM Treasury. The credit risk associated with holding investments is similar to that with holding government bonds.

As most of RoS' customers either pay in advance or are on direct debit, there are no significant balances that are overdue.

Liquidity risk

RoS has a small capital loan repayable over 40 years. The balance of the loan and the repayments are not considered significant.

All RoS' creditors are paid within 10 working days where possible. There is no significant risk around those paid out with our standard terms.

Market risk

Changes in market interest rates influence the interest payable on borrowings and on interest receivable on surplus funds invested.

9. Inventories

	2016 £'000	2015 £'000
Work in progress	948	701

The movement in work in progress (see note 4 above) is made up of:	2016 £'000	2015 £'000
Increase/(decrease) in asset balances	247	(594)
(Increase)/decrease in provision	(623)	(394)
	(376)	**(988)**

10. Trade receivables and other current assets

	2016 £'000	2015 £'000
Amounts falling due within one year:		
Trade receivables	973	795
Less: Provision for bad debts	(7)	(3)
	966	**792**
Other receivables	271	225
VAT	67	0
Prepayments and accrued income	2,049	1,782
Total receivable within one year	**3,353**	**2,799**
The above is further analysed as:		
Other central government bodies	275	181
Local authorities	67	48
NHS bodies	3	2
Bodies external to government	3,008	2,568
	3,353	**2,799**
Amounts falling due after more than one year:		
Other receivables – subrogation	45	33

11. Cash and cash equivalents

	2016 £'000	2015 £'000
Balance at 1 April	86,551	76,250
Net change in cash and cash equivalent balances	8,486	10,301
Balance at 31 March	**95,037**	**86,551**
The following balances at 31 March were held at:		
Government Banking System	11,769	4,230
Commercial banks and cash in hand	1,268	1,321
Short term investments	82,000	81,000
Balance at 31 March	**95,037**	**86,551**

12. Trade payables and other current liabilities

	2016 £'000	2015 £'000
Amounts falling due within one year:		
Trade payables and accruals	5,286	3,815
Other payables	14	52
Other taxation and social security	650	627
VAT	0	55
Fees received in advance	11,885	8,906
NLF loans	106	106
Total due within one year	**17,941**	**13,561**
Amounts falling due over one year:		
Trade payables	107	69
	18,048	**13,630**
The above is further analysed as:		
Other central government bodies	1,612	980
Local authorities	107	110
NHS bodies	8	14
Bodies external to government	16,321	12,526
Balance at 31 March	**18,048**	**13,630**

13. Provisions for Liabilities and Charges

13.1	Early retirement £'000	Indemnities £'000	Work in progress £'000	Exit packages £'000	VAT £'000	Dilapidations £'000	Total £'000
At 1 April 2014	2,109	428	0	0	0	0	2,537
Additional provision made	–	1,125	394	2,044	–	127	3,690
Revaluation of provision	68	–	–	–	–	–	68
Amounts incurred and charged against provision	(575)	(160)	–	–	–	–	(735)
Unused amounts reversed	–	(61)	–	–	–	–	(61)
At 31 March 2015	**1,602**	**1,332**	**394**	**2,044**	**0**	**127**	**5,499**
Additional provision made	–	1,187	765	–	161	200	2,313
Revaluation of provision	76	–	–	–	–	–	76
Amounts incurred and charged against provision	(452)	(1,047)	(142)	(1,972)	–	–	(3,613)
Unused amounts reversed	–	(25)	–	(72)	–	(127)	(224)
At 31 March 2016	**1,226**	**1,447**	**1,017**	**0**	**161**	**200**	**4,051**
Analysis of total provisions:							
At 31 March 2015							
Current	444	1,332	394	27	–	127	2,324
Non-current	1,158	–	–	2,017	–	–	3,175
	1,602	**1,332**	**394**	**2,044**	**–**	**127**	**5,499**
At 31 March 2016							
Current	388	1,447	1,017	–	161	200	3,213
Non-current	838	–	–	–	–	–	838
	1,226	**1,447**	**1,017**	**0**	**161**	**200**	**4,051**

13.2 Early retirement

This provision relates to future pension costs up to normal retirement age for employees who retired early under the Principal Civil Service Pension Scheme.

13.3 Indemnities

A provision for indemnity payments has been provided based upon a review of the outstanding claims and an estimate of the settlement values (see note 17). This includes a single claim for which £1.0 million is expected to be paid in 2016-17.

13.4 Work in progress

Registrations involving the initial and more complex transactions in the land register cost more to undertake than the fee charged. This provision represents the costs to completion less estimated fee income for such registrations in process at the year end. The shortfall in fee income on these transactions is offset by surpluses on other registrations (see also note 17).

13.5 Exit packages

This provision related to staff who expressed their intention to leave through a voluntary exit package offered in 2014-15 but who had not signed at the end of the year. These staff had left by 31 March 2016 or decided not to leave so the provision is no longer required.

13.6 VAT

The provision relates to an over recovery of VAT identified in a VAT review carried out by Scott Moncrieff.

13.7 Dilapidations

The provision from 2014-15 has been reversed as no costs require to be paid on the termination of the lease on the ground floor office suite, Lomond House, 9 George Square, Glasgow. The new provision for 2015-16 relates to the termination of the lease on Hanover House, 24 Douglas Street, Glasgow.

14. Taxpayers' equity

14.1 Capital loan

This was set up on 1 April 1996 at the start of trading fund status. The loan amounted to £4,250,000 repayable over 40 years with an interest rate of 8.375 per cent. Interest payable to the National Loans Fund amounted to £185,000 for the year to 31 March 2016 (2015: £194,000).

Repayments on the Capital Loan are as follows:

	2016 £'000	2015 £'000
Between one and two years	106	106
Between two and five years	319	319
In more than five years	1,647	1,753
	2,072	**2,178**
Within one year (included in Creditors)	106	106
	2,178	**2,284**

14.2 Retained profits

These are the accumulated amount since the start of trading fund status on 1 April 1996.

14.3 Revaluation reserve

This reflects the movement in the revaluation of freehold land and buildings as detailed in note 5.

15. Capital commitments

Contracted capital commitments at 31 March 2016 not otherwise included in these accounts are as follows:

	2016 £'000	2015 £'000
Property, plant and equipment	0	0
Intangible assets	0	2

16. Commitments under leases

Obligations under operating leases comprise:

	2016 £'000	2015 £'000
Buildings:		
Not later than one year	650	685
Later than one year and not later than five years	1,833	666
Later than five years	2,467	0
	4,950	**1,351**
Other:		
Not later than one year	nil	nil
Later than one year and not later than five years	nil	nil
Later than five years	nil	nil

RoS is committed to an operating lease for Hanover House, Glasgow until April 2017 and an operating lease in St. Vincent Plaza, Glasgow until January 2026.

17. Losses

RoS settled 225 claims for loss, arising from errors made either in the sasine recording process or under the indemnity provisions of the Land Registration (Scotland) Act 1979 and the Land Registration etc. (Scotland) Act 2012, at a cost of £1,391,000 (2014-15: 119 claims, £344,000). This included one payment of £907,000 which was provided for in last year's accounts.

As noted at paragraph 1.3, RoS aims to achieve cost recovery over all transactions, within which more complex transactions incur a loss. This is to protect customers from the higher costs involved in registering on the land register for the first time. RoS made losses relating to first registrations (FR) and transfers of part (TP) as shown below.

	2016 £'000	2015 £'000
Opening FR WIP provision	(142)	0
Closing FR WIP provision	0	(142)
Change in provision	**142**	**(142)**
Cost of FR registrations	(15,064)	(11,600)
FR income	9,592	8,766
Loss	**(5,330)**	**(2,976)**

	2016 £'000	2015 £'000
Opening TP WIP provision	(252)	0
Closing TP WIP provision	(1,017)	(252)
Change in provision	**(765)**	**(252)**
Cost of TP registrations	(10,611)	(10,568)
TP income	6,881	8,531
Loss	**(4,495)**	**(2,289)**

18. Contingent liabilities

As at March 2016, RoS has contingent liabilities in relation to potential future indemnity payments that are not yet quantifiable. Quantifiable indemnities are noted at 13.3. It also has contingent liabilities in relation to pension costs of a small number of staff who transferred in from BT, our previous IT partner.

19. Related party transactions

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

RoS is a trading fund and a non-ministerial department in the Scottish Administration. Other government departments and agencies are regarded as related parties.

During the year, RoS had a significant number of transactions with other government departments and agencies. Most of these transactions have been with Ordnance Survey, Transport Scotland (an agency of the Scottish government), Cabinet Office, National Records of Scotland, Revenue Scotland, HM Treasury, HM Revenue and Customs and the Scottish Court Service.

None of the board members, key managerial staff or other related parties has undertaken any material transactions with RoS during the year.

20. Accounting standards issued not yet effective

A number of new accounting standards have been issued or amendments made to existing standards but these have not yet been applied in these financial statements. The standards that are considered relevant and the anticipated impact on the consolidated accounts is as follows:

// IFRS 7 *Financial instruments disclosures – servicing contracts*. Applies from the accounting year 2016-17 but is unlikely to change the current reporting due to the limited nature of RoS' financial instruments.

// IFRS 11 *Accounting for acquisition of interest in joint party*. Applies from the accounting year 2016-17 and will impact the reporting should RoS acquire an interest in a joint party.

// IAS 1 *Disclosure initiative*. Applies from the accounting year 2016-17 and aims to improve use of judgement in preparing the accounts.

// IAS 16 and IAS 38 *Clarification of acceptable methods of depreciation and amortisation*. Applies from the accounting year 2016-17 but will not impact as RoS' current methods of depreciation and amortisation are not affected.

Appendices

Appendix one

Registers of Scotland Trading Fund

REGISTERS OF SCOTLAND
DIRECTION BY THE SCOTTISH MINISTERS

in accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000

1. The statement of accounts for the financial year ended 31 March 2006 and subsequent years shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.

2. The accounts shall be prepared so as to give a true and fair view of the income and expenditure, recognised gains and losses, and cash flows for the financial year, and of the state of affairs as at the end of the financial year.

3. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 2 July 2004 is hereby revoked.

Signed by the authority of the Scottish Ministers

Dated 17 January 2006

Appendix two

Energy, water and paper data

MBH	2012-13 baseline	2013-14	2014-15	2015-16	Percentage change from 2014-15	Percentage change from baseline
Electricity (kWh)	2,725,340	2,638,870	2,532,110	2,252,100	-11.1%	-17.4%
Gas (kWh)	1,280,182	1,012,713	1,116,554	1,072,128	-4.0%	-16.2%
Water (m3)	5,759	3,327	4,008	4,796	+19.6%	-16.7%

HHO	2012-13 baseline	2013-14	2014-15	2015-16	Percentage change from 2014-15	Percentage change from baseline
Electricity (kWh)	413,883	430,385	444,541	441,386	-0.7%	+6.6%
Gas (kWh)	350,268 (Baseline 2011-12)	273,775	310,792	436,694	+40.5%	+24.7%
Water (m3)	3,339	2,639	2,302	1,386	-39.8%	-58.5%

RoS (both sites)	2012-13 baseline	2013-14	2014-15	2015-16	Percentage change from 2014-15	Percentage change from baseline
Paper (reams)	16,504	17,231	16,939	13,130	-22.5%	-20.4%

// Notes

All electricity, gas and water figures are from actual meter readings.

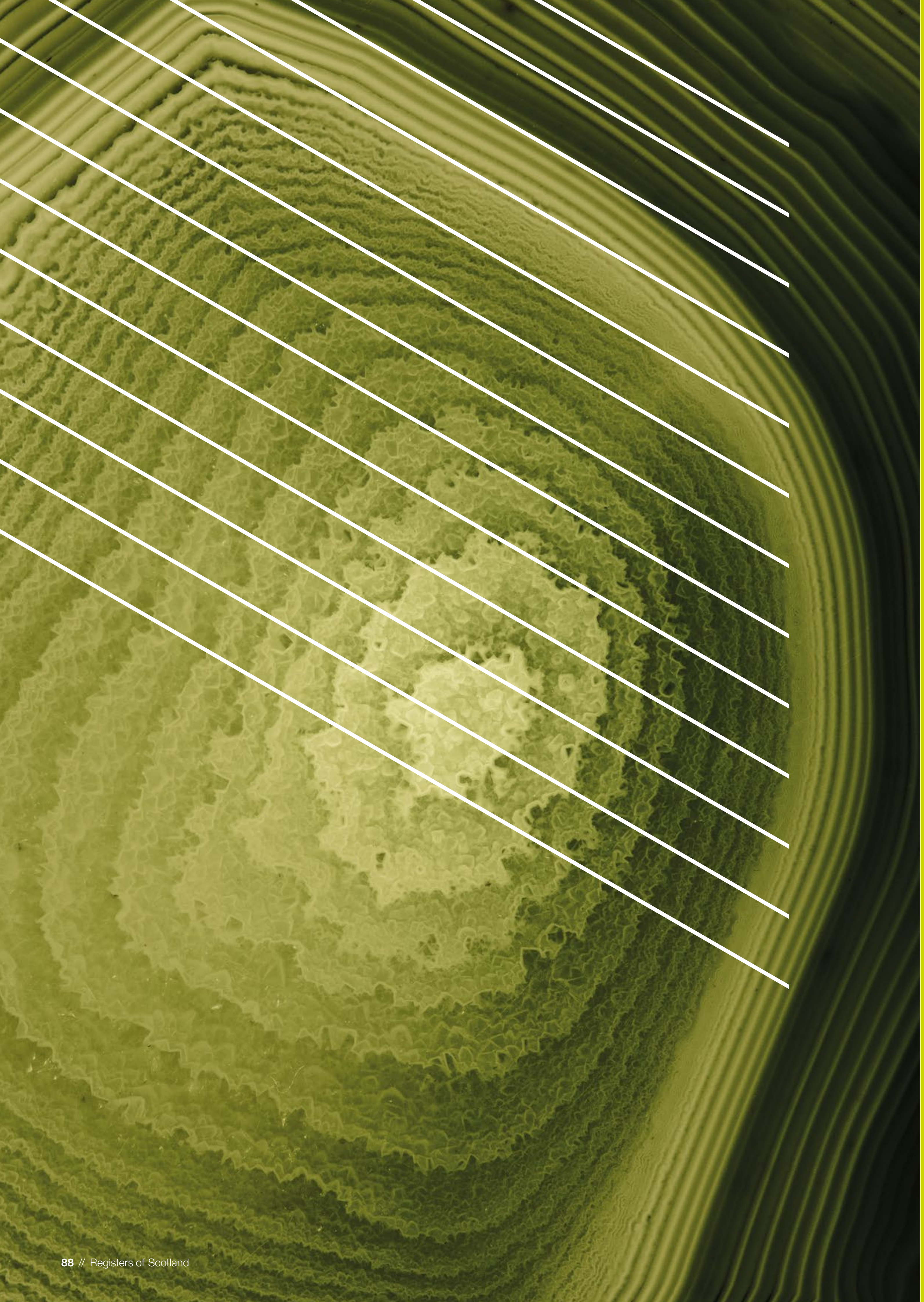
Appendix three

Recycling and landfill data (both sites)

Waste		2012-13 Average figures	2013-14 Average figures	2014-15 Average figures	2015-16
Non-financial indicators tCO2e	Total waste tCO2e	11.30	9.05	2.86	2.09
	Total waste to landfill tonnes	40.04	31.2	0	0
	Total waste recycled including EFW tonnes	198.88	172.07	136.10	99.59
Financial indicators	Total waste	£47,521	£28,830	£41,384	£41,272
	Total waste to landfill	£9,552	£5,518	£0	£0
	Total waste recycled	£37,969	£23,312	£41,384	£41,272

// Notes

Weights are based on bin averages and converted by waste type to tCO2e.
All non-recyclable waste is processed as energy from waste with only residual ash being left.



Registers of Scotland
ros.gov.uk

For further information about Registers of Scotland, our products and services, please contact:

Telephone:
0800 169 9391

Email:
CustomerServices@ros.gov.uk

Textphone users: 0131 528 3836

Principal Office

Meadowbank House
153 London Road
Edinburgh EH8 7AU

LP 50 Edinburgh 5
DX 550906 Edinburgh 9

Glasgow Office

Hanover House
24 Douglas Street
Glasgow G2 7NQ

LP 12 Glasgow 9
DX 501752 Glasgow 9