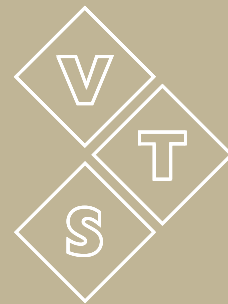


The Valuation Tribunal Service



Annual Report and Accounts 2008-09



The Valuation Tribunal Service

Annual Report and Accounts 2008-09

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

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Chairman's statement



Anne Galbraith OBE
Chairman,
Valuation Tribunal Service

The financial year under review has been a very challenging and exciting one for the VTS. We introduced significant developments to enhance the judicial independence of valuation tribunals. In April we implemented a changed process for making council tax valuation appeals. This has helped to ensure that those who wish to appeal make a conscious decision to do so, and then make their appeal direct to the tribunal rather than through the body whose decision is being appealed.

In January we welcomed the appointment of Professor Graham Zellick as the first national President of the Valuation Tribunal for England (VTE) which will be established later this year. Professor Zellick has also joined the VTS Board as an ex officio member. We are eager to support him as he prepares for the establishment of the single Valuation Tribunal for England. His leadership of the judicial arm of the service will help to establish greater clarity of roles for the VTS and the VTE, and in turn reinforce the independence of the Tribunal. We continue to work with CLG in supporting the creation of a new set of procedural regulations for the VTE. New procedural rules will not only amalgamate earlier separate sets, but also modernise them.

During the preparations for the creation of the new valuation tribunal we have been researching a single name that brings together the Valuation Tribunal Service and the Valuation Tribunal for England. We hope this which will aid users in a better understanding of our statutory administrative role and the independence of the tribunal. The Minister has now agreed that we should operate under the working name of 'Valuation Tribunal' with a descriptive strap line.



Our aim has been to maintain an open dialogue with our stakeholders during a period of extensive change. We have had regular communication with our existing valuation tribunal Presidents through the medium of national quarterly consultation meetings, and have improved our communication with the whole membership through the publication of a quarterly periodical 'Rebus', led by Ronald Barham, one of our Board Members.

I would like to make a special mention of our staff, as throughout all this change and periods of uncertainty, they have remained focused and dedicated, showing a continued commitment to maintaining an effective service for tribunal users as we aim to become a more customer focused organisation.

We also welcomed two new members to the VTS Board at the beginning of the financial year. Ian Tighe and John O'Shea bring with them wide experience and expertise within areas of estates, IT, risk and finance. They have integrated quickly and effectively into the team, and have proved to be most valued and valuable members. I am grateful for my Board's support during the year.

Each year, the process of compiling the Annual Report provides an interesting opportunity to look back and reflect on the key events of the period under review. This is inevitably accompanied by a feeling of great appreciation for the efforts of so many people – our staff, the members of the tribunals, Board members, key stakeholders and our sponsor team – and to all of them, I record my thanks.

Anne Galbraith OBE

Chairman, Valuation Tribunal Service

In January we welcomed the appointment of Professor Graham Zellick as the first national President of the Valuation Tribunal for England (VTE) which will be established later this year.



Chief Executive's statement



Antonio Masella
Acting Chief Executive,
Valuation Tribunal Service

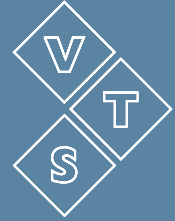
The year under review has been an important one for consolidating two major themes – first a theme of embedding the ethos of improving customer service, and second, a theme of consolidating the work we have undertaken to improve perceptions about the independence of valuation tribunals.

These twin themes have coloured a number of important initiatives, including a wide ranging survey across staff, members, users, and other stakeholders, to test their view about a change of identity for the service, and whether this would reinforce the independence of the tribunals and explain the role of the tribunals more clearly to our users. The launch of the new single tribunal, the Valuation Tribunal for England, will be the opportunity to roll out the changes we have been working on.

The year has also seen the launch of the new system of lodging appeals for council tax valuation cases, Appeals Direct. Although this new process came on stream in April last year, it was the summer of 2008 before the tribunals saw these appeals starting to come forward for hearings. I am very pleased that the system was inaugurated smoothly, and the changed technology coped well. This new system had been a feature of the first development plan drawn up by the VTS in 2004-05, so it was very satisfying for all those – staff in the VTS, the VOA and in our sponsor team – who had worked hard to implement the changes.

During the year, as part of the Government's High Performing Property agenda, we have sought to reduce our estate portfolio in meeting occupancy targets. This has been a particularly challenging task given that our occupancy rates were significantly above the target set, despite earlier office closures.

We have also taken steps to rationalise our estate further using opportunities presented by lease expiry and lease breaks. We recognise the impact that this has had, both on our staff and our members and, as a result of office closures, our staff numbers have declined over the year. Wherever possible we have sought to offer staff more flexible working arrangements. However, this has not been possible for everyone and in consequence we have had to say farewell to some long-serving and very loyal employees. Our staff remain our greatest asset and we are most fortunate in their loyalty. We will therefore continue to work hard in helping them to adapt to the extensive change programme.



In parallel with this significant change agenda we have also been keenly preparing for the advent of the new single tribunal, the VTE. We have sought to support the President in the necessary planning and implementation work, to ensure the smoothest possible transfer of members and caseload from the current 56 tribunals to the new tribunal. We recognise that the planning for the new single tribunal has been unsettling for tribunal members, and we have therefore welcomed the renewed impetus which the President has brought to communication with members.

Antonio Masella

Acting Chief Executive, Valuation Tribunal Service

We have sought to support the President in the necessary planning and implementation work, to ensure the smoothest possible transfer of members and caseload from the current 56 tribunals to the new tribunal.





Our services and what we do



The Valuation Tribunal Service

The Valuation Tribunal Service (VTS) was set up by the Local Government Act 2003 and established as a non-departmental public body on 1 April 2004. Sponsored by the Department for Communities and Local Government (CLG), the VTS supports the operation of valuation tribunals by providing the following services:

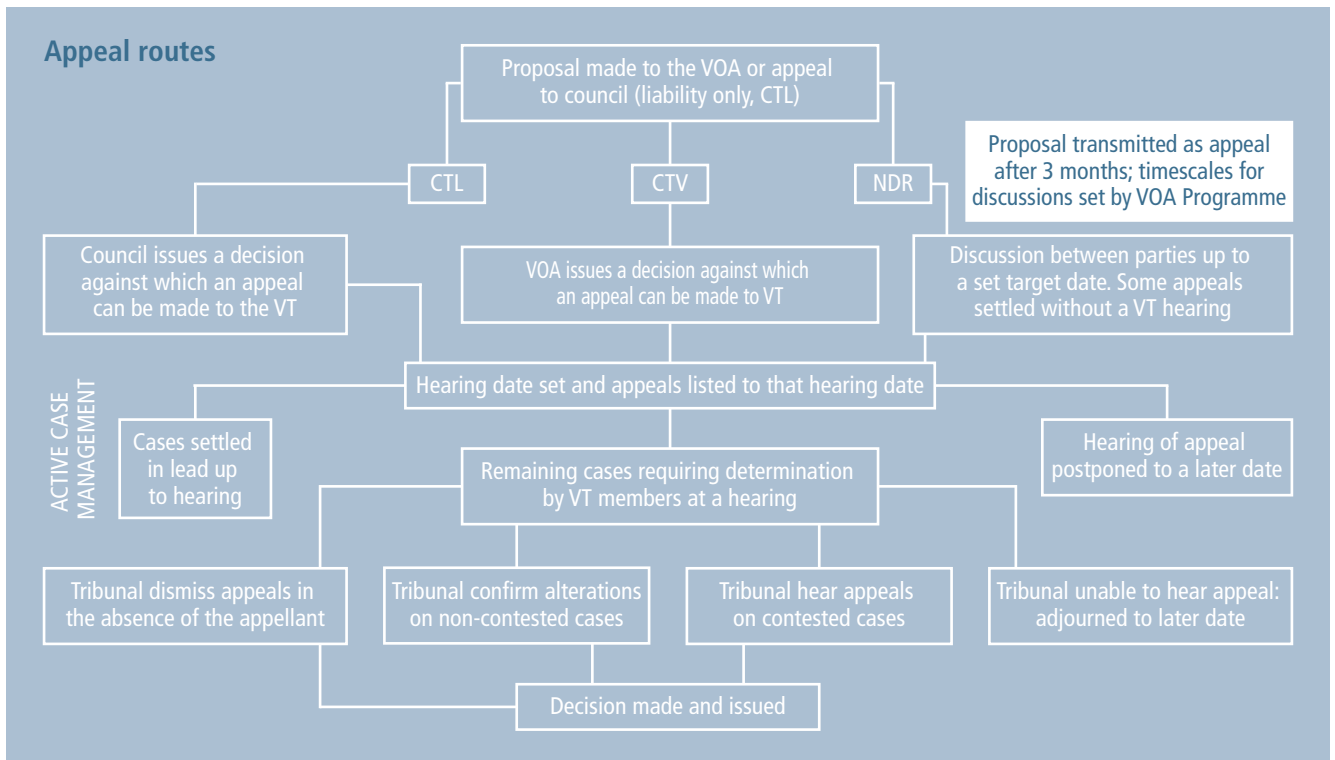
- accommodation
- staffing (including clerks to tribunals)
- information technology
- equipment
- training for members and staff including clerks to tribunals
- general advice about procedure relating to the proceedings before valuation tribunals.

The valuation tribunals are statutory bodies with jurisdiction to hear appeals against:

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

Valuation tribunals are independent of the Valuation Office Agency (VOA) that sets rateable values on non-domestic (business) properties and council tax bands for homes and the local authorities that send out the rates and council tax bills. There are currently 56 valuation tribunals in England, administered out of 11 offices. Each is headed by a President elected by the membership of the tribunal and the President is also one of the elected chairmen.

Members of valuation tribunals are unpaid volunteers who come from all walks of life and receive training to support them in their statutory role. They commit to one hearing day per month and receive reimbursement of expenses and, in appropriate cases, a financial loss allowance at prescribed rates when undertaking tribunal duties. Some members serve on more than one valuation tribunal. A chairman and a maximum of two members preside at tribunal hearings and they are supported at hearings by a clerk who provides procedural and technical advice.



Appeals

Appeals arise when a ratepayer or council tax payer challenges a decision of the VOA (in the case of non-domestic rates or council tax valuation) or the local authority (in the case of council tax liability appeals) and seeks a resolution of the matter.

- Non-domestic (business) rates appeals are forwarded to valuation tribunals by the VOA under a regulatory framework that requires them to transmit any 'proposals' (initial challenges) that they have not resolved after a three-month period. This is an automated process, and due to the large volume of challenges made, the number of proposals transmitted as appeals is also large in volume.
- Council tax valuation (banding) appeals and liability appeals are made direct to the valuation tribunal. In the case of council tax banding, an appeal must be made within three months of receipt of the VOA listing officer's decision about a proposal. An appeal against a local authority's decision on liability has to be made within two months of receipt of the decision. In cases where a council has failed to respond to an individual within this two-month period, the timescale for appealing to a valuation tribunal becomes four months, starting from the date the initial challenge was made by the individual.



Workload

At April 2008 we brought forward 78,173 appeals and a further 112,049 appeals were received during the year under review. Not all appeals lodged with valuation tribunals result in a hearing, as some are agreed through negotiation between the parties leading up to the hearing date. 58% of appeals listed for hearing by a valuation tribunal were settled (consistent with 58% in 2007-08 and 61% in 2006-07). 95,581 appeals were cleared during the year.

The table shows the detail of these figures by appeal type. A small number of appeals against previous rating lists remain outstanding where there are relevant higher court decisions pending, or national negotiations are under way. The table also shows two types of council tax banding appeals: those arising from proposals made before the introduction of the new system of Appeals Direct (on 1 April 2008) and those dealt with under Appeals Direct.

Trends over the five years since the VTS was established show that there has been a fall in total appeals received. There has been a marked fall in business rate appeals and this has particularly been the case since the introduction of the 2005 Rating List. A likely explanation for the reduction is that the 1995 and 2000 Lists were both covered by regulations which encouraged early submission of proposals, whereas similar regulations were not in place for the 2005 List, where there is no time restriction for making a proposal. It is possible that there may be a late surge in appeals received towards the end of the life of the list in the later part of this year.

Type of appeal	Brought forward	Received	Cleared	Carried forward
Non-domestic rates 1990 Rating List and completion notice appeals	41	486	448	79
Non-domestic rates 1995 Rating List	148	2	87	63
Non-domestic rates 2000 Rating List	3,304	54	1,000	2,358
Non-domestic rates 2005 Rating List	64,264	103,432	77,920	89,776
Council tax valuation list (pre Appeals Direct)	9,958	4,648	14,172	434
Council tax valuation list (Appeals Direct)	–	2,302	814	1,488
Council tax liability	401	997	976	422
Penalties for non-domestic rates returns	57	128	164	21
Total	78,173	112,049	95,581	94,641

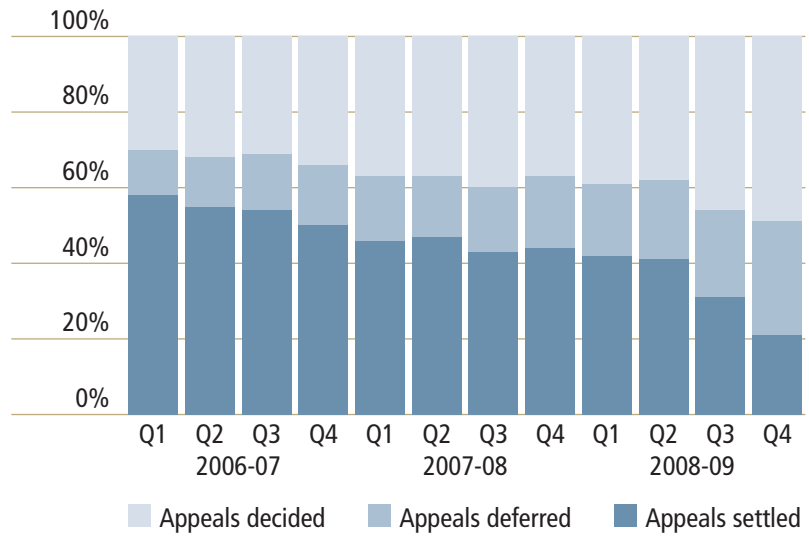
63% of the council tax banding appeals requiring a tribunal decision are fully contested, with appellants attending the hearing.

63%

Predictably, trends also show a decrease in the numbers of council tax valuation (CT banding) appeals received, from 34,340 in 2007-08 to 6,950 last year. This is attributable to the introduction of the new system which reduces the administration of appeals that do not require a tribunal hearing. However, although the number of appeals received is significantly reduced, the number of those requiring a tribunal decision has risen from around 30% in 2006-07 to 50% in the last quarter of 2008-09. Of those, 63% of the cases are fully contested, with appellants attending the hearing.

Chart 1

CT banding appeals outcomes



Valuation tribunals issued a total of 3,834 reasoned decisions, of which 94.5% were issued within one month of the hearing.

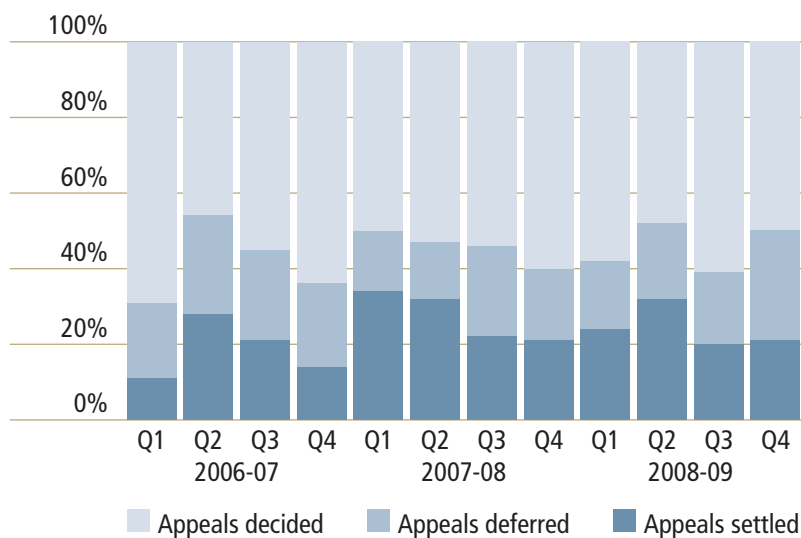
3,834



Chart 2 is a breakdown of other council tax (CT) appeals such as liability and completion notices. Liability appeals cover those where there is a dispute about who should be liable to pay the council tax, or how much they should pay and whether any discounts or exemptions are applicable. Completion notice appeals are made against completion notices issued by the local authority when they believe a new or altered dwelling is capable of being lived in. The proportion of appeals resulting in a full hearing by a valuation tribunal in respect of these appeals is high.

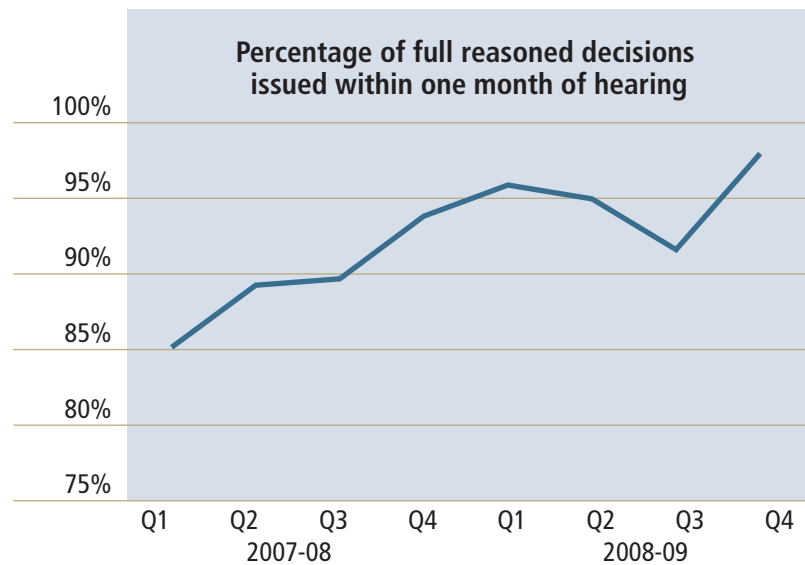
Chart 2

CT other appeals outcomes



The VTS sets a service standard commitment for its staff to issue a reasoned statement of decisions regarding heard (contested) cases to the parties within one month of the hearing date. Our customer surveys show that early receipt of the tribunal decision is important to users, and our staff need to work cooperatively with members of the tribunals to achieve this standard. In 2008-09, valuation tribunals issued a total of 3,834 such reasoned decisions of which 94.5% were issued within one month. This compares with 89% in 2007-08. In the last quarter of 2008-09 only 2% of decisions were issued outside the one-month target.

More robust recording and monitoring processes have improved the planning and management of our workload. The graph shows the effect of this process captured at quarterly intervals over the last two years.



2,806 appellants attended a hearing to pursue an appeal in person. An additional 1,161 appeals were dealt with in the absence of the appellant at their request. Whilst this shows a 20% decrease on last year, as a proportion of the numbers of cases listed, these figures represent an increase in contested appeals (from 3.4% of cases listed in 2007-08 to 4.6% in 2008-09).



The VTS exhibition stand at the IRRV Conference 2008.



Staff and members

We began the year with a staff complement of 120 and during 2008-09 staff numbers averaged 113 (full-time equivalents 108). By year end there were 104 staff in post. Just over 10% of our staff are from ethnic minorities, an increase of 1.6% on the previous year.

	Actual headcount	Full-time equivalents
Chief Executive's Office	16	15.8
North Region	27	25.6
Central Region	18	16.5
East Region	23	22.8
South Region	20	18.3

During the second half of the year we continued our drive to optimise our estates portfolio with the closure of a number of offices. Of the 16 people who left the service during the year 10 were as the result of office closures.

We recognised that office closures could lead to the loss of our more experienced clerks and tribunal officers and so we piloted a Remote and Mobile Working scheme that would enable us to retain these staff. Although in its infancy, the scheme is working well and we plan to expand the numbers on the scheme as we move into 2009-10.

The ability to retain experienced staff has increased our average age to 47 years (up from 46.1 in 2007-08 and 45.7 in 2006-07) with the average length of service being 22 years.

We administer a total of 31 pension schemes with 91.4% (95) of our staff being members compared with 89.2% in the previous year.

We delivered a total of 489 days training to our staff which equated to an average of 4.5 days per FTE.

489

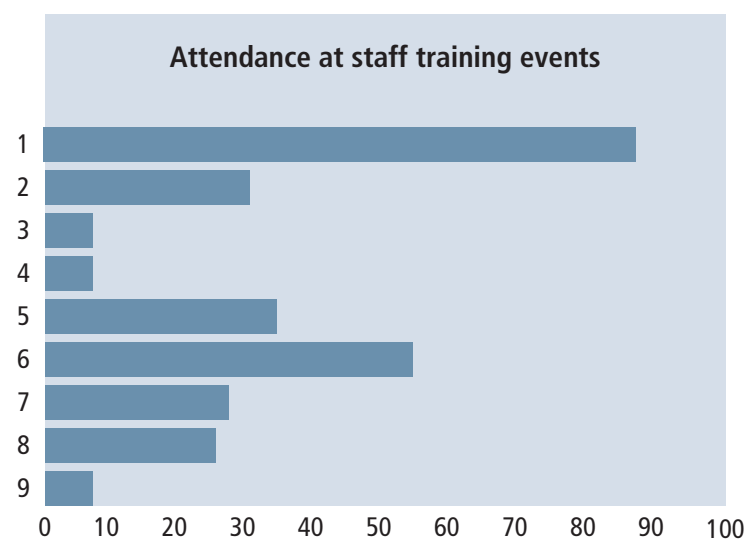


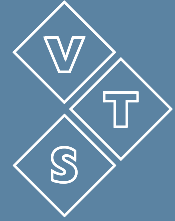
Training and developing our staff

Our approach for 2008-09 was to build on the continuing professional development of our people. We actively support our staff to achieve the professional qualification accredited by the Institute of Revenues, Rating and Valuation (IRRV) by providing financial assistance and liaising with the IRRV on the most appropriate route to qualification. During the year we sponsored seven applications from staff for qualification sponsorship.

We delivered a total of 489 days training to our staff which equated to an average of 4.5 days per FTE. The training programmes delivered were:

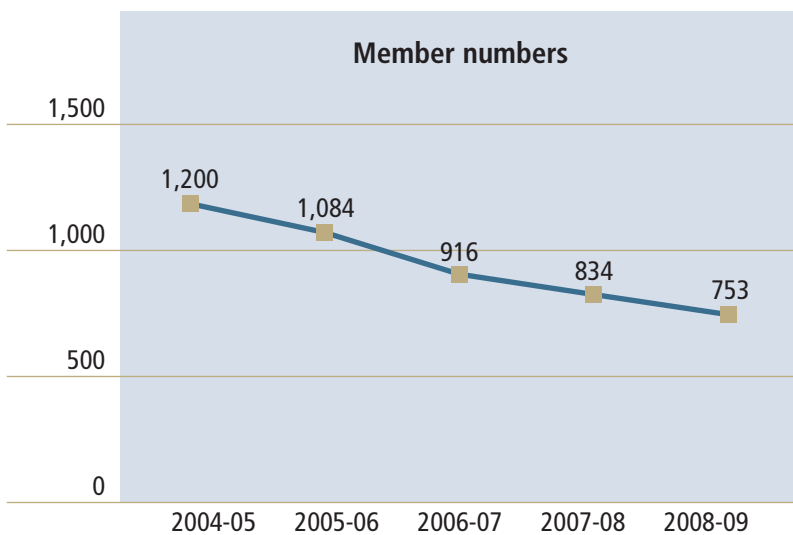
- 1 Regional Team Building Events
- 2 Best Practice Project Management
- 3 Prince 2 Practitioner Course
- 4 Microsoft Project (2003)
- 5 National Rating Day
- 6 Staff Technical Conference
- 7 Budget Management Workshop
- 8 Risk Management
- 9 Train the Trainer



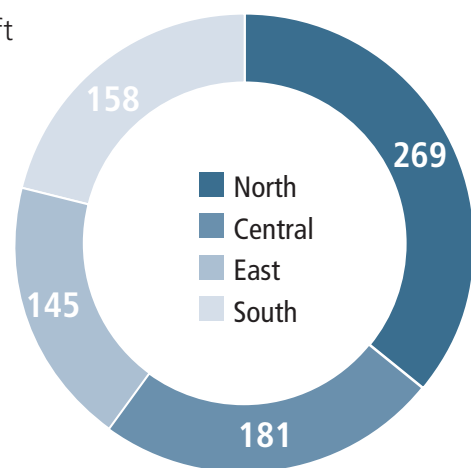


Members of valuation tribunals

As at 31 March 2009, valuation tribunal member numbers totalled 753 as against 834 at the previous year end. The total has declined since 2004-05 as more use has been made of cross-tribunal membership and efforts made to match members more closely with actual and projected workload at hearings. This reduced membership permits more regular participation at tribunals for members and takes full advantage of well-trained and committed members.



The membership consists of 597 men and 156 women (20%); 96 (12.6%) members are from ethnic minority groups; 67 (8.8%) are recorded as having a disability. During the year 120 members left the service due to retirement or resignation and 39 new members were appointed.



Geographic distribution of members

An independent survey of members was undertaken during December 2008. 267 members participated, and the survey was designed to understand what motivates them and what aspects of their role they find rewarding, what we could do to enhance the service we provide to them in carrying out their voluntary duties and their views on the Valuation Tribunal for England (VTE), due to come into being on 1 October 2009. The report of the survey will be made available to all members. An action plan has been developed from the results and will be delivered during 2009-10.

Members' training

A total of 640 days training was delivered during the year and attended by 70% of the tribunal membership. Training courses are developed centrally and delivered locally. The programme for the year included:

- Chairmen's Advanced Skills
- Council Tax Update
- 'It Shouldn't Happen to an Appellant'
- Member at the Hearing
- New Chairmen's Training
- National Non-Domestic Rating



The Minister, Sadiq Khan MP



Professor Graham Zellick,
VTE President



The Minister, Sadiq Khan MP and
Anne Galbraith OBE, Chairman

In addition to the in-house training programme, and to complement the member appraisal and mentoring schemes, external courses were offered utilising the Judicial Studies Board. These courses included:

- JSB Member Appraisal
- JSB Mentoring Skills
- JSB Tribunal Skills Development

Among those tribunal members surveyed, satisfaction levels with the service provided by the VTS were high. 91% of the respondents were satisfied, with 40% saying they were very satisfied.

(Source: VTS Telephone Survey, report of Facts International, 2009)

91%



The Conference for Presidents and Chairmen of Valuation Tribunals.

The Conference for Presidents and Chairmen of Valuation Tribunals was held in London in February 2009, attended by 207 delegates. The speakers included the Minister, Sadiq Khan MP, the Housing Ombudsman, Dr Michael Biles, the President of the Lands Tribunal, Mr George Bartlett QC, and the new Director of Training at the Judicial Studies Board, Mark Hinchliffe.

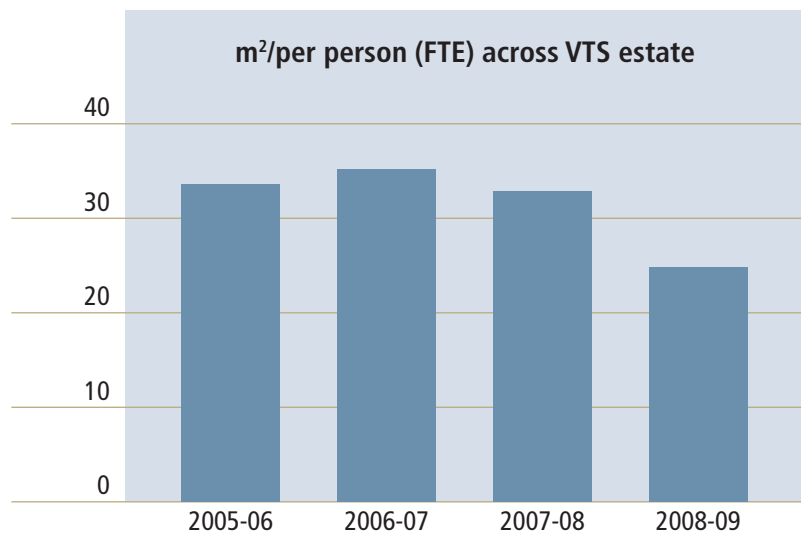
Our estate

This financial year proved to be one of significant change as the VTS continued to align its estate to support the operational requirements of the organisation. This has resulted in significant improvement in the use of the estate.

In line with the Government's High Performance Property agenda, we aim to reduce the net internal area to 10m² per full time equivalent member of staff across the estate. Some of our offices house tribunal rooms used for the hearing of cases. As our offices serve a dual role (incorporating areas for judicial purposes as well as those used solely for administrative purposes) we have separately measured the administrative areas for our calculation.

During the course of the year we have seen a reduction from 33.28m²/full time equivalent to 24.44m²/per full time equivalent, a reduction of 26.56% across our estate (see Chart 1).

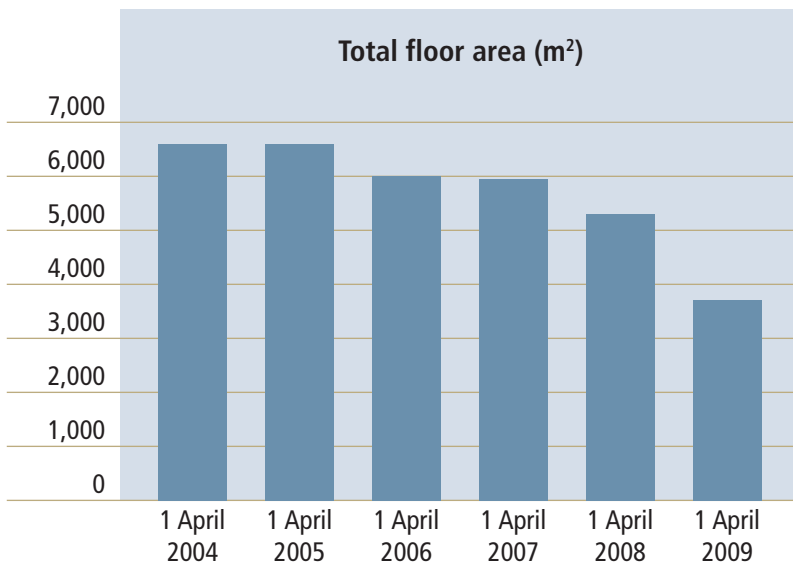
Chart 1



The reduction was achieved through the consolidation of three of our London offices (Croydon, Harrow and Angel) into our enlarged office in Whitechapel, creating a single London office. This has resulted in a reduction in the holding area of approximately 650m², with associated savings of around £200,000 per annum. Closure of our Winchester, Weston-Super-Mare and Durham offices has also contributed to the overall reduction in space. The administrative functions of these offices were transferred to existing offices within the estate.

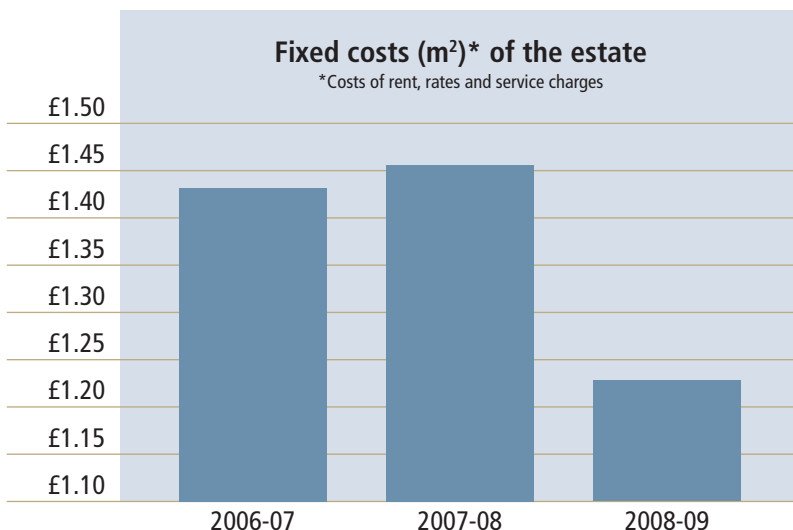
The organisation has sought to optimise the estate since its inception, reducing the total floor area from 6,600m² in 2004 to 3,700m² by 2009. Chart 2 shows the reduction over the period. Further optimisation will be effected in the year 2009-10, reducing the total floor area still further by about 1,000m². This represents a reduction of about 60% in our estate's footprint since 2004.

Chart 2



Our estate costs are fixed costs associated with rent, rates and service charges. Chart 3 shows the reduction in our fixed costs over the past three years.

Chart 3



3,700

The organisation has reduced the total floor area from 6,600m² in 2004 to 3,700m² by 2009.

Environment and corporate social responsibility

We contribute to the Government's environmental responsibility agenda by using an award-winning charity ('Green Works') for the disposal of unwanted furniture, as this protects the environment through the diversion of waste away from landfill.

In addition we are working with our sponsoring department to develop an environmental policy that will monitor utility consumption in all our offices. As part of this we shall be looking to introduce recycling and waste procedures to measure impact across the estate.

Health and safety

To reinforce our commitment to protecting the health, safety and welfare of our staff, our volunteer members and others who are lawfully on our premises, we have reviewed all our health and safety policies.

During the year under review, there was one recorded accident involving a member of staff. There were no accidents classed as reportable (more serious) and none resulted in absences from work (compared to 1 in 2007-08 and 16 in 2006-07).

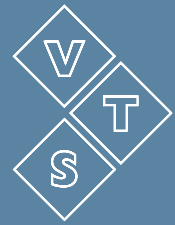
Estate changes next year

The first quarter of the coming year will see the closure of the Horsham office. The administration from this office will transfer to our Whitechapel office. We are also closing our Nottingham and Leamington Spa offices in June. Their administrative functions will transfer to Doncaster and Stafford respectively.



£1.23

Fixed estates costs over the past three years have been reduced from £1.45/m² to £1.23/m².



Governance and leadership

Corporate governance: the VTS Board

The VTS is governed by a non-executive Board of eight, four of whom are Presidents or chairmen of the existing valuation tribunals. The President of the VTE is an ex-officio member of the Board, following appointment by the Lord Chancellor. The Chairman and members of the Board are appointed by the Secretary of State for Communities and Local Government, whose Ministerial appointments to the VTS are subject to the Code of Practice of the Commissioner for Public Appointments. The Chairman ensures that new Board members receive appropriate induction and training on appointment covering all aspects of the VTS's operations.

There is a clear division of responsibility between the Chairman and the Chief Executive. The Chairman is responsible for the leadership of the Board, ensuring its effectiveness on all aspects of its role. The Chief Executive has 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.

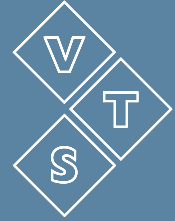
Members of the Board have corporate responsibility for ensuring that the VTS complies with any statutory or administrative requirements for the use of public funds and ensuring that high standards of corporate governance are observed at all times. The Board establishes the overall strategic direction of the organisation. It approves the VTS's Corporate and Business Plans and its annual budget. It also oversees the delivery of planned results by monitoring performance against agreed strategic objectives and targets.

The Board has met a total of eight times during the year. The Directors are present during Board Meetings and on occasion members of the Senior Management Team (the Regional Managers) are invited to attend. Board members are provided with appropriate and timely information to enable them to discharge their duties effectively.

The Board is supported by a number of committees with prescribed terms of reference. During 2008-09 the standing committees of the Board were:

- The Audit Committee
- The Remuneration Committee
- The Training Strategy Committee

The activities of these committees are regularly reported to the Board and their minutes are made available to all members.



A Register of Interests of the Board members is maintained and is reviewed by the Audit Committee. The register is held by the Resource Director. On specific issues where there may be a potential conflict of interest, members are required to declare their interest and, if appropriate, to withdraw from discussions.

Membership during 2008-09

Chairman

Anne Galbraith OBE was first appointed in 2003 and was re-appointed from 1 April 2009 to a term expiring on 30 September 2010. Mrs Galbraith attended eight meetings during the year.

Deputy Chairman

Peter Lawton was re-appointed from 1 April 2008 to a term expiring on 31 March 2011. He became Deputy Chairman on 1 April 2008 and has attended eight meetings during the year.

Members

Dr Ronald Barham was re-appointed from 1 April 2009 to a term expiring on 31 March 2011. He attended eight meetings during the year.

Michael Tildesley OBE was re-appointed on 1 April 2007 to a term expiring on 31 March 2010. He has attended six meetings during the year.

Irene Robinson was re-appointed on 1 April 2007 to a term expiring on 31 March 2010. She has attended seven meetings during the year.

Ian Tighe was appointed from 1 April 2008 to a term expiring on 31 March 2011. He has attended eight meetings during the year.

John O'Shea was appointed from 1 April 2008 to a term expiring on 31 March 2011. He has attended eight meetings during the year.

Professor Graham Zellick (VTE President) has attended two meetings since his appointment in January 2009.



Board Committees

Audit Committee

The Audit Committee meets at least four times a year. The Committee also meets with Internal and External Auditors. The Committee comprised four members of the Board until December 2008 and three members from January 2009. One of the members acts as Chair of the Committee and there is one independent member. Members of the committee during 2008-09 were:

- Irene Robinson (Chair to the end of 2008)
- Ronald Barham
- Peter Lawton
- John O'Shea (Chair from January 2009)
- James Stockwell (Independent Member)

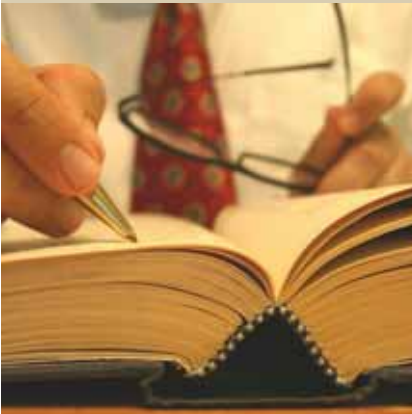
The Chief Executive and Resource Director also attend the meetings.

During 2008-09 the Committee met four times.

Remuneration Committee

The Remuneration Committee comprises three Board members, one of whom acts as Chair of the Committee. Members of the Committee during 2008-09 were:

- Peter Lawton (Chair)
- Anne Galbraith
- Ronald Barham





The Remuneration Committee has written terms of reference. Its main task is the annual consideration of the performance of the Chief Executive and the Executive Management Team. Further details of the work of the Committee are given in the Remuneration Report (page 39). During 2008-09, the Committee met twice.

Training Strategy Committee

The Training Strategy Committee was established by the Board on 6 December 2007 to provide a greater focus on training undertaken by the voluntary membership. The Committee comprises one Board member (who acts as Chair of the Committee), four valuation tribunal presidents, the Chief Executive, the Corporate Director and the Training Manager (who also acts as Secretary to the Committee). Members of the Committee during 2008-09 were:

- Peter Lawton (Chair)
- Philip Harrison (President of Manchester North Valuation Tribunal)
- Jim Dixon (President of Lincolnshire Valuation Tribunal)
- Judi Ellis (President of Kent Valuation Tribunal)
- John Birkbeck (President of Cornwall Valuation Tribunal)
- Christina Townsend (Chief Executive)
- Antonio Masella (Corporate Director)
- Tracey Banham (Training Manager and Committee Secretary).

Leadership

Executive Management Team

The Executive Management Team (EMT) currently comprises the Chief Executive, the Corporate Director, the Resource Director, the Developments Director and the Interim HR Director. The role of the EMT is to implement operational and strategic Board-approved plans, and provide strategic direction for staff. Members of the EMT during 2008-09 were:

Name	Position	Appointment started	Appointment ends
Christina Townsend ¹	Chief Executive	2 July 2007	Permanent
Alan Begg	Resource Director	15 May 2006	Permanent
Antonio Masella ¹	Corporate Director	1 April 2004	Permanent
Murray Campbell	Developments Director	1 May 2008	Seconded
Peter Fanning	Interim HR Director	30 June 2008	Interim

¹ Dr Christina Townsend left the organisation on 1 July 2009 and Antonio Masella was appointed acting Chief Executive on 2 July 2009.





Senior Management Team

The EMT are also members of the Senior Management Team (SMT), responsible for providing the day to day operational control. During the year the SMT has assisted in developing strategy. Three members of the SMT held positions as Regional Managers during 2008-09:

Name	Region
Lesley Rutherford	North
Lee Anderson	Central
Jon Bestow	East and South

Risk management and strategy

We view the management of risk as a key component of our governance framework. We adopt a system for managing risks, which complies with the principles set out in the 'Orange Book', Management of Risks – Principles and Concepts, published by HM Treasury in October 2004. Our approach to risk is set out in our risk management strategy, which sets the tone and influences the culture of risk management throughout the organisation, determining the acceptable levels of risk exposure and the appropriate risk controls.

One of our objectives in establishing the risk appraisal process is to achieve assurance that we are managing our key risk exposures in an appropriate manner. This internal assurance enables us to comply with the requirements placed upon us. However, the overriding objective of the process is to provide us with the means to protect ourselves from the adverse effects of risk and to facilitate progress with meeting our organisational aims.

Key risk indicators are identified and closely monitored in our organisation-wide risk register, which is reviewed and updated quarterly by the EMT, monitored by the Audit Committee and reviewed by the Board. The Accounting Officer and EMT propose, support and implement risk policies agreed by the Board, and encourage an open and receptive approach to solving problems by risk owners and managers at executive and regional level. Our risk management framework is closely aligned with the processes of internal control, accounting policies, audit policies and reviews (in conjunction with CLG) of the Management Statement and Financial Memorandum issued to the Board.

A risk management workshop, attended by the Board and the SMT, developed a best practice approach to the identification and recording of strategic risks. Work in this area continues into the new year.

Our public interests

Equality and diversity

We developed our policies relating to equality and diversity to ensure that we meet our statutory obligations under the Disability Discrimination Act 2005.

We continue to make our family of guidance leaflets available on request in the eight most commonly used languages in the country (Arabic, Bengali, Chinese, Gujarati, Polish, Punjabi, Urdu and Vietnamese). During the year, we accommodated 17 requests for translations into seven of the different languages. We have also provided two interpreters for Farsi speakers.

Disability

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 appellants with disabilities.

VTS guidance leaflets and tribunal decision documents are offered in Braille, large print and audio CD. During the year we received four requests for large print versions. Signers and other communication assistance are provided on request to enable hearing impaired appellants to participate fully when attending a tribunal. Since the creation of the VTS we have carried out work to our estate portfolio to ensure that wherever reasonable to do so, our offices have been adapted to be compliant with the Disability Discrimination Act requirements.

During the year, we accommodated 17 requests for translations of our leaflets into seven different languages.



17



Our website includes a link enabling the public to download, free of charge, 'Browse aloud' software for use on their PCs. This software reads 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. During the year the software was downloaded about 130 times each month.

Customer survey

Between 2005 and 2007 the VTS commissioned annual independent telephone surveys of unrepresented appellants who attended valuation tribunal hearings to have their cases determined. The questions remained broadly similar from year to year to allow comparison and were based on topics on which we sought feedback. This year we decided to move away from this pattern and instead to have in-depth interviews with a smaller number of appellants to establish what were the most important issues for them about our services. We also asked those who had withdrawn or not pursued their appeals the reasons for that.

Most interviewees felt they had suitable contact with the VTS and generally they found it easy to get information. Some were concerned at the length of time they waited between acknowledgement of their appeal and the date of the hearing. The performance target is to hold the hearing within five months of receiving a council tax appeal. Delay is built into the process by the legislation, which requires time to be allowed for other people or the billing authority to register an interest in the appeal. However, statistics for the year show that 91% of Appeals Direct council tax appeals were listed to a hearing within five months, compared to 82% of council tax appeals last year.

Appellants were generally happy with the hearing arrangements and found the procedure clear, simple and straightforward. Many viewed the VTS in a positive light and the treatment appellants received from the staff attracted particular note.

91% of Appeals Direct council tax appeals were listed to a hearing within five months, compared to 82% of council tax appeals last year.

91%





There were 23 judicial complaints (33 in 2007-08 and 33 in 2006-07). These were investigated by the relevant valuation tribunal Presidents. No cases were brought for judicial review.

However, the findings showed that there was still confusion in the minds of some appellants about the role of the valuation tribunals and their independence from the Valuation Office Agency. During 2008 we consulted groups of stakeholders about our identity and whether a change of name would help to eliminate confusion.

As a result of this consultation, the decision has been taken to use the name Valuation Tribunal as far as possible, in preference to the initials, and to add a descriptive strap-line to our name. We will be looking to the results of our next customer survey to gauge how successful this and other initiatives have been in underlining the independence of the tribunals.

Complaints

The VTS maintains a register of all complaints received in its offices. Our Customer Charter and Complaints Policy were both revised. They are both published on the VTS website and issued to anyone expressing dissatisfaction with the service they receive from the administration.

During the year under review, 30 complaints about the administration were registered (compared to 49 complaints in 2007-08 and 21 in 2006-07). Three complaints were referred to the Corporate Director for investigation for maladministration (compared to six in 2007-08). No instances of maladministration were found and no cases were referred to the Parliamentary and Health Services Ombudsman.

There were 23 judicial complaints (33 in 2007-08 and 33 in 2006-07). These were investigated by the relevant valuation tribunal Presidents. No cases were brought for judicial review. Full details are held by the Corporate Director.

The Data Protection Act 1998 and Freedom of Information Act 2000

During the year, the VTS received and responded to 20 requests made under these Acts, compared to nine in 2007-08. Two internal reviews were carried out; no cases were referred to the Information Commissioner.

Information handling and data security

We are working closely with our sponsoring department to ensure compliance with Cabinet Office requirements and recommendations, acknowledging also that the Information Commissioner's Office has reinforced to public bodies the need not to breach the relevant sections of the Data Protection Act 1998 with regard to the protection of sensitive and personal information.

Following the steps already taken to protect information by encrypting our portable devices (laptops, USB devices and mobile phones) we have appointed a senior information risk owner (SIRO) and various staff as information asset owners. The SIRO has taken responsibility for completing a comprehensive VTS security manual. The contents will include various security and data handling policies which staff will be made aware of over the coming months. We intend to ensure that all staff are made aware of their responsibilities and that employees (and contractors) are trained adequately in data protection and security. We have a requirement to confirm any breaches of security regarding personal data.

The Chief Executive as Accounting Officer has overall responsibility for ensuring that information risks are assessed and mitigated to an acceptable level.

Steps have already been taken to protect information by encrypting our laptops, USB devices and mobile phones.



Management commentary

A new strategic direction of travel in which the emphasis switched from tying up resources in buildings, and instead reallocated funding to improve the front line service for tribunal users.



Below, we set out the VTS's achievements against the Business Plan. In addition to achieving these objectives the VTS also undertook a significant programme of work which had not originally been planned. The VTS had planned to close its Harrow office in 2008-09. In the event, as other leases came up for consideration over the course of the year, the opportunity was taken to review the need to retain the Croydon, Winchester, Weston, Durham and Nottingham offices, and a separate Head Office in London. As a result of these reviews, the VTS developed a new strategic direction of travel in which the emphasis switched from tying up resources in buildings, and instead reallocated funding to improve the front line service for tribunal users.

Inevitably, the office closures gave rise to a significant amount of work for a small Head Office team. Furthermore, the VTS needed to develop an appropriate remote and mobile working solution for professional staff; to create a management support structure for staff so affected; and to draw up new contracts. This period of substantial change coincided with the appointment of the new President who took up post, somewhat later than anticipated, in January 2009. As a result, a few objectives were necessarily deferred owing to the limited resources available to deliver the major change programme – in particular objectives relating to staff matters such as a new appraisal scheme and a proposed pay and grading review. In the light of the office closures and their effect on many staff, these objectives would probably not have been undertaken simultaneously even if resources had been available. The objectives were deferred for a few months into 2009-10.

A full account of our performance against the Business Plan is submitted to the Department and can be found on our website.

During 2008-09 we delivered the following key achievements:

- Implemented a new system of direct appeals to the tribunals in council tax valuation cases
- Introduced e-communication to allow forms to be completed on line or downloaded from our website
- Reviewed the hearing accommodation for tribunals
- Supported the work on revising the procedural regulations for tribunals
- Prepared appropriate briefing and induction material for the new President of the Valuation Tribunal for England
- Conducted a survey of tribunal members to understand their motivation and gauge their needs
- Supported the review of the member appraisal system and subsequent development of an amended system
- Developed and delivered a member training programme
- Audited compliance with policies and guidance in all of our offices
- Improved the allocation of budget to front line activity
- Trained staff in project management techniques
- Undertook work to identify key performance indicators
- Developed business cases to support IT development which will provide solutions to support our modernisation agenda
- Carried out a review of our estate, presented business cases to justify closures of offices and implementation at Durham, Weston and Leamington offices
- Developed the principles of remote and mobile working for professional staff in order to support continuation of local hearings
- Carried out a consultation and identified appropriate changes to our identifying name, in preparation for the introduction of the single Valuation Tribunal for England in October 2009
- Supported the President of the VTE in preparing for the launch of the new tribunal
- Undertook a revision of our risk management procedures.



Financial review

Delivery of an efficient service that provides value for money

Training took place during the year on budget setting and monitoring. Principal budget holders were identified. All budget holders participated in training which led to the issue of a well-received budget user manual. This manual formed the basis of forward planning resulting in budget resources being directed at front line activities and the introduction of the single tribunal in October 2009. During 2008-09 the planned estates strategy relied heavily on tighter controls which further supported the monitoring process. Slightly decreased workloads in the latter half of the year resulted in a forecast underspend, in spite of strategic decisions being made. The controls exercised through financial reporting were evidenced by the Board and the decision taken to continue an estates strategy started in the previous financial year has already led to cost savings in various areas.

Funding

We received sufficient funds as grant in aid to meet our overall expenditures. The Cash Flow Statement, as set out on page 56, which analyses net cash flow from operating activities, identifies cash spent by the VTS on capital expenditure and shows grant in aid that the VTS drew down from its sponsoring department in order to finance its activities.

Asset management

The main aim of VTS asset management is to ensure that appropriate fixed assets are held to meet the VTS objectives.

Outturn against estimates 2008-09

Net expenditure per the Income and Expenditure Account for the year on page 53 shows £10,229,000 on ordinary activities (2007-08 – £9,899,000). Adjusted for pensions, the net expenditure increases to £10,829,000 (2007-08 – £10,129,000).

An estates strategy started in the previous year has already led to cost savings in various areas.



Financial summary

Expenditure for the financial year to 31 March 2009 was £10,829,000.

VTS expenditures were contained within funding limits for both revenue and capital through the year. Revenue expenditure includes certain dilapidation provisions as required by Financial Reporting Standard (FRS) 12. The VTS continues to pay out of funding the cost of local government pension schemes' benefits accruing over the financial year, in addition to the separate pension costs charged under FRS 17 for pension liabilities.

Total grant in aid claimed and received from the sponsor department was £10,136,000.

The Department Expenditure Limit (DEL) budget for the year was £11,316,000, made up of £10,416,000 resource and £900,000 capital. This budget took account of a pre-agreed funding withdrawal for 2008-09 of £350,000 from the resource budget.

Day to day responsibility for financial management of the VTS's activities is managed by the EMT. During the course of the year, the EMT, with engagement also by the SMT, reviewed the three-year Corporate Plan and conducted close monitoring of all financial activities.

Total net operational revenue expenditure was £10,224,000 in 2008-09. This was held below the budget of £10,416,000 but exceeded the grant in aid (revised) limit of £10,136,000.



£10.829m

Expenditure for the financial year to
31 March 2009 was £10,829,000.

Fixed assets

The total net book value of the fixed assets as at 31 March 2009 was £1,416,000. The movements in fixed assets for the year are set out in Notes 6 and 7 to the financial statements. There were no costs incurred on Research and Development during the 12 months ended 31 March 2009. The additions to fixed assets comprised £480,000 tangible fixed assets and £213,000 assets under construction.

In May 2008, the VTS Croydon office closed, and in December 2008, the VTS closed offices in Harrow and Winchester. In February 2009 the office at Weston-Super-Mare closed and in March 2009 the Durham and Angel offices were closed. These office closures were the direct result of expiry of the respective leases and as a consequence of the estates strategy embarked on in the previous financial year. Commitments at the balance sheet date for lease agreements in force and due to be paid are shown on page 72. On page 72, Note 20 refers to there being no capital commitments entered into at the balance sheet date.

Pension liabilities

For the purposes of FRS 17, pension scheme liabilities of £12,466,000 have been recognised in the balance sheet. An actuarial loss of £2,691,000 is shown in the Statement of Recognised Gains and Losses, taking account of pension fund movements to 31 March 2009. These pension entries in the Accounts represent non-cash items.

Financial risk

We adhere to a policy of managing and monitoring significant risks, including financial risks, as an integral part of the management of the VTS. At 31 March 2009 there were no material financial liabilities other than those shown in these accounts. The accounting for FRS 17 – pension liabilities – is dependent on the annual valuations of 31 pension funds administered outside the control of the VTS, for which valuations are returned for the schemes by actuarial reports at the year end.

Events since the end of the financial year

No events have occurred since the end of the financial year to materially affect the contents of these financial statements.



In 2008-09, the VTS paid 87% of invoices within 30 days.

87%



Payment of suppliers

The VTS targets payments to suppliers within a maximum of 30 days from receipt, or in a shorter timescale in accordance with agreed supplier terms. At the balance sheet date no invoices were in dispute and the VTS had not incurred interest charges related to late payments. In 2008-09, the VTS paid 87% of invoices within 30 days (85% in 2007-08). The VTS considers it will be well placed to meet the Government's challenge of a 10-day prompt payment target of 100% from April 2009.

Going concern

The Board confirms that, after making appropriate enquiries with the sponsoring department, it has a reasonable expectation that the VTS has adequate resources to continue its operations for the foreseeable future. The balance sheet shows net liabilities of £12,153,000. This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the VTS's other sources of income, may only be met by future grants or grant in aid from the sponsoring department. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

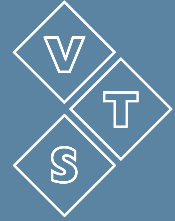
The grant in aid for 2008-09 takes into account the amounts required to meet the VTS's liabilities falling due in that year. This has already been included in the Department's estimates for that year. Provision for future years is provided for within HM Treasury's Spending Review, the current round expiring in 2010. The Spending Review for subsequent years has yet to be announced at the balance sheet date. It has accordingly been considered appropriate to adopt the going concern basis in preparing these financial statements.

Auditors

The Accounts of the VTS are audited by the Comptroller and Auditor General under the Local Government Act 2003. The Board approved the engagement of AHL Limited as internal auditors from 1 April 2008 for a three-year term.



Remuneration report



Board members' emoluments and expenses

The remuneration of the Chairman is determined by the Secretary of State and at 31 March 2009 was £56,560 per annum. The other six 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 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. Board members can be appointed for a term up to three years. When their first term of office comes to an end, a second term of appointment may be granted by the Secretary of State. At 31 March 2008, three members ended their term of office, two service members and an independent member. One service member was re-appointed for a two-year term; the other two members were replaced through an Office of the Commissioner for Public Appointments selection process. Board members receive an annual appraisal from the Chairman, who in turn is appraised annually by the sponsoring department.

Executive Management Team

The salary of the Chief Executive is reviewed annually and is increased on guidance provided from the Department. Directors, who with the Chief Executive comprise the Executive Management Team, receive annual pay increases in line with all other VTS staff. For the year commencing 1 April 2008, the pay award was 2.75%.

Proportion of remuneration subject to performance

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

Each Director is appraised by the Chief Executive with additional comments from the Chairman. The incentive scheme for the Chief Executive and Directors is restricted to a maximum of 10% of gross salary.

Chairman's, Chief Executive's and Directors' terms of office

The Chairman's second three-year term expired on 31 March 2009 and she was immediately re-appointed by the Secretary of State for a further eighteen months.

The Chief Executive and two Directors are appointed on permanent contracts.

Audited information

The salary and pension entitlements of the Chairman and Chief Executive were as follows:

	Period ended 31 March 2009 £'000	Period ended 31 March 2008 £'000
The emoluments of the Chairman, Anne Galbraith:		
– Basic salary	57	55
Total emoluments	57	55

The emoluments of the Chief Executive, Dr Christina Townsend, for the period 1 April 2008 to 31 March 2009:

– Basic salary	83	61
– London weighting	3	2
– Performance related pay	–	–
– Employer pension contribution	16	11
Total emoluments	102	74
– Pension increase (net of inflation)	2	1
– Total accrued pension at 31 March 2009	4	1

Dr Christina Townsend left the organisation on 1 July 2009 and Antonio Masella was appointed acting Chief Executive on 2 July 2009.

Fees and emoluments for non-executive members of the VTS Board:

Name	Period ended 31 March 2009 £'000	Period ended 31 March 2008 £'000
Anne Galbraith	57	55
Paul Wood (term completed 31 March 2008)	–	7
Peter Lawton	7	6
Ronald Barham	6	6
Ted Gunby (term completed 31 March 2008)	–	6
Irene Robinson	6	6
John O'Shea (appointed 1 April 2008)	6	–
Ian Tighe (appointed 1 April 2008)	6	–
Michael Tildesley	6	6
Total	94	92



The emoluments of the Directors were as follows:

	Period ended 31 March 2009 £'000	Period ended 31 March 2008 £'000
The emoluments of the Resource Director, Alan Begg, for the period 1 April 2008 to 31 March 2009:		
– Basic salary	59	61
– London weighting	3	3
– Performance related pay	6 ¹	6 ¹
– Employer pension contribution	12	12
Total emoluments	80	82
– Pension increase (net of inflation)	1	2
– Total accrued pension at 31 March 2009	9	9

The emoluments of the Corporate Director, Antonio Masella, for the period
1 April 2008 to 31 March 2009:

– Basic salary	59	61
– London weighting	3	3
– Performance related pay	6 ¹	6 ¹
– Employer pension contribution	12	12
Total emoluments	80	82
– Pension increase (net of inflation)	–	4
– Total accrued pension at 31 March 2009	21	22

The emoluments of the Developments Director, Murray Campbell, for the seconded
period 6 May 2008 to 31 March 2009:

– Basic salary	53	–
– London weighting	–	–
– Performance related pay	4 ¹	–
– Employer pension contribution	8	–
Total emoluments	65	–
– Pension increase (net of inflation)	3	–
– Total pension accrued at 31 March 2009	19	–

The emoluments of the interim HR Director, Peter Fanning, for the period
1 July 2008 to 31 March 2009:

– Basic salary	67	–
– London weighting	3	–
– Performance related pay	7	–
– Employer pension contribution	–	–
Total emoluments	77	–
– Pension increase (net of inflation)	–	–
– Total pension accrued at 31 March 2009	–	–

1 Performance pay refers to the accrual at the end of each financial year.

The salary, pension entitlements and the value of any taxable benefits in kind of the Executive Management Team of the VTS during 2008-09 are as shown.

Name	Salary, including London weighting and performance pay (£k) (2007-08 in brackets) i	Benefits in kind (rounded to nearest £k) (2007-08 in brackets) ii	Real increase in pension and related lump sum (£k) iii	CETV at 31 March 2008 (nearest £k) iv	CETV at 31 March 2009 (nearest £k) v	Real increase in CETV after adjustment and changes for inflation in market investment factors etc (nearest £k) vi
Christina Townsend	85-90 (60-65)	0 (0)	3-5	18	86	6
Alan Begg	65-70 (65-70)	0 (0)	2 (1)	119	183	53
Antonio Masella	65-70 (65-70)	0 (0)	0 (4)	273	328	53
Murray Campbell	60-65 (N/A)	0 (N/A)	3 (6)	258 ¹	370	56
Peter Fanning	75-80 (N/A)	0 (N/A)	N/A	N/A	N/A	N/A

¹ as quoted at 6 May 2008 and real increase to 31 March 2009

The Directors' Remuneration Report Regulations 2002 (DRRR and S.I. 2002 No. 1986) place disclosure requirements on companies.

The Regulations require disclosure of the following information regarding the pension benefits of each Director:

- Changes in the accrued benefits over the accounting period;
- the accrued benefits at the end of the accounting period;
- the value of the accrued benefits at the start of the accounting period, calculated on the cash equivalent transfer value (CETV) basis in force at the start of the year;
- the value of the accrued benefits at the end of the accounting period, calculated on the CETV in force at the end of the year; and
- the increase in the value over the year, calculated as the difference between the two transfer values less the contributions paid by the Director.

The calculations of the pension figures 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 the disclosure applies.

In calculating the increase in CETV over the year to 31 March 2009, the effect of changes in the market conditions and change in employees' ages over the period has been taken out, which are not required by the DRRR.

Data and assumptions

The calculations of accrued benefits and cash equivalent transfer values have been calculated by the administrators to the relevant local authorities, namely London Pensions Fund Authority and Berkshire Pension Fund. We have calculated the real increase in pension and lump sum earned over 2008-09 and the real increase in transfer value using the rate of inflation over the period 31 March 2008 to 31 March 2009, based on the change in the level of the Retail Prices Index (RPI). This was -0.38%. We have allowed for this rate of deflation in our calculations. This is consistent with the approach to quoting an 'increase in value of benefits after inflation' taken in previous years.

The Directors' remuneration figures disclose a real increase in transfer values of around 31% in total. This figure excludes Dr Townsend's disclosures as her transfer value in 2008 was only in respect of nine months' service in the year ended 31 March 2008 and therefore an increase for one year's service to 31 March 2009 will be more significant for this member.

The number of staff, including the Chief Executive, whose annual rate of remuneration as at 31 March 2009 exceeded £40,000 (excluding pension contributions and performance related pay but including any benefits in kind and London Weighting) was 22.

Remuneration band	Period ended 31 March 2009 Number	Period ended 31 March 2008 Number
£40,000 to £44,999	6	4
£45,000 to £49,999	11	11
£50,000 to £54,999	1	1
£55,000 to £59,999	0	0
£60,000 to £64,999	2	3
£65,000 to £69,999	0	0
£70,000 to £74,999	1	0
£75,000 to £79,999	0	0
£80,000 to £84,999	0	0
£85,000 to £89,999	1	0

Antonio Masella

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

10 July 2009

Foreword to the financial statements

The financial statements have been prepared in line with a direction issued by HM Treasury in accordance with the Local Government Act 2003.

Statutory basis

The VTS is a non-departmental public body (NDPB) and its constitution is set out in section 105 and Schedule 4 to the 2003 Act.

VTS's aim

To secure the efficient and independent operation of the valuation tribunals in England and to improve customer service through the spread of best practice.

The Secretary of State has defined the overall aim for the VTS as follows:

'To provide staff, accommodation and other support (including general advice about procedure in relation to proceedings before tribunals) to valuation tribunals in England'.

Financial Reporting Standard 17 'Retirement Benefits'

Under HM Treasury guidance, the VTS has implemented Financial Reporting Standard 17 (FRS 17) where amended by International Accounting Standard (IAS) 19. The VTS prepares its Accounts in accordance with the Financial Reporting Manual (FReM) as it applies to NDPBs. This assumes a net discount rate of 2.1% p.a. and an inflation rate of 3.8% p.a. Under FRS 17, the additional costs associated with paying benefits early, or granting additional service, where staff members retire on unreduced pension on redundancy or efficiency grounds have been recognised in full in the Income and Expenditure Statement in the year the requirement is granted.

Statement of the Board's and Chief Executive's responsibilities



Under the Local Government Act 2003, the Board and the Chief Executive of the Valuation Tribunal Service for England are required to prepare a statement of Accounts for each financial year, in the form and on the basis determined by the Secretary of State, with the consent of HM Treasury.

The Accounting Officer for the sponsoring department designated Dr Christina Townsend as the VTS's Accounting Officer for the accounting period 1 April 2008 to 31 March 2009. The Department appointed Antonio Masella as Accounting Officer from 2 July 2009.

At March 2009 Dr Townsend had responsibility for the propriety and regularity of the public finances and for the keeping of proper records, as set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum, issued by HM Treasury and published in 'Managing Public Money' by the Stationery Office.

The annual Accounts are prepared on an accruals basis and must show a true and fair view of the VTS's state of affairs at the year end, and of its income and expenditure and cash flows for the financial year.

In preparing these Accounts, the Chief Executive is required 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 or not applicable accounting standards have been followed and disclose and explain any material departures in the financial statements; and
- prepare annual Accounts on a going concern basis unless it is inappropriate to presume that the VTS will continue in operation.

In addition the Chief Executive should:

- confirm that all reasonable steps have been taken to make the auditors aware of any relevant audit information.

Antonio Masella

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

10 July 2009

Anne Galbraith OBE

**Chairman,
Valuation Tribunal Service**

10 July 2009

Statement on internal control

Scope of responsibility

I am appointed by the sponsoring department (Communities and Local Government) as Accounting Officer for the Valuation Tribunal Service (VTS). As Accounting Officer I have responsibility for maintaining a sound system of internal control that supports the achievement of the VTS's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money. I share also the responsibility with the Board to comply with the Management Statement and Financial Memorandum and in particular in providing the necessary assurances on the adequacy, effectiveness and efficiency, control and governance of systems and processes.

I have no role in the make up of the membership of valuation tribunals and the judicial processes associated with them, or the decisions of the individual tribunal, nor any role in the management, appraisal or discipline of tribunal members. Responsibility for the tribunals and appointment of members currently lies with the 56 Presidents. The Presidents and the members are all volunteers.

The purpose of the system of internal control

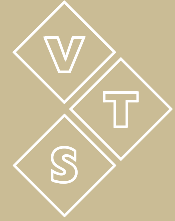
The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives. It can only provide, therefore, reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the VTS's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the VTS for the year ended 31 March 2009 and up to the date of signing of the Annual Report and Accounts.

Capacity to handle risk

There is a clear understanding and ownership of risk at Board level. Whilst every member of staff within the VTS has a responsibility to ensure that the VTS's exposure to risk is managed, overall leadership of the VTS risk management process rests with senior management. They are responsible for promoting and embedding a risk management culture within the VTS, which includes setting the risk management framework within which the VTS operates. This awareness was progressed with the Board and senior managers through various risk management workshops conducted by external consultants towards the latter part of the year. In 2009-10, the Board will receive and review a new strategic risk register aligned to the VTS's objectives for the year. The Board will then be better enabled to ensure that this new approach to risk management will be broadened and more embedded, integrating the corporate risk appetite and risk strategy into the culture of the organisation.

Risk awareness will continue at operational and departmental levels through individual operational risk registers which in turn may provide certain inputs at the strategic level.

The Corporate Director has leadership responsibility for ensuring that appropriate mechanisms are in place to identify, monitor and control risk and for advising senior management on the actions needed in order to comply with our corporate governance requirements. The Board regularly monitors the organisation's



risk management performance and delegates to the Audit Committee the responsibility for ensuring that the risk management responsibilities are discharged efficiently, effectively and economically. The Audit Committee has an oversight into the strategic risk register and it will discharge its duty of governance to the VTS Board by 'testing' that there are effective processes in place to manage risk and from time to time select particular areas of operation to identify risk and obtain assurances that there are robust processes in place. The risk management strategy will always be to balance controls with resources available whilst operating within the governance framework.

The Audit Committee, which meets four times per year, reviews risk management processes as a standing agenda item.

The risk and control framework

The existing risk management framework is composed of a hierarchy of registers, including the corporate risk register, risk registers for each VTS region, each office and each of the Head Office departments. There is also a separate Health and Safety risk register. Currently risks are identified through a 'bottom up' approach with risk management being a standing item at team meetings. Risks identified in the office risk registers are reviewed by the relevant manager with high level risks being added to the regional risk register. The regional and departmental risk registers are reviewed quarterly by the Corporate Director, who includes risks with an impact on the whole organisation.

The VTS has a risk management policy and strategy which include a methodology for measuring the relative levels of risk to the organisation. The Board sets the strategy for the VTS and management of risk is embedded in policymaking, planning and delivery by the Executive in managing operational activities. In 2008-09 we added project management as yet another key area of risk management relating to the change process commenced in the previous year. Our key risk priorities areas are listed below:

- VTS's reputation
- financial control
- project management profiles
- change management issues
- IT development

In each area, we have developed and continue to improve risk management processes to assist us in managing our risks:

Loss of reputation – this is likely to be the most damaging outcome, with the potential to do the greatest harm to the VTS's capacity to carry out effectively its legislative functions.

Financial management – the risks that the VTS faces in relation to the ability to spend the funds allocated appropriately are managed through various mechanisms – financial management and reporting, project appraisal and monitoring.

Project management – in 2008-09 a number of staff attended best practice project management training and five staff attained the PRINCE2 qualification. A senior member of staff at Director level has been appointed to lead our development work and has undertaken strategic programme management, training and accreditation. Business cases are now presented to the Board supported by option appraisals. Cost savings are identified, outputs and spend profiles matched against budget on a regular basis, and where relevant, against a background of a change management agenda.

Change management – the VTS continued its estates closure programme through the financial year, based on pre-identification of risks associated with changes proposed. The VTS engaged with and was supported by its sponsoring department throughout the process. The Board received a business case in respect of each change.

IT development – at the year end IT development and investment are prominent as part of the change process, as funds have become available from the Department to introduce improved and new IT systems in response to meeting regulatory change and business requirements. The Board evaluates each proposal in the form of a separate business case for each IT project and assures itself that enhancements to current systems have acceptable levels of risk tolerance before proceeding with investment.

The introduction of the single Valuation Tribunal for England (VTE) on 1 October 2009 will see the abolition of the current 56 valuation tribunals. Their Presidents will continue to serve as chairmen in the VTE. The new Tribunal's national President was appointed in January 2009 and in June 2009 four vice presidents have been appointed to support the Tribunal's effectiveness in communicating with the membership, standardising the different aspects of the running of a Tribunal, introducing terms and conditions for members and various other procedural aspects.

The use of volunteer members is a very cost effective means of providing the service and it is important that the 'goodwill' I have available to me is maintained and built upon. With this in view, in March 2009 external consultants were engaged to carry out a workflow analysis exercise. The aim of this project is to support the members in fulfilling their judicial functions, and to develop common administrative and technical practices across all offices.

In addition to these actions, the following have continued:

- the business planning process ensures that new risks, or changes to existing risks, are identified at each stage of the process, from horizon scanning through to the agreement of detailed business plans;
- the reporting of performance against key operational indicators; and
- periodic reports from the Chair of the Audit Committee to the Board and the Accounting Officer.

A recent introduction to process reviews and the accountability framework has been the Board's acceptance of a governance framework for IT development projects. This framework will be extended to IT in general in due course. The introduction of a Programme Management Board adopts the project management methodologies introduced during 2008-09. This Board, comprising senior management and a VTS Board representative will include risk management as a key element of progressing business case requirements and project delivery.



The VTS has service level agreements with the Valuation Office Agency (VOA) for IT maintenance and with CLG for the SAP accounting system, and both are renewed annually on 31 March. The VTS also makes use of government wide framework agreements for the provision of payroll services and IT support services, including the provision of business continuity and disaster recovery, logical and physical IT security and mainframe management. Internal Audit conducted a review of our IT arrangements with the VOA, particularly in areas of ensuring independence in the integrity of data between both organisations. Certain improvements can be made and will be addressed in 2009 but in the main we have received reasonable assurance that the data held in the VTS's databases is secure, confirming the access controls in place.

In areas of procurement and contract management with suppliers, the VTS has been successful in negotiating in to certain office contracts operating in the public sector to control cost of purchases to economic levels. Consideration is currently being given to introducing improved management of supplier terms and conditions by way of issuing a VTS standard contract.

Review of effectiveness

As Accounting Officer I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the senior managers within the VTS who have responsibility for the development and maintenance of the internal control framework, by the advice and guidance I receive from the Audit Committee, the Board and sponsor team within CLG, by surveys of tribunal users and by both internal and external auditors in their management letter and other reports.

On 2 July 2009 the Department for Communities and Local Government appointed me as acting Chief Executive and Accounting Officer for the Valuation Tribunal Service. Whilst I was not Accounting Officer for the period under consideration, I was a member of the senior management team during that period and shared with colleagues responsibility for managing the internal control framework. I have also been advised by the other senior managers in post during the year of the effectiveness of internal controls within their areas of responsibility.

AHL Limited were appointed internal auditors on 1 April 2008. The audit strategy and annual plan was approved by the Accounting Officer and the Audit Committee. In addition, the audit plan is shared with the Head of Internal Audit at CLG and the National Audit Office. The scope of work and reports for all audits were agreed with management and endorsed by the Audit Committee. AHL Limited has produced an annual report summarising the work undertaken by internal audit in 2008-09. The annual report and assurance provided have informed my review of the effectiveness of the VTS system of internal control.

Information handling

The VTS has worked hard throughout the year in its endeavours to comply with all Cabinet Office guidelines on data security and information handling. The Board has received informative periodic reports of the status of compliance with various Cabinet Office directives. As the Accounting Officer responsible for ensuring compliance with the recommendations and guidelines I submitted the Annual Return 2008-09 on 31 May 2009 to our sponsoring department on behalf of the Cabinet Office Security Division confirming those mandatory requirements that the VTS has met over the past 12 months. In general I am

pleased to report that the VTS is compliant with the appropriate procedures for protecting and sharing data. I can report also that I have received confirmation from the Board's appointed senior information risk owner (the 'SIRO') that all the relevant compliances are in place at 31 March 2009. In early 2009 our internal auditors reviewed our data handling and security measures in place at the time and, whilst we acknowledge that more work has to be done, which might also allow us to proceed to obtain accreditation adopting the ISO 27000 standard, the auditors were satisfied that the pragmatic approach to compliance was reasonable given the resources available and other work priorities involved. We will continue in the early part of the next financial year to roll out our information security management system manual and introduce a CLG supported e-learning training module to all staff.

The principal threats to the integrity of the VTS's data have been assessed as being from data copied from the network on to removable media and inappropriate transmissions via email. Accordingly, restrictions have been imposed on the copying of data and further enhancements may lead us to adopting the Government's secure Gsi internal network, particularly if we move to having selective staff working more flexibly. In the meantime, the VTS operates on its accredited Gsx email security system.

Significant Internal control issues

A comprehensive analysis of our financial reporting processes and reporting issues has been completed following some external recommendations. We have put in place improvements to our budget setting and monitoring processes following a review from our internal auditors. This has led to the issue of a budget user manual and the identification of principal budget holders for report purposes. In addition, the format of our monthly management reports was reviewed resulting in an improved and expanded set of reports to the Board from January 2009. The SAP accounting system was enabled with the assistance of shared service support staff to generate reports in accordance with the accounts structure. However as new reporting templates have been provided to senior management and the Board from 2009, discussions will be resumed with the sponsoring department's finance division to generate these direct from SAP over time.

Internal Audit raised important control issues in the areas of governance and procurement which the VTS will address as a priority in the coming months. In particular, key governance documentation is in need of review and update, no longer reflecting the current practices of the VTS. There were issues of non-compliance with procurement guidelines, relating to use of business cases, single tender appointments and contract monitoring.

Conclusion

My review has confirmed that a framework of internal control and assurance has remained in place in the VTS for the year ended 31 March 2009 and up to the date of approval of the Annual Report and Accounts. I am satisfied that no other significant internal control issues materialised in 2008-09.



Antonio Masella

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

10 July 2009

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



I certify that I have audited the financial statements of the Valuation Tribunal Service for the year ended 31 March 2009 under the Local Government Act 2003. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Valuation Tribunal Service, Accounting Officer/ Chief Executive and Auditor

The Valuation Tribunal Service and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Local Government Act 2003 and directions made there under by the Secretary of State and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Board's and Chief Executive's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Local Government Act 2003 and directions made there under by the Secretary of State. I report to you whether, in my opinion, the information which comprises Governance and Leadership, Management Commentary and Financial Review included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Valuation Tribunal Service has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Valuation Tribunal Service's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Valuation Tribunal Service's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report, comprising the Chairman's Statement, the Chief Executive's Statement, Our Services and What We Do, Our Estate and the unaudited part of the Remuneration Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Valuation Tribunal Service and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Valuation Tribunal Service's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Local Government Act 2003 and directions made there under by the Secretary of State, of the state of the Valuation Tribunal Service's affairs as at 31 March 2009 and of its surplus for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Local Government Act 2003 and directions made there under by the Secretary of State; and
- Information which comprises Governance and Leadership, Management Commentary and Financial Review included within the Annual Report, is consistent with the financial statements.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse

Comptroller and Auditor General

National Audit Office, 151 Buckingham Palace Road
London SW1W 9SS

14 July 2009

Income and expenditure account for the year to 31 March 2009



	Note	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Expenditure			
Administration costs			
– Staff costs	2	5,337	4,949
– Other costs	3/4	4,892	4,950
Total expenditure		(10,229)	(9,899)
Net expenditure		(10,229)	(9,899)
Interest received		–	–
Interest paid/Charges		–	–
Cost of capital	8	371	378
Finance charges for pensions	12	(600)	(230)
Net expenditure on ordinary activities		(10,458)	(9,751)
Reversal of notional cost of capital	8	(371)	(378)
Net expenditure for year	13	(10,829)	(10,129)
Represented by:			
Net expenditure attributable to ordinary activities		(10,224)	(9,857)
Net expenditure attributable to pensions	15	(605)	(272)

The notes on pages 57 to 73 form part of these Accounts

All activities were continuing in the year.

Statement of recognised gains and losses as at 31 March 2009

	Note	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
(Decrease)/Increase in irrecoverable pension surplus from membership fall and other factors	12	(2,691)	4,296
Recognised (losses)/gains for the year		(2,691)	4,296

Balance sheet

as at 31 March 2009



	Note	12 months to 31 March 2009 £'000	12 months to 31 March 2008 £'000
Fixed assets			
– Intangible assets	5	–	–
– Tangible assets	6	1,203	987
– Assets under construction	7	213	–
		1,416	987
Current assets			
– Debtors	9	403	637
– Cash at bank and in hand	18	101	153
		504	790
Creditors			
– Amounts falling due within one year	10	(1,358)	(642)
Net current (liabilities)/assets		(854)	148
Total assets less current liabilities		562	1,135
Provisions for liabilities and charges	11	(249)	(732)
Net assets employed excluding pension liabilities		313	403
Provisions for pension liabilities	12	(12,466)	(9,170)
Total net liabilities		(12,153)	(8,767)
Represented by			
Capital and reserves			
– General reserve	13	(890)	(1,395)
– Capital reserve	14	1,203	1,798
– Pension fund reserve – accumulated deficit	15	(12,466)	(9,170)
		(12,153)	(8,767)

The notes on pages 57 to 73 form part of these Accounts.

Antonio Masella

Acting Chief Executive and Accounting Officer,
Valuation Tribunal Service

10 July 2009

Anne Galbraith OBE

Chairman,
Valuation Tribunal Service

10 July 2009

Cash flow statement

for the year to 31 March 2009

	Note	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Net cash inflow/(outflow) from operating activities	17	85	(197)
Return on investments and finance charges		(600)	(230)
Capital expenditure			
Purchase of fixed assets and work in progress	6/7	(693)	(221)
Net cash outflow from capital expenditure		(693)	(221)
Financing			
Increase in capital reserve	14	551	500
FRS 17 adjustment	15	605	272
Total financing		1,156	772
Net cash (outflow)/inflow	18	(52)	124

The notes on pages 57 to 73 form part of these Accounts.

Notes to the accounts



1 Statement of accounting policies

1.1 The financial statements have been prepared in accordance with the 2007-08 Government Financial Reporting Manual (FRM) issued by HM Treasury. The accounting policies follow applicable Accounting Standards in the United Kingdom and meet the accounting and disclosure requirements of the Companies Act 1985 to the extent these are appropriate and meaningful to the public sector. The financial statements are prepared under the historic cost convention and the NDPB's accounting policies have been applied consistently in dealing with charges considered material in relation to the accounts.

1.2 Fixed assets and depreciation

i Capitalisation threshold

Assets are capitalised where they have an expected useful life of more than one year and where the original cost of the item exceeds £1,000 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 capitalised value.

In reviewing the types of assets held, it is considered that neither external valuations nor impairment reviews are necessary.

ii Land and buildings

The VTS does not hold any financial interest in land or buildings; it occupies various premises rented or leased from a number of landlords.

iii Revaluation

The VTS does not consider that revaluation of assets is appropriate to its assets as represented by the carrying value of all assets.

iv Depreciation

The straight line method of depreciation is used; that is, depreciation is provided at rates calculated to write off the valuation of fixed assets less the estimated residual value by equal annual instalments over their estimated useful lives. The VTS reviews the asset lives annually and as at 31 March 2009 are applied as follows:

- computers 3 years;
- in-house developed software 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.

v Intangible assets and amortisation

Software licences are capitalised as Intangible Assets and shown in Note 5. These licences are amortised by equal annual instalments over the length of the licence.

vi Group assets

The core VTS capitalisation threshold is £1,000 inclusive of VAT. Assets with a net value of less than £1,000 can be grouped together and capitalised, as set out below:

- networked computer infrastructure;
- strategic IT equipment; and
- furniture.

Where the VTS replaces key components of grouped assets, the replacement is depreciated over the remaining useful life of the asset. Where regular maintenance is performed, this is paid for during the year.

1.3 Stocks and assets under construction

The VTS aims to hold stock at a level that is commensurate with immediate business needs. Therefore stock holdings are minimal and have no significant realisable value outside the VTS. Stock has therefore been valued at zero for the year ended 31 March 2009.

Work in progress is valued at the lower of cost or net realisable value. Cost represents the calculated charges by the external developers for IT development based on a time and materials basis. The costs associated with IT development have been included in Assets Under Construction (Note 7).

1.4 Income

Income is accounted for on a receivable basis. Grant in aid (GIA) is accountable on a cash basis. From 2007-08, 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 an NDPB.

1.5 Capital charge

A charge, reflecting the cost of capital utilised by the VTS, is included in operating costs. The charge is calculated at the Government's standard rate of 3.5% in real terms on all assets less liabilities, except for donated assets and cash balances with the Paymaster General, which do not attract a charge.

1.6 Pensions

In compliance with its Accounts Direction and the FReM, the VTS has adopted FRS 17 and, for 2008-09, IAS 19. These accounting standards prescribe the treatment of retirement benefits in the accounts of employing entities. All VTS staff are members of the Local Government Pension Scheme (LGPS). The LGPS is a funded, multi-employer, contributory defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 1997, as amended. It is contracted out of the state second pension. The London Pensions Fund Authority administers the LGPS on behalf of the VTS but employees are admitted to 31 separate LGPS pension funds, each with their own employer contribution rate for VTS employees.

The VTS, therefore, 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 Income and Expenditure Account in the year the retirements are granted. Regular pension fund costs are paid from the same source.



FRS 17 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 surplus. The total net deficit arising for the VTS, as at 31 March 2009, is £12,466,000. The assessment of current surplus or deficit arising from an FRS 17 valuation carries with it no additional payment requirements from the VTS to its LGPS pension authorities as the separate LGPS actuarial valuation, carried out every three years, sets revised employer contribution rates for each employer, such as the VTS, to ensure that existing assets and future contributions will be sufficient to meet future pension payments.

The VTS is an NDPB, sponsored by CLG. As such, there is no risk that it will default on its LGPS contribution payments in any way and the pension fund obligations are fully accounted for and protected at all times.

1.7 Leases

Rentals payable under operating leases are charged to the Income and Expenditure Account in the year to which the payments relate.

1.8 Provisions

The VTS provides for legal or constructive obligations which are of uncertain timing or amount at the Balance Sheet date on the basis of the best estimate of the expenditure required to settle the obligation. This practice conforms to FRS 12.

Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury discount rate of 2.8% (2007-08, 2.8%) in real terms.

Dilapidation costs are treated as provisions and are recognised in terms of the obligations within the VTS's leases on buildings which the VTS still occupies. Where buildings have been vacated, these have been included in Creditors.

1.9 VAT

The VTS is not VAT registered. Therefore 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 fixed assets.

1.10 Taxation

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

1.11 Liquidity risk

The VTS's net revenue resource requirements are financed by resources voted annually by Parliament, just as with its capital expenditure. The VTS is not, therefore, exposed to significant liquidity risks.

1.12 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.

2 Staff costs

	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
The payroll costs for the VTS were as follows:		
Wages and salaries	3,438	3,502
Social security costs	289	284
Other pension costs	830	830
	4,557	4,616
Other staff costs		
Redundancy payments and provisions	691	273
Fringe benefits	4	2
Agency/Seconded staff costs	50	26
Other non staff costs	35	32
	780	333
Total staff costs	5,337	4,949
The average number of staff employed during the period to 31 March, was split as:		
Full time equivalent permanent staff	108	116
Fixed and short term contract, and agency staff	5	4
Total	113	120

3 Other costs

	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
3a Board costs		
Emoluments	98	92
Training	9	7
Travel and subsistence	36	38
Total Board costs	143	137
Valuation Tribunal For England (VTE)		
Emoluments and Expenses	35	–
Total VTE	35	–



	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
3b Members' costs		
Financial loss allowance	52	49
Training	84	115
Travel and subsistence	410	258
Total members' costs	546	422
3c Other administrative expenses		
Travel and subsistence – staff	175	139
Furniture and office equipment	1	3
Telecommunications and postage	358	402
Publications, printing, publicity and research	132	72
Recruitment, training and conferences	190	98
Catering and hospitality	28	25
Office supplies	39	55
Subscriptions to professional organisations	12	10
Removals and storage	23	9
Support services ¹	959	803
Information technology	394	337
	2,311	1,953
Internal audit fees	30	26
External audit fees	39	32
Total administrative expenses	3,104	2,570
3d Estates' costs		
Domestic services	62	69
Heating and lighting	42	50
Fixed maintenance	8	21
Insurance	15	16
Car park charges	8	13
Professional services	31	–
Rates	234	261
Rent – paid as operating leases (buildings)	780	868
Security	6	7
Temporary accommodation	84	39
Variable maintenance	83	100
Service charges	207	264
Office refurbishments	102	28
Strategic provisions	(136)	387
Total estates' costs	1,526	2,123
Total other costs	4,630	4,693

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

4 Depreciation

	Note	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Tangible fixed assets			
Depreciation charge for period	6	264	253
Gain on sale of fixed assets		(2)	–
Intangible fixed assets			
Amortisation for period	5	–	4
Total depreciation charge for period		262	257

5 Intangible fixed assets

	Software licences £'000
Cost or valuation	
At 1 April 2008	8
Additions	–
Disposals	(8)
At 31 March 2009	–
Amortisation	
At 1 April 2008	(8)
Additions	–
Disposals	8
Charge for period	–
At 31 March 2009	–
Net book value at 31 March 2009	–
Net book value at 31 March 2008	–



6 Tangible fixed assets

	Leasehold improvements £'000	Furniture and fittings £'000	Information technology £'000	Total £'000
Cost or valuation				
At 1 April 2008	156	120	1,209	1,485
Additions	311	33	136	480
Disposals	–	–	–	–
At 31 March 2009	467	153	1,345	1,965
Depreciation				
At 1 April 2008	(16)	(52)	(430)	(498)
Additions	–	–	–	–
Disposals	–	–	–	–
Charge for period	(27)	(32)	(205)	(264)
At 31 March 2009	(43)	(84)	(635)	(762)
Net Book Value at 31 March 2009	424	69	710	1,203
Net Book Value at 31 March 2008	140	68	779	987

7 Assets under construction

	Assets under construction £'000
At 1 April 2008	–
In-year movement	213
At 31 March 2009	213

Assets under construction represents the incidence of costs provided by Cap Gemini for work associated with the design stage of various IT development projects. These costs will be further refined by Cap Gemini for the build stage and through life costs in determining the specification to deliver on each project by 31 March 2010.

8 Notional costs

Guidance given by HM Treasury in respect of NDPBs' Annual Reports and Accounts requires NDPBs to disclose the full cost of their activities in their accounts. The VTS has therefore included in its Accounts, charges for the notional cost of capital.

The cost of capital shown in the accompanying table has been arrived at by calculating a rate of 3.5% to the average capital employed.

The average capital employed is defined as the average total net assets over the year. Total net assets exclude bank balances.

	Year ended 31 March 2009 £'000
Capital employed as at 1 April 2008	(8,920)
Capital employed as at 31 March 2009	(12,254)
Average capital employed	(10,587)
Notional cost of capital @3.5%	(371)

9 Debtors

	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Due in one year		
Prepayments and accrued income	396	627
Other debtors	7	10
Represented by external bodies to Government	403	637

10 Creditors: amount falling due within one year

	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Accruals and deferred income	1,358	642
Represented by bodies external to Government	1,358	642



11 Provisions for liabilities and charges

	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
At 1 April 2008	732	395
Amount used from opening provision	(333)	(62)
Unused amount reversed during the period	(363)	(115)
Dilapidations based on third party valuations	213	514
At 31 March 2009	249¹	732¹

¹ Represented at beginning and end of year by property dilapidations.

Discount rate is not applicable.

12 Provisions for pension liabilities

	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
At 1 April 2008	9,170	13,194
Addition/(Reduction) in provision in period	3,296	(4,024)
At 31 March 2009	12,466	9,170

A provision has been recognised for pension liabilities and their valuation has been determined by the VTS's independent actuaries, Hymans Robertson. Contrary to the valuation method defined in FRS 12, the pension liabilities have been valued by the actuaries using mid investment prices rather than bid prices.

Valuations of all LGPS funds have been based on updated valuations and allowances for investment experience and cash flows between 31 March 2007 and 31 March 2009. The pension disclosures at 31 March 2009 are in accordance with IAS 19 for the first time. All other movements for the period are assumed to be in line with assumptions made in the funding valuations. Both FRS 17 and IAS 19 allow the use of approximate valuations, rather than full valuations and therefore the latest funds' valuations take account of the different financial assumptions required under both accounting standards for the period to 31 March 2009.

The financial assumptions used for purposes of the FRS 17/IAS 19 calculations for the two years to 31 March 2009 are shown in the table below.

Assumptions as at	31 March 2009 % p.a.	Real % p.a.	31 March 2008 % p.a.	Real % p.a.
Price increases	3.10	–	3.60	–
Salary increases	4.60	1.50	5.10	1.50
Pension increases	3.10	–	3.60	–
Discount rate	6.90	3.70	6.90	3.20

Expected return on assets

The expected return on assets is based on the long term future expected investment return for each asset class as at the beginning of the period (as at 31 March 2009 for the year to 31 March 2010).

Under IAS19, assumptions regarding the expected return on assets are expected to be the Employer's best estimate of future experience. In addition, FRS 17 requires that the expected return on assets is to be set by the VTS having taken actuarial advice. We have provided expected returns derived from HRAM (the proprietary stochastic asset model developed and maintained by Hymans Robertson LLP). This is consistent with the approach we have taken in previous years.

Details of the expected returns we recommend as at 31 March 2009, along with a comparative figure at 31 March 2008 are detailed below. We believe that these are best estimates regarding expected return and therefore comply with both accounting standards.

Asset class	Expected return at 31 March 2009	Expected return at 31 March 2008
Equities	7.0%	7.7%
Bond	4.4%	5.0%
Property	4.9%	5.7%
Cash	4.0%	4.8%

There is a range of actuarial assumptions that are acceptable under the requirements of both accounting standards, particularly in respect of the expected return on equities. We consider that these assumptions are within the acceptable range and are thus consistent with the requirements of both accounting standards. The assumed returns are net of administration and investment expenses. Allowance has been included in the cost of accruing benefits for expenses to the extent that we have been informed that it has been allowed for in the future service rate for each Fund.

12a Revenue account costs for the year to 31 March 2009

Analysis of amount charged to income and expenditure account

Year ended	£'000	31 March 2009 % of payroll	£'000	31 March 2008 % of payroll
Current service cost	480	15.10	673	21.40
Interest cost	2,407	75.50	2,209	70.20
Expected return on employer assets	(1,807)	(56.70)	(1,979)	(62.90)
Past service cost/(gain)	193	6.10	–	–
Losses/(Gains) on curtailment and settlements	194	6.10	108	3.40
Total	1,467	46.00	1,011	32.10
Actual return on plan assets	(5,191)	–	(1,277)	–

An allowance has been included for retrospective change that came into effect from 1 April 2008. This covers the extension of the death grant upon death after retirement to 10 times the pension less the total pension payments already paid, and the extension of the eligibility criteria for dependants' pensions upon death to include a nominated cohabitee. This allowance was not included for the 31 March 2008 FRS 17 disclosures and is disclosed as a past service cost.



Movement in (deficit) during the year

Year ended	31 March 2009 £'000	31 March 2008 £'000
Reconciliation of defined benefit obligation		
Opening defined benefit obligation	35,238	41,086
Current service cost	480	673
Interest cost	2,407	2,209
Contributions by members	261	213
Actuarial losses/(gains)	(4,307)	(7,552)
Past service costs/(gains)	193	–
Losses/(Gains) on curtailments	194	108
Liabilities extinguished on settlements	–	–
Liabilities assumed in a business combination	–	–
Exchange differences	–	–
Unfunded benefits paid	(98)	(97)
Benefits paid	(1,437)	(1,402)
Closing defined benefit obligation	32,931	35,238
Reconciliation of fair value of employer assets		
Opening fair value of employer assets	26,068	27,892
Expected return on assets	1,807	1,979
Contributions by members	261	213
Contributions by the employer	764	642
Contributions in respect of unfunded benefits	98	97
Actuarial gains/(losses)	(6,998)	(3,256)
Assets distributed on settlements	–	–
Assets acquired in a business combination	–	–
Exchange differences	–	–
Unfunded benefits paid	(98)	(97)
Benefits paid	(1,437)	(1,402)
Closing fair value of employer assets	20,465	26,068

Balance sheet disclosure as at 31 March 2009

Assumptions as at	31 March 2009 % p.a.	31 March 2008 % p.a.
Price increases	3.10	3.60
Salary increases	4.60	5.10
Pension increases	3.10	3.60
Discount rate	6.90	6.90

Assets (employer)	Long term return at 31 March 2009 % p.a.	Assets at 31 March 2009 £'000	Long term return at 31 March 2008 % p.a.	Assets at 31 March 2008 £'000
Equities	7.00	14,740	7.70	19,154
Bonds	4.40	3,447	5.00	4,239
Property	4.90	1,227	5.70	1,689
Cash	4.00	1,051	4.80	986
Total	6.30	20,465	7.00	26,068

Net pension asset/(liability) as at	31 March 2009 £'000	31 March 2008 £'000
Fair value of employer assets	20,465	26,068
Present value of funded liabilities ¹	31,495	33,795
Net (under)/overfunding in funded plans	(11,030)	(7,727)
Present value of unfunded liabilities ²	1,436	1,443
Unrecognised past service cost	–	–
Net pension asset/(liability)	(12,466)	(9,170)
Amount in the balance sheet:		
Liabilities	12,466	9,170
Assets	–	–
Net pension asset/(liability)	(12,466)	(9,170)

1 The actuaries estimate that this liability comprises of approximately £14,049,000, £3,288,000 and £14,158,000 in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2009. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable for certain Funds where there has been membership movement between active, deferred and pensioner classes. However, we are satisfied that the approach used leads to reasonable estimates for the aggregate liability figure.

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



12b History of experience gains and losses

Year ended	31 March 2009 £'000	31 March 2008 £'000	31 March 2007 £'000	31 March 2006 £'000	31 March 2005 £'000
Fair value of employer assets	20,465	26,068	27,892	26,255	21,224
Present value of defined benefit obligation	(32,931)	(35,238)	(41,086)	(34,627)	(28,441)
Experience gains/(losses) on assets	(6,998)	(3,256)	182	3,622	797
% of assets	(34.2%)	(12.5%)	0.70%	13.80%	3.80%
Experience gains/(losses) on liabilities	63	3,075	268	(78)	(23)
% of liabilities	0.20%	8.70%	0.70%	(0.2%)	(0.1%)
Actuarial gains/(losses) on liabilities	4,307	7,552	(4,696)	(3,629)	(23)
% of liabilities	13.10%	21.40%	(11.4%)	(10.5%)	(0.1%)

Projected pension expense for the year to 31 March 2010

Analysis of projected amount to be charged to operating profit for the year to 31 March 2010

Year ended	£'000	31 March 2010 % of payroll
Service cost	420	12.60
Interest cost	2,234	67.00
Expected return on employer assets	(1,270)	(38.10)
Past service cost (gain)	–	–
Losses/(Gains) on curtailment and settlements	–	–
Total net revenue account cost	1,384	41.50

Note that these figures exclude the capitalised cost of any early retirements or augmentations which may occur during 2009-10.

13 General reserve

	As at 31 March 2009 £'000	As at 31 March 2008 £'000
Balance at 1 April 2008	(1,395)	(781)
Net expenditure for year ¹	(10,829)	(10,129)
Grant in aid treated as financing ¹	9,585	9,243
Prior year adjustment	811	–
Transfer to Pensions Reserve	605	272
Depreciation for period, net of gain on sale	262	–
Provision for assets under construction	71	–
Balance at 31 March 2009	(890)	(1,395)

1 The deficit on the Income and Expenditure Account is not fully covered by grant in aid from the Department as a result of timing differences in the accounting for and payment of reorganisation costs. The VTS has made provisions in relation to closure of several offices in 2008-09. Grant in aid reflects only the VTS's requirement for cash in any given year. Consequently the VTS will look to the Department for additional funds to be drawn down through the supplementary estimates funding process in 2009-10, as the cash to pay these obligations is required.

14 Capital reserve

	As at 31 March 2009 £'000	As at 31 March 2008 £'000
Balance at 1 April 2008	1,798	1,298
Capital grant in aid treated as financing ¹	551	500
Capital grant used against purchases of fixed assets	(480)	–
Assets under construction part financed by Capital grant in aid	145	–
Prior year adjustment	(811)	–
Balance at 31 March 2009	1,203	1,798

1 Capital grant in aid is credited to Capital Reserve when received and represents funds to finance the purchase of fixed assets. A transfer is made each year between Capital and General Reserves to reflect the depreciation charge on assets purchased through grant funding.

15 Pension fund reserve

	As at 31 March 2009 £'000	As at 31 March 2008 £'000
Balance at 1 April 2008	(9,170)	(13,194)
Transfer from general fund	(605)	(272)
Movement on pensions ¹	(2,691)	4,296
Balance at 31 March 2009	(12,466)	(9,170)

1 Represents net movement on assets and liabilities recognised across all pension funds resulting in an increase in total pension liabilities (Note 12), offset by annual charges for accrued benefits, early retirements and employer's contributions.



16 Reconciliation of movement in funds

	As at 31 March 2009 £'000	As at 31 March 2008 £'000
Opening balance of Reserves	(8,767)	(12,677)
Movement in funds:		
Operating net expenditure	(10,829)	(10,129)
Capital purchases	480	221
Assets under construction	213	–
Movement on pensions	(2,835)	4,575
GIA treated as financing	9,585	9,243
Closing balance of Reserves	(12,153)	(8,767)
Represented by:		
General Reserve	(890)	(1,395)
Capital Reserve	1,203	1,798
Pension Fund Reserve	(12,466)	(9,170)
Closing balance of Reserves	(12,153)	(8,767)

17 Reconciliation of net expenditure to net cash flow from operating activities

	As at 31 March 2009 £'000	As at 31 March 2008 £'000
Net expenditure before interest	(10,229)	(9,899)
Depreciation charges, net of gain on sale of fixed assets	262	257
Decrease/(Increase) in debtors	234	(145)
Increase in operating creditors	716	10
(Decrease)/Increase in provisions for liabilities and charges	(483)	337
Grant in aid credited to general reserve	9,585	9,243
Net cash inflow/(outflow) from operating activities	85	(197)

18 Reconciliation of net cash flow to movement in cash balance held

	As at 31 March 2009 £'000	As at 31 March 2008 £'000
Cash at bank and in hand at 1 April 2008	153	29
(Decrease)/Increase in cash for the year	(52)	124
Cash at bank and in hand held at:	101	153
HM Paymaster General Account	96	150
Lloyds TSB (imprest accounts)	5	3
Total balance at 31 March 2009	101	153

19 Commitments under non-private finance initiative leases

These were annual commitments as at 31 March 2009 to pay rentals under operating lease agreements as follows:

	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Land and buildings		
Leases that:		
Expire within 1 year	27	206
Expire after 1 year but no more than 5 years	434	345
Expire after more than 5 years	40	120
	501	671

There were no annual commitments as at 31 March 2009 to pay rental on office equipment under lease agreements.

20 Capital commitments

There were no capital commitments authorised and not contracted for at 31 March 2009.

21 Related party transactions

The VTS is an NDPB sponsored during 2008-09 by the Department for Communities and Local Government (CLG), which is regarded as a related party. During the reporting period the VTS had a number of significant related party transactions. In particular the VTS is dependent on two shared services – IT management service and software development using capacities operated on its behalf by the Valuation Office Agency (VOA) and HM Revenue and Customs; and shared use of SAP accounting software provided by CLG's Finance and Shared Services Division (FSSD).

The values of related party transactions are as follows with:

- Grant in aid of £10,136,000 was received from CLG, of which £9,585,000 was Revenue;
- Payments of £957,000 were made to VOA for IT services;
- Payments of £106,162 were made to FSSD for accounting services; and payments of £232,000 were made to the LGPS Pension Fund representing employer's contributions for the year.

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



22 Contingent liabilities

There were no contingent liabilities identified at 31 March 2009.

23 Financial instruments

Financial Reporting Standard 13 (FRS 13), Derivatives and Other Financial Instruments, requires disclosure of the impact financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities.

Because of the largely non-trading nature of its activities and the way government agencies are financed, the VTS is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The VTS has very limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day to day operational activities and are not held to change the risks facing the VTS in undertaking its activities.

As permitted by FRS 13, debtors and creditors which mature or become payable within 12 months from the Balance Sheet date have been omitted from the currency profile.

24 Post-balance sheet events

On 1 October 2009 the single Valuation Tribunal for England (VTE) will come into existence, following consultation in 2006 by the Department on 'Valuation Tribunal Modernisation and Reorganisation' resulting in the Government publishing the Local Government and Public Involvement in Health Bill 2007 to create the VTE. In January 2009 a national President for the VTE was appointed by the Lord Chancellor and remunerated by the VTS. The judicial functions to be exercised by the VTE will be supported administratively by the VTS through the financial year 2009-10.

On 2 July 2009 the Department for Communities and Local Government appointed Antonio Masella as acting Chief Executive and Accounting Officer for the Valuation Tribunal Service. In that capacity he has approved the Annual Report and Accounts.

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. FRS 21 requires the VTS to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are despatched by the VTS's management to the Secretary of State for Communities and Local Government or HM Treasury.

The authorised date for issue is: 16 July 2009.

Accounts direction

The Valuation Tribunal Service

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

1. The annual accounts of The Valuation Tribunal Service (hereafter in this accounts direction referred to as 'the Service') shall give a true and fair view of the income and expenditure and cash flows for the year and the state of affairs at the year end. Subject to this requirement, the annual accounts for 2006-07 and for subsequent years shall be prepared in accordance with:
 - (a) the accounting and disclosure requirements given in *Government Accounting* 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



An officer in the Department for Communities and Local Government

28 March 2007



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