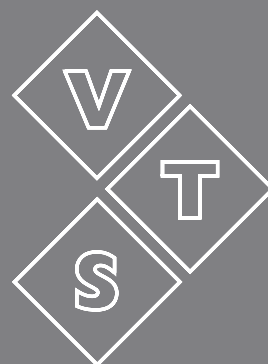


# The Valuation Tribunal Service

Annual Report and Accounts 2014-15



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**Annual Report and Accounts 2014-15**

Presented to Parliament pursuant to Schedule 4, paragraph 20 (4b) to the Local Government Act 2003

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# Chairman's statement



On every front, whether it be issues about people, or places, or systems, or targets, the year under review has been busy. One of the most challenging aspects has been the need to keep the achievement of the target set in the Chancellor's Autumn Statement of 2013, with regard to clearance by July 2015 of older non-domestic rating appeals, high on our agenda. We are grateful to Valuation Tribunal for England (VTE) chairmen and members for their cooperation in what has been a major focus for us throughout the year. This challenge has shown just what can be achieved by a partnership effort between the VTS and the VTE.

One change during 2014-15 was the Government's decision to amalgamate work on seeking an improved process for handling non-domestic rating appeals into a wider review of business rates ahead of the 2017 revaluation. We had been supportive of the aims of reform proposed by our sponsor Department, as we have long advocated that the current process is unsatisfactory. We had worked hard to understand what a changed process would require in terms of IT enhancement and in terms of administrative processes, and we hope that some of the learning from that work will be useful in contributing to the on-going discussions involving all the key stakeholders.

We successfully completed our move into smaller accommodation in London's Leman Street. This was undertaken over a weekend, so when staff reported to the new location on the next Monday, all their equipment was in place ready for a smooth take off and the first hearings were held there on the Tuesday. This move has achieved some useful savings, and experience to date shows that the new office and hearing rooms are working well. Our Doncaster office lease was also coming to its end and, with approval from the Cabinet Office Property Unit and our sponsor team, we have negotiated a new lease on similar terms, thus giving some stability for the near future. This is particularly important, as we now know from Government announcements that the proposed move of the VTS to HM Courts & Tribunals Service (HMCTS) is not currently in prospect.

This greater certainty has not only been significant in relation to our estate planning, but also in terms of staff recruitment. We had been operating for some time with a CEO and a Finance Director, having slimmed down the executive team in light of the proposed move to HMCTS. However, our programme of work anticipated over the next two to three years is such that it was no longer sensible to keep our third executive post in mothballs. Following the retirement of our former Finance Director, we have now recruited a Director of Finance & Information Systems and a Director of Operations & Development. We have aimed to keep our staff numbers at optimum levels to achieve good customer service and value for money, and to support our vision of achieving a fair and effective appeals system.

I am pleased that our VTS Board is back up to full strength. In November, we welcomed Robin Evans, taking over from Margaret May who has been a stalwart and valued Board member, and Martin Allingham, one of our VTE members on the Board. Robin is also serving on the Audit & Risk Assurance Committee, and Martin on the Finance Committee.



**Anne Galbraith CBE**

**Chairman, Valuation Tribunal Service**

# Chief Executive's statement



One of the most difficult challenges that we have faced during the course of the year is the ability to plan against the uncertainty presented by the expectations of the Public Bodies Act 2010. I am therefore very pleased that the Minister for the Cabinet Office, in his written statement to Parliament in November 2014, announced that both the VTS and VTE would be retained as independent, non-departmental public bodies sponsored by the Department for Communities and Local Government. This decision now gives us some degree of certainty and the ability to plan with a greater degree of confidence for the next three years. The opportunity to participate in a triennial review will allow us to take stock of the service we provide and explore ways that we can do more.

The past financial year was one of substantial delivery for the VTS. Meeting the Chancellor's aim of clearing 95% of appeals made before 30 September 2013 by July 2015 has very much dictated the pace of the listing programme for business rates appeals, with average numbers listed each month as high as 12,000. In working with the Valuation Office Agency we have played a significant part in supporting the Chancellor's aim.

My staff have risen to the considerable challenges this presented and I am grateful for their continuing efforts, despite the inevitable frustrations they faced, to ensure that we continue to provide a service that keeps us at the forefront of the administration of local taxation appeals, particularly against the background of restraints facing the public sector, which inevitably impacts on motivation.

Having not filled Director vacancies while we awaited the outcome of discussions surrounding the Public Bodies Act, towards the end of the year we welcomed two new Directors, Ann Battom in her role as Director of Finance & Information Systems and Lee Anderson in the role of Director of Operations & Development. Their appointments will bring experience and expertise in assisting me to meet the numerous challenges that we face year on year. I am equally delighted to welcome the two newly appointed Board Members who join us at a very challenging time. I look forward to working with them.

As a public body it is essential that we operate as efficiently and effectively as possible. In order to maintain the level of service we always aim to provide we must remain an agile organisation, flexible in meeting the challenges that we repeatedly face. We have spent considerable time documenting our business processes and we will continue to improve these processes wherever possible in 2015-16, including the development of enhanced digital technology to meet the rising expectations of appellants.

2015-16 looks set to be as demanding as the past year, firstly with the preparations required in addressing the impact of the 2017 non-domestic rating revaluation and also any changes in policy that may be introduced by a new administration following the General Election. I look forward to meeting these new challenges head on.



**Antonio Masella**

**Chief Executive**  
**Valuation Tribunal Service**



# Our year in brief

## April 2014

- We implemented a new management structure between April 2014 and February 2015, to better support the Chief Executive

## September 2014

- We gained public service network accreditation for a further 12 months

## October 2014

- We moved to a government-estate London office over a weekend, and were functioning the following day, with hearings held there the day after that

## November 2014

- Two new Board Members began their appointments
- The Cabinet Office announced that the VTS and VTE would be retained as NDPBs of DCLG

## January 2015

- A recruitment exercise for VTE members was accepted into the Judicial Appointment Commission's programme for 2015-16 and we began to prepare for this

## March 2015

- With Cabinet Office approval we negotiated a two years and five months extension to our Doncaster office lease, at nil increase in rent
- We maintained a high level of hearings for business rates appeals for a second year, with the aim of meeting the Chancellor's clearance target by July 2015, and by the end of March had provided at least one hearing date for all but 150 of the appeals that could be listed
- We mapped our business processes to promote consistent, lean working in our offices
- We participated in the discussions about business rates reform, with key organisations and individuals



# Management commentary

## Strategic report

### Our services and what we do

The VTS, in its eleventh year of operation, continues as an independent, service delivery organisation. Our vision is to focus on *“providing the fairest, most effective and efficient service we can to those who challenge their local property taxes”*.

The VTS is sponsored by the Department for Communities and Local Government (DCLG), and provides specialist services, administrative and financial support to the Valuation Tribunal for England (VTE). The VTS was established under the Local Government Act 2003 and created on 1 April 2004. The Act requires the VTS to do anything which it considers is *“calculated to facilitate the carrying out of its functions”* and that it shall carry out its functions *“in the manner it considers is best calculated to secure the VTE’s efficient and independent operation”*.

The VTS arranges hearing days, trains VTE members, schedules hearings, provides general assistance to appellants and their representatives and issues statutory notices. The VTS also provides clerks to advise lay panels at hearings on practice, procedure and legal issues, and to draft the decisions arrived at by the panels, for their approval.

The VTE was established by the Local Government and Public Involvement in Health Act 2007 and created on 1 October 2009. Its jurisdiction is to hear appeals in respect of:

- business rates
- council tax
- completion notices
- penalty notices for failure to provide requested rental information
- drainage rate assessments.

Regulations<sup>1</sup> set out the manner in which the VTE is to carry out its functions:

- dealing with appeals in ways which are proportionate to the importance of the appeal, the complexity of the issues, the anticipated costs and the resources of the parties;
- avoiding unnecessary formality and seeking flexibility in the proceedings;
- ensuring, so far as practicable, that the parties are able to participate fully in the proceedings;
- using any special expertise of the VTE effectively; and
- avoiding delay, so far as compatible with proper consideration of the issues.

The duty to ensure that arrangements are made for appeals to be determined in accordance with the provisions of the Regulations falls on the VTE President.

## Review of workload

An appeal arises when the Valuation Office Agency (VOA, in the case of business rates or council tax valuation) or the council (in the case of other council tax matters) does not agree with a ratepayer's or council taxpayer's contention and the ratepayer or taxpayer seeks an independent resolution to the matter.

Around 114,900 appeals were brought forward in April 2014 and during the year some 91,600 were received; almost 120,000 appeals were cleared. Table 1 shows the detail of these figures by appeal type.

The throughput of appeals this year was again influenced significantly by the clearance target for non-domestic rating appeals set by the Chancellor in his December 2013 Autumn Statement to clear 95% of the appeals which were lodged before 30 September 2013 (about 170,000) by July 2015. To this end, we increased the number of appeal listings; at 31 March 2015, 21,000 of these appeals remained outstanding. Our commitment within this target (which we share with the VOA) is to have arranged at least one tribunal hearing for each of these appeals that was in a VOA programme with a target date before 31 March 2015 and was not awaiting a superior court decision, thus providing the focus for the parties to discuss and resolve their disputes or the opportunity for a VTE determination. At the end of the financial year only about 150 of the appeals that could be listed had never been listed.

<sup>1</sup> The Valuation Tribunal for England (Council Tax and Rating Appeals) (Procedure) Regulations 2009 SI 2009 No 2269.

**Table 1**

Appeal groups	Brought forward	Received	Cleared	Carried forward
Council tax completion notice	190	300	390	100
Council tax penalty notice	–	10	10	–
Council tax liability	570	1,010	1,050	530
Council tax reduction	200	760	520	440
Council tax notice of invalidity	60	480	330	210
Council tax valuation	1,480	2,590	2,620	1,450
Non-domestic completion notice	250	150	290	110
Non-domestic penalty notice	–	10	–	10
Non-domestic transitional certificate	230	70	190	110
Non-domestic rating list 2000	40	–	10	30
Non-domestic rating list 2005	5,800	100	3,000	2,900
Non-domestic rating list 2010	105,500	85,700	110,800	80,400
Non-domestic rating notice of invalidity 2000	–	–	–	–
Non-domestic rating notice of invalidity 2005	280	–	100	180
Non-domestic rating notice of invalidity 2010	260	460	260	460
<b>Totals</b>	<b>114,860</b>	<b>91,640</b>	<b>119,570</b>	<b>86,930</b>

Note: Figures in the Table are rounded to the nearest 10, except for non-domestic rates appeals against the 2005 and 2010 lists, which have been rounded to the nearest 100.

Some 'Brought forward' figures differ slightly from the 'Carried forward' figures reported last year due to this rounding, added to the fact that the statistics are based on a 'snapshot' of data at a fixed point in time. This can change over the course of a day, on account of reinstatements or clearances of appeals. The 'Brought forward' figure for council tax reduction appeals is different to last year's 'Carried forward' figure because it included many applications which were subsequently found to be incorrectly made and were not accepted as appeals.



The number of full day tribunals  
with two or more cases heard  
rose by 13%

**13%**

86.4% of decisions were issued  
within a month of the hearing

**86.4%**



During the year under review, 1,331 hearings days were held, to which we listed 149,201 appeals. To improve the efficiency of the listing process, we monitor hearing days where maximum use is made of the resources convened for a full day and where two or more cases are argued before the Tribunal panel. For 2013-14, 48% of lists met these criteria and in 2014-15 this improved to 61%. The percentage of hearing days where two or more appeals were determined with reasoned decisions amounted to 74%. We aim to build on this improvement in 2015-16, setting a target of 80%.

In our Customer Charter, we set out an aim to list council tax liability and banding appeals within five months of receipt. This target was achieved in 95% of cases in 2014-15, so for next year we aim to list 85% of these appeals within four months.

Another key service standard commitment for VTS staff is to issue to the parties a VTE panel's reasoned account of its decision (in a contested case) within one month of the hearing date. Our tribunal user surveys continue to highlight that early receipt of the decision is important to them. In 2013-14, 83% of such decisions were sent to the parties within one month. This year's figure is 86.4% of the 4,145 decisions issued (10% more decisions than last year), exceeding the target for the year.

For appeals against the 2010 rating list, a VTE Practice Statement requires statements of case to be exchanged before the hearing and sent to the Tribunal. During the year, we received and administered 48,500 statements of case from appellants and the VOA, yet fewer than 1,600 of these appeals required a VTE determination. With the VTE, we continue to look for ways to reduce this ultimately unnecessary production and administration of paperwork.

### Achievement of objectives and key performance indicators

In our Business Plan for 2014-15 we said that,

*"Working in close partnership, the VTS and VTE will provide a united focus on improving consistency, developing judicial expertise, enhancing the user experience, communicating with and listening to our stakeholders and delivering exceptional value for money."*

As the data below show, some progress was achieved towards this, with 11 of the 20 objectives derived from the Business Plan for 2014-15 being achieved fully. An objective relating to implementing lean processes into finance was completed in part, with further work to be carried out in 2015-16 now that a Director of Finance & Information Systems has been appointed and the IT infrastructure is under review.

Induction of new VTE members was delayed because the earliest slot in the recruitment programme managed by the Judicial Appointments Commission was May 2015; it is hoped that induction of recruits will commence late in 2015.

A further objective whose achievement was delayed related to extending successful elements of the council tax reduction appeals process to other appeal types. This was very much tied into the expected reforms to the non-domestic rating appeals process; those changes were put on hold by the Government, to be encompassed in a wider review of rating ahead of the 2017 revaluation. For the same reason, four other business objectives were removed from the list.

It had been expected that in 2014-15 the VTS would have to follow the Department in adopting a new finance package, but DCLG's plans changed and the VTS will now be reviewing its specific requirements for a finance package during 2015-16. This led to two other objectives being removed from the Plan for the year.

There were other developments during the year that had to be addressed and which impacted on our planned objectives. These included working towards consolidation of the 31 pension funds into a single fund and preparing for the Triennial Review.

The VTS combined Business Plan and Corporate Plan, the 'Forward Plan' can be found on our website, [www.valuationtribunal.gov.uk](http://www.valuationtribunal.gov.uk).

Below are a few highlights of our achievements in 2014-15.

### Strategic Priority 1 – We will enhance our support to the VTE

#### What we did

- We extended our engagement with professional representatives in various forums: the Rating Surveyors' Committee, the Professional Bodies' Liaison Group and at meetings with individual and regional groups of firms
- We supported the VTE in working with the Ministry of Justice and the Judicial Appointments Commission to ensure that recruitment of sufficient new VTE chairman and members goes ahead as smoothly and effectively as possible
- We revised printed guidance for council tax appellants in line with recommendations from tribunal user research

### Strategic Priority 2 – We will continue to improve the way we work and the quality and consistency of our service

#### What we did

- We established a comprehensive set of documented business processes and cascaded them to staff, and put in place a change approvals process to ensure that these remain efficient and effective
- We put in place a new management structure, with a single Service Delivery Manager and Office Manager, and new Directors of Finance & Information Systems and Operations & Development

### Strategic Priority 3 – We will operate in ways that are efficient, economic and provide value for money

#### What we did

- We began to put together our requirements for a new IT system, ahead of the move from our current contractual arrangement which ends in 2017. A draft IT Strategy has been developed, and shared services with DCLG has been explored as one of a range of options
- We are on target to have provided, by July 2015, a hearing for each of the non-domestic rating appeals that was made before 30 September 2013, thus giving the parties an opportunity to settle the appeal or receive a determination

### Strategic Priority 4 – We will build capacity to deliver through our people

#### What we did

- We provided stability for the workforce and savings by successfully moving our London office to a smaller one on the Government estate (with savings in rent, rates and service charges) and we negotiated an extension to the lease on the Doncaster office, at nil increase in rent, with Cabinet Office approval, for a further two years and five months
- We met our target for the provision of training to VTE members during the year

### Key performance indicators (KPIs)

In our Business Plan we set ourselves a number of KPIs from all aspects of the business. These were selected as being important for us as a service delivery organisation and derived from stakeholder expectations and requirements made known, for example, in responses to our tribunal user surveys. What we achieved against what we set out to achieve is shown in Table 2 and compared to performance in the previous year. The KPIs set for 2015-16 have been framed as a result of discussions about performance in 2014-15.

### Customer survey

We commission monthly surveys of appellants who have attended a hearing in the preceding month. This is important as it provides us with feedback and, where necessary, allows us to respond quickly with improvement initiatives.

Looking at overall satisfaction levels (where the VTS scores 8, 9 or 10 out of 10), these averaged 47% during 2014-15 (59% in 2013-14). There has been a general fall in satisfaction levels across the national public sector over the last two years<sup>2</sup>. However, the reduction in our overall satisfaction is disappointing. Further investigation has revealed this may be due in part to a change in the way the research has been conducted, leading to an increase in the number of misattributed responses. For the coming year we have revised the questionnaire used for interviews and plan to carry out additional qualitative research to help us better understand the drivers for satisfaction among tribunal users.

<sup>2</sup> Institute of Customer Service: UK Customer Satisfaction Index (January 2015).

**Table 2**

Performance indicator	2014-15 target	2014-15 performance		2013-14 performance
Overall satisfaction level of tribunal users who have attended a hearing	Improve on the previous year	<i>Not achieved.</i> – all those surveyed	<b>47%</b>	59%
		– successful appellants	<b>78%</b>	77%
		– unsuccessful appellants	<b>34%</b>	49%
Tribunal decisions issued within a month of the hearing date	85%	<i>Achieved and exceeded.</i>	<b>86.4%</b>	83%
List council tax banding and liability appeals to a hearing date within five months of receipt	85%	<i>Achieved and exceeded.</i>	<b>95%</b>	93%
Invoices are paid within five days of receipt	90%	<i>Achieved and exceeded.</i>	<b>95.5%</b>	91%
Overall sickness absence per employee below public sector average (8.2, CIPD's <i>Absence Management: Annual Survey Report 2014</i> )	below 8.2 days	<i>Not achieved.</i>	<b>8.8 days</b>	8.5 days
Staff receiving two or more days' training	88%	<i>Not achieved.</i>	<b>87%</b>	75%
Number of days' training offered per VTE member	1 day	<i>Achieved.</i>	<b>1 day</b>	2.6 days
Number of hearing days offered per VTE member	12 days	<i>Achieved as an average.</i>		n/a
Reduced central administration costs (by using shared services where possible)	2%	<i>Achieved and exceeded.</i>	<b>6%</b>	6%

## Forward look

Our working environment is very much affected by changes around us, whether they be Ministerial, legislative or consumer-driven.

Whilst we have been very proactive in greatly reducing the number of outstanding appeals (more than a quarter of a million appeals having been cleared over a two year period), Parliament's introduction of a legislative change to the effective date regulations on 3 March 2015, has resulted in around 190,000 fresh challenges being made to the VOA prior to 31 March 2015. We expect a very large proportion of these to be transmitted to us as appeals within the coming months, representing a considerable new workload challenge moving forward.

The outcome of the General Election may provide further challenges with regard to our current funding. Any potential savings sought will need to be balanced against the need to provide an appeal service within this changed environment of an increased workload caused by legislative change.



Our aims for the future remain challenging and include a programme of IT development, which is aimed at removing the VTS's dependence on its current IT partners with a view to achieving increased control, better value, heightened perception of independence and more timely solutions. The VTS is a beneficiary of an IT contract between HM Revenue & Customs and Aspire, through the VOA. That contract ends in April 2017 giving the VTS the opportunity to have a separate, more proportionate arrangement in place, which will also underline our independence.

Other aims are to:

- achieve financial balance given reduced resources
- work with Ministers towards reducing delay from lodgement to resolution of appeals
- maximise readiness for the 2017 non-domestic rating revaluation and any reformed processes resulting from the review of business rates administration
- review processes in place to ensure that they continue to meet business needs and support potential reforms, and implement appropriate enhancements to strengthen our reputation with stakeholders
- continue to seek ways of becoming efficient in working practices by building lean, smart processes in all that we do, to support our business and achieve wide ownership of change by involving representative groups
- further encourage continual professional improvement and learning as a core business activity, enhancing our professional and technical expertise in supporting the VTE at hearings and in back office functions
- understand and respond to the increasing expectations of tribunal users, so that we see improved overall satisfaction ratings and fewer complaints
- develop a model for establishing a cost per appeal.

## Our people and places

### Staff

Our staff head count during the year has reduced to 77 from 85 with an average across the year of 80.3. This is 12.7% below our lean complement of 92 full-time equivalent posts.

Two appointments are imminent early in 2015-16 and we intend to recruit to most of our vacant positions through the coming year so that we build in resilience to cope with the service delivery challenges presented by the forthcoming 2017 non-domestic rating revaluation.

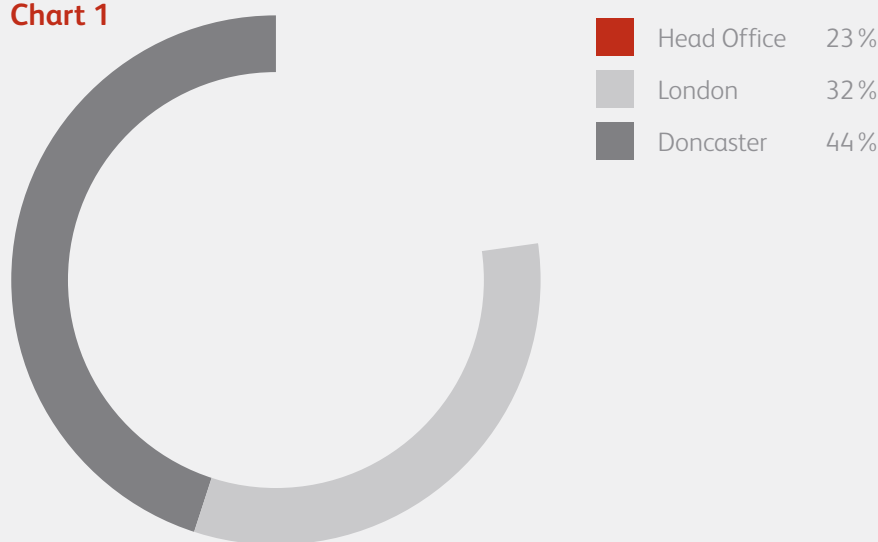
We operate from two administrative hubs, Doncaster and London. Staff in each of these offices administer and case manage appeals from receipt to clearance.

Head Office functions are integrated within our London office, which moved location in October 2014 from Whitechapel Road to Leman Street.

We also have a group of home-based staff who work peripatetically and attend tribunal hearings to advise hearing panels on rating and council tax practice and procedure. We have recently augmented this team to bolster our ability to service hearings throughout England. We also rebalanced our requirements between office-based and home-based staff and successfully recruited internally for staff to take on these roles.

Chart 1 shows the distribution of headcount (as percentages of the total) at 31 March 2015. This includes our 18 home-based staff who have an allocated office for management purposes.

**Chart 1**



During the year eleven people left our employment: eight resigned voluntarily, two retired and one was dismissed.

The representation of ethnic minorities within the workforce at the end of the year increased to 15.6% from 12.9%.

The average age of our staff increased slightly from 46.3 to 47 years, with the average length of service also increasing from 11.6 years to 13.6 years in 2014-15. This was because a significant number of the leavers in 2014-15 were staff with fewer years' service. (These figures include staff service in the former valuation tribunals before they transferred to the VTS in 2004). At 31 March 2015, there were 44 female and 33 male staff (a percentage ratio of 57:43).

The VTS inherited pension liabilities in a number of local government pension scheme funds. As at 31 March 2015, 92.2% (71) of employees were members of the Local Government Pension Scheme, the majority in the scheme administered by the London Pensions Fund Authority (LPFA). We are working closely with our sponsoring Department and the LPFA to consolidate into one administering fund (LPFA) as this will streamline pensions' administration for us.

In 2014-15, 705.5 days' staff sickness absence were recorded, an average of 8.8 days per person compared with 8.5 days in 2013-14. This increase was largely because of long-term (20 or more consecutive working days) sickness during the year. All but one of the staff on long term sickness have either left or returned to work within the financial year. In a relatively small organisation such as the VTS, average sickness levels can fluctuate quite markedly and one long-term sickness case can distort the overall figures significantly. Excluding absence associated with long-term sickness, the average sickness rate per employee was 2.7 days per year. The absenteeism rate due to sickness was 3.4% (the same as in 2013-14), compared to an overall UK rate of 3.3% and a public services sector rate of 3.6% (*CIPD Absence Management: Annual Survey Report 2014*).

### Training

The continued development of staff is a key priority. We encourage and support continuing professional development (CPD) to ensure that our staff who advise hearing panels and provide technical and procedural advice to appellants remain up to date on latest developments. A minimum of 20 hours CPD is a requirement for all our professional staff and they need to provide evidence of this in their Performance Development Review. We had eight staff undertake qualification sponsorship over the year. Three of our administrative staff have recently successfully completed their NVQ4 in Business and Administration.

We provided 322 days of training to our staff, an average of four days per staff member. Overall, 87% of our staff received training in the financial year.

The 2014-15 training programme concentrated on organisational responsibilities such as Customer Relationship Management and Management Development particularly in relation to communications strategies and performance measures.

### Valuation Tribunal for England (VTE) members

The VTE is headed by a President, Professor Graham Zellick CBE QC, appointed by the Lord Chancellor. The President and three Vice-Presidents provide judicial leadership and guidance to a voluntary membership.

The chairmen and members of the VTE are volunteers who come from all walks of life and receive training to support them in their statutory role. They commit to one hearing day per month and are reimbursed for expenses incurred, based on prescribed amounts determined by the Secretary of State. In certain circumstances, members may also be reimbursed at prescribed rates for financial loss incurred as a result of undertaking VTE duties. A Tribunal panel normally consists of a chairman and one member; they are supported at hearings by a salaried clerk who provides procedural and technical advice.

As at 31 March 2015, there were 199 chairmen and members (excluding the President), representing a 20% reduction from last year's closing figure. This reduction was due to members reaching the statutory retirement age (72 years) or resignations for personal reasons. We have recently agreed with the Judicial Appointments Commission a programme starting in May 2015 to recruit additional chairmen, and potential members if suitable.

The gender equality breakdown remained consistent, with 20.1% being female, but there was an increase in the percentage of members from an ethnic minority group – rising from 7% to 10%. Similarly, the percentage recorded as having a disability rose from 8.8% to 10%.

The members' training and development programme for 2014-15 continued to be delivered regionally and we gave a significant notice period with options to transfer to more convenient dates, so enabling more members to attend. As with last year, in addition to the planned programme, a further two events for chairmen were rolled out, one in London and one in Manchester. In all, at least one day's training was offered to every member and chairman across the VTE.

### The estate

Our estate optimisation programme has resulted in our footprint further reducing from 3,317m<sup>2</sup> in 2010 to 961m<sup>2</sup>, operating from two office locations, Doncaster and London.

In October 2014 our London office relocated to floor space on the government estate with a much reduced footprint, and a corresponding reduction in rates, rent and service charges. The Doncaster office lease expired on 1 April 2015 but, following the granting of an exemption by the Cabinet Office, we have been able to secure an extension to that lease for a further two years and five months, at nil increase in rent and service charges. This will ensure a stable environment for the delivery of our services, without the threat of imminent office closures for some time.

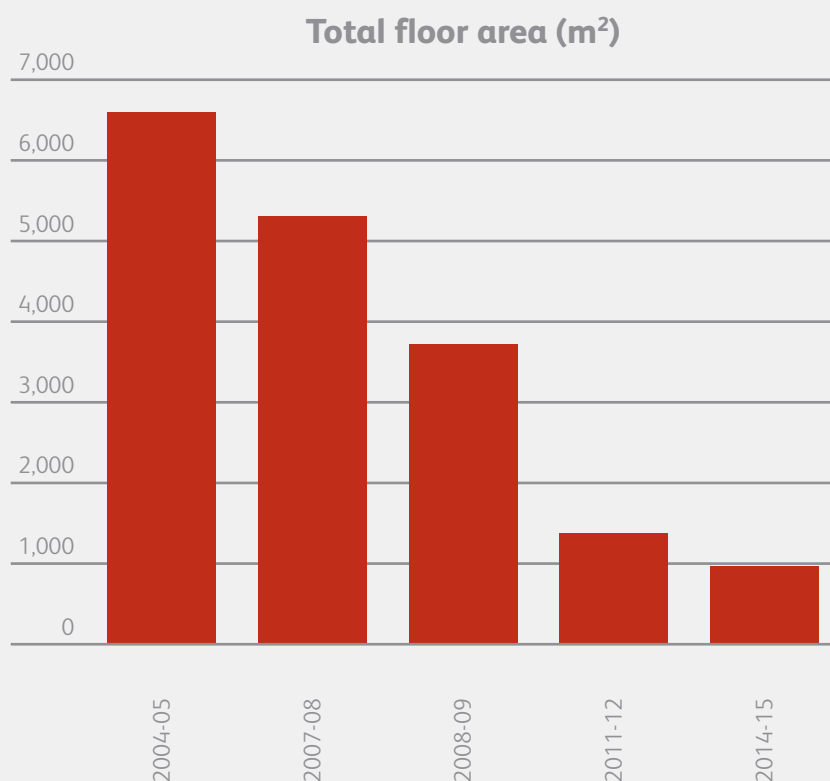
VTS Doncaster office



Rent and rates for 2014-15 were  
£100,000 lower than for 2013-14

**£100,000**

**Chart 2**



Payments for rent and rates for 2014-15 were £100,000 lower than for 2013-14 (see page 56). Chart 2 above shows how the VTS estate footprint has reduced since its creation in 2004.

## Corporate Social Responsibility

### Environment

The VTS is exempt from the requirement to report on sustainability; nevertheless it acknowledges its responsibility to have sound environmental practices and supports the 'Greening Government' targets on carbon emissions.

The VTS operates a recycling programme and during the year, through recycling, has saved at least 164 trees from destruction.

### Human rights, equality and diversity

We review regularly our policies relating to equality and diversity to ensure that we continue to meet our statutory obligations under the Equality Act 2010.

We value the skills and experience of our workforce and wish to make full use of the talents of disabled staff and members, and to be user-friendly towards those with disabilities who use our services.

We continue to offer to translate our guidance booklets into commonly used languages in the UK (Arabic, Bengali, Chinese, Gujarati, Polish, Punjabi and Urdu). During the year, we received one request for a translation (into Urdu) and we arranged 20 interpreters for appellants attending hearings (for Arabic, Bengali, Bulgarian, Cantonese, Farsi, Gujarati, Kurdish, Latvian, Mandarin, Polish, Punjabi, Romanian, Spanish and Urdu speakers).

Guidance booklets and VTE decision documents can also be made available in Braille and large print. Audio versions of the guidance booklets are available to download from our website. For council tax reduction appeals, 'easy-read', pictorial versions of the guidance are available. Signers and other communication assistance are provided on request to enable hearing-impaired appellants to participate fully when attending a hearing; no signers were requested last year.

We ensure that as far as possible our offices and hearing venues comply with the access requirements of the Equality Act 2010. If necessary, hearings may be arranged in especially suitable venues or the appellant's own home.

Our website includes a link enabling the public to download, free of charge, 'Browse aloud' software for use on their PCs. This software reads out the contents of any webpage, PDF file or word document. In addition to reading the contents of the website in a variety of languages and accents, the software contains a facility that explains the meaning of any word for the user.

## Health and safety

During 2014-15 the Chief Executive commissioned health and safety reports on each of the two offices. Action plans have been developed where necessary to address any areas identified for improvement to ensure that we maintain a healthy environment at all times for our staff and visitors.

In the year, there were four recorded accidents of a minor nature; none of which resulted in any absence from work.

## Complaints

The VTS maintains a register of all complaints received. Our Customer Charter and Complaints Policy document was revised during the year and is published on the VTS website. This is also issued to anyone expressing dissatisfaction with the service they receive from the administration.

During the year, 51 complaints about the administration were registered (compared to 28 in 2013-14). Four complaints were referred to the Chief Executive for investigation for maladministration (one in 2013-14); maladministration was not found. No complaints about the VTS were reported as having been investigated by the Parliamentary and Health Services Ombudsman.

We welcome complaints, given that they identify areas for further improvement. We maintain a breakdown of all complaints made so that we can assess the need for any improvement changes in systems or processes. This years' increase is nonetheless disappointing and we are analysing the detail of these complaints to disseminate 'lessons learned' to staff.

During the second half of the year, we began to record compliments to staff; there were 32 in those six months. These too present data that we can learn from.

#### **The Data Protection Act 1998 and Freedom of Information Act 2000**

During the year, the VTS received and responded to 31 requests made under these Acts, (36 in 2013-14). One internal review was carried out and that case was subsequently referred to the Information Commissioner. Though no decision was issued, the VTS implemented a minor recommendation relating to its Privacy Notice.



**Antonio Masella**

**Accounting Officer**  
**Valuation Tribunal Service**

# Directors' report

## Directors and Board

VTs Chairman – Anne Galbraith CBE

VTs Chief Executive & Chief Operating Officer and Accounting Officer – Antonio Masella MRICS MCIOB FIRRv FFA FCMI

In 2014-15 the Board comprised:

- Deputy Chairman, John O'Shea
- Dr Ronald Barham
- Ian Tighe
- Robin Evans (from 1 November 2014)
- Martin Allingham (from 14 November 2014)
- Margaret May (until 30 September 2014)
- Professor Graham Zellick CBE, QC (VTE President), *ex officio* Member.

A register of Board Member interests is maintained, reviewed annually and made available for inspection on the Valuation Tribunal website.

## Data security and information risk

During 2014-15 the VTs did not experience any significant security risks, exceptions or incidents. In accordance with Cabinet Office requirements this position was confirmed through the year end return to the sponsoring Department in the Departmental Security Health Check 2014-15.

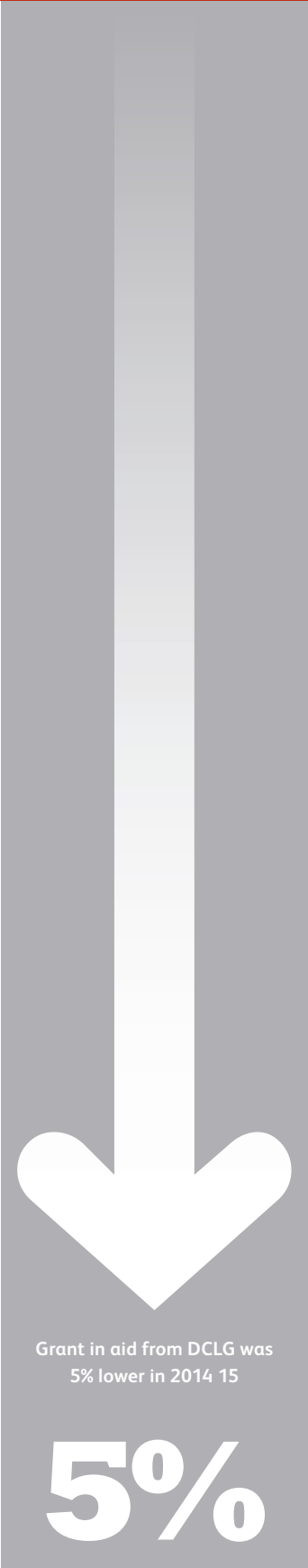
The VTs's appointed Senior Information Risk Owner (SIRO) chaired quarterly meetings of the internal Data Handling and Information Security Group. Through engagement with Information Asset Owners, presentations to staff about data protection issues using material from the Information Commissioner and a focus on modular training, the VTs continued to promote through its staff a culture that values, protects and uses information for the public good.

In September 2014 the VTs achieved certification for another 12 months to its public service network (PSN Code of Connection) and in March 2015 had its risk management and document sets re-accredited by an external CLAS consultant. Having undertaken this work the SIRO was able to provide the necessary assurances to the Accounting Officer, VTs Board and the Audit & Risk Assurance Committee on information security and also validate the processes in place to uphold the Board's Information Security Policy.

**Lee Anderson**  
Director of Operations  
& Development







Grant in aid from DCLG was  
5% lower in 2014-15

**5%**

## Sickness absence data

This information is included in the Strategic Report at page 16.

## Financial review

The VTS continued to exercise tight control over all budgets and any discretionary spending throughout the financial year. In a year of public sector budget reductions and Government imposed spending constraints, the VTS continues to maintain rigorous tracking of budgets.

## Funding

We have managed our overall expenditure well within our grant in aid budget allocation for the 2014-15 financial year and were therefore able to fund further pension deficit payments without the need to draw down contingency funding. The Statement of Cash Flows, as set out on page 46, which analyses net cash flow from operating activities, identifies cash spent on capital expenditure and shows grant in aid drawn down to finance our activities.

## Asset management

We aim to ensure that the fixed assets we need to enable us to meet business objectives are available at the lowest possible acquisition and annual cost.

## Outturn 2014-15

Net expenditure per the Statement of Comprehensive Net Expenditure for the year, shown on page 44, shows £7.150 million on ordinary activities (£7.233 million in 2013-14). Adjusted for actuarial gains and losses on pensions, the total comprehensive expenditure increases to £10.847 million (£4.165 million in 2013-14).

## Financial summary

The net expenditure after interest for the financial year to 31 March 2015 was £7.824 million (2013-14: £8.051 million). This net expenditure is not a loss but instead has been fully met by grant in aid which is taken directly to reserves as it is considered to be financing. The actuarial loss on pension schemes was £3.025 million (actuarial gain was £3.915 million in 2013-14). We continue to pay the cost of Local Government Pension Scheme (LGPS) benefits accruing over the financial year out of revenue funding. We also make contributions to pension deficits arising under IAS 19 with the assistance of additional grant in aid from the sponsoring Department. Total grant in aid received from the sponsor Department in 2014-15 was £7.648 million (£8.037 million in 2013-14).

Day to day responsibility for financial management of activities lies with our Strategic Management Group (SMG) and lately with the Executive Management Team (EMT) which was formed following the appointment of the two new Directors. In accordance with governance procedures, the SMG, the EMT and the Board's Finance Committee conducted close monitoring of all financial activities.

### Non-current assets

The total net book value of the non-current assets at 31 March 2015 was £634,000. The movements in non-current assets for the year are set out in Notes 5 and 6 to the financial statements. There were no costs incurred on research and development during the 12 months ended 31 March 2015. The additions to non-current assets are shown in Notes 5 and 6 comprising property, plant and equipment assets and intangible assets.

During the year the VTS secured new leased office accommodation in London and extended the current lease on the Doncaster premises through to September 2017. Commitments at the Statement of Financial Position date for lease agreements in force at both the Doncaster and London offices due to be paid are shown in Note 13.

### Pension liabilities

For the purposes of IAS 19, pension scheme liabilities of £19.353 million have been recognised in the Statement of Financial Position. The net liability increased by £2.6 million. Pension entries in the Accounts represent non-cash items and are treated as annually managed expenditure by DCLG.

### Financial risk

The VTS adheres to a policy of managing and monitoring significant risks, including financial risks, as an integral part of the management of the VTS. At 31 March 2015 there were no material financial liabilities other than those shown in these Accounts. Accounting for IAS 19 pension liabilities is dependent on the annual valuations of pension funds administered outside the control of the VTS for which valuations are returned for the schemes by actuarial reports at the year end. Note 1.9 provides further explanation of our accounting for pension liabilities.

The VTS is a non-departmental public body, sponsored by DCLG. As such, there is no risk that it will default on its LGPS contribution payments in any way and the pension fund obligations are fully accounted for and protected at all times.

**Ann Batom**  
Director of Finance  
& Information Systems



95% of invoices were paid  
within five days

95%



### Payments to suppliers

The VTS upholds the Government's five-day prompt payment target for suppliers' invoices and achieved 95% within the target cycle. There were no invoices in dispute at the year end nor was any intimation received of late charges on any invoice. In compliance with the Government's transparency agenda, the VTS continues to publish on its website and on DCLG's data.gov website, monthly spend data above a threshold of £250.

### Going concern

The Statement of Financial Position shows net liabilities of £19.073 million. This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the VTS's other sources of income, may only be met by future grants or grant in aid from the sponsoring Department. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

The grant in aid for 2015-16 recognises the amounts required to meet our operational costs and liabilities falling due in that year. Funding for 2015-16 has been confirmed by the Department and therefore these financial statements have been prepared on the basis that we are a going concern.

### Auditors

The Accounts of the VTS are audited by the Comptroller and Auditor General under the Local Government Act 2003. Mazars have been our internal auditors since 1 April 2014.

I confirm that, so far as I am aware, there is no relevant information of which the VTS's auditors are unaware and that I have taken all reasonable steps to ensure that I am aware of any relevant audit information and to establish that the auditors have also received that information.

# Remuneration report



2014-15

The Valuation Tribunal Service Annual Report and Accounts

## Board members' emoluments and expenses

The remuneration of the Chairman is determined by the Secretary of State. Five other Board members, also appointed by the Secretary of State, are eligible to receive an annual fee which is non-pensionable and which is based on the fixed number of days in attendance at Board and other Board approved meetings. All member posts are non-executive and all members' emoluments are non-pensionable. The VTE President is an *ex officio* member of the Board and is in receipt of a salary based on three days per week.

## Chairman's term of office

The Chairman is in office for a sixth term which finishes on 31 October 2016.

## Senior executives

The salary of the Chief Executive is reviewed annually and may be increased by the Board in line with guidance provided from the sponsoring Department. During the financial year, a 2.2% pay award was granted to all staff to take effect from 1 January 2015, approved by the sponsoring Department and in line with the recommendation by the Local Government National and (Provincial) Employers and Trade Unions.

Senior staff are appraised by the Chief Executive with additional comment from the Chairman.

## Proportion of remuneration subject to performance

The Remuneration and Terms of Service Committee considers annually the performance of the Chief Executive against the objectives set for the year.

The incentive scheme for the Chief Executive is restricted to a maximum of 10% of gross salary. The Committee recommends the level of performance award to the Board. In respect of the Chief Executive, any recommendation for a performance award must have the approval of the sponsoring Department.

VTS Chairman  
Anne Galbraith CBE  
Deputy Chairman  
John O'Shea



## Directors' contracts

### Chief Executive

Permanent contract  
Commenced on 1 February 2010  
Three months' notice for both parties

### Director of Operations & Development

Permanent contract  
Commenced on 1 January 2015  
Three months' notice for both parties

### Director of Finance & Information Systems

Three year fixed term contract  
Commenced on 1 February 2015  
Three months' notice for both parties

### Former Finance Director

Permanent contract  
Commenced on 1 May 2006  
Three months' notice for both parties  
Ceased on 31 July 2014

Following the departure of the Finance Director, the services of an experienced Interim Finance Director were contracted via an agency on a short term basis in order to provide financial expertise and continuity for the organisation until a permanent Director of Finance & Information Systems was appointed. Agency costs including VAT totalled £101,250; no benefits in kind were provided.

## Audited information

The information below on fees, emoluments and pensions for non-executive Members of the VTS Board and the Directors, together with the disclosure of the ratio of the remuneration of the highest paid director and median remuneration in the accompanying pages, is audited.

## Fees and emoluments for non-executive Members of the VTS Board

### Single total figure of remuneration

Board	Salary (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100)		Pension benefits** (to nearest £1,000)		Total (£'000)	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Anne Galbraith*	55-59	65-69	—	—	—	—	—	—	55-59	65-69
Ronald Barham	5-9	5-9	—	—	—	—	—	—	5-9	5-9
Margaret May***	1-4	5-9	—	—	—	—	—	—	1-4	5-9
John O'Shea	5-9	5-9	—	—	—	—	—	—	5-9	5-9
Ian Tighe	5-9	5-9	—	—	—	—	—	—	5-9	5-9
Martin Allingham***	1-4	—	—	—	—	—	—	—	1-4	—
Robin Evans***	1-4	—	—	—	—	—	—	—	1-4	—
Graham Zellick*	70-74	75-79	—	—	—	—	23	22	90-94	100-104

\* The 2013-14 salary figures for the Chairman and Professor Zellick are inclusive of £7,400 and £8,622 respectively for employer's national insurance contributions paid in the year.

\*\* VTE President, £22,644 (2014: £22,428) pension is a payment to the Judicial Pension Scheme, not administered by the VTS. The President is appointed by the Lord Chancellor and paid by the VTS. He is neither an employee of the VTS nor accountable to it; he is an *ex officio* Member of the Board.

\*\*\* These Board members were not in post for the whole of the 2014-15 financial year. Details of their appointments are provided within the Governance Statement on pages 33 and 35.

## Fees and emoluments for the VTS Executive

### Single total figure of remuneration

Directors	Salary (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100)		Pension benefits (to nearest £1,000)		Total (£'000)	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Antonio Masella Chief Executive	90-94	85-89	5	—	—	—	11	13	105-109	100-104
Lee Anderson* Director of Operations & Development	15-19	—	—	—	—	—	(2)	—	10-14	—
Ann Bottom* Director of Finance & Information Systems	10-14	—	—	—	—	—	(1)	—	10-14	—
Alan Begg* Finance Director	20-24	65-69	—	—	—	—	—	22	20-24	85-89

\* These Directors were not in post for the whole of the 2014-15 financial year and the table above shows the salary for the period in which they were in office which is stated on page 26 under Directors' Contracts. The full time equivalent salaries are as follows: the Director of Operations & Development is in the range £65,000-£69,000; the Director of Finance & Information Systems is in the range £70,000-£74,000; the Finance Director was in the range £65,000-£69,000.

## Pensions

The VTS is a Schedule 2 body within the Local Government Pension Scheme (LGPS) Regulations. All new employees are entitled to become members of the London Pension Authority (LPFA) administered scheme and are auto-enrolled on appointment. Historically, employees were joined to their geographically nearest LGPS fund administrator, which has resulted in the VTS having members in a variety of funds, currently 31 in total.

From 1 April 2014 the LGPS changed from a contributory defined benefit final salary scheme to what is known as a career average revaluated earnings defined benefits scheme. In effect the final salary element was removed from that date onwards.

### Pension benefits

Directors	Accrued pension at age 65 as at 31 March 2015 and related lump sum (to nearest £'000)	Real increase in pension and related lump sum at pension age (to nearest £'000)	CETV at 31 March 2015 (to nearest £'000)	CETV at 31 March 2014 (to nearest £'000)	Real increase in CETV (to nearest £'000)
Antonio Masella Chief Executive	41 plus lump sum of 89	1 plus lump sum of 0	623	582	16
Lee Anderson Director of Operations & Development	16 plus lump sum of 25	0 plus lump sum of 0	106	97	4
Ann Botton Director of Finance & Information Systems	0 plus lump sum of 0	0 plus lump sum of 0	3	–	2
Alan Begg Finance Director	24 plus lump sum of 45	0 plus lump sum of 2	482	438	30

Note: Inflation is based on 2.7% CPI inflation over the year to September 2013.

The normal retirement age is 65 (which is the earliest date a member can take full benefits without consent or reduction).

### 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 this disclosure applies.

The CETV figures also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost.

CETV's are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

### Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of 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.

### Hutton Review of Fair Pay

The VTS is 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.

There were no off-payroll transactions in the year (2013-14: none).

The banded remuneration of the highest paid director in the VTS in the financial year 2014-15 was £95,000-£99,999 (2013-14: £95,000-£99,999). This was 2.9 times (2013-14: 3.0 times) the median remuneration of the workforce, which was £34,401 (2013-14: £33,128). In 2014-15, as for the previous year, no employees received remuneration in excess of the highest paid director. Remuneration ranged from £17,000 to £99,000 (2013-14: £17,000 to £99,000).

Total remuneration includes salary, non-consolidated performance related pay, benefits in kind as well as severance payments. It does not include employer pension contributions and the CETV pensions.

In January 2015, and following approval from the sponsoring Department, the 2.2% agreed pay award was implemented across all grades of staff.

#### Ratio of top to median staff pay as at 31 March 2015

Remuneration band of highest paid director (£)  
**95,000-99,999**

Median total remuneration (£)  
**34,401**

Ratio  
**2.9**

#### Ratio of top to median staff pay as at 31 March 2014

Remuneration band of highest paid director (£)  
**95,000-99,999**

Median total remuneration (£)  
**33,128**

Ratio  
**3.0**

The number of staff, including the Chief Executive, whose annual rate of remuneration at 31 March 2015 exceeded £40,000 (excluding pension contributions and performance related pay but including any London weighting) was 15.

There were no benefits in kind (2013-14: none).



Remuneration band	Period ended 31 March 2015 Number of staff
£40,000 to £44,999	2
£45,000 to £49,999	3
£50,000 to £54,999	5
£55,000 to £59,999	2
£60,000 to £64,999	–
£65,000 to £69,999	1
£70,000 to £74,999	1
£75,000 to £79,999	–
£80,000 to £84,999	–
£85,000 to £89,999	–
£90,000 to £94,999	–
£95,000 to £99,999	1



**Antonio Masella**

**Chief Executive and Accounting Officer  
Valuation Tribunal Service**

10 June 2015

# Statement of the Board's and Accounting Officer's responsibilities



Under the Local Government Act 2003, the Board and the Chief Executive of the VTS are required to prepare a Statement of Accounts for each financial year, in the form and on the basis set out in the Accounts Direction. The Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the VTS and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing these Accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by the Secretary of State, in accordance with the Local Government Act 2003, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether or not applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed and disclose and explain any material departures in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the VTS will continue in operation.

The Permanent Secretary of the Department for Communities and Local Government has appointed Antonio Masella, Chief Executive, as Accounting Officer of the VTS. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the VTS's assets, are set out in *Managing Public Money* published by HM Treasury.

# Governance statement

## Scope of responsibility

As Chief Executive of and Accounting Officer for the VTS I am fully responsible for the day to day management of the VTS and for having in place effective systems of governance, risk management and internal control. I also have responsibility for safeguarding the public funds and the organisation's assets, for which I am personally responsible in accordance with HM Treasury's Managing Public Money.

I share responsibility with the Board for complying with the Framework Document, jointly drawn up with our sponsoring Department on 12 September 2013, which sets out the broad framework within which the VTS and DCLG intend to operate and, in particular, how the VTS provides the necessary assurances on the adequacy, effectiveness and efficiency, control and governance of systems and processes.

Whilst I have responsibility for the overall organisation, management and staffing of the VTS, for the formulation of strategy for the Board and for the successful delivery of results, other than a duty of care, I have no role in the make-up of the membership of the VTE other than to provide within the VTS budget for:

- the staff costs of the VTE President
- daily fees payable within the financial year to the Vice-Presidents based on the VTE President's expectations of them
- reasonable costs associated with the appropriate training of VTE members
- reimbursement of expenses to VTE members incurred whilst on approved duty in accordance with the Secretary of State's 2010 Determination Order.

Nor do I have any role in the management, complaints, appraisal or discipline of VTE members, nor the judicial processes of the VTE. These responsibilities lie with the President, although the financial impact of such matters lies firmly with the VTS.

In his Written Statement to Parliament on 10 November 2014 on the Public Bodies Reform programme, the Minister for the Cabinet Office confirmed that the VTS and VTE would be retained as arms length bodies of DCLG and would be subject to a triennial review. This announcement has provided stability, albeit in the medium term, to be able to plan ahead with some certainty and confidence.

We continue to meet head-on the commitment to the target announced by the Chancellor on 5 December 2013 to clear 95% of the appeals outstanding as at 30 September 2013 by July 2015. This is a challenging target, when set against a backdrop of a declining VTE membership to hear appeals.

The reduction in VTE member numbers has been a matter for regular discussion with the President, who had been reluctant to move ahead with any recruitment programme with the uncertainty of a potential transfer of the VTE to the First-tier Tribunal. However, the announcement that the VTE is to be retained under the sponsorship of DCLG has now revitalised those discussions and placed in greater focus the need for a recruitment process. In working with the Judicial Appointments Commission, I am pleased that a programme of recruitment is now in place for the summer of 2015. I am hopeful that we will be in a position to induct new members by December 2015.

There continue to be regular three-way meetings that allow the VTS Chairman, the President and me to discuss and address matters of mutual interest and concern. We are in the process of updating the protocol, first introduced in 2009 by mutual agreement, which governs the practical relationship of the respective independent, statutory organisations so that it continues to reflect the roles and expectations of the parties.

I ask the VTE President to maintain a risk register, to articulate any risks he considers to be prevalent, as part of our Risk Management Policy, which I require to be submitted on a quarterly basis. This process ensures that any risks identified, controls in place and any expected actions are visible to me, thus allowing me to address them accordingly.

## Governance framework

Established under the Local Government Act 2003, and created on 1 April 2004, the VTS provides or arranges for the provision of the services required for the operation of the VTE and gives general advice about procedure relating to proceedings before the Tribunal. The Act requires the VTS to do anything which it considers is *“calculated to facilitate the carrying out of its functions”* and that it shall carry out its functions *“in the manner it considers is best calculated to secure the VTE’s efficient and independent operation”*. In providing this support, the VTS must ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively at all times.

The VTS is governed by a non-executive Board of seven, the majority of whom must be VTE chairmen. The composition of the Board changed during the year with the expiry of terms for Mr PJ Lawton (Deputy Chairman) on 31 March 2014 and Mrs M May on 31 October 2014. Mr J O’Shea was reappointed on 1 April 2014 to the Board and appointed Deputy Chairman, Dr R Barham and Mr I Tighe were reappointed to a further term. We welcomed two new Board Members, Mr R Evans on 1 November 2014 and Mr M Allingham on 14 November 2014. Mr Allingham is also a chairman of the VTE.

In total there are three VTE chairmen on the Board as well as the VTE President. Whilst the VTE President is *ex officio* and appointed by the Lord Chancellor, the Chairman and other Members of the Board are appointed by the Secretary of State for DCLG in accordance with the Code of Practice of the Commissioner for Public Appointments.

The Board observes the Corporate Code of Governance, to the extent that it is relevant, and the Code’s principles. The Framework Document governs the relationship between the VTS and DCLG. As Chief Executive, and since September 2013, I have quarterly Accounting Officer meetings with the sponsoring team, which the VTS Chairman and the Director of Finance & Information Systems also attend. There are regular liaison meetings with the sponsoring team where financial progress against budgets, staffing resources, the risk register and achievement of objectives against our Business Plan are reviewed and discussed. In addition, I have regular email exchanges and dialogue with our sponsoring team, who also receive Board minutes. A representative from DCLG’s Finance team also attends VTS Audit & Risk Assurance Committee meetings.

The Board is collectively responsible for decision making and sets the strategic direction of the organisation. Board agendas are structured to differentiate between reports for information and those for decision, and the Board receives regular reports on risk, performance against objectives and budget monitoring. The Board approves the budget, the Forward Plan and the Annual Report and Accounts. My Chief Executive’s Report, prepared for each Board meeting, provides an honest description of key activities and outcomes and is an important source of information and assurance. The Directors and I attend all meetings of the Board, except for those Part 2 meetings about staffing matters.

The Board reviews its own Corporate Governance Framework periodically to ensure it remains robust. The current framework was reviewed during the year and included the Board's Standing Orders and Scheme of Delegations, Standing Financial Instructions, Procurement Policy and Ways of Working. The Board met formally on seven occasions during the year, with an additional meeting for wider discussions on strategic matters, focussing particularly on operational, financial and IT challenges.

Standing items for Board meetings include reviews of the management accounts and Strategic Risk Register and reports from the Chairman, the VTE President, myself and the chairmen of the Board committees and the Programme Management Group. In addition, the Board also dealt with the following during the year:

- May 2014: reports on achievements towards Business Plan objectives and appeals workload management information (MI) for 2013-14; decision on Board committee membership; meeting with the new internal auditors.
- June 2014: Audit & Risk Assurance Committee report; decision to approve the Annual Report and Accounts 2013-14; Register of Board members' interests.
- July 2014: decisions on the appropriate course on pay progression and on Employer's Discretions under the Local Government Pension Scheme; reports on achievements towards Business Plan objectives and appeals workload MI for quarter 1.
- September 2014: update on pay progression.
- November 2014: decision on changes to committee membership; decision to change the name of the Audit Committee to Audit & Risk Assurance Committee; update on the triennial review and the Cabinet Minister's Written Statement; plans for the Board effectiveness review in 2015; reports on achievements towards Business Plan objectives and appeals workload MI for quarter 2.
- January 2015: decision to approve revisions to Board governance documents; decision to approve the Budget for 2015-16; review of the VTE Risk Register; update on VTE member recruitment; reports on achievements towards Business Plan objectives and appeals workload MI for quarter 3.
- March 2015: approval of the Forward Plan (Business Plan/Corporate Plan); approval of the revised Procurement Policy; update on draft IT Strategy.









Board Members, with the exception of the VTE President, are appraised annually by the Chairman, who in turn is appraised by the sponsoring Department. These appraisals assess individual performance, which in turn translates into the collective effectiveness of the Board. The Board delayed its annual review of its own effectiveness because of the appointment of new members late in the year. This review is being undertaken in May 2015.

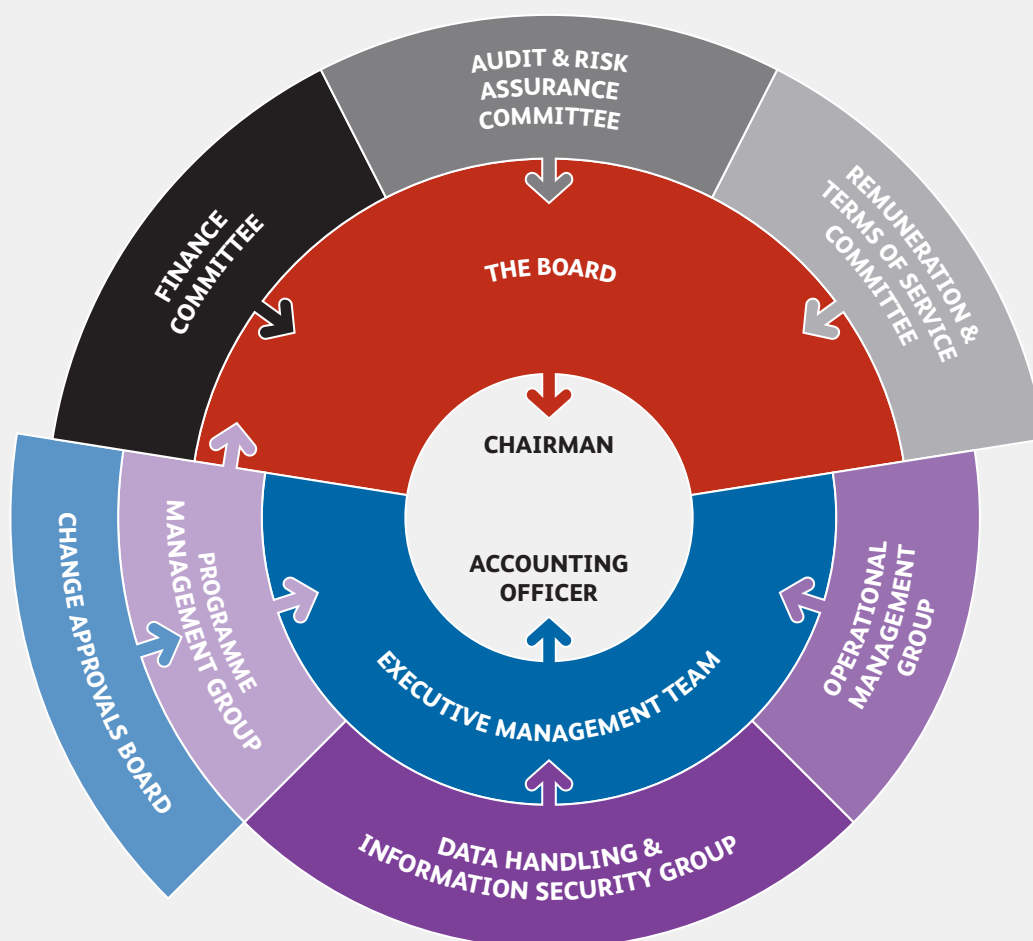
The impact of the Chancellor's target to clear 95% of appeals outstanding as at September 2013 and the Government's proposed introduction of reforms to non-domestic rating (NDR) appeals very much directed the Board's attention during this financial year. We had made substantial progress in specifying requirements for IT changes to be implemented by 1 October 2014 to meet the then NDR Reform programme. However, following the Government's announcement at the end of July 2014 that NDR Reform would become included in the much wider review of business rates, this specific IT development work was abandoned.

The complications of working with numerous, legacy pension funds continues to focus the Board's thinking. The triennial valuation in 2013 has had major financial impact and, working in conjunction with DCLG, we have managed to mitigate the deficits of 31 separate pension funds during the course of the year. We have made good progress towards our aim of consolidating these schemes into a single one and, in consultation with our sponsoring Department, hope to be in a position to conclude this soon.

The Board composition and attendances at meetings is shown in the Table below:

## Board Members' dates of appointment, committee membership and attendance

	Date of expiry of appointment	Attendance at Board meetings (eight held in 2014-15; seven regular Board meetings and a Strategy Day)	Attendance at Audit & Risk Assurance Committee meetings (four held in 2014-15)	Attendance at Finance Committee meetings (four held in 2014-15)	Attendance at Remuneration Committee meetings (two held in 2014-15)	Attendance at Members' Training Strategy Group meetings (three held in 2014-15)
<b>Anne Galbraith</b> 	31 October 2016	■ 8	n/a (■ 1)	■ 4	■ 2	n/a
<b>John O'Shea</b> 	31 March 2017	■ 8	■ 4	n/a	n/a	■ 3
<b>Martin Allingham</b> 	31 October 2017	■ 3 (of 3)	n/a	■ 2 (of 2)	n/a	n/a
<b>Ronald Barham</b> 	31 March 2016	■ 7	■ 4	n/a	■ 2	n/a
<b>Robin Evans</b> 	31 October 2017	■ 3 (of 4)	■ 2 (of 2)	n/a	■ 1 (of 1)	n/a
<b>Margaret May</b> 	30 September 2014	■ 4 (of 4)	■ 2 (of 2)	■ 2 (of 2)	n/a	n/a
<b>Ian Tighe</b> 	31 March 2017	■ 7	n/a	■ 4	n/a	n/a
<b>Graham Zellick</b> 	n/a	■ 4	n/a	n/a	n/a	n/a



Four committees support the Board in the effective governance of the VTS:

**The Audit & Risk Assurance Committee** provides the Board with an independent view of the assurance framework, overseeing the risk management strategy through 'tests' of the various risk registers to ensure that processes in place are effective and robust. I attend the Audit & Risk Assurance Committee to provide update to the risk register and present various reports. Internal and External Auditors also attend meetings at which their reports are reviewed and actioned. The Committee met four times during the year. It comprises three Members of the Board, one of whom is appointed by the Board as the Committee Chair, and one independent member. The Director of Finance & Information Systems and Finance Manager also attend to present various reports. A representative from DCLG's Finance team also now attends. At the end of every meeting, the Committee has a private session with the auditors, with no staff present. There have been no matters of concern raised with me following these private sessions, which I would have expected had any issues arisen.

During the year, this Committee reviewed closely the risk register. It recommended to the Board the adoption of the Annual Report and Accounts, the revised Standing Financial Instructions and the Procurement Policy. It also approved the revised Risk Management Policy, Fraud Policy and Whistle-blowing Policy. The Audit & Risk Assurance Committee considered the actuarial assumptions made on pensions deficits, all internal and external audit reports and monitored

progress against management responses to actions agreed for the various recommendations. Also during the year the independent member of the Audit & Risk Assurance Committee, Dr David Horne, undertook a review of the operation of the Committee and a number of recommendations designed to further strengthen governance are being implemented.

**The Finance Committee** comprises three Board Members (including the VTS Chairman) and met four times during the year. This Committee monitors all financial aspects of the VTS and supports me, as the Accounting Officer, and provides assurance to the Board on financial planning and management. The Director of Finance & Information Systems, Finance Manager and I also attend to present various reports.

**The Remuneration & Terms of Service Committee** determines policy on executive remuneration and terms and conditions of service. This Committee of three Board Members (including the VTS Chairman) also exercises general oversight on matters relating to staff pay and performance related pay. During 2014-15 the Committee met twice, including to recommend to the Board the level of performance considered appropriate for the Chief Executive. The Head of HR & Training and I attended one of these meetings for part of the discussions. The Remuneration Committee also considered the salaries for the newly created Director posts.

**The Members' Training Strategy Group** advises the VTE President and Board on the formulation and evaluation of an annual training programme for VTE members. It was tasked with ensuring that VTS resources are committed appropriately in the provision of training. The Chairman of this Group was a Board Member appointed by the VTS Board after consultation with the President and members were appointed to this Group by the President. The Committee met on three occasions during the year to review training requirements for VTE members and develop a programme. At the end of the year, the effectiveness of this Group was reviewed and it was decided to disband it. The identification of training needs will now form part of discussions between the President and his advisory committee made up of VTE members, with delivery of the material and training remaining a responsibility of the VTS. The Board will now receive assurance on VTE member training through the President's reports and my reports.

I meet with the VTS Chairman weekly, and the Chairman and I meet formally with the VTE President fortnightly in order to ensure effective partnership working. At such meetings, which follow an agenda and result in follow-up notes, the focus is on current issues of performance, legislation and judicial matters, including the impact of various VTE Practice Statements.

There are four management committees that provide me with additional support:

- **Executive Management Team (EMT)** – which during the year replaced the Strategic Management Group (SMG), and comprises the Chief Executive, Director of Finance & Information Systems and the Director of Operations & Development. The EMT is responsible for advising me on implementing operational and strategic Board-approved plans, and to provide strategic direction to staff. The SMG met five times during the year before the EMT was re-introduced and that team met twice in the year under review.
- **Senior Operations Management Team (SOMT)** – responsible for reviewing all operational activity and for supporting the Chief Executive to ensure delivery of VTS strategic business objectives, and for developing and implementing improved business processes to enhance service provision. The SOMT comprises the Director of Operations & Development, the Registrar and our Service Delivery Manager. The Head of HR & Training will also attend in future.



- **Programme Management Group (PMG)** – responsible for ensuring project activity is properly planned, structured and resourced, constantly assessing risk and benefits to ensure approved outcomes remain achievable. As Chief Executive, I chaired the meetings of the PMG prior to the appointment of the Director of Operations & Development. The Group met nine times during the year. Membership is drawn from the EMT and other specialist staff depending on the project under evaluation, with the attendance of a Board Member who has particular experience in project evaluation scenarios and the Chairman of the VTS. Project control papers are distributed at each meeting highlighting risk issues and activity monitoring reports.
- **Change Approvals Board (CAB)** – To maintain control over IT changes resulting from VTE requirements and changes in process I established the CAB so that any changes identified can be discussed, costed and evaluated and benefits analysed prior to implementation through the PMG. The Director of Operations & Development has replaced me as chairman of this Board, and other members are the IT Manager and the IT Support Officer.

## Monitoring performance

The VTS produces a rolling Forward Plan that outlines the vision and objectives for the organisation. The Board and the sponsor team receive a performance report quarterly at meetings. This report is aligned to our Business Plan objectives and details our performances in each of the key strategic areas, namely:

- support the VTE in the administration of a fair, efficient and accessible appeals system;
- enhance the quality and consistency of our service to all stakeholders;
- drive continuous improvement of performance and efficiency across all aspects of the administration of local taxation appeals;
- build capacity to deliver through our people;
- anticipate and adapt to changes, and influence policy makers to bring about and maintain an appeals framework that is 'fit for purpose'.

Of the 20 objectives set in 2014-15, 11 were fully achieved; carried forward to next year are one objective that was completed in part and two objectives on which work was delayed due to external factors. Other objectives were removed from the plan as they related to reform of business rates appeals, an initiative that the Government decided to defer and include in a wider review of business rates, or were connected with DCLG's direction regarding their SAP accounting package. More details are given in the Strategic Report, on pages 10 to 12.

On my behalf, the Director of Finance & Information Systems prepares and submits an annual budget to the Board for approval prior to the start of the new financial year. Financial performance against budget is monitored at every Board meeting. The Director of Finance & Information Systems is also responsible for the detailed finance protocols, procedures, guidance and training to budget holders and other staff.

The VTS's budget is devolved to individual budget holders under written and signed delegated authority. It is the role of the Director of Finance & Information Systems to hold meetings with budget holders, particularly after pre-planned budget revisions, to assess and monitor performance. In relation to my own functional areas of responsibility, I treat the control of allocated budgets in the same way. As Accounting Officer, I receive an annual assurance statement from the Director of Finance & Information Systems on matters of financial compliance and compliance of procedure with fraud mitigation.

Our two operational offices in Doncaster and London administer processes linked with the receipt, management and determination of appeals, and carry out other activities aligned to the Forward Plan. The teams in these offices also record myriad statistical data to enable performance reporting on all activity. We continue to maintain our peripatetic, home-based workforce to support hearings throughout England.

## Risk management and assurance framework

The Risk Management Policy sets out the key features of risk management and provides guidance for staff on their role in the process. I am responsible to the Board for ensuring that risks are managed effectively. There are a number of more detailed operational risk registers underpinning the strategic risk register. Each risk register owner takes responsibility for their own area of operation and reports on the processes of risk assessment, management actions to mitigate risk and highlight the possibility of risk failure. The registers clearly identify risk owners and mitigating strategies ensuring risk owners respond quickly. Risk registers are submitted to me quarterly. I carry out my assessment of the overarching strategic risk register with the EMT at each of its meetings.

We have embedded a culture where risk management is not just a process but is integral to decisions we make. Risks are identified in a variety of ways, including the continuous review of operations and the evaluation of new challenges and opportunities. All reports to the Board include a section on risk implications.

The review of the strategic risk register is a standing agenda item at Board and Audit & Risk Assurance Committee meetings. The Audit & Risk Assurance Committee maintains an overview of risk management and considers the risk profile in the strategic risk register. The Committee receives an Internal Audit report annually on the overall effectiveness of internal controls including risk management. No significant internal control issues have been identified in 2014-15.

The Board has appointed the Director of Operations & Development as the senior information risk owner (SIRO) who is required to ensure that I am apprised of any matter which may affect information assurance and data security. The SIRO provides me with an assurance statement, which is drawn from similar assurances confirmed to him by each information asset owner. Whilst much of the data the VTS produces and manages is in the public domain, the VTS operates within the demands of the Cabinet Office's security policy framework and the requirements of the Data Protection Act, as well as respecting the public access rights in the Freedom of Information Act. There have been no information and protective security breaches during the year and there were no significant control weaknesses during the year ended 31 March 2015 or up to the date of approval of our Annual Report and Accounts.

We continue to look at ways of improving our data handling. During the year we revised our mandatory e-learning module on data handling and introduced a fraud awareness e-learning module to further support our policies. All staff were required to pass these modules at Level 1 and managers were required to pass higher levels in a process managed and monitored by our Head of HR & Training. Responsibilities regarding data handling are set out in contracts of employment to recognise their importance.

Throughout the year I gain assurance regarding the performance of the VTS through a number of sources:

**Internal Audit:** The Head of Internal Audit provides me with assurance on the systems of internal control. All audit reports are reviewed at Audit & Risk Assurance Committee meetings to ensure appropriate challenge. All agreed audit recommendations are logged and progress against implementation is monitored and reported at every Executive Management Team meeting and Audit & Risk Assurance Committee meeting.

Three audits were conducted in 2014-15 covering HR – Staff Absence Management, Corporate Governance and Core Financial Systems – Payroll. These reports each gave a finding of ‘substantial assurance’ and, therefore, no significant weaknesses.

Mazar’s internal audit opinion for 2014-15 was:

*“On the basis of our audit work, we consider that the Valuation Tribunal Service’s governance, risk management and internal control arrangements are generally adequate and effective.”*

**Working with the Board:** I meet frequently with the Chairman of the Board and keep in close contact with her on any significant issues and developments, ensuring she is both up to speed and able to provide appropriate challenge and support. I encourage and expect members of the Executive Management Team to keep lead staff similarly briefed and to seek feedback.

**Liaison meetings with our sponsoring teams:** The Chairman of the Board and I meet regularly with the Policy and Finance teams within DCLG in several forums, providing a vehicle to discuss a variety of matters. Our relationship with our revised sponsoring team within DCLG has strengthened during the year. Our regular meetings have allowed greater financial visibility and provided the opportunity of improved communication.

**Executive Management Team (EMT):** The EMT considers all strategic and policy issues affecting the delivery of VTS aims and objectives and has collective responsibility for advising me regarding financial and operational performance and risk management. EMT is presented with monthly performance reports and considers the risk implications of all proposals that are brought before it. The VTS Chairman receives minutes of these meetings.

**Programme Management Group (PMG):** This Group monitors the project programme and considers the risk implications of projects brought before it.

**Data Handling and Information Security Group:** This Group maintains an overview of data security matters and risks across our information assets, projects and communications.

**Personal Assurance:** I gain personal assurance by attending various meetings with operational staff. These meetings provide opportunities for informal, direct communication with front line staff and enable me to keep in touch with operational delivery across both offices.

## Significant risks and issues

The continuing reduction in the VTE membership steadily impacts on our ability to hear appeals. This risk is mitigated by the fact that recruitment now features as part of the Judicial Appointments Commission's programme in 2015, although it is expected that it will not be until the end of 2015 that new VTE members will provide benefit. The impact of this recruitment on current workload will be monitored closely.

There continues to be an on-going concern which I consider presents a risk to our operations. Managing 31 different pension funds, and the potential volatility of our liabilities within each, continues to provide its own complexity. We are, however, hopeful that our work during the year in consolidating these funds into a single one will come to fruition in the latter part of 2015.

IT development will be a major focus for us, due to the close proximity in June 2017 of the expiry of the contractual relationship we currently share as a beneficiary of a much larger government IT contract. This will undoubtedly come with great challenges as we move forward in developing, sourcing and implementing a replacement appeal database system within a moratorium on IT spend and against a backdrop of financial restraints that may be imposed by a post-election spending review affecting future funding.

We are also exposed to some on-going litigation cases, which should come to a conclusion in 2015-16. The key risk for us here is any potential financial impact that they may present.

We are determined to maintain the effective delivery of our service, especially given the recent announcement to retain both the VTS and VTE as NDPBs, which has served to re-energise the organisation following a period of great uncertainty. We will continue to manage our risks closely and keep under active review the implications of our pension liabilities. Our priorities for 2015-16 will be to play our part in the Government's reform of business rates administration and to work towards the target of clearing 95% of non-domestic appeals by July 2015.



**Antonio Masella**

**Accounting Officer**

**Valuation Tribunal Service**

10 June 2015

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Valuation Tribunal Service for the year ended 31 March 2015 under the Local Government Act 2003. The financial statements comprise the Statements of: Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## Respective responsibilities of the Board, Accounting Officer and auditor

As explained more fully in the Statement of the Board's and Accounting Officer's responsibilities, the Board and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Local Government Act 2003. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Valuation Tribunal Service's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Valuation Tribunal Service; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Opinion on regularity

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

## Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Valuation Tribunal Service's affairs as at 31 March 2015 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Local Government Act 2003 and Secretary of State directions issued thereunder.

## Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Local Government Act 2003; and
- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

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

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

## Report

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**

11 June 2015

### Comptroller and Auditor General

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

# Statement of Comprehensive Net Expenditure

## for the year ended 31 March 2015

	Note	2014-15 £'000	2013-14 £'000
<b>Expenditure</b>			
Staff costs	2	3,504	3,520
Other expenditure	3	3,063	3,173
Staff costs and other expenditure		6,567	6,693
Depreciation and amortisation	4	583	540
<b>Net expenditure</b>		<b>7,150</b>	<b>7,233</b>
Net interest charges arising from pension obligations	11a	674	818
<b>Net expenditure after interest</b>		<b>7,824</b>	<b>8,051</b>
<b>Other comprehensive expenditure</b>			
Net (gain)/loss on revaluation of property, plant and equipment	5	(2)	29
Actuarial (gain)/loss on pension schemes	11	3,025	(3,915)
<b>Total comprehensive expenditure for the year ended 31 March 2015</b>		<b>10,847</b>	<b>4,165</b>

All results are from continuing operations.

The notes on pages 48 to 65 form part of these accounts.

# Statement of Financial Position

## as at 31 March 2015



2014-15

The Valuation Tribunal Service Annual Report and Accounts

	Note	12 months to 31 March 2015 £'000	12 months to 31 March 2014 £'000
<b>Non-current assets</b>			
– Property, plant and equipment	5	154	202
– Intangible assets	6	480	797
<b>Total non-current assets</b>		<b>634</b>	<b>999</b>
<b>Current assets</b>			
– Trade and other receivables	7	246	377
– Cash and cash equivalents	8	3	3
<b>Total current assets</b>		<b>249</b>	<b>380</b>
<b>Total assets</b>		<b>883</b>	<b>1,379</b>
<b>Current liabilities</b>			
– Trade and other payables	9	(513)	(412)
– Provisions	10	(90)	(88)
<b>Total current liabilities</b>		<b>(603)</b>	<b>(500)</b>
<b>Non-current assets plus/less net current assets/liabilities</b>		<b>280</b>	<b>879</b>
<b>Non-current liabilities</b>			
– Pension liabilities	11	(19,353)	(16,753)
<b>Total non-current liabilities</b>		<b>(19,353)</b>	<b>(16,753)</b>
<b>Assets less liabilities</b>		<b>(19,073)</b>	<b>(15,874)</b>
<b>Taxpayers' equity</b>			
– General Reserve		280	879
– Pension Fund Reserve	12	(19,353)	(16,753)
		<b>(19,073)</b>	<b>(15,874)</b>

The notes on pages 48 to 65 form part of these accounts.

The financial statements were approved by the Board on 10 June 2015 and were signed on its behalf by:

**Antonio Masella**  
Accounting Officer  
Valuation Tribunal Service  
10 June 2015

**Anne Galbraith**  
Chairman  
Valuation Tribunal Service  
10 June 2015



# Statement of Cash Flows

## for the year ended 31 March 2015

	Note	2014-15 £'000	2013-14 £'000
<b>Cash flows from operating activities</b>			
Net expenditure after interest		(7,824)	(8,051)
Depreciation and amortisation	4	389	540
Loss on disposal – intangible assets	4	194	–
Pension movement from Reserve		(425)	(162)
Adjustment of non-current assets		–	105
Decrease/(increase) in other receivables		131	(34)
Increase/(decrease) in trade payables		101	(224)
Increase/(decrease) in provision		2	(149)
<b>Net cash outflow from operating activities</b>		<b>(7,432)</b>	<b>(7,975)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(5)	(9)
Purchase of intangible assets	6	(211)	(65)
Proceeds and write down of non-current assets		–	12
<b>Net cash outflow from investing activities</b>		<b>(216)</b>	<b>(62)</b>
<b>Cash flows from financing activities</b>			
Grant in aid received from sponsoring Department		7,648	8,037
<b>Net financing</b>		<b>–</b>	<b>–</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>		<b>–</b>	<b>–</b>
<b>Cash and cash equivalents at 1 April 2014</b>		<b>3</b>	<b>3</b>
<b>Cash and cash equivalents at 31 March 2015</b>	8	<b>3</b>	<b>3</b>

The notes on pages 48 to 65 form part of these accounts.

# Statement of Changes in Taxpayers' Equity

## for the year ended 31 March 2015



	General Reserve £'000	Pension Reserve £'000	Total Reserve £'000
<b>Balance at 31 March 2013</b>	<b>1,085</b>	<b>(20,831)</b>	<b>(19,746)</b>
<b>Changes in Taxpayers' Equity 2013-14</b>			
Recognised in Statement of Comprehensive Net Expenditure	(4,165)	–	(4,165)
Movement on pensions	(4,078)	4,078	–
Grant in aid from sponsoring Department	8,037	–	8,037
<b>Balance at 31 March 2014</b>	<b>879</b>	<b>(16,753)</b>	<b>(15,874)</b>
<b>Changes in Taxpayers' Equity 2014-15</b>			
Recognised in Statement of Comprehensive Net Expenditure	(10,847)	–	(10,847)
Movement on pensions	2,600	(2,600)	–
Grant in aid from sponsoring Department	7,648	–	7,648
<b>Balance at 31 March 2015</b>	<b>280</b>	<b>(19,353)</b>	<b>(19,073)</b>

The notes on pages 48 to 65 form part of these accounts.

# Notes to the Accounts

## 1 Statement of accounting policies

### 1.1 Basis of preparation

These financial statements have been prepared in accordance with the 2014-15 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. The accounting policies also meet the accounting and disclosure requirements of the Companies Act 2006 to the extent these are appropriate. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the VTS for the purpose of giving a true and fair view has been selected. The accounting policies have been applied consistently in dealing with items that are considered material to the financial statements. All policies adopted for the VTS are described below.

### 1.2 Going concern basis

The financial statements have been prepared on a going concern basis.

In his Written Statement to Parliament on 10 November 2014 on the Public Bodies Reform programme, the Minister for the Cabinet Office confirmed that the VTS and VTE would be retained as arms-length bodies of DCLG and would be subject to a triennial review. This announcement has provided stability and the ability to plan ahead with certainty and confidence for the medium term.

As a result, management considers it appropriate to continue to adopt the going concern basis in preparing the Annual Report and Accounts.

The Statement of Financial Position shows net liabilities of £19.073 million as at 31 March 2015. This reflects the inclusion of pension liabilities falling due in future years which, to the extent that they are not to be met from the VTS's other sources of income, may only be met by future grants or grant in aid from the sponsoring Department. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

The grant in aid for 2015-16 takes into account the amounts required to meet the VTS's liabilities falling due in that year. This has already been included in the Department's Parliamentary estimates for that year. The Department has confirmed funding for 2015-16 ahead of changes in government and any resulting Spending Review. Liability for all pension payments will continue to fall on the sponsoring Department.

### 1.3 Standards adopted by the VTS

The financial statements have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, and intangible assets.

## 1.4 Future accounting developments

We apply International Accounting Standards (IAS) as set out in the FReM as applying to Central Government (Public Sector) bodies and we will apply the new and revised standards where relevant and consider their impact in detail once adopted by the FReM. The VTS does conform to the IASB Practice Statement by providing a detailed Management Commentary (pages 7 to 24).

### Amendments to standards

The VTS has assessed the following standards, amendments and interpretations that have been issued but are not yet effective and determined that the VTS is not required to adopt them for the 2014-15 Annual Report and Accounts.

**IFRS 9 Financial Instruments** This change simplifies the classification and measurement of financial assets. The VTS has no financial instruments.

**IAS 12 Income taxes** The proposed change provides guidance on the measurement of deferred tax liabilities arising on the revaluation of investment properties. The VTS has no deferred tax liabilities.

**IFRS 13 Fair Value Measurement** The proposed change provides consistent guidance on fair value measurement but is not effective in this financial year.

### Major FReM changes for 2014-15

The VTS has reviewed the major FReM changes for 2014-15 and determined that only IAS 19 change of wording to Pensions and other employee benefits will impact on the VTS's financial statements.

The VTS accrues for short-term employee benefits (which fall due within 12 months of the period in which they are earned). The VTS recognises a liability and expense for other employee benefits, including unused annual leave and maternity leave, accrued at the Statement of Financial Position date. The VTS is required to pay the additional cost of benefits, beyond the normal Local Government Pension Scheme benefits, in respect of employees who retire early, unless the retirements are on approved medical grounds. The Department accrues for the full cost of benefits (including pensions payable up to the normal retirement age and lump sums) when it becomes demonstrably committed to providing those benefits.

## 1.5 Non-current assets

The VTS has elected to account for property, plant and equipment and intangible assets by depreciating historical cost adjusted for revaluation, as a proxy for the fair value because the difference between carrying value and fair value is deemed immaterial.

### 1.5a Property, plant and equipment

Property, plant and equipment are capitalised where they have an expected useful life of more than one year and where the original cost of the item exceeds £5,000 including VAT. Individual items valued at less than this threshold are capitalised if they constitute integral parts of a composite asset that is in total valued at more than the capitalisation value.

The VTS does not hold any financial interest in land or buildings; it occupies premises rented or leased from its landlords. The VTS has property lease obligations on two offices as at 31 March 2015.

All other property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment (if any). Historical cost includes expenditure that is directly attributable to the acquisition and implementation of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Net Expenditure during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate the cost to residual values over their estimated useful lives, as follows:

Information Technology	3-5 years
Furniture and office equipment	5 years
Leasehold improvements	over life of lease

Depreciation is charged in the month of acquisition except where this may fall at the month end in which case the charge falls in the following month, but depreciation is charged in the month of asset disposal.

The VTS is now required at each accounting year end to revalue property, plant and equipment in line with HM Treasury policy. For this purpose the VTS applies indices appropriate to each class of assets and accounting standards. The assets' residual values and useful lives are revalued and adjusted if appropriate, at each Statement of Financial Position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

## 1.6 Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of identifiable and unique software products controlled by the entity, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the employee costs incurred on software development and an appropriate portion of relevant overheads.

Amortisation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Computer software licences	over the length of the licence period
Computer software development cost	5 years

Assets under construction are valued at the lower of cost or net realisable value. Cost represents the calculated charges by external developers for IT development based on a time and material basis. The costs associated with IT development are shown as 'development expenditure' in Note 6 when incurred, and will not be amortised until the assets are brought into use.

## 1.7 Inventories

The VTS aims to hold inventories at a level that is commensurate with immediate business needs. Therefore, inventory holdings are minimal and have no significant realisable value outside the VTS. Inventory has, therefore, been valued at zero for the year ended 31 March 2015 (2014: £Nil).

## 1.8 Grant in aid

Grant in aid (GIA) is accounted for on a cash basis. GIA received is treated as financing because it is regarded as a contribution from the controlling party. This gives rise to a financial interest in the residual interest of the VTS as a non-departmental public body (NDPB).

GIA is treated for reporting purposes as an 'administrative budget' but allocated for expenditure purposes between Revenue and Capital. Total GIA is credited to the General Reserve.

## 1.9 Employee benefits

In compliance with its Accounts Direction and the FReM, the VTS has accounted for employee benefits under IAS 19. This accounting standard prescribes the treatment of retirement benefits in the accounts of employing entities. VTS staff are members of the Local Government Pension Scheme (LGPS). The LGPS is a funded, multi-employer, contributory defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 1997, as amended. It is contracted out of the state second pension. The London Pensions Fund Authority administers the LGPS on behalf of the VTS but employees are members of 18 separate LGPS pension funds, each with their own employer contribution rate for VTS employees.

The entity has a defined benefit plan for its employees. A defined benefit plan is a pension plan under which the entity has legal or constructive obligations to pay further contributions to the plan if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan typically defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The net pension liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the calculated liabilities at the latest valuation, less the scheme assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated every three years by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to Taxpayers' Equity in the Statement of Financial Position in the period in which they arise.

Past service costs are normally recognised immediately in the Statement of Comprehensive Net Expenditure, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period).

The VTS pays for the pension entitlements of existing and retired employees and also bears the full cost of the LGPS benefits for employees who retire early or with an enhanced pension. The total cost of granting early retirements or enhancements is charged to the Statement of Comprehensive Net Expenditure in the year that the retirements are granted. Regular pension fund costs are paid from the same source.

IAS 19 requires an organisation to account for pension liabilities as they arise, regardless of when pension payments are due to be paid. Setting side by side the value of all future pension payments and the snapshot value of investments as at 31 March each year results in either an overall deficit or a surplus. The total net deficit arising for the VTS as at 31 March 2015 is £19.353 million. The assessment of current surplus or deficit arising from an IAS 19 valuation carries with it no additional payment requirement from the VTS to its LGPS pensions authorities as the separate LGPS actuarial valuation, carried out every three years, sets revised employer contribution rates and, in some funds, additional deficit payments for each employer, such as the VTS, to ensure that existing assets and future contributions will be sufficient to meet future pension payments.

The VTS will endeavour to reduce such liabilities where funds allow and agreements for full settlement to be entered into with the relevant local government pension scheme.

The VTS is sponsored by DCLG. As such, there is no risk that it will default on its LGPS contribution payments. The pension obligations are fully funded by DCLG and protected at all times.

### 1.10 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the period of the lease.

### 1.11 Provisions

The VTS provides for legal or constructive obligations which are of uncertain timing or amount at 31 March 2015 on the basis of the best estimate of the expenditure required to settle the obligation. This practice conforms to IAS 37.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the HM Treasury discount rate of 1.5% (2013-14: 2.2%) in real terms.

Property dilapidations are treated as provisions and are recognised in terms of the obligations within the VTS's leases on buildings where these have been vacated or the lease is about to expire. Where buildings have been vacated, these have been included in payables.

### 1.12 Third party assets

The VTS does not hold nor has it transacted any assets belonging to a third party. Transactions with third parties are consistently dealt with at arm's length.

### 1.13 VAT

The VTS is not VAT registered. Where goods and services include a charge for VAT the VAT-inclusive cost is charged to the relevant expenditure category or included in the capitalised purchase cost of property, plant and equipment and intangible assets.

### 1.14 Taxation

The VTS is exempt from income and corporation tax under the Income and Corporation Taxes Act 1988.

### 1.15 Liquidity risk

The VTS's Revenue and Capital resource requirements are financed by resources voted annually by Parliament. The VTS is not, therefore, exposed to significant liquidity risks.

### 1.16 Interest rate risk

All of the VTS's financial assets and liabilities carry nil or fixed rates of interest and are, therefore, not exposed to significant interest rate risk.

### 1.17 Foreign exchange risk

The VTS is not exposed to any significant foreign exchange risk as all operations are carried out in the United Kingdom and denominated in GBP.

### 1.18 Critical accounting judgements and key sources of estimation uncertainty

The application of the accounting policies requires judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Note 10 shows the provision recognised for the payment of dilapidations on the exit from leases, which are assessed on the best estimate of the liability which has been incurred.

Note 11 sets out the VTS's pension liability, and sets out the judgements, estimates and assumptions made in respect of this. The liability takes account of all active and non-active fund valuations. The defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included from which the yield curve is derived. Following the introduction of pension regulation changes on 1 October 2012, the VTS took legal advice, particularly on the liability position with its non-active schemes, and considered that no charge would arise other than on a basis already computed in accordance with IAS 19.



## 2 Staff numbers and related costs

	2014-15 £'000	2013-14 £'000
<b>Staff costs comprise:</b>		
Wages and salaries	2,588	2,666
Social security costs	207	231
Pension costs – current service cost	561	567
– other	3	26
	<b>3,359</b>	<b>3,490</b>
<b>Other staff costs</b>		
Fringe benefits	7	6
Agency costs	138	24
Other staff costs	–	–
	<b>145</b>	<b>30</b>
<b>Total net costs</b>	<b>3,504</b>	<b>3,520</b>

The VTS is an admitted authority to the Local Government Pension Scheme and pays employer contributions and additional sums each year according to the results from actuarial valuations arising from each scheme into which the VTS contributes.

### Average number of persons employed

The numbers of full-time equivalent persons employed during the year, as an average, were:

	Permanent staff	Others	2014-15 Total	2013-14 Total
Directly employed	80	–	80	84
Other	–	1	1	1
<b>Total</b>	<b>80</b>	<b>1</b>	<b>81</b>	<b>85</b>

### 2.1 Reporting compensation schemes – exit packages

In 2014-15 no compensation payments were made nor were there any redundancies. The value of exit packages was £Nil (2013-14: £Nil).

### 3 Other expenditure

	2014-15 £'000	2013-14 £'000
<b>3a Board expenditure</b>		
Emoluments	92	95
Training	–	2
Travel and subsistence	23	23
<b>Total Board expenditure</b>	<b>115</b>	<b>120</b>

	2014-15 £'000	2013-14 £'000
<b>3b Valuation Tribunal For England (VTE)</b>		
Staff costs	139	141
Travel and subsistence	5	6
Financial loss allowance	46	48
Training	43	80
Members' meetings and expenses	174	173
Tribunal hearings	153	151
Other expenses	22	73
<b>Total VTE expenditure</b>	<b>582</b>	<b>672</b>

	2014-15 £'000	2013-14 £'000
<b>3c Other administrative expenditure</b>		
Travel and subsistence	177	140
Furniture and office equipment	3	–
Telecommunications and postage	361	392
Publications, printing and customer services	72	64
Recruitment, training and development	46	70
Meeting expenses	6	8
Office supplies	55	51
Health and safety	5	–
Subscriptions to professional bodies	10	10
Support services <sup>1</sup>	759	752
Information technology	335	452
<b>Total other administrative expenditure</b>	<b>1,829</b>	<b>1,939</b>
Internal audit fees	19	17
Non-audit fees	–	7
External audit fees	40	39
Professional services	–	–
<b>Total administrative expenditure</b>	<b>2,585</b>	<b>2,794</b>

1 Includes legal fees and outsourced contracts e.g. accounting system, IT support, payroll.

### 3d Estates expenditure

	2014-15 £'000	2013-14 £'000
Domestic services	26	25
Heating and lighting	15	21
Variable maintenance	39	39
Insurance	3	8
Rates	75	105
Rent – paid as operating leases (buildings)	186	257
Service charges	85	73
Office move	47	–
Dilapidations charged/(released)	2	(149)
<b>Total estates expenditure</b>	<b>478</b>	<b>379</b>
<b>Total other expenditure</b>	<b>3,063</b>	<b>3,173</b>

## 4 Depreciation and amortisation

	Note	2014-15 £'000	2013-14 £'000
<b>Property, plant and equipment</b>			
Depreciation	5	55	151
Amortisation	6	334	389
Loss on disposal of property, plant and equipment assets	6	194	–
<b>Total depreciation and amortisation charge for year</b>		<b>583</b>	<b>540</b>

## 5 Property, plant and equipment

	Leasehold improvements £'000	Furniture and fittings £'000	Information technology £'000	Total £'000
<b>Cost or valuation</b>				
At 1 April 2014	349	113	382	844
Additions	–	5	–	5
Disposals	(289)	(45)	(43)	(377)
Revaluations	–	1	1	2
<b>At 31 March 2015</b>	<b>60</b>	<b>74</b>	<b>340</b>	<b>474</b>
<b>Depreciation</b>				
At 1 April 2014	(349)	(65)	(228)	(642)
Disposals	289	45	43	377
Charge for period	–	(14)	(41)	(55)
<b>At 31 March 2015</b>	<b>(60)</b>	<b>(34)</b>	<b>(226)</b>	<b>(320)</b>
<b>Net book value at 31 March 2015</b>	<b>–</b>	<b>40</b>	<b>114</b>	<b>154</b>
<b>Net book value at 31 March 2014</b>	<b>–</b>	<b>48</b>	<b>154</b>	<b>202</b>

No assets are held under finance leases.

Revaluation of assets is based on asset indices provided by HM Treasury.

## 6 Intangible assets

	IT asset under construction £'000	IT development expenditure £'000	IT software and licences £'000	Total £'000
<b>Cost or valuation</b>				
At 1 April 2014	24	1,147	1,074	2,245
Additions	170	41	–	211
Disposals	(194)	–	(21)	(215)
<b>At 31 March 2015</b>	<b>–</b>	<b>1,188</b>	<b>1,053</b>	<b>2,241</b>
<b>Amortisation</b>				
At 1 April 2014	–	(620)	(828)	(1,448)
Disposals	–	–	21	21
Charge for period	–	(196)	(138)	(334)
<b>At 31 March 2015</b>	<b>–</b>	<b>(816)</b>	<b>(945)</b>	<b>(1,761)</b>
<b>Net book value at 31 March 2015</b>	<b>–</b>	<b>372</b>	<b>108</b>	<b>480</b>
<b>Net book value at 31 March 2014</b>	<b>24</b>	<b>527</b>	<b>246</b>	<b>797</b>

All assets are owned.

## 7 Trade receivables and other current assets

Amounts falling due within one year:

	2014-15 £'000	2013-14 £'000
Prepayments and accrued income	232	372
Season ticket interest free loans	14	5
<b>Balance at 31 March</b>	<b>246</b>	<b>377</b>

### 7a Intra Government balances

	2014-15 £'000	2013-14 £'000
<b>The following balances at 31 March were held at:</b>		
Balances with other central government bodies	53	5
Balances with local authorities	74	57
Balances with bodies external to government	119	315
<b>Balance at 31 March</b>	<b>246</b>	<b>377</b>

## 8 Cash and cash equivalents

	2014-15 £'000	2013-14 £'000
Cash at bank and in hand at 1 April	3	3
Increase in cash for the year	—	—
<b>Cash at bank and in hand held at 31 March</b>	<b>3</b>	<b>3</b>
<b>The following balance at 31 March was held at:</b>		
Government banking services and cash in hand	3	3
	<b>3</b>	<b>3</b>

## 9 Trade payables and other current liabilities

	2014-15 £'000	2013-14 £'000
Amounts falling due within one year:		
Trade payables	22	27
Accruals and deferred income	491	385
<b>Balance at 31 March</b>	<b>513</b>	<b>412</b>

## 9a Intra Government balances

	2014-15 £'000	2013-14 £'000
<b>The following balances at 31 March were held at:</b>		
Balances with other central government bodies	168	7
Balances with local authorities	1	22
Balances with bodies external to government	344	383
<b>Balance at 31 March</b>	<b>513</b>	<b>412</b>

## 10 Provisions for liabilities and charges

	2014-15 £'000	2013-14 £'000
Balance at 1 April	88	237
Provisions utilised in the year	–	–
Provisions not required written back	–	(149)
Unwinding of discount	2	–
<b>Balance at 31 March</b>	<b>90*</b>	<b>88*</b>

Analysis of expected timing of discounted flows:

	2014-15 Dilapidations £'000	2013-14 Dilapidations £'000
Not later than one year	–	–
Later than one year and not later than five years	90	88
Later than five years	–	–
<b>Balance at 31 March</b>	<b>90*</b>	<b>88*</b>

\* Represented at the beginning and end of year by property dilapidations.

## 11 Non-current pension liabilities

	2014-15 £'000	2013-14 £'000
Net pension liabilities at 1 April	16,753	20,831
Addition/(reduction) in period	2,600	(4,078)
<b>Net pension liabilities at 31 March</b>	<b>19,353</b>	<b>16,753</b>

A provision has been recognised for pension liabilities and their valuation has been determined by the VTS's independent actuaries, Hymans Robertson LLP.

Valuations of 31 LGPS funds for which the VTS has pension obligations have been based on valuations rolled forward from the last formal valuation of funds at 31 March 2013.

In June 2011 the accounting standard (IAS 19) was reissued to apply to year ends after 1 January 2013. Under this new version, the actuarial changes in computation have applied as at 31 March 2015.

The financial assumptions recommended by the VTS's professional advisers and used for purposes of the IAS 19 calculations for the two years to 31 March 2015 are shown in the table below.

Assumptions as at	31 March 2015 % p.a.	Real % p.a.	31 March 2014 % p.a.	Real % p.a.
Price increases	1.95	–	2.30	–
Salary increases	3.95	(0.63)	4.30	(0.05)
Pension increases	1.95	–	2.30	–
Discount rate <sup>1</sup>	3.30	1.32	4.25	1.91

1 Based on the yield on corporate bonds of duration that broadly matches the liabilities of the Scheme; as at 31 March 2015 this was equal to 3.30% p.a.

The CPI inflation assumption has been determined assuming a long term difference between CPI and RPI of 1% p.a. As at 31 March 2015 the assumed rate of future CPI was 1.95% p.a. The real discount rate of 1.32% is derived from the difference between the nominal rate and the inflation assumption.

Employer contribution rates vary between schemes, with the current contribution rate for future services ranging from 9.4% to 54.6%. Life expectancy assumptions also vary between schemes, with a male deferred pensioner life expectancy at age 62 on 31 March 2015 varying between 24.44 and 25.89 years. As per IAS 19, the projected unit method of valuation has been used to calculate the service cost.

### Sensitivity analysis

International Accounting Standards require disclosure of the sensitivity of the results to the methods and assumptions used. The costs of a pension arrangement require estimates regarding future experience. These assumptions are largely prescribed at any point and reflect market conditions at the reporting date.

Changes in assumptions can have a significant effect on the value of the liabilities reported. The table below explains the effect of a 1% movement in the financial assumptions.

## Sensitivity to assumptions

Change in assumption compared with 31 March 2015 actuarial assumptions	Change in actuarial value of liabilities as at 31 March 2015 £'000
1% increase in discount rate	(9,200)
One year increase in life expectancy	1,700
1% increase in salary increases	2,200
1% increase in inflation	11,300

## Expected return on assets

The return on assets has been assessed on a per Fund basis in market value terms for the period 1 April 2014 to 31 March 2015. The estimated Funds' returns for the period range from 4.8% to 16.2% with the average return approximately 11.5%.

As part of the changes in IAS 19 regulations, effective from 2013-14, expected return on assets' assumption has been brought into line with the discount rate applied to projections; the 2014-15 return is therefore 3.30%.

Assets	Value and distribution at 31 March 2015		Value and distribution at 31 March 2014		Value and distribution at 31 March 2013	
	£'000	%	£'000	%	£'000	%
Equities	25,097	66.5	26,155	76.26	22,701	73.9
Bonds	7,982	21.2	4,725	13.78	4,453	14.50
Property	2,703	7.2	2,422	7.06	2,555	8.32
Cash	1,931	5.1	993	2.90	1,006	3.28
<b>Total</b>	<b>37,714</b>	<b>100.00</b>	<b>34,295</b>	<b>100.00</b>	<b>30,715</b>	<b>100.00</b>



## 11a Revenue account costs for the years to 31 March 2014 and 2015

Changes in the fair value of plan assets, defined benefit obligations and net liability for year ended 31 March 2015

Year ended 31 March 2015	Assets £'000	Obligations £'000	Net (liability)/ asset £'000
<b>1 April 2014</b>	<b>34,295</b>	<b>51,048</b>	<b>(16,753)</b>
Current service cost	–	561	(561)
<b>Total service cost</b>	<b>–</b>	<b>561</b>	<b>(561)</b>
Net interest			
– Interest income on plan assets	1,454	–	1,454
– Interest cost on defined benefit obligation	–	2,128	(2,128)
– Impact of asset ceiling on net interest	–	–	–
<b>Total net interest</b>	<b>1,454</b>	<b>2,128</b>	<b>(674)</b>
<b>Total (expense)/income recognised in the income statement</b>	<b>1,454</b>	<b>2,689</b>	<b>(1,235)</b>
Cash flows			
– Plan participants' contributions	178	178	–
– Employer contributions	1,660	–	1,660
– Benefits paid including expenses	(1,901)	(1,901)	–
– Unfunded benefits paid	(118)	(118)	–
<b>Expected closing position</b>	<b>35,568</b>	<b>51,896</b>	<b>(16,328)</b>
Remeasurements			
– Changes in demographic assumptions	–	53	(53)
– Changes in financial assumptions	–	5,666	(5,666)
– Experience	–	(547)	547
– Return on assets excluding amounts included in net interest	2,147	–	2,147
<b>Total remeasurements recognised in Other Comprehensive Income (OCI)</b>	<b>2,147</b>	<b>5,172</b>	<b>(3,025)</b>
<b>Closing position as at 31 March 2015</b>	<b>37,715</b>	<b>57,068</b>	<b>(19,353)</b>

### Statement of Financial Position disclosure at 31 March 2015

The asset values as at 31 March 2015 and 31 March 2014 are shown in the table on page 61.

It is assumed that all unfunded pensions are payable for the remainder of the member's life. On the death of the member, any spouse will receive a pension equal to 50% of the member's pension at the time of his/her death.

As at 31 March 2015 unfunded benefits amounted to £118,471 in total per year until death for 47 individuals, where either the VTS is paying directly to the pensioner or where the administering authority is acting as paying agent. The liability for unfunded benefits at 31 March 2015 was £1,610,000.

## 11b History of experience gains and losses

Year ended	31 March 2015 £'000	31 March 2014 £'000	31 March 2013 (restated) £'000	31 March 2012 £'000	31 March 2011 £'000
Fair value of employer assets	37,715	34,295	30,715	27,386	27,820
Present value of defined benefit obligation	(57,068)	(51,048)	(51,544)	(45,876)	(42,579)
Experience gains/(losses) on assets	2,147	2,404	2,738	(20)	(315)
% of assets	5.69%	7.01%	8.91%	(0.07%)	(1.13%)
Experience (losses)/gains on liabilities	(547)	(1,002)	–	(262)	2,323
% of liabilities	(0.96%)	(1.96%)	–	(0.57%)	5.46%
Actuarial (losses)/gains on liabilities	(5,719)	2,513	(4,031)	(4,050)	479
% of liabilities	(10.02%)	4.92%	(7.82%)	(8.83%)	1.12%

### Projected pension expense for the year to 31 March 2016

Analysis of projected amount to be charged to operating profit for the year to 31 March 2016.

Year ended	31 March 2016 £'000
Service cost	690
Net interest cost	638
<b>Total net revenue account cost</b>	<b>1,328</b>

Note – These figures exclude the capitalised cost of any early retirements or augmentations which may occur during 2015-16, and are indicative only.

## 12 Pension Fund Reserve

The Reserve represents the accumulated net movement on assets and liabilities across all 31 pension funds to which the VTS pays employer contributions. The actuarial valuations of all LGPS funds have resulted in accumulated liabilities exceeding assets thereby increasing the pension liabilities, with adjustments made for employer's contributions, annual charges for accrued benefits and early retirements.

## 13 Commitments under operating leases

The total of future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2014-15 £'000	2013-14 £'000
<b>Buildings</b>		
Not later than one year	195	132
Later than one year and not later than five years	654	–
Later than five years	49	–
	<b>898</b>	<b>132</b>

There were no annual commitments as at 31 March 2015 to pay rental on office equipment under lease agreements.

## 14 Capital commitments

There were no capital commitments authorised and not contracted for as at 31 March 2015 (2014: £28,885).

## 15 Contingent liability

There are on-going and potential employment tribunal cases, the likely timing and cost of which are uncertain. We estimate in the event of these becoming a reality the cost is unlikely to exceed £89,000.

## 16 Related party transactions

We are sponsored by the DCLG, which is regarded as a related party. During the reporting period we had a number of significant related party transactions. The most significant are IT management service and software development and shared use of SAP accounting software provided by DCLG's Finance and Shared Services Division (FSSD).

The values of related party transactions are as follows:

- Grant in aid of £7,647,641 (2013-14: £8,037,028) was received from DCLG, the VTS's sponsoring Department. The VTS is a non-departmental public body and during the year the VTS had various material transactions with the Department but not with any other entity for which DCLG is regarded as the parent Department
- Payments of £835,901 (2013-14: £957,763) were made to VOA for IT support and maintenance services. The VOA reports also to DCLG
- Payments of £67,500 (2013-14: £66,000) were made to DCLG's FSSD for accounting services
- Payments of £1,249,953 (2013-14: £990,070) were made to the LGPS pension fund representing employer's contributions for the year for funded and unfunded schemes, excluding settlements
- Payments of £91,406 (2013-14: £157,240) were made to local councils for business rates\*
- Remittances to HMRC for social security costs of £823,621 (2013-14: £843,474)
- Payments of £153,902 (2013-14: £Nil) were made to NHS Property Services for office rent, service charges, heating and lighting regarding its London office, where the VTS is now a sub-tenant.

\* Represented by payments prior to 31 March for the following fiscal year.

None of the Board Members, senior management staff or other related parties has undertaken any material transaction with the VTS during the year.

## 17 Financial instruments

IAS 32/39, Derivatives and Other Financial Instruments, requires disclosure of the impact financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities.

Because of the largely non-trading nature of its activities and the way government agencies are financed, the VTS is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IAS 32/39 mainly applies. The VTS has very limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day to day operational activities and are not held to change the risks facing the VTS in undertaking its activities.

As permitted by IAS 32/39, trade receivables and trade payables which mature or become payable within 12 months from the Statement of Financial Position date have been omitted from the currency profile.

## 18 Events after the reporting period

The VTS's financial statements are laid before the Houses of Parliament by the Secretary of State for Communities and Local Government or HM Treasury.

The authorised date for issue is 23 June 2015.

# Accounts direction

## The Valuation Tribunal Service

ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE WITH THE CONSENT OF THE TREASURY,  
IN ACCORDANCE WITH PARAGRAPH 19(2) OF SCHEDULE 4 TO THE LOCAL GOVERNMENT ACT 2003

- 1 The annual accounts of The Valuation Tribunal Service (hereafter in this accounts direction referred to as 'the Service') shall give a true and fair view of the income and expenditure and cash flows for the year and the state of affairs at the year end. Subject to this requirement, the financial statements for 2010-11 and for subsequent years shall be prepared in accordance with:
  - (a) the accounting and disclosure requirements given in Managing Public Money and in the Government Financial Reporting Manual issued by the Treasury ('the FReM'), as amended or augmented from time to time;
  - (b) any other relevant guidance that the Treasury may issue from time to time;
  - (c) any other specific disclosure requirements of the Secretary of State.Insofar as these requirements are appropriate to the Service and are in force for the year for which the Accounts are prepared, and except where agreed otherwise with the Secretary of State and the Treasury, in which case the exception shall be described in the Notes to the Accounts.
- 2 Schedule 1 to this direction gives clarification of the application of the accounting and disclosure requirements of the Companies Act and accounting standards. Additional disclosure requirements of the Secretary of State and further explanation of Treasury requirements are set out in Schedule 2.
- 3 This direction shall be reproduced as an appendix to the annual Accounts.
- 4 This direction replaces all previously issued directions.

Signed by authority of the Secretary of State for Communities and Local Government



An officer in the Department for Communities and Local Government  
31 March 2010

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