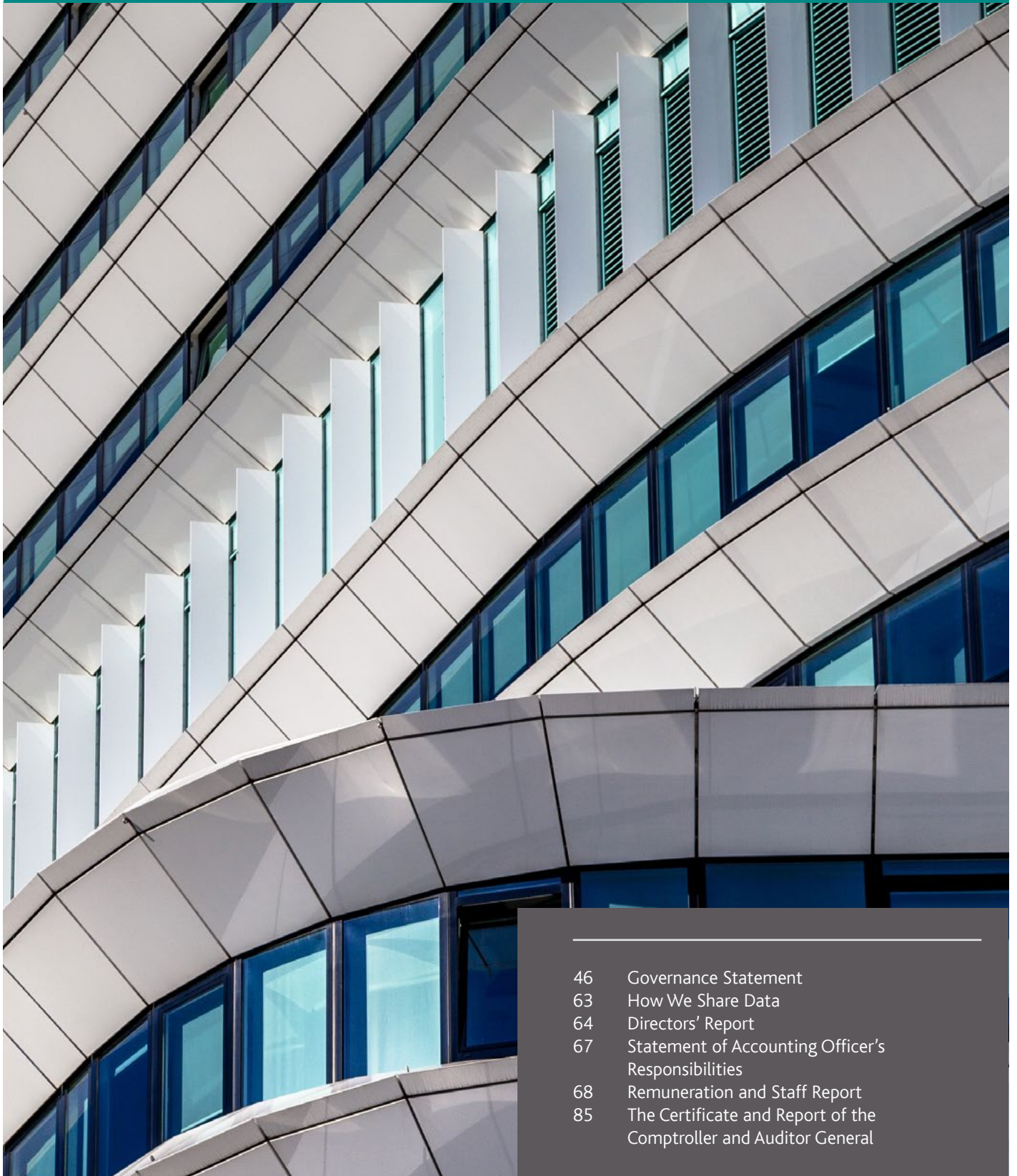


ACCOUNTABILITY



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Governance Statement

Foreword

The purpose of this statement is to provide assurance that the Valuation Office Agency (the Agency) operates within good standards of governance in compliance with the Code of Good Practice 2011. It also outlines the way in which corporate governance (alongside effective risk management) supports stewardship of the Agency.

Penny Ciniewicz
VOA Chief Executive and Accounting Officer



Governance

The VOA is an executive agency of Her Majesty's Revenue and Customs (HMRC). The Chief Executive of the Agency has been a member of HMRC's senior leadership team since July 2015 and has attended HMRC's Executive Committee since September 2015.

During 2015-16, HMRC's Second Permanent Secretary and Tax Assurance Commissioner acted as the Agency's Board sponsor and, as part of his role, held regular performance reviews with the Agency. The Financial Secretary to the Treasury (in his role as departmental minister for HMRC) has ministerial responsibility for the Agency, and I report our progress to him on a regular basis.

Non-executives

The Agency's work is supported by Non-Executive Directors (NEDs) (Alex Jablonowski, Janet Grossman and Alison Hewett) and Non-Executive Members (NEMs) of the Audit and Risk Assurance Committee (Kenneth Hunt and Angela Marshall).

Agency Board

As well as chairing the Board, the Agency's Chief Executive and Accounting Officer has overall responsibility and accountability for the conduct of the Agency's operations, ensuring value for money and regularity and propriety within the organisation.

Board Member
Penny Ciniewicz

Role
Chief Executive
(Chair)

Attendance
11/11

Board Member
Alex Jablonowski

Role
Non-Executive
Director

Attendance
11/11

Board Member
Janet Grossman

Role
Non-Executive
Director

Attendance
11/11

Board Member
Alison Hewett

Role
Non-Executive
Director

Attendance
09/11

Board Member
Janet Alexander

Role
Chief People Officer

Attendance
10/11

Board Member
Dyfed Alsop

Role
Chief Strategy Officer

Attendance
10/11

Board Member
Mary Hardman

Role
Director, Non-
Domestic Rating

Attendance
09/11

Board Member
Philip Macpherson

Role
Chief Digital Officer
and Information Officer

Attendance
11/11

Board Member
Craig Pemberton

Role
Chief Finance Officer

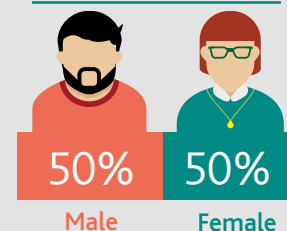
Attendance
11/11

Board Member
Niall Walsh

Role
Chief Operating Officer
and Chief Valuer

Attendance
10/11

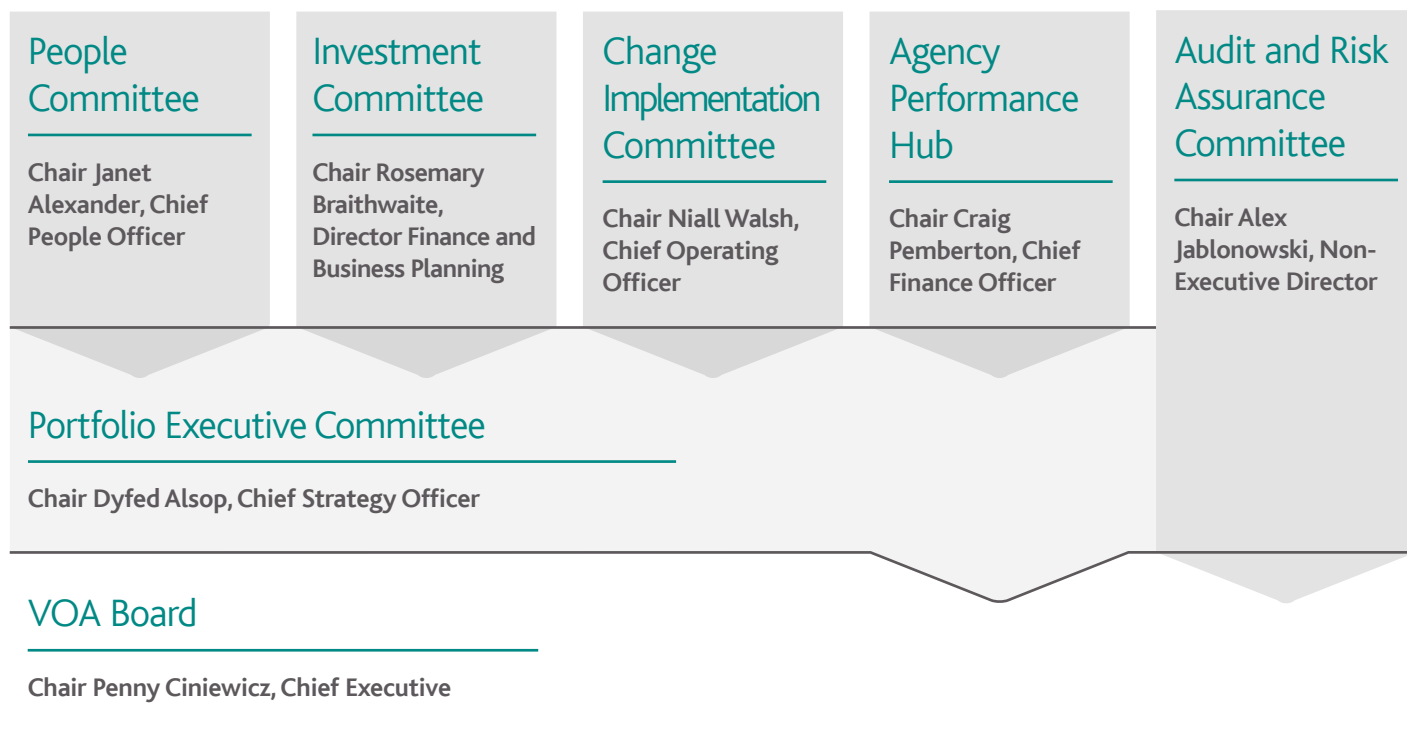
**Board
composition**



The Agency Board scrutinises and advises on the following areas:

- Strategy (setting the Agency's vision and strategic objectives and ensuring all activities contribute towards them)
- Financial reporting and controls
- Strategic risks and risk appetite
- External stakeholder relationships
- Key policies
- Performance (including agreeing the business plan)
- Corporate governance
- People (including reward and recognition).

The Board Operating Framework sets out the role and responsibilities of its members. It is best practice to regularly review and update the Framework. In the last year, the Board has met every month except August and November, and held two meetings in October. In 2015-16, the Board was supported by a number of Committees, as shown below.



Managing conflicts of interest

At the beginning of every Board and Committee meeting, all members are asked to declare any potential conflicts of interest. These are noted in the minutes, along with any action taken to manage them.

Board and Audit and Risk Assurance Committee members are also asked to review and update a conflict of interest record annually. This is maintained by the Board Secretariat.

Board focus areas

The Board focuses on key areas which set the context for the VOA's strategic objectives to:

- target and achieve customer trust;
- drive quality and consistency through improved processes;
- develop and sustain the right capabilities; and
- sustainably reduce our costs and improve value for money.

Within this context the Board agreed that it would focus on the following key areas in 2015-16:

- Performance stewardship
- Sponsorship of Revaluation 2017
- Celebrating and learning from successes
- Transforming leadership and engagement
- Strategically directing the Agency's change portfolio including the Blueprint transformation programme

- Agreeing medium term strategy and funding
- Assuring strategic risk management
- Non-domestic rating (NDR) administrative reforms⁶.

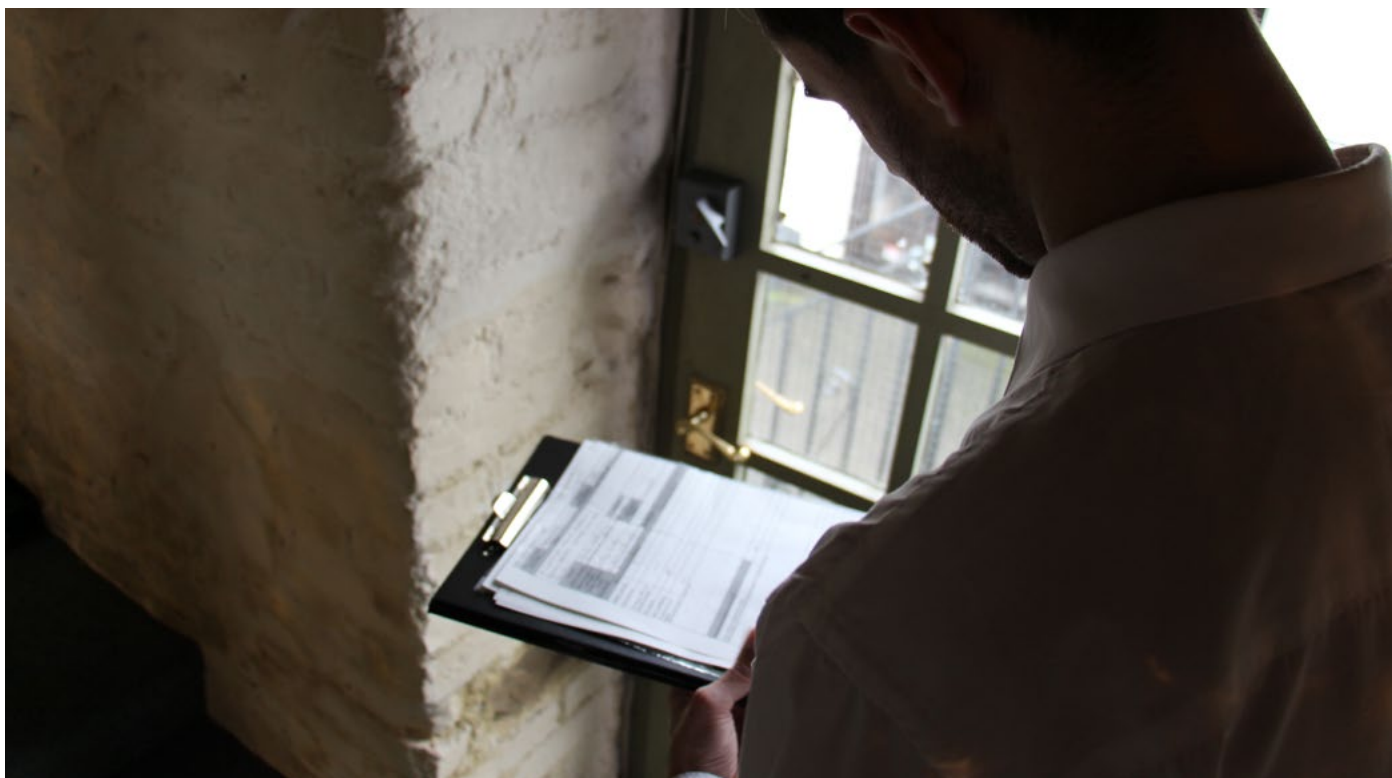
Board visibility

The October 'roaming' Board meeting was held in Shrewsbury. The day before, members visited local offices in Newport, Carmarthen, Merthyr Tydfil, Bangor, Cardiff, Swansea, Wrexham and the Rhyl Network Support Office. Board members value these visits because they provide additional opportunities for them to hear at first-hand the issues people are facing and identify what is working well and celebrate successes with people in the Agency.

This year the Board continued to formally recognise and celebrate the success of Agency colleagues at meetings and to actively learn about their achievements. The Board received presentations from teams across the Agency on topics including:

- Health and safety
- Work being carried out by People Survey Focus Group members to improve engagement
- Individuals who were participating in, or have graduated from, HMRC and Civil Service wide talent programmes
- Agency people who are enlisted in various reserve armed forces
- Digital and Operations people who have worked together to produce a new digital Rent and Lease Details service
- Leaders of teams who significantly improved engagement scores within their teams.

The Board values the opportunity to hear about the progress of key initiatives and will continue to invite teams to celebrate their success with it in the coming year.



⁶ This relates to the review of business rates and how they are administered.

Board highlights

The Board discusses a wide range of issues during the year. The following summary highlights key discussions from each meeting:

<h3>Apr</h3> <p>NDR Appeals⁷ People Strategy 2015-16 Budget</p> <p>2015</p>	<h3>May</h3> <p>Annual Report and Accounts 2014-15 Target Organisational Model NDR Appeals Reform⁸ Portfolio Management</p> <p>2015</p>	<h3>Jun</h3> <p>Blueprint Strategic Outline Case Pay Remit 2015-16 HR Shared Services</p> <p>2015</p>
<h3>Jul</h3> <p>Blueprint Strategic Outline Case NDR Administrative Reforms Target Organisational Model</p> <p>2015</p>	<h3>Sept</h3> <p>Spending Review NDR Administrative Reforms Revaluation 2017 Change Portfolio Model Development</p> <p>2015</p>	<h3>Oct</h3> <p>Estates Transformation Spending Review</p> <p>2015</p>
<h3>Dec</h3> <p>Change Portfolio People Survey Results 2015 External Communication Strategy</p> <p>2015</p>	<h3>Jan</h3> <p>HR Shared Services - Complex Casework Health and Safety Revaluation 2017 Agency Core Purpose and Strategic Objectives</p> <p>2016</p>	<h3>Feb</h3> <p>NDR Administrative Reforms Engagement Agency Performance Framework Home-based and Flexible Working Target Organisational Model</p> <p>2016</p>
<h3>Mar</h3> <p>Non-Domestic Rating Maintenance Plan Check, Challenge, Appeal Agency Governance Review</p> <p>2016</p>	<h3>Regular Standing Items</h3> <p>Performance Update; Celebrating Success; Conflict of Interests; Meeting Review and Audit and Risk Assurance Committee feedback.</p>	

⁷ Dealing with appeals against rateable values for non-domestic properties.

⁸ Appeals process and how it operates.

Audit and Risk Assurance Committee (ARAC)

Chair's overview

The Agency's challenging transformation cannot be achieved without managing the risks arising as a result of its change journey and business as usual. The role of the ARAC is to advise and support the Accounting Officer and Board in carrying out their responsibilities for risk, controls and governance.

Building on an emerging theme from Internal Audit reports, the Agency has this year identified its top ten processes and begun to map each one out in detail. It has further embarked on agreeing a more structured framework for providing assurance around control points in these processes. ARAC continues to support the Agency in maturing its risk and issue management capability across the organisation.

Communicating and reporting

Best practice for ARAC is to ensure effective communication with all its stakeholders. It regularly invites the Agency's Accounting Officer, Chief Finance Officer and Head of Governance and Risk to its meetings. The Chair also provides written and verbal updates to the Board following meetings. HMRC's Audit and Risk Committee Chair attended the Agency's ARAC twice in 2015-16.

Committee members meet separately before each meeting to discuss matters in the absence of any invitees. Internal Audit and External Audit are also given the opportunity to join to discuss matters without executive management being present. Both have direct access to the ARAC Chair should they wish to raise any concerns outside formal Committee meetings.

ARAC Member	Role	Attendance
Alex Jablonowski	Non-Executive Director (Chair)	6/6
Alison Hewett	Non-Executive Director	6/6
Kenneth Hunt	Non-Executive Member	5/6
Angela Marshall	Non-Executive Member	6/6

Notes:

Standing invitees at ARAC are the Chief Executive, Chief Finance Officer, Head of Governance and Risk, Head of Internal Audit and the National Audit Office.

Other Agency Governance Committee focus has included:

Audit and Risk Assurance Committee (Chair Alex Jablonowski)

Purpose: Advise and support the Accounting Officer and Board in relation to risk, control and governance. This is done by reviewing the comprehensiveness of assurances and the reliability and integrity of those assurances.

- Assured the Internal Audit plan for 2015-16 and recommended to the Board for approval.
- Recommended the 2015-16 Annual Report and Accounts to the Chief Executive for signing.
- Steers on the Agency's approach to Operating and Strategic Risk Management along with conducting deep dives into key risk areas.

Number of meetings:

06

Portfolio Executive Committee (Chair Dyfed Alsop)

Purpose: The senior executive decision-making body overseeing the whole of the Agency's work.

- Steering the change portfolio including the Blueprint transformation programme, Revaluation, and Check, Challenge, Appeal programmes.
- Prioritisation of activities including valuation work across the Agency.
- Spending Review options and relationships with the Agency's key stakeholders.

Number of meetings:

13

People Committee (Chair Janet Alexander)

Purpose: Advises on the design and implementation of the Agency's people and reward strategies, workforce change activity and health and safety.

- Approved and assured Agency level recruitment plans for 2015-16; Leadership and Management Development Offer; Workforce Plan; Pay Remit; and Recruitment Principles.
- Assured Performance Management (including end of year appeals).
- Guided the Board on the 2015-16 pay award.

Number of meetings:

10

Change Implementation Committee (Chair Niall Walsh)

Purpose: Responsible for implementing and embedding change into the business and ensuring the realisation of agreed benefits.

- Implementation of the first tranche of the Estates transformation plan.
- Delivery into the Agency of technology projects including intranet refresh, desktop rationalisation and Windows 7 laptops.

Number of meetings:

11

Investment Committee (Chair Rosemary Braithwaite)

Purpose: Supports the Chief Finance Officer in the discharge of his accountabilities.

- Monitored the Agency's financial position during the year.
- Challenged and made recommendations on business cases for transformation projects.
- Reviewed options for major Agency procurement exercises.

Number of meetings:

13

Agency Performance Hub (Chair Craig Pemberton)

Purpose: Reviews in-year performance against key performance indicators and measures; agrees any corrective action required while learning lessons from successes and attained performance levels.

- Reviewed performance measures and targets.
- Used '3C' (Concern/Cause/Countermeasure) problem solving tool to review performance against measures and target.
- Reviewed successes identified from business area hubs

Number of meetings:

11



“This year the Agency engaged Grant Thornton to carry out its annual Board and ARAC effectiveness reviews.”

Board and ARAC effectiveness review

This year the Agency engaged Grant Thornton to carry out its annual Board and ARAC effectiveness reviews. They assessed our performance by reviewing 12 months of Board and ARAC papers; interviewing 18 people, including Board and ARAC members, Internal Audit and VOA staff; and also observed two Board meetings and one ARAC meeting. The ten key themes they considered were:

- Leadership
- Values and team dynamics
- Culture
- Promotion of constructive relationships
- Skills and experience
- Challenge and contribution made by members
- Debate and decision making
- Roles in the VOA governance structure
- The setting of focused agendas
- Quality of information presented to the forums.

Grant Thornton concluded - against an effectiveness maturity model, ranging from level 1 (poor/inconsistent) to level 5 (excellent/leading practice) - that the Board and ARAC was level 3 (good/established) or level 4 (very good/advanced) in most of the above themes. Their overall assessment for the Board was level 3 and for ARAC it was level 4.

The report highlighted that both the Board and ARAC understood their respective governance roles and operated in a stable environment based on standards and procedures. Both Chairs were strong while also setting the appropriate tone for the discussions to take place, and a good level of debate and challenge was observed at the meetings attended as well as decisions being made within a structured approach.

Grant Thornton made a number of recommendations to further improve the effectiveness of the Board, including building upon the strong engagement between non-executive directors and executives through additional opportunities to engage

informally outside the Board, capturing the skills of members in a Board skills matrix, and further reducing the length of meetings.

As this effectiveness review commenced, a review of the Agency's governance arrangements was already being undertaken and was nearing conclusion, to ensure clearer structures exist for change and core business, making the Board more focused. Grant Thornton welcomed the proposed changes contained in the Agency's new streamlined governance structure and confirmed it was consistent with other structures seen in similar-sized organisations. This should mean decisions will be taken at a lower level and will only be referred to our governance where there is a significant impact, which should make the Agency's governance even more effective.

The review recognised that the majority of reports presented were coherent and logically structured. It also recognised that the information provided contained sufficient additional commentary/explanation for Board members to challenge if they wished.

Board and Committee Governance framework changes

In March 2016, the Agency's Board agreed a simplified structure which will bring more clarity and pace to the Agency's decision-making in the next year. This is outlined below.



The key principle is that business decisions should be made at pace and in the most appropriate place. Many of these decisions can be taken at Chief Officer level and delegated within business streams; decisions need only be referred to formal governance where they have a significant impact on either the Agency's customers, finances, people or reputation. The point at which decisions move from a Chief Officer to a governance body for decision does necessitate an element of judgement, although formal thresholds (including financial thresholds) have been set out where possible.

Moving forward into 2016-17, the Agency will operate with the following governance:

- **VOA Board** - Supports the Accounting Officer and Chief Executive in the discharge of her accountabilities and responsibilities.
- **Audit and Risk Committee** - Is chaired by a non-executive director and its membership comprises non-executive members. Its remit is to advise and support the Accounting Officer and Board with their responsibilities for issues of risk, control and governance by reviewing the comprehensiveness of assurances and the reliability and integrity of those assurances.
- **Executive Committee** – Is the senior executive decision-making body for the Agency overseeing business delivery.
- **Transformation Committee** – Is the decision-making body for the Agency’s entire portfolio of transformation activity except in cases of high cost, high risk projects, which will go through the VOA Board. It will ensure the coherent delivery of the VOA’s design, vision and strategy.
- **Agency Performance Hub** - Oversees the Agency’s performance in terms of both immediate and future objectives, within a dedicated performance hub displaying performance indicators agreed by the Board.

Code of Good Practice 2011 (Corporate Governance in Central Government Departments) compliance

The focus of the Code of Good Practice 2011 is on encouraging ministerial departments and smaller bodies such as the Agency to adopt the practices set out in the Code, wherever relevant and practical. We adopt the Code wherever this is the case, although the following are areas where it is not feasible or sensible for us to comply:

- As set out in the Agency’s Framework Document, the Chief Executive chairs the Board rather than a Secretary of State.
- The Agency has not appointed a lead non-executive director, as the non-executives have unfettered access to the Chief Executive.
- The non-executives have decided that, as they have many opportunities to challenge areas of concern, they will not provide a separate report within this annual report.
- The Audit and Risk Assurance Committee has decided that it will not provide an annual report because the Chair provides written and verbal feedback to the Board after every meeting. Members agreed an annual report would provide no further added value. The Audit and Risk Assurance Committee Chair does however provide an overview of the year.
- As the Agency does not have a lead non-executive director, the skills and experience of Board members are reviewed as part of the Board effectiveness evaluation and also as part of members’ individual performance appraisals.

-
- As an executive agency, the non-executives are appointed on approval from HMRC's Accounting Officer and not the Secretary of State.
 - The Board does not include ministers because the organisation is an executive agency of a non-ministerial government department.
 - The Agency does not have a nominations and governance committee given that its executives are members of HMRC's Senior Civil Service (SCS) and HMRC determines their remuneration within Senior Civil Service pay policy guidelines. The Agency has a Senior Succession, Pay and Performance Advisory Committee, chaired by the Chief People Officer, of which non-executives are members, together with the Chief Executive. This guides performance moderation for the Agency's SCS 2 cadre. The Executive Committee meets to provide the same function for the SCS 1 cadre.
 - The Head of Internal Audit (HoIA) is not invited to attend Board meetings but papers are sent to Internal Audit before every meeting. The HoIA discusses key issues relating to governance, risk management and control with the Chief Executive at regular meetings. The HoIA also holds similar meetings with the Chief Finance Officer, and Internal Audit attend Audit and Risk Assurance Committee meetings.

Risk management

The Agency identifies risks and issues which pose a threat to its performance. It then mitigates and manages these risks and issues to reduce or prevent their impacting the successful delivery of the Agency's objectives.

This is done by regular oversight and scrutiny via the Agency's senior leadership team and effective assurance by the Audit and Risk Assurance Committee (ARAC). Risk management operates at different levels within the Agency, from operational decision-making through to strategic level.

As part of the Agency's drive to embed risk management expertise and practices, an additional 20 colleagues from all areas of the business attained Management of Risk Certification (recognised Association of Project Management Professionals qualification) during the year.

A number of specific sources contribute to the Agency's ongoing review and management of risks, including:

- Individual Chief Officers
- National Audit Office reports
- Internal Audit reports and recommendations
- Risk-related reports to ARAC and the Board
- Outputs from the Agency's Governance and Risk function
- Reference to HMRC's governance statement and best practice material

Risk management developments

During the past year the Agency has **built on its risk management processes by:**

- enhancing the operation and structure of the Issue Management Forum.
- completing a review of the Agency's Risk Appetite Statement.
- completing a review of strategic risks within the context of the Spending Review and its challenges.
- providing internal risk management introduction training, as well as offering formal risk management training opportunities.
- increasing engagement with HMRC's corporate risk management team and more broadly across Civil Service-wide initiatives.
- developing products to assist in risk identification such as a 'common causes of failure' exercise.
- completing a Risk Management Assessment Framework exercise to be used as a basis to develop Agency wide risk management improvement plans.

Managing issues

Throughout the year the Agency has held, as necessary, Issue Management Forums, which are attended by the Chief Executive and Chief Officers. The Forums handled escalated issues which the Agency assessed as being at a level which required senior management focus.

Agency's risk landscape

The Board has recently updated the Agency's Risk Appetite Statement, which has been used to guide and inform the Agency's top tier risk landscape.

The Agency manages its risk landscape (top level overview of its principal risks) through three key lenses (Strategic, Operating and Transformational). The Agency in turn identifies and tracks the progress of key mitigations designed to address and manage each risk.

Building on established risk management capability, the Agency has recently refreshed its top tier risk landscape and identified 18 corporate risks. Each of these (in line with the outcomes of the Governance review) has been assigned to a relevant Committee. Strategic Risks are assured by the Executive Committee, Operating Risks by the Agency Performance Hub and Transformational Risks by the Transformation Committee.

Risks which emerged during the year include:

- **Check, Challenge, Appeal (CCA) - There is a risk to the Agency that...we fail to deliver CCA in a way that delivers the government's objectives.**
 - To mitigate this risk the Agency has: developed a comprehensive change programme to deliver CCA; secured appropriate resource; engaged

extensively internally and externally; reprioritised expertise, energy and activity to give CCA the best chance of success.

Risks which the Agency continues to manage include:

- **Managing Estates - There is a risk to the Agency that...the future size, location, and quality of our estate adversely affects the Agency's ability to deliver services efficiently or effectively.**
 - To mitigate this risk the Agency will ensure the provision and agreement of workforce planning future requirements; build in flexibility arrangements with suppliers to allow provision for extra capacity if required; take an incremental approach to estates rationalisation; co-ordinate and align with HMRC, Government Property Unit and others in terms of timing and locations; and finalise the VOA 'core' office design specification.
- **Managing Resources - There is a risk to the Agency that...we fail to understand, attract, develop and retain the skills and knowledge required to deliver our services.**
 - To mitigate this risk the Agency continues to develop its strategic workforce plan, working with colleagues leading on significant pieces of change so we understand the impact on overall resource need. We will finalise the people deal changes during 2016-17 and draw it all together and publicise it, so it is clear what the offer is.
- **Leadership - There is a risk to the Agency that...our leaders and managers do not have the capability or confidence to move the organisation from where it is now to where it needs to be in the future.**
 - To mitigate this risk the Agency will invest in the skills of our leaders and managers, working with them to develop the future of the Agency and equipping them with the knowledge and capability to lead their teams during our transformation.
- **Working with key stakeholders - There is a risk to the Agency that...we fail to work effectively with central and local government to deliver the government's policies.**
 - To mitigate this risk the Agency has put in place Local Authority Relationship Managers, has developed a stakeholder strategy and has created a stakeholder function.
- **Managing our policy environment - There is a risk to the Agency that...we are unable to influence our policy environment in order to sustain the delivery of key services.**
 - To mitigate this risk the Agency has: developed a policy function and is in the process of recruiting the required capability; actively engages with HM Treasury on current and emerging policy issues; is in the process of discussing a new policy partnership approach to working with the Department for Communities and Local Government; and is an active member of HMRC's policy forum.

Internal Controls and Stewardship

Internal control issues

In compiling the Governance Statement for the Agency, each Chief Officer has completed an individual return. A key part of this is the identification of internal control issues. The process identified some 31 internal control issues, all of which had an appropriate level of mitigation.

Compliance

It is not possible to eliminate or entirely mitigate all risk. Compliance with the Agency's policies, processes and controls can only provide a reasonable level of assurance and the checks that take place annually include:

- The approach to risk management aims to provide a cohesive overview of the organisation's risk profile and the adequacy of sources of assurance and controls. It is supported by the HM Treasury Assurance Framework guidance 'Three Lines of Defence' model;
- Mandatory e-learning for all people on Security, Fraud Awareness, Health and Safety and VOA Business Awareness;
- Review of business continuity and disaster recovery plans for all offices;
- Annual Programme of asset management compliance audits and a year-end asset verification exercise;
- Controls on the transfer of personal data to outside organisations, for example pension data to My Civil Service Pension and the Local Government Pension Fund;
- Activities to ensure compliance with the Cabinet Office Spending Controls, including those on procurement, recruitment, marketing and technology;
- Completion of annual assessment of fraud risk, which reflected a reduction in total number of risks outstanding from 22 in 2014-15 to 13 in 2015-16;
- Mandatory independent peer quality assurance checks on cases where we make significant adjustment to the rating lists;
- Maintenance and updating of Bribery Act and Whistleblowing arrangements and ensuring all staff are aware of the process; and
- Activities to ensure full compliance with the Agency's Public Sector Equality Duty, both for its people and its customers, are currently under way. The Agency already robustly considers equality impacts of any decision taken to close offices. As its transformation journey picks up pace during 2016-17, the Agency will incorporate explicit consideration of equality issues into all decisions that impact its people and its customers. The Agency's equality objective, to increase the rate of diversity declaration

across all protected characteristics, was incorporated into the Agency's performance metrics during 2015-16. A fuller set of objectives will be published separately in 2016-17.

Whistleblowing

'Whistleblowing' is when someone raises a concern about wrongdoing, or an attempt to cover up wrongdoing, in an organisation where they work. The Agency has ensured that it has clear and well communicated processes in place to enable our colleagues to 'whistleblow' if they consider it necessary.

The Agency has:

- updated guidance on the intranet on how to whistleblow;
- recorded all incidents of whistleblowing and reported on this matter on an annual basis to ARAC and then to the Board; and
- nominated officers within the Agency to manage cases.

Operating in a secure manner

The Agency's Portfolio Executive Committee discusses and agrees any contentious security issues or Agency-wide security issues, where the Agency's Senior Information Risk Owner or individual Information Asset Owners are not able to take the decision in isolation. This means that the Chief Executive, as Accounting Officer for the Agency, is involved in the decision.

The Agency also reports to HMRC's Departmental Security Officer. It inputs to HMRC's annual Departmental Security Health Check (DSHC), which is signed off by HMRC's Chief Executive and Permanent Secretary. The Agency also produces its own DSHC.

Performance data and hubs

The Agency has a maturing culture of business performance management through visual hubs, which is spreading through the organisation. Senior Executives meet monthly at the Agency Performance Hub and at the next tier of Chief Officer led Hubs to discuss progress against key performance indicators.

Managing debt, fraud and error

During the year, in response to a suspected instance of fraud (which is subject to a separate investigation), the Chief Executive asked Internal Audit to review the robustness of controls in the relevant process. Internal Audit's review found no fundamental weaknesses, although some improvements were recommended and implemented.

Trade receivables and doubtful debt increased during the year. An Internal Audit report on the effectiveness of debt management gave a limited assurance rating and the recommended improvements are being implemented.

Internal Audit

Internal Audit provide independent, objective, assurance to the Accounting Officer and consultancy services designed to add value and improve business operations. Recommendations from Internal Audit reports help the business to identify and implement improvements to key areas including the achievement of its strategic objectives, making improvements to risk management processes, increasing effectiveness of controls and providing assurance to governance processes.

Reports in 2015-16 have focused on risk and on opportunities and dependencies in assurance, change and compliance.

Assurance from Internal Audit

Public Sector Internal Audit Standards require Internal Audit to provide the Accounting Officer with an objective evaluation of, and opinion on, the adequacy and effectiveness of framework governance, risk management and control. Internal Audit base their opinion on four levels of assurance.

- **Substantial assurance** – The framework of governance, risk management and control is adequate and effective;
- **Moderate assurance** - The framework of governance, risk management and control is adequate and effective, except that some improvements are required to enhance its adequacy and effectiveness;
- **Limited assurance** - The framework of governance, risk management and control is inadequate and ineffective;
- **Unsatisfactory assurance** - The framework of governance, risk management and control has failed or there is a real and substantial risk that the framework will fail.

For 2015-16, Internal Audit gave an overall moderate level of assurance on the Agency's Governance, Risk Management and Control. In terms of specific assurances: Governance, Risk Management and System of Internal Control all received a moderate level of assurance rating.

However, Programme Governance and Control received a limited assurance rating. Opportunities to strengthen arrangements in this area have been identified and appropriate action planned.

Internal Audit are content that this governance statement is consistent with their opinion.

In 2015-16 the Agency completed 23 Internal Audit assignments to provide a meaningful assurance and opinion on the core areas of governance, risk management and control. Of these:

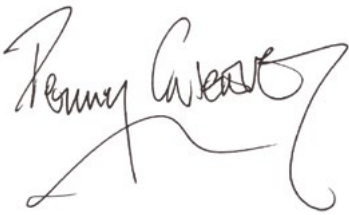
- 4 resulted in a '**substantial**' opinion - the framework is adequate and effective.
- 13 resulted in a '**moderate**' opinion' – corrective action is required to reduce risk.

- 4 resulted in a '**limited**' opinion – significant weaknesses.
- 2 did not attract an opinion rating due to the consultancy nature of the work.

Summary 2015-16 Internal Audit agreed management actions (formerly recommendations)

	Balance as at 1 April 2015	New	Closed	Balance as at 31 March 2016	Overdue
Chief Finance Office	7	0	7	0	0
Chief Operating Office	8	26	31	3	0
Chief Strategy Office	3	7	9	1	0
Chief People Office	5	13	14	4	0
Chief Digital and Information Office	4	26	28	2	0
Total	27	72	89	10	0

I agree with the opinions provided by Internal Audit in relation to the VOA's systems of risk management, governance and control and recognise the opportunity to strengthen transformation governance and control. I have therefore directed Internal Audit to focus a large proportion of their assurance activity in 2016-17 on the key opportunities highlighted in the Head of Internal Audit annual report.



Penny Ciniewicz
Chief Executive
5 July 2016

How We Share Data

We recognise the importance and value of the information we hold, and the privileged access we have to the data that our customers provide to us.



“We are also part of a continued debate about how government can use data more efficiently and effectively.”

We hold this data to enable us to provide valuations and property advice to support taxation and benefits to the government and local authorities in England, Scotland and Wales as well as to provide valuation and surveying services to public sector bodies. We are also part of a continued debate about how government can use data more efficiently and effectively.

We want to use the data we hold more effectively and transparently, while continuing to safeguard taxpayers’ confidentiality, as this confidentiality underpins public confidence and trust in the work we do.

Examples of initiatives include:

- Working in partnership with HM Treasury and the Department for Communities and Local Government on policy development and delivery of Check, Challenge, Appeal.
- Continuing to publish official statistics and research reports on our key activities, online at
 - www.gov.uk/government/organisations/valuation-office-agency/about/statistics
 - www.gov.uk/guidance/research-at-voa
- Actively engaging in an open policy-making initiative on improved data sharing, working with other public authorities, privacy groups and civil society to explore how government can deliver wider public benefits.
- Working in partnership with the Office for National Statistics to put in place the legal gateway and to implement the provision of council tax attributes data for the new House Price Index and the Census Transformation Programme.
- Commencing provision of council tax valuation list data to Flood Re, a not-for-profit scheme funded by insurers in the private sector to provide flood cover on home insurance, in partnership with Department for Environment, Food and Rural Affairs.

Directors' Report

The VOA Board (as at 31 March 2016)



Penny Ciniewicz

Chief Executive



Janet Alexander

Chief People Officer



Dyfed Alsop

Chief Strategy Officer



Mary Hardman

Director, Non-Domestic Rating



Philip Macpherson

Chief Digital and Information Officer



Craig Pemberton

Chief Finance Officer



Niall Walsh

Chief Operating Officer and Chief Valuer

Non-Executive Directors

Janet Grossman
Alison Hewett
Alex Jablonowski

Pensions

For information on how the Agency's pension liabilities are treated in the accounts, and more details on the pension schemes it operates, please see the Remuneration Report and Note 16.

Register of interests

Directors and non-executive directors are required to complete a declaration of interests. The Register of Directors' Interests is open to the public for inspection from Monday to Friday at the Valuation Office Agency, Wingate House, 93-107 Shaftesbury Avenue, London W1D 5BU between the hours of 9:00am and 5:00pm. Note 21 to the accounts confirms that the Agency had no material transaction with any party related to it because of a Board member's interest in it or influence over it.

Personal data related incidents

There were no personal data related incidents in 2015-16.

Other protected personal data related incidents in 2015-16

There were no incidents relating to other protected personal data in 2015-16.

Fees and charges

For details of the Agency's fees and charges income, please see Note 2 to the accounts.

Remote contingent liabilities

A remote contingent liability is where the likelihood of settlement is too remote to meet the definition of a contingent liability. The Agency has no quantifiable remote contingent liabilities as at 31 March 2016.

Losses and Special Payments

The Agency has incurred losses and made special payments throughout the year, all of which are immaterial in number and amount.

Losses and special payments are shown in their own line in Note 4 of the financial statements.

Losses and special payments are defined in Annexes 4.10 and 4.13 to 'Managing Public Money', which can be found at <https://www.gov.uk/government/publications/managing-public-money>.

Long term expenditure trends

The Agency's principal financial objective is to recover the full cost of its operation within each business segment, through charges for the services it provides. This was achieved in each of the years shown in the table below, with a small operating surplus made in each.

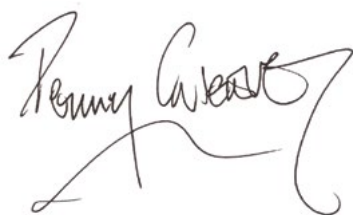
		2011-12	2012-13	2013-14	2014-15	2015-16
		£'000	£'000	£'000	£'000	£'000
Non-Domestic Rating and Council Tax	Expenditure	160,524	150,636	152,257	150,435	169,273
	Income	161,801	150,475	153,094	150,896	169,427
Statutory Valuations Team	Expenditure	12,144	10,866	11,902	10,742	11,168
	Income	11,933	11,586	11,850	11,220	11,795
Property Services	Expenditure	15,458	14,809	16,064	15,657	15,323
	Income	15,478	16,096	15,974	15,999	15,121
Local Housing Allowances and Fair Rents	Expenditure	14,832	13,479	14,702	14,931	11,684
	Income	15,190	13,790	15,040	15,040	11,530
	Total Expenditure	202,958	189,790	194,925	191,765	207,448
	Total Income	204,402	191,947	195,958	193,155	207,873
	Surplus	1,444	2,157	1,033	1,390	425

The next table shows the Agency's forecasts for 2016-17 and 2017-18. Funding negotiations are still ongoing with all the Agency's major clients to confirm its settlements for the 2015 Spending Review, which covers the next five years until 2020-21.

The Agency continues to reduce its estate, modernise its IT and build the capability required for ongoing delivery of services to its clients. The costs for the Blueprint transformation programme are shown separately. This is a programme which is an enabler for the whole Agency and is designed to deliver the Agency's long term strategy, as we provide services more efficiently, consistently and at lower cost.

The non-domestic rating revaluation is a statutory requirement and a major exercise for the Agency, extending over a three-year period. Expenditure continues in 2016-17 with draft valuations due to be available online in October 2016.

		2016-17	2017-18
		£'000	£'000
Non-Domestic Rating and Council Tax	Expenditure	143,440	158,150
	Revaluation		
	Expenditure	18,500	-
	Income	161,940	158,150
Statutory Valuations Team	Expenditure	10,200	9,900
	Income	10,200	9,900
Property Services	Expenditure	15,700	15,800
	Income	15,700	15,800
Local Housing Allowances and Fair Rents	Expenditure	11,000	11,350
	Income	11,000	11,350
Blueprint	Expenditure	7,600	3,200
	Client Funding	7,600	3,200
Total Expenditure		206,440	198,400
Total Income		206,440	198,400
Surplus		-	-



Penny Ciniewicz
Chief Executive
5 July 2016

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Valuation Office Agency (VOA) to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the VOA and of its income and expenditure, application of resources, changes in taxpayers' equity and cash flows for the financial year.

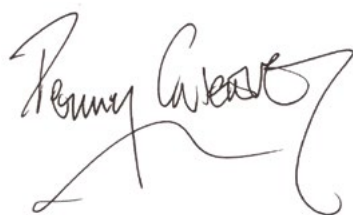
In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

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

The Permanent Secretary and Principal Accounting Officer of HMRC has designated the Chief Executive of the Valuation Office Agency as Accounting Officer for the VOA. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the VOA's assets, are set out in 'Managing Public Money', published by HM Treasury.

So far as I am aware, there is no relevant audit information of which the auditors are unaware. I have taken all steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the auditors are aware of that information.

I confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable. I take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.



Penny Ciniewicz
Chief Executive
5 July 2016

Remuneration and Staff Report

This report incorporates the Agency's directors' remuneration information and the Agency's staff report. The first section will outline the breakdown of each Board member's total remuneration and pension interest, detailing pay, pension and other benefits. The second section of this report will cover details of staff numbers, costs and other staff-related disclosures for the Agency.

Directors' remuneration

Executive directors are members of the Senior Civil Service (SCS) and their general terms and conditions of employment are set by the Cabinet Office. HM Revenue & Customs (HMRC), as the Agency's sponsor department, determines the approach to remuneration for Senior Civil Servants in both HMRC and the VOA in accordance with the SCS pay policy guidelines. The VOA's Senior Succession, Pay and Performance Committee, consisting of the Chief Executive, Chief People Officer and non-executive directors, provides a moderated view of the overall performance of the executive directors in the VOA before their performance is moderated against the HMRC SCS cadre as a whole.

Contracts, notice periods and termination periods

The majority of the Agency's people, including the executive directors, are employed on a permanent basis and are subject to statutory and Civil Service conditions of service. The non-executive directors are on renewable three year fixed-term contracts, with the assumption that the Agency will not renew their contracts more than once. The Agency employs a small number of its people on short-term contracts.

The Agency did not make any awards to past managers this year or in the previous year.

The Agency did not make non-cash awards to Board members this year or in the previous year.

Salary and pension entitlements

The following section details the remuneration and pension interest of the Agency's most senior people.

Salaries

These include:

- gross salary;
- overtime⁹;
- reserved rights to London weighting or London allowances¹⁰;

9-10 No such payments were made during 2015-16.

- recruitment and retention allowance¹¹; and
- Private Office allowances and any other allowance to the extent that it is subject to UK taxation¹².

Directors' bonus payments

For Senior Civil Servants in the Agency bonus payments are awarded in relation to the performance of that individual throughout the year. The bonuses reported in 2015-16 relate to performance in 2014-15. The Agency pays performance-related pay and bonuses in line with the scheme which applies to the Senior Civil Service as a whole.

Benefits in kind

The monetary value of benefits in kind covers any benefits an employer provides that HMRC treats as a taxable emolument. The benefits in kind in the table on page 73 for Board members relate to travel and subsistence payments paid for travel to a location which, due to the frequency of travel, is deemed to be a permanent place of work.

Compensation / third party payments

The Agency did not make compensation payments to former senior managers this year or in the previous year.

The Agency did not pay any amounts to third party entities for directors' services this year or in the previous year.

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and five months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they

¹¹⁻¹² No such payments were made during 2015-16.

leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of **classic** (and members of **alpha** who were members of **classic** immediately before joining **alpha**) and between 4.6% and 8.05% for members of **premium**, **classic plus**, **nuvos** and all other members of **alpha**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 to cover the cost of centrally-provided risk benefit cover (death in service and ill-health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

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

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV):

- is the actuarially assessed capital value of the pension scheme benefits which a member accrues at a particular point in time. (The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme);
- is paid by a pension scheme or arrangement to secure pensions benefits in another pension scheme or arrangement, when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme;
- is calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations; and
- does not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax, which may be due when pension benefits are taken.

The pension figures shown relate to the benefits that individuals accrued as a result of their total membership of the pension scheme, not just their service in a senior capacity, to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement, which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued as a result of the member buying additional pension benefits at their own cost.

Real increase in CETV is the increase that the employer funds. It does not include:

- the increase in accrued pension due to inflation
- contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Travel and subsistence reimbursements

Board members received payments to reimburse the out of pocket expenses they incurred in carrying out their duties, as set out in the table on page 75.

Except where identified as such, the payments in the table on page 75 do not form part of remuneration.

Pay multiples

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

The pay multiple of the remuneration of the highest-paid Board member compared to the average remuneration of the workforce is in the table on page 73.

The banded remuneration of the highest paid Board member in the Agency (excluding pension benefits) in 2015-16 was £135k-£140k (2014-15: £130k-135k).

This was 5.03 times (2014-15: 4.91¹³) the average remuneration of the workforce, which was £27,258 (2014-15: £26,978).

Total remuneration includes:

- salary
- non-consolidated performance-related pay and
- benefits in kind.

It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

In 2015-16 (also in 2014-15) no employee received remuneration in excess of the highest-paid director. Remuneration for all employees excluding pension benefits ranged from £15,200 to £135,000-£140,000 (2014-15: £15,050 to £130,000-£135,000¹⁴).

¹³ This ratio for 2014-15 has been restated to no longer include pension benefits for the highest banded remuneration in the pay multiple calculation to ensure consistency between the average and highest paid band.

¹⁴ As above.

The information in this table is subject to audit.

Board Members' Remuneration Information

	2015-2016					2014-2015				
	Salary	Bonus	Benefits	Pension	Total	Salary	Bonus	Benefits	Pension	Total
	£'000	£'000	(to nearest £100) [2]	£'000	£'000	£'000	£'000	(to nearest £100)	£'000	£'000
Penny Ciniewicz Chief Executive	120 - 125 (125 - 130 full year equivalent) [1]	10 - 15	-	115 - 120 [3]	250 - 255	100-105	10 - 15	-	15 - 20	130 - 135
Janet Alexander Chief People Officer (appointed 30 April 2014)	85 - 90	5 - 10 [4]	-	30 - 35	125 - 130	75 - 80 (80 - 85 full year equivalent)	-	-	15 - 20 (20 - 25 full year equivalent)	95 - 100 (95 - 100 full year equivalent)
Dyfed Alsop Chief Strategy Officer	85 - 90	0	-	35 - 40	125 - 130	90 - 95	-	-	50 - 55	145 - 150
David Ede Director, People and Engagement (stepped down 3 April 2014)	-	-	-	-	-	0 - 5 (85 - 90 full year equivalent)	-	-	0 - 5 (30 - 35 full year equivalent)	0 - 5 (115 - 120 full year equivalent)
Janet Grossman Non-Executive Director	10 - 15	0	0	0	10 - 15	10 - 15	-	-	-	10 - 15
Mary Hardman Director, Non- Domestic Rating	75 - 80	5 - 10	40,000 [5a]	25 - 30	145 - 150	70 - 75	5 - 10	30,600 [5a]	30 - 35	145 - 150
Alison Hewett Non-Executive Director	10 - 15	0	0	0	10 - 15	10 - 15	-	-	-	10 - 15
Alex Jablonowski Non-Executive Director	10 - 15	0	0	0	10 - 15	10 - 15	-	-	-	10 - 15
Elizabeth McLoughlin Non-Executive Director (resigned 20 November 2014)	-	-	-	-	-	5 - 10 (10 - 15 full year equivalent)	-	-	-	5 - 10 (10 - 15 full year equivalent)
Philip Macpherson Chief Digital and Information Officer	85 - 90	0	0	50 - 55	135 - 140	85 - 90	5 - 10	-	15 - 20	110 - 115
Craig Pemberton Chief Finance Officer	95 - 100	0	0	30 - 35	125-130	90 - 95	-	-	30 - 35	120 - 125
Niall Walsh Chief Operating Officer and Chief Valuer	85 - 90	-	47,900 [5b]	45 - 50	180 - 185	85 - 90	-	44,600 [5b]	25 - 30	155 - 160
Band of Highest Paid Director's Total Remuneration (£'000)			180 - 185					155 - 160		
Median Total Remuneration (to nearest £1)			27,258					26,978		
Ratio			5.03					4.91 (restated)		

- [1] Penny Ciniewicz was reappointed as Chief Executive at Director General level following an external competition, after the accountabilities and responsibilities of the role were evaluated. The result of the evaluation was an uplift in the grade attached to the role from Director to Director General level, effective from 20 July 2015, reflecting the importance and increasing complexity of the VOA's work. This change in weighting of the role explains the uplift in salary shown in the table above.
- [2] The monetary value of benefits in kind covers any benefits provided by the employer and treated by HMRC as a taxable emolument.
- [3] Penny Ciniewicz's increase in 2015-16 pension benefits was largely due to the increase in salary after she was appointed to the CEO role at Director General level, following an external competition to fill this post.
- [4] In 2014-15 Janet Alexander received a bonus of £9,500 from her previous employer HMRC.
- [5a] The benefit in kind for the Director, Non-Domestic Rating, is £21,900 (2014-15: £18,400) for the payment of hotel and travel costs travelling to their second permanent workplace incurred from 1 April 2015 to 31 March 2016. Taxation and National Insurance contributions relating to these payments amount to £18,100 (2014-15: £12,200).
- [5b] The benefit in kind for the Chief Operating Officer and Chief Valuer is £27,300 (2014-15: £25,800) for the payment of hotel and travel costs travelling to their second permanent workplace incurred from 1 April 2015 to 31 March 2016. Taxation and National Insurance contributions relating to these payments amount to £20,600 (2014-15: £18,800).

The information in this table is subject to audit.

Board Members' Pensions

	Real increase in pension and related lump sum at pension age	Accrued pension at pension age - as at 31 March 2016 and related lump sum	CETV at 31 March 2015	CETV at 31 March 2016	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Penny Ciniewicz Chief Executive	5.0 - 7.5 plus 15.0 - 17.5 lump sum	25 - 30 plus 85 - 90 lump sum	422	558	96*
Janet Alexander Chief People Officer	0 - 2.5 plus 0 - 2.5 lump sum	30 - 35 plus 35 - 40 lump sum	470	538	23
Dyfed Alsop Chief Strategy Officer	0 - 2.5 plus 0 - 2.5 lump sum**	10 - 15 plus 40 - 45 lump sum	169	208	14
Janet Grossman Non-Executive Director	[1]	[1]	[1]	[1]	[1]
Mary Hardman Director, Non-Domestic Rating	0 - 2.5 plus 2.5 - 5.0 lump sum	30 - 35 plus 90 - 95 lump sum	562	632	22
Alison Hewett Non-Executive Director	[1]	[1]	[1]	[1]	[1]
Alex Jablonowski Non-Executive Director	[1]	[1]	[1]	[1]	[1]
Philip Macpherson Chief Digital and Information Officer	2.5 - 5.0 plus 0 - 2.5 lump sum**	20 - 25 plus 65 - 70 lump sum	333	396	25
Craig Pemberton Chief Finance Officer	0 - 2.5	15 - 20	240	291	24
Niall Walsh Chief Operating Officer and Chief Valuer	2.5 - 5.0 plus 0 - 2.5 lump sum**	25 - 30 plus 80 - 85 lump sum	426	496	22

[1] Fee paid consultant – not in Civil Service pension scheme

* Penny Ciniewicz's increase in 2015-16 real CETV was largely due to the increase in salary after she was appointed to the CEO role at Director General level, following an external competition to fill this post.

** These Board members transferred to the alpha pension scheme during the year 2015-16 and the amounts above reflect both the Principal Civil Service Pension Scheme (PCSPS) and alpha pension scheme benefits as at 31 March 2016.

The information in this table was not subject to audit, except for the taxable expenses included in the Board members' remuneration.

	Non-taxable expenses not forming a part of remuneration (£)	Taxable expenses included in remuneration (£)	Total expenses reimbursed during 2015-16 (£)
Penny Ciniewicz	2,328	0	2,328
Janet Alexander	22,871	0	22,871
Dyfed Alsop	4,592	0	4,592
Janet Grossman	324	0	324
Mary Hardman	3,720	21,892	25,612
Alison Hewett	8	0	8
Alex Jablonowski	1,279	0	1,279
Philip Macpherson	2,035	0	2,035
Craig Pemberton	3,346	0	3,346
Niall Walsh	5,907	27,305	33,212

Staff numbers and related costs

The average number of full-time equivalent persons (including senior management) employed during the year was as follows:

(a) Staff numbers and costs

Average number of persons employed:	2015-16			2014-15		
	Permanently employed staff	Others	Total	Permanently employed staff	Others (Restated*)	Total
Non-Domestic Rating, Council Tax and Corporate Services	2,845	251	3,096	2,787	103	2,890
Property Services and Statutory Valuations Team	330	4	334	364	0	364
Local Housing Allowances and Fair Rents (former Rent Service)	179	-	179	195	-	195
	3,354	255	3,609	3,346	103	3,449

*Figures for 2014-15 have been restated to include contingent labour staff numbers, resulting in an increase in others from 74 to 103.

It is not possible to split staff numbers between Property Services and the Statutory Valuations Team as the work is performed by an overlapping pool of staff.

Staff costs comprise:

	2015-16			2014-15		
	Permanently employed staff	Others	Total	Permanently employed staff	Others	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	109,393	6,997	116,390	104,548	3,484	108,032
Social security costs	8,333	124	8,457	8,094	56	8,150
Other pension costs	23,140	555	23,695	22,194	177	22,371
	140,866	7,676	148,542	134,836	3,717	138,553
Less recoveries in respect of outward secondments	(112)	-	(112)	(127)	-	(127)
Total staff costs	140,754	7,676	148,430	134,709	3,717	138,426

The staff expenditure detailed above includes contingent labour and consultancy expenditure. The total amount for contingent labour expenditure in 2015-16 was £2.4m (2014-15: £0.9m), and the total consultancy expenditure for 2015-16 was nil (2014-15: £16k).

Pension past service cost

A number of the Agency's people are members of the Local Government Pension Scheme. Details of this scheme can be found in Note 16.

Civil Service pensions

The majority of the Agency's people have pension benefits that are provided through the Civil Service pension arrangements, either alpha (a new pension scheme introduced from 1 April 2015) or the Principal Civil Service Pension Scheme (PCSPS). Both of these schemes are largely unfunded multi-employer defined benefit schemes. The Agency is unable to identify its share of the underlying assets and liabilities. The scheme actuary last valued the PCSPS scheme as at 31 March 2012. Details can be found at <http://www.civilservice.gov.uk/pensions>. The accounts of the schemes will be published on <http://www.official-documents.gov.uk>, within the Cabinet Office Civil Superannuation Resource Accounts.

For 2015-16, employer contributions of £21,947,780 (2014-15: £19,266,748) were payable to the PCSPS and alpha at one of four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions, usually every four years, following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2015-16 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions of £109,901 (2014-15: £78,834) were paid to one or more of the panel of three appointed stakeholder

pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable earnings up to 30 September 2015 and from 8% to 14.75% of pensionable earnings from 1 October 2015. The Agency also matches employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £4,969, 0.8% (2014-15: £6,034, 0.8%) of pensionable pay up to 30 September 2015 and 0.5% of pensionable pay from 1 October 2015, were payable to the PCSPS and alpha to cover the cost of the future provision of lump sum benefits on death in service and ill-health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £9,642 (2014-15: £7,907).

Three employees have retired on ill-health grounds during 2015-16, with total additional accrued pension liabilities of £5,075 (there were nil in 2014-15, with a total additional accrued pension liability of £nil).

(b) Early departure costs

	2015-16	2014-15
	£'000	£'000
Additional provisions made	1,022	226
Costs during the year	1,517	374
Unwinding of one year's discount	6	13
Change in the discount rate	(1)	8
Unused amounts reversed	(144)	(79)
Total in-year costs	2,400	542

Details of the opening and closing balances of the provision for early retirement and pension obligations can be found in Note 14.

The table below sets out the number of formally agreed exit packages in the year, divided into bands of cost.

Exit package cost by band	2015-16			2014-15		
	No. compulsory redundancies	No. other departures	Total no. exit packages by band	No. compulsory redundancies	No. other departures	Total no. exit packages by band
< £10,000	-	-	-	-	-	-
£10,001 - £25,000	6	12	18	6	1	7
£25,001 - £50,000	-	17	17	-	1	1
£50,001 - £100,000	-	10	10	-	2	2
£100,001 - £150,000	-	-	-	-	-	-
Total no. exit packages by type	6	39	45	6	4	10
Total operating cost (£'000s)	79	1,493	1,572	100	212	312

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year they become a binding obligation. Where the Agency has agreed early retirements, the additional costs are met by the Agency and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

The numbers included in the table above include departures of staff who are members of the Local Government Pension Scheme. Their compensation arrangements are outside the scope of the Civil Service Compensation Scheme. The cost of their early retirements reflects the cost of providing any lump sum due on retirement together with the cost associated with the increase in liability to pay future pensions.

Next year the Agency expects £2m of exit costs as a consequence of our ongoing estates rationalisation programme, which continues to deliver overall savings from relocating our offices.

Reporting on the tax arrangements of public sector appointees

All government departments and their arm's length bodies which employ appointees 'off payroll' for more than six months have to report to the Treasury about these financial arrangements. This is to ensure they are transparent and that the appointee in question is paying the right amount of tax and National Insurance.

The Agency has reviewed the way it employs appointees to ensure its processes are robust and all appointments are subject to a risk-based assessment. The Agency has the right to request assurances, and does so, from the appointees in relation to monies received from the VOA. The Agency can terminate the individual's contract if these assurances are not provided. The tables below outline the off payroll arrangements for 2015-16.

Table 1: All off-payroll engagements as of 31 March 2016, for more than £220 per day and that last for longer than six months:

	Valuation Office Agency
Number of existing engagements as of 31 March 2016	5
Less than one year at time of reporting	4
Between one and two years at time of reporting	1
Between two and three years at time of reporting	nil
Between three and four years at time of reporting	nil
Four or more years at time of reporting	nil

Table 2: All new off-payroll engagements, or those that reached six months in duration, between 1 April 2015 and 31 March 2016, for more than £220 per day and that last for longer than six months:

	Valuation Office Agency
<u>New engagements, or those that reached six months in duration</u>	11
Right to request information about Income Tax and National Insurance Contributions	11
Requests for information made	11
Information has been received	9
Information has not been received	2
Engagement terminated as a result of information not being received	2

Table 3: Board members and/or senior officials with significant financial responsibility:

<u>Number of individuals who are Board members and/or senior officials with significant financial responsibility</u>	Valuation Office Agency
On payroll	7
Off payroll	nil

People

We have a workforce of approximately

3,900

people (or around 3,600 full-time equivalents)



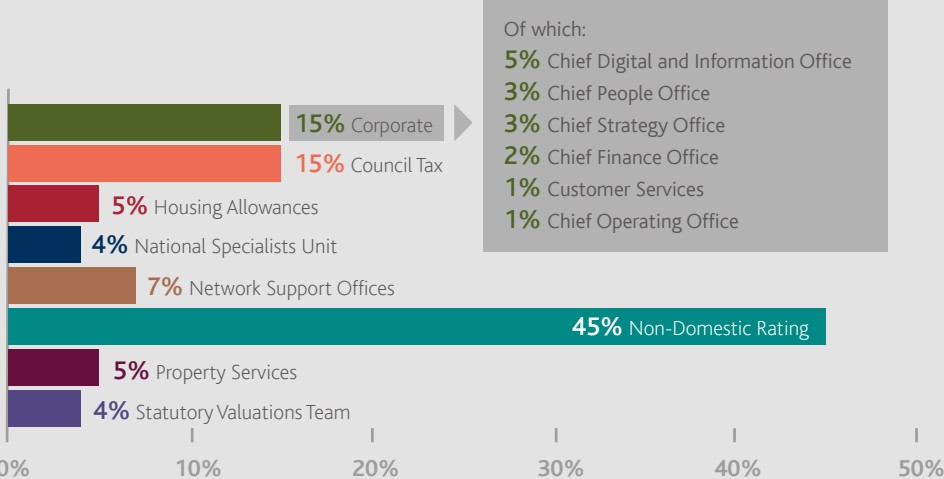
Of these, around **3,370** people work within our operations business units and **530** people work in our corporate functions.



3,600

full time equivalents (approximately)

Workforce by business area



“By the end of March 2016, we had also recruited over 20 Civil Service Fast Streamers ...”

Our Target Organisational Model

This year, we started work on a new Target Organisational Model (TOM). The TOM will enable us to organise our work by function rather than by the current business streams. This is a key component towards making us a more flexible and adaptable organisation, and in turn will enable us to deliver our business in a more cost-effective and sustainable way.

The Target Organisational Model also provides a consistent framework around which many of our other transformational activities can be conveniently aligned.

One of the first functions to be implemented within the Target Organisational Model is the Chief Valuer function. This involved the separation of the Chief Valuer role from the Chief Operating Officer's responsibilities.

The Chief Valuer is responsible for the Valuation and Technical Advice function across the Agency. Going forward, this function will be responsible for professional and valuation standards and technical guidance across all business streams. Creating this function first highlights the value we put on our professional expertise and specialist knowledge across the Agency.

Future locations and our people

We are investing in our future locations to enable more flexible ways of working; these are the locations where we think we need to be located to support our plans to keep the right expertise and deliver our services in a different way in the future.

Our Estates office closure programme will affect many of our people. We are trying to retain our people and skills wherever we can by offering home-based working opportunities, the option to work from an alternative location or other redeployment opportunities, either within the VOA or across the rest of the Civil Service. Redundancy is a last resort.

Recruitment and exits

We ran a concerted recruitment drive during 2015 to ensure we were suitably resourced to undertake the 2017 non-domestic rating revaluation, and to support our transformation programme. Our ability to recruit certain specialists such as surveyors, analysts and IT professionals was tested; and we used a number of innovative approaches to fill these roles (for example, some surveyors joined us from other Commonwealth valuation organisations). This also provided a number of opportunities for internal moves and promotions.

We did however have significant churn within the Agency, with over 500 people joining and approximately 300 people leaving. This proved a real challenge for our managers to handle at the same time as successfully maintaining business delivery. Our internal training team also had to make a concerted effort to ensure that new joiners received the induction and training they required in good time.

Apprenticeships

To help address the challenges of making sure we have skilled people in the Agency and to develop our internal pipeline of talent, we have continued to invest in a number of apprenticeship programmes. During the year we offered over 30 apprenticeships to our 'Trailblazer' surveying apprenticeship schemes

and we aim to offer 90 places, across a number of schemes, over each of the next four years.

We also:

- recruited apprentices into HR and IT, with our HR apprentice coming into the Agency through the Fast Track apprenticeship scheme run by Civil Service Resourcing.
- supported the national launch of Operational Delivery apprenticeships by enabling four apprentices based in our Network Support Offices (NSOs) to complete a comprehensive programme of work. The apprentices' programme comprises all work undertaken in the NSOs and includes a three monthly rotation across six different work streams, shadowing senior leaders and team colleagues. The apprentices are working towards Operational Delivery qualifications (City and Guilds levels 2 and 3).

Secondments

We continued to collaborate with other government departments, supporting a number of secondment opportunities. We also tapped into cross-government initiatives which enabled us to recruit four summer interns into different areas of our business. By the end of March 2016, we had also recruited over 20 Civil Service Fast Streamers, including a small number on new schemes such as Commercial, Finance and Communications. We continued to develop our internal talent, for example, we have over 100 people on development schemes for eight different levels of surveying qualifications.

Senior Civil Service (SCS)

We have 19 SCS employees and 22 SCS posts overall. Our total number of SCS posts is unchanged from last year, but we continue to monitor it closely to ensure our SCS structures mirror changes in the overall size and complexity of the organisation.

SCS recruitment

We have adopted rigorous governance, assessment and selection in our SCS recruitment practices to put the right people with the right skills in key roles and to enhance our leadership capability. Governance over the number and nature of SCS posts remains with HM Revenue & Customs (HMRC) and Civil Service Resourcing handles the recruitment process.

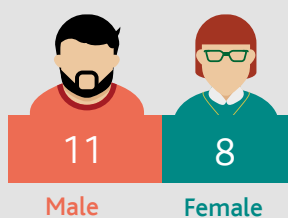
Diversity and Inclusion

During the year we developed a 'Words Matter' toolkit, based on academic research. The toolkit is designed to improve how people in the VOA talk to and about each other, improving inclusion. We are already seeing the benefit of this approach and will embed the work further over 2016-17. Creating an inclusive culture will help us take forward the broader diversity agenda across the VOA.

"The VOA participates in the Guaranteed Interview Scheme (GIS) when disabled employees or candidates apply for roles."

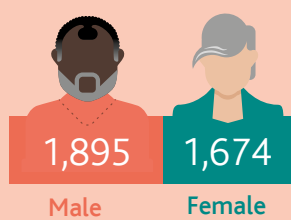
Number of male and female employees

SCS



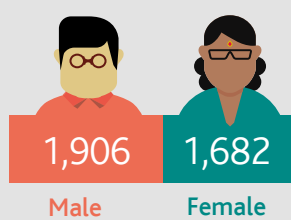
19 Total 31
March 2016

All other employees



3,569 Total 31
March 2016

Totals



3,588 Total 31
March 2016

At the end of February, we held our first ever Diversity and Inclusion conference. This brought together leaders and volunteers to discuss barriers to inclusion and identify actions to make the VOA more inclusive. We will use the outputs from this conference to create a VOA Diversity and Inclusion strategy, one of our key priorities for next year. We will set up focus groups to inform our research for this strategy during the year ahead. Towards the end of the year, we joined the Employers Network for Equality and Inclusion. We also signed up for the Inclusive Employers scheme run by the Royal Institution of Chartered Surveyors.

The VOA participates in the Guaranteed Interview Scheme (GIS) when disabled employees or candidates apply for roles. Any disabled employee is supported in the workplace with reasonable adjustments for their disability. All employees are supported in their careers with appropriate training and development opportunities and in addition we have provided some places on a positive action pathways programme for people from a Black, Asian or Minority Ethnic background. We have participated in the summer diversity internship programme, for people from backgrounds that are under-represented in the VOA - Black, Asian and Minority Ethnic, disabled, as well as those from less privileged backgrounds.

SCS employees by pay band

Grade	Number at 31 March 2015	Number at 31 March 2016	Percentage Change
SCS 1	14	13	-7.1%
SCS 2	6	5	-16.7%
SCS 3	0	1	100.0%
Totals	20	19	-5.0%

Health and safety

Our sickness absence levels decreased in 2015-16. Our average working days lost were 5.8 days per person, down from 6.1 in 2014-15. This was well within the Civil Service target of not exceeding 7.0 days. Our managers continue to monitor sickness absence through our attendance management systems, which enable us to take early action if we identify problems.

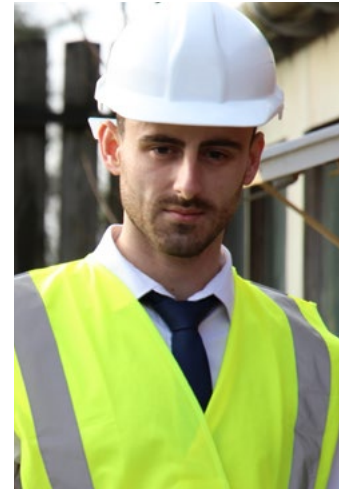
This year we concentrated our wellbeing initiatives on raising awareness of mental health and healthy living. This included promoting the various internal and external support available to line managers and their teams. We published a new mental health policy, promoted mental health awareness week and introduced The Wellbeing Centre in collaboration with our employee assistance provider. We also started a consultation process with our Board to produce a long term Health, Safety and Wellbeing strategy, which we will launch during 2016.

Health and safety has always been a Board priority. In January, our Board discussed our health and safety policy statement, which is reviewed and signed off every two years. Given the Agency's transformation plans, the Board was particularly keen to include a new reference in the policy to cover the health and safety impacts of significant changes to working practices.

During the year we commissioned HMRC to undertake a Post Implementation Review of health and safety management in the VOA. HMRC reported that we have made much progress since our 2012-13 health and safety audit. HMRC found a strong commitment to health and safety at senior level, and effective compliance checks in place to provide assurance that risk controls are being followed. The changes we made have strengthened our overall health and safety management. Our application of HMRC's recommendations relating to risk assessment will help to complete the picture. We will complete the implementation of all HMRC's recommendations in 2016.

We continue to monitor health and safety performance and compliance in key areas, such as driving at work and use of display screen equipment. We made considerable efforts to improve lone worker compliance to ensure that all lone workers return safely home or to their place of work. By the end of the year, overall compliance had peaked at 97%, a significant improvement compared to the start of 2015-16.

We maintained our excellent safety record. The number of health and safety incident reports received in 2015-16 was 95, a reduction compared to the 121 recorded in 2014-15, with no significant trends or issues being identified. There were two reportable incidents under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR).



**95 health
and safety
reports
received in
2015-16**

a reduction compared
to 121 recorded in
2014-15.

Penny Ciniewicz
Chief Executive
5 July 2016

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Valuation Office Agency for the year ended 31 March 2016 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and Directors' Report disclosures that are described in those reports and disclosures as having been audited.

Respective responsibilities of the Chief Executive and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the

financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Valuation Office Agency's affairs as at 31 March 2016 and of the net operating deficit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and Directors' Report disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance and Accountability sections of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

7 July 2016