

The Valuation Tribunal Service

Annual Report and Accounts 2015-16



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Overview



Chairman's foreword

This report represents the picture of our work in the twelfth year since the Valuation Tribunal Service (VTS) was set up. In that time, we have been able to radically transform the service, and provide it at a materially reduced cost. All of this has been achieved by the professionalism of our staff and I thank them all.

The detail of the year's achievements is set out more fully in the report, but one or two highlights are certainly worthy of mention. First, although it may sound rather dull, we have made splendid progress in consolidating our 33 separate pension schemes into one scheme. This has required patient and detailed work stretching over a long period, but it will result in considerably reduced administration and related costs.

I also want to pay tribute to key members of our staff, particularly our Chief Executive, Director of Operations & Development and the Registrar, who have participated throughout the year in various forums to contribute their experience and knowledge to the development of thinking about a revised process for non-domestic rating appeals. The VTS has long advocated improvements in the appeal system, in ways which would increase the transparency of the process and seek to eliminate much unnecessary administration of cases automatically transferred to us which were never genuine appeals. We are now awaiting the outcome of the Government consultation exercise and the development of a new regulatory framework.

In August 2015, the President of the Valuation Tribunal for England (VTE) retired. Professor Zellick had been appointed as the first President when the VTE was established in 2009. He thus played a major role in establishing new procedures and embedding the new structure into place. Although he continues to participate in other professional activities, we wish him well in his retirement from the VTE. I would also like to take this opportunity to thank the Vice-Presidents, who are undertaking the presidential duties whilst we await a new appointment being made by the Lord Chancellor.





I also take this opportunity to thank my Board Members, who have continued to alternatively encourage and challenge and who have brought a wide range of knowledge and experience to our deliberations. At the end of the year, we said goodbye and thank you to Ronald Barham, who has served on the Board for 10 years. I am pleased that Ronald is continuing his service with the VTE.

This is the last Annual Report to which I will have the opportunity to contribute as I am retiring at the end of October this year. The experience of taking the chair of the Board of the VTS has been a privilege.

Anne Galbraith CBE

Chairman, Valuation Tribunal Service





Chief Executive's report

With the knowledge and experience built up over 66 years in local property taxation matters the VTS, as the successor to valuation tribunals and local valuation panels, continues to find innovative ways to demonstrate value to our users in providing a free, informal route for disputes to be resolved, against a backdrop of the economic challenges facing all public sector bodies.

The Chancellor's target, announced on 5 December 2013 to clear 95% of the non-domestic rating appeals outstanding as at 30 September 2013 by July 2015, presented challenges given that, as a demand led service, the successful resolution of appeals does require the active participation of the parties to engage in the process. It is pleasing therefore that 94% were cleared, even though the Tribunal membership available to hear appeals has been declining. This decline has been, and continues to be, actively addressed in working with the Judicial Appointments Commission to recruit members through the statutory framework that exists for such appointments.

We maintained our focus on facilitating the resolution of appeals and listed almost 117,000 appeals during the course of the year. This was fewer than the previous year, but with resources of the Valuation Office Agency having been diverted to prepare for the revaluation, which will take effect on 1 April 2017, this reduction was necessary.

Following the Public Bodies Reform programme we are awaiting the publication of the Triennial Review, which commenced in 2015. This is particularly important to us as it will determine whether the service we provide is still required and, if so, whether the current model for service provision remains the most suitable.

A handwritten signature in dark ink, appearing to read 'Antonio Masella', written in a cursive style.

Antonio Masella
Chief Executive
Valuation Tribunal Service



Performance and activities

Our vision is to “provide the fairest, most effective and efficient service we can to those who appeal their council tax or business rates”. In striving to achieve this, we are mindful of the following principles:

- ☐ supporting the Valuation Tribunal for England (VTE) in providing independent, open, fair and impartial hearings for business rates and council tax and being open and transparent in doing so
- ☐ focussing on our customer needs by keeping people fully informed and enabling them to resolve their disputes as quickly as possible
- ☐ adopting high standards of behaviour and always striving to improve, by listening to, responding to and learning from user feedback
- ☐ using consistent, proportionate, cost effective procedures that give value for taxpayers' money
- ☐ working in partnership with those of our stakeholders who operate in the business rating and council tax arena and with our sponsor Department in delivering Ministers' priorities and
- ☐ utilising IT innovations where possible.

The VTS, sponsored by the Department for Communities and Local Government (DCLG), was established under the Local Government Act 2003 and created on 1 April 2004 to provide a range of specialist services to assist the discharge of the Valuation Tribunal for England's (VTE) functions. The Act specifically 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 the 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 later, by the Local Government and Public Involvement in Health Act 2007. This body was created on 1 October 2009 with a jurisdiction to hear appeals on:

- ☐ business (non-domestic) rates
- ☐ council tax
- ☐ completion notices
- ☐ penalty notices for failure to provide requested rental information
- ☐ drainage rate assessments

and to do this under the regulatory provisions of the Valuation Tribunal for England (Council Tax and Rating Appeals) (Procedure) Regulations 2009 SI 2009 No 2269. The statutory 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.

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.



Our year

2015-16

We consolidated liabilities in 33 pension funds to come under one provider from **April 2016** achieving savings in administration costs and reducing future liability uncertainty.

2015-16

Following a change in regulations affecting effective dates provisions, we received nearly 199,000 non-domestic rating appeals in the **first quarter** of 2015-16.

2015-16

A new protocol between the CEO, the VTS Chairman and the VTE President was agreed and approved by the Board in **June 2015** and incorporated into the VTS's governance framework.

2015-16

'Chancellor's target': around 94% of the rating appeals dating from before 30 September 2013 were cleared by **July 2015**. Our aim, to have provided at least one hearing date for every appeal in this group that could be listed, was met.

2015-16

A Triennial Review panel looked into the functions and governance of the VTS and VTE, with discussions and a consultation running from **September**; the findings are awaited.

2015-16

The Spending Review outcome for the VTS was announced in **January** and resulted in a reduction of 18% in the budget over the period to 2019-20.

2015-16

Our revamped website with features addressing user feedback was launched on **17 March 2016**.

2015-16

Through the Judicial Appointments Commission, 34 new VTE members and chairmen were recruited for panels in London and the South East. This was the first time the JAC process had been used for VTE appointments.

2015-16

We participated in a working group, providing input to our sponsoring Department on their work to reform the appeals process, resulting in a consultation, *Check, Challenge and Appeal*.

Key risks and issues

Detail of these is given in the Governance Statement pages 37 to 39. Briefly they are:

- ☐ the continuing reduction in the numbers of VTE members impacting on our ability to convene panels to hear appeals
- ☐ the impact of the spending review continuing to challenge the VTS to find new ways of reducing costs without detriment to organisational flexibility, responsiveness and professionalism
- ☐ the necessity for the active participation and engagement of the parties for the successful resolution of the appeals we list for hearing
- ☐ the non-domestic rates revaluation in 2017 and the possible changes to the appeals process bringing some uncertainty regarding the workload for future years
- ☐ a large programme of IT change
- ☐ the lease on our Doncaster office ending on 1 September 2017 and the need to secure a suitable alternative office within that location within the government estate.

Going concern

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

The Statement of Financial Position (page 51) shows net liabilities of £21,468,000 at 31 March 2016. 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 2016-17 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 2016-17 with indicative annual allocations through to 2020-21. Liability for all pension payments will continue to fall on the sponsoring Department.



Performance summary

The VTS operated last year on a budget which was 11.8% lower than in the previous year. Average headcount was down 10% on 2014-15 and VTE member numbers also fell by 12.5% over the course of the year.

Some 22% fewer appeals were listed in 2015-16 than in the previous year. This reduction was caused by a number of factors including:

- ☐ difficulty in recruiting to vacant specialist VTS staff posts
- ☐ some instances of long term sickness absence
- ☐ pressures on Valuation Office Agency resources, preparing for the 2017 revaluation
- ☐ more complex cases remaining at the end of the 'Chancellor's target' cohort of appeals and at the end of the life of the 2010 rating list.

The VTS achieved 15 of the 21 objectives set out in its Business Plan for 2015-16. These objectives included eight which were identified as key performance indicators; of these four were met or exceeded. Further details appear below in the Performance analysis section (page 10).

Performance analysis

Volumetrics

Around 87,000 appeals were brought forward in April 2015 and during the year some 271,000 were received. Table I shows the detail of these figures by appeal type.

Table I

Appeal groups	Brought forward	Received	Cleared	Carried forward
Council tax completion notice	100	360	320	140
Council tax penalty notice	–	40	20	20
Council tax liability	530	1,200	1,180	550
Council tax notice of invalidity	210	210	330	90
Council tax reduction	430	1,010	550	890
Council tax valuation	1,480	2,520	2,610	1,390
Non-domestic completion notice	110	130	120	120
Non-domestic penalty notice	10	–	10	–
Non-domestic transitional certificate	110	90	90	110
Non-domestic rating list 2005	2,900	110	2,190	820
Non-domestic rating list 2010	80,500	264,200	78,300	266,400
Non-domestic rating notice of invalidity 2005	180	–	90	90
Non-domestic rating notice of invalidity 2010	460	1,130	500	1,090
Total	87,020	271,000	86,310	271,710

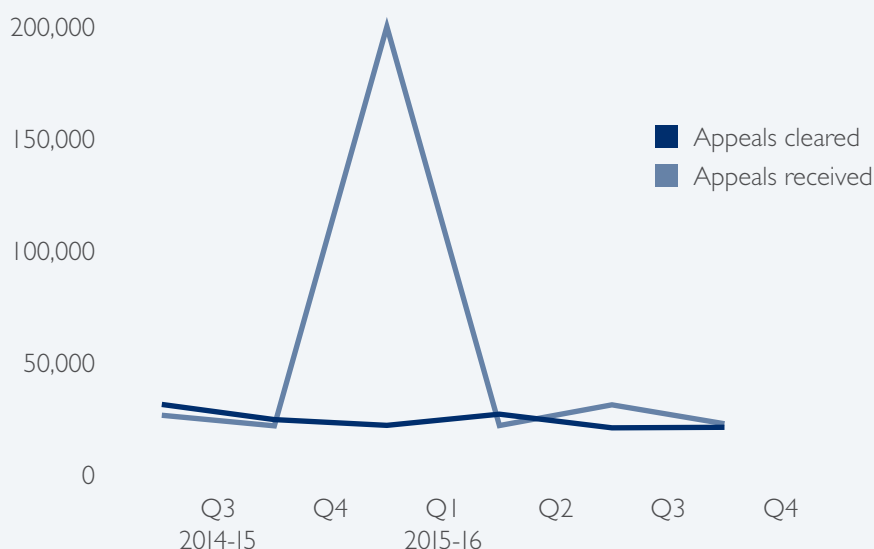
Note: Figures in the Table are rounded to the nearest 10, except for non-domestic rates appeals against the 2010 lists, which have been rounded to the nearest 100.

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 large influx of appeals occurred in the first quarter of the year as can be seen in Chart I and was the consequence of a change in the regulations on backdating of effective dates for non-domestic rating appeals.



Chart 1



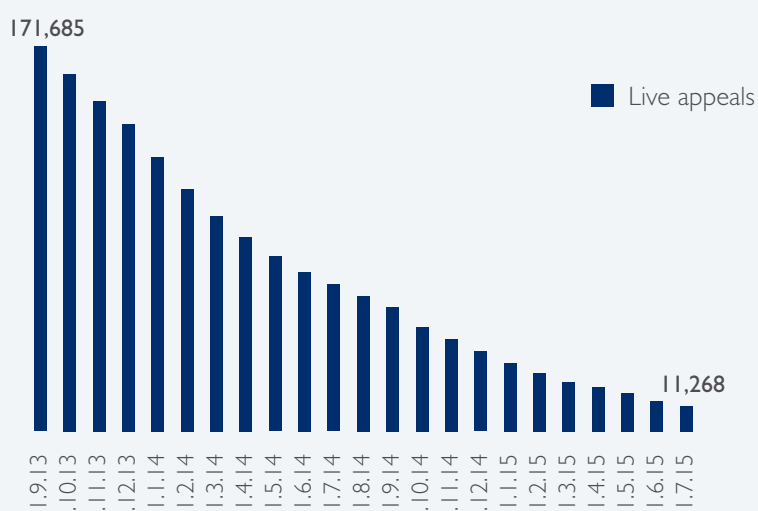
During the year, 1,205 hearings days were held (1,331 in 2014-15), to which we listed 116,588 appeals (149,201 in 2014-15).

Measurement of performance

The VTS builds its own measures on those few outputs over which the VTS has some measure of control, for example the speed of issuing notices (including decision notices) and the time taken to list appeals to a hearing. Many other data relating to appeals are not measures of the VTS's performance, but of the level of engagement of the parties to the appeal. One example of this was the clearance target for non-domestic rating appeals set by the Chancellor in his December 2013 Autumn Statement. The target was to clear 95% of the appeals which were lodged before 30 September 2013 (about 170,000) by July 2015. This target, which we shared with the VOA, was almost met, with 94% of the appeals being cleared by July 2015, as shown in Chart 2.

Chart 2

Progress on the Chancellor's target for clearance of rating appeals



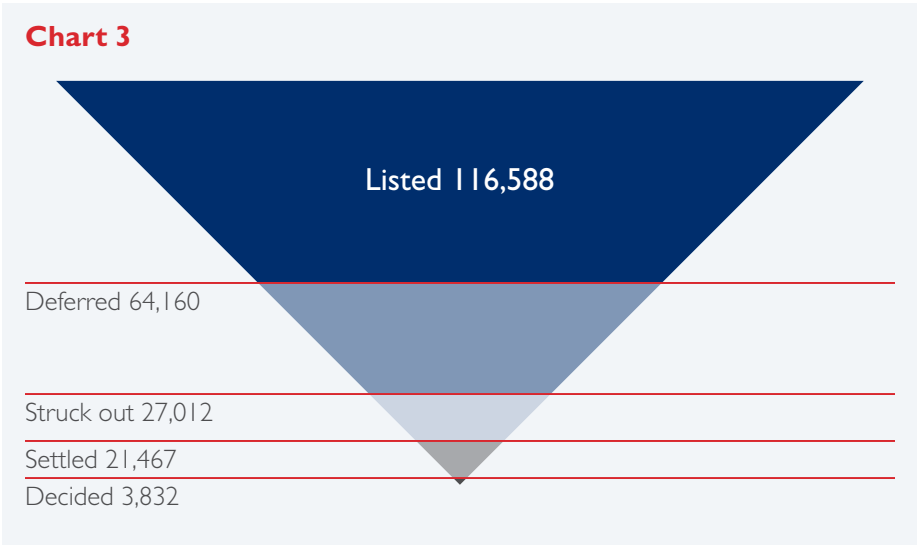
As the VTS cannot itself 'clear' appeals, our own commitment was to have arranged at least one tribunal hearing for each of these appeals that was in a VOA programme with a target date before 31 March 2015 and was not awaiting a superior court decision, thus providing the focus for the parties to discuss and resolve their disputes or the opportunity for a VTE determination. We achieved this target.

To improve the efficiency of the listing process, we monitor hearing days where maximum use is made of the resources and where two or more cases are argued before a Tribunal panel. The percentage of hearing days where two or more appeals were determined by a panel increased steadily throughout the year and amounted to 80% overall (from 74% in 2014-15).

We continue to engage customer research to gauge views of our service (see page 21) and feedback from those tribunal users who represent themselves makes clear that speed of the process is of major importance to them. For this reason, in our Customer Charter, we set out an aim to list council tax liability and banding appeals to a hearing date that is within four months of the date we register the appeal. This target was achieved in 85.3% of cases between April and December 2015.



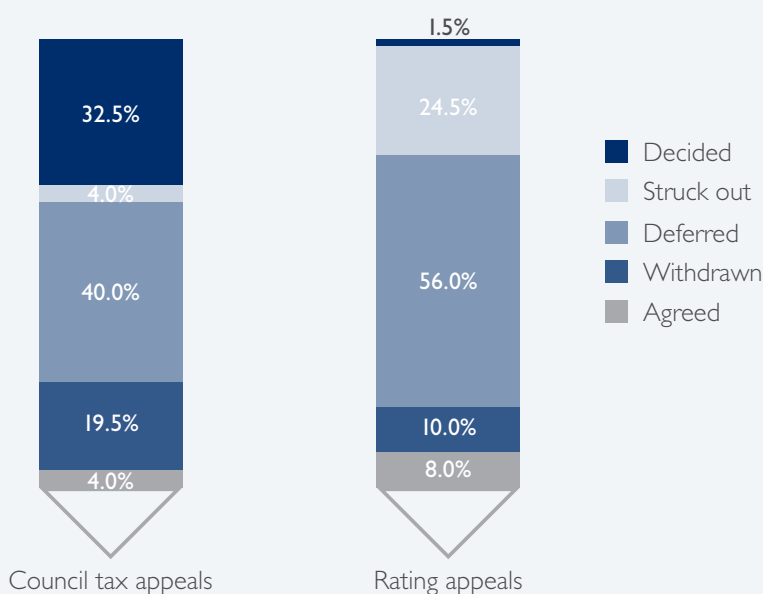
Chart 3 below shows the outcomes of listed appeals for the year and demonstrates the proportion of appeals against those listed that ultimately required a Tribunal determination.



This proportion is significantly different for council tax appeals and non-domestic rating appeals, which constitute the overwhelming majority of the appeals we receive, as Table 1 shows. Council tax appellants, whether challenging the banding of their property or their liability for the tax, are far more likely to pursue their case to a hearing, for an independent decision (Chart 4).



Chart 4



32% of council tax appeals were decided in 2015-16 compared to less than 2% of rating appeals.

Achievement of business objectives and key performance indicators

The VTS business plan 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 objectives and details our performances in each of the key strategic areas, namely:

- ☐ support the VTE in providing independent, open, fair and impartial hearings
- ☐ keep people fully informed and enable them to resolve their disputes as quickly as possible
- ☐ adopt high standards of behaviour and always strive to improve, by listening and responding to feedback
- ☐ use consistent, proportionate, cost effective procedures that give value for taxpayers' money
- ☐ collaborate effectively with stakeholders and deliver Ministers' priorities.

PERFORMANCE REPORT

Of the 21 objectives set in 2015-16, 15 were fully achieved. Table 2 shows the achievements towards 13 of these objectives; 11 were met and two that are underway are carried forward to 2016-17: enhancement of our IT and contributing to a reformed system for administering non-domestic rating appeals. The other eight objectives were set as key performance indicators (KPIs) and achievements in relation to those are shown in Table 3.

Table 2

Supporting the VTE in providing independent, open, fair and impartial hearings

Objective	Actions planned	Timescale	Output/benefit	Met?	Achievements
Make provision to achieve the 2013 Chancellor's Autumn Statement target for rating appeals.	Provide a listing for every appeal in this cohort that is not dependent on an higher court's decision.	by Q2	Service to business rates appellants/representatives; supporting the Minister's target.	Yes	Every appeal that could be listed was listed at least once. We worked with the VOA and achieved 94% clearance against a target of 95%.
Ensure constitution of the Board's Members' Training Strategy Committee enables it to achieve its purpose most effectively.	Review the Board's constitution of the Committee; implement changes with the VTE President.	by Q2	A responsive committee that will report to the Board and act as an advisory committee to the VTE President.	Yes	The Committee was disbanded; the President's Advisory Council took over the functions. Reports to the Board are through the CEO and Vice-President.
Increase VTE membership to rebalance resources around the country.	Work with the JAC and VTE President on a recruitment pack and arrangements. Train successful applicants.	by Q4	More, trained VTE members to hear appeals in areas where there is currently a shortage, so enabling more listings.	Yes	Whilst recruits do not balance out retirements and resignations, 14 chairmen and 20 members for London and the South East were appointed by the Lord Chancellor after a JAC exercise. An exercise for the west of England will run in 2016-17.
Support staff in their development, to ensure they continue to be effective in what they do.	Review skill gaps and put in place required training for staff; provide an average of 2 days' training.	by end Q4	Motivated staff who provide a consistent, high-quality service to all stakeholders and are abreast of the latest developments in their field.	Yes	An average of 5 days' training was provided after a training needs analysis was carried out.



Keeping people fully informed and enabling them to resolve their disputes as quickly as possible

Objective	Actions planned	Timescale	Output/benefit	Met?	Achievements
Improve printed and online guidance for appellants.	Revise booklets for council tax liability and business rates appeals; review structure and content of webpages.	by end Q3	Unrepresented appellants who are better prepared and feel supported in the appeals process.	Yes	Council tax liability guidance and council tax decisions guidance updated. Guidance revised on refreshed website; clearer signposting. Changes reflect user feedback. Rating appeals guidance not revised extensively because of revaluation and uncertainty around the detail of reform from 2017.

Adopting high standards of behaviour and always striving to improve, by listening and responding to feedback

Objective	Actions planned	Timescale	Output/benefit	Met?	Achievements
Make better use of feedback through complaints.	Improve the recording and analysis of complaints received; disseminate the lessons learned for discussion in team meetings.	by end Q2	Staff understanding of what matters to tribunal users and other stakeholders; staff involvement in developing consistent solutions/improvements.	Yes	New format for reporting (including to DCLG) in place, analysing complaints by subject and remedy. Customer Charter and Complaints Policy reviewed.
Investigate ways of obtaining more tribunal user feedback.	Pilot exit surveys and commission an in-depth survey of rating agents.	by end Q3	Obtaining feedback from users at different points in the process and different viewpoints; ability to better respond to user requirements.	Yes	Exit surveys were rejected in part because of low response rate. Instead, focus groups provided feedback on the VT website. Qualitative research by phone interview and online community provided feedback on the unrepresented tribunal user's experience. Rating agents not surveyed at this time because of the consultation on NDR reform.

PERFORMANCE REPORT

Using consistent, proportionate, cost effective procedures that give value for taxpayers' money

Objective	Actions planned	Timescale	Output/benefit	Met?	Achievements
Have in place an IT Strategy as a foundation for future development.	Finalise an IT Strategy for Board approval.	by Q1	Basis for the specification of requirements and procurement of IT infrastructure that is fit for purpose.	Yes	Living document approved initially by Board in June 2015. Changes that need to be made over time will be brought back to the Board.
Review provision of IT for both customer-facing and back office systems, enabling the move away from the current appeals database by 2017.	Develop IT requirements for an independent, proportionate, flexible, cost-effective system, taking into account legislative and stakeholder requirements.	Ongoing	Improved efficiency and customer service; reduced costs for IT provision in the longer term.	Under-way	This will be progressed in 2016-17 as part of the IT Strategy.

Collaborating effectively with stakeholders and deliver Ministers' priorities

Objective	Actions planned	Timescale	Output/benefit	Met?	Achievements
Work effectively with DCLG, VOA and ratepayer reps in contributing to the review of business rates administration.	Contribute, from a position of expertise, in liaison meetings; arrange opportunities to gather views of all stakeholders so they are reflected in this review.	by Q3	Increased confidence in the business rates appeals system.	In part	Meetings held with rating agent groups; also worked with DCLG and VOA, assisting the Government regarding NDR appeal reform, resulting in the consultation, Check, Challenge and Appeal.
Contribute to discussions around legislative and process change for the 2017 revaluation of business rates.	Continue to liaise closely at national level with DCLG and the VOA and work collaboratively to prepare for revaluation.	by Q4	Streamlined processes ahead of 2017 revaluation. More clarity and transparency for ratepayers/appellants on what is expected of them.	Yes	Formed part of a working group with DCLG regarding Check, Challenge and Appeal. Regulations setting out the final form of the new process are awaited.
Achieve effective financial reporting with DCLG Central Finance.	Maintain close liaison with DCLG Finance to ensure financial reporting is timely and accurate.	by Q1	Exchanging financial details with confidence.	Yes	Appointment of Dir of Finance & Info Services has helped to provide a more focussed and robust approach to DCLG Finance, leading to better controls and improved reporting.
Improve the timeliness and quality of business cases for DCLG.	Work with DCLG colleagues in preparing business cases.	by Q1	Transparency in funding requests.	Yes	Now under the auspices of Dir of Finance & Info Systems. Cases developed in consultation with DCLG and all have been successful in gaining approval.

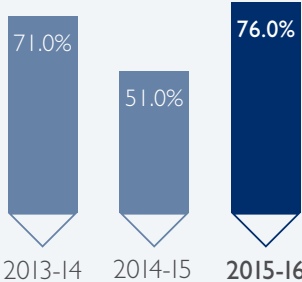
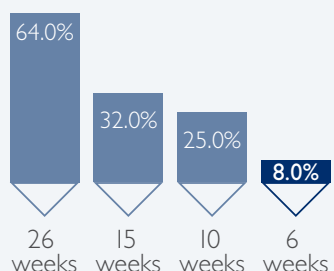
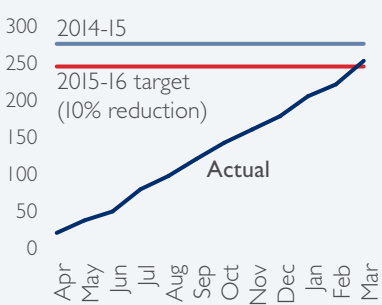
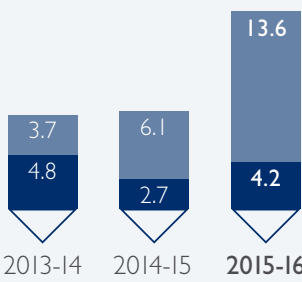


The other eight objectives were used as key performance indicators and reported on to the Board, DCLG and to staff throughout the year. Four of these were met as Table 3 shows.

Table 3

Performance measure	Target in 2015-16		Met?	Comments
Hearing lists that result in 2 or more fully heard cases.	77%		Yes	Exceeded.
Council tax liability and banding appeals listed to a hearing date that is within 4 months of receipt.	85%		Yes On track*	<p>Met for appeals received from April to December* 2015 (*because of the 4-month criterion), despite the concentration early in the year on rating cases.</p> <p>In 2014-15 the target was to list 85% within 5 months.</p>
Decisions for council tax banding appeals issued within 1 month of the hearing.	87%		Yes	<p>Exceeded.</p> <p>In 2014-15 the target was 85% across all appeal types and 86.4% was achieved.</p>
Decisions for non-domestic rating appeals issued within 1 month of the hearing.	87%		Yes	Rating cases tend to be more complex; reasoned decisions reflect that and take longer to draft.

PERFORMANCE REPORT

Performance measure	Target in 2015-16		Met?	Comments																										
Decisions on reinstatement applications issued within 6 weeks of receipt.	80%	 <table><tr><th>Year</th><th>Rate</th></tr><tr><td>2013-14</td><td>71.0%</td></tr><tr><td>2014-15</td><td>51.0%</td></tr><tr><td>2015-16</td><td>76.0%</td></tr></table>	Year	Rate	2013-14	71.0%	2014-15	51.0%	2015-16	76.0%	No	Target missed by 4%. Requests received/month varied from 110-461; they require specialist input from VTE Vice-Presidents. In 2015-16, the process was streamlined, resulting in 50% improvement on 2014-15.																		
Year	Rate																													
2013-14	71.0%																													
2014-15	51.0%																													
2015-16	76.0%																													
Provide a new hearing date that is within 6 weeks of a postponed hearing for appeals that are ready for hearing.	80%	 <table><tr><th>Timeframe</th><th>Percentage</th></tr><tr><td>26 weeks</td><td>64.0%</td></tr><tr><td>15 weeks</td><td>32.0%</td></tr><tr><td>10 weeks</td><td>25.0%</td></tr><tr><td>6 weeks</td><td>8.0%</td></tr></table>	Timeframe	Percentage	26 weeks	64.0%	15 weeks	32.0%	10 weeks	25.0%	6 weeks	8.0%	No	Established as a measure to drive forward 'Chancellor's target', fewer listed cases from April and the pressure of maintaining a focus on new appeals meant reduced capacity for appeals to be relisted within 6 weeks.																
Timeframe	Percentage																													
26 weeks	64.0%																													
15 weeks	32.0%																													
10 weeks	25.0%																													
6 weeks	8.0%																													
Spend on external venues reduced.	by 10%	 <table><tr><th>Month</th><th>Actual Spend</th></tr><tr><td>Apr</td><td>20</td></tr><tr><td>May</td><td>30</td></tr><tr><td>Jun</td><td>40</td></tr><tr><td>Jul</td><td>50</td></tr><tr><td>Aug</td><td>60</td></tr><tr><td>Sep</td><td>70</td></tr><tr><td>Oct</td><td>80</td></tr><tr><td>Nov</td><td>90</td></tr><tr><td>Dec</td><td>100</td></tr><tr><td>Jan</td><td>110</td></tr><tr><td>Feb</td><td>120</td></tr><tr><td>Mar</td><td>130</td></tr></table>	Month	Actual Spend	Apr	20	May	30	Jun	40	Jul	50	Aug	60	Sep	70	Oct	80	Nov	90	Dec	100	Jan	110	Feb	120	Mar	130	No	An 8% reduction was achieved on a 10% target. The performance measure is being refined for 2016-17.
Month	Actual Spend																													
Apr	20																													
May	30																													
Jun	40																													
Jul	50																													
Aug	60																													
Sep	70																													
Oct	80																													
Nov	90																													
Dec	100																													
Jan	110																													
Feb	120																													
Mar	130																													
Absence levels for all sickness/FTE below the public sector average!	below 7.9 days	 <table><tr><th>Year</th><th>Total Absence (days)</th><th>Long-term Absence (days)</th></tr><tr><td>2013-14</td><td>3.7</td><td>4.8</td></tr><tr><td>2014-15</td><td>6.1</td><td>2.7</td></tr><tr><td>2015-16</td><td>13.6</td><td>4.2</td></tr></table>	Year	Total Absence (days)	Long-term Absence (days)	2013-14	3.7	4.8	2014-15	6.1	2.7	2015-16	13.6	4.2	No	There were 7 cases of long-term sickness absence in the year. Through effective absence management, only 1 remains. Excluding these, average sickness absence was 4.2 days; 54% of staff took no sick leave. (The graph shows total absence and the proportion that was long-term (light blue)).														
Year	Total Absence (days)	Long-term Absence (days)																												
2013-14	3.7	4.8																												
2014-15	6.1	2.7																												
2015-16	13.6	4.2																												

I As provided in the latest CIPD survey.

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 43.5% during 2015-16 (47% in 2014-15), which is disappointing. For successful appellants, the average was 73%, with 33% for unsuccessful appellants. The main area of dissatisfaction appears to be with communications in the administration of the appeal before a hearing and any delays in the process. This echoes what national research shows², that employees' friendliness, helpfulness and competence have become relatively more important, as well as speed of service. Ease of doing business has also increased in importance. For this reason, the customer service training initiative begun late this year (described below under Training) will be extended to other staff.

Despite making changes to questions asked, we continue to see a number of misattributed responses, where appellants do not recognise that different bodies are involved in the process, particularly if they were unsuccessful in their appeal. For the coming year we have again revised the questionnaire used for interviews and will be looking at ways to distinguish ourselves more clearly from the VOA and the local councils throughout the appeals process. Focus groups were also held to provide feedback on requirements of our website, and the revised website, with clearer signposting and refreshed content was launched in March.

Staff survey

During the year we commissioned our first staff survey for a number of years, with a good response rate of 72%. Culture and values of the VTS, the line management, job satisfaction, staff involvement and support from colleagues were seen as areas of strength for the organisation. Improvement was seen to be needed in change management, communications, development and rewards. A staffing working group has begun to look at ways to address improvements in these areas, with an action plan going to the Board.

Training

The VTS continues to develop all staff in order to improve the service we provide to our stakeholders.

Faculty meetings have proved to be a successful forum for delivering technical training, including case law updates and procedural or regulatory changes.

² Institute of Customer Service: *UK Customer Satisfaction Index* (January 2016).

A training needs analysis resulted in a focussed training programme delivered to case managers in 2015-16. Communication meetings, involving operations managers and the Executive Management Team became a regular feature in the programme. These development meetings provide a valuable opportunity for evaluating and reflecting on strategic priorities in line with performance targets.

Administrative staff received a unique and thought-provoking customer service training day, which encouraged staff to reflect on their behaviours and standards when interacting with customers both internally and externally. This corporate training initiative will continue into the next financial year for other groups of staff.

We provided 378 days of training to our staff, an average of five days per staff member. Overall, 99% of our staff received training in the financial year; those who did not were on maternity or sick leave.

Valuation Tribunal for England (VTE) members

The members' training and development programme continued to be delivered regionally allowing a significant notice period providing the option of transferring to more convenient dates.

As well as the technical and legislative training the VTS provides to all members, there was an additional programme concentrating on Core Skills. This programme delivered by the Judicial College was offered to the whole membership and concentrated on fairness, equality and ethical and moral behaviours.

All VTE members were offered in excess of one day's training during the year.

Efficiencies

Over the last few years we have consistently delivered financial efficiencies and succeeded in achieving annual expenditure under our allocated budget. With approval from DCLG, we have been able to utilise available funds by the reduction of pension liabilities, which benefits the overall financial position of the organisation.

This year we consolidated our membership of our 33 local government pension schemes into a single one, administered by the London Pension Fund Authority. This is expected to provide further efficiency in the future administration of our pensions.

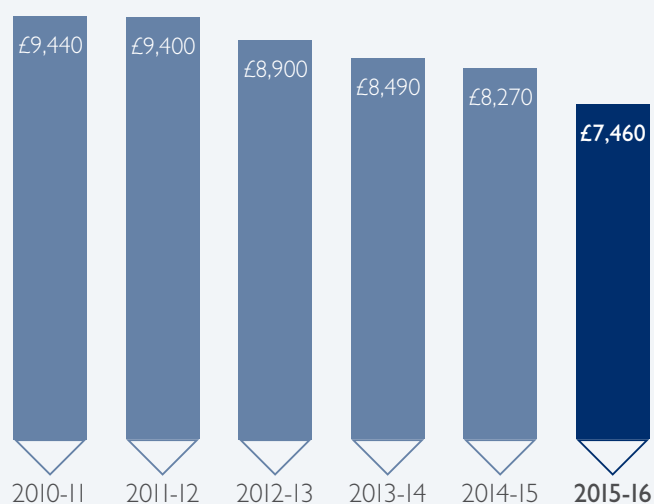


We have also reviewed a number of contracts that were in place and retendered via the Crown Commercial Framework; this has already delivered annual savings in excess of £100,000.

Chart 5 below illustrates the significant budget savings that the VTS has delivered year on year.

Chart 5

VTS Budget



The VTS operates a paper recycling programme and during the year, through recycling, has saved at least 127 trees from destruction and 240,000 litres of water.

127



Corporate social responsibility

Health and safety

During 2015-16 the Chief Executive commissioned health and safety reports on each of the two offices. The outcomes of these assessments indicated positive changes had taken place and action plans have been developed where necessary to address any of the minor areas identified for improvement to ensure that we maintain a healthy environment at all times for our staff and visitors. The VTS made a positive commitment to better recording of incidents/accidents and more scrupulously recording any 'near misses'.

In the year, there were seven recorded incidents in London and three in Doncaster; none resulted in absence from work.

Estate matters

We continue to operate from two office locations, Doncaster and London. Our estate footprint is currently 961 sqm.

Our current lease on our Doncaster office expires on 31 August 2017 and we are already looking at alternative accommodation on the government estate with a view to further reducing our footprint and estate costs.

In addition to the hearing rooms in the two offices, we use some 80 other venues around the country for tribunal hearings.

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 paper recycling programme and during the year, through recycling, has saved at least 127 trees from destruction and 240,000 litres of water.



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

We continue to offer to translate our guidance and forms into seven commonly used languages in the UK; during the year, we received one request for a Polish translation. We arranged 19 interpreters for appellants attending hearings (for Bangladeshi, Bengali, Bulgarian, Cantonese, French, Gujarati, Hungarian, Polish, Punjabi, Romanian, Russian, Slovak, Turkish and Urdu speakers).

Guidance leaflets 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 assistance was requested during the year.

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. Last year there were around 2,000 toolbar loads and 1,800 speech requests on our website.

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, for the use of anyone dissatisfied with the service they receive from the administration.

During the year, 29 complaints about the administration were registered (compared to 53 in 2014-15). All received a full response within a month. One complaint was escalated to the highest level of the three-stage complaints process for investigation for maladministration (four in 2014-15); maladministration was not found. No complaints about the VTS were reported as having been investigated by the Parliamentary and Health Services Ombudsman.

Freedom of information and data protection

In 2015-16 there were 41 requests for data under the Acts, up 30% on the previous year. All requests were dealt with within the statutory time limits; no internal reviews were requested during the year and no complaint about the way these requests were handled was made to the Information Commissioner. During the year, we started to publish on our website those responses that were deemed to be of wider public interest.



Antonio Masella

**Chief Executive
Valuation Tribunal Service**

22 June 2016



Corporate governance report



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 2015-16 the Board comprised:

- ☐ Deputy Chairman, John O'Shea
- ☐ Martin Allingham
- ☐ Dr Ronald Barham
- ☐ Robin Evans
- ☐ Ian Tighe
- ☐ Professor Graham Zellick CBE, QC (VTE President), *ex officio* Member, to 12 August 2015*.

* The Board invited Vice-President Martin Young to attend Board meetings following the President's retirement.

A register of Board Member interests is maintained, reviewed annually and is available for inspection; a summary appears on the Valuation Tribunal website valuationtribunal.gov.uk/about-us/vts/board.

Data security and information risk

Data handling and information security meetings take place quarterly, chaired by the Board's Senior Information Risk Owner and attended by all VTS Information Asset Owners (IAO's) and the data protection officer. This provides a forum for promoting compliance with information risk policy and process and discussion on information risk issues and management across all VTS operational and head office functions. During the course of these meetings in 2015-16 the SIRO obtained the necessary assurances from IAO's covering their areas of responsibility and that the requirements of the Cabinet Office's security policy framework have been upheld.

The VTS Risk Management & Accreditation Document Set (RMADS) produced in April 2015 has been submitted to accreditors within our sponsor team at DCLG. The RMADS are no longer mandated however, as a matter of good practice the content has been maintained and the VTS will ensure a continued dialogue with accreditors and follow all future departmental guidelines on risk management. A review of our Information Security System (ISS) was also undertaken in April 2015, this provided a catalyst to validate the current VTS approach to information risk assessment.

Regular penetration testing is undertaken on the VTS system and risk treatment plans collated and timely remedial action taken. Outdated Windows 2003 servers provided under the 'Aspire' contract are being prioritised for replacement in a technical refresh programme in 2016-17.

I have provided balanced and fair responses in line with legislative requirements when dealing with challenges relating to the use of information held by the VTS. All risks have been evaluated with the necessary controls proportionate to the risk in place, and where required, with actions clearly specified. Risk profiles have been reviewed at least quarterly and

ACCOUNTABILITY REPORT

their monitoring has been captured, where they have been identified as significant, through the VTS's strategic risk register process.

Any non-compliance with guidelines or instructions has been reported in a timely manner and, where necessary, controls have been strengthened to prevent reoccurrence. Recommendations arising out of internal audit relating to data handling and information security have been implemented.

There were no identified or reported exceptions and no reportable incidents during the year.

Statement of Accounting Officer's responsibilities

Under the Local Government Act 2003, the Secretary of State has directed the VTS to prepare for each financial year a statement of accounts 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 net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

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

- ☐ observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- ☐ make judgements and estimates on a reasonable basis
- ☐ state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements and
- ☐ prepare the financial statements on a going concern basis.

The Permanent Secretary of the Department for Communities and Local Government has appointed Antonio Masella, the 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 the HM Treasury.

Governance Statement

The purpose of my Governance Statement is to provide a clear and honest review of the year and to demonstrate to our stakeholders how I, as Chief Executive of and Accounting Officer for the VTS, have managed and controlled the resources under my remit. 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 share responsibility with the Board for complying with the Framework Document, jointly drawn up with our sponsoring Department in 2013, which sets how the VTS and DCLG intend to operate and, in particular, ways in which the VTS provides the necessary assurances on the adequacy, effectiveness and efficiency, control and governance of systems and processes.



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 in selecting venues, arranging hearings, allocating sittings, and in providing relevant training to VTE members, 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.

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 general discharge of the VTE's functions 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. There are three VTE chairmen on the Board and the VTE President is an ex-officio member. The Chairman and Members of the Board (other than the VTE President) are appointed by the Secretary of State for Communities and Local Government in accordance with the Code of Practice of the Commissioner for Public Appointments.

The President of the VTE chose to retire from office on 12 August 2015; that office is now vacant and subject to a recruitment exercise by the Judicial Appointment Commission (JAC). In the meantime the role of President is exercised collectively by the current three Vice-Presidents on an interim arrangement, as agreed with DCLG in the letter to them dated 2 October 2015. As part of the interim arrangement, Vice-President Martin Young was invited by the Board to attend its meetings.

The Framework Document governs the relationship between the VTS and DCLG. I have quarterly Accounting Officer meetings with the sponsoring team, which the VTS Chairman and the Director of Finance & Information Systems also attend. In addition there are regular liaison meetings with the sponsoring team where financial progress against budgets, staffing resources, the risk register, key performance indicators 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 and papers, and send a representative to the Audit & Risk Assurance Committee meeting. Our relationship with our revised sponsoring team within DCLG has strengthened further during this year. Our regular communications have allowed greater financial visibility and a much better understanding of pinch points.

ACCOUNTABILITY REPORT

The Board is collectively responsible for decision making and sets the strategic direction of the organisation. The Board approves the budget, the business plan and the Annual Report and Accounts. My Chief Executive's Report, and those of the Directors, prepared for each Board meeting, provides an honest description of key activities and outcomes and is an important source of information and assurance. The Director of Finance & Information Systems and Director of Operations & Development and I attend all meetings of the Board, except for Part 2 meetings about staffing matters.

The Board met formally on seven occasions during the year, with an additional meeting in October 2015 for wider discussions on strategic matters, focussing particularly on risk assurance, IT and estate matters and the financial challenges resulting from the spending review outcomes.

Board agendas are structured to differentiate between reports for information and those for decision. Standing items 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 receives regular reports on performance against objectives and workload management information.









The potential impact of the spending review, covering the next five years, has very much directed the Board's attention during this financial year. Other issues that have been discussed regularly during the year include pensions' consolidation, VTE member recruitment, IT development and the Government's proposals for reforming the non-domestic rating appeals process. During the year, the Board also dealt with:

- May 2015: IT Strategy update; the Board's own effectiveness review and skills audit
- June 2015: Audit Committee report; decision to approve the Annual Report and Accounts 2014-15; Register of Board Members' interests; noting the annual Health & Safety report and approving the revised Policy; approving the revised Protocol between the VTS and VTE; approving the IT Strategy
- July 2015: considering a report modelling the impact of potential cuts of up to 40%; agreeing to publish on the VTS website summaries of Board Members' interests, their travel and subsistence expenses and Board minutes
- September 2015: Triennial Review update; Incident Response and Business Continuity update, which involved a presentation on the new strategic and location-based plans designed to reflect new staffing in place and to make them as user-friendly as possible
- November 2015: review of the VTE Risk Register; presentation from Capita on the findings of the staff survey
- January 2016: spending review outcome for the VTS; approval of revisions to Board governance documents; Strategy scoping paper; hearing venue management
- March 2016: approval of the Forward Plan (Business Plan/Corporate Plan); approval of the VTS budget for 2016-17.



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 in 2015-16 (7 regular meetings + Strategy Day)	Attendance at Audit & Risk Assurance Committee meetings (4 in 2015-16)	Attendance at Finance Committee meetings (4 in 2015-16; 1 inquorate)	Attendance at Remuneration Committee meetings (1 in 2015-16)
Anne Galbraith 	31 October 2016	■ 8	n/a	■ 4	■ 1
John O'Shea 	31 March 2017	■ 8	■ 4	n/a	n/a
Martin Allingham 	31 October 2017	■ 6	n/a	■ 2	n/a
Ronald Barham 	31 March 2016	■ 6	■ 4	n/a	■ 1
Robin Evans 	31 October 2017	■ 7	■ 3	n/a	■ 1
Ian Tighe 	31 March 2017	■ 7	n/a	■ 3	n/a
Martin Young 	n/a	■ 4 (of 5)	n/a	n/a	n/a
Graham Zellick 	retirement date 12 August 2015	■ 2 (of 3)	n/a	n/a	n/a

■ Chairman ■ Member

ACCOUNTABILITY REPORT

Three 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 Committee's meetings to provide an 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, Dr David Horne. The Director of Finance & Information Systems and the Finance Manager also attend to present various reports, and a DCLG representative also attends. At the end of every meeting, the Committee has a private session with the auditors, without staff. 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 and recommended to the Board the adoption of the financial statements, the revised Risk Management Policy, the Standing Financial Instructions, Procurement Policy, Fraud Policy and Whistle-blowing Policy. It also considered all internal audit reports and monitored progress against management responses to and action plans for the various recommendations. The Committee received a presentation on assurance mapping from members of NAO's staff and Mazars' staff, and has encouraged the development of a VTS assurance map.

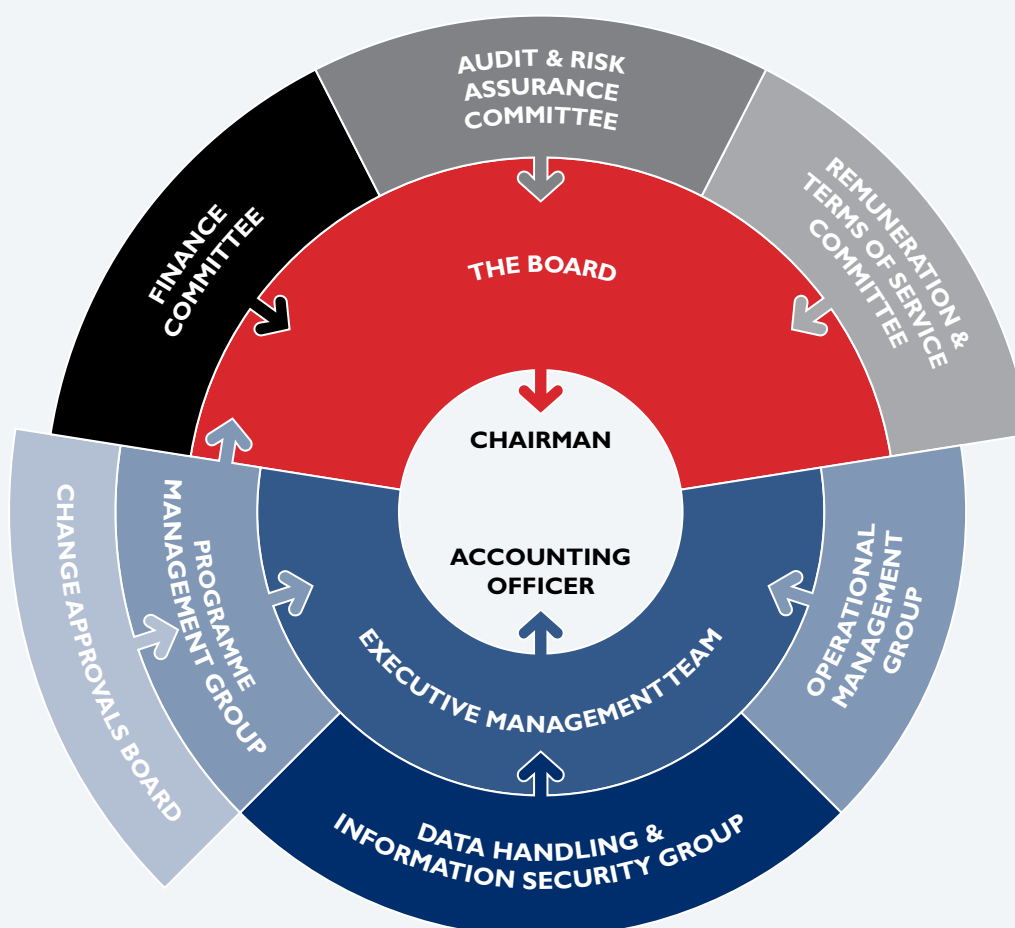
The Finance Committee comprises three Board Members (including the VTS Chairman) and met four times during the year. This Committee monitors all financial aspects of the VTS and supports me, as the Accounting Officer, and provides assurance to the Board on financial planning and management. Our audited, statutory accounts for 2014-15 were laid before Parliament on 23 June 2015 with a clear audit opinion. The Director of Finance & Information Systems and the Finance Manager also attend these meetings and present various financial reports.

The Remuneration and 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 2015-16 the Committee met once, to recommend to the Board the level of performance considered appropriate for the Chief Executive.

I meet with the VTS Chairman regularly and keep in close contact with her on any significant issues and developments. We also continue the practice of three-way meetings, which prior to his retirement, were held regularly between the President, the Chairman and me; this now involves one of the Vice-Presidents and it has been agreed to hold these on a monthly basis. These face-to-face meetings facilitate the better understanding of the judicial and administrative interface. At such meetings, the focus has been on VTE recruitment, reform of the appeal system and general judicial matters, including the impact of various VTE Practice Statements on the administration and in maintaining a fair and accessible system. In June we revamped the 2009 Protocol between the VTS and the VTE to reflect a more robust document as part of our governance. This document identifies and governs the practical relationship between the respective independent, statutory organisations.



Chart 7



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

- ❑ **Executive Management Team (EMT)** – this group is made up of the Director of Finance & Information Systems, the Director for Operations & Development and me. The role of the EMT is to assist my decision-making by providing accurate information, to advise me on implementing operational and strategic Board-approved plans and to provide strategic direction to staff. The EMT met eight times.
- ❑ **Strategic and Operational Interface Meetings** – provides the opportunity of reviewing the judicial and administrative interface and the impact on operational activity. At these, I meet with the Director of Operations & Development and the Clerk (Registrar) of the VTE.
- ❑ **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. These meetings are chaired by the Director of Operations & Development. The Group met seven times during the year. Membership is drawn from the EMT and other specialist staff depending on the project under evaluation, with the attendance of the Chairman of the VTS. Project control papers are distributed at each meeting highlighting risk issues and activity monitoring reports.

ACCOUNTABILITY REPORT

- ❑ **Change Approvals Board (CAB)** – to maintain control over IT changes resulting from VTE requirements and changes in process, a CAB is in place so that any changes identified can be discussed, costed and evaluated and benefits analysed prior to implementation through the PMG.

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. She is also responsible for maintaining a contracts register. The VTS's budget is devolved to individual budget holders under written and signed delegated authority.

Corporate governance compliance

The Board observes the Corporate Code of Governance and its principles insofar as they are relevant to a small NDPB. It complies with the Code's requirements for the Board's composition and it directs the business of the VTS in as effective and efficient way as possible with a view to the long-term health and success of the VTS and VTE. Board Members are aware that they should not stray into the executive management of the VTS.

The Board supports the Accounting Officer in the discharge of obligations set out in *Managing Public Money* and its Standing Orders and Scheme of Delegations show those matters reserved for Board decision. The Board acts corporately and objectively when discharging its responsibilities and Board Members act in the public interest in keeping with the Nolan principles of public life. Its meetings are recorded and minutes made widely available.

The Board reviews its corporate governance framework annually to ensure it remains robust, including the Standing Orders and Scheme of Delegations, Standing Financial Instructions, Procurement Policy and Ways of Working.

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 translate into the collective effectiveness of the Board.

Early in the year, the Board carried out its review of its own effectiveness. This had been put on hold until the Spring to allow the two new Members, who joined the Board in November 2014, the chance to attend some meetings on which to base their views. The review consisted of a number of open questions to elicit anonymous comments, which the Chairman then analysed and summarised, and which formed the basis of a Board discussion. The Board was generally content with the way it worked and the service received from the executive. It was felt that more narrative would be useful with finance and workload figures presented to it and, during the year, the Board approved a revised 'frontsheet' to be used on Board papers which should help provide clear summaries and highlight important information. The Board noted that the pool from which VTE chairmen could be appointed to the Board was ever-diminishing and this requirement should be reviewed, possibly by the Triennial Review team. An annual meeting with DCLG would be seen as having merit, to understand policy ambitions.

Alongside the effectiveness review, a skills audit was carried out and its results shared with DCLG and the VTS Training Manager, to help inform future recruitment to the Board and training needs analysis.



During the year, most Board Members and the independent member of the Audit & Risk Assurance Committee completed a National Archive e-learning module on data security. The Board also participated in a workshop on risk appetite, facilitated by Mazars and received a session on business continuity planning, delivered by an external specialist.

Risk management and risk profile

The Risk Management Policy, which is published on the intranet, 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. At the Board's strategy day in October, the workshop on risk assurance prompted discussions on the Board's risk appetite and further improvements to the current risk management process. We also began to develop our framework for risk assurance mapping, which identifies whether we have controls in place at the appropriate level (operational management; governance and oversight; independent/external) to monitor and mitigate risks, and which compliments the strategic risk register. From 2016-17 this document will also be presented to the Audit & Risk Assurance Committee and the Board.

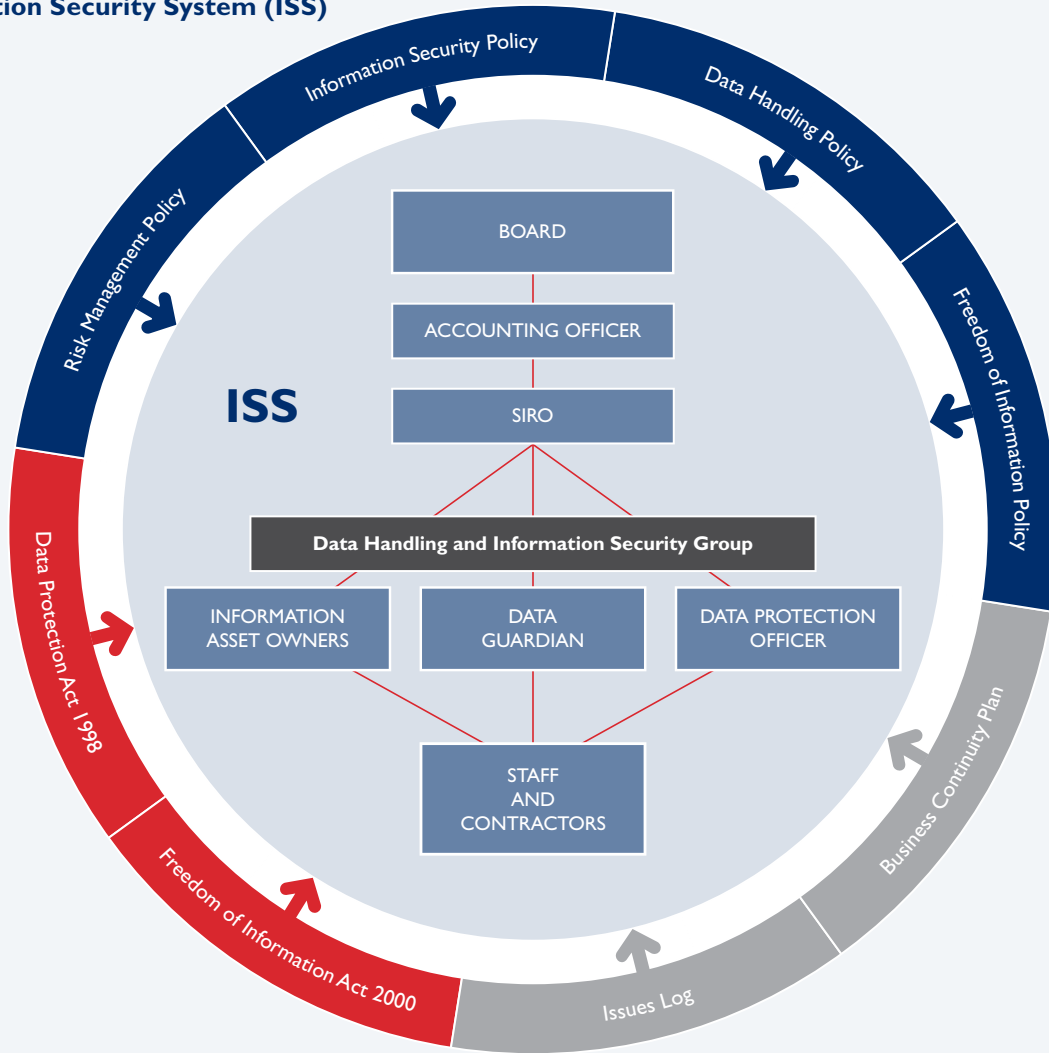
As part of the interim working arrangements with the VTE, I have asked the Vice-Presidents to update the VTE risk register and to articulate any risks they considered to be prevalent. The VTE risk register is presented to the Board periodically.

The review of the strategic risk register continues to be a standing agenda item at Board and Audit & Risk Assurance Committee meetings, with the Committee maintaining an overview of risk management. The Committee receives an Internal Audit report annually on the overall effectiveness of internal controls including risk management. Their view continues to be that our governance, risk management and internal control arrangements are generally adequate and effective and no significant issues have been identified.

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 2016 or up to the date of approval of our Annual Report and Accounts.

Chart 8

Information Security System (ISS)



We continue to look at ways of improving our data handling and introduce an annual awareness e-learning module for all staff to complete 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.

As Accounting Officer, I also receive an annual assurance statement from the Director of Finance & Information Systems on matters of financial compliance, security of information and compliance of procedure with fraud mitigation. There have been no breaches during the year and there were no significant control weaknesses during the year ended 31 March 2016 or up to the date of approval of our Annual Report and Accounts.



Throughout the year I also gain assurance regarding the performance of the VTS through a number of other 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 EMT and Audit & Risk Assurance Committee meeting.

Five audits were conducted in 2015-16 covering Management of health and safety (substantial assurance); Data Protection and Freedom of Information (substantial assurance); Risk management (adequate assurance); Core financial systems (adequate assurance); Contract management (adequate assurance). These reports concluded therefore that there were no significant weaknesses. On the basis of this audit work, our internal auditors consider that the Valuation Tribunal Service's governance, risk management and internal control arrangements are generally adequate and effective. Although certain weaknesses and exceptions were highlighted by our audit work, none of these was identified as fundamental in nature and I am satisfied that all have been, or are in the process of being addressed.

Working with the Board: I keep in close contact with the Chairman of the Board, ensuring she is up to speed on any significant issues and developments, and able, through the Board, to provide appropriate challenge and support.

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, which include a review of the strategic risk register.

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. I encourage and expect members of the EMT to keep lead staff briefed on significant issues and developments, and to seek feedback.

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

Data Handling and Information Security Group: This Group, under the chairmanship of the SIRO, maintains an overview of data security matters, compliance with statutory requirements and risks across our information assets, projects and communications.

Personal assurance: I gain personal assurance by speaking informally and directly with front line staff, enabling me to keep in touch with operational delivery across both offices.

Significant risks and issues

The continuing reduction in the VTE workforce may impact on our ability to hear appeals. Whilst this risk is mitigated by the fact that a first tranche of recruitment has been completed by the Judicial Appointment Commission and a further exercise will be conducted in 2016, the process from planning to formal appointment is rather lengthy and out of our control.

ACCOUNTABILITY REPORT

Similarly, an aging workforce (see Chart 10, page 46) also brings its challenges for the organisation. We employ a cohort of specialist staff to advise on procedure and legislation in respect of valuation and council tax matters. For many of the staff, this expertise has been acquired over a significant number of years (see Chart 11, page 46) and this specialism is not easily found elsewhere. Recruiting to such posts has proved difficult. However, we have introduced an internal training programme where we attempt to identify and 'home grow' such talent between the various grades we employ. We are also looking to attract university leavers and are exploring this possibility with relevant education providers.

The complications of working with numerous, legacy pension funds has exercised the Board's thinking since the creation of the VTS. In August 2015 we were able to agree via a Direction Letter from the Secretary of State, to consolidate all our 33 pension funds into a single one, administered by the London Pension Fund Authority. This has now been achieved, making the administration of pensions much more manageable, and will go some way in mitigating the risks around dealing with volatile and complex pension related matters.

The impact of the spending review has meant that we have had to cut our cloth accordingly so that we may continue to operate within our financial envelope. I recognise that these continue to be challenging financial times for the public sector in general and that restraint and sensitivity in using public money continue to be key objectives. The challenge for me is to review ways of reducing costs further, without dropping organisational flexibility and our responsiveness and ability to meet our service delivery aims.

It must be borne in mind that as a demand-led service, the actions of parties to appeals and other external stakeholders impact significantly on the VTS's planning and are largely outside of our control. For example, the successful resolution of the appeals we list for hearing is very much dependent on the active participation and engagement of the parties with each other as well as with us and the VTE. Lack of engagement presents a real frustration for us in planning to provide opportunities to clear appeals.

The VTS is planning for a non-domestic rates revaluation in 2017 against a back drop of possible changes to the appeals process following the Government's consultation, *Check, Challenge and Appeal*. The Government's response is eagerly awaited, as are regulations to support such changes, to provide us with some intelligence about our likely workload from 2017 onwards and whether we will be taking on a new administrative task, in the management of refundable fees for lodging appeals.

There continues to be a government focus on making changes regarding non-domestic rating in providing local authorities in England with greater powers to promote local growth. This includes delivering more frequent revaluations (Discussion Paper published in March 2016) and the move to 100% business rate retention by 2019-20 to local authorities (as announced by the Chancellor at the Party Conference). The impact of any such changes on the VTS is not known at this early stage, but we will be following developments with much interest.



As non-domestic rating appeals constitute the vast majority of our appeal receipts, anticipated changes have focussed our minds on updating current processes and systems. A large programme of IT change is already underway. The risks for a small organisation are in meeting the requirements of the Government Digital Services framework and the aims and expectations of our sponsoring Department, coupled with the associated financial impact this may have, the relatively short timescale and with a very small IT team to deliver it.

1 September 2017 will see the end of our current lease on our Doncaster office and I am working with Cabinet Office, and in active negotiation, to secure an alternative office within that location and within the government estate. Whilst alternative office space has been identified, it is also subject to a lease end in April 2018 and this adds a further dimension to any potential benefit regarding a relocation, given this very short lease period. I am in discussion with the relevant estate director to flesh out government's future strategy for this particular building.

The announcement regarding the recent Triennial Review is awaited and will no doubt present a challenge in whatever is proposed.

Irrespective of these risks, we remain determined to maintain the effective delivery of our service and to continue to enhance our expertise in local taxation appeals.

Remuneration and staff report

Remuneration

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.

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.

Directors' contracts

Chief Executive

Permanent contract

Commenced on 1 February 2010
3 months' notice for both parties

Director of Operations & Development

Permanent contract

Commenced on 1 January 2015
3 months' notice for both parties

Director of Finance & Information Systems

3 year fixed term contract

Commenced on 1 February 2015
3 months' notice for both parties



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)	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Anne Galbraith	55-59	55-59	—	—	—	—	—	—	55-59	55-59
Ronald Barham	5-9	5-9	—	—	—	—	—	—	5-9	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	5-9	1-4	—	—	—	—	—	—	5-9	1-4
Robin Evans	5-9	1-4	—	—	—	—	—	—	5-9	1-4
Graham Zellick*	45-50	70-74	—	—	—	—	10	23	55-60	90-94
Margaret May**	—	1-4	—	—	—	—	—	—	—	1-4

* The VTE President retired on 12 August 2015. The 2015-16 salary figure includes a Service award for retiring judges of £22,031. The £9,996 (2015: £22,644) 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.

** This Board Member was not in post for the whole of 2014-15. Her appointment expired on 30 September 2014.

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)	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Antonio Masella Chief Executive	90-94	90-94	5-10	5-10	—	—	52	11	150-154	105-109
Lee Anderson Director of Operations & Development	65-69	15-19	—	—	—	—	14	(2)	75-79	10-14
Ann Batom Director of Finance & Information Systems	70-74	10-14	—	—	—	—	13	(1)	80-84	10-14
Alan Begg* Finance Director	—	20-24	—	—	—	—	—	—	—	20-24

* The above Director was not in post for the whole of 2014-15; the above table shows the salary for the period to 31 July 2014.

The Bonus figures stated above are in respect of an accrued bonus.

ACCOUNTABILITY REPORT

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 Pensions Fund Authority (LPFA) administered scheme and are auto-enrolled on appointment. Historically, employees were joined to their geographically nearest LGPS fund administrator, which resulted in the VTS having members in a variety of funds.

Pension consolidation

During 2015-16 the VTS, with approval from DCLG, undertook a pensions' consolidation exercise which meant that all assets and liabilities from the 33 funds that were active in 2014-15 were transferred into the LPFA. All existing members in those funds were transferred to the LPFA as at 31 March 2016.

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 2016 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 2016 (to nearest £'000)	CETV at 31 March 2015 (to nearest £'000)	Real increase in CETV (to nearest £'000)
Antonio Masella Chief Executive	50 plus lump sum of 97	3 plus lump sum of 2	676	623	43
Lee Anderson Director of Operations & Development	31 plus lump sum of 57	1 plus lump sum of 0	370	106	16
Ann Battom Director of Finance & Information Systems	2 plus lump sum of 0	1 plus lump sum of 0	25	3	15

The Cash Equivalent Transfer Value (CETV) comparative figure, as at 31 March 2015, in respect of the Finance Director in post until 31 July 2014 is 482.

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.

CETVs 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.

Fair pay disclosure

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. The banded remuneration of the highest paid director in the VTS in the financial year 2015-16 was £95,000-£99,999 (2014-15: £95,000-£99,999). This was 2.8 times (2014-15: 2.9 times) the median remuneration of the workforce, which was £35,524 (2014-15: £34,401). In 2015-16, as for the previous year, no employees received remuneration in excess of the highest paid director. Remuneration ranged from £17,000 to £99,000 (2014-15: £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.

Ratio of top to median staff pay as at 31 March 2016

Remuneration band of highest paid director (£)

95,000-99,999

Median total remuneration (£)

35,524

Ratio

2.8

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

ACCOUNTABILITY REPORT

The number of staff, including the Chief Executive, whose annual rate of remuneration at 31 March 2016 exceeded £40,000 (excluding pension contributions and performance related pay but including any London weighting) was 16.

There were no benefits in kind (2014-15: none).

Remuneration band	Period ended 31 March 2016 Number of staff
£40,000 to £44,999	3
£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



Staff report

Staff costs

	2015-16 £'000	2014-15 £'000
Staff costs comprise:		
Wages and salaries	2,440	2,588
Social security costs	203	207
Pension costs – current service cost	630	561
– past service cost incl. curtailments	327	–
– other	–	3
	3,600	3,359
Other staff costs		
Fringe benefit	–	7
Agency costs	135	138
	135	145
Total net costs	3,735	3,504

Average number of persons employed

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

	Permanent staff	Others	2015-16 Total	2014-15 Total
Directly employed	74	–	74	80
Other	–	4	4	1
Total	74	4	78	81

Staff numbers

At 31 March 2016 we employed 67 staff compared to 77 at 31 March 2015. During the year there were eight resignations and one dismissal. A recruitment exercise is underway to fill vacancies.

Average number of staff over the year

The average headcount was 71.5 staff over the year under review.

ACCOUNTABILITY REPORT

Staff composition

Directors – 3 comprising: 1 female (33%); 2 male (67%)



All permanent staff – 67 as at 31 March 2016 comprising: 57% female; 43% male



The representation of ethnic minorities within the workforce at the end of the year increased slightly to 19% from 15.6%. The percentage who declared themselves, or were assessed by occupational health, as having a disability was 4.5%. The average age of our staff increased slightly from 47 to 48.1 years (see Chart 10), with the average length of service also increasing from 13.6 years to 15.5 years (see Chart 11). (These figures include service in the former valuation tribunals before they transferred to the VTS in 2004).

Chart 10
Employees' age profile as at 31 March 2016

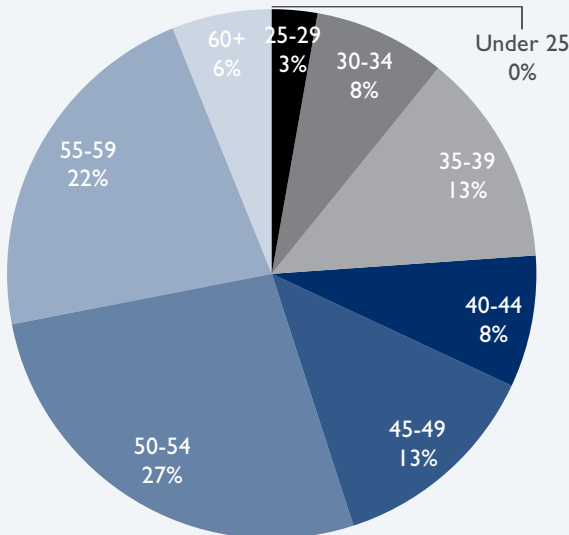
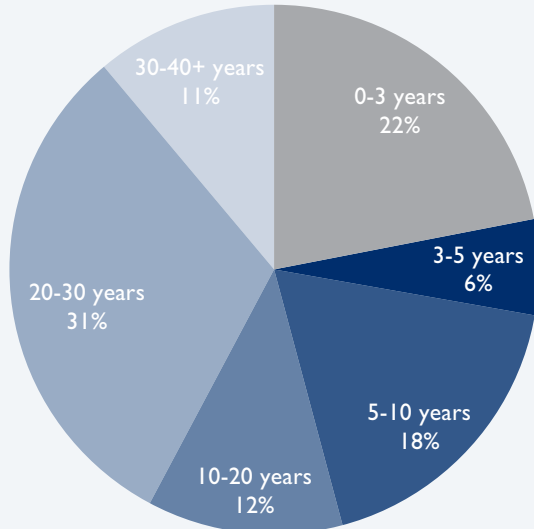


Chart 11
Employees' years of service as at 31 March 2016



Sickness absence data

In 2015-16, 54% of staff had no sickness absence. The average sickness absence for the rolling year to 31 March 2016 was 17.8 days. However, excluding the long-term sickness absence of seven individuals, average sickness absence was 4.2 days. Of the seven instances of long-term absence, four of the staff concerned have now resigned and the other cases will be resolved shortly.

Staff policies applied during the financial year in relation to disabled people

These included the Occupational Health Policy and Sickness Absence Policy and application of legal requirements in respect of making reasonable adjustments and phased return to work after longer term absences. There is a variation in trigger points for sickness monitoring where employees have identified themselves as having a disability. The VTS provides an external, confidential Employee Assistance Programme and commissions additional counselling for staff where appropriate.

Off-payroll engagements

A number of temporary agency workers were engaged to cover key positions on an interim basis (Finance Officers and HR Officer) until more permanent engagement and recruitment could take place. Employees on maternity leave were also covered by agency workers on a short-term basis.

Exit packages

There were no exit packages within the VTS during 2015-16.

Valuation Tribunal for England (VTE) members

Since the President of the VTE's position became vacant in August 2015 following Professor Graham Zellick's retirement, the presidential duties have been shared by the three Vice-Presidents.

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 a minimum of 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.

As at 31 March 2016, there were 174 chairmen and members (excluding the President), representing a 12.5% 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.

The equality breakdown remained consistent, with 21% being female, 10% from an ethnic minority group and 10% recorded as having a disability.



Antonio Masella

Accounting Officer

Valuation Tribunal Service

22 June 2016

Parliamentary accountability and audit report

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 2016 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 and Staff Report and the Parliamentary Accountability Disclosures 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 Chief Executive's responsibilities, the Board and the Chief Executive as 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 2016 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 parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures 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 Performance Report and Accountability 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 parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures 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.

Amyas C E Morse

Comptroller and Auditor General

27 June 2016

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

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2016

	Note	2015-16 £'000	2014-15 £'000
Expenditure			
Staff costs	2	3,735	3,504
Purchase of goods and services	3	2,212	2,297
Other operating expenditure	4	709	764
Depreciation, amortisation and impairment charges	6	214	583
Provision expense	5	15	2
Total operating expenditure		6,885	7,150
Net operating expenditure		6,885	7,150
Finance expense		617	674
Net expenditure for the year		7,502	7,824
Other comprehensive net expenditure			
Items which will not be reclassified to net operating costs:			
Net loss/(gain) on revaluation of property, plant and equipment		2	(2)
Actuarial loss on pension schemes liabilities	13	1,844	3,025
Comprehensive net expenditure for the year		9,348	10,847

The notes on pages 54 to 68 form part of these accounts.



Statement of Financial Position

as at 31 March 2016



	Note	31 March 2016 £'000	31 March 2015 £'000
Non-current assets			
– Property, plant and equipment	7	100	154
– Intangible assets	8	416	480
Total non-current assets		516	634
Current assets			
– Trade and other receivables	9	206	246
– Cash and cash equivalents	10	21	3
Total current assets		227	249
Total assets		743	883
Current liabilities			
– Trade and other payables	11	(638)	(513)
– Provisions	12	(105)	(90)
Total current liabilities		(743)	(603)
Total assets less current liabilities		–	280
Non-current liabilities			
– Pension liabilities	13	(21,468)	(19,353)
Total non-current liabilities		(21,468)	(19,353)
Total assets less total liabilities		(21,468)	(19,073)
Taxpayers' equity and other reserves			
– General Reserve		–	280
– Pension Fund Reserve	13	(21,468)	(19,353)
		(21,468)	(19,073)

The notes on pages 54 to 68 form part of these accounts.

The financial statements were approved by the Board on 8 June 2016 and were signed on its behalf by:

Antonio Masella
Accounting Officer
Valuation Tribunal Service

22 June 2016

Anne Galbraith
Chairman
Valuation Tribunal Service

22 June 2016

Statement of Cash Flows

for the year ended 31 March 2016

	Note	2015-16 £'000	2014-15 £'000
Cash flows from operating activities			
Net expenditure for the year		(7,502)	(7,824)
Depreciation and amortisation	6	206	389
Impairment	6	8	194
Pension movement from Reserve		271	(425)
Decrease in trade and other receivables		40	131
Increase in trade and other payables		125	101
Increase in provision		15	2
Net cash outflow from operating activities		(6,837)	(7,432)
Cash flows from investing activities			
Purchase of property, plant and equipment		—	(5)
Purchase of intangible assets	8	(98)	(211)
Net cash outflow from investing activities		(98)	(216)
Cash flows from financing activities			
Grant in aid received from sponsoring Department		6,953	7,648
Net cash inflow from financing activities		6,953	7,648
Net increase in cash and cash equivalents in the period		18	—
Cash and cash equivalents at 1 April 2015		3	3
Cash and cash equivalents at 31 March 2016	10	21	3

The notes on pages 54 to 68 form part of these accounts.



Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2016



	General Reserve £'000	Pension Reserve £'000	Total Reserve £'000
Balance at 31 March 2014	879	(16,753)	(15,874)
Changes in Taxpayers' Equity 2014-15			
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
Balance at 31 March 2015	280	(19,353)	(19,073)
Changes in Taxpayers' Equity 2015-16			
Recognised in Statement of Comprehensive Net Expenditure	(9,348)	–	(9,348)
Movement on pensions	2,115	(2,115)	–
Grant in aid from sponsoring Department	6,953	–	6,953
Balance at 31 March 2016	–	(21,468)	(21,468)

The notes on pages 54 to 68 form part of these accounts.

Notes to the accounts

I Statement of accounting policies

I.1 Basis of preparation

These financial statements have been prepared in accordance with the 2015-16 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.

I.2 Going concern basis

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

The Statement of Financial Position shows net liabilities of £21,468,000 at 31 March 2016. 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 2016-17 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 2016-17 with indicative annual allocations through to 2020 -21. Liability for all pension payments will continue to fall on the sponsoring Department.

I.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. Intangible assets are not revalued.

I.4 Future accounting developments

We apply International Accounting Standards 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.

I.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.



1.6 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 2016.

All other property, plant and equipment is initially valued at historical cost and then revalued as required by the FReEM using appropriate indices. The assets are stated at 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.

1.7 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.

FINANCIAL STATEMENTS

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

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 Net Expenditure Reserve.

1.9 Employee benefits

In compliance with its Accounts Direction and the FReM, the VTS has accounted for employee benefits under IAS19. 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 all 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.

IAS19 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 2016 is £21,468,000. The assessment of current surplus or deficit arising from an IAS19 valuation carries with it no additional payment requirement from the VTS as the actuarial valuation, carried out every three years, sets revised employer contribution rates to ensure that existing assets and future contributions will be sufficient to meet future pension payments. A triennial valuation is due to be undertaken as at 31 March 2016.

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 2016 on the basis of the best estimate of the expenditure required to settle the obligation. This practice conforms to IAS37.

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.

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.

1.12 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.

1.13 Taxation

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

1.14 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.

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1.15 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 ongoing 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 12 shows the provision recognised for dilapidations on the exit from leases, which are assessed on the best estimate of the liability.

Note 13 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 the annualised yield at the 18-year point on the Merrill Lynch AA-rated corporate bond yield curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the employer's liabilities. This approach is broadly consistent with the approach last year.

2 Staff costs

	2015-16 £'000	2014-15 £'000
Staff costs comprise:		
Wages and salaries	2,440	2,588
Social security costs	203	207
Pension costs – current service cost	630	561
– past service cost incl. curtailments	327	–
– other	–	3
	3,600	3,359
Other staff costs		
Fringe benefit	–	7
Agency costs	135	138
	135	145
Total net costs	3,735	3,504



3 Other operating costs

	2015-16 £'000	2014-15 £'000
Purchase of goods and services		
IT, Finance, Payroll and Legal	689	759
Estate costs	387	346
Information technology	331	335
Telecommunications and postage	277	361
Other goods and services	228	271
Tribunal costs	174	153
Customer services, publications and printing	126	72
Total purchase of goods and services	2,212	2,297

4 Other operating expenditure

	2015-16 £'000	2014-15 £'000
VTE costs	400	387
Other expenses	195	262
Board costs	114	115
Total of other operating expenditure	709	764

5 Provision expense

	2015-16 £'000	2014-15 £'000
Dilapidations charged	15	2
Total of provision expense	15	2

6 Depreciation, amortisation and impairment charges

	Note	2015-16 £'000	2014-15 £'000
Depreciation	7	52	55
Amortisation	8	154	334
Impairment	8	8	194
Total depreciation, amortisation and impairment charges for year		214	583

7 Property, plant and equipment

	Leasehold improvements £'000	Furniture and fittings £'000	Information technology £'000	Total £'000
Cost or valuation				
At 1 April 2015	60	74	340	474
Revaluations	—	(1)	(1)	(2)
At 31 March 2016	60	73	339	472
Depreciation				
At 1 April 2015	(60)	(34)	(226)	(320)
Charge for period	—	(12)	(40)	(52)
At 31 March 2016	(60)	(46)	(266)	(372)
Net book value at 31 March 2016	—	27	73	100
Net book value at 31 March 2015	—	40	114	154

No assets are held under finance leases.

8 Intangible assets

	IT development expenditure £'000	IT software and licences £'000	Total £'000
Cost or valuation			
At 1 April 2015	1,188	1,053	2,241
Additions	—	98	98
At 31 March 2016	1,188	1,151	2,339
Amortisation			
At 1 April 2015	(816)	(945)	(1,761)
Impairment	—	(8)	(8)
Charge for period	(117)	(37)	(154)
At 31 March 2016	(933)	(990)	(1,923)
Net book value at 31 March 2016	255	161	416
Net book value at 31 March 2015	372	108	480

All assets are owned.



9 Trade and other receivables

Amounts falling due within one year:

	2015-16 £'000	2014-15 £'000
Prepayments and accrued income	199	232
Season ticket interest free loans	7	14
Balance at 31 March	206	246

10 Cash and cash equivalents

	2015-16 £'000	2014-15 £'000
Cash at bank and in hand at 1 April	3	3
Increase in cash for the year	18	—
Cash at bank and in hand held at 31 March	21	3

The following balance at 31 March was held at:

Government banking services and cash in hand	21	3
	21	3

11 Trade and other payables

	2015-16 £'000	2014-15 £'000
Amounts falling due within one year:		
Trade payables	206	22
Accruals and deferred income	432	491
Balance at 31 March	638	513

12 Provisions

	2015-16 £'000	2014-15 £'000
Balance at 1 April	90	88
Provided in the year	15	—
Unwinding of discount	—	2
Balance at 31 March	105*	90*

* Provisions are represented at beginning and end of year by property dilapidations.

Analysis of expected timing of discounted flows:

	2015-16 Dilapidations £'000	2014-15 Dilapidations £'000
Not later than one year	—	—
Later than one year and not later than five years	105	90
Later than five years	—	—
Balance at 31 March	105*	90*

* Provisions are represented at beginning and end of year by property dilapidations.

13 Non-current pension liabilities

	2015-16 £'000	2014-15 £'000
Net pension liabilities at 1 April	19,353	16,753
Addition/(reduction) in period	2,115	2,600
Net pension liabilities at 31 March	21,468	19,353

When the VTS was created in 2004 it inherited, under TUPE arrangements, pension obligations for a number of staff, serving, left and retired, who had their pension administered in 33 of the current 89 local government pension funds. For the VTS there is a substantial, and complex, annual task involved in making regular contributions to active funds, managing deficit payments where there are no active members, and in reconciling the VTS liability at the year end. In effect the VTS is dealing with pensions in relation more than 400 people when it employs fewer than 90 staff. There is also a risk of a call for significant funding if one of the many active schemes comes to a close and a cessation valuation crystallizes any liabilities.

It was agreed that the pension administration and assets and liabilities should be brought together under the management of one pension fund in order to simplify the complexity of the present VTS pension arrangements and reduce the VTS's and sponsoring Department's exposure to the risk of cessation costs.



In August 2015, therefore, a Direction Order was published to substitute the London Pensions Fund Authority (LPFA) for 33 local government pension schemes as the appropriate administering authority for the employer.

As a result, assets and liabilities in respect of all VTS members transferred from their respective Local Government Pension Scheme (LGPS) funds to the LPFA in the accounting period. The active members transferred on 1 December 2015, with other members transferring shortly afterwards. Transfer payments from each of the funds to the LPFA occurred in various tranches over January, February and March 2016.

As a result of the Direction Order being sent to each individual local government pension scheme in England, the VTS was made aware of two pensions funds, West Sussex Pension Fund and North Yorkshire Pension Fund which had identified potential members for whom the VTS might be liable. The VTS was previously unaware of any liability in respect of these funds and no communication had been received from either before late 2015.

A due diligence exercise confirmed that prior to 2000 the jurisdiction for tribunals in both West Sussex and North Yorkshire had transferred to alternative areas, East Sussex and South Yorkshire respectively, both of which have been included in the VTS pension disclosures each year.

As a direct result of including these funds in the transfer of pension funds into the LPFA the assets have increased by £705,000 and the liabilities have increased by £1,032,000 as at 31 March 2016. The combined effect of including the two additional funds is a cost of £327,000. The VTS has recognised this as a past service cost in 2015-16 and this figure has been included in the Statement of Comprehensive Net Expenditure on page 50 and within Note 2 on page 58.

The IAS19 disclosures provided this year cover the employer's LGPS obligations, which are now solely to the LPFA.

The provision has been recognised for pension liabilities and their valuation has been determined by the LPFA actuaries, Barnett Waddingham.

The financial assumptions recommended by the VTS's professional advisers and used for purposes of the IAS19 calculations for the two years to 31 March 2016 are shown in the table below.

	31 March 2016		31 March 2015		31 March 2014	
	% p.a.	Real %	% p.a.	Real %	% p.a.	Real %
Assumptions as at						
RPI increase	3.2	—	2.95	—	3.3	—
CPI increases	2.2	−1.0	1.95	−1.0	2.3	−1.0
Salary increase	4.2	1.0	3.95	1.0	4.3	1.0
Pension increases	2.2	−1.0	2.0	−1.0	2.3	−1.0
Discount rate	3.6	0.4	3.3	0.35	4.25	0.95

These assumptions are set with reference to market conditions at 31 March 2016. The 'real' assumptions shown are with reference to the Retail Prices Index (RPI).

The discount rate is the annualised yield at the 18-year point on the Merrill Lynch AA-rated corporate bond yield curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the employer's liabilities. This approach is broadly consistent with the approach last year.

The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England (BoE), specifically the 18-year point on the BoE market implied inflation curve.

No inflation risk premium has been included in this year (last year the disclosures used an inflation risk premium of 0.2%). The RPI assumption is therefore 3.2% p.a.

The employer contribution rate is fixed for the financial year 2015-16 at 16.8%.

In the table below, the assumptions are shown by reference to life expectancies from age 65, for male and female members, both retiring today and retiring in 20 years.

Weakest assumption – SIPA tables with a multiplier of 110% for males and 100% for females allowing for CMI 2012 Projections, with a long-term rate of 1.5%

Retiring today

Males	22.1
Females	25.3

Retiring in 20 years

Males	24.4
Females	27.7

Strongest assumption – SIPA tables with a multiplier of 92% for males and 87% for females allowing for CMI 2012 Projections, with a long-term rate of 1.5%

Retiring today

Males	23.6
Females	26.5

Retiring in 20 years

Males	25.9
Females	28.8

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 +/- 0.1% movement in financial assumptions.

Sensitivity analysis	£'000	£'000	£'000
Adjustment to discount rate	0.1%	0.0%	-0.1%
Present value of total obligation	57,315	58,294	59,291
Projected service cost	609	623	637
Adjustment to long term salary increase	0.1%	0.0%	-0.1%
Present value of total obligation	58,391	58,294	58,199
Projected service cost	623	623	623
Adjustment to pension increases and deferred revaluation	0.1%	0.0%	-0.1%
Present value of total obligation	59,208	58,294	57,397
Projected service cost	637	623	609
Adjustment to life expectancy assumptions	+1 year	None	-1 year
Present value of total obligation	60,153	58,294	56,495
Projected service cost	639	623	607

Expected return on assets

The return on the LPFA fund (on a bid value to bid value basis) for the year to 31 March 2016 is estimated to be -1%. The actual return on Fund assets over the year may be different.

The estimated asset allocation as at March 2016 is as follows:

Assets	Value and distribution at 31 March 2016		Value and distribution at 31 March 2015	
	£'000	%	£'000	%
Equities	17,108	46	25,097	67
LDI/cash flow matching	3,733	10	7,982	21
Target return portfolio	7,833	21	n/a	n/a
Infrastructure	2,017	6	n/a	n/a
Commodities	165	-	n/a	n/a
Property	1,314	4	2,703	7
Cash	4,656	13	1,932	5
Total	36,826	100	37,714	100

The allocation at 31 March 2015 is based upon the total assets held in each fund that the VTS participated in at that date. The allocation at 31 March 2016 is based on the total assets held in the LPFA Fund, after the transfers had taken place.

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13a Revenue account costs for the years to 31 March 2015 and 2016

Changes in the fair value of plan assets, defined benefit obligations and net liability for the year ended 31 March 2016:

Year ended 31 March 2016	Assets £'000	Obligations £'000	Net (liability)/ asset £'000
Opening position	37,714	57,066	(19,352)
Current service cost	—	630	(630)
Past service cost in respect of two additional funds	705	1,032	(327)
Total service cost	705	1,662	(957)
Net interest			
– Interest income on plan assets	1,236	—	1,236
– Interest cost on defined benefit obligation	—	1,853	(1,853)
Total net interest	1,236	1,853	(617)
Total (expense)/income recognised in the income statement	1,941	3,515	(1,574)
Cash flows			
– Plan participants' contributions	172	172	—
– Employer contributions	1,302	—	1,302
– Benefits paid including expenses	(2,000)	(1,892)	(108)
– Unfunded benefits paid	—	(108)	108
Expected closing position	39,129	58,753	(19,624)
Remeasurements			
– Changes in financial assumptions	—	(459)	459
– Return on assets excluding amounts included in net interest	(1,526)	—	(1,526)
Other actuarial losses	(777)	—	(777)
Total remeasurements recognised in Other Comprehensive Income	(2,303)	(459)	(1,844)
Closing position	36,826	58,294	(21,468)

Statement of Financial Position disclosure at 31 March 2016

The asset values as at 31 March 2016 and 31 March 2015 are shown in the table in on page 51. 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 time of his/her death.

As at 31 March 2016, unfunded benefits amounted to £107,798 in total. The liability for unfunded benefits at 31 March 2016 was £1,544,000.



Projected pension expense for the year to 31 March 2017

Analysis of projected amount to be charged to operating profit for the year to 31 March 2017.

Year ended	31 March 2017 £'000
Service cost	623
Net interest on the defined liability (asset)	766
Administration expenses	55
Total net revenue account cost	1,444

Note – These figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2016 and are indicative only.

I4 Pension Fund Reserve

The Reserve represents the accumulated net movement on assets and liabilities to which the VTS pays employer contributions. The actuarial valuations of 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.

I5 Commitments under operating leases

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

	2015-16 £'000	2014-15 £'000
Buildings		
Not later than one year	195	195
Later than one year and not later than five years	508	654
Later than five years	—	49
	703	898

There were no annual commitments as at 31 March 2016 to pay rental on office equipment under lease agreements.

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16 Contingent liability

The VTS is involved in a legal dispute in respect of charges for 2015-16, which arose in March 2016. The VTS considers that there is no basis for the amounts demanded, a view supported by its lawyers who are contesting the claim. The likely timing of a resolution is uncertain. In the event of this becoming a reality, the VTS estimates that the cost is unlikely to exceed £110,000.

17 Related party transactions

The VTS is sponsored by DCLG, which is regarded as a related party. During the reporting period there were a number of significant related party transactions. The most significant are IT managed services.

The values of related party transactions include the following:

- ☐ Grant in aid of £6,953,201 (2014-15: £7,647,641) 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 £529,411 (2014-15: £835,901) were made to the VOA for IT support and maintenance services. The VOA reports also to DCLG.
- ☐ Payments of £1,302,256 (2014-15: £1,249,953) were made to the LGPS pension fund representing employer's contributions for the year for funded and unfunded schemes, excluding settlements.
- ☐ Remittances to HMRC for social security costs of £751,800 (2014-15: £823,620).
- ☐ Payments of £179,733 (2014-15: £153,209) were made to NHS Property Services for office rent, service charges, heating and lighting.

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

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 7 July 2016.





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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