
Registers of Scotland



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FOREWORD

While 2010-11 has been a challenging year, it has also been a successful and enjoyable one, thanks to the pace, passion, pride and professionalism of our people at RoS.



This Annual Report and Accounts covers my first full year as Keeper of Registers of Scotland. It has been a year that has held challenges, not only the ongoing economic situation, which continues to be the omnipresent factor affecting our business activities and our decision-making, but also the challenges eEnabling our business. The Board and Executive Management Team have worked hard to look beyond the current circumstances to build realistic but ambitious future outcomes for the Corporate Plan period 2011-2014.

2010-2011 was a particularly challenging year for our Business Planning Team as they strove to predict the likely trends of the property market and consequently our workflow levels. This is essential work in aiding us to manage our business efficiently.

We took the decision to increase our fees to prevent our financial reserves dropping to concerning levels. The fees were put back on a cost recovery footing by Scottish Ministers in January 2011, after a public consultation exercise on the recommended changes. We have worked hard to make sure they still offer excellent value for money: in real terms, they are still at or below 1995 levels.

We also took the difficult decision this year to cancel our eSettle project, part of our ongoing IT development programme, which is being undertaken in a long-term partnership with BT. Although this decision, along with our decision to dispense with a content management system on value for money grounds, has led to us declaring a constructive loss in our accounts, it was the right business decision. I have taken action to address the factors that led to this situation and new arrangements are being put in place to make sure that they do not occur again.

Along with the Scottish Government, to reduce future costs, we ran a voluntary severance scheme during the second half of the year and 128 members of staff left through exit packages. This loss increased the challenging nature of our targets and I am particularly proud that RoS staff pulled together in testing circumstances and delivered one of our most productive years, continuing the reduction of legacy casework and generally meeting or exceeding registration targets.

One key area of focus throughout the year was undoubtedly the Land Registration Reform Bill. Following consultation with stakeholders over a number of months, it started its journey towards being considered

by the Scottish Parliament in the 2011-12 session. It will continue to be an important focus for us next year.

2010-11 was the first year of the Customer Service Excellence Awards and it is testament to the professionalism and commitment of our staff that we achieved this status.

There have been some changes on the RoS Board with two staff leaving:

- Andy Smith retired as Deputy Keeper for Service Delivery in December 2010; and
- Jim Bailey, the Information Director in charge of our IT and Information Services, resigned from RoS in January 2011.

February 2011 saw the start of work to extend and refurbish our main building Meadowbank House in Edinburgh. This is a major investment in our future and it will enable us to bring our Customer Service Centre home to Meadowbank House and vacate Erskine House, in Queen Street.

Sheenagh Adams
Keeper of the Registers of Scotland

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RoS BOARD MEMBERS





Catriona Hardman
Deputy Keeper (Legal
and Corporate Services)

Ian Moffett
Non-Executive
Director



Karen Alexander
Board Secretary

Chris Dempsey
Corporate Communications
Director



Sheila Terry
Non-Executive
Director

Andy Smith
Deputy Keeper
(Service Delivery)

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ORGANISATIONAL CHART

Sheenagh Adams
Keeper of the
Registers of Scotland

**Andy Smith until
December 2010**
Deputy Keeper (Service Delivery)

John King
Registration Director

Kenny Crawford
Head of Commercial Services

Billy Harkness
Human Resources
and Estates Director

Chris Dempsey
Corporate
Communications Director

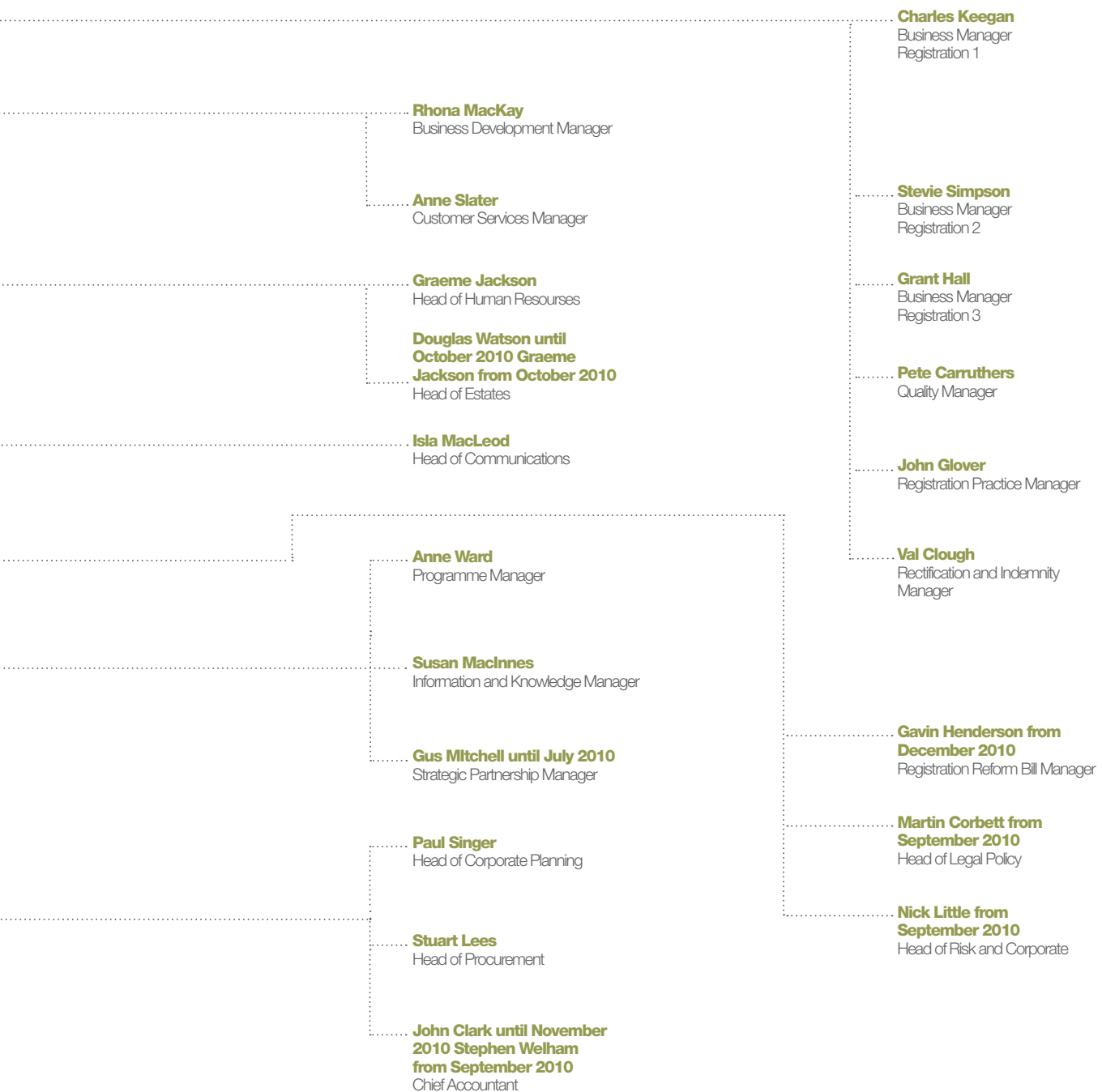
Catriona Hardman
Deputy Keeper
(Legal and Corporate Services)

Sandy McNeil
Head of Legal
Services

Jim Bailey until January 2011
Information Director

Secretariat

Laura Petrie
Finance Director



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PERFORMANCE AGAINST TARGETS

1_ Complete the registration of Sasine writs within an upper limit of 40 working days and to complete 80% of these within 20 working days.

Outcome - achieved

99.9% completed within 20 working days and no writs took longer than 40 working days.

2_ Complete the registration of Dealings with Whole (DWs) that are not carried out as Automated Registration of Title to Land (ARTL) transactions and standard First Registrations (FRs) within an upper limit of 120 working days and to complete 80% of these within 60 working days.

Outcome - achieved

99% of DWs were completed within 60 working days (compared to 81% in 30 working days the previous year).

96.5% of standard FRs were completed within 60 working days (compared to 84% in 70 working days the previous year).

3_ Complete the registration of DWs carried out as ARTL transactions within 24 hours.

Outcome - not achieved

Of a total 16,004 ARTL DWs received, we completed 99.8% within 24 hours. Only 25 ARTL DWs were unable to be processed in this timescale due to technical issues.

4__ Record all applications for registration on the application record within one working day.

Outcome - not achieved

99.9% were registered on the application record within one working day. Of a total of 250,000 received, only 195 were unable to be completed. On one occasion, this was due to IT issues and on another occasion this was because higher than usual Intakes were submitted on the day before our new fees came into operation.

5__ Eliminate all pre-1 March 2010 FR casework by 31 March 2011.

Outcome - not achieved

97% of casework was eliminated. 527 FR cases out of 19,660 were left. We produced the same output as the previous year but with 25 fewer staff and a significant reduction in overtime. The 19,133 applications despatched was our highest annual output for legacy cases.

6__ Eliminate 30,000 Transfer of Part (TP) cases by 31 March 2011.

Outcome - achieved

We registered 30,566 TP applications, our highest ever TP despatch and again this was achieved with fewer staff and less overtime.

7__ Achieve a registration accuracy rate of at least 98.5% for applications despatched.

Outcome - not achieved

We achieved a registration accuracy rate of 98.4%.

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PERFORMANCE AGAINST TARGETS CONTINUED

8__ Achieve a 98% rating for overall customer care in the annual customer satisfaction survey.

Outcome - not achieved

We achieved 94% — last year was the first time our customer survey captured the views of all our customers — not just representatives from the legal profession as in previous years. As a result, achieving a 94% customer satisfaction rating was an excellent result and one that we are taking measures to build on.

9__ Process 98% of all customer enquiries in compliance with RoS' published response standards.

Outcome - achieved

We processed 98.5% of our customer service enquiries within our published response standards.

10__ Deliver 2% cash-releasing efficiencies.

Outcome - achieved

We delivered £2m worth of efficiencies against a requirement of £1.4m, mainly through savings in overtime and procurement.

FOR FRs, THE ARREAR REDUCED FROM 24,600 TO 15,400. THE ARREAR HAS HALVED IN THE LAST TWO YEARS AND IS NOW AT ITS LOWEST LEVEL SINCE 1985.

FOR TPs, THE ARREAR REDUCED FROM 61,000 TO 46,000. (OUR BEST RESULT EVER)

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REGISTRATION JOHN KING

The teams working in all areas of Registration have worked hard to deliver an excellent service throughout the year, achieving more with less. We met or exceeded five of the registration targets set by the Keeper and narrowly missed the remaining four. In three of these, this was mainly due to technical issues with our IT systems and our accuracy target was missed by just 0.1 per cent. The detailed outcomes are shown in our Performance Against Targets section.

There has been some restructuring across RoS to accommodate new ways of working, such as responsibility for pre-registration enquiries moving from our Legal Services Directorate to Registration. As part of the fee review, we considered the cost of our pre-registration enquiry service, as a result we now charge a fee, ensuring that those requiring the service are the ones who pay for it. The new fee has had a positive impact, reducing the number of non-essential enquiries and allowing specialist staff to concentrate on assisting with more complex enquiries.

Reducing registration errors continues to be a focus of ongoing training. This year, we introduced a number of new measures within our quality team to further minimise errors. In our latest Fee Order, we also introduced a rejection fee to reduce errors in the paperwork sent to us. Most rejections continue to relate to incomplete application forms and wrong fees being sent. To support our customers, we created a specialised section on the RoS website called 'Getting it Right'. This guide has handy tips to help reduce rejections and we are pleased that the introduction of a rejection fee and the other measures indicated have reduced rejected applications by 25%.

**All areas of Registration
have worked hard to deliver an
excellent service throughout the
year; achieving more with less.**

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We have maintained our focus on improving our turnaround times, particularly for First Registrations (FRs). Our arrear of casework was significantly reduced over the year and older complex casework continued to receive priority. In particular, numbers of cases involving more complex aspects of the Title Conditions (Scotland) Act 2003 were reduced by using dedicated teams to complete this work. As a result of the progress made against our targets for all applications, the backlog of casework has declined over the last year. For FRs, the arrear reduced from 24,600 to 15,400. The arrear has halved in the last two years and is now at its lowest level since 1985. For Transfer of Part (TPs), the arrear reduced from 61,000 to 46,000. For Dealings with whole (DWs), the attached DW arrear has reduced from 36,000 to 26,000.

We established a Quality Working Group last June which acts as a forum for monitoring quality, identifying issues and progressing actions to improve accuracy within registration activities. In parallel with this, research is ongoing to identify a robust quality management system that will help us check, monitor and improve the accuracy and quality standards of completed registration work.

We successfully completed our Positional Accuracy Improvement project. This work was urgently needed to improve our mapping processes with Ordnance Survey (OS) maps. The project was completed through a successful outsourcing initiative via our BT partnership. This released valuable skills within the organisation to meet other initiatives and targets.

Our service level agreement with OS for new map data is critical to meeting both our FR and TP targets. We have been working with OS to pilot mapping of a new building development from inception through to the final sale, with OS agreeing to supply the map data a maximum of three months after completion. If successful, the pilot will offer real opportunities for RoS to introduce meaningful turnaround times for all TP applications.

A number of the roles within Registration require high levels of skill and knowledge. As part of our registration development programme, we investigated the potential to award externally recognised academic qualifications through the Scottish Credit and Qualification Framework. Our training team are liaising with Napier University, who will carry out an assessment of the training provided and determine the level of qualification that can be awarded during the full pilot, which will be run during the next financial year.

In January 2011, we commenced a series of seminars focusing on development land. These seminars are targeted at solicitors who act for developers and aim to deliver a more integrated approach to registering development land. Through these seminars, we are seeking to identify a more efficient and risk-reducing way for RoS, OS, developers, and solicitors to work together. As a result of the seminars held to date, we are seeking to re-energise the 'estate plan approval' method for dealing with developments.

Over the year, we worked with Scottish Government colleagues on the Crofting Reform (Scotland) Bill, which was passed by the Scottish Parliament on 1 July 2010 and received Royal Assent on 6 August 2010. Part 2 of the Act requires the Keeper to establish and maintain a public register to be known as the Crofting Register, which will provide a definitive, map-based register of crofts. A project has been set up to deliver this.

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LEGAL SERVICES SANDY MCNEIL

In January 2010, Scottish Ministers accepted the Report and Draft Bill on Land Registration Reform from the Scottish Law Commission (SLC). This work was supported by contributions provided by secondees from the RoS Legal Services Directorate over a number of years. Scottish Ministers then asked RoS to begin the process of considering the SLC proposals further with a view to Scottish Ministers bringing forward a new Land Registration Bill.

RoS completed a further public consultation exercise in autumn 2010 and continued to liaise with the Scottish Government on policy and legal matters, as well as, assessing the impact of potential legislation from a financial and practical perspective. This will be the first primary legislative reform to RoS' core registration activities for more than 30 years and is of major importance to RoS and our customers. Work in this area will be a key activity for the Legal Services Directorate during and beyond 2011-12.

An experienced Bill Team was formed in December 2010, to work with the Scottish Government in the development of draft legislation and to begin the groundwork for taking the Bill through the necessary Parliamentary processes.

The Keeper continued to provide indemnity – a state-backed guarantee – to those whose titles are held on the Land Register. Over the year, we paid out £272,500 on 87 cases, which represents just 0.03% of the total number of Land Register cases despatched during the year. The single largest category of error was mapping.

The Legal Team continued to keep a watchful eye on cases of fraud and suspected fraud. Our Fraud Officer maintained close links with colleagues in Her Majesty's Land Registry for England and Wales, and the Land Registry bodies in both Northern Ireland and the Republic of Ireland, to ensure that patterns are spotted and loopholes tightened.

During 2010-11, Legal Services worked with Registration colleagues to support the Scottish Government team for the Crofting Reform (Scotland) Bill. During 2011-12, members of the Legal Policy team will have a key role in the project to develop the new Crofting Register to be managed by RoS. Additionally, Legal Services provides advice on and assesses the impact of all potential legislation whether reserved or devolved that affects RoS, enabling senior managers and the Board to take an informed view on business impacts.

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INFORMATION

CATRIONA HARDMAN

Effective IT remains key to RoS operating effectively and providing improved services to customers. In December 2004, we entered a ten-year partnership with BT to provide IS/IT services and an eEnablement change programme. BT works with the RoS Partnership Management, Business Change and Programme Office teams to provide services across RoS.

This year two projects in the change programme were reviewed and cancelled principally on business benefit and affordability grounds. Our eSettle project and our Content Management System have both been halted resulting in constructive losses, which are declared in our accounts.

Halting the eSettle project means placing continuing reliance on our legacy systems and some further delay in developing an overarching Disaster Recovery Plan. These remain significant business risks for RoS.

The difficulties experienced during the past year, together with areas of concern highlighted in a Gateway 5 report on the Partnership in 2010, have led to a review of our governance arrangements for projects and groups involved in the change process.

A reassessment of skills and training required in the Information Directorate will be ongoing during the coming year along with the steps needed to address the issues identified.

In 2010-11 we kick-started the process of considering our future IT requirements in the light of potential change arising from new Land Registration legislation and other new areas of legislation. This will continue to be the focus of our work in the coming year as we develop a new IT strategy in line with our business priorities to 2015. This builds on work that began to review governance arrangements for business change decisions and our project management practices. We believe that building better technical IT awareness within the directorate will assist in developing our IT strategy and in considering and evaluating future IT sourcing options from December 2014, when the initial Partnership arrangements are due to end.

As highlighted in the Registration section, RoS is currently developing an electronic Crofting Register. This cross-government project has required liaison with colleagues within the Crofters Commission and Scottish Government.

Benchmarking and improvement against required government standards on all aspects of information assurance have been prioritised. We continue to ensure that all staff are trained on best practices in information security. This year, we introduced a Clear Desk Policy and relevant staff received a bespoke training course on the protective marking of documents.


The Information and Knowledge Management Team (IKM) set up a network of Area Information Managers (AIMs) throughout the business. These AIMs are fully supported by IKM to assist in the operation and improvement of the management of information held by RoS. In particular, they play an important role in the maintenance of our Information Asset Register and in the provision of information in response to Freedom of Information requests.

This year, we contributed to the future development of records management in Scotland by participating in the Archives and Records Management Pilot run by the Scottish Council on Archives. RoS was also represented by IKM on the committee of the Scottish branch of the Information and Records Management Society.

This year, we contributed to the future development of records management in Scotland by participating in the Archives and Records Management Pilot run by the Scottish Council on Archives.

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COMMERCIAL SERVICES KENNY CRAWFORD



Each year we seek to measure customer satisfaction levels. In 2010-11, we introduced a new leaner online survey to include all types of customers, not just the legal sector, resulting in a far more meaningful, if slightly lower, score. The target for customer satisfaction was 98% and we achieved 94%.

ARTL is RoS' key eRegistration product, and the main focus for the Business Development team was the Lloyds Banking Group ARTL project. The Group announced that as of 1 September 2010, it would be mandatory for solicitors working on their behalf to use ARTL wherever possible. The aim of the project was to get all solicitors on the Lloyds panel who requested to use ARTL, signed-up and trained by 31 December 2010. The project successfully met the key objectives, with over 570 firms in Scotland now ARTL-enabled.

RoS sponsored various events including Scotland's Housing Expo in Inverness during August 2010.



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Local authorities were also targeted to encourage them to use ARTL with Glasgow City Council fully embracing the benefits of the system and using it extensively. They estimate they have saved £60,000 in fees alone. Usage of ARTL grows slowly but with the involvement of Glasgow City Council, it has at times reached 15% of total DW intake applications.

In partnership with BT, considerable work was undertaken to improve the performance and reliability of Registers Direct. Regular dialogue was held with private searcher firms to gain feedback on our products and services.

The International Consultancy Group successfully completed World Bank-funded projects in Kosovo and Albania, with the Albania project recently extended for a further year. We were also involved in tender applications for work funded by the European Union in Kosovo and the Ukraine.

In early 2011, the team worked with the Ministry of Lands of Malawi on a cooperation agreement project to help modernise their land and property registers. This saw a number of RoS specialists travelling to Malawi to advise and develop their Malawian counterparts. Back in Scotland, we hosted a study tour for officials from Malawi, as well as study visits from Denmark and Uganda to show other land registries how we operate.



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RoS sponsored various events, including Scotland's Housing Expo in Inverness during August 2010. The Expo was backed by the Scottish Government and was heavily publicised as it was the first of its kind to be held in Scotland. This was a useful event to make contact with our stakeholders in the new-build industry, as well as advising them of our services and raising our profile with the public.

Stakeholder events were held in Troon, Glasgow and Edinburgh, enabling us to meet with a range of business sectors. Valuable feedback was gained on products and services customers would like to see developed and the team are actively working with this feedback.

We ran a pilot project to ascertain the demand for Souvenir Title Sheets. This project resulted in 230 homeowners requesting a copy Land Certificate for their property. We are continuing to investigate alternative revenue streams for RoS.

A revised mystery shopping programme at our Customer Service Centres was introduced, offering more frequent visits to help us highlight training needs.

Our Customer Service Centres maintained their exceptionally high standard of customer satisfaction, serving more than 140,000 customers. This included completing over 4,800 personal presentment applications and assisting over 7,000 customers who visited the centres. We successfully achieved the Customer Service Excellence Award, which reflects the high level of service we provide.





Kelvingrove Museum, Glasgow

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COMMUNICATIONS

CHRIS DEMPSEY

The team has focussed on supporting the work of colleagues across RoS to ensure that we communicate appropriately with our stakeholders. Our work on the 'Getting it Right' section of the website was particularly successful. It was developed quickly with registration experts, to ensure it was ready to support customers before the new fees took effect in January 2011. The visits to the site were strong from the beginning and it is retaining steady numbers. Feedback has been sought to ensure information is pertinent and helpful.

Our editorial deals with the professional publications, The Journal and The Firm, continued to allow us to highlight business messages to the legal sector. This supplements the essential communication we make through direct mailing and our website. We also began work on our new eZine, which will further highlight business news.

Our official quarterly property statistics continued to attract excellent media coverage throughout Scotland on TV, radio, online and in the print media. We also worked with the Commercial Services Data Team to identify ad hoc stories from our property data to help raise awareness of this product and of RoS as an organisation offering a public service.

This year saw the introduction of a weekly property statistics service based on Scottish Parliament constituencies. MSPs receive these directly to their email account prior to wider publication.

We ran weekly editorial features in the Daily Record and the Sunday Times, as well as advertising the property price search on our website through commercial radio stations in Scotland. Visits to our website and mentions of RoS as the de facto source of property information, all continued to increase and market research has shown that public awareness of RoS has also risen.

Video items were made available to the public, customers, and stakeholders through our website **ros.gov.uk**, helping us to maximise the customer support this site provides.

The events team continued to support all areas of the business through a successful mix of training events, seminars, stakeholder engagement and public events, such as our presence at Scotland's Housing Expo in Inverness during August.

RoS' Annual Charity, selected by staff poll, was Alzheimers Scotland and over £20,000 was raised for this worthwhile cause. The achievement was recognised at the Scottish Legal Awards, where we were awarded The Law Society of Scotland Fundraising Achievement of the Year.

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HUMAN RESOURCES AND ESTATES BILLY HARKNESS

HUMAN RESOURCES

We continued to provide a full, professional HR service to the business.

We introduced a staffing committee in July 2010, with clear terms of reference to ensure a robust process is in place to provide control and governance over our headcount and internal vacancies.

During the year, we reduced our sickness absence rates by a significant amount from 11.6 working days per employee, to 8.4. This decrease can be attributed mainly to the Maximising Attendance Policy and procedures that were put in place in 2009, along with the accompanying training provided for all managers.

The annual assessment for Investors in People (IIP) was completed in July 2010. It confirmed that we continue to meet the standard and we also received additional recognition as we have now achieved and maintained the IIP standard for ten years.

During 2010-2011, we invested in training and development for our staff. 4,303 days training were undertaken, equating to of 3.3 days per member of staff.

Throughout May and June 2010 a new range of competency and management modules aligned to the RoS Competency Framework were introduced. A further range of modules has now been released. In addition, a range of National School of Government modules have been made available to our Senior Managers Group. Managers have taken part in the Institute of Leadership and Management qualification since it was launched in April 2010.

We provided Employee Relations Framework training for all managers during the year. The training included a briefing on our revised policies for Discipline and Grievance in addition to practical skills training on how to deal with difficult situations.





As part of our strategic approach to talent management, the pilot High Potential programme was fully adopted and a second group started the programme in September 2010. They are receiving a broad range of tasks to test and develop the competency skills required of senior managers.

Following on from our successful collaboration with Scottish Business in the Community (SBC) last year, we have been able to provide further opportunities for more volunteers to participate in pupil mentoring. We had a good response, with 17 volunteers, and we provided them with training throughout August and September 2010. This is in addition to our ongoing support of The Princes Trust.

We continue to meet the standards for the Healthy Working Lives Gold Award. As part of our Health and Wellbeing strategy, we launched wellbeingworks® to staff on 1 December 2010 (wellbeingworks® is an integrated online and offline personal support programme provided by AXA-ICAS.) It offers staff free 24 hour access to specialist health and information consultants, counsellors and an interactive and personalised healthy lifestyles website.

ESTATES

The main Estates project has been the refurbishment and extension of our office at Meadowbank House. This is a two-phased programme involving the building of an extension to relocate our Edinburgh Customer Service Centre from leased Premises, and an overall refurbishment of the whole building. The extension incorporates energy-related works that will enable us to improve our environmental credentials for heating and lighting, and also ensures a net reduction in the number of Scottish Government office premises (consistent with Ministers' objectives in the Asset Management Review).

We launched a new Environmental Management System in February 2011. It complies with the International Standard for Environmental Management Systems (ISO14001) and provides an effective method of identifying, measuring and controlling our environmental impacts. It will also help us to meet our obligations under the Climate Change (Scotland) Act 2009.

In September 2010, we ran an Energy Awareness campaign across the organisation. In December 2010 we rolled out an online Environmental Awareness training package to all staff, to provide them with a better understanding of overall environmental issues including those relating to their work.

Over the year, electricity consumption decreased in kWh by 5.7% and gas consumption increased in kWh by 4.2%. The increase in gas consumption was primarily due to our heating system being on for longer than normal, and at a higher temperature, because of the extremely cold weather experienced during the winter months. Water consumption decreased by 15.1%. This has been achieved mainly by the installation of sensor controls. Paper usage decreased by 10.9%, primarily due to duplex printing of Land Certificates that began in September 2010.

All of the electricity used within Meadowbank House was generated from renewable sources. Although our electricity consumption reduced, the amount of CO₂ produced increased by 163.45 tonnes to 1799.09 tonnes. Measures implemented to reduce electricity consumption include the automatic switch-off of PCs at 9.00pm and an energy awareness campaign for staff to ensure IT, other electrical equipment and lights are only switched on when necessary.

We provided Employee Relations Framework training for all managers during the year.

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FINANCE

LAURA PETRIE

We supported the introduction of the new efficiency target, providing advice and challenge across the business.

A key task during the year was when RoS, together with General Registers of Scotland (GROS) and the National Archives for Scotland (NAS) undertook a review of structures and objectives to identify the scope for streamlining the delivery of these services to the public. Finance led the RoS contribution to this exercise, which merged GROS and NAS and delivered a new body, the National Records of Scotland and left RoS as a free-standing Non Ministerial Department.

We reviewed all of our fees. This involved conducting a consultation exercise with our stakeholders, as well as an impact assessment of the proposed fees. The fees had been revised in 2007 to loss-making levels and together with the downturn in the property market, were reducing the financial reserves in RoS to a concerning position. Finance successfully managed the review on behalf of Scottish Ministers and new fees were introduced in January 2011 along with the revised rate of VAT.

We continued to strengthen the financial management in RoS. The work on delegated budgeting continued in 2010-11 with the development of new management information and the introduction of budget liaison officers to support our business areas.

We supported the introduction of the new efficiency target, providing advice and challenge across the business. As a consequence, the target was exceeded with 3% efficiencies being achieved against the target of 2%.

Our Risk Management process was also reviewed and streamlined with escalation procedures introduced to ensure that the information was current and relevant.

We continue to encourage customers to use Direct Debit as the preferred method of payment, with the percentage of deeds paid by Direct Debit up from 71% in April 2010 to 85% in March 2011.

We paid 91% of our suppliers within 10 working days of receipt of a valid invoice.

The Procurement Team focused on improving its approach to sourcing and Supply Chain Management within existing Frameworks and the BT Partnership, work that made a significant impact in achieving our efficiency target.

We also improved our overall score in the Procurement Capability Model set out by Scottish Government and retained Superior Status, as well as achieving Level 3 in the Scottish Government Sustainable Procurement Flexible Framework.

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REGISTERS OF SCOTLAND TRADING FUND

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

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FOREWORD TO THE ACCOUNTS

These accounts have been prepared in accordance with a direction given by Scottish Ministers, reproduced as an appendix to these accounts, and in accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000.

BACKGROUND

Registers of Scotland (RoS) is a non-Ministerial Department and part of the Scottish Administration. Since 1 April 1996, we have operated as a Trading Fund with our financial regime regulated by the Public Finance and Accountability (Scotland) Act 2000. RoS has offices at Meadowbank House, 153 London Road, Edinburgh and at Hanover House, 24 Douglas Street, Glasgow. We also operate two Customer Service Centres, one at Erskine House, Queen Street, Edinburgh and the other at George Square, Glasgow.

PRINCIPAL ACTIVITIES

The Keeper of Registers of Scotland is responsible for maintaining 16 public registers, which provide for the registration in Scotland of legal documents. Our work is dominated by the two main registers that relate to rights in land – the General Register of Sasines and the Land Register of Scotland. The work is demand-led with the level of work fluctuating in response to activity in the housing market and the commercial sector.

The General Register of Sasines dates from the 17th century and is a register of deeds, writs and transactions affecting heritable property in Scotland. The Land Register of Scotland was introduced by the Land Registration (Scotland) Act 1979 and is gradually replacing the General Register of Sasines. 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 Map.

PURPOSE AND OUTCOMES

RoS' purpose is to set the standard in the accurate, impartial and secure recording, analysis and use of land, people and property information for the benefit of the people of Scotland. Our 2010-2013 Corporate Plan covers the financial year 2010-2011, setting out four planned outcomes:

1. The accurate, efficient, impartial and secure recording, storage and presentation of information will continue to be the bedrock service provided by RoS for the benefit of the people of Scotland.
2. We will continue to develop robust and sustainable systems of electronic registration, data capture and delivery of information, designed and tested to meet the needs and expectations of our customers.
3. Working with others, we will use the information we hold and the services we provide to increase the efficiency of, and add value to, the Scottish economy.
4. We will maximise the application of our unique skills and expertise to support and improve the economic wellbeing of Scotland.

BUSINESS PERFORMANCE – MANAGEMENT COMMENTARY

We provide Scotland's citizens and institutions with the social and economic benefits that flow from a publicly guaranteed system of rights in land and property.

The volume of applications we received for all our registers remained low. Intake was only 5% up on 2009-2010, which was a year of low activity. Our business activities continue to be adversely affected by the reduced activity in the general economy, and in particular the housing and mortgage markets.

In response to the difficult operating conditions, we continue to strengthen our financial management with the implementation of delegated budgeting in 2010-2011. We also introduced a fee review in 2010-2011, which reversed the loss-making fees introduced at the market peak. Scottish Ministers set a target for 2010-2011 to deliver 2% cash releasing efficiencies in the year. We exceeded this target, achieving 3.0% efficiencies.

The Keeper set 10 business targets for 2010-2011 and we achieved five of these. RoS met all performance targets set by the Keeper relating to speed of registration. The target to complete 30,000 Transfers of Part (TP) was achieved with our highest ever despatch of 30,566 TP applications.

The targets for quality, the clearance of First Registration (FR) legacy casework, customer satisfaction, registration of Automated Registration of Title to Land (ARTL) transactions within 24 hours, and recording all applications for registration on the application record within one working day, were missed.

We narrowly missed our quality target achieving an accuracy measure of 98.4% against a challenging target of 98.5%.

Although the target to clear all pre-October 2010 FRs was missed, we made significant inroads in reducing arrears in FRs. The level of arrears was reduced by over one third from 2009-2010 and are now at their lowest level in over 15 years.

The customer satisfaction target has historically been measured on the results of an annual customer survey of 500 solicitors. The survey was redesigned to cover a wider range of our customers and included new questions for 2010-2011. We achieved 94% for overall customer care against the target of 98%. Although this is a fail, it still represents an excellent result.

RoS is committed to the protection of both our local and wider environment within the broader commitment to sustainable development set out by Scottish Ministers. We are conscious that our activities can affect the environment and we monitor environmental impacts across all our activities.

An updated RoS environmental policy was approved by the RoS Board in February 2011; it reaffirms our commitment to the continuous improvement of our Environmental Management System, which conforms to ISO14001, and our environmental performance. We carried out investigations into our energy consumption and its associated emissions, which led to significant reductions in our electricity and water consumption. In addition, our decision to print our Land and Charge Certificates on recycled paper enabled us to reduce our operating costs and environmental impact.

SUPPLIER PAYMENT POLICY

RoS has always been committed to paying invoices promptly. In line with Scottish Government policy, we aim to pay suppliers within 10 working days. We achieved a performance of 91%, with four 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.

HEALTH AND SAFETY

We regard the management of health and safety as an integral part of our operations. We are committed to sustaining a positive health and safety culture across the organisation and for our customers. In terms of health and safety our business activities are considered low risk, and this was reflected in the low number of accidents and incidents, with only one being reportable this year to the Health and Safety Executive.

Health, safety and wellbeing matter at RoS. We have provided a Health and Wellbeing programme for many years and we were delighted that in 2011 we were re-accredited with the Healthy Working Lives Gold award, which is only presented to organisations that demonstrate long-term commitment to improving health and wellbeing within their workplaces and beyond.

DIVERSITY

RoS is committed to equality of opportunity and wishes to ensure that our staff population is representative of the diverse community in which we work. Our aim is to ensure that anyone who works at, or interacts with, RoS will experience a culture in which everyone is valued and can participate with confidence. As a public sector organisation, we have legal duties relating to the eight protected characteristics as specified in the Equality Act 2010. Namely age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief, sex and sexual orientation. The Public Sector General Duty states that we must have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation;
- advance equality of opportunity between different groups; and
- foster good relations between different groups.

**We invested some £350,000
in training and development
during 2010-2011.**

We have re-established our Disability Working Group and updated associated action plans in support of our Equality Scheme Report that was published in December 2010.

The average number of full-time equivalent staff employed over the last year was 1,249 (1,299 in 2009-2010). 128 members of staff left through exit packages, of which 115 took up the option of a voluntary severance scheme run in the second half of the year. In terms of our diversity profile, 50.1% of our staff are female (49.9% in 2009-2010); 2% have declared themselves as being from ethnic minority backgrounds (2.2% in 2009-2010); and 7.2% (7.4% in 2009-2010) declared themselves as being disabled.

Average working days lost due to sick absence, per full-time equivalent member of staff, during the year amounted to 8.4 days (11.6 days in 2009-2010).

We are accredited as a Disability Symbol user by the Department for Work and Pensions, which confirms we fulfil the five Disability Symbol commitments and all of our premises have been audited for access in accordance with the Disability Discrimination Act (DDA).

We have worked with Haven Products to help us develop our approach to creating and sustaining meaningful employment and development opportunities for disabled people.

Our commitment to diversity is supported by the flexible alternative working arrangements that we offer. Our aim is to help our staff achieve a work-life balance that supports RoS' overall efficiency and productivity. 290 staff chose to work on a part-time basis (284 in 2009-2010) and 104 worked part-year (126 in 2009-2010). We also enabled five people to take a career break.

DEVELOPING STAFF

We invested some £350,000 in training and development during 2010-2011. This comprised a wide range of activities including:

- externally recognised qualifications for staff in our Registration Directorate – we have recently validated our in-house technical training in conjunction with the Scottish Credit and Qualifications Framework, which will provide staff with the opportunity to gain qualifications from Napier University based on existing technical skills and experience;
- Institute of Leadership and Management (ILM) – we have run a series of ILM programmes that have been available to current and aspiring people managers. Our aim is to encourage all people managers to have a recognised and accredited qualification in leadership and management; and
- Investors in People (IiP) – during July we were successfully re-accredited against the IiP standard. We also received additional recognition that RoS has achieved and maintained IiP for 10 years.

RoS Board

At 31 March 2011 the Board comprised:

Member	Role	Formal Meetings Attended (5 held)
Sheenagh Adams	Keeper/Chief Executive (Chair)	5/5
Catriona Hardman	Deputy Keeper (Legal and Corporate Services)	5/5
Laura Petrie	Finance Director	5/5
John King	Registration Director	5/5
Chris Dempsey	Corporate Communications Director	4/5
Billy Harkness	Human Resources and Estates Director	5/5
Stephen Dingle	Non-Executive Director	5/5
Ian Moffett	Non-Executive Director	5/5
Sheila Terry	Non-Executive Director	5/5
Ben Gray	Non-Executive Director	4/5

Catriona Hardman covered the post of Information Director following the departure of Jim Bailey on 11 January 2011.

Members leaving RoS during the year were: Andy Smith on 31 December 2010; and Jim Bailey on 11 January 2011.

No members joined the Board during the year.

BIOGRAPHY OF NON-EXECUTIVE DIRECTORS

Stephen Dingle was a Partner with Ernst and Young LLP and an Executive Director with N M Rothschild and Sons Limited, he is now retired. He is also a Non-Executive Director and Chair of the Audit Committee of the Coal Authority.

Ian Moffett is currently a Consultant with Anderson Strathern LLP having formerly been a Partner with Anderson Strathern LLP, and before that Dundas and Wilson LLP. He is Chair of pro bono legal charity, LawWorks Scotland and a Director of Kingussie Community Development Company.

Sheila Terry is a part-time Planning Consultant following her retirement as Head of Planning and Transportation at Falkirk Council. She is a member of the Historic Scotland Audit Committee, a Director of Planning Aid for Scotland and a Trustee of the New Lanark Trust.

Ben Gray is Head of Consumer Entertainment at D C Thomson and a Director of Puzzler Media Group and This England Publishing Limited.

Audit Committee

Member	Background
Stephen Dingle (Chairman)	Stephen Dingle was a Partner with Ernst and Young LLP and an Executive Director with N M Rothschild and Sons Limited, he is now retired. He is also a Non-Executive Director and Chair of the Audit Committee of the Coal Authority.
Paul Brady	Retired Senior Civil Servant
Jeremy Chittleburgh	Partner in Chiene and Tait
David Gould	Director of Corporate Services for Glasgow City Marketing Bureau

AUDIT COMMITTEE

The Audit Committee is chaired by Stephen Dingle, a Non-Executive Director on the RoS Board. It met four times during the year. Executive attendees included the Accountable Officer and Finance Director. Representatives of the internal and external auditors attended each of the meetings. Membership of the Audit Committee is as above:

AUDIT

The Accounts have been audited by auditors appointed by the Auditor General for Scotland. So far as I, as the Accountable Officer, am aware, there is no relevant audit information of which the auditors are unaware, and I have taken all steps that ought to have been taken to make myself aware of any relevant audit information and to establish that RoS' auditors are aware of that information.

CATRIONA HARDMAN

Accountable Officer

**The Accounts have been audited
by auditors appointed by the
Auditor General for Scotland**

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 RoS' state of affairs at the year-end, and of its income and expenditure, total recognised gains and losses, 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 have been followed, and disclose and explain any material departures in the financial statements; and
- 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 who is a member of the Scottish Administration and not part of the staff of the Scottish Administration. A consequence of section 70 is that the Keeper cannot be designated as Accountable Officer. Catriona Hardman, Deputy Keeper, has been appointed by the Permanent Secretary to the Scottish Government as Accountable Officer.

A consequence of section 70 is that the Keeper cannot be designated as Accountable Officer.

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

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

The general responsibilities of Accountable Officers, which include the propriety and regularity of the public finances and the keeping of records, 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 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 the Auditor General in the appropriate time period; and
- by agreement with Scottish Ministers, arranging for publication of the accounts, after these have been laid before the Parliament.

RoS is committed to Information Assurance being embedded within our business processes and demonstrates compliance with BS ISO/IEC 27001:2005 for all our key information systems. RoS also observes government requirements on the care and management of the information we hold. We maintain a Protected Personal Data Register and have conducted risk assessments in respect of the transmission of all electronic and physical personal protected information. We have taken appropriate measures to address any areas where we did not conform to government handling arrangements. There were no information risk incidents reported to the Information Commissioner during 2010-2011.

STATEMENT ON INTERNAL CONTROL

INTERNAL CONTROL

As Accountable Officer, I am responsible for maintaining a sound system of internal control to support the achievement of RoS' purpose, strategic objectives and targets set by the Scottish Ministers and by the Keeper of the Registers of Scotland. In accordance with the responsibilities assigned to me by the Principal Accountable Officer for the Scottish Administration, I am personally responsible to the Scottish Parliament for the regularity and propriety of Registers of Scotland's finances and for the economic, efficient and effective use of its resources.

The Scottish Public Finance Manual (SPFM) is issued by the Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies, on the proper handling and reporting of public funds. It sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for economy, efficiency and effectiveness, and promotes good practice and high standards of propriety.

The system of internal control in place throughout the period of this report includes both corporate governance arrangements and risk management. It is designed to manage risk to a reasonable level in relation to our objectives and targets rather than to eliminate all risk. It can therefore, only provide reasonable and not absolute, assurance of effectiveness. It includes provision for the protection and management of information that is collected, processed and stored by us. Our system of internal control on an ongoing basis: (i) identifies and prioritises the risks to the achievement of RoS' purpose, strategic objectives, targets and the risks to its information assets; (ii) evaluates the likelihood of those risks being realised and the impact should they be realised; and (iii) identifies preventative actions and other controls to manage risks efficiently, effectively and economically.

The process within the organisation accords with guidance from the Scottish Ministers provided in the SPFM and has been in place for the year ended 31 March 2011 and unless otherwise specified, up to the date of approval of the annual report and accounts.

RISK MANAGEMENT

RoS manages risk as an integral part of our system of internal control. Risk Management is embedded in our organisation by developing local risk registers in each business area with a process in place for escalating risks through our corporate governance structure to the Board.

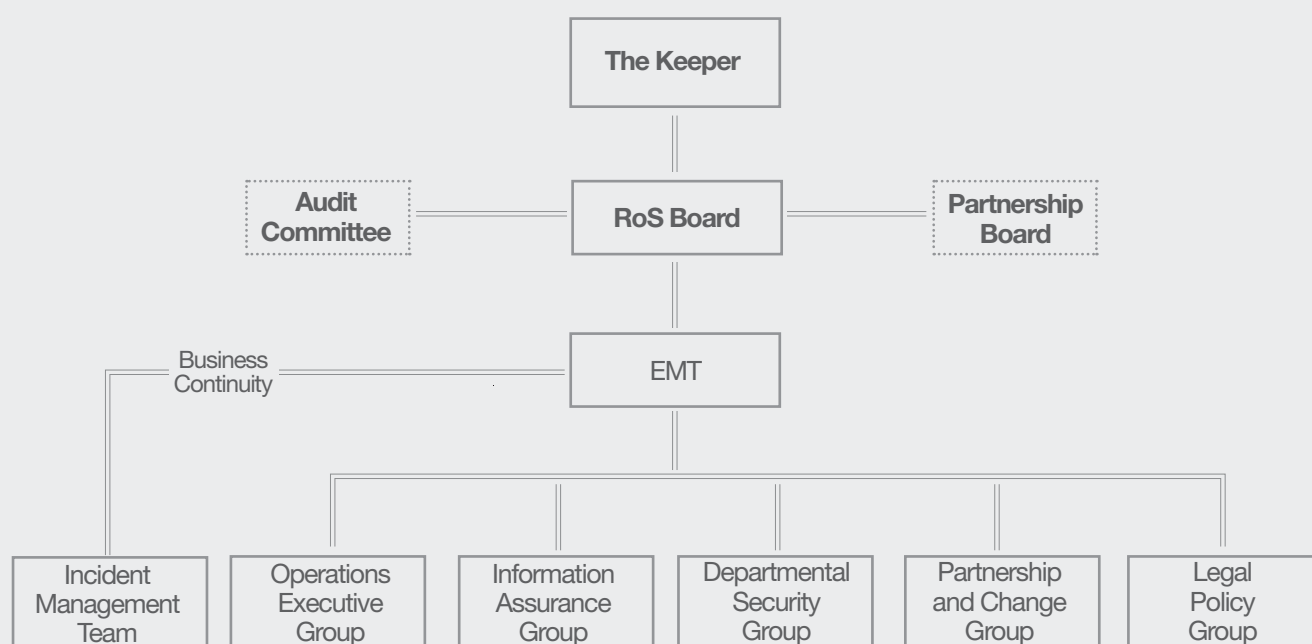
Our Key Risk Register was updated to reflect our new Corporate Plan objectives and it operates as a live register that is updated regularly. It is reviewed at each Executive Management Team, Audit Committee and Board meeting. RoS recognises the importance of Information Assurance and information assurance risks are managed within the RoS risk management framework. An information assurance review was undertaken during the year and a self assessment return on information risk made to the Cabinet Office

and the Scottish Administration, along with our annual mandatory security return. Information from that, and subsequent reviews, will be used to identify and ameliorate information risks within the organisation.

Disaster recovery has been identified as a key risk. RoS has not yet identified a technical solution to this. However, a project is in place in 2011-2012 to address this urgently and also improve the standard of our business continuity plans.

CORPORATE GOVERNANCE

RoS has an integrated system of corporate governance designed to ensure proper internal control and the delivery of our objectives. Our corporate governance structure is as follows:



The accountability and decision-making responsibilities of the groups have been determined by the Board and are set out below:

Accountabilities

Group	Responsibilities
Board	<ul style="list-style-type: none"> ■ advising the Keeper; ■ advising upon and communicating RoS' purpose, values and standards; ■ proposing strategic aims and objectives for RoS and ensuring that the necessary financial and human resources are in place; ■ setting a framework of prudent and effective controls that enables risk to be assessed and managed; and ■ monitoring and improving RoS' performance.
Executive Management Team (EMT)	<ul style="list-style-type: none"> ■ leading, overseeing and undertaking the operational management of RoS.
Audit Committee	<ul style="list-style-type: none"> ■ supporting the Accountable Officer and the Board in monitoring the corporate governance, risk, information assurance and control systems in RoS.
Partnership Board	<ul style="list-style-type: none"> ■ overseeing the partnership between RoS and BT.
Incident Management Team (IMT)	<ul style="list-style-type: none"> ■ responsible for managing minor business continuity incidents and co-ordinating actions for major incidents.
Operations Executive Group (OEG)	<ul style="list-style-type: none"> ■ operational and tactical management, in particular: <ul style="list-style-type: none"> ■ recruitment, staff development and training; ■ oversight and management of the business and corporate plan; and ■ creation, maintenance and implementation of effective policies and procedures as agreed with EMT.
Information Assurance Group (IAG)	<ul style="list-style-type: none"> ■ responsibility for all information assurance matters, including: <ul style="list-style-type: none"> ■ Information Asset Register management; ■ Information Assurance Maturity Model reporting; and ■ Information Risk.
Departmental Security Group (DSG)	<ul style="list-style-type: none"> ■ managing compliance with the Government's Security Policy Framework as well as addressing all Information Technology (IT), Physical and Personnel security matters at RoS.
Partnership and Change Group (P and CG)	<ul style="list-style-type: none"> ■ managing the operation and development of RoS' Information Systems (IS) strategy and Partnership with BT.
Legal Policy Group	<ul style="list-style-type: none"> ■ formulating, disseminating, co-ordinating and overseeing legal policy and practice within RoS.

INTERNAL AUDIT

The Audit Committee commissions an annual programme of work from RoS' Internal Auditors to test the systems of internal control and the Committee reviews the reports on that programme of work. The Committee monitors actions arising from audit recommendations until such actions have been completed to the Auditors' satisfaction.

In 2010-2011 the Internal Auditors reported on the control issues relating to the delivery of IT systems in RoS. They identified four key areas: IT skills and capacity; delegated budgeting; benefits realisation; and culture. RoS appointed a new Chief Information Officer in June 2011 and is addressing areas where there are IT skill and capacity gaps. Delegated budgeting was introduced early in 2010-2011. A programme of actions has been put in place to ensure that the issues relating to benefits realisation and culture are addressed. A Gateway Review was also conducted in November 2010 relating to the BT Partnership itself. It raised issues regarding the operation of this contract. RoS recognise that this remains a key business risk and the recommendations arising from that review are being addressed as a matter of urgency.

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. This work is informed by the findings of RoS' Internal and External Auditors, and the executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework. Internal Audit submits regular reports to the Audit Committee, which includes their independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control, together with recommendations for improvement.

I am satisfied that, overall, Registers of Scotland is operating in accordance with the Scottish Government and Treasury guidance as regards internal controls and risk management.

CATRIONA HARDMAN

Accountable Officer

A programme of actions has been put in place to ensure that the issues relating to benefits realisation and culture are addressed.

REMUNERATION REPORT

The pay strategy is administered by a system of Pay Committees who determine salary and non-consolidated performance related pay recommendations based on assessments of performance.

APPOINTMENTS AND REMUNERATION POLICY

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Principles, which require appointments to be 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 Service and other staff, in line with the implementation of the Employment Equality (Age) Regulations 2006. However, an individual's pension will become payable from age 60 if they were employed in the Civil Service prior to 30 July 2007, and in these circumstances that employee can choose to leave work and collect his or her pension at any time from age 60, subject only to compliance with the basic notice requirements.

REMUNERATION POLICY

The remuneration of the substantive Senior Civil Servants employed by RoS (i.e. Sheenagh Adams and Catriona Hardman) is determined by the Scottish Government and is set in accordance with the Civil Service Management Code (available at www.civilservice.gov.uk) and with independent advice from the Senior Salaries Review Body (SSRB). They are members of the Principal Civil Service Pension Scheme (see Note 16).

Within the Scottish Government, the Top Level Pay Committee, comprising the Permanent Secretary, the Director-Generals 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 SCS Pay Strategy 2010 determined that there would be no base pay award for members of the Senior Civil Service; non-consolidated performance related pay awards were also available for satisfactory performers within a pool scheme based on a ranking of performance in achieving agreed business objectives and contributing to corporate priorities. The pay strategy is administered by a system of Pay Committees who determine salary and non-consolidated performance related pay recommendations based on assessments of performance.

The remuneration of the other Executive Directors on the RoS Board is part of the overall pay policy for RoS staff, which 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 and for other work that they do. Fees are based on a daily rate at a level set out in Scottish Government guidance. Non-Executive Directors' expenses incurred in undertaking RoS business are also reimbursed.

The following sections provide details of the remuneration and pension interests of the most senior management (i.e. Board members) of the department.

	2010-11			2009-10		
	Salary	Bonus Payments	Benefits in Kind	Salary	Bonus Payments	Benefits in Kind
	£'000	£'000	(to nearest £100)	£'000	£'000	(to nearest £100)
Sheenagh Adams Keeper and Chief Executive	70-75	0-5		70-75	5-10	
Catriona Hardman Deputy Keeper Legal and Corporate Services (from 1 December 2009)	65-70	0		20-25 (65-70 full year equivalent)	0	
Andy Smith Registration Director (up to 23 August 2009) Deputy Keeper Service Delivery (from 24 August 2009 to 31 December 2010)	60-65 (75-80 full year equivalent)	0-5		65-70	0-5	
Billy Harkness Human Resources and Estates Director (Board member from 1 July 2009)	60-65	0-5		40-45 (55-60 full year equivalent)	0-5	
Laura Petrie Finance Director (from 1 December 2009)	60-65	0-5		15-20 (55-60 full year equivalent)	0	
John King Registration Director (from 14 September 2009)	60-65	0-5		30-35 (55-60 full year equivalent)	0-5	
Chris Dempsey Corporate Communications Director (Board member from 1 July 2009)	65-70	0-5		45-50 (60-65 full year equivalent)	0-5	
James Bailey Information Director (from 11 January 2010 to 10 January 2011)	60-65 (75-80 full year equivalent)	0		15-20 (70-75 full year equivalent)		

None of the above received any benefits in kind during the year.

PENSION BENEFITS

	Accrued pension at pension age as at 31/3/11 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/11	CETV at 31/3/10	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Sheenagh Adams Keeper and Chief Executive	25-30 plus lump sum of 85-90	0-2.5 plus lump sum of 2.5-5	551	496	11
Catriona Hardman Deputy Keeper Legal and Corporate Services (from 1 December 2009)	25-30	0-2.5	422	363	29
Andy Smith Registration Director (up to 23 August 2009) Deputy Keeper Service Delivery (from 24 August 2009 to 31 December 2010)	25-30 plus lump sum of 80-85	0-2.5 plus lump sum of 5-7.5	466	408	27
Billy Harkness Human Resources and Estates Director (Board member from 1 July 2009)	20-25 plus lump sum of 65-70	0-2.5 plus lump sum of 5-7.5	330	277	28
Laura Petrie Finance Director (from 1 December 2009)	10-15 plus lump sum of 30-35	0-2.5 plus lump sum of 2.5-5	154	131	12
John King Registration Director (from 14 September 2009)	15-20 plus lump sum of 55-60	0-2.5 plus lump sum of 5-7.5	293	237	34
Chris Dempsey Corporate Communications Director (Board member from 1 July 2009)	45-50	2.5-5	902	774	66
James Bailey Information Director (from 11 January 2010 to 10 January 2011)	0-5	0-2.5	13	3	8

The actuarial factors used to calculate CETVs were changed in 2010-2011. The CETVs at 31 March 2010 and 31 March 2011 have both been calculated using the new factors, for consistency. The CETV at 31 March 2010 therefore differs from the corresponding figure in last year's report, which was calculated using the previous factors.

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 within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

REAL INCREASE IN CETV

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

Reporting of Civil Service and other compensation schemes – exit packages

Exit package cost band	Total number of exit packages by cost band
<£10,000	26
£10,000 – £25,000	16
£25,000 – £50,000	40
£50,000 – £100,000	31
£100,000 – £150,000	11
£150,000 – £200,000	1
£200,000 – £250,000	1 (2)
£250,000 – £300,000	1
£350,000 – £400,000	0 (1)
£450,000 – £500,000	1
Total number of exit packages	128 (3)
Total resource cost /£	£6.412M (£0.782M)

There were no compulsory redundancies during the year. Comparative data for 2009-2010 is shown in brackets.

NON-EXECUTIVE DIRECTORS

The Non-Executive Directors are not employees of the organisation and nor do they benefit from pension arrangements. Their remuneration is based on Scottish Government scales for Agency and Non-Departmental Public Body (NDPB) Board members.

Fees paid to Non-Executive Directors were as follows:			
	Date of appointment	2010-2011	2009-2010
		£'000	£'000
Stephen Dingle	1 September 2007	5-10	5-10
Sheila Terry	1 September 2007	0-5	5-10
Ian Moffett	1 September 2007	0-5	5-10
Ben Gray	7 December 2009	0-5	0-5

CATRIONA HARDMAN

Accountable Officer

REGISTERS OF SCOTLAND TRADING FUND

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

We have audited the financial statements of Registers of Scotland for the year ended 31 March 2011 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Operating Income Statement, Statement of Financial Position, the Statement of Cash Flow, 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 2010-2011 Government Financial Reporting Manual (the 2010-2011 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 123 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

RESPECTIVE RESPONSIBILITIES OF REGISTERS OF SCOTLAND, THE ACCOUNTABLE OFFICER AND AUDITOR

As explained more fully in the Statement of the Keeper's and Accountable Officer's Responsibilities set out on page 46, 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 receipts. Our 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 us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are also responsible for giving an opinion on the regularity of expenditure and receipts.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts, disclosures, and regularity of expenditure and receipts 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. In addition, we read all the financial and non-financial information in the Annual Report and the Foreword to the Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our 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 2011 and of its net operating income 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 2010/2011 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 our opinion in all material respects:

- the expenditure and receipts in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and

OPINION ON OTHER PRESCRIBED MATTERS

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made there under by the Scottish Ministers; and
- the information given in the Management Commentary and Foreword to the Accounts included in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Statement on Internal Control does not comply with Scottish Government guidance.

We have nothing to report in respect of these matters.

Grant Thornton UK LLP

Chartered Accountants and Registered Auditors
1-4 Atholl Crescent
EDINBURGH
EH3 8LQ

Operating Income Statement

For the year ended 31 March 2011

	Notes	2011 £'000	2010 £'000
Revenue			
Operating Income	2	48,621	45,646
Change in work in progress	9	(866)	(2,092)
Total Revenue		47,755	43,554
Administration Costs			
Staff costs	3	39,620	41,218
Restructuring costs	3	6,453	1,022
Other administration costs	4	24,138	20,666
Permanent Diminution	5 and 6	3,102	23
Depreciation	5 and 6	5,091	5,295
Total Administration Costs		78,404	68,224
Operating Loss		(30,649)	(24,670)
Interest receivable	7	438	541
Interest payable	14	(229)	(238)
Gain/loss on sale of fixed asset		(4)	0
Loss		(30,444)	(24,367)

The notes on pages 64 to 75 form part of these accounts

Statement of Financial Position

	Note	31 March 2011 £'000	31 March 2010 £'000
Non-current assets			
Property, plant and equipment	5	11,020	12,213
Intangible assets	6	12,874	18,826
Receivables due after one year	10	26	25
Total non-current assets		23,920	31,064
Current assets			
Inventories	9	2,048	3,609
Trade and other receivables	10	2,194	4,449
Cash and cash equivalents	11	89,679	112,784
Total current assets		93,921	120,842
Total assets		117,841	151,906
Current liabilities			
Trade and other payables falling due within one year	12	32,004	38,100
Provisions for liabilities and charges	13	2,985	3,883
Total current liabilities		34,989	41,983
Non-current liabilities			
Provisions for liabilities and charges	13	4,283	1,141
Total non-current liabilities		4,283	1,141
Total liabilities		39,272	43,124
Net assets		78,569	108,782
Taxpayers' Equity			
Capital Loan	14	2,603	2,709
Retained Profits		72,888	103,332
Government Grant		40	0
Revaluation Reserve		3,038	2,741
Total Taxpayers' equity		78,569	108,782

The notes on pages 64 to 75 form part of these accounts

The Accountable Officer authorised these financial statements for issue on 26 August 2011.

CATRIONA HARDMAN

Accountable Officer

Statement of Cash Flows

For the year ended 31 March 2011

	Notes	2011 £'000	2010 £'000
Cash flows from operating activities			
Net operating profit		(30,649)	(24,670)
Adjustments for non-cash transactions			
depreciation		8,193	5,318
previously capitalised assets expensed		826	0
Movements in working capital			
(Increase)/Decrease in trade and other receivables		2,249	(985)
Increase/(Decrease) in trade and other payables		(6,018)	(8,257)
(Increase)/Decrease in inventories		1,562	210
Movements in provisions	13	2,244	2,108
Net cash outflow from operating activities		(21,593)	(26,276)
Cash flows from investing activities			
Purchase of property, plant and equipment		(281)	(939)
Purchase of intangible assets		(1,376)	(5,641)
Proceeds from disposal of property, plant and equipment		3	0
Proceeds from disposal of intangibles		0	0
Interest received		442	570
Interest paid		(234)	(242)
Net cash flow from investing activities		(1,446)	(6,252)
Cash flows from financing activities			
Repayment of loans from NLF		(106)	(107)
Scottish Government grant funding		40	0
Net cash flow from financing		(66)	(107)
Net increase (decrease) in cash and cash equivalents		(23,105)	(32,635)
Cash and cash equivalents at beginning of period	11	112,784	145,419
Cash and cash equivalents at end of period	11	89,679	112,784

The notes on pages 64 to 75 form part of these accounts

Statement of Changes in Taxpayers' Equity

	Capital Loan £'000	Retained Profits £'000	Revaluation Reserve £'000	Government Grant £'000	Total Reserves £'000
Balance at 31 March 2009	2,816	127,699	5,060		135,575
Repaid during year	(107)				(107)
Net gain/(loss) on revaluation of property			(2,319)		(2,319)
Net operating profit/(loss) for the year		(24,367)			(24,367)
Balance at 31 March 2010	2,709	103,332	2,741	0	108,782
Repaid during year	(106)				(106)
Net gain/(loss) on revaluation of property			297		297
Received in year				40	40
Net operating profit/(loss) for the year		(30,444)			(30,444)
Balance at 31 March 2011	2,603	72,888	3,038	40	78,569

The notes on pages 64 to 75 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 77) 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.

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 TURNOVER, FEES AND CHARGES

Turnover, which excludes Value Added Tax, represents the invoiced value of services supplied, and is derived wholly from within the United Kingdom. Revenue is only recognised once work is complete and despatched (see also 1.11 Trade and Other Payables).

Fees and charges are set in accordance with Section 25 of the Land Registers (Scotland) Act 1868 which provides that 'the amount of the fees so fixed shall not be greater than is reasonably sufficient for defraying the expenses of the department of the Keeper, including the expenses of the improvement of the systems of such registration and recording'. 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.

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

1.4 VALUE ADDED TAX

The majority of services provided by RoS fall outwith 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 will be 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 £1,000.

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 31 March 2010 as detailed in Note 5. It is considered that this still provides a fair value in light of current economic conditions.

Plant and equipment assets that have short useful lives or 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 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	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. Within the IT Partnership with BT (see Note 5) computer equipment is depreciated over the remainder of the contract prevailing at time of purchase. The contract started 1 December 2004 with a duration of 10 years. The depreciation method has been changed at the mid-point of 1 December 2009 to allow for assets with a life of five years.

Plant and Machinery and Office Equipment include infrastructure set up costs relating to Hanover House which will be 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 no longer revalued using indices but are reported at depreciated historic cost as a proxy for fair value. Provision for depreciation is made so as to write off the cost on a straight-line basis, presently either over the remainder of the BT contract or five years, depending on the expected useful life of the asset involved.

The Registers Archive Conversion is the creation of a digital archive from the National Archive of Scotland's paper and microfiche archive. The useful life of this asset has been reviewed and set to 20 years from 1 April 2010.

1.7 FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

FRS 26 requires the classification of financial instruments into separate categories for which the accounting treatment is different. RoS has classified its financial instruments as follows:

Financial Assets:

Cash, cash at Government Banking System, cash at commercial bank, short-term deposits (see 1.12), trade debtors, short-term loans and amounts receivable will be reported in the loans and receivables category.

Financial Liabilities:

Borrowings, trade payables, accruals, creditors are classified as other liabilities. Financial instruments are initially measured at fair value. Their subsequent measurement depends on their classification. Loans and receivables and other liabilities are held at amortised cost and not revalued unless they are included in a fair value hedge accounting relationship. Any impairment losses go through the income statement.

1.8 LEASES

Where substantially all the risks and rewards of ownership of a leased property 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 income statement. Rentals payable in respect of operating leases will be charged to the income statement on a straight-line basis over the term of the lease.

1.9 PENSION COSTS AND OTHER POST RETIREMENT BENEFITS

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is a defined benefit scheme and is unfunded (see Note 15). RoS recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees'

services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

Actual costs of funding early retirement are expensed and future costs have been calculated and set up in a provision. Early severance payment obligations are expensed in the year in which the employee leaves.

1.10 INVENTORIES – WORK IN PROGRESS

Work in progress 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.

1.11 TRADE AND OTHER PAYABLES

RoS operates a system of prepayment of registration fees which are initially held on the balance sheet under bank and creditors. Income is not recognised until the registration process is fully complete.

1.12 TEMPORARY DEPOSITS

The Statement of Cash Flows includes funds placed on short-term temporary deposit (not exceeding two months) at the National Loans Fund. This represents a very low-risk exposure to RoS and is the only facility used to invest surplus funds.

1.13 SEGMENTAL REPORTING

RoS considers that there are no operating segments which require to be disclosed under IFRS 8. Separate financial information about operating segments is therefore not produced.

Notes to the Accounts

2. OPERATING INCOME

	2011 £'000	2010 £'000
First Registrations	8,395	9,609
Transfers of Part	9,248	8,008
Dealings with Whole	22,664	20,244
Sasines	2,848	2,664
Registers Direct and Customer Service Centres	2,604	2,401
Chancery and Judicial Registers	1,448	1,537
Reports and Other	1,000	898
	48,207	45,361
Other operating income (including recoveries)	414	285
	48,621	45,646

3. STAFF COSTS

	2011 £'000	2010 £'000
Administration costs		
Wages and salaries	31,174	32,896
Social Security costs	2,224	2,258
Other pension costs	5,652	5,603
Inward secondments	108	8
Agency staff costs	416	440
Other staff costs	46	13
Total administration staff costs	39,620	41,218
Restructuring costs	6,453	1,022
Recoveries from outward secondment	(109)	(133)
	45,964	42,107

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

Average number of persons employed

	2011	2010
Registration	979	936
Corporate Services (including Customer Service Centres)	270	363
	1,249	1,299
Agency Staff	26	31
	1,275	1,330
Less seconded out	(2)	(3)
	1,273	1,327

4. OTHER ADMINISTRATION COSTS

	2011 £'000	2010 £'000
Staff Related Costs		
Travel and subsistence expenses	243	237
Staff training	362	431
Other staff costs	187	178
Supplies and Services		
Catering	101	242
Security	382	387
Equipment and services	14,980	11,082
Operating leases – vehicles	15	6
General administrative expenditure	1,655	1,980
Services from Ordnance Survey	519	526
Copy deeds/quick copies	177	177
Professional fees	330	140
Bank charges	27	44
Indemnity and legal costs	982	593
External audit	83	61
Internal audit	72	44
Accommodation and Utilities		
Estate charges	1,450	1,579
Operating leases – rents	1,042	1,028
Repairs, maintenance and minor works	565	851
Utilities	465	569
Environmental services	501	511
	24,138	20,666

Notes to the Accounts

5. PROPERTY, PLANT AND EQUIPMENT

	Land – Freehold £'000	Buildings – Freehold £'000	Information Technology £'000	Plant & Machinery £'000	Assets Under Construction £'000	Total £'000
Cost or Valuation						
At 1 April 2010	1,330	4,790	14,545	4,286	142	25,093
Additions	–	–	62	33	196	291
Revaluation in year	71	257	–	–	–	328
Disposals	–	–	(1,117)	(126)	–	(1,243)
At 31 March 2011	1,401	5,047	13,490	4,193	338	24,469
Depreciation						
At 1 April 2010	–	20	9,096	3,764	–	12,880
Charged in year	–	240	1,164	148	–	1,552
Backlog depreciation	–	31	–	–	–	31
Permanent diminution	–	–	187	–	–	187
Revaluation in year	–	–	–	–	–	0
Disposals	–	–	(1,081)	(120)	–	(1,201)
At 31 March 2011	0	291	9,366	3,792	0	13,449
NBV at 31 March 2011	1,401	4,756	4,124	401	338	11,020
NBV at 31 March 2010	1,330	4,770	5,449	522	142	12,213
Analysis of asset financing						
Owned	1,401	4,756	4,124	401	338	11,020
Finance Leased	–	–	–	–	–	0
On-balance sheet PFI	–	–	–	–	–	0
PFI residual interest	–	–	–	–	–	0
NBV at 31 March 2011	1,401	4,756	4,124	401	338	11,020
Cost or Valuation						
At 1 April 2009	996	8,277	14,203	4,199	–	27,675
Additions	–	–	342	87	142	571
Revaluation in year	334	(3,487)	–	–	–	(3,153)
Disposals	–	–	–	–	–	0
At 31 March 2010	1,330	4,790	14,545	4,286	142	25,093
Depreciation						
At 1 April 2009	–	448	7,947	3,570	–	11,965
Charged in year	–	407	1,149	171	–	1,727
Backlog depreciation	–	24	–	–	–	24
Permanent diminution	–	–	–	23	–	23
Revaluation in year	–	(859)	–	–	–	(859)
Disposals	–	–	–	–	–	0
At 31 March 2010	–	20	9,096	3,764	–	12,880
NBV at 31 March 2010	1,330	4,770	5,449	522	142	12,213
Analysis of asset financing						
Owned	1,330	4,770	5,449	522	142	12,213
Finance Leased	–	–	–	–	–	0
On-balance sheet PFI	–	–	–	–	–	0
PFI residual interest	–	–	–	–	–	0
NBV at 31 March 2010	1,330	4,770	5,449	522	142	12,213

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. Due to the economic downturn it was decided to obtain a valuation at 31 March 2010. Freehold land and buildings were revalued at £6,120k as at 31 March 2010 on the basis of existing use value. The valuation at 31 March 2010 has been split £1,330k land and £4,790k

buildings. The expected useful life was put at 20 years. This compares to the valuation at 31 March 2008 of £9,310k, split £1,000k land and £8,310k buildings, and 20 years expected useful life. The valuation was carried out by independent external valuers, DTZ and was prepared in accordance with the requirements of the RICS Appraisal and Valuation Manual.

IT PARTNERSHIP – BT

On 1 December 2004 RoS entered into a partnership with BT for the provision of all IS/IT services. Ownership of the

existing IT assets was transferred to BT; however, the associated benefits and risks remain with RoS. The accounting treatment has therefore been to treat the IT assets similar to that of a finance lease. Assets will be paid for by RoS and brought into the accounts in the usual manner. BT will then support these assets and at the end of the contract the assets will be transferred back to RoS. This arrangement covers the figures in the above table under Information Technology and Intangible Assets (Note 6).

6. INTANGIBLE ASSETS

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

Cost or Valuation	£'000
At 1 April 2010	40,452
Additions	1,292
Revaluation in year	0
Disposals	(1,094)
At 31 March 2011	40,650
Depreciation	
At 1 April 2010	21,626
Charged in year	3,539
Revaluation in year	0
Disposals	(304)
Permanent Diminution	2,915
At 31 March 2011	27,776
NBV at 31 March 2011	12,874
NBV at 31 March 2010	18,826
Cost or Valuation	
At 1 April 2009	34,701
Additions	5,751
At 31 March 2010	40,452
Depreciation	
At 1 April 2009	18,058
Charged in year	3,568
At 31 March 2010	21,626
NBV at 31 March 2010	18,826

Notes to the Accounts

7. INTEREST RECEIVABLE

	2011	2010
	£'000	£'000
On Paymaster and National Loans Fund balances	438	541

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; and
- 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 holding Government Bonds.

As most of RoS' customers are either pre-paid or on Direct Debit there are no significant balances that are past due.

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 outwith 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

	2011	2010
	£'000	£'000
Work in progress	2,048	3,609

The movement in work in progress in the Income Statement is made up of:

	2011	2010
	£'000	£'000
(Decrease) in Asset balances	(1,561)	(210)
(Increase) in Provision	695	(1,882)
	(866)	(2,092)

10. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	2011	2010
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	630	380
Less: Provision for bad debts	(1)	(2)
	629	378
Other receivables	143	137
VAT	870	664
Prepayments and accrued income	552	3,270
Total receivable within 1 year	2,194	4,449
 The above is further analysed as:		
Other central government bodies	1,011	790
Local authorities	45	34
NHS bodies	1	2
Bodies external to government	1,137	3,623
	2,194	4,449

Amounts falling due after more than one year:

Other receivables – Subrogation	26	25
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11. CASH AND CASH EQUIVALENTS

	2011	2010
	£'000	£'000
Balance at 1 April	112,784	145,419
Net change in cash and cash equivalent balances	(23,105)	(32,635)
Balance at 31 March	89,679	112,784

The following balances at 31 March were held at:

Government Banking System	6,800	11,982
Commercial banks and cash in hand	879	802
Short-term investments	82,000	100,000
Balance at 31 March	89,679	112,784

12. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	2011	2010
	£'000	£'000
Amounts falling due within one year:		
Trade payables	4,601	2,442
Other payables	14	12
Accruals and deferred income	733	1,260
Fees received in advance	26,550	34,279
NLF loans	106	107
Total due within one year	32,004	38,100

The above is further analysed as:

Other central government bodies	1,092	1,719
Local authorities	204	221
NHS bodies	34	1
Bodies external to government	30,674	36,159
	32,004	38,100

Notes to the Accounts

13. PROVISIONS FOR LIABILITIES AND CHARGES

	Early Retirements	Indemnities	Dilapidations	Work in Progress	Total
	£'000	£'000	£'000	£'000	£'000
At 1 April 2009	760	240	600	1,316	2,916
Additional provision made	352	482	150	1,882	2,866
Amounts incurred and charged against provision	(221)	(445)	–	–	(666)
Unused amounts reversed	–	(92)	–	–	(92)
At 31 March 2010	891	185	750	3,198	5,024
Additional provision made	3,226	797	224		4,247
Amounts incurred and charged against provision	(360)	(273)	(674)	(695)	(2,002)
Unused amounts reversed		(1)			(1)
At 31 March 2011	3,757	708	300	2,503	7,268

Analysis of total provisions:	2011 £'000	2010 £'000	2009 £'000
Current	2,985	3,883	1,186
Non-current	4,283	1,141	1,730
	7,268	5,024	2,916

Early Retirement

See accounting policy for pension costs and other post retirement benefits (Note 1).

Indemnities

A provision for indemnity payments has been provided for this year based upon a review of the outstanding claims and an estimate of the settlement values (see Note 18).

Dilapidations

The provision is an estimate of the costs payable on the termination of the lease on Erskine House, 68-73 Queen Street, Edinburgh in 2011-12.

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.

14. TAXPAYERS' EQUITY

A Capital Loan was set up 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%. Interest payable to National Loans Fund amounted to £229,000 for the year to 31 March 2011 (2010: £238,000).

Retained Profits are the accumulated amount since the start of Trading Fund status on 1 April 1996.

The **Revaluation Reserve** reflects the increases in the revaluation of Freehold Land and Buildings as detailed in Note 5.

15. PENSIONS

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

Repayments on the Capital Loan are as follows:

	2011 £'000	2010 £'000
Between one and two years	106	106
Between two and five years	319	319
In more than five years	2,178	2,284
	2,603	2,709
Within one year (included in Creditors)	106	107
	2,709	2,816

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three-years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his 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% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

Notes to the Accounts

Further details about the Civil Service pension arrangements can be found at the website <http://www.civilservice.gov.uk/my-civil-service/pensions/index.aspx>

The PCSPS is an unfunded multi-employer defined benefit scheme but Registers of Scotland is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/my-civil-service/pensions).

For 2010-2011, employers' contributions of £5,608,326 were payable to the PCSPS (2009-2010 £5,572,237) at one of four rates in the range 16.7% to 24.3% of pensionable pay, 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 2010-2011 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. Employers' contributions

of £29,263 were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £2,189, 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the **partnership** pension providers at the balance sheet date were £3,062. Contributions prepaid at that date were nil.

16. CAPITAL COMMITMENTS

Contracted capital commitments at 31 March not otherwise included in these accounts	2011 £'000	2010 £'000
Property plant and equipment	2,975	1,719
Intangible assets	857	15,698

This expenditure mostly relates to the IT Partnership with BT and the extension of Meadowbank House.

17. COMMITMENTS UNDER LEASES

Obligations under operating leases comprise:

	2011 £'000	2010 £'000
Buildings:		
Not later than one year	858	851
Later than one year and not later than five years	2,308	3,411
Later than five years	555	1,126
Other:		
Not later than one year	6	3
Later than one year and not later than five years	8	4
Later than five years	nil	nil

18. CONTINGENT LIABILITIES

Under the terms of Section 12 of the Land Registration (Scotland) Act 1979, a person suffering loss as a result of inter alia an error or omission in any

Land or Charge Certificate or other information given by the Keeper of Registers of Scotland shall, subject to certain provisions, be entitled to be indemnified in respect of that loss.

As explained in Note 13 provision is made for indemnity claims; however where these are not yet known they are not provided for in the accounts.

19. LOSSES

RoS settled 87 claims for loss, either arising from errors made in the Sasine recording process or made under the indemnity provisions of the Land Registration (Scotland) Act 1979 at a cost of £272,513 (2009-2010: 102 claims, £444,607).

RoS decided to cancel two IT projects. It was considered that these systems would no longer deliver the benefits originally intended. Under IAS 36 Impairment of Assets, the carrying value of these assets has been recognised as being fully impaired resulting in a permanent diminution.

These constructive losses are detailed below, showing the constructive loss of the original cost of the asset, the depreciation incurred and the write off involved.

	Constructive Loss £'000	Depreciation £'000	Asset write off £'000
eSettle Registration System	3,792	1,130	2,662
Content Management System	757	317	440
	4,549	1,447	3,102

There is also revenue expenditure of £2.2 million relating to eSettle which is further constructive loss.

20. RELATED PARTY TRANSACTIONS

Registers of Scotland is a Trading Fund of the Scottish Ministers.

During the year, Registers of Scotland had a significant number of transactions with other Government Departments and Agencies. Most of these transactions have been with the Ordnance Survey, Transport Scotland (an Agency of the Scottish

Government), Cabinet Office (National School of Government), National Archives of 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 Registers of Scotland during the year.

21. FINANCIAL OBJECTIVES

Cash-releasing efficiencies of 3.0% were delivered in the year to 31 March 2011 in comparison with the base year 2009-2010. This compares to the target set by the Scottish Ministers of 2%.



APPENDIX 1

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.

A handwritten signature in blue ink, appearing to read 'Alison Sturgeon'.

Signed by the authority of the Scottish Ministers

Dated 17 January 2006

A REPORT BY THE AUDITOR GENERAL FOR SCOTLAND UNDER SECTION 22(3) OF THE PUBLIC FINANCE AND ACCOUNTABILITY (SCOTLAND) ACT 2000

THE 2010-2011 AUDIT OF REGISTERS OF SCOTLAND

- 1_** I have received the audited accounts of the Registers of Scotland (RoS) for the year ended 31 March 2011. The auditor has given an unqualified audit opinion on the accounts. I have decided to issue this report to bring to the Parliament's attention a £3.1 million reduction in the value of Information Technology (IT) and software assets reflected in the accounts and to continuing uncertainty over other projects being delivered through a Strategic Partnership Agreement (SPA) with their IT provider.
- 2_** I submit these accounts and the auditor's report in terms of section 22(4) of the Public Finance and Accountability (Scotland) Act 2000, together with this report which I have prepared under section 22(3) of the Act.
- 3_** The statement of the financial position of RoS on page 61 of the accounts shows that the value of its total non-current assets reduced by £7.14 million from £31.06 million at 31 March 2010 to £23.92 million at 31 March 2011. Note 19 on page 75 of the accounts explains how the reduction in value relates partly to impairment charges of £3.102 million because two IT projects progressed through the SPA were abandoned. An impairment charge is made where an event or change in circumstances reduces the value of an asset below the amount it would generate from its use or sale. Note 19 also refers to revenue expenditure of £2.2 million relating to a further constructive loss. A constructive loss can not be avoided, but occurs when a procurement action results in payment for an item that turns out to be of less use or value than when the procurement took place.

- 4_ RoS entered into the SPA with British Telecom (BT) on 1 December 2004. The agreement was expected to deliver a range of information systems and services including ongoing IT provision and a number of programmes to update RoS' IT systems and applications. The initial contract cost of both the projects and services was estimated to be £66 million to the end of the partnership in 2014. RoS recognised however, that costs would rise above the estimate to take account of inflation and additional projects, and introduced a system of change control notices to approve changes and monitor costs.
- 5_ By 30 April 2011 RoS had incurred costs of £102 million and the total estimated cost to the end of the partnership has risen to £132 million. RoS attribute overspend against the budget to factors such as programme changes which emerged after the original contract was agreed (£20 million), additional service charges as a result of contract changes (£5.4 million) and legacy costs (£9.2 million). The total value of change control notices approved in the period was £17.1 million. I will consider these factors in more detail in the wider audit of outsourced contracts noted in paragraph 10 below.
- 6_ The Scottish Government undertook a Gateway Review of the SPA and reported in January 2011. The review concluded that the SPA fell into a category of projects where successful delivery of the project/programme appears to be unachievable.
- 7_ The impairment charges in the accounts represent a loss of value in relation to two projects that the SPA was expected to deliver. RoS decided not to proceed with a system designed to process case registration (eSettle) because tests showed that it did not achieve the required level of delivery and accuracy. A further project which was expected to provide a content management system (CMS) was completed but RoS found that revenue costs associated with the system would be approximately £1 million over four years, and decided to return to the previous system until a solution providing value for money can be implemented. The total cost of both projects was £6.8 million of which £3.1 million were capital costs and required to be impaired.
- 8_ RoS has undertaken an impairment review of the remaining parts of the SPA. The review did not identify any further projects being delivered which should be written down in the 2010-2011 accounts. The auditor has accepted the results of the impairment review but has identified that the future of some projects being developed under the SPA remains uncertain and has recommended that another specific project designed to provide automated registration of title to land is regularly reviewed to ensure RoS continue to value it at an appropriate level.
- 9_ RoS management have undertaken a number of actions to learn lessons from the CMS and eSettle projects and to manage the SPA going forward. These include:
- post project reviews to learn lessons from abandonment;
 - staff training to ensure all relevant costs are included in business plans;
 - an annual review of ongoing capital projects to identify any asset impairments; and
 - the preparation of exit and transition strategies for the end of the BT contract in 2014.
- 10_ The impairment charge incurred by RoS is similar to changes in the value of software assets recorded by other public bodies in their accounts for 2010-2011. I will produce reports to be laid with the accounts of each these bodies individually. I have also asked Audit Scotland to bring forward proposals in the current forward programme of performance audit studies to produce a wider report on outsourced contracts.

**ROBERT W BLACK**

Auditor General for Scotland

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