Registers of Scotland

Focussing on our customers

Annual Report and Accounts

2018-19

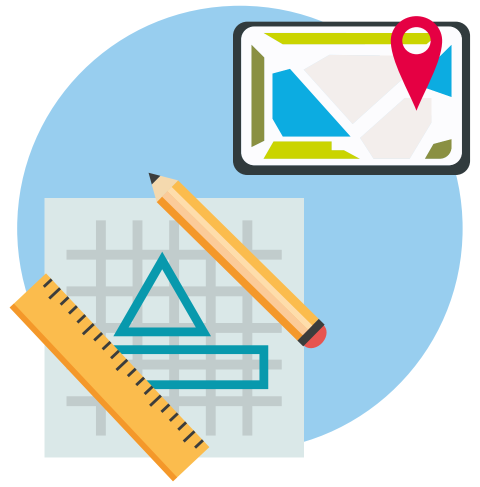
Contents

2018-19: the year in numbers

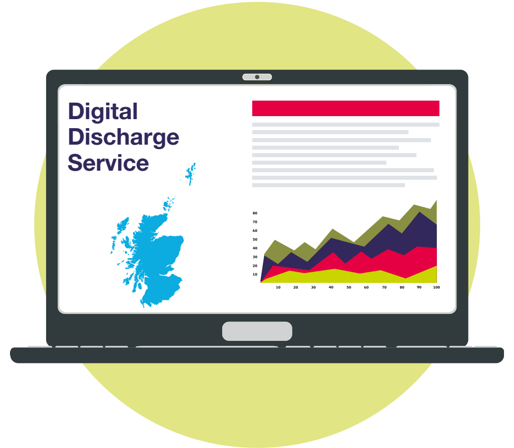
90% of registrations completed in 20 days (down 1% from 2017-18)

CO2 down 25% from 2017-18

77% customer satisfaction score (down 5% from 2017-18)



11,317 Development Plan Approval (DPA) plots (up 22% from 2017-18)



35% of discharges via Digital Discharge Service (DDS) (up from 12% in 2017-18)

698,519 applications received (up 2.1% from 2017-18)

192,000+ information requests (up 9% from 2017-18)

Income: £73.7m (up from £72.6m in 2017-18)

Costs: £79.6m (down from £88.1m in 2017-18)

Improved from bronze to silver Investor in People (IiP) award

58,500 cups saved from waste

Colleague engagement 59% (up 7% from 2017-18)

Average number of persons employed 1,211 (down from 1,262 in 2017-18)

Jennifer Henderson,
Keeper of the Registers of Scotland

Foreword

Having joined Registers of Scotland (RoS) on 1 April 2018, the 2018-19 Annual report and accounts is a particularly special one for me, as it gives me an opportunity to reflect on my first 365 days as Keeper. It's been a busy and exciting year marked by a number of highlights: improving registration efficiency; making our information more accessible; enhancing our digital services; engaging with customers across Scotland to improve the services we deliver; and renewing our focus on making RoS a great place to work for our colleagues, to name just a few.

RoS is an important organisation for Scotland and its economy. We provide a publicly guaranteed system of rights in land and property, which must be maintained and protected for property owners. We also provide registration and information products and services to our business customers, such as land and property professionals, which underpins the efficient operation of the housing market. And, of course, we provide public access to our registers to enable the citizen to find answers to their questions.

We continue to process increased numbers of applications year on year, with 698,519 applications submitted to our main registers in 2018-19. We also responded to over 192,000 first line information requests coming in to our Customer Services.

We set ourselves service standards to ensure our work is completed in a timely manner, and in the majority of cases we meet these standards; in 2018-19, 90 per cent of applications were completed within 20 days. However, I'm keenly aware that for a number of our customers and their clients, our work has fallen short of the standards expected, and regrettably, over the last few years, this has developed into an arrear of registration casework. Stabilising and clearing the arrear is our number one operational priority, and we are already making strides to ensure a similar situation does not arise again in future.

Successfully tackling the arrear, and the registration process more generally, is central to our goal of completing the Land Register of Scotland, with 34 per cent of land mass and 67 per cent of titles now moved to the Land Register from the General Register of Sasines. We are continuing to work closely with landowners both large and small, public and private, to achieve our goal of completing the Land Register by 2024.

Innovation is a key word at RoS, and in 2018-19 we have continued to challenge our thinking to find new ways to improve the service we offer to our customers. We have introduced new policies and procedures designed to boost efficiency for our customers, invested in our people and continued the digitisation of our products and services. Providing access to our information and being the trusted, authoritative source of land and property data in Scotland is a vital element of our work. I was particularly proud that the

trustworthiness of our data was formally recognised with the designation of our house price statistics as a National Statistic in 2018. Access to our information continued to be enhanced through the improvements we delivered to ScotLIS, Scotland's Land Information Service, and it is a testament to the enhanced functionality and usability of ScotLIS, that we were able to retire our legacy service Registers Direct in November 2018. Both customers and colleagues are now using ScotLIS and its innovative map-based features for all their land and property information needs. We're continuing to enhance ScotLIS by working with our business customers, while also refreshing the public proposition for ScotLIS, so we can provide the people of Scotland with access to information about property across the country.

Our desire to embrace digital technology to support our customers remained a key focus in 2018-19. The Digital Discharge Service (DDS) has continued to become an integral part of the registration process since its launch in May 2017. DDS removes the need for paper and postage in the discharging of standard securities, and centralises the actions of all parties into a single online portal, bringing customers a much quicker, more secure and more streamlined service. In the past year we've added several new lenders to the service, and DDS now accounts for about a third of all discharges processed.

Following feedback from customers on some of our planned future digital services, where customers told us they were not ready for some of things we had proposed, we are reviewing all our customer facing systems and identifying where we should prioritise future digital developments to deliver the greatest benefit for our customers. In addition, we are focussing on improvements to our people-led processes, and consolidating the benefits from the digital developments we have already put in place.

One such initiative that I'm particularly pleased with is our new Buying and Selling team. It represents a new approach to managing our registration duties; we've combined expertise from across the organisation into a multiskilled team, and worked with our Innovation Centre to develop new ideas and approaches designed to maximise productivity and efficiency. The team is already delivering results, improving the speed with which we complete First Registrations. Everything we do is aimed at providing our customers with a high quality, efficient and effective service. As a result, customer engagement is at the heart of our approach, and with this in mind, in autumn 2018 we launched an engagement campaign designed to provide wide-ranging updates for customers across Scotland. We met with over a thousand customers and stakeholders to better understand their needs and questions regarding RoS and our services, and are using this insight to guide activity throughout 2019 and beyond.

I'd like to close by extending my thanks to all our customers and stakeholders who made my first year at RoS a productive and positive experience, and to all the colleagues at RoS whose dedication, expertise and professionalism underpins our services for our customers and the value we add for the people of Scotland.

Jennifer Henderson
Keeper of the Registers of Scotland

Vision and values

Our vision:
To be a digital registration and information business trusted for our integrity.

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

- **Customer focussed** – we strive to understand what our customers need and why so that we can design our processes and services for them;
- **Forward thinking** – we must always add value for the public of Scotland, finding better ways to deliver what they and the Scottish economy need;
- **Impartial** – we act without bias, keeping information secure and presenting it accurately; and
- **Professional** – we recognise that customers need us to be efficient and effective and to work with pace, passion and pride.

Performance report

Overview

The purpose of this section is to provide an overview of the Registers of Scotland, its purpose and activities. This section also includes information on key risks and issues for the organisation as well as a high level summary of performance in 2018-19.

Registers of Scotland (RoS) is a non-ministerial office and part of the Scottish administration. Since 1 April 1996, we have operated in the same way as a trading fund, with our financial framework set out in the Public Finance and Accountability (Scotland) Act 2000. Our income from the fees we charge from our statutory and non-statutory activities covers our costs, taking one year with another. Our work is demand-led, with the level of work fluctuating in response to activity in both the housing and commercial property sectors.

In total, RoS maintains 20 public registers that provide for the registration of legal documents in Scotland. Two of our most active registers relate to land ownership: the Land Register of Scotland and the General Register of Sasines. We saw a 2.1 per cent increase in the number of applications received compared to the previous year as outlined in Table 1 below.

Applications received in 2018-19

Register *	Applications received	% Change from 2017-18
Land Register	552,617	+2.0%
Sasines Register	41,498	-7.9%
Crofting Register	838	-21.5%
Landlord Register	25,868	-3.3%
Books of Council and Session	54,316	+2.1%
Register of Inhibitions	23,382	+12%
Total	698,519	+2.1

* This table details the highest volume registers we hold. The figures for the Land Register and Sasines Register include advance notices received.

To see all the registers we hold, visit ros.gov.uk

Statement of purpose and activities

Principal activities

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

The Land Register of Scotland is gradually replacing the Sasine Register. It was introduced by the Land Registration (Scotland) Act 1979 and subsequently updated through the Land Registration etc. (Scotland) Act 2012. The Land Register is a state-guaranteed register of title to land, which results in the creation of a title sheet in which the extent of the property is shown on the Ordnance Survey map. We are working to complete the Land Register, as discussed in more detail on **page 14**.

The other registers in our care help underpin a variety of aspects of the Scottish economy. The Crofting Register, covering crofts, common grazings and land held in runrig (divided into strips and belonging to different people), provides a public record of these rights. We also hold the Register of Sites of Special Scientific Interest, the Register of Community Interests in Land, the Landlord Register and the Letting Agents Register. The most recent addition to our registers is the Register of Applications by Community Bodies to Buy Land (RoACBL). RoACBL contains applications by community bodies to buy land, in order to bring it back into productive use for the benefit of the local community.

We support the wider economy by maintaining the Chancery and Judicial Registers, comprised of nine registers in addition to the three that make up the Books of Council and Session. These hold vital legal information, from the names of parties unable to grant property deeds due to sequestration (Register of Inhibitions), to Royal Assent for official documents like Acts of the Scottish Parliament (Register of the Great Seal).

More information on our registers, and how they support the people and economy of Scotland, can be found on our **website.**

Our objectives

Our 2018-21 corporate plan covered the financial year 2018-19 and set out four strategic objectives:

- **Registration:** By 2021, we will have made sufficient progress to enable completion of the Land Register by 2024,
- **Information:** ScotLIS is the platform of choice for information about land and property, and its data is used to create value for Scotland,
- **Digitising:** We will be digital by 2020 and by 2021 we will be extending and capitalising on our fully digital organisation,
- **Delivery:** We will continue to run an agile and sustainable business where our empowered and capable people anticipate and respond to our customers' needs.

Performance analysis

Registration

As a registration and information business, we have a statutory duty to register land and property and ensure that the data we hold is accurate. This section details our performance across all registration products in 2018-19, as well as the main activities we have undertaken to improve our registration services and to address the challenges we face – in particular the arrear. It also sets out how we are evolving the way we deliver registration; moving from being structured by registration product (for example First Registration or Dealing of Whole), to aligning our services to the tasks our customers want to undertake.

In 2018-19 we continued to meet our service standards for the majority of our services. The table opposite sets out our performance over the last year.

Service standards

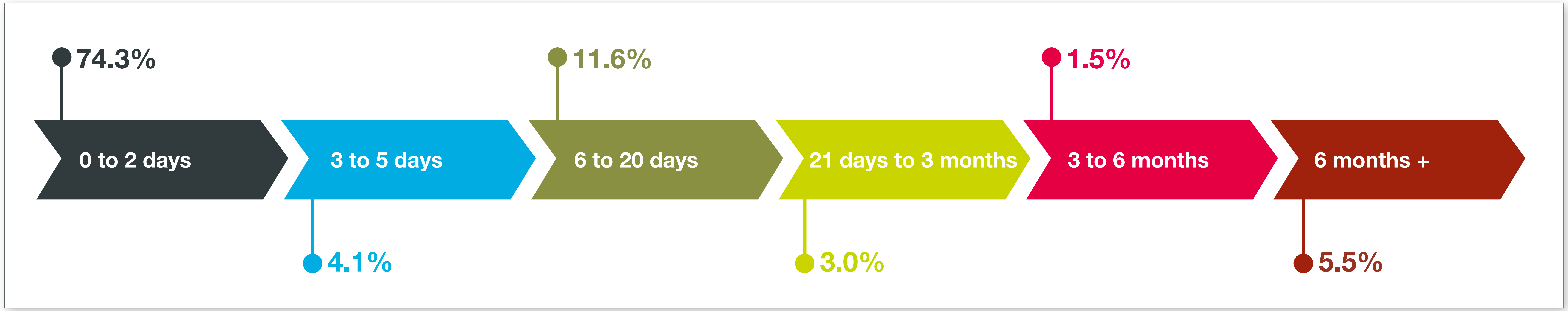
Register(s)	Service standard	Applications completed	Cases meeting service standard
1. Enter new Land Register applications on the application record	Within 1 working day	552,617	99.98%
2. Register applications in:			
// Chancery and Judicial Registers (registration process)	Within 3 working days	78,478	100%
// Crofting Register	Within 3 working days	848	100%
3. Register applications in:			
// General Register of Sasines	Within 20 working days	14,068 (includes Sasine AN)	99.99%
4. Register Land Register applications for deeds affecting:			
// Registered Land	Within 20 working days	244,265	98.0%
// Unregistered Land (standard)	Within 20 working days	10,805	43.8%
// Part of Registered Land where the Keeper has given Development Plan Approval	Within 20 working days	6,042	100%
5. Register other applications for deeds affecting Unregistered Land	Within 6 months	15,503	17.8%
6. Register other applications for deeds affecting part of Registered Land	Within 9 months	15,525	52.7%

In 2018-19, 90 per cent of work despatched was completed within 20 working days, with 74 per cent of work despatched within two working days as shown in the table below.

We acknowledged in June last year that we had a significant backlog of applications, with some applications dating back almost three years. We stated that this situation was not acceptable, and we worked diligently throughout 2018-19 to address the issue. For 2018-19 our first target had two components: to stabilise the overall position so that work being completed was equal to new work coming in and to complete our oldest casework so that the overall age of cases was dramatically reduced. Our second target was then to begin to drive down the overall volume of cases. We tested a number of interventions in our model office and, based on that evidence, carried out detailed modelling to forecast the rate at which we could reduce the backlog and therefore, how quickly we could return to service standard across our registration products.

We also acknowledged that this work would take us some time. Accordingly, to reduce the risk to our customers whilst we completed this work we introduced two significant policy changes. The first was that we would no longer reject applications which are older than three months unless absolutely necessary. The second was to introduce an expedite policy so that where customers really needed a case completed, they could ask for that to be done. These policy changes mean it will take us slightly longer to clear the backlog than if we had simply worked from the oldest case forwards and rejected applications which were incomplete. However, we think that is the right balance to strike and our customers and stakeholders have been very supportive of that position.

Turnaround times for Land Register applications in 2018-19



We have made strong progress with this work and against the targets we have set. The overall stock position has stabilised as we projected, and for First Registrations and Transfers of Part within developments we have gone further and started to drive down the overall volumes. Transfers of Part outwith developments have not yet stabilised, though we expect them to do so in the first quarter of 2019-20. We have also cleared significant volumes of our oldest cases (which tend to be more complex and time consuming).

Since June we completed 9,264 cases that were older than two years. Currently, we have only 0.5 per cent of cases outstanding from 2016, 3 per cent of cases outstanding from 2017, and only 6 per cent of cases from 2018 awaiting completion.

We are confident that the First Registrations arrear will be eradicated by September 2020 and Transfers of Part within developments will also return to service standard comfortably within that period. There is no arrear within our Development Plan Approval service or our Dealing with Whole function and we will maintain that position. The only area we have not made the progress we wanted to is in respect of Transfers of Part outwith developments (which represent around 2 per cent of our intake). For this product, our initial modelling indicates that the arrear will be eradicated by March 2021 but further modelling needs to be carried out in the first quarter of 2019-20 to finalise this projection and bring it down if possible.

Registration quality

Our overall quality results for 2017-18 averaged 98.2 per cent, having started the year at 97.6 per cent. In 2018-19 a target of 98 per cent was set and the average for the year was 98.3 per cent, representing a much more stable picture as the 98 per cent target was exceeded in every month. Our quality measure covers a wide spectrum of key data aspects. Our quality team meet with Registration managers on a monthly basis to give detailed feedback and discuss monthly quality reports. Managers then share this information with their teams so they can be clear on where they need to improve quality month to month.

Rejections

We know that the rejection of applications is a primary source of concern and difficulty for our customers, and over the past two years we have taken steps to help reduce the rate of rejection for the applications we receive. The rate of rejection has steadily decreased between 2017-18 and 2018-19 as evidenced in the table below.

Rejection rates in 2018-19

Product	Rejection rate 2018-19	Rejection rate 2017-18
Dealing of Whole	4.6%	5.8%
First Registration	10.4%	19.2%
Transfer of Part	14.4%	15.9%

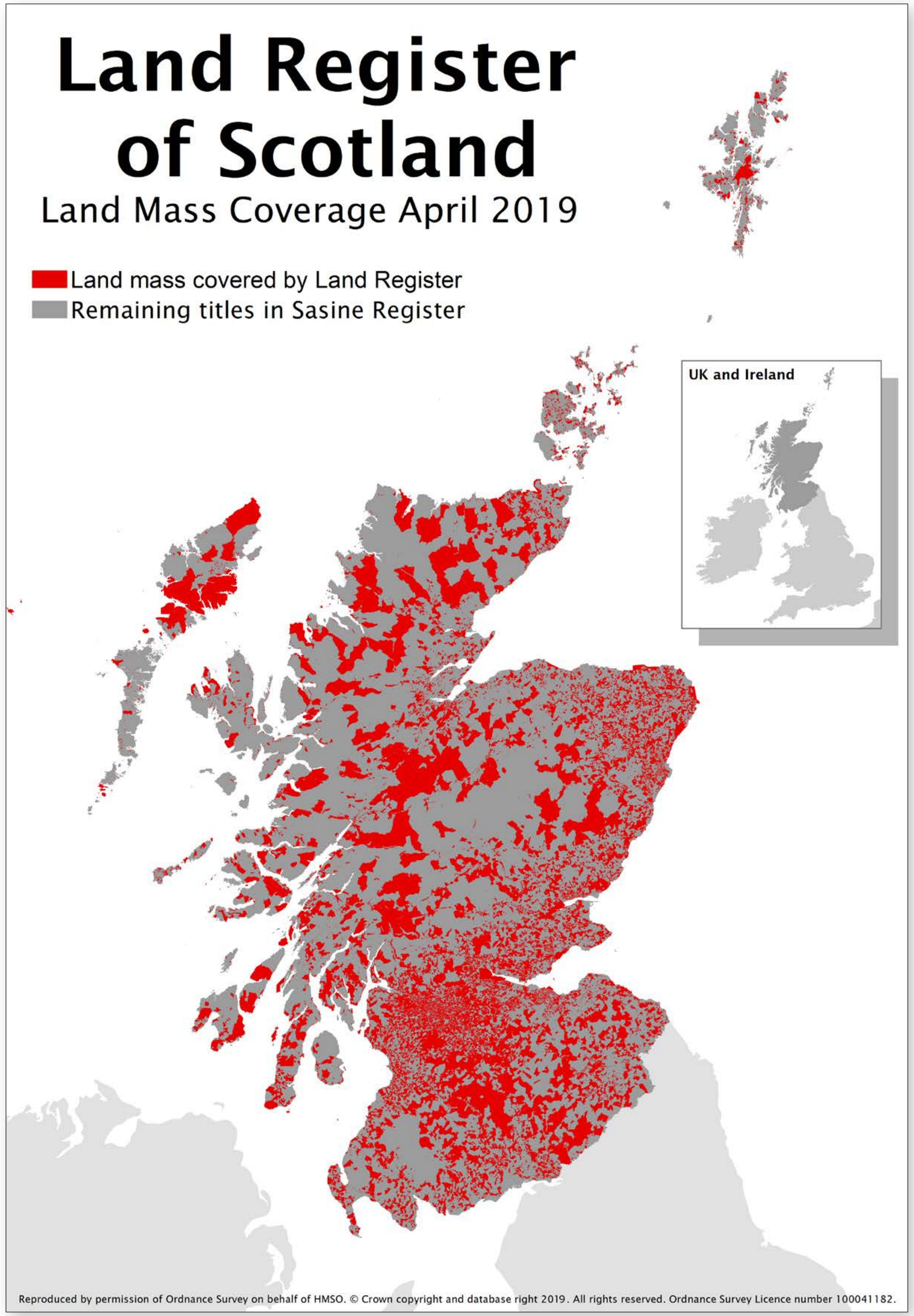
Land Register completion

We have now registered an estimated 67 per cent of land and property titles (over 1.8 million titles), amounting to 34 per cent of land mass coverage (2.75 million hectares). Just under 98,000 addresses have been registered under Keeper Induced Registration (KIR), with our focus now being on public sector rather than private sector titles, as this is where this type of registration can have the most efficient and effective impact.

We are continuing to support public sector bodies in moving to the Land Register through close collaboration. We have now registered almost all housing stock that falls within research areas for West Lothian and Stirling councils. Approximately 63,000 local authority properties have now been registered and other large public landowners, such as Forestry and Land Scotland and Scottish Government Rural, are well on the way to submitting their full land portfolio. The land portfolio from Forestry and Land Scotland alone represents nine per cent of the land mass in Scotland, meaning that this registration makes a significant contribution to overall land register completion.

Voluntary registration remains one of our primary levers for land registration completion, and we are continuing to offer a 25 per cent discount on voluntary registration fees. We have engaged closely with large land and estate owners, and this is generating many registration applications, with registration submissions well under way.

Land mass coverage April 2019



Buying and Selling

The Buying and Selling team represents a marked change in the way we deliver our registration services. Traditionally, we have organised our registration products into the type of registration the customer needs us to carry out (for example a First Registration or a Transfer of Part). Internally, registration teams have been structured by the different stages involved in registering a piece of land or property such as intake, mapping, legal or despatch.

The Buying and Selling team, on the other hand, is designed to develop and deliver a service that mirrors what the customer wants to do, rather than what we do once we receive their application – in this instance, buy or sell a piece of land.

The service was set up in 2017 and comprises two teams: the Accelerated Registration team and the Commercial Service team. The ethos underpinning the service is to innovate on the current registration process and to create a streamlined, end to end customer centric service that reduces risk and maintains the quality of the register. One of the main ways we can do this is by capturing accurate data at the reports stage (pre-registration) and re-using it at registration.

The Accelerated Registration team has been focussed on capturing spatial data at the reports stage, and then re-using it in the registration process. The rate of re-use does fluctuate week to week; in April 2018 it was 50 per cent, and in March 2019 it was 72 per cent. This demonstrates an upward trajectory, with an average of 66 per cent across the year. The increase was achieved through upskilling of colleagues, engagement with customers and collaboration with our mapping software development team.

The Buying and Selling Commercial Service team has been working to prove that aligning registration teams to specific customer groups benefits both RoS and customers. The conveyancing of commercial properties was chosen as the starting point for this initiative, as this represents some of the most complex and high value transactions, and is the highest risk to RoS and its customers. The team has been running a pilot study to work with customers to identify how pre-application engagement and dialogue can help to mitigate against the risk of rejection, provide assurance to customers and make the registration process more efficient. The initial phase of the pilot has proven successful, and has been paused whilst we consolidate and review the initial findings to inform next steps.

Development Plan Approval

The Development Plan Approval (DPA) service provides seamless, end to end support throughout the process of registering new developments. This free service gives much needed certainty that what is built actually falls within the registered title, helping to resolve any title extent issues and giving reassurance to both developers and solicitors.

We now have over 300 developers using the service and in 2018-19, 231 developments and 11,317 individual plots were approved (an increase of 22 per cent from 2017-18). Despite these rising volumes, we're proud to say that we have continued to meet our service standard of 20 working days.

Information

As an information business we provide trusted products and services about land and property data, to meet the information needs of citizens and professionals.

During 2018-19 we saw an increase in the already high volumes of enquiries handled by our customer services team who work in tackling customer pain points and improving their experience. One third of our enquiries came from members of the public, compared to two thirds from land and property professionals. We expect to see the number of enquiries from the public rise further once our refreshed ScotLIS offering for the public is in place. These improvements will make it easier than ever for the public to access our information.

We received over 192,000 first line information requests to our customer services team, up nine per cent from 2017-18. Ownership searches rose six per cent, increasing from 9,758 in 2017-18 up to 10,351 in 2018-19.

In October 2018 we implemented an enhancement that allows customers to view if a title is registered on the Land Register from our ScotLIS service. This has then led to a 19 per cent drop in ownership searches during the same period in the previous year from 6,607 in 2017-18 to 5,554 in 2018-19. Copy deed requests from both Land and Sasine Registers have risen overall by 12 per cent from 30,449 in 2017-18 to 34,459 in 2018-19.

ScotLIS

Scotland's Land Information Service (ScotLIS) has improved the transparency of, and access to, our information by offering both members of the public and businesses access to land and property data. Since 2017, the ScotLIS team has worked hand in hand with business customers to develop the service they need to ensure that land and property transactions occur smoothly. To help users get the most from the service, members of the ScotLIS team travelled across Scotland showcasing the service, listening to customers' feedback and gaining crucial insight into how and why people access our information. Hundreds of improvements have been made to the service based on these insights and on 30 November 2018, we retired the legacy service Registers Direct (with the majority of customers having made the move to ScotLIS well ahead of this deadline).

We have also focussed this year on how we can enable the public to access our information more easily through digital self-serve. To understand this user group, we carried out extensive user research, engaging with over 400 people across Scotland, including those with cognitive impairments and additional needs. This user research has informed our new guest checkout experience for the public, which will be made available during 2019.

Other information products

Throughout 2018-19 we have continued to develop accessibility, and ease of use of our data by our customers, with ongoing work including statistical analysis, Geographic Information Systems (GIS), business analytics, data architecture and infrastructure development.

Information quality is key to enabling added value through re-use and we are investing resources to improve our existing data products and develop new ones, for example to enable greater insight into the Scottish property market. We have a robust quality assurance framework to support high quality data coming onto the registers, and work closely with other organisations to understand their needs so that we can continuously develop our data and information products.

Following analysis of customer feedback, our Data Improvement team carried out an extensive programme of work around property addresses. To date we have added an additional 67,000 unique property reference numbers to titles, ensuring that we maximise the quality and quantity of information available through ScotLIS.

As an Official Statistics producer, we have a significant role in providing data and analysis that is used to improve decision making, stimulate research, and inform debate in the public and private sectors. We engage with our stakeholders continuously to develop our understanding of the potential uses for the data we have, and to tailor our products and service experiences to customer needs. Our data products and services have a wide range of users, including policy makers within Scottish Government, other public bodies, banks and other financial institutions, the legal profession, property experts and property service providers, academic bodies, utilities companies, citizens and the media. We support the evolution of new services and business through our commercial users and the products that they in turn create, supporting data driven innovation and new economic activity.

Our annual **Property Market Report** was published in June 2018. It covers the decade 2008-2018, providing a long-term overview of market trends for both the residential and the non-residential market. Our most recent Annual Calendar Year (2018) **Residential Market Review** was published in March 2019, providing a summary of the residential property market over the past year, including average prices, volumes and sales by house type.

Following its launch in March 2018, the first annual update of the statistics bulletin, **Land and Property Titles by Country of Origin** was published in March 2019. This contains high level statistics on the country of origin of all property owners and tenants with long leases in Scotland, including the most frequent countries by origin of purchaser/tenant, and highlighting local authorities where the overseas market has a sizeable impact. A data-set is also now available to customers on ownership by overseas companies.

We continue to produce the monthly UK House Price Index (HPI) through collaboration with the Office of National Statistics, HM Land Registry and the Department of Land & Property Services Northern Ireland. This provides valuable information on average house prices in Scotland, placed in the context of house price changes across the UK. This publication received designation as a National Statistic in September 2018, demonstrating that it meets the highest standards of trustworthiness, quality and value as defined in the Code of Practice for Statistics.

Under the European INSPIRE* Directive we have a statutory obligation to create a cadastral view of the Land Register, and to make the data available publicly under license. We update this data-set quarterly. Spatial data is core to our business, and we work proactively with Ordnance Survey and the UK Geospatial Commission to explore new uses and scope for increased efficiency.

We continue to work externally to raise the profile of RoS as a data and statistics organisation, contributing to high profile events such as the Scottish Official Statistics conference and Datafest 2019. Capability building is key, with ongoing investment in the technical infrastructure that supports our work, with new investment in the development of new approaches to data warehousing, and in our people via wider collaborative initiatives such as the Scottish Government led Data Science Accelerator programme.

We have also been working closely with colleagues in the Scottish and UK Governments to support the development of the regulations and legislation for two proposed new registers, the Scottish Register of Persons Holding a Controlled Interest in Land, and the UK Register of Overseas Entities. Subject to approval by the respective Scottish and UK Parliaments, the intention is that both registers will come into being on 1 April 2021. Together with other services such as ScotLIS, these new registers will further improve transparency about who ultimately owns land in Scotland, and will make that information readily accessible to anyone who has an interest in obtaining it.

The Data Protection Act 2018 has now come into force. To prepare the organisation for this, we carried out a number of activities to adapt the way we gather and store data, and raised awareness among colleagues of what it meant for them, including mandatory digital learning. A number of measures were taken across the business to ensure ongoing compliance with our data protection obligations. These included the refresh of our data protection policies, updated privacy information and processes to meet new consent standards.

* Relates to the infrastructure for spatial information in Europe

Digitising

Evolving our digital services

In September 2018 our business transformation programme closed, and we are now evolving our digital services as part of business as usual. The programme paved the way for fundamental improvements to the way we operate by reducing risk, creating more efficient ways of working and delivering a better service to our customers. Key outputs included the creation of a resilient back-up data centre, as well as the introduction of modern mapping tools and a case management system to replace legacy systems.

The implementation of the Registers of Scotland (Digital Registration, etc.) Regulations 2018, laid the foundations for changes to our application form, which significantly reduced rejection rates. The creation of new services such as Digital Discharge Service and ScotLIS enabled us to deliver a better service to our customers by making our information more accessible. The programme was complemented by work on identifying and facilitating the development of key skills for the future, as well as creating the right working environment through the move to St Vincent Plaza, Glasgow.

The transformation programme cost £34.5 million over nearly 4 years. Financial benefits of £18m have been delivered to date with a further £4m expected in future years. The investment has provided additional non-financial benefits in reduced risk and improved services.

Our research project, called Gateway, has enabled us to understand how we design our services in a way that better meets the needs of our customers. Throughout the three month project, we carried out over 100 hours of interviews with over sixty stakeholders to understand how our services are currently perceived and to identify customer pain points.

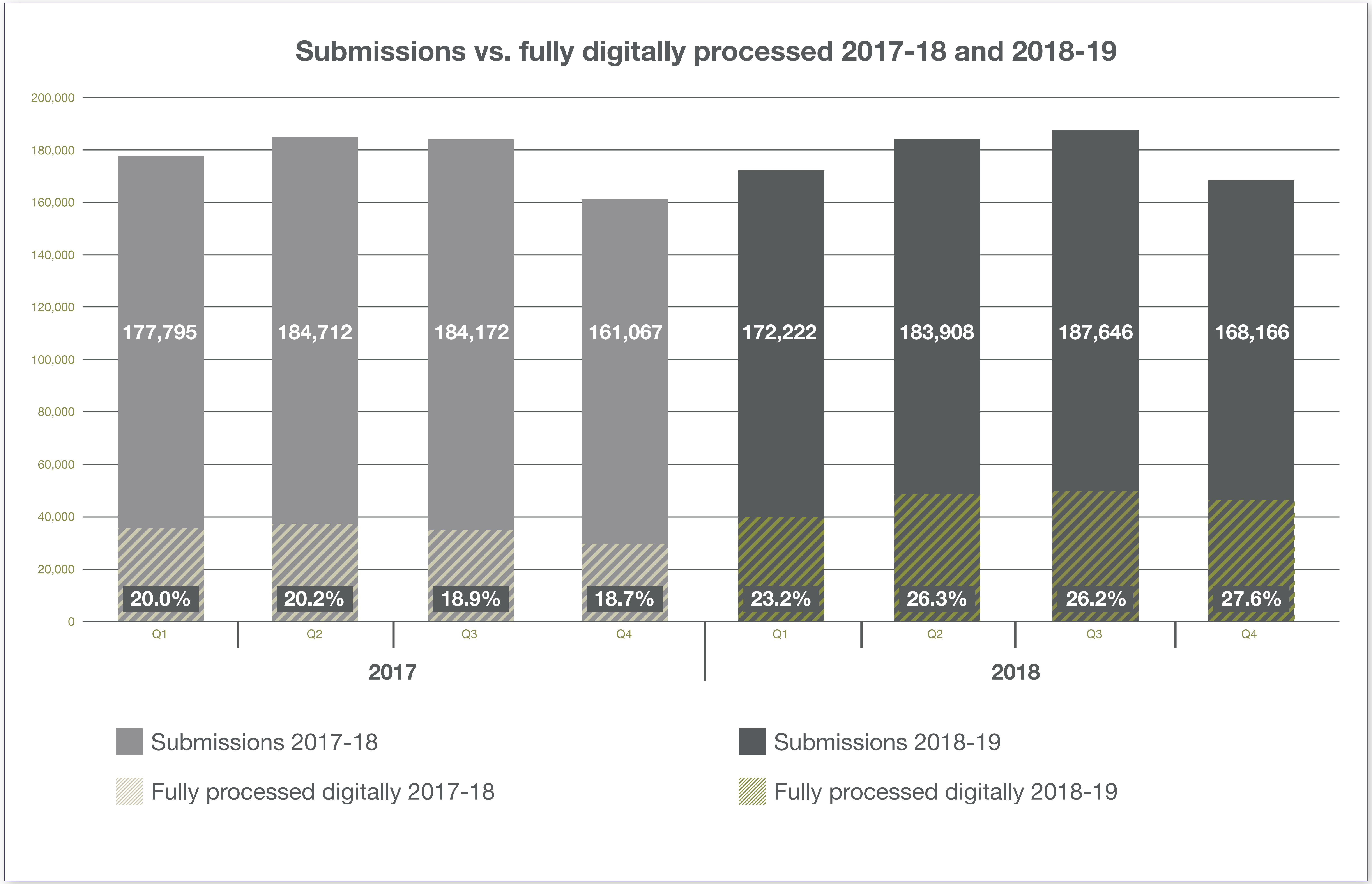
Electronic submissions

The number of electronic submissions we can fully process digitally continued to rise throughout 2018-19 compared with 2017-18. We are continually looking at ways we can process applications fully digitally to create a more efficient service and reduce the window of risk for the customer. The table opposite shows the percentage of applications fully processed digitally against the total number of applications received in 2017-18 and 2018-19.

Digital Discharge Service

Digital registration is one of our priorities as we continue our progress towards providing fully digital services for our customers. Leading the way with its launch in May 2017 was the Digital Discharge Service (DDS). DDS improves upon the existing paper-based service for the discharge of standard securities by allowing the actions of solicitors and lenders to be completed entirely digitally in under two minutes. The end to end transaction time is reduced by several days or more as there is no need to post the documents back and forth.

Total submissions (paper and digital) and percentage of applications fully processed digitally



In 2018-19 we continued to build on the earlier success of the service, bringing new lenders on board, including Lloyds Banking Group, Scottish Building Society and Virgin Money. DDS has 500 solicitors and 14 lenders now using the service. Usage of the service has also increased; in 2018-19 46,700 discharges were signed and submitted through DDS. In April 2018 the percentage of discharges submitted digitally was 26 per cent compared with a 12 per cent average over the previous year. By the end of the year it had risen to 42 per cent (an average of 35 per cent across the year). To further improve internal efficiency we have successfully introduced full automation to DDS, with 66 per cent of all discharges being processed without the need for manual intervention.

We have also continued to improve DDS, introducing new features in response to customer feedback, including the ability to create application forms for paper discharges. This process has up to ten fewer steps and enables customers to use DDS as a single channel for keeping track of all their discharges, saving them valuable time.

Digital securities

In 2018-19 we have also looked at applying the same principles to other services, such as securities. Customer consultation on this issue was key, leading us to conclude that until a digital signature of sufficient standard to sign a deed is available to the public, there is no one solution that would suit the current processes of the majority of our customers. As a result, we have suspended development of this capability until such time as an appropriate signing solution becomes available.

Delivering resilient services

Our customers rely on a wide range of services that we provide, and ensuring these services remain online is paramount. In 2017, we experienced two incidents where back-up power failed, causing a temporary disruption during which time our services were unavailable. To ensure that this situation does not occur again, by September 2018 we had delivered power resilience to support the main services that are business critical to RoS, that allow us to deliver the products that customers and colleagues rely on.

We test our resilience on an ongoing basis, and in both practice and live situations our new safeguards have ensured our services remain up and running. Additionally, since April 2018 we have further developed our IT disaster recovery measures, with three successful tests undertaken within the year. The tests replicated the loss of our primary data centre site, and our measures meant that we were able to recover our business critical systems using our back-up data centre. Through testing and continuous improvement, we are able to restore full business operations within four and a half hours.

Delivery

Our financial performance, shown in the table opposite, reflected the costs in handling the day to day work and investing to improve our business. Our income increased slightly in 2018-19 to nearly £74 million, and our costs reduced considerably to just under £80 million, leading to a drawdown of £5.9 million from our retained surplus, £9.7 million less than in 2017-18. We are using retained surpluses to invest in development of better services and to support Land Register completion. Details can be found in the summary table opposite, and from **page 52 onwards.**

We achieved a 1.5 per cent reduction in statutory product unit costs, against a target of a 3 per cent reduction, demonstrating that our journey to transform our ways of working is starting to take effect. We achieved a 2.4 per cent profit on our non-statutory services, which did not meet the 5 per cent target; it has been several years since any non-statutory fees have changed and we are reviewing these to take account of cost increases.

Financial performance

	2018-19	2017-18
	£'millions	£'millions
Change to retained surplus	(5.9)	(15.6)
Continued operations income	73.7	72.6
Net interest income and charges	0.297	0.064
Capital expenditures	4.5	5.1
Costs	79.9	88.1
Costs comprised:		
Staff costs	58.4	57.9
Restructuring costs	0.001	6.1
Administrative costs	16.7	20.7
Amortisation, depreciation and impairment	4.8	3.4

Working with our customers

Our most common enquiries include copy deed requests, progress on applications, invoice payments, accounts for our online services and advice on our products and services. The number of complaints we received increased to 137 in 2018-19, up from 98 in 2017-18. The majority relating to the speed of the service.

A number of registration activities are underway to tackle the arrear and accelerate registration services (more details can be found on **page 10**). In July 2018, RoS introduced an unacceptable behaviour policy to guide and support colleagues as a last resort where the customer refuses to accept the formal decision made or will not interact with RoS colleagues in a civil manner.

Our March 2019 customer satisfaction survey showed an overall satisfaction score of 77 per cent, down from 82 per cent the previous year. As a result of this, we have moved to conducting four surveys per year to enable us to monitor and react to changes in satisfaction levels and address customer concerns. We were delighted to receive a customer excellence award from Scottish Government and have increased the number of Compliance Plus ratings with two further elements now meriting Compliance Plus, which gives us a total of six areas of Compliance Plus.

A key priority this year has been listening to our customers' pain points to understand where we can help to give them a better experience. One such example is the copy deed service, where our process improvement work has enabled us to halve the steps involved, from 39 to 20 and reduce process times, allowing us to keep within service standards.

At the end of 2018, we completed the tender process for a new telephony management system that will allow us to reduce waiting times. Our new telephony system will allow customers to request a call back from customer services, which lets customers choose if they want to continue to hold or hang up and for us to call them back. This will also increase our ability to move to single contact resolution for the majority of our enquiries. Process improvements and new ways of working have also enabled us to reduce average call waiting times by 17 seconds to two minutes and 10 seconds and we plan to steadily reduce this number further in 2019-20 to under one minute.

Being transparent with colleagues and customers

Throughout 2018-19 we have focussed on being more transparent with both colleagues and customers. This included having more regular and frank conversations, being open about the challenges we face as an organisation and inviting views and ideas on how we can improve.

Customers and stakeholders

With the arrival of our new Keeper, Jennifer Henderson, significant development of our services and the delivery of our strategy to tackle our registration arrear, the second half of 2018 was an ideal time for a comprehensive customer engagement campaign.

The objective of the A to Z autumn campaign was to provide wide-ranging updates for customers throughout Scotland, not just in the Central Belt area, where much activity tends to be hosted. A multi-disciplinary delivery team, including senior management, product and policy leads and registration experts met with stakeholders across the country, from Ayr and Dumfries to Orkney and Shetland.

The campaign was a resounding success. We held or attended 19 events as part of the campaign, and reached over a thousand stakeholders.

Customers valued the opportunity to have open, honest face to face conversations with RoS colleagues and the Keeper, and a number of important matters were raised, from the arrear to the availability of digital connectivity in rural areas. We have followed the initial campaign with activity designed to keep the momentum going, including the launch of a mapping group and follow up visits to Orkney and Shetland to meet with crofters and the Crofting Commission.

Engagement with stakeholders continued throughout the year, on a monthly and often weekly basis, including speeches to groups such as the Law Society of Scotland, and the Registrars of Title Conference. These events provided valuable opportunities to speak with important stakeholder groups, and maintain our efforts towards transparency in everything we do.

We also recognise our responsibilities as a public body that is accountable to the Scottish Parliament, and therefore transparency and engagement in this area was another priority for 2018-19.

We welcomed Kate Forbes, the Minister for Public Finance and Digital Economy, to our Edinburgh office in December 2018, while in January 2019 our Keeper, Jennifer Henderson, and our Accountable Officer Janet Egdell attended the Scottish Parliament's Economy, Energy and Fair Work Committee. Engagement with the Committee and relevant MSPs continued, with John Mason MSP, Jackie Baillie MSP, and Andy Wightman MSP all visiting our offices for an in-depth discussion on the work we do.

Colleague engagement and wellbeing

Over the past year, we have focussed on colleague engagement and wellbeing, and making sure we have the right people with the right skills to help us do the best for our customers.

With the arrival of the new Keeper, there was a renewed focus on internal engagement across the business. This led to the development and delivery of a comprehensive programme of activities designed to drive forward improved engagement across RoS. The aim was to drive up internal engagement levels, which would in turn, deliver commitment to our objectives and values, improved discretionary effort and productivity and most importantly, create more engaged colleagues who are happier both at work and in their lives.

To help us understand where efforts should be focussed we drew on a range of information available from external assessments, informal discussions and formal surveys. In 2018-19 we were assessed as part of our ongoing commitment to the Investors in People (IiP) programme and were proud to achieve a Silver Award (moving up from our previous Bronze status). This was followed in September 2018 with a large scale internal annual engagement activity, which we called the Big Picture, which saw over 62 per cent of colleagues self-nominate to attend one of over 100 facilitated cross departmental sessions on the future direction of the organisation.

In October 2018 we participated in the annual Civil Service People Survey (CSPS) and were pleased to see the number of colleagues participating in the survey improve from 52 to 63 per cent and our engagement score improving from 52 percent to 59 per cent. Although this was a good improvement and a move in the right direction, we know there is much more to do and we have set ourselves a target of achieving at least the average engagement score for the civil service as a whole.

Using feedback from IiP, Big Picture, and CSPS along with less formal information such as internal polls and regular informal discussions with colleagues, we have delivered a flexible range of engagement opportunities for colleagues. These included a monthly pop-up exhibition, quarterly town hall events, listening sessions with senior management, team leader forums and shadowing opportunities with our directors and the Keeper.

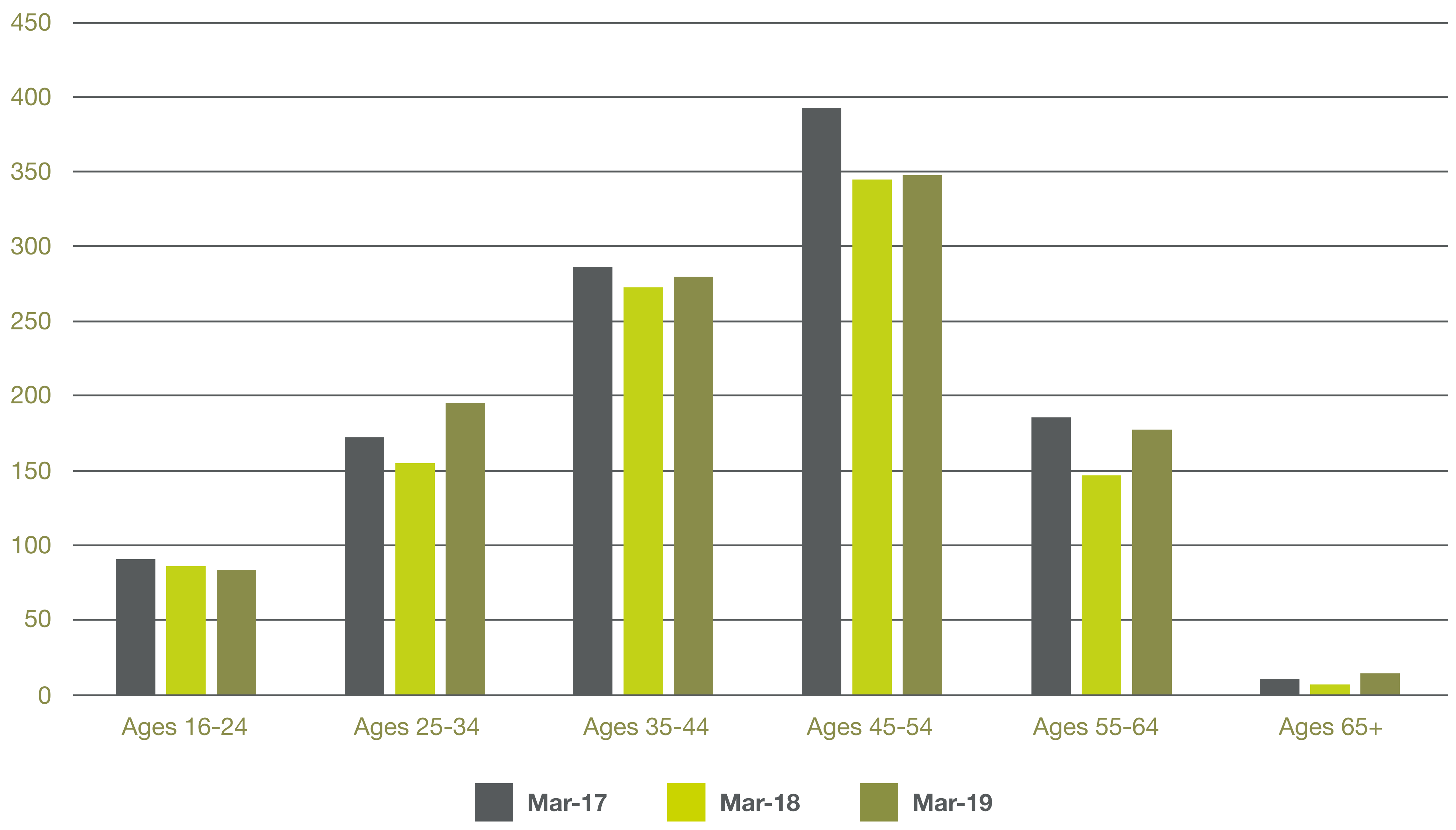
These engagement activities have allowed senior managers and the Keeper to draw on the knowledge of colleagues and their ideas to improve our products and services, as well as motivating colleagues to support us in delivering our corporate strategic objectives, and enabling us to deliver changes to improve their day to day experience of working here.

People and skills

Our strategic workforce plan project was set up to work with business areas to determine current and future skills requirements (up to 2024) in line with the priorities set out in the corporate plan. Once these insights have been gathered, our attention will turn to how we can develop, sustain or recruit the skills we need to meet our strategic objectives.

In recent years we have changed the demographics of our workforce, increasing the numbers in early and late career employment, as indicated in the graph below. To gain greater stability in our resource profile, we ran a number of promotion boards during 2018-19; appointing 51 colleagues into leadership roles (C2, C1 and SEO grade).

Age demographics of workforce



Building capability is one of the cornerstones of our people strategy. In 2018-19 we developed two new programmes, one to help emerging managers and a development programme for existing managers. The programme delivers customised development for managers, as part of a planned developing our talent approach.

We piloted new ways of working in registration, creating the environment for teams to self-manage and determine workflow and productivity. The early evidence is very encouraging and will lead us to further testing the concept of autonomous teams, working to meet demand rather than a traditional, hierarchical workflow management approach.

2018-19 has also seen the creation of a RoS leadership community of practice, to encourage managers and leaders to come together and work actively together to meet our current and future leadership challenges.

We are keen to grow our own skills wherever possible, to build on our existing talent. We are working with Edinburgh Napier University to offer the opportunity for selected colleagues to undertake a cyber security undergraduate degree, a scheme that will launch in 2019.

Improving the way we operate for colleagues and customers

RoS operates to deliver the best outcomes for both colleagues and customers. Improvements this year have included developing our **British Sign Language (BSL) plan** which was produced in accordance with the British Sign Language (Scotland) Act 2015.

The BSL plan was published on our website in October 2018 and sets out the actions we will undertake between 2018 and 2024 to improve access to information and services for BSL users.

We want RoS to be an employer of choice. This includes monitoring any changes to relevant legislation and working with the business to provide job security and equality in line with the Scottish Government's Fair Work Agreement.

We make sure that tackling inequality sits at the heart of our decision making at RoS. A key example has been the development of a process, internal toolkit and appointment of a Fairer Scotland champion in response to the Fairer Scotland Duty, as set out in the Equality Act 2010.

Further equality information is available on the **Publications section** of the RoS website and page 45.

Becoming a more sustainable organisation

Over the past year we have continued to work with our suppliers and colleagues to become more sustainable in the way we operate. A key focus for us has been becoming more efficient and cutting down on waste. In comparison to 2017-18, our electricity consumption has been reduced by 13 per cent and paper usage has been cut by 12 per cent.

We have installed new boilers in our Meadowbank House office, reducing our overall gas usage by 25 per cent. We have delivered two environmental campaigns with colleagues to encourage more sustainable behaviours to help our people play an active role in achieving our environmental targets. Working in partnership with local charities and social enterprises, the focus of the campaigns was to engage colleagues around reusing, recycling and active travel.

On 1 November 2018, we removed all single use hot drinks cups from our offices, preventing 58,500 from going into our general waste stream every year. In February 2019, we introduced a new recycling system to improve our recycling rates and work is underway to measure the impact of this over the coming months. Our pool car fleet is now low emission with the introduction of a plug-in hybrid and fully electric vehicle, helping to improve air quality in the local environment. In total our total carbon savings were 311 CO2 tonnes – lessening our usage by 25 per cent compared with 2017-18.

Our **Sustainable Procurement Policy** seeks to minimise negative environmental and social impacts associated with the products and services we purchase. To find out more on our approach to procurement, please see this year's **Annual Procurement Report**.

For more information on what we have done to meet the climate change duties of public bodies, visit **sustainablescotlandnetwork.org**

Further information regarding our environmental targets is available on our **website**.

Risks

Throughout the year, we are continually reviewing any risks which may affect our ability to meet these objectives. We are managing risks around completing the Land Register and developing our people to be able to embrace our increasingly digital business. We manage risks around our information, such as maintaining cyber resilience and compliance with data protection requirements. There is a risk that a downturn in the housing market might affect the longer term financial health of the business, and we have been assessing the risk that a potential change to how we are classified in the National Statistics could lead to a new approach to managing our finances. For more information on risks identified and how we are actively managing risk, please go to our Risk Management section on **page 36**.

Preparing for the future

The Executive Management Team (EMT) and board recognise the importance of ensuring that sufficient attention is given to considering the longer-term opportunities for RoS.

Once we complete the Land Register in 2024, the organisation could move in a range of directions, and in 2018-19 we initiated the work to consider what the possible trajectories for RoS and the people we serve are, beyond 2024.

Two key activities were delivered in 2018-19 to support this work: discussions at board level to explore a range of potential futures for RoS and an organisational health assessment.

Discussions at board level to think about what RoS could look like by 2030. This involved the development of a range of possible scenarios which would present both challenges and opportunities. The discussions identified a broad range of futures for RoS, encompassing options for new and existing customers and new and existing services. Colleagues also contributed to this discussion through activities within the Big Picture in September 2018.

This future scenario work was complemented by an organisational health self-assessment undertaken by the board and RoS colleagues to capture views on topics such as how well we run our business, how we cope with change and how we grow our own skills.

Taken together, the insights gathered through these exercises have shaped our thinking about how RoS can continue to strengthen its capabilities through the delivery of our 2019-2024 corporate plan; ensuring that we can respond effectively to future challenges and capitalise on future opportunities, thereby delivering the best possible service to our customers, both now and into the future.

Janet Egdell
Accountable Officer
20 August 2019

Accountability report

Corporate governance report

Directors' report

Registers of Scotland Board


Jennifer Henderson - Keeper (4/4)


Janet Egdell - Accountable Officer (4/4)


Billy Harkness - Corporate Services Director (4/4)


Kenny Crawford - Business Development Director (4/4)


Shrin Honap - Non-executive Director (4/4)


Deepa Mann-Kler - Non-executive Director (4/4)


Jayne Scott - Non-executive Director (4/4)


Fiona Ross - Non-executive Director (4/4)

Audit and Risk Committee


Jayne Scott (4/4)
Audit and Risk Committee Chair


Andrew Harvey (4/4)
Audit and Risk Committee Member


Stephanie Kerr (3/3) (until December 2018)
Audit and Risk Committee Member


Chris Andrew (3/3) (until December 2018)
Audit and Risk Committee Member


Christine Martin (1/1) (from November 2018)
Audit and Risk Committee Member


Julie Wardhaugh (1/1) (from November 2018)
Audit and Risk Committee Member


Tim Wright (1/1) (from November 2018)
Audit and Risk Committee Member

Biographies for our Board, and Audit and Risk Committee Members can be found on our website.

The number in brackets represents the number of board meetings that year, and the number attended.

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

We have a dedicated information governance service led by our Data Protection Officer, who support the Accountable Officer in her role as Senior Information Risk Owner. They advise on notification and reporting as part of the incident management process, in line with the Information Commissioner's guidance. During the year 2018-19, there was one incident involving personal data reported to the ICO, which was rapidly managed and assessed to have no detrimental impact.

Statement of the Keeper's and Accountable Officer's responsibilities

Under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000, 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 in Appendix 1 to these financial statements.

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

In preparing the accounts, RoS is required to:

- observe the accounts direction issued by Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the government financial reporting manual (FReM), have been followed, and disclose and explain any material departures in the financial statements; 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 and not part of the staff of the Scottish administration. This means that the Keeper cannot be designated as Accountable Officer. Janet Egdell has been appointed by the Permanent Secretary to the Scottish Government as Accountable Officer.

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

- signing the accounts;
- ensuring the 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 Accountable Officer is required to:

- confirm that, as far as she is aware, there is no relevant audit information of which the entity's auditors are unaware, and she has taken all the steps she ought to have taken to make herself aware of any relevant audit information and to establish that the entity's auditors are aware of that information; and

- confirm that the annual report and accounts as a whole is fair, balanced and understandable and that she takes personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

More detail on the responsibilities of Accountable Officers is set out in the memorandum to Accountable Officers.

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

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

Governance statement

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

Scope of responsibility

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

My duties and those of the Keeper/Chief Executive Officer are set out in the statement of responsibilities on **page 32**.

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

Our framework document sets out the role and responsibilities of the Keeper of the Registers of Scotland and Scottish Ministers, as well as the respective roles and responsibilities of other key stakeholders. The framework document is reviewed at least every three years and the most recent review was carried out in June 2018.

Governance framework

The governance framework comprises the range of systems, processes, culture and values used to direct RoS. It is designed to give assurance that the organisation carries out its duties and responsibilities using the highest standards of effective internal control and risk management. RoS complies with the requirements and best practice principles of the Scottish Public Finance Manual (SPFM).

I am provided with assurance in my role as Accountable Officer by the RoS Board, the Executive Management Team, and the Audit and Risk Committee and by independent Non-executive Directors. A system of internal controls and active risk management is in place, along with a programme of internal audit reviews. These are described in more detail below.

Internal controls assessment

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

In my role as Accountable Officer, I am assisted by members of RoS staff, including the Executive Directors. I secure considerable assurance from the controls they apply in the day-to-day execution of their duties.

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

I can confirm that I have received appropriate certificates covering the period 1 April 2018 to 31 March 2019 from all Executive Directors, and there were no significant issues raised.

The RoS Board

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

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

During 2018-19, the board consisted of four Executives and four Non-executive Directors. Current board membership is set out on **page 31**.

The Non-executive Directors provide an external and independent perspective on RoS work.

The board delegates certain tasks to the Executive Management Team and the Audit and Risk Committee, who report back to the board regularly on these activities.

The Audit and Risk Committee

The Audit and Risk Committee is chaired by Non-executive Director, Jayne Scott. It has four independent members, as well as the chair. Details of the membership of the committee during 2018-19 can be found on **page 31** of this report. The chair and one of the other members have recent, relevant financial experience in line with the HM Treasury code of good practice on corporate governance.

The committee met four times in 2018-19. The meetings were also attended by me (in my role as Accountable Officer), as well as by the Head of Finance, the Head of Risk and Information Governance, the internal and external auditors, and other staff as necessary. The meetings were minuted.

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

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

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

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

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

The Executive Management Team (EMT)

The EMT oversees the operational and financial management of RoS on a day-to-day basis. The EMT is chaired by me in my role as Accountable Officer. The Keeper and all Executive Directors are members. During the year, with the closedown of the Business Transformation Programme, we reviewed our governance arrangements, and now meet alternately as an EMT Investment Board and an EMT Corporate Governance Group.

The EMT may appoint sub-committees as necessary to enable it to fulfil its responsibilities. There are currently seven sub-committees: Information Assurance Group, Policy and Practice Group, Business Portfolio Board, Service Alignment Team, Strategic Workforce Planning Group, Information Security Group and Environmental Management Group.

Risk management

RoS manages risk as an integral part of our system of internal control using risk management principles set out in the Scottish Public Finance Manual (SPFM), and a risk management policy. We have operational risk registers in each directorate and for each major change project, along with monitoring strategic key risks. Our robust risk management framework exists to allow the collation of these risks and escalation through our corporate governance structure to our EMT and the board as required.

The board and Audit and Risk Committee hold an annual workshop where risks to our corporate business plan objectives are considered. This workshop includes a consideration of risk appetite with the results informing our risk profile and overall approach to financial and non-financial risk management. Key risks for the new financial year are identified at the workshop and assigned to key risk owners.

Our key risk register operates as a 'live' register and is reviewed and approved each month by the EMT, and at subsequent Audit and Risk Committee and board meetings.

The key risk register currently includes risks which may affect the integrity of our registers, our customers, operating costs and mandatory obligations.

During 2018-19, we managed risk relating to our cyber resilience with high prioritisation supported by the delivery of Scottish Government's cyber resilience public sector action plan, including achieving Cyber Essentials certification. We also prioritised management of risks in Land Register completion, delivering compliance with GDPR and Data Protection Act, and supporting and developing our people to embrace our business transformation. We regularly review how risks of a downturn in the housing market or the impact of individual investment decisions we are taking might affect the longer term financial health of the business. RoS risk registers also provide considered risk control measures, to address risks or 'live' issues to within acceptable tolerances of our risk appetite.

During the year, we kept under review a risk with respect to our classification within national accounts. The Office of National Statistics is considering whether RoS should be reclassified from a public corporation to central government for statistical purposes, and the impact of this is likely to bring RoS within the Scottish Consolidated Budget within the next few years. The risk has been managed with high prioritisation including board oversight and reporting led by me as risk owner.

An assurance framework provides an overview of the assurance processes and procedures in place for our range of key risks and oversight is provided by the Audit and Risk Committee.

As information is our core business, RoS recognises the particular importance of information risk management and information assurance, and is committed to continuous improvement in this area through our ongoing Information Governance (IG) Strategy and Records Management Improvement Plan.

The Information Assurance Group (IAG), reporting to the EMT, oversees this area and outputs from IAG are reported to me as senior information risk owner. The IAG also receives advice and reports from our Information Security Group (ISG).

During 2018-19, 126 information security incidents were detected, investigated and reported through our information assurance and risk management structure. I am content that RoS information security protocols were managed effectively, with corrective actions implemented timeously.

Over the past year, we've received similar numbers of fraud enquiries to the previous year. RoS continues to work collaboratively with public bodies, in particular Police Scotland, Department for Work and Pensions and the Crown Office's Civil Recoveries Unit, to detect and address issues relating to serious crime. We take fraud prevention very seriously and have continued to develop colleague awareness and provide training, with further initiatives being undertaken in the next financial year.

We reviewed and updated our policies and procedures on fraud, whistleblowing and hospitality. Annual reports on these were considered by the Audit and Risk Committee and formed part of the assurance process.

Under section 43F of the Employment Rights Act 1996, whistleblowers may qualify for employment protections if they disclose information to a 'prescribed person'. I am the prescribed person for Registers of Scotland. I have a responsibility to report annually on the actions I have taken with respect to workers' disclosures, and the impact that has had under the Prescribed Persons (Reports on Disclosures of Information) Regulations 2017. I can confirm that I received no workers' disclosures during 2018-19.

Internal audit

The work of our internal audit provider is an important source of assurance to me in my role as Accountable Officer. We outsource the provision of internal audit services, and Scottish Government Internal Audit Directorate (SGIAD) provided the service for 2018-19.
A separate report was provided for each internal audit study. Each report includes detailed findings, recommendations for improvement, and agreed management responses. A total of nine internal audit reviews were completed in 2018-19 and reported to the Audit and Risk Committee. These included reports on governance, facilities management sub-contracts, benefits realisation and core financial systems.

Overall, the Head of Internal Audit's opinion was that the adequacy and effectiveness of governance, risk management and control was generally satisfactory with some improvements required. This was based on the fact that whilst there were medium risk rated weaknesses identified in individual assignments, these are not significant in aggregate to the system of internal control. There were three high risk findings and these are being addressed by management action. One of the individual assignment reports had an overall limited assurance opinion.

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

Review of effectiveness

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

- the Executive Directors within RoS (both in an individual capacity and as a collective group operating through the mechanism of the EMT);
- the RoS Board;
- the Audit and Risk Committee;
- the work of internal audit;
- comments made by our external auditors (Audit Scotland) in the form of their interim and final reports; and
- other reviews and studies that are undertaken by third parties from time to time.

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

There are no significant matters arising from my review.

Remuneration and staff report

The sections marked (Audited) in this Remuneration and staff report are subject to a separate opinion by Audit Scotland. The other sections of the Remuneration and staff report were reviewed by Audit Scotland to ensure they were consistent with the financial statements.

Appointments and remuneration policy

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

The Executive Directors of the RoS Board hold appointments that are open-ended (not fixed term). The rules for termination are set out in the Civil Service management code. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. RoS, like other parts of the Scottish Government and the rest of the UK Civil Service, has a policy of no mandatory retirement age for its senior civil servants and other staff, in line with the implementation of the Equality Act 2010. For pension details, see page 40. Non-executive Directors are appointed on a fixed term basis.

Remuneration policy

The remuneration of substantive senior civil servants employed by RoS (ie the Keeper and the Accountable Officer) is determined by the Scottish Government and set in accordance with the **Civil Service Management Code** and with independent advice from the Senior Salaries Review Body (SSRB). Both the Keeper and the Accountable Officer are members of the Principal Civil Service Pension Scheme (see **note 1.11**).

Within the Scottish Government, the Top Level Pay Committee, comprising the Permanent Secretary, the 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 pay strategy is administered by a system of pay committees, which determine salary and any non-consolidated performance-related pay recommendations based on assessments of performance.

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

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

Salary

The following sections provide details of the remuneration and pension interests of board members.

The monetary value of benefits in kind covers any additional benefits provided, benefits greater than £8,000 are treated by HM Revenue and Customs as a taxable emolument. A benefit in kind in relation to relocation expenses was paid to the Keeper in 2018-19. No bonus payments were made in 2018-19 or 2017-18.

Single total figure of remuneration (Audited)

Board members	Salary £'000		Benefits in kind		Pension benefits £'000		Total £'000	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Jennifer Henderson Keeper and Chief Executive (from 1 April 2018)	75-80		6		24		100-105	
Sheenagh Adams Keeper and Chief Executive (until 31 March 2018)		80-85				9		85-90
Janet Egdell Accountable Officer	75-80	70-75			32	17	105-110	85-90
Kenny Crawford Business Development Director	75-80	70-75			23	3	95-100	75-80
Billy Harkness Corporate Services Director	80-85	75-80			64	14	140-145	90-95
John King Consulting Director (until 31 March 2018)		75-80				5		80-85
Fiona Ross Non-executive Director	0-5	0-5					0-5	0-5
Jayne Scott Non-executive Director	5-10	5-10					5-10	5-10
Shrin Honap Non-executive Director	0-5	5-10					0-5	5-10
Deepa Mann-Kler Non-executive Director	5-10	5-10					5-10	5-10

	2018-19	2017-18
Band of highest paid director's total remuneration £'000	80-85	80-85
Median total remuneration £	28,357	27,531
Ratio	2.9	2.9

Fair pay disclosure (Audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in RoS in the financial year 2018-19 was £80,000-£85,000 (2017-18: £80,000-£85,000). This was 2.9 times (2017-18: 2.9) the median remuneration of the workforce, which was £28,357 (2017-18: £27,531).

In 2018-19, no (2017-18: no) member of staff received remuneration in excess of the highest-paid director. Remuneration ranged from £2,000 to £81,000 (2017-18: £2,000 to £79,000). Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

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

Pension benefits (Audited)

	Accrued pension at pension age as at 31/3/19 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/19	CETV at 31/3/18	Real increase in CETV (see page 43)	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Jennifer Henderson Keeper and Chief Executive (from 1 April 2018)	20-25 plus lump sum of 55-60	0-2.5 plus lump sum of (0-2.5)	401	337	9	-
Janet Egdell Accountable Officer	35-40	0-2.5	606	520	19	-
Kenny Crawford Business Development Director	30-35 plus lump sum of 100-105	0-2.5 plus lump sum of 2.5-5	752	660	21	-
Billy Harkness Corporate Services Director	35-40 plus lump sum of 105-110	2.5-5 plus lump sum of 5-10	795	662	61	-

Civil Service pensions

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

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with pensions increase legislation.

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

All members who switch to *alpha* have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave *alpha*. (The pension figures quoted for officials show pension earned in PCSPS or *alpha* – as appropriate. Where the official has benefits in both the PCSPS and *alpha* the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6 per cent and 8.05 per cent of pensionable earnings for members of *classic*, *premium*, *classic plus*, *nuvos* and *alpha*.

Benefits in *classic* accrue at the rate of one-eightieth of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement.

For premium, benefits accrue at the rate of one-sixtieth of final pensionable earnings for each year of service. Unlike *classic*, there is no automatic lump sum.

Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium.

In *nuvos*, a member builds up a pension based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year and the accrued pension is uprated in line with pensions increase legislation.

Benefits in *alpha* build up in a similar way to *nuvos*, except that the accrual rate is 2.32 per cent. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

For 2018-19, RoS contributions of £6,102,696 were payable to the Principal Civil Service Pension Scheme (PCSPS) (2017-18: £6,387,559) at one of four rates in the range 20.0 per cent to 24.5 per cent of pensionable pay (2017-18: 20.0 per cent to 24.5 per cent), based on salary bands.

The scheme actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2018-19 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. For 2018-19, employer contributions of £58,305 (2017-18: £51,783) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8 per cent and 14.75 per cent (2017-18: 8 per cent and 14.75 per cent).

RoS also match employee contributions up to 3.0 per cent of pensionable earnings. In addition, RoS contributions of £191 in 2018-19 (2017-18: £155), 0.5 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the statement of financial position date were £6,051 (2017-18: £4,941). Contributions prepaid at that date were nil.

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

Further details about the Civil Service pension arrangements can be found at the website **civilservicepensionscheme.org.uk**.

Cash equivalent transfer values

A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme.

A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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

Real increase in CETV

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

Redundancy and other exit costs are paid in accordance with the provisions of the Civil Service Compensation scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of the exit package being agreed. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service Pension Scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Reporting of Civil Service and other compensation schemes - exit packages (Audited)

There were no exit packages or compulsory redundancies during the year.

Exit package cost

	Total number of exit packages by cost band	
Exit package cost band	**2018-19**	**2017-18**
<£10,000	0	6
£10,000 - £25,000	0	26
£25,000 - £50,000	0	50
£50,000 - £100,000	0	54
£100,000 - £150,000	0	0
£150,000 - £200,000	0	0
Total number of exit packages	0	136
Total resource cost	**0**	**£6.13m**

Staff numbers and costs by permanent and other (Audited)

During 2018-19, the average number of full-time equivalent (FTE) staff employed was 1,211 (2017-18: 1,262). Agency staff increased to 189 FTE (2017-18: 161) and were primarily to meet the digital requirements of updating legacy IT systems and evolving our IT estate onto a long-term sustainable basis. Fixed term contracts reduced to 29 FTE (2017-18: 89) largely due to moving administrative officers into permanent contracts following further clarity around the work entailed in our commitment to complete the Land Register by 2024.

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

Staff costs

Staff Costs	2019	2018
Administration costs	£'000	£'000
Wages and salaries	31,504	32,556
Social security costs	3,068	3,123
Other pension costs	6,418	6,440
Inward secondments	145	45
Agency staff costs	17,115	15,546
Other staff costs	143	223
Total administration staff costs	**58,393**	**57,933**
Restructuring costs	1	6,150
Total	**58,394**	**64,083**

Diversity profile

In relation to our diversity profile, 49 per cent of staff are female (2017-18: 49 per cent); 51 per cent are male. 1.8 per cent have declared themselves as being from ethnic minority backgrounds (2017-18: 1.5 per cent); and 6.9 per cent declared themselves as being disabled (2017-18: 7.5 per cent). Our Executive Management Team is made up of two females and three males. Further equality information can be found in our 2019 **Equalities Mainstreaming Report**.

At Registers of Scotland, we are very proud of the lack of a gender pay gap in our organisation. At RoS, women earn £1 for every £1 that men earn when comparing median hourly wages. Additionally, 45.4 per cent of the highest paid jobs and 48.5 per cent of the lowest paid jobs are held by women.

The median pay gap in the public sector reported at March 2018 was 14.1 per cent in favour of male earners. The average across public and private sectors was reported as 17.9 per cent.

All of our recruitment, assessment, job evaluation, promotion and pay progression practices support the successful achievement of no gender pay gap.

Sickness absence

Our sickness absence has improved from 2017-18 as shown in the table below, but we believe there is room for further improvement. Though currently not a formal target, we aim to be below an average of seven annual average working days lost, which is good practice across the Civil Service. Our Wellbeing Strategy is helping to address this.

Policies in relation to disabled persons

The following RoS policies have guidance related to disability:

- diversity and equal opportunities;
- dignity at work; and
- maximising attendance.

As part of our ongoing policy review we continue to equality impact assess any revisions to existing policies and creation of new policies.

We are committed to eliminating discrimination and encouraging diversity among our workforce. Our aim is that our workforce will be truly representative of the diverse communities we serve and each employee feels respected and able to give of their best. We aim to eliminate discrimination and unfair treatment on the grounds of irrelevant difference, including those nine characteristics protected by the law. Further information on **Equality and Diversity** can be found on our **website**.

Partnership working

We work in partnership with the Public and Commercial Services Union to bring mutual benefits to RoS, staff and customers. In line with The Trade Union (Facility Time Publication Requirements) Regulations, we publish information relating to trade union facility time. For more information on this, go to **Appendix 2**.

Sickness absence comparison 2017-18 and 2018-19

	Total days lost	Short term days lost	Long term days lost	2018-19 annual average working days lost per 1.00 FTE	2017-18 annual average working days lost per 1.00
Total	9,300	4,690	4,610	8.34	9.36

Parliamentary accountability and audit report

Regularity of expenditure

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 per cent (2017-18: 89 per cent), with 4.3 days (2017-18: 4.8 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.

Fees and charges

RoS income of £73.7 million for 2018-19 was split £65.6 million from statutory fees and £8.1 million non-statutory fees (2017-18: £72.6 million income split £64.0 million from statutory fees and £8.6 million non-statutory fees). Further information on these are in note 2.1. As set out in note 1.3 RoS fee policy involves some loss-making complex transactions. These losses were £6.8 million for 2018-19 (2017-18: £7.1 million) and are detailed in note 17, along with losses of £0.9 million relating to Sasines process and under indemnity provisions (2017-18: £0.6 million).

As at 31 March 2019, RoS has contingent liabilities in relation to potential future indemnity payments that are not yet quantifiable. Quantifiable indemnities are noted at 13.3.

Janet Egdell
Accountable Officer
20 August 2019

Independent auditor's report

Independent auditor’s report

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

Report on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Registers of Scotland for the year ended 31 March 2019 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of comprehensive income, the Statement of financial position, the Statement of cash flows, the Statement of changes in taxpayers’ equity and notes to the financial statements, including a summary of significant accounting policies. 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 2018/19 Government Financial Reporting Manual (the 2018/19 FReM).

In my opinion the accompanying 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 2019 and of its net expenditure 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 2018/19 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.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the **Code of Audit Practice** approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 18 July 2016. The period of total uninterrupted appointment is three years. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the Audit Scotland website, the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of the Keeper's and Accountable Officer's responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website **www.frc.org.uk/auditorsresponsibilities** This description forms part of my auditor's report.

Other information in the annual report and accounts

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

In my opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and

- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Matters on which I am required to report by exception

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or;
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

Use of my report

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 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Stephen Boyle FCPFA
Audit Director

Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

20 August 2019

Annual accounts
2018-2019

Statement of comprehensive income for the year ended 31 March 2019

	Notes	2019 £'000	2018 £'000
Income - continuing operations	2.1	73,736	72,576
Staff costs	3	(58,393)	(57,933)
Administrative costs	4	(16,720)	(20,727)
Operating surplus/(loss)		**(1,377)**	**(6,084)**
Profit/(loss) on disposal of non-current assets		-	-
Investment income - interest receivable	7	455	231
Interest payable	14	(158)	(167)
Amortisation and depreciation	5 & 6	(4,407)	(3,406)
Impairment of non-current assets	5 & 6	(443)	-
Restructuring costs	3	(1)	(6,150)
Retained surplus/(loss) for the financial year		**(5,931)**	**(15,576)**
Gain/(loss) on revaluation of property, plant and equipment	5	185	256
Comprehensive surplus/(loss) for the financial year		**(5,746)**	**(15,320)**

The notes on pages 57 to 74 form part of these accounts.

Statement of financial position as at 31 March 2019

		2019	2018
Non-current assets	Note	**£'000**	**£'000**
Property, plant and equipment	5	10,649	11,799
Intangible assets	6	6,248	5,280
Receivables due after one year	10	36	38
Total non-current assets		**16,933**	**17,117**
Current assets			
Inventories	9	361	322
Trade and other receivables	10	3,924	4,734
Cash and cash equivalents	11	77,593	85,804
Total current assets		81,878	90,860
Total assets		**98,811**	**107,977**
Current liabilities			
Trade and other payables falling due within one year	12	26,638	29,477
Provisions for liabilities and charges	13	2,241	2,419
Total current liabilities		**28,879**	**31,896**
Non-current liabilities			
Trade and other payables falling due over one year	12	521	612
Provisions for liabilities and charges	13	115	321
Total non-current liabilities		636	933
Total liabilities		29,515	32,829
Net assets		**69,296**	**75,148**
Taxpayers Equity			
Capital Loan	14	1,753	1,859
Retained Profits		65,002	70,933
Revaluation Reserve		2,541	2,356
Total taxpayers equity		**69,296**	**75,148**

Janet Egdell
Accountable Officer
20 August 2019

The notes on pages 57 to 74 form part of these accounts.

Statement of cash flows for the year ended 31 March 2019

		2019	2018
Cash flows from operating activities	**Notes**	**£'000**	**£'000**
Net operating profit/(loss)		(5,931)	(15,576)
Adjustments for non cash transactions			
Amortisation and depreciation	5 & 6	4,407	3,406
Impairment or disposal of non-current assets	5 & 6	443	6
Interest receivable		(455)	(231)
Interest payable		158	167
Movements in working capital			
(Increase)/decrease in trade and other receivables	10	834	(667)
Increase/(decrease) in trade and other payables	12	(3,215)	12,509
(Increase)/decrease in inventories	9	(39)	(35)
Movements in provisions	13	(384)	(575)
Net cash flow from operating activities		**(4,182)**	**(996)**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(1,158)	(1,693)
Purchase of property, plant and equipment accrual adjustment		290	(87)
Purchase of intangible assets	6	(3,326)	(3,371)
Proceeds from disposal of property, plant and equipment		0	0
Interest receivable	7	455	231
Interest receivable accrual movement		(22)	(41)
Interest payable	14	(158)	(167)
Interest payable prepayment movement		(4)	(4)
Net cash flow from investing activities		**(3,923)**	**(5,132)**
Cash flows from financing activities			
Repayment of loans from NLF	14	(106)	(106)
Net cash flow from financing		**(106)**	**(106)**
Net increase/(decrease) in cash and cash equivalents		(8,211)	(6,234)
Cash and cash equivalents at beginning of period	11	85,804	92,038
Cash and cash equivalents at end of period	11	77,593	85,804

The notes on pages 57 to 74 form part of these accounts.

Statement of Changes in Taxpayers' Equity

	Capital Loan	Retained Profits	Revaluation Reserve	Total Reserves
	£'000	£'000	£'000	£'000
Balance at 31 March 2017	**1,966**	**86,509**	**2,100**	**90,575**
Repaid during year	(107)			(107)
Net gain/(loss) on revaluation of property			256	256
Net operating profit for the year		(15,576)		(15,576)
Balance at 31 March 2018	**1,859**	**70,933**	**2,356**	**75,148**
Repaid during year	(106)			(106)
Net gain/(loss) on revaluation of property			185	185
Net operating profit/(loss) for the year		(5,931)		(5,931)
Balance at 31 March 2019	**1,753**	**65,002**	**2,541**	**69,296**

The notes on pages 57 to 74 form part of these accounts.

Notes to the accounts

1. Accounting policies

1.1 Statement of Accounting Policies

These financial statements have been prepared in accordance with the principle and disclosure requirements of the Government Financial Reporting Manual (FReM) for 2018-19, published by HM Treasury and the Accounts Direction issued by Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 (reproduced at page 74). 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 have been prepared on a going-concern basis.

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. Changes in accounting policies which do not give rise to prior year adjustments are reported in the relevant note.

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 determined by the relevant accounting standard.

1.3 Operating income, fees and charges

Operating income, which excludes value added tax (VAT), represents the invoiced value of services supplied, and is derived almost wholly from within the United Kingdom. RoS accounts for income in accordance with the recognition criteria set out in IFRS15 Revenue from Contracts with Customers. RoS operates a system of prepayment of registration fees, which are initially held as a creditor in the statement of financial position. Income is recognised when services are transferred to the customer. An adjustment to prepaid registration work in progress (WIP) is made in accordance with IFRS9 Financial Instruments.

Revenue collected is not classified as a tax by the Office of National Statistics. This is as per the IFRS 15_Application Guidance – we will review this following ONS reclassification outcome.

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

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

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

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

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

1.4 Estimation techniques

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- Note 12 – fees received in advance; and
- Note 13 – estimated provision for indemnity claims.

1.5 Value Added Tax (VAT)

The majority of services provided by RoS fall outside the scope of VAT. RoS can fully recover input VAT on certain contracted-out services; for other expenditure VAT is charged to the relevant expenditure category or included in the capitalised purchase costs of assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

1.6 Property, plant and equipment

Recognition

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

Capitalisation

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

Valuation

Title to the freehold land and buildings shown in the accounts is held in the name of the Scottish Ministers. Freehold land and buildings are shown at fair value using open market value. A professional valuation is carried out at three yearly intervals and in the intervening years the retail price index is applied to provide a desktop valuation.

Valuation and useful life estimates in respect of RoS land and buildings were supplied in December 2016 by a Royal Institute of Chartered Surveyors (RICS) Registered Valuer for and on behalf of Cushman and Wakefield.

Depreciated historic cost has been used as a proxy for fair value of plant and equipment, computer and office equipment. Assets within these categories have short useful lives, low values, or both.

Depreciation

Freehold land is not depreciated.

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

- Computer equipment: various (see below)
- Plant and machinery: five years (see below)
- Office equipment: five years (see below)
- Freehold buildings: 20 years (see note 5)

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

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

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

1.7 Intangible assets

Intangible assets are valued on a historic cost basis.

RoS develops specialist in-house IT systems, and applies IAS 38 Intangible Assets. All costs eligible to be defined as development expenditure, including directly related staff costs, are capitalised and held as assets under development. Amortisation commences when the asset is available for use and is applied at rates calculated to expense the cost by equal instalments over the estimated useful life. Assets are typically amortised over three to five years, depending on the useful life of the asset involved.

1.8 Impairment of non-current assets

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

1.9 Financial instruments

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

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

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

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

1.11 Pension costs
RoS employees are civil servants who are entitled to be members of the Principal Civil Service Pension Scheme (PCSPS) or the Civil Servant and Other Pension Scheme (CSOPS) – known as '*alpha*'. These are unfunded, multi-employer defined benefit schemes but RoS is unable to identify its share of the underlying assets and liabilities. The scheme is accounted for as a defined contribution scheme under the multi-employer exemption permitted in IAS 19 Employee Benefits. Liability for the payment of future benefits is a charge on the PCSPS or *alpha* scheme. Separate scheme statements for the PCSPS or *alpha* as a whole are published. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (**civilservicepensionsheme.org.uk**).

Further pension details can be found in the **Remuneration and staff report** section of this document.

1.12 Employee benefits
The cost of providing employee benefits is recognised in the period in which RoS receives services from its employees, rather than when it is paid or payable.

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

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

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

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

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

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

1.17 Provisions and contingent liabilities
In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, provisions are recognised in the statement of financial position when RoS has a present or legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefit will be required to settle the obligation.

Where appropriate, this is supported by independent professional advice. Provisions are charged to the statement of comprehensive income and recorded as liabilities in the statement of financial position. Liabilities that have only a possible chance of crystallising and do not meet the provisions criteria will be classified as contingent liabilities.

1.18 Capital government grant
Government grants provided to finance the purchase of specific assets are recognised as income in the statement of comprehensive income.

1.19 Segmental reporting
RoS currently operates two segments:

- registration activities covered by statutory fees; and
- commercial activity covered by non-statutory fees.

IFRS 8 Segmental Reporting requires operating segments to be identified on the basis of internal reports about components of RoS that are regularly reviewed in order to allocate resources to the segments and assess their performance. Reporting on these segments is at **note 2**.

1.20 Date of issue of accounts
The Accountable Officer authorised these accounts for issue on 20 August 2019.

2. Operating segments

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

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

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

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

2019			
	Statutory	Non-statutory	Total
	£'000	£'000	£'000
Income	65,582	8,154	73,736
Staff costs	(51,452)	(6,941)	(58,393)
Administrative costs	(14,934)	(1,787)	(16,721)
Operating surplus/(loss)	**(804)**	**(574)**	**(1,378)**

2018			
	Statutory	Non-statutory	Total
	£'000	£'000	£'000
Income	63,938	8,638	72,576
Staff costs	(51,639)	(6,294)	(57,933)
Administrative costs	(18,619)	(2,108)	(20,727)
Operating surplus/(loss)	**(6,320)**	**236**	**(6,084)**

2.1 Income from continuing operations

	2019	2018
	£'000	£'000
Statutory fees		
First Registrations	7,924	8,136
Transfers of Part	7,495	7,946
Dealings with Whole	46,449	44,033
Sasines	1,135	1,200
Chancery and Judicial Registers	1,254	1,198
Other statutory income	1,325	1,425
	65,582	**63,938**
Non-statutory fees		
Registers Direct, ScotLIS and Customer Services	4,274	4,613
Reports and other income (including recoveries)	3,880	4,025
	8,154	**8,638**
	73,736	**72,576**

First Registration (FR) comprises the registration in the Land Register of a previously unregistered plot of land.

Transfers of Part (TP) comprises applications for registration of a deed that either (a) partly affects a registered title and requires the cadastral unit to be subdivided and a separate title sheet created (for example, a disposition of part of a cadastral unit); or (b) wholly affects a registered title yet creates a separate interest in that cadastral unit (for example, at least of a whole registered title).

Dealings with Whole (DW) comprises applications for registration of a deed that either (a) wholly affects a registered title (for example, a disposition of the whole property); or (b) partly affects a registered title but does not require the cadastral unit to be subdivided and a separate title sheet created (for example, a standand security over part of a cadastral unit).

3. Staff Costs

	2019 £'000	2018 £'000
Administration Costs		
Wages and salaries	31,504	32,556
Social security costs	3,068	3,123
Other pension costs	6,418	6,440
Inward secondments	145	45
Agency staff costs	17,115	15,546
Other staff costs	143	223
Total administration staff costs	**58,393**	**57,933**
Restructuring costs	1	6,150
	58,394	**64,083**

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

Average number of persons employed*

	2019	2018 Restated
Permanent staff		
Registration	608	639
Corporate Services (including Business Development and Information)	379	360
	987	**999**
Other staff		
Temporary contracts*	189	161
Fixed term contract	29	99
Secondees in	3	3
Secondees out	3	-
	1,211	**1,262**

4. Administrative costs

	Notes	2019 £'000	2018 £'000
Staff-related costs			
Travel and subsistence expenses		232	268
Staff training		514	579
Other staff costs		308	391
Supplies and services			
Catering		137	45
Security		385	317
Equipment and services		5,435	5,989
General administrative expenditure		1,149	1,187
Services from Ordnance Survey		422	422
Copy deeds/quick copies		16	19
Professional fees		4,041	7,029
Bank charges		20	20
Indemnity and legal costs		1,072	821
External audit		53	51
Internal audit		51	71
Accommodation and utilities			
Estate charges		948	848
Operating leases - rents		419	436
Repairs, maintenance and minor works		924	1,679
Utilities		424	437
Environmental services		609	436
Non-cash items			
Movement in work in progress	9	65	(452)
Movement in provision for indemnity	13	(304)	134
Movement in provision for dilapidations	13	(200)	-
		16,720	**20,727**

*2018 Temporary contracts is restated, 2017-18 Annual Report, Temporary contracts / Agency Staff average persons employed reported 317.

5. Property, Plant and Equipment

5.1 Cost or valuation

	Land freehold	Buildings freehold	Information technology	Plant & machinery	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
At 1 April 2018	**1,757**	**8,015**	**9,098**	**3,352**	**211**	**22,433**
Additions	-	61	644	-	453	1,158
Transfers In/(Out)	-	382	-	-	(382)	-
Revaluation in year	43	158	-	-	-	201
Impairment	-	(443)	-	-	-	(443)
Disposals	-	-	(45)	(2,903)	-	(2,948)
At 31 March 2019	**1,800**	**8,173**	**9,697**	**449**	**282**	**20,401**
Depreciation						
At 1 April 2018	**-**	**570**	**6,730**	**3,334**	**-**	**10,634**
Charged in year	-	480	1,566	4	-	2,050
Backlog depreciation	-	16	-	-	-	16
Impairment	-	-	-	-	-	-
Revaluation in year	-	-	-	-	-	-
Disposals	-	-	(45)	(2,903)	-	(2,948)
At 31 March 2019	**-**	**1,066**	**8,251**	**435**	**-**	**9,752**
NBV at 31 March 2019	**1,800**	**7,107**	**1,446**	**14**	**282**	**10,649**
NBV at 31 March 2018	1,757	7,445	2,368	18	211	11,799
Owned	1,800	7,107	1,446	14	282	10,649
NBV at 31 March 2019	**1,800**	**7,107**	**1,446**	**14**	**282**	**10,649**

Table 5.1: Impairment charges within Buildings freehold relate to the functional obselescence of Meadowbank House.

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

5.2 Cost or valuation

	Land freehold	Buildings freehold	Information technology	Plant & machinery	AUC	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
At 1 April 2017	**1,700**	**7,806**	**7,631**	**3,337**	**-**	**20,474**
Additions	-	-	1,467	15	211	1,693
Transfers In/(Out)	-	-	-	-	-	-
Revaluation in year	57	209	-	-	-	266
Impairment	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At 31 March 2018	**1,757**	**8,015**	**9,098**	**3,352**	**211**	**22,433**
Depreciation						
At 1 April 2017	-	91	5,378	3,331	-	8,800
Charged in year	-	469	1,352	3	-	1,824
Backlog depreciation	-	10	-	-	-	10
Impairment	-	-	-	-	-	-
Revaluation in year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At 31 March 2018	**-**	**570**	**6,730**	**3,334**	**-**	**10,634**
NBV at 31 March 2018	**1,757**	**7,445**	**2,368**	**18**	**211**	**11,799**
NBV at 31 March 2017	1,700	7,715	2,253	6	-	11,674
Owned	1,757	7,445	2,368	18	211	11,799
NBV at 31 March 2018	**1,757**	**7,445**	**2,368**	**18**	**211**	**11,799**

5.3 Freehold land and buildings

Note 1.6 on accounting policies states that RoS will professionally revalue freehold land and buildings every three years, and in the intervening years the figures will be updated by a desktop valuation. Freehold land and buildings were revalued at £7,960k as at 16 December 2016, on the basis of existing use value. The valuation was split into £1,700k land and £6,260k buildings. The expected useful life of the building at this time was 20 years.

The valuation was carried out as per **note 1.6** by independent external valuers, Cushman and Wakefield, and was prepared in accordance with the requirements of the Royal Institution of Chartered Surveyors (RICS) appraisal and valuation manual.

6. Intangible assets

6.1 Cost or valuation

	Assets under development	Software	Computer licences	Total
	£'000	£'000	£'000	£'000
Cost or Valuation				
At 1 April 2018	729	23,725	1,438	25,892
Additions	1,251	2,030	45	3,326
Reclassification	(953)	953	-	-
Impairment	-	-	-	-
Disposals	-	(1,382)	(1,315)	(2,697)
At 31 March 2019	**1,027**	**25,326**	**168**	**26,521**
Amortisation				
At 1 April 2018	-	19,392	1,220	20,612
Charged in year	-	2,133	224	2,357
Reclassification	-	-	-	-
Impairment	-	-	-	-
Disposals	-	(1,382)	(1,314)	(2,696)
At 31 March 2019	**-**	**20,143**	**130**	**20,273**
NBV at 31 March 2019	**1,027**	**5,183**	**38**	**6,248**
NBV at 31 March 2018	729	4,333	218	5,280

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

6.2 Cost or valuation

	Assets under development	Software	Computer licences	Total
	£'000	£'000	£'000	£'000
Cost or Valuation				
At 1 April 2017	1,224	19,865	1,438	22,527
Additions	1,553	1,818	-	3,371
Reclassification	(2,042)	2,042	-	-
Impairment	-	-	-	-
Disposals	(6)	-	-	(6)
At 31 March 2018	**729**	**23,725**	**1,438**	**25,892**
Amortisation				
At 1 April 2017	-	18,241	789	19,030
Charged in year	-	1,151	431	1,582
Reclassification	-	-	-	-
Impairment	-	-	-	-
Disposals	-	-	-	-
At 31 March 2018	**-**	**19,392**	**1,220**	**20,612**
NBV at 31 March 2018	**729**	**4,333**	**218**	**5,280**
NBV at 31 March 2017	1,224	1,624	649	3,497

Assets under development includes internally developed software which complement the improvement of our business. Software includes the Content Management System (CMS) Integration and ScotLIS which had an NBV of £987k and £1,233k respectively as at 31 March 2019.

7. Interest receivable

	2019	2018
	£'000	£'000
On Paymaster and National Loans Fund balances	455	231

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 that with holding government bonds.

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

	2019	2018
	£'000	£'000
Work in progress	**361**	**322**

The movement in work in progress (see note 4 above) is made up of:

	2019	2018
	£'000	£'000
Increase/(Decrease) in Asset balances	39	35
(Increase)/Decrease in provision	(104)	417
	(65)	**452**

10. Trade receivables and other current assets

	2019	2018
	£'000	£'000
Amounts falling due within one year:		
Trade receivables and accrued income	968	972
Less: Provision for bad debts	(51)	(36)
	917	**936**
Other receivables	273	711
VAT	-	-
Prepayments	2,734	3,087
Total receivable within one year	**3,924**	**4,734**
The above is further analysed as:		
Other central government bodies	152	614
Local authorities	35	32
NHS bodies	3	-
Bodies external to government	3,734	4,088
	3,924	**4,734**
Amounts falling due after more than one year:		
Other receivables - Subrogation	**36**	**38**

11. Cash and cash equivalents

	2019	2018
	£'000	£'000
Balance at 1 April	85,804	92,038
Net change in cash and cash equivalent balances	(8,211)	(6,234)
Balance at 31 March	**77,593**	**85,804**
The following balances at 31 March were held at:		
Government Banking System	4,456	9,131
Commercial banks and cash in hand	1,137	1,673
Short term investments	72,000	75,000
Balance at 31 March	**77,593**	**85,804**

12. Trade payables and other current liabilities

	2019	2018
	£'000	£'000
Amounts falling due within one year:		
Trade payables and accruals	3,742	10,755
Other payables	1	70
Other taxation and social security	821	832
VAT	94	231
Fees received in advance	21,874	17,483
NLF loans	106	106
Total due within one year	**26,638**	**29,477**
Amounts falling due over one year:		
Trade payables	521	612
	27,159	**30,089**
The above is further analysed as:		
Other central government bodies	1,580	1,707
Local authorities	190	192
NHS bodies	66	28
Bodies external to government	25,323	28,162
Balance at 31 March	**27,159**	**30,089**

13. Provisions for liabilities & charges

13.1 Provisions

	Early retirement	Indemnities	Work in progress	Dilapidations	Pension costs	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2017	856	640	1,619	200	0	3,315
Additional provision made	-	543	173	-	-	716
Revaluation of provision	15	(13)	-	-	-	2
Amounts incurred and charged against provision	(307)	(376)	(590)	-	-	(1,273)
Unused amounts reversed	-	(20)	-	-	-	(20)
At 31 March 2018	**564**	**774**	**1,202**	**200**	**0**	**2,740**
Additional provision made	-	385	112	-	257	754
Revaluation of provision	4	(57)	-	(200)	-	(253)
Amounts incurred and charged against provision	(245)	(550)	(8)	-	-	(803)
Unused amounts reversed	-	(82)	-	-	-	(82)
At 31 March 2019	**323**	**470**	**1,306**	**-**	**257**	**2,356**
Analysis of total provisions:						
At 31 March 2018						
Current	243	774	1,202	200	-	2,419
Non-current	321	-	-	-	-	321
	564	**774**	**1,202**	**200**	**0**	**2,740**
At 31 March 2019						
Current	208	470	1,306	-	257	2,241
Non-current	115	-	-	-	-	115
	323	**470**	**1,306**	**-**	**257**	**2,356**

13.2 Early retirement

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

13.3 Indemnities

A provision for indemnity payments has been provided based upon a review of the outstanding claims and an estimate of the settlement values.

13.4 Work in progress

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

13.5 Dilapidations

The provision from 2015-16 dilapidations with reference to the lease for Hanover House, 24 Douglas Street, Glasgow has been reversed, no further costs are expected.

13.6 Pension costs

Pension costs in relation to a small number of staff who transferred from our previous IT partner BT on 1 December 2012.

14. Taxpayers' equity

14.1 Capital loan

This was set up on 1 April 1996 at the start of trading fund status. The loan amounted to £4,250,000 repayable over 40 years with an interest rate of 8.375 per cent. Interest payable to the National Loans Fund amounted to £158,000 for the year to 31 March 2019 (2018: £167,000).

Repayments of the capital loan are shown in the table below:

	2019	2018
	£'000	£'000
Between one and two years	106	106
Between two and five years	319	319
In more than five years	1,328	1,434
	1,753	**1,859**
Within one year (included in creditors)	106	107
	1,859	**1,966**

14.2 Retained profits

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

14.3 Revaluation reserve

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

15. Capital commitments

Contracted capital commitments at 31 March not otherwise included in these accounts:

	2019	2018
	£'000	£'000
Property, plant and equipment	57	217
Intangible assets	-	-

16. Commitments under leases

Obligations under operating leases comprise:

	2019	2018
Buildings:	**£'000**	**£'000**
Not later than one year	519	519
Later than one year and not later than five years	2,076	2,076
Later than five years	910	1,429
	3,505	**4,024**
Other:		*Restated
Not later than one year	164	160
Later than one year and not later than five	57	135
Later than five years	-	-

RoS is committed to an operating lease in St. Vincent Plaza, Glasgow until January 2026. Other operating leases previously omitted have been restated for 2017-18.

17. Losses

RoS settled 446 claims for loss, arising from errors made either in the Sasines recording process or under the indemnity provisions of the Land Registration (Scotland) Act 1979 and the Land Registration etc. (Scotland) Act 2012, at a cost of £865,000 (2017-18: 532 claims, £604,000).

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

	2019	2018
	£'000	£'000
Opening FR WIP provision	(225)	(52)
Closing FR WIP provision	(336)	(225)
Change in provision	(111)	(173)
Cost of FR registrations	(13,104)	(13,676)
FR Income	7,924	8,136
Loss	**(5,291)**	**(5,713)**

From TP registration process		
	2019	**2018**
	£'000	**£'000**
Opening TP WIP provision	(978)	(1,567)
Closing TP WIP provision	(970)	(978)
Change in provision	8	589
Cost of TP registrations	(9,013)	(9,934)
TP Income	7,495	7,946
Loss	**(1,510)**	**(1,399)**

18. Contingent liabilities

As at March 2019, RoS has contingent liabilities in relation to potential future indemnity payments that are not yet quantifiable. There may be indemnity payments associated with the outcome of the criminal trial R v Edwin McLaren and Lorraine McLaren but these are not yet quantifiable. It also has contingent liabilities in relation to the Construction Industry Scheme (CIS) for expenditure relating to RoS buildings since 2010. The CIS liabilities in relation to interest and penalties are uncertain.

19. Related party transactions

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

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

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

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

20. Accounting standards issued not yet effective

International Accounting Standard (IAS) 8 on Accounting Policies requires organisations to disclose details of any IFRS that has been issued but is not yet effective. At 31 March 2019 the following IFRS, none of which will be material to Registers of Scotland accounts, have been issued but are not effective as they are not yet applied in the Government Financial Reporting Manual (FReM):

IFRS 16 – Leases – effective date 1 April 2020.

21. Events after the reporting period

In accordance with the requirements of IAS 10 Events after the reporting period, events after the statement of financial position date are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Independent auditor's report.

Non-adjusting event after the reporting period

There are no non-adjusting events after the reporting period.

Appendices

Appendix One:
Registers Of Scotland

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.

Alyson Stafford

Signed by the authority of the Scottish Ministers

Dated 17 January 2006

Appendix two:
Trade union facility time

Facility time generates benefits for employees, managers and the wider community from effective joint working between union representatives and employers.

A number of studies have shown that union workplaces tend to be safer and that trade unions help to promote skills and training in the workplace. Registers of Scotland recognises this through our support for trade union learning and equality initiatives.

The **NatCen study** highlighted four main benefits from the use of facility time.

- Provision of a ready-made structure for meaningful consultation and negotiation saves money and reassures members that their views are valued in decision-making.
- Facilitation of partnership working with trade unions improves workplace relations and the reputation of an employer as 'a good place to work'.
- Earlier intervention in relation to complaints, grievances and disciplinary action prevents escalation into more serious problems and saves organisations (and taxpayers) money by reducing the impact on staff time and possible legal costs.
- Better communication during restructuring and redundancy processes improves understanding of decisions, minimises negative impacts and reduces the number of working days lost through industrial action.

The Fair Work Convention highlights these points through its 'Effective voice' principle. As they state: 'It is clear from international evidence that employees and workers want a voice, not only to resolve problems and conflicts (which is important) but also to engage and participate constructively in organisations'.

On organisational change, they say: 'There are many examples in Scotland and elsewhere of how collective voice through trade unions working with employers has addressed a wide range of organisational challenges and contributed to organisational improvements'.

It is the view of Registers of Scotland that facility time data legally required by the Trade Union (Facility Time Publication Requirements) Regulations 2017, should be set in the context of the vast benefits that facility time bring to the workforce and to the employer, as set out above. This is supported by the Scottish Government, the STUC and our affiliated trade unions.

Table 1: Relevant union officials

What was the total number of your employees who were relevant union officials during the relevant period?

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
9	9

Table 2: Percentage of time spent on facility time

How many of your employees who were relevant union officials employed during the relevant period spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time?

Percentage of time	Number of employees
0%	0
1-50%	7
51%-99%	0
100%	2

Table 3: Percentage of pay bill spent on facility time

Provide the figures requested in the first column of the table below to determine the percentage of your total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period.

Provide the total cost of facility time	£131,043
Provide the total pay bill	£58,135,910
Provide the percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.23%

Table 4: Paid trade union activities

As a percentage of total paid facility time hours, how many hours were spent by employees who were relevant union officials during the relevant period on paid trade union activities?

6.9%	Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100

Registers of Scotland

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