


Valuation Office Agency
Annual Report and Account 2009-10







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Vision, Purpose and Commitment

Our Vision

To be a world class organisation providing valuation and property services for the public sector.

Our Purpose

To provide a fair and robust basis for taxes which help to fund public services, for housing benefits, and to help drive better use of property in the public sector by:

- compiling and maintaining accurate and comprehensive valuation lists for local taxation
- making rental assessments and determinations for housing allowances, benefits and fair rents in England
- providing accurate valuations for national taxes
- delivering expert advice on valuations and strategic property management
- developing and maintaining a comprehensive and up to date property database
- advising policy makers on valuation and property issues

Our Commitment

To meet all our customers' objectives and maximise customer satisfaction by:

- developing a highly skilled and committed workforce that reflects the communities we serve
- developing better processes and exploiting new technology to maximise improvements in accuracy, quality and timeliness
- being open and accessible in the way we operate, while managing information securely in accordance with good industry practice
- working effectively with partners
- delivering excellent value for money, while covering our costs
- and reducing our impact on the environment and supporting the communities we serve

Chief Executive's Overview

Looking at the performance against our targets for 2009-10, it is clear that we have achieved some excellent results, often exceeding our targets. And we have delivered on our promise to put the customer at the heart of our services and provide better value for money.

During 2009-10, we have been delivering the final elements of our 2010 vision, which was first set out in our 2005 Forward Plan. Back then, delivering the improvements required to achieve the increase in customer satisfaction we were seeking, along with improvements in efficiency, was seen as a major challenge. Looking at the performance against our targets for 2009-10, it is clear that we have achieved some excellent results, often exceeding our targets. And we have delivered on our promise to put the customer at the heart of our services and provide better value for money. I am very grateful for the contributions made by David Park and Jon Wrennall who, as Acting Chief Executives, led the Valuation Office Agency (VOA) from when Andrew Hudson left in March to when I joined from HMRC in September 2009.

Performance has been good across all business streams. Local Taxation and Housing Allowances has delivered, sustained and, in many cases, significantly improved performance, supported by our specialist teams. This is an impressive contribution from the Housing Allowances teams for their first year within the Agency, having joined us from the former Rent Service on 1 April 2009. Our rating teams have successfully delivered the rating Revaluation 2010, while continuing to maintain the 2005 lists of rateable values. Commercial Services has delivered its highest level of income at £19.6 million, while introducing new services that support operational efficiency across the public sector. National & Central Services has exceeded its main client, HMRC's, expectations, in terms of timeliness, case turnaround times, and its value for money indicators.

Although we narrowly missed our key performance indicator to be within the top 15% of public sector comparators for overall customer satisfaction, nevertheless we did achieve a 92% customer satisfaction rating. This is a more than creditable result in a difficult economic environment in which our customers are, understandably, looking closely at their outgoings and expecting greater clarity around their rating and council tax liability within a quicker timescale.

There is more work to be done to improve staff satisfaction, where we missed our target of 60%, achieving 55%. This will be an area of focus for the years ahead. Action plans, both on a corporate and local level, are being developed on the back of the wider results from our People Survey to help us focus on what needs to be done to ensure results are better next time around.

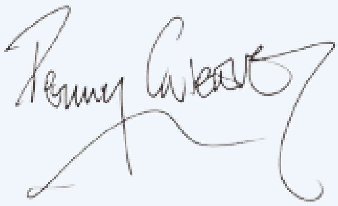
This year the VOA has attracted continuing criticism over its handling of the 2006 review of rating assessments for ports. The purpose of the review was to ensure that all individual businesses, within and outside ports, were rated fairly and consistently. However we recognise that in discharging our statutory duty we failed to communicate effectively with the ratepayers affected. We take this failure very seriously and have learned lessons from this, which we are taking forward. In particular, we intend to increase the transparency surrounding our work and improve the way we keep our customers informed throughout reviews, ensuring that we communicate much earlier in the process and by having timely consultation with adversely affected customers, prior to making alterations to the rating lists.

In recent months we have implemented a number of recommendations from the 2009 Framework Review to get the VOA in the best possible shape as we move forward. In response to that Review, we have, for example, strengthened communication with staff around Agency Transformation, refreshed guidance on key activities that impact on our customers to ensure greater consistency in our approach and reviewed the composition of our Board to provide strong operational representation. Other recommendations from the Review are being progressed in the year ahead and these include detailed succession planning and the development of accommodation restructuring options in light of a new Operating Model.

We are now in the process of developing a new business strategy and operating model for 2015. We have consulted with staff, customers and clients, listening to their views on where the VOA should be heading over the next five years and beyond.

The VOA celebrates its 100th birthday in 2010; the Finance (1909-10) Act, which effectively brought the Valuation Office into being, received Royal Assent on 29 April 1910. The VOA has a long and successful legacy and looking back over the last 100 years, it is clear that we have been involved in some very important work; it is work that touches every household and business in the country and enables the provision of public services, and benefits, to citizens and businesses. Today we are responsible for the valuation of some 25 million properties for the purposes of council tax and business rates, valuation of property for capital taxation and the provision of a wide range of valuation advice to public sector bodies or others where public funding is involved, including housing allowances work. Throughout our history, we have provided high quality, accurate, independent, professional advice that our clients, customers and stakeholders can rely upon.

The VOA's long tradition of public service is upheld by the continuing commitment of its current staff. Since I joined, I have been really impressed by their drive to deliver, their customer focus and the professional skills that support their work. I thank them for their contribution to the success of the VOA. I am proud to be Chief Executive of the Valuation Office Agency in its centenary year. The results we achieved for 2009-10 put us in a really good position as we move into 2010-11, but we are not complacent; our focus continues to be on improving the service we provide to customers, clients and stakeholders.



Penny Ciniewicz
Chief Executive
14 June 2010

The Key Facts

Status

The Valuation Office Agency (VOA) is an executive agency of HM Revenue & Customs (HMRC)

Background

The VOA brings together the previously separate Valuation Office organisations in England and Wales (established in 1910) and in Scotland (established in 1911), and was launched under the Next Steps initiative on 30 September 1991. As of 1 April 2009, the functions of the former Rent Service (TRS) transferred to the VOA. We provide valuation and estate surveying services, including advice on minerals, to government departments, the wider public sector and other areas in the public interest.

People

4,063 people (average full time equivalent 2009-10)
The VOA has Investors in People Accreditation

Values

We are committed to:

- focusing on customers and providing excellent value for money
- working effectively as teams and in partnership with others
- continuously improving, changing and adapting
- being clear and open in our communications
- respecting people and valuing difference

underpinned by the core Civil Service values of integrity, honesty, objectivity and impartiality.

National network

At 31 March 2010 the VOA had 82 offices across England, Wales and Scotland

Head Office

Wingate House, 93-107 Shaftesbury Avenue, London W1D 5BU

Website and associated sites

www.voa.gov.uk

www.mybusinessrates.gov.uk/wales

www.businesslink.gov.uk
(for information on business rates in England)
http://lha-direct.voa.gov.uk

Other links

www.london.gov.uk/rents/
(for which the VOA provides lettings information)

Services

The work of the VOA encompasses:

- compiling and maintaining lists of rateable values of the 1.7 million non-domestic properties in England, and the 100,000 in Wales, to support the collection of around £25 billion[1] in business rates
- compiling and maintaining the list of council tax bandings of some 23 million domestic properties in England and 1.3 million in Wales, to support the collection of around £26 billion[2] in council tax
- determining local housing allowances across some 150 Broad Rental Market Areas for housing benefit purposes and registering some 78,000 Rent Act 1977 fair rents in England
- advising Ministers on property valuation matters
- providing valuation advice and services to the Scottish Government and Welsh Assembly Government
- providing valuation advice to HMRC in connection with capital gains tax, inheritance tax and other compliance work
- delivering a range of statutory and non-statutory valuation and estate surveying services to central and local government departments and the wider public sector

[1] *Source – HM Treasury estimates for 2010-11 (The Budget)*
[2] *As above*

Latest revaluation of business rates

Effective from 1 April 2010, in both England and Wales

Next revaluation of business rates

Planned for 1 April 2015, in both England and Wales

Latest revaluation of council tax

Effective from 1 April 2005 in Wales
Council tax lists introduced 1 April 1993 in England. There has not been a revaluation in England.

Main clients

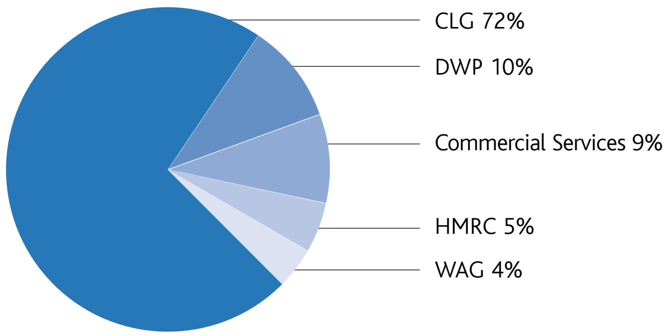
- Communities & Local Government (CLG)
- The Welsh Assembly Government (WAG)
- HM Revenue & Customs (HMRC)
- Department for Work & Pensions (DWP)

The VOA also provides advice and assistance to over 4,000 other public sector bodies.

Income

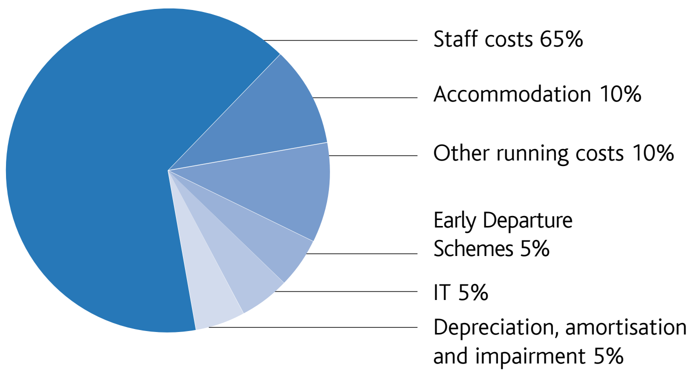
2009-10: £231 million

Income source to cover expenditure – by main client



Expenditure

2009-10: £228 million



The Management Board

Penny Ciniewicz
Chief Executive[3]

Jon Wrennall
Chief Information Officer[4]

Niall Walsh
Director of Operations[5]

Colin Bailey
Chief Finance Officer

Steve Hartnell
Director,
Human Resources

Liz Hirst
Director,
Commercial Services

Mary Morrison-Paton
Head of Corporate
Communications
& Customer Insight

Paul Sanderson
Director,
Data Strategy & Security

Dawn Johnson
Non-Executive Director

Jane Earl
Non-Executive Director

Membership of sub-committees to the Board

The Audit & Risk Committee

Chair
Dawn Johnson

Non-executive members
Mike Pears *(until November 2009)*
Alex Jablonowski *(from 1 March 2010)*
Alison Porter
Gary Reader

The People Committee

Chair
David Park

Steve Hartnell
Jon Wrennall
Jane Earl

[3] From 1 September 2009. David Park, Acting Chief Executive, until 31 July 2009.
[4] Acting Chief Executive from 1 to 31 August 2009.
[5] From 8 February 2010. Director of National & Central Services until 7 February 2010.

Key Performance Indicators

		2007-08	2008-09	**2009-10**
Customer	To achieve overall customer satisfaction within the top 15% of public sector comparators	91%	93%	**15.4%**
Operations	To enable prompt issue of correct bills by local authorities through clearance of rating reports within an average of 10 working days...	11 days	10 days	**9 days**
	...and council tax reports within an average of 10 working days in England and Wales	-	-	**9 days**[6]
	To contain reductions in the 2005 rating lists to a maximum of 4.2% of the total compiled list rateable value, over the entire life of the lists	2.3%	2.7%	**3.2%**
	To ensure 96% of new council tax bandings are right first time	97%	97%	**98%**
	To determine 95% of Housing Benefit claims where no inspection is required in 3 working days	-	-	**99.3%**[7]
	To review for Local Housing Allowance purposes 25% of Broad Rental Market Areas	-	-	**40%**[8]
	To enable prompt issue of tax assessments by clearing all HMRC initial appraisal cases for inheritance tax within an average of 6 days...	9.6 days	6.5 days	**3.0 days**
	...and for capital gains tax within an average of 9 working days	9.5 days	9.3 days	**6.0 days**
Value for money	To improve overall value for money on local taxation work by 3% a year[9]	-	11%	**8.5%**
	To improve value for money on inheritance tax work for HMRC by 5%[10]	15%	-35%	**10.24%**
	To achieve income from non-statutory services of at least £17.5m	-	-	**19.6**
People	All staff to have the core skills and competencies for their role within six months of taking up post	99%	100%	**99%**[11]

[6] *Target for 2007-08 and 08-09 reported differently (England and Wales reported separately).*

[7] *Housing Allowance targets relate to the functions transferred from The Rent Service (TRS) on 1 April 2009.*

[8] *As above.*

[9] *This is a new indicator, a broader measure, representing the value resulting from the timeliness and quality of our service as well as volumes delivered.*

[10] *Value for money in this KPI is measuring the cost effectiveness of our work. It is a cost-yield ratio, measuring the additional tax raised per unit of cost.*

[11] *Success in meeting this standard is judged against a 99% achievement.*

Results Against Other Targets

		2009-10
Local Taxation	To achieve at least 90% customer satisfaction for our local taxation work	**91%**
	To achieve 94% compliance with valuation integrity standards for our Local Taxation work	**94%**
	To issue a decision notice on council tax proposals within 2 months of receipt of cases	**98%**[12]
	To provide a considered decision within 2 months of receipt of rating proposals where - the case is unrepresented, or - there has solely been a physical change to a property and… …in all other cases, advise the parties of a defined time period when the Agency will deal with the proposal. Priority will be given to cases where significant financial hardship is involved.	**98%**[13]
Housing Benefit and Allowance[14]	To achieve at least 95% customer satisfaction for our Housing Benefit and Fair Rent work	**95%**
	To achieve 95% compliance with valuation integrity standards for Housing Benefit determinations	**98%**
	To achieve 95% compliance with valuation integrity standards for Fair Rent valuations	**98%**
	To determine 95% of Housing Benefit claims with an inspection within 15 working days	**99%**
	To determine 95% of Housing Benefit claims requiring redeterminations within 15 working days	**99%**
	To determine 95% of Fair Rents within 40 working days	**97%**
	To increase productivity within the service delivery function by 3%	**-12.2%**
National & Central Services	To achieve at least 90% customer satisfaction on work for HMRC and other statutory clients	**94%**
	To deliver timeliness targets on all inheritance tax and capital gains tax work as set out in the Service Level Agreement - Report all capital gains and other not negotiated valuations within an average of 20 working days - Report all inheritance tax formal cases within an average of 80 working days - Report all capital gains and other negotiated valuations within an average of 100 working days	 **17 days** **81 days** **98 days**
	To achieve 94% compliance with quality assurance standards	**95%**
	To improve value for money on capital gains tax work for HMRC by 5%	**5%**
Commercial Services	To achieve at least 90% customer satisfaction for the work done for clients	**95%**
	To achieve 94% compliance with quality assurance standards	**94%**
	To recover full resource costs, within Parliamentary Approved Estimates, including a return on capital of 3.5% from fees and charges	**Achieved**
People	To achieve an overall staff satisfaction rating of 60%	**55%**
	To improve health at work so that the average of all sick absence is under 7 days, and… …the average short term sick absence is under 4 days	**6.9 days** **3.9 days**

[12] *Success in meeting this standard is judged against 98% achievement.*

[13] *As above. This applies to all cases received on or after 1 April 2009.*

[14] *Housing Allowance targets relate to the functions transferred from The Rent Service (TRS) on 1 April 2009.*

Local Taxation

Rating
Our non-domestic rating work has been focused on the final stages of the 2010 Revaluation. But this has not been at the expense of our 'day-to-day' role of maintaining the existing lists of rateable values, and we have performed well against our 2009-10 targets.

In 2009-10 we cleared a total of 140,293 appeals, of which 80,018 (57%) were resolved with no alteration to the assessment. Our aim is always to get the valuation right first time, ensuring that property occupiers can forecast and budget their outgoings with confidence. But if changes do need to be made, we have tried to reach a decision as swiftly as possible. For the more straightforward cases we have provided a considered decision within two months on 98% of cases received since 1 April 2009.

The Review of Ports
We reported last year that it had become clear that some properties which should have been separately assessed were in fact included in the port operator's rating assessment. We then began a review of the 55 major ports and container terminals in England and Wales to ensure that all individual businesses, within and outside ports, were rated fairly and consistently.

To assist ratepayers affected by the review, the VOA put in place special fast track arrangements and undertook to respond to enquiries within five days (10 days where an inspection is required) and to give an initial response to points raised in an appeal within 10 working days, with a final decision within two months, in all but the most complex cases. Compliance with the service standard on response was at 99.5% for enquiries and 97.2% for formal challenges.

A large number of appeals have now been resolved although there are still some issues outstanding and we are making every effort to resolve the remaining appeals through active discussion with ratepayers and their agents. Where agreement cannot be reached, the VOA refers appeals to the independent Valuation Tribunal for early listing.

Revaluation 2010
2009-10 has been the year where our work for the 2010 Revaluation became tangible for our clients and customers and reached its conclusion.

In early June 2009, we provided the draft 2010 rateable values for all 1.8 million non-domestic properties in England and Wales to our central government clients, Communities & Local Government (CLG) and the Welsh Assembly Government (WAG). This was a challenging deadline but meeting this allowed time for clients to perform the necessary analysis and the timely formulation of other factors such as the rate relief schemes.

Our aim is always to get the valuation right first time

On 30 September 2009, we published the draft 2010 valuations, providing them in electronic format to local councils, making them publicly available online, and beginning the distribution of paper copies.

In the last rating revaluation in 2005 we started a process of making our work more transparent and accessible to customers. We expanded this work for Revaluation 2010 by revising the format of the valuation using feedback from customers, explaining more clearly why they had received it, what they needed to do next and where they could obtain further information.

We raised awareness of the valuations among ratepayers through print, online, broadcast and social media, as well as by attending events and working with trade associations and professional bodies.

We redeveloped the rating list application on our website to make it more intuitive and user-friendly. From 1 October 2009 to 31 March 2010, our website handled more than 350,000 individual users, who viewed more than 39 million pages of information between them.

In addition, we took more than 95,000 phone calls from ratepayers and their representatives; nearly one third of these resulted in the customer being satisfied their summary valuation was correct. We raised over 100,000 enquiry cases, of which over 90% have already been settled.

Certain property types (such as petrol stations) and some regions (such as London and the South West) have seen higher than average increases in their rateable value. We have worked hard to explain the basis for these increases and ensure that the ratepayers involved understand that they have been treated fairly and that our assessments are accurate. Although rate bills have now been issued, we have continued to encourage our customers to get in touch if they have any queries about their valuation, allowing us to either explain our approach or, if evidence is produced to show that our assessment is not reflective of rental value at the set valuation date, to make any changes as necessary.

Council Tax

2009-10 saw us meet all our targets for our council tax work in what has been the best operational year to date. We have further improved our turnaround times for entering new properties into council tax lists and for amending existing entries, with the average time between receipt and clearance of reports now less than our long-term target of ten working days. This means that local authorities can issue bills promptly so taxpayers know how much they owe, or what is owed to them. Whilst meeting the targets has been a significant achievement, the benefit to our customers has also been noteworthy as we have sought to resolve enquiries at the first point of contact wherever possible. Virtually all our customers have seen improvements across a whole range of interactions with the VOA, from enquiry handling through to more detailed work where we have provided decisions in over 98% of cases within the two month target.

Better management of casework, the use of workflow and ongoing monitoring have been crucial in embedding the ways of working that have led to the improvements we have seen over the last year. Overall customer satisfaction is 92% against a backdrop of a difficult economic environment, which has seen many of our customers scrutinise more closely their own spending around council tax in particular.

We have continued to recognise that in working more closely with our partners, the billing authorities, we are able to provide more clarity for taxpayers around their council tax liability within a quicker timescale. Completing maintenance work in a more timely way and improving the turnaround of billing authority reports have been key to making this possible.

Rent Officer Functions

1 April 2009 saw the transfer of functions of The Rent Service to the VOA. Over the last year, we have successfully integrated the structure: accommodation is shared and corporate services, including HR and finance, are now integrated, producing significant financial savings.

We have met all targets on our Housing Allowances work whilst maintaining the excellent operational delivery that underpinned the former Rent Service. This is a pleasing contribution from the Housing Allowances teams for their first year within the VOA.

There has been considerable work with local authorities to improve working practices which have generated positive feedback, as well as making it easier for us to gather good quality rental information to inform our work.

The VOA has also worked on the pilot publication of rental information for the new website, London Rents Map, launched in December 2009.

Across Local Taxation we have experienced increased interest in our work so we adopted a more proactive approach to increasing customers' understanding of our work. We took up opportunities for our spokespeople to feature on local radio and national television programmes to explain the work we do and how we do it. This helped to increase transparency around our work and also meant customers were better informed about our role in council tax and rating.

Central Management Team

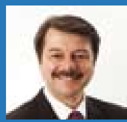
David Tretton
Director, Rating, Central Valuation Officer & Head of Profession

Patrick Bond
Deputy Director, Rating

Tim Bradford
Director, Operational Planning

Tim Eden
Director, Council Tax & Housing Allowances and National & Central Services

Mary Hardman
Operations Director



David Subacchi
Operations Director

Stephen Wright
Head of Business Improvement & Support

Steve Bliss
Project Manager, Non-Domestic Revaluation 2010

Jason Ambers
Head of Automated Valuation Model Development

Group Valuation Officers

The Group Valuation Officers (GVOs) are responsible for the smooth and efficient running of the VOA at a local level, delivering valuations to enable the levying of council tax and business rates.

Anne Whitham, GVO
Birmingham Group

David Jackson, GVO
East Anglia Group

Mike Dunlevey, GVO
East Midlands Group

Tony Speight, GVO
Leeds Group

Terry Goodall, GVO
Liverpool Group

Mark Jorgensen, GVO
London Central Group

Janet Alexander, GVO
London North Group

Steve Milner, GVO
London South Group

Ian Chilton-Merryweather, GVO
Manchester Group

Colin Snowball, GVO
Newcastle Group

Rob Hughes, GVO
North Wales Group

Jim Gallagher, GVO
North West Group

Lynda Rawsthorne, GVO
Reading Group

Chris Sykes, GVO
Sheffield Group

Jo Coll, GVO
South East Group

Clive Daniels, GVO
South Wales Group

John Reeves, GVO
South West Group

Mark Catley, GVO
St Albans Group

Charlotte Corkish, GVO
Wessex Group

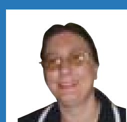
Andrew Baird, GVO
West Midlands Group

Clive Angell, GVO
Western Group

Specialist Valuers

The specialist valuers are responsible for providing a nationally coordinated and consistent approach to the valuation of very large, rare, unusual or high value properties.

Gerry Biddle
Head of Specialist Rating Unit, Southern

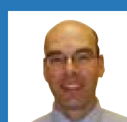


Helen Zammit-Willson
Head of Specialist Rating Unit, Wales & Western

Alan Perrin
Head of Specialist Rating Unit, Northern

Ivor Wilde
Head of Specialist Rating Unit, Eastern

Clive Smithson
Head of Specialist Valuation Unit



Guy Richardson
Head of Utilities Rating Team

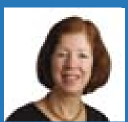
National & Central Services Senior Team


David Russell-Smith
Head of Statutory Valuations


Martin Evans
Head of Minerals


Ron Heeley
Head of Building Surveyors

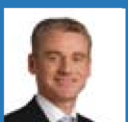
Commercial Services (DVS) Senior Team


Anna Hutchings
Head of Client Development

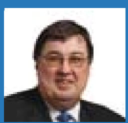

Archie Rintoul
Chief Valuer Scotland


Alan Colston
Head of Regional and Local Government Services (Wales) & Head of Environment, Energy and Sustainability


Andy Holdsworth
Head of Central Government Services


Russell Lawrence
Head of Health Services


Phil Percival
Head of Local Government & Regional Body Services (England)


Keith Skirving
Head of Transport & Infrastructure Services

National & Central Services and Commercial Services Senior Resourcing Team


John Bennett
Head of Business Planning & Resources (South)


Diane Wilding
Head of Business Planning & Resources (North)


Roger Haworth
Head of Business Support

National & Central Services

Improving timeliness and accuracy while delivering a cost effective service remains our priority in providing valuation advice to HMRC for inheritance tax, capital gains tax and general compliance work, in the statutory valuations we undertake for 'Right to Buy' purposes and in the capital valuations required by the Department for Work and Pensions (DWP). The results of our client survey show we are achieving 94% customer satisfaction on our work for HMRC and other statutory clients, exceeding our target and reflecting our commitment to putting the customer first.

Supporting the work of HMRC

The primary function of the Statutory Valuations Team within our National & Central Services (N&CS) directorate is to provide property valuation advice to our sponsor department, HMRC, to help them assess the correct amounts of tax and capital allowances.

Our Initial Appraisal Unit (IAU), which is co-located in HMRC offices in Nottingham to allow close working with the client, has gone from strength to strength. Through this closer working, and by establishing clear processes with minimal time delay, we have been able to improve the turnaround of our initial appraisal work to well within key targets. We are now achieving an average turnaround time of three days for inheritance tax referrals and six days for capital gains tax work, against targets of six and nine days, respectively. Our progress here enables HMRC to issue tax assessments to its own customers in a more timely way.

The cases that need more detailed scrutiny, often involving negotiation with the taxpayer or their representative, are dealt with by our network of valuers outside the IAU. Our drive has been to improve the timeliness of this work and meet the challenging Service Level Agreement targets agreed with HMRC. Significant improvements were made through the year, by closer monitoring of casework and a real focus on delivery. This resulted in all but one of our timeliness targets being either met or exceeded, with the one 'not met' being just one day over our 80 day target. Additionally we have looked to focus our time and effort on the cases where there is significant tax at stake, ensuring that we provide good value for money to our client.

Specialist advice

Our Mineral Valuer and National Assets and Building Surveyor (NABS) teams have continued to provide specialist support and advice across our Local Taxation, National Taxation and Commercial Services business streams. Both units have contributed to the achievement of operational and income targets at a national level.

In 2009-10 the NABS team has significantly improved timeliness on capital allowances casework for HMRC. The team has continued to deliver expert advice to Local Taxation colleagues on a range of matters, such as empty property rate relief, as well as assisting colleagues in Commercial Services in achieving a record level of fee income.

> Significant improvements were made through the year, by closer monitoring of casework and a real focus on delivery

Our Mineral Valuers team specialises in valuation work relating to mining, minerals, waste management and contaminated land. During 2009-10, they contributed significantly to the delivery of the 2010 rating revaluation dealing with valuations of over 5,500 properties in specialist sectors. Over the course of the year, they have provided a range of specialist advice to the VOA's public sector clients, including the delivery of consultancy services to colleagues in Land and Property Services Northern Ireland in respect of the rating assessments for the Province's mineral properties.

Developing skills

Our specialist teams help to enhance the skills of staff across the organisation. This year, the NABS team ran a series of workshops on empty property rates, benefiting over 180 valuers. Due to increased work in the energy sector, members of the NABS team have undergone intensive training themselves to achieve

full accreditation as energy performance assessors. In addition, the recruitment of mechanical and electrical engineers has strengthened the team's knowledge and capabilities in this specialist area of valuation.

Centralised support

The Network Support Offices (NSOs), based in Halifax, Plymouth, Durham and Rhyl, form a crucial part of the N&CS directorate, undertaking central processing functions for Local Taxation and Housing Allowances work. By centralising certain functions through the NSOs, we are achieving economies of scale and greater consistency in the service we provide, as well as reducing costs in delivering our services. The NSOs also had a key role in supporting the 2010 rating revaluation: the printing and posting of 65,000 bespoke summary valuations and the receipt of all written enquiries relating to the revaluation was managed through the NSOs, making for more efficient use of resource in carrying out these tasks.

On 1 April 2009, when the functions of the former Rent Service (TRS) transferred to the VOA, we adopted TRS's central processing unit, which in October 2009 was subsumed into the VOA's Durham office, becoming a Network Support Office. Officially opened on 1 April, our NSO in Rhyl is now well established. With many Welsh-speaking staff among the 40 colleagues now located there, we are able to communicate with our customers in Welsh if they prefer. This underlines our commitment to complying with our Welsh Language Scheme, approved by the Welsh Language Board.

Throughout 2009-10, the NSOs have continued to take on centralised functions, where piloting has been successful and benefits proven. Providing excellent service to our customers means we continuously need to review and improve the way we work. In 2010-11, more functions will be investigated with a view to assessing the potential benefits from centralisation.

Building on our achievements

We have developed the 'Improving the Customer Experience' (ICE) programme to help us build on the achievements we have made in recent years in the timeliness and accuracy of our work and in reducing our cost base. The proposed ICE programme, which covers the N&CS and the Commercial Services business streams, aims to improve the service we provide to our customers by realising further efficiencies. The improvement themes are:

- clarifying support roles and increasing responsibilities for delivery and client development
- streamlining and standardising processes and enhancing performance and delivery, and
- improving the way we handle customers and clients by extending the ways they can contact us.

Commercial Services (DVS)

Commercial Services – operating as DVS – consolidated its work for the public sector on strategic asset management, viability studies, and energy and sustainability services as well as continuing to deliver advice on acquisitions, disposals and lease reviews. These services, along with new ones introduced in the last year, support the improvement of operational efficiency across the public sector. DVS not only met but exceeded its target on generating income.

We tailor the services we offer to meet the specific needs of each organisation we work with – for example, the requirements of a large NHS Trust are different to those of a National Park or Housing Association – and this has brought us new clients whilst maintaining customer satisfaction with our work at 95% (5% above our target).

Encouraging efficient and environmentally sustainable public sector services

We introduced the Strategic Asset Management (SAM) service in 2008 to support the aim of employing buildings and assets strategically across government and expanded this work during the year. A strategic assessment identifies how the assets currently score on efficiency and effectiveness benchmarks, tailored to the organisation's requirements, and advises on cost-effective improvements.

We have been working with the Office of Government Commerce (OGC) and are promoting collaborative working between services where the best value for money can be achieved. We have developed and trained a new specialist disposals team to help clients maximise the return on releasing assets.

Throughout the year we provided master classes in SAM to clients from a broad range of public sector services, held across the country. These explained not only the principles and benefits of a strategic approach but how clients can apply SAM to their own estate.

We also launched our Green Asset Management service. Our Energy and Sustainability team has been offering environmental property services – ranging from Display Energy Certificates, Energy Performance Certificates to Environmental Assessments – since 2008. Combining these assessments with a wider strategic asset management review reduces the overall cost to the client and also means environmental advice on property is not treated in isolation from other client needs. This supports the wider government commitment to reduce its greenhouse gas emissions by 34% by 2020[15].

Helping the public sector transform areas

Urban regeneration and affordable housing schemes are a significant way for central, devolved and local government to have a positive impact on local areas and communities. DVS has been providing valuation services, such as valuing derelict land for housing redevelopment, to our public sector partners to help deliver these schemes across the country.

Our Planning and Viability team has been working with local authorities on development plans, including the percentage of affordable housing that should be provided in residential or mixed-use developments. They have advised on compensation claims and estimates for the financial contribution the authority can expect for the provision of communal areas. The 2009-10 Commercial Services training programme included courses on development viability, including the varying rules in England, Wales and Scotland, ensuring our staff have the complex skills they need to help local authorities deliver best value.

In the past year, we have also put together a team of specialists to work in helping to regenerate an area of over 2,000 acres by investing over £1 billion in Glasgow's historic but neglected East End. DVS's cross-specialist team is advising on a range of issues, including the substantial contaminated land problems of a former heavy industry site and how to bring large areas of derelict land back into economic use. The aim is to ensure that deliverable schemes achieve best value for the client and the local community.

We have introduced a small team of qualified specialists in the conservation of the historic environment, and are adding it to the skill set of more staff. DVS is the Architectural Heritage Fund's approved valuer for grant applications and has special access rights with regard to listed buildings. Properties valued by the team last year range from a Grade II listed1930s pier pavilion to the remains of a Norman motte. DVS has provided advice on how to proceed with unusual sites that present a challenge to the public sector when they have a requirement or desire to protect them for current and future generations.

Enabling people to develop their skills

Key to all of DVS's work is our staff of around 500. Our training programme has delivered over 1,100 days of training specific to Commercial Services staff alone. This training ensures staff have the latest technical and professional skills demanded by the sector in which they specialise.

We tailor the services we offer to meet the specific needs of each organisation we work with

[15] *Source: Sustainable Development in Government Targets, published by Defra.*

Customer Satisfaction and Service Delivery

We were disappointed not to meet our key performance indicator to achieve overall customer satisfaction within the top 15% of public sector comparators. We did though achieve 92% overall customer satisfaction and this placed us within the top 15.4% of public sector comparators, narrowly missing our target.

The Customer Service Excellence Standard is the Cabinet Office-sponsored successor to the Charter Mark and the VOA has a 100% record in achieving the Standard at the first attempt: 19 of our 21 regionally-based Group offices as well as our head office customer service team having been successful to date, with two Groups awaiting their assessment. These assessments are carried out by independent assessors who undertake a detailed investigation into the services provided to customers.

The new HMRC Charter

We aim to provide customers with a service that is even-handed, accurate, and based on mutual trust and respect, and these aims are set out in the new HMRC Charter, which also includes the VOA. The Charter explains what customers can expect from us and what we expect from customers so we can provide the best possible level of service. Additionally, we are in the process of updating our own Service Standards to clarify fully the detailed levels of service that our differing customers can expect.

Working with partners

During 2009-10, a number of billing authorities have combined to become Unitary Authorities, which provide a single tier of local administration. We have responded to these new arrangements by ensuring that our full range of services is available to the new Authorities. We have established Service Level Agreements so that both the Authority and the VOA are clear on each other's rights and obligations.

Each year, in order to ensure a high level of service and to ensure that we identify any improvements which could be made, we ask our local authorities for their views on us. Our survey concentrates on the service provided at the local level by our network of Groups. Results from the 2009-10 survey indicate a satisfaction level of over 94% and we have also identified a number of process improvements which we are currently considering how to implement.

It is essential that we find new ways to deliver better value services

Dealing with customer complaints

2009-10 saw a significant reduction in the number of customer complaints reported: 1,893 in total which was a drop of 467 from the previous year. The number of complaints partially or substantially upheld has also decreased to 21.5% this year, which is down from 23.6% in 2008-09. We have paid compensation on fewer cases in 2009-10 too: 109 this year, down from 237 in the previous year. However, the financial redress amounted to £179,240 this year, increasing from £105,782 last year.

The independent Adjudicator's Office reviewed 56 cases in total this year, an increase on last year's total of 30 cases. However, only one case was upheld and seven were partially upheld.

Customer journey mapping

Following the recommendation within the 2009 Framework Review of the VOA, and to improve our customers' experience, we have carried out an investigative study of Customer Journey Mapping using a series of core journeys identified across Local Taxation cases. These included council tax and non-domestic rating maintenance and proposal cases.

Using a range of methods, and based on case histories, we have mapped the typical experience of the customer when they interact with us and partner organisations involved in our work. A number of the key stakeholders provided analysis and suggestions for improvement and changes to our process to improve the customer experience in future.

The Customer Journey Mapping work also closely supports ongoing projects in a number of areas. We are currently reviewing and prioritising the proposed improvements for change with the key stakeholders to ensure that our actions lead to the maximum benefit for customers, clients and partners and fit with both planned process improvements and the future strategic direction of the VOA. Our work will provide us with valuable feedback to measure how improvements made are perceived and whether they are delivering a better customer experience.

Consolidating communications channels

This year we will continue to focus on the web services we offer to our customers, with a view to making it as easy as possible for customers to self-serve using online channels. We plan, by the end of December 2010, to have transferred all the information on our website that is relevant to individuals to the Direct Gov website and all that is provided for business to the Business Link site.

Transforming the business

Like other government agencies and departments, it is essential that we find new ways to deliver better value services while maintaining high levels of customer satisfaction.

During the last five years, we have transformed the VOA to make significant progress in delivering our 2010 targets through the Agency Transformation Programme, formerly known as the World Class Programme, and realise the vision of a smaller, but better equipped organisation delivering high quality valuation products efficiently and cost-effectively.

In 2009-10, we began centralising various process and support tasks. By doing this, we have achieved economies of scale and reduced costs in delivering our services.

We introduced an electronic line drawing application, which will improve the accuracy and consistency of our valuation work through automatic calculation of property survey areas and by standardising the way we draw plans in the VOA. We also finalised our planning for the implementation of other ways of modernising the way we work. The electronic document and records management system will ensure our information is held in a more consistent and secure way and will mean we need less space to store hard copy records, which creates cost savings in accommodation. The geographic information system, which we are introducing in 2010-11, will enable staff to identify addresses quickly on a map when dealing with customers. It will allow a variety of data sources to be overlaid onto the map to help improve the quality and accuracy of our valuations.

The Agency Transformation Programme will mean we can provide an even better service to our customers and clients, make jobs more rewarding and will contribute to delivering cost savings. It is putting in place a strong foundation for the next phase of the VOA's development, which will be underpinned by our 2015 business strategy.

Andy Booth
Head of Customer Services

Richard Browne
Head of Business Solutions

Steve Powell
Head of Portfolio Delivery Group

Our People, Our Workplace

In 2009-10, to help us manage staff reductions enabled by the Agency Transformation projects and to help equip us to live within our means in the event of future funding reductions, we set up a Workforce Change Programme. The aim of workforce change is to ensure we get the right number of people in the right places with the right skills. Early focus has been on evaluating a range of options and developing policies to extend the range of choices for staff. We are committed to assisting staff in every way possible to identify both redeployment opportunities and other options, and supporting them in making their choices for the future.

The VOA took part in the first Civil Service-wide People survey in October 2009. This delivered our first engagement index score of 51%. The results of the survey indicated that we need to concentrate efforts on developing our leadership, and further improve our management of change. We will focus on these areas in the year ahead with a view to improving our employee engagement index score in the 2010 People survey.

In addition, we recognised that improving the level of staff satisfaction during a period of significant change in 2009-10 was ambitious. Having missed the target by achieving a result of 55%, we will continue to monitor levels of staff satisfaction as it remains an area that is important to our staff and to our organisation.

We met our key performance indicator to ensure that all staff have the core skills and competencies required for their role within six months of taking up post. This is measured against a 99% success rate and we achieved 99.4%.

A major achievement was meeting our target to reduce the average of all sick absence to under seven days and the average short term sick absence to less than four days. This achievement is the result of a continued focus on addressing the underlying reasons for sick leave – a collaborative effort between HR and line managers to address issues promptly. We will continue to aim to reduce this further in the year ahead.

Broadening our remit

On 1 April 2009, staff from the former Rent Service transferred to the newly named Local Taxation and Housing Allowances directorate within the VOA. The aim of the transfer was to create efficiencies and it has already resulted in significant savings for our client, DWP.

It is a credit to staff that throughout the transitional period high levels of customer service and continuity of service were maintained. The commitment shown by staff to our customers during this challenging period is commendable.

To support former Rent Service staff transferring to the VOA, we set up a dedicated HR transition team to enable concerns or queries to be dealt with promptly. As expected, managing the integration of functions from one organisation into another has brought certain challenges. For the VOA, key challenges are the integration of separate IT systems and harmonising terms and conditions. Work to finalise both these areas continues throughout the coming year.

Cross team working is important for skills sharing and to equip the VOA to manage fluctuations in caseloads across its business streams in the future. Welcoming these new staff into the organisation has presented opportunities to identify common skills, share knowledge and learn from each other. We have conducted Cross Team Working Prototypes in our Preston and Reading offices to identify common skills shared by our Council Tax Referencers and Rent Officers, which would support better integration between these two roles. There is more work to be done but we are moving forward.

A flexible workforce skilled for the future

We are committed to developing a workforce with versatile skills sets. During 2009-10, to ensure that staff have the knowledge to work across council tax and business rates, we have delivered technical training in an increasing number of network offices. This allows for greater flexibility in the distribution of work.

We offer a number of different routes to surveying qualifications (depending on the existing qualifications and role of the individual), both academic and vocational. We can therefore plan to meet future needs in technical roles from band 5 to band 3.

Cross team working is important for skills sharing and to equip the VOA to manage fluctuations in caseloads across its business streams in the future

The VOA supports a number of professional qualifications schemes leading to full professional membership of the Royal Institution of Chartered Surveyors (RICS) or the Institute of Revenues, Rating and Valuation (IRRV). The route taken is again dependant upon the existing qualifications of individuals but all provide a sound technical knowledge and understanding of the principles and practice of surveying. Last year we supported:

- 96 staff undertaking the College of Estate Management Surveying Qualification;
- 65 students on the VOA Graduate Scheme;
- 42 students enrolled on the IRRV Diploma;
- 28 staff studying for the level 3 NVQ;
- 22 staff working towards the IRRV (Cert Val.) qualification.

We have developed a 'Skills Toolkit', an electronic portal which will enable us to drive up professional skills and help us to meet the Skills Pledge, a commitment to support staff to gain their first level 2 qualification (equivalent to five GCSE grades A* to C). This commitment is part of a long-term programme described in the Leitch Review, contributing to the UK Skills Agenda of increasing qualification levels across society by 2020 and consequently ensuring that the UK remains competitive in the global economy. The toolkit shows that 87% of our staff are either qualified to level 2 or above or are undertaking development to achieve a qualification at level 2 or above.

We set out a commitment in 2009 to put in place succession planning for the most advanced or specialist skills. Work commenced on succession planning during 2010 with the initial work focused on ensuring that we have identified key specialist posts. We are now drawing up plans to ensure these posts can be adequately filled in the future.

Reviewing our accommodation footprint

Throughout the year we continued to rationalise our accommodation by reducing our overall office floor space where we can to minimise overhead costs. Following on from the significant cost savings achieved during 2008-09, the programme continues to deliver cost savings for the future and, in its second year, has reduced space in ten sites. Five of these were relocated to existing VOA and HMRC sites. Overall, we have completed reviews of 20 sites during 2009.

Recognising VOA People

Honours

In the Queen's Birthday Honours List 2009, Guy Hirst and Lisa Rawson were both awarded MBEs. Guy's was awarded in recognition of his work in promoting the VOA's business through the Welsh language, while Lisa received hers for commitment to delivering high standards of customer service.

In the 2010 New Year Honours List, Stephen Wright (pictured), Head of Business Improvement & Support, was awarded the OBE for services to customers, clients and stakeholders.

Agency Awards

The 2009 Agency Awards were presented at the Senior Leaders' Conference in October. The awards recognise and celebrate the achievements of staff who, individually or in a team, have made a significant contribution to the VOA.

Distinguished contribution to customer service by an individual	Martin Jasper, Strategic Asset Management Team
Distinguished contribution to customer service by a team	Health Sector Assets Team
Distinguished contribution to internal customer service by a team or individual	Gillian Grainger, Group Customer Service Manager, London Central Group
Distinguished contribution to innovation and ingenuity	CEO Switchboard Team, Plymouth Network Support Office
Distinguished contribution to environmental good practice and/or the community and/or charity	Wrexham Office Nursery School Gardening Team
Distinguished individual achievement in demonstrating professional and/or technical excellence	Archie Rintoul, DVS Scotland
Outstanding contribution to business excellence	Land Portfolio Valuation Unit, led by Paul David Wills
Outstanding contribution to leadership	Tracey Storer, Digital Dictation Team
The Chief Executive's Award	Wessex Group School Volunteers

The VOA has reduced the space it occupies by almost 9% during 2009, which equates to over one quarter of staff being affected by either a location move, a reduction in floor space and in some cases both.

Alongside the rationalisation of our estate, we have continued to transfer more of our staff to home-working. Having started with around 60 home-based workers 18 months ago, we have more than quadrupled this number to 260 active users today, with another 60 due to become home workers by June 2010, taking the total number to 320. Part of this work included successfully assimilating into the VOA across the course of the year 180 former Rent Service home workers. Whilst we encountered some problems initially with the technology, all former Rent Service staff are now working very successfully from home.

Reflecting and respecting the community we serve

We are proud to have achieved a Silver Award for the Disability Standard 2009, having achieved a Bronze Award on the previous occasion (2007). This achievement reflects our commitment to delivering an effective diversity strategy as an integral part of our business.

The VOA's Diversity Team has focused on Equality Impact Assessments and has delivered a number of well-received workshops to provide skills to our policy makers, as part of meeting our Equality responsibilities. Additionally, the team has delivered diversity awareness training to managers on the VOA's Management Development Programme, to Band 6 Supervisors and at other training events. Building on the successful delivery last year of the e-learning package 'Cylix Diversity and Equality in Practice', a second phase of e-learning has been developed and will be rolled out during 2010-11, to address the feedback from the original programme.

As part of our ongoing dialogue with our five consultative groups, this year we opened up the Competency Based Interview training to all, to encourage a diverse pool of candidates for recruitment and selection panels and to better reflect our workforce and the community.

Steve Todd
Head of Human Resources

Mike Brankin
Head of Business Services

David Grace
Head of Strategy

Statistical information supplied to the Civil Service Commissioners for recruitment compliance monitoring	
Budgeted departmental Full Time equivalent (FTE) posts	4202.2
Actual FTEs employed within the Department as at 31 March 2010	3957.2
Actual FTEs employed within the HR Department as at 31 March 2010	60.04
Number of posts recruited to between 1 April 2009 and 31 March 2010	178
Number of recruitment campaigns undertaken between 1 April 2009 and 31 March 2010	106
Number of those individuals classified as SCS	0
Number of those individuals classified as non-SCS	178
Number of individuals recruited classified as permitted exceptions categorised between:	
i) Short term appointments of up to two years	8
ii) Permanent appointments to Administrative and Industrial grades	0
iii) Appointment of those with highly specialised skills	0
iv) Secondments up to two years	0
v) Re-appointment of former Civil Servants	13
vi) Transfer of individuals into the Civil Service	0
vii) Recruitment of disabled people	0
Number of recruitment competitions Commissioners have been asked to approve between 1 April 2009 and 31 March 2010	0
Number of different external recruitment companies used between 1 April 2009 and 31 March 2010	18

Data Security

In March 2009, the VOA commissioned a review to ensure we could meet our obligations under the Poynter Review of data security in HM Revenue & Customs and identify any risks attached to meeting that obligation. The review recommended establishing a programme to tackle strategically the risks and ensure compliance of the VOA.

During 2009, we initiated the Agency Security Programme and in the autumn selected Deloitte LLP to provide specialist support to the delivery. The programme will run through to 2010-11 and on successful completion the following business benefits will be delivered:

- Reduction in information risk exposure;
- A fully assessed risk position across the IT environment, including the supply chain;
- An increased level of information security maturity, with progress towards industry good practice;
- Implementation of a leading security capability to drive continuous improvement;
- An enhanced culture of secure practice throughout the VOA;
- Compliance with legislation and HMG frameworks;
- A robust set of standards and policies that direct good operational practices.

The programme is structured into six parts:

- Policy and Standards – creating a structured and comprehensive suite of information assurance policies and standards across the Information Technology, Data Handling, Risk Management and Human Resources spheres. It has defined security strategy, vision, enterprise architecture and roadmaps to ensure compliance against the applicable legislation, industry good practices and mandatory requirements;

- Risk Management – identifying the risk position across our IT environment (systems and infrastructure), suppliers and data, enabling remedial action and supporting accreditation of the operating environment and supporting processes;

- Security Organisation, Process and Performance Management – this has defined a leading information security capability, with supporting processes, governance and performance management to reduce risk to the VOA on an ongoing basis;

- Security Education and Cultural Change – we have completed the preliminary work to implement the Agency-wide cultural change strategy and a training and educational programme to embed good information assurance behaviours across the VOA. Staff awareness on security issues has been shown to be very high in the recent staff survey;

- Data Transfer and Media – designing more effective controls to ensure a secure environment for data storage and transfer, and

- Standalone Estate – identifying and securing all the standalone ICT assets across the VOA environment.

David Hughes
Head of Data Strategy

Progress to date has been good and the programme is on track to deliver its outcomes next year.

The numbers of incidents reportable to the Information Commissioner and centrally to HMRC are shown in the tables below.

Summary of protected personal data related incidents formally reported to the Information Commissioner's Office in 2009-10
The Agency experienced no losses of personal protected data reportable to the Information Commissioner's Office in 2009-10.

Summary of other protected personal data related incidents in 2009-10

Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within the Department are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures.

Category	Nature of Incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	0
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	0
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
IV	Unauthorised disclosure	0
V	Other	0

Responsible Business

The VOA is committed to actively managing its social and environmental impact. This includes minimising or preventing negative impacts, optimising positive consequences, and working well with customers and employees. It is embedded in all the work we do, every day. For example, the digitisation of our records will reduce our accommodation footprint, reducing the energy we use and enabling staff to work more flexibly.

In 2009-10 we built on the commitments laid out in the 2008 Responsible Business Report. We worked with staff from all parts of the VOA to produce a new set of values and reinforced those laid out in the Civil Service Code. These values inform our interactions with taxpayers, clients and one another. Our commitment to and performance on customer care is demonstrated in the customer satisfaction results for each business stream.

We made a commitment that all plain paper purchased is made from 100% recycled content, whilst, at the opposite end of the supply chain, we have moved to a central contract for confidential waste. Through this contract all waste paper is securely shredded on site then sent off to be pulped and recycled. This reduces the environmental impact of the VOA whilst disposing of data securely. This year we recycled 254 tonnes of confidential waste using this method. For the 2010 Revaluation, we improved the amount of information available online, so that customers could find answers at a time convenient to them and submit queries electronically.

We have introduced water filtration for all office locations, where possible. This reduces the environmental impact of using water coolers and bottled water by negating the need for regular deliveries, therefore minimising indirect transport emissions, as well as ceasing the use of plastic bottles. We have also commissioned energy performance surveys of our least efficient offices so we can implement energy savings. As well delivering financial and energy efficiencies, these actions often optimise the working environment for staff.

Being a responsible business also means engaging with local communities. Across the country, staff working on the 2010 Revaluation attended local business events to explain the process to ratepayers and their representatives. These events raised awareness of the process and enabled ratepayers to see that our local knowledge informs our valuation decisions.

Across the country, staff working on the 2010 Revaluation attended local business events to explain the process to ratepayers and their representatives

This year 187 charity days were taken by staff to help organisations such as a local nursery school and local National Trust sites. Our Preston office invited eight secondary school children in for a day so they could experience how the skills they were learning would transfer to the workplace. In addition, fundraising events during lunch breaks at local offices raised over £20,800 for charities such as Macmillan Cancer Care, Jeans for Genes and the Haitian earthquake appeal.

John Smallwood
Manager,
Responsible Business

Financial Review

Introduction
The financial results for the year ended 31 March 2010 are set out in the attached Account.

Two major changes have impacted on our reporting since the last Annual Report and Account.

- In line with government policy, we are now reporting using International Financial Reporting Standards (IFRS). Again we have restated our prior year figures to reflect this. Details can be found at Note 2 to the Account.

- The transfer of functions of The Rent Service (TRS) on 1 April 2009 requires us to restate our prior year comparative figures to assume that TRS activities were always part of our business. Details can be found in Note 3 to the Account.

All figures quoted in this Review take account of these two factors.

Financial objectives
Our financial objective is to recover the full costs of carrying out our work from the fees we charge to clients. In 2009-10 we achieved this whilst operating within a reduced cost base.

Financial results
The Operating Cost Statement demonstrates our financial performance for 2009-10.

Income
Income for the year was £231.1 million compared to £248.3 million in 2008-09 in line with the current Comprehensive Spending Review. The overall surplus was £3.2 million.

Details of the composition of our income are set out in Note 4 to the Account. We have four business streams with £174.4 million (77%) of our income arising from two major clients, Communities & Local Government and Welsh Assembly Government. This work delivers the business rates and council tax base which raises some £51 billion in tax.

Some £24.2 million (10.3%) of income now arises from our work on assessing housing allowances and fair rents which were formerly the work of TRS. Income from non-statutory work provided to the public sector by our Commercial Services division also rose by £1.8 million on 2008-09 to £19.6 million.

Expenditure
Total expenditure fell by over £17.0 million from £245.0 million in 2008-09 to £227.9 million.

This was driven largely by an £11.5 million drop in Other operating costs. Much of this was the result of a sharp decline in accommodation expenditure resulting from two factors: efficiencies arising from the merger with TRS and our ongoing estate rationalisation programme.

Staff costs also reduced by £6.5 million due to the impact of Early Departure Schemes held in the VOA and TRS in 2008-09 and 2009-10.

As part of our ongoing efforts to reduce our cost base we spent, with the consent of our major clients, a further £12.3 million on several Early Departure Schemes which were, in large part, responsible for an in-year reduction of 286 staff or about 6.5% of our permanent complement.

Financial position and cash levels
The Statement of Financial Position shows the VOA's assets, liabilities and taxpayers' equity.

Assets
Our non-current assets consist of property, plant and equipment and internally developed software.

We have monitored our asset base closely over the last two years and this has helped our conversion to IFRS accounting and the consolidation of former TRS assets and liabilities. Details of our property, plant and equipment and our intangible assets can be found in Notes 8 and 9 to the Account.

As part of our IFRS restatement we capitalised five of our properties and impaired some software which was no longer delivering value to the VOA. Details of the financial effects of these changes can also be found in Notes 8 and 9.

Work in progress arises from work carried out but not invoiced by our Commercial Services division. We have achieved a notable reduction in the level of work in progress due to several better billing initiatives initiated by Commercial Services. However we have also had to provide against some work in

Jackie McKenzie
Head of Performance & Analysis

Jon Grayson
Head of Financial Operations

Sean Lloyd
Head of Financial Strategy & Business Planning

progress on contracts which, though not active for six months, remains unbilled.

Going forward we will continue to work to keep the amount of work in progress at a reasonable level whilst continuing to improve our billing processes.

Partly as a result of this, cash levels are healthy, standing at £11.5 million, up £9.0 million on 2008-09. This is pleasing, not least because the VOA continues to perform well against the government target of paying all invoices within ten days. In 2009-10 we met this target for 97.8% of invoices.

Liabilities
Our liabilities consist of payables, accruals and provisions.

The total liabilities of £77.3 million consist of three significant elements.

As part of our adoption of IFRS standards, we now account for staff leave earned but not taken. This amounts to £10.9 million. Also the Early Departure Schemes referred to above mean we have a provision for future payments from these schemes of £13.1 million. Details can be found in Note 17 to the Account.

As a result of our merger with TRS, we also have to account for the net pension liability which represents our share of the current deficit in the Local Government Pension Scheme. This is a defined benefit scheme which many former members of TRS are enrolled in. Details can be found in Note 19 to the Account.

The net liability of the scheme has increased from £1.3 million in March 2008 to £33.3 million in March 2010. The increase in the deficit during 2008-09 was principally due to a reduction of £13.3 million in the value of its assets. During 2009-10, though the value of the fund's assets increased by £19.5 million, the actuary's assessment of the scheme's liability increased by £35.9 million, increasing the net deficit further. The increase in liabilities has been caused by changes in actuarial assumptions during the year.

As part of our Service Level Agreement with the Department for Work and Pensions (DWP), the client accepts that were the pension scheme liability to crystallise then DWP would accept this liability and, insofar as they could fund this themselves, would do so. In the event that they could not fund this, they would seek additional funding from HM Treasury to address any shortfall. The VOA therefore is effectively indemnified against this liability.

As a consequence of the impact of the pension liability, Taxpayers' Equity is a negative £12 million. We do not see this as an immediate cause for concern as the VOA is not in danger of liquidation.

Looking forward
2010-11 is the last year of the current Comprehensive Spending Review and the VOA has a budgeted income of around £211 million including our commercial work.

The Management Board is aware of the general pressures on government expenditure which will inform the next spending period. We have set prudent budgets for 2010-11 to reflect the lower levels of income from clients.

We continue to invest in an Agency Transformation Programme that will allow the VOA to improve delivery and efficiency. Alongside this Programme, which is largely focused on front line delivery, we have carried out a review of our corporate overhead to drive efficiencies that may be delivered in 2010-11 and beyond.

To help realise these efficiencies we have used surplus income to fund the early departure of some staff (see above).

There are some challenges to realising further benefits. The success of any programme of change is subject to successful managerial and technical implementation. Equally, the staff efficiencies, which would result from successful implementation, are not easily realisable in the current economic climate.

Adoption of 'Going Concern' basis
The Account is prepared on a Going Concern basis. We have no reason to believe that the VOA will not continue in operational existence for the foreseeable future. The risks relating to our cash flow are discussed in detail in Note 17 to the Account and are considered to be acceptable.

Chris Sharp
Head of Commercial Accounting

Paul Witkover
Head of Management Accounting

Michael Lynham
Head of Investment Finance

Remuneration Report

This report includes the table on page 32, which is subject to audit.

Remuneration of Directors

Directors who are members of the Senior Civil Service are subject to the terms and conditions applicable across the sponsor Department, HM Revenue & Customs. Details of their remuneration are provided on page 32 which is determined by HMRC in light of the recommendation of the Senior Salaries Review Body. There is no separate remuneration committee within the VOA as the parent department fulfils this function.

The Chief Executive sets specific objectives for executive directors, and their performance is reviewed regularly by her and formally reported on at the end of each year. The Chief Executive also has regular reviews with the non-executive directors. Her own performance against objectives is reviewed by the Chief Executive of HMRC.

Performance-related pay and bonuses are paid in line with the scheme applying to the Senior Civil Service as a whole.

Contracts, notice periods and termination periods

The majority of VOA staff, including the executive directors, are employed as permanent staff and are subject to both statutory and civil service conditions of service. The non-executive directors are on renewable three year fixed term contracts, with the assumption being that they will not be renewed more than once. The VOA employs a small number of staff on short-term contracts.

Awards made to past managers

No awards have been made to past managers in the current or prior years.

Details of non-cash elements of remuneration package

There were no non-cash awards made to board members in the current or prior years.

Salary and pension entitlements

The following section provides details of the remuneration and pension interest of the most senior officials of the VOA.

Salary

Salary includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowance; private office allowances and any other allowance to the extent that it is subject to UK taxation.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HMRC as a taxable emolument. No benefits in kind were made available to board members in the current or prior year.

Details of compensation payable to former senior managers

No compensation payments were made to former senior managers in the current or prior years.

Details of amounts payable to third party entities in respect of director services

No amounts were paid to third party entities during the year *(2008-09 £53,650)*.

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium, or classic plus); or nuvos, a whole career scheme. 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 and nuvos are increased annually in line with changes in the Retail Prices Index (RPI). Members who joined from October 2002 can opt for either the appropriate defined benefit arrangement or a good quality money purchase stakeholder pensions with significant employer contribution (partnership pensions account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus, and nuvos. Benefits in classic accrue at the rate 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years 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 pensionable earnings during the period scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of the pensionable earnings in that scheme year and, immediately after the scheme year-end, the accrued pension is up rated in line with RPI. In all cases members may opt to give (commute) pension for 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% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a choice of three 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 to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement.)

The accrued pensions quoted is the pension the member is entitled to receive when they reach pensions 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 and 65 for members of nuvos.

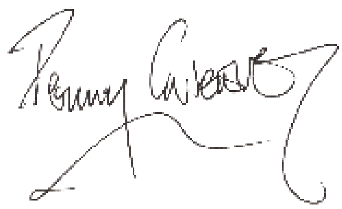
Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure 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. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service Pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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



Penny Ciniewicz
Chief Executive
14 June 2010

Board Members' Remuneration and Pensions Information

		Salary	Performance related pay	Real increase in pension and related lump sum at age 60	Total accrued pension at age 60 at 31/03/10 and related lump sum	Cash Equivalent Transfer Value (CETV)		
						As at 31/03/09	As at 31/03/10	Real increase in year
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Penny Ciniewicz *Chief Executive* *(from 1 September 2009)*	2009-10 2008-09	55 - 60 100 - 105 full year equivalent -	- -	2.5 - 5 plus 7.5 - 10 lump sum	15 - 17.5 plus 47.5 - 50 lump sum	207	256	40
David Park *Acting Chief Executive* *(from 1 April 2009 to 31 July 2009)*	2009-10 2008-09	35 - 40 90 - 95 full year equivalent 90 - 95	5 - 10 10 - 15	0 - 2.5 [1]	55 - 57.5 [1]	1,031	1,091	41
Colin Bailey *Chief Finance Officer*	2009-10 2008-09 (from 6 October)	75 - 80 30 - 35 70 - 75 full year equivalent	10 -	2.5 - 5 [1] plus 7.5 - 10 lump sum	22.5 - 25 plus 72.5 - 75 lump sum	321	382	39
Jane Earl *Non-Executive Director*	2009-10 2008-09	10 - 15 10 - 15	-	- [2]	- [2]	-	-	-
Steve Hartnell *Director of Human Resources*	2009-10 2008-09	75 - 80 75 - 80	- 5 - 10	0 - 2.5 plus 2.5 - 5 lump sum	32.5 - 35 plus 100 - 102.5 lump sum	686	749	26
Liz Hirst *Director of Commercial Services*	2009-10 2008-09 (from 6 May)	100 - 105 90 - 95 95 - 100 full year equivalent	- -	2.5 - 5 [3]	7.5 - 10 [3]	111	155	34
Dawn Johnson *Non-Executive Director*	2009-10 2008-09	10 - 15 10 - 15	- -	- [2]	- [2]	-	-	-
Mary Morrison-Paton *Head of Corporate Communications and Customer Insight*	2009-10 2008-09	65 - 70 65 - 70	- -	0 - 2.5 [1]	7.5 - 10 [1]	109	140	21
Paul Sanderson *Director of Data Strategy & Security*	2009-10 2008-09	80 - 85 80 - 85	5 - 10 0 - 5	0 - 2.5 plus 2.5 - 5 lump sum	40 - 42.5 plus 120 - 122.5 lump sum	828	907	34
Niall Walsh *Director of National and Central Services* *(from 12 May)*	2009-10 2008-09 (from 12 May)	60 - 65 55 - 60 60 - 65 full year equivalent	- -	0 - 2.5 plus 2.5 - 5 lump sum	15 - 17.5 plus 45 - 47.5 lump sum	182	213	17
Jon Wrennall *Chief Information Officer* *(Acting Chief Executive 1-31 August 2009)*	2009-10 2008 -09 (from 12 May)	135 - 140 110 - 115 130 - 135 full year equivalent	5 - 10 -	2.5 - 5[1]	12.5 - 15[1]	111	156	20

The information in the table above is subject to audit.

[1] *Member of the Premium Scheme – lump sum not applicable*
[2] *Fee paid consultant – not in civil service pension scheme*
[3] *Member of the Nuvos Scheme – lump sum not applicable*

Annual Account

for the Year Ended 31 March 2010

Contents

About this Account

The Valuation Office Agency is an executive agency of HM Revenue & Customs. This account will be consolidated as part of the HM Revenue & Customs resource accounts, which are audited separately by the Comptroller and Auditor General and presented to Parliament annually.

Statement of the Agency's and Chief Executive's Responsibilities

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

In preparing the account, 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 Principle Accounting Officer of HMRC has appointed the Chief Executive of the Valuation Office 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.

Statement on Internal Control

Introduction

This Statement on Internal Control seeks to explain how risk is managed in the VOA. I have divided it into the following parts:

- An explanation of my responsibilities
- An explanation of the purpose of the VOA's system of Internal Control
- A description of the VOA's capacity to handle risk
- A description of the VOA's risk and control framework
- A review of the framework's effectiveness including significant risk areas which have been or are being addressed and
- Proposed improvements to the system of Internal Control

Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of Internal Control that supports the achievement of VOA policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

I carry out this responsibility in conjunction with the Principal Accounting Officer and Chief Executive of Her Majesty's Revenue and Customs (HMRC). The relationship between the VOA and HMRC is set out in the VOA's Framework Document, and in a separate Memorandum of Understanding between the Chief Executive of HMRC and me.

The Chief Executive of HMRC is my direct line manager and the Chief Finance Officer of HMRC is the HMRC Executive Committee (ExCom) member responsible for the VOA. Both are kept apprised of risks and issues in the VOA and have regular meetings with me. VOA directors also have close working relationships with other ExCom members, particularly the Chief Finance Officer and the Chief Information Officer.

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 therefore only provide 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 departmental 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 VOA throughout the year ended 31 March 2010 and up to the date of approval of the Annual Report and Account, and accords with HM Treasury guidance.

The VOA's capacity to handle risk

The approach to risk management involves both a top down strategic view of risks facing the VOA and upward reporting and escalation of risks through operational business streams.

Risks are identified, evaluated and controlled by a named director and the risk assessment is discussed and agreed, collectively, by the Management Board. Risk registers are in place at directorate and operational level and are regularly reviewed in liaison with directors to ensure escalation and to drive mitigating actions. We have not altered this approach as a result of our merger with The Rent Service (TRS).

The Risk and Control Framework

The Risk and Control Framework is entwined within the management structure of the VOA and its management reporting system.

The Management Board assists me in setting the strategic direction of the VOA by approving the annual budget allocations and monitoring performance including agreeing the key performance indicators with clients. It met formally each month during the year and also held two workshops to focus on strategic risks affecting the VOA.

The Management Board comprises senior executives and two non-executive directors. My Private Office holds a Register of Members' Interests and maintains a record of continuing professional development undertaken by the Management Board members.

The Management Board has two sub-committees: the Audit & Risk Committee and the People Committee. In addition, a Programme Board, which includes executive Board Members, has responsibility for the management and control of the portfolio of projects that support the VOA's Transformation Programme.

The Audit & Risk Committee, which is chaired by a non-executive director, has a particular focus on risk management and takes advice from internal audit and our external auditors. It met four times in 2009-10 and has access to key staff at all times. During the year the Committee undertook a self-assessment exercise and is addressing the areas for improvement identified.

Examples of the type of work carried out by the Management Board which help manage risk include:

- Approving the annual budget
- Receiving monthly budget updates from the Chief Finance Officer
- Receiving monthly reports by each director on a range of performance indicators
- Discussing the VOA's risk register and progress in risk management

The Audit & Risk Committee also reports back to the Board on issues arising from its work.

Beneath Board level there is a clear management structure and VOA objectives are cascaded throughout the business so that each member of staff's work is tied into the achievement of the VOA's goals. A forward plan is updated annually and all staff are briefed on it.

There is no formal process to determine risk appetites although this will be addressed in the coming year.

Specific areas of risk are addressed by comprehensive guidance issued to staff. Paramount amongst these is the guidance provided for the maintenance of both the National Non-Domestic Rates and Council Tax Lists. Risk management in these areas is undertaken through mapped and documented uniform processes with regular monitoring and reporting of workflows and outcomes. The oversight of the Local Taxation work is supported by a Business Improvement and Support Team, which includes a dedicated quality assurance and compliance capability.

Other areas of guidance issued to staff relate to HR, finance, procurement and information management.

Information management is discussed in more detail below but data security training is mandatory for all staff and the importance of proper management information is regularly reinforced.

In addition to the above I also gain personal assurance over risk management by way of my direct line management of key staff and regular meetings with staff at all levels including during visits to local offices. I also take assurance from the work of several internal and external bodies in particular:

- Internal Audit, with whom I meet regularly, undertook a number of reviews over perceived risk areas such as fraud, the integration of the Rent Service and the VOA Transformation Program. They have access to me at all times.
- The VOA's Financial Assurance Unit carries out cyclical reviews across the VOA focusing on particular risk areas such as asset recording and management and Commercial Services' case management including charging. Issues arising are reported to me via the Head of Financial Operations.
- The National Audit Office and their appointed auditors PricewaterhouseCoopers LLP who via their external audit provide both independent assurance and advice on a variety of matters. They have access to me at all times.

Review of effectiveness of system of Internal Control and Risk Management

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of Internal Control. My review of the effectiveness of the system of Internal Control is informed by the work of the internal auditors and the executive managers within the department who have responsibility for the development and maintenance of the Internal Control framework and comments made by external auditors in their management letters and other reports.

Overall, though I judge the system of Internal Control to have been generally sound, I believe that enhancements can be made as part of our commitment to continuous improvement and to address the challenges ahead. There have also been certain control issues which I wish to discuss below. Proposed alterations to the system of Internal Control are set out at the end of the Statement.

I have been advised on the implications of the result of my review of the effectiveness of the system of Internal Control by the Management Board and the Audit & Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Internal Control Issues

Strategy and Forward Looking

In 2005 the VOA set itself a challenge of delivering an improvement in operational performance under the banner of the World Class Programme. This was devised in 2005 with the challenge of delivering improvements in our operating performance.

As this report shows at page 11 we have largely achieved those improvements in performance whilst reducing our overall costs year on year and delivering better value for money for the taxpayer. Our Framework Review recognised this achievement during the year but also commented that there was scope to explain this more fully to staff and to plan beyond 2010.

As a result, I concluded that we needed to improve our overall wider strategic planning, change and communication capability to handle the risks that the VOA will face over the next five years.

I have therefore strengthened the strategy, communication and change management resources in the VOA and we have focussed the change programme (now called the Agency Transformation Programme) on the remaining elements of the World Class Vision in 2010-11 whilst at the same time starting work on developing a business strategy and operating model for 2015.

Information Risk and Security

Following the recommendations made by the Poynter Report in 2008, the more recent Cabinet Office Security Policy Framework (SPF) and the Information Assurance Maturity Model (IAMM), the VOA has strengthened its arrangements for managing information risk and information security, and is fully aligned with HMRC's Data Security Programme.

The VOA has a Senior Information Risk Owner (SIRO) at Board level with executive directors nominated as Information Asset Owners for their individual directorates. A mandatory e-learning package for all staff is also in place and compliance with the training is monitored centrally to ensure all staff complete the training.

In October 2009 we commissioned external consultants (Deloitte LLP) to undertake a VOA Security Programme to compliment the programme in HMRC. Progress to date has included work on addressing risks in the following categories:

- Security Policies and Standards – in completing this work we have revised our Security Management System to reduce risk by making this conformant to recognised international standards (ISO270001).
- Information Risk Management – as part of this project we have undertaken a systematic assessment of each of our IT systems. This is largely complete and in early 2010-11 we will take any remedial action needed to manage risks that are outside our risk tolerance.
- Data back up and disaster recovery – we have introduced new arrangements to ensure that our critical data sets are stored more securely and have improved our disaster recovery contingency planning.
- Security Organisation and Performance Management – we have developed a new structure incorporating professional skills and technical expertise to sustain improved information risk and management.

We are on track to conclude the programme in late 2010.

I am pleased to report that the VOA experienced no losses of protected data reportable to the Information Commissioner's Office in 2009-10. However I recognise there is no room for complacency in this area hence the actions outlined above.

Further details are given on page 26 of the Report.

The Rent Service

With effect from 1 April 2009 the functions of The Rent Service (TRS) were transferred from the Department for Work and Pensions (DWP) to the VOA.

Overall the transfer has gone well with the staff and work being integrated successfully. Issues relating to IT security, asset recording and certain staff benefits arose, but all these matters have been satisfactorily addressed in year.

Criticism of rating assessments in major ports and media coverage

As reported in 2008-09, the VOA drew criticism for its handling of the increased and backdated rates assessments affecting some ports. The VOA has continued to face similar criticism in 2009-10 in Parliament as well as parts of the media.

The core of this criticism is that in discharging our statutory valuation obligations we have paid insufficient attention to the wider economic and commercial needs of those businesses affected by our work. The reputation and standing of the VOA has been damaged by this.

Whilst our overall customer satisfaction remains high, I recognise how crucially important it is that we retain wider confidence externally in the VOA's capability.

Many of the issues that arise in the ports review stem from complex technical points and at times the information required to exercise professional judgements was not readily available. During the year we faced legal challenges to our assessments and tribunals have found in our favour when these challenges have taken place.

I do recognise however that our communication and handling of ports issues fell short of the high standards that we set ourselves. I regret that and in response we have introduced measures to improve communications and handling of issues as they arise.

We continue to implement 'fast track' arrangements for enquiries and proposals from all port occupiers. We do recognise that 'fast track' arrangements are not the answer in themselves. We continue to devote all necessary resources to ensuring we can, with the assistance of ratepayers, obtain all the relevant factual and technical information required to resolve all enquiries and appeals as quickly as possible.

The VOA has also attracted media criticism in relation to other areas of work such as our valuations for Council Tax and rating assessments in certain property classes such as petrol filling stations. Where such criticism is factually incorrect we seek to challenge and correct the coverage to allow for a more balanced view.

Following a recommendation in the Framework Review we instituted a new process in the year to escalate issues on valuation that may have impacts on groupings of customers and which would allow us and clients to respond quickly to those concerns. We have also introduced and built upon processes to identify and escalate significant alterations to rating lists incorporating enhanced definitions and classification of differing types of risk. These new processes have been applied successfully to ensure we communicate more effectively and work with customers and business interest groups to resolve concerns wherever possible.

It remains one of my highest priorities to ensure these issues are better managed in the future.

Commercial Services: Work in Progress (WIP)
The value of unbilled work (WIP) carried out by our Commercial Services division was £4.4m at 31 March 2009 and had been higher at times in 2008-09. The consistently high levels of WIP increased the risk that when eventually billed it would prove difficult to collect and meant that the income from our statutory work was providing working capital to the Commercial Services division.

Commercial Services took several initiatives during the year to address these problems, some of which result from inherent cultural issues, including recruiting a finance professional to assist senior management in the division to improve the monitoring of WIP. As a result WIP, as a percentage of income, fell from 23.5% on 31 March 2009 to 13.8% on 31 March 2010. Work continues to maintain this level of performance.

We do not right off WIP except in exceptional circumstances and the level of write-offs this year, £0.05m needs to be set against a total income figure of £19.6m

Economic Conditions and Public Sector Spending
The VOA is alert to additional factors that may impact upon the delivery of its functions as a result of the wider economic position, including the potential for an increase in workloads: for example as ratepayers and tax payers consider and possibly challenge their liability for which we provide the relevant assessments or bandings.

We are continuing to monitor workloads closely and have some ability to be flexible through IT systems which allow for resources to be redeployed in response to changing pressures and priorities. In our non-statutory work we are setting our business and income plans at what we believe to be realistic levels.

In the current public spending round we continue to adapt to reductions in our income by cutting our costs through reducing our estate, driving down corporate overheads and by managing staff and pay costs tightly.

Through our Transformation Programme we have also been exploring innovative ways to make our work more effective – for example we are centralising our processing work and introducing electronic records management systems to allow for more efficient retrieval of records and reducing our accommodation need for storage.

Procurement
During the year the VOA reviewed its procurement systems. The review concluded that our procurement processes were fragmented resulting in an increased risk of poor value for money and non-compliance with EU regulations.

We considered that a key problem was the lack of procurement expertise in the VOA to assist staff involved in the purchase of goods and services. We are taking actions to address this by recruiting a procurement professional who will revise the VOA's approach to procurement over the coming year.

Proposed improvements to the system of Internal Control
Since my appointment as Accounting Officer in September 2009 I have decided to strengthen the system of Internal Control with the following governance changes.

- The creation of a bicameral Board system with a new Board focused on strategic issues and an Operating and Performance Board focused on operational delivery.
- Expanding the number of Board committees from two to five to provide better support to both Boards. In particular a new Professional Ethics and Technical Issues Committee will keep abreast of technical issues and an Operating Risk Committee will ensure risk management is at the heart of our day to day work.
- A review of the roles of senior managers to ensure they are aligned to the challenges facing the VOA over the coming years. A Director of Strategy, People and Change has already been appointed.
- The creation of a new Governance Assurance and Procurement unit which will subsume the Financial Assurance Unit within its activities. The Head of this unit, a governance professional, is already in place and a procurement professional has now been appointed.
- Enhancing the VOA's risk register to incorporate an assurance framework.
- Setting out a clear definition of risk appetites for all areas of the business.
- An improved internal audit programme.
- Implementing the recommendations arising from the VOA Security Programme to ensure our data is managed within our risk appetite.

There are no other significant Internal Control issues to report.

Penny Ciniewicz
Chief Executive
14 June 2010

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 2010 under the Government Resources and Accounts Act 2000. These comprise the Operating Cost Statement, the Statement of Changes in Taxpayers' Equity, the Statement of Financial Position, the Statement of Cash Flows 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 VOA, the Chief Executive and Auditor

As explained more fully in the Statement of the Agency's and Chief Executive's Responsibilities, the VOA and the Chief Executive, as Accounting Officer, are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and 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 VOA's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the VOA; and the overall presentation of the financial statements.

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

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.

Opinion on the financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the VOA's affairs as at 31 March, and of the surplus, changes in taxpayers' equity and cash flows 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 part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Annual Report other than the unaudited part of the Remuneration 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
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit.
- The Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
22 June 2010

Operating Cost Statement for the Year Ended 31 March 2010

	Notes	31 March 2010 £'000	31 March 2010 £'000	31 March 2009 Restated £'000	31 March 2009 Restated £'000
Administrative Costs:					
Income	7		232,754		247,674
Increase /(decrease) in value of work in progress	12		(1,650)		667
			231,104		248,341
Staff costs	5a	(147,605)		(154,108)	
Early departures	5b	(12,249)		(10,911)	
Depreciation and amortisation	8&9	(7,160)		(7,615)	
Other operating costs	6	(60,871)		(72,389)	
			(227,885)		(245,023)
Programme Costs:					
Impairment	10		-		(2,552)
Gross Operating Cost			**(227,885)**		**(247,575)**
Net Operating Surplus/(Cost)			**3,219**		**766**

The VOA has adopted International Financial Reporting Standards for the first time within this account (Note 2) and has absorbed the functions of The Rent Service (Note 3). The primary statements have been restated in the prior year, as have the associated notes.

Notes 1 to 26 form part of this Account.

Statement of Financial Position as at 31 March 2010

	Note	31 March 2010 £'000	31 March 2009 Restated £'000	1 April 2008 Restated £'000
ASSETS				
Non-current assets				
Property, plant and equipment	*8*	10,609	7,519	7,029
Intangible assets	9	31,951	33,356	35,099
Financial assets:				
Trade and other receivables falling due after more than one year	*13*	715	921	1,119
Total non-current assets		**43,275**	**41,796**	**43,247**
Current assets				
Financial assets:				
Trade and other receivables falling due within one year	*13*	8,815	10,873	14,050
Work in progress	*12*	2,703	4,353	3,686
Cash and cash equivalents	*14*	11,548	2,466	7,791
Total current assets		**23,066**	**17,692**	**25,527**
Total assets		**66,341**	**59,488**	**68,774**
LIABILITIES				
Financial liabilities:				
Trade payables	*15*	(3,749)	(4,659)	(6,237)
Accruals and deferred income	*15*	(9,192)	(9,039)	(7,794)
Other current liabilities				
Amounts payable to the Consolidated Fund	*15,18*	(3,607)	(2,415)	(8,789)
Accrued employee benefits	*17*	(10,915)	(9,651)	(7,933)
Other liabilities	*15*	(598)	(438)	(820)
Total current liabilities		**(28,061)**	**(26,202)**	**(31,573)**
Net current liabilities		**(4,995)**	**(8,510)**	**(6,046)**
Total assets less current liabilities:		**38,280**	**33,286**	**37,201**

	Note	31 March 2010 £'000	31 March 2009 Restated £'000	1 April 2008 Restated £'000
Non-current liabilities				
Provision for early retirement and pension commitments	*17*	(13,061)	(10,721)	(12,689)
Other provisions and charges	*17*	(2,297)	(4,277)	(4,958)
Other liabilities	*15*	(604)	(636)	(663)
Pension liability	*19*	(33,307)	(16,879)	(1,282)
Total non-current liabilities		**(49,269)**	**(32,513)**	**(19,593)**
Total liabilities		**(77,330)**	**(58,715)**	**(51,166)**
Total assets less total liabilities		**(10,989)**	**773**	**17,608**
TAXPAYERS' EQUITY				
General Fund		(13,161)	(4,197)	12,897
Revaluation Reserve		2,172	4,970	4,711
Total taxpayers' equity		**(10,989)**	**773**	**17,608**

The VOA has adopted International Financial Reporting Standards for the first time within this account (Note 2) and has absorbed the functions of The Rent Service (Note 3). The primary statements have been restated in the prior year, as have the associated notes.

Notes 1 to 26 form part of this Account.

Penny Ciniewicz
Chief Executive
14 June 2010

Cash Flow Statement for the Year Ended 31 March 2010

	Notes	31 March 2010 £'000	31 March 2009 Restated £'000
Cash flows from operating activities			
Net operating surplus/(cost)		3,219	766
Adjustments for non-cash transactions		22,436	15,724
(Increase)/Decrease in trade and other receivables		2,262	3,375
Less movements in receivables relating to items not passing through the OCS		(198)	(191)
(Increase)/Decrease in inventories/work in progress		1,650	(667)
Increase/(Decrease) in trade and other payables		562	(7,056)
Less movements in payables relating to items not pasing through the OCS		(3,711)	6,398
Use of provisions	*17*	(5,056)	(6,197)
Net cash inflow/(outflow) from operating activities		**21,164**	**12,152**
Cash flows from investing activities			
Purchase of property, plant and equipment	*8*	(3,287)	(3,826)
Purchase of intangible assets	*9*	(9,243)	(5,439)
Net cash inflow/(outflow) from investing activities		**(12,530)**	**(9,265)**
Cash flows from financing activities			
Cash received from the Consolidated Fund		2,700	320
Received on behalf of the Consolidated Fund		190	280
Payments to the Consolidated Fund		(2,415)	(8,788)
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts		(27)	(24)
Net cash inflow/(outflow) from financing activities		**448**	**(8,212)**
Net increase/(decrease) in cash and cash equivalents in the period		**9,082**	**(5,325)**
Cash and cash equivalents at the beginning of the period	*14*	**2,466**	**7,791**
Cash and cash equivalents at the end of the period	*14*	**11,548**	**2,466**

The VOA has adopted International Financial Reporting Standards for the first time within this account (Note 2) and has absorbed the functions of The Rent Service (Note 3). The primary statements have been restated in the prior year, as have the associated notes.

Notes 1 to 26 form part of this Account.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2010

		Year ended 31 March 2010			Year ended 31 March 2009 (Restated)		
		General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
Opening balance (Restated)		(4,197)	4,970	773	12,897	4,711	17,608
Changes in taxpayers' equity for the period							
Gains and Losses							
Net gain/(loss) on revaluation of property, plant and equipment	*8*	-	944	944	-	127	127
Net gain/(loss) on revaluation of intangible assets	*9*	-	48	48	-	1,946	1,946
Impairments charged against the revaluation reserve	*10*	-	(2,146)	(2,146)	-	(398)	(398)
Surplus for the year		3,219	-	3,219	766	-	766
Actuarial loss on pension fund	*19*	(14,423)	-	(14,423)	(16,456)	-	(16,456)
Contributions to Local Government Pension Scheme by DWP	*19*	953	-	953	-	-	-
Transfers and other reserve movements							
Realised and transferred to General Fund		1,644	(1,644)	-	1,366	(1,366)	-
Non - cash charges - cost of capital	*6*	221	-	221	458	-	458
Non - cash charges - auditor's remuneration	*6*	139	-	139	98	-	98
Non - cash charges - TRS financing from Consolidated Fund	*3*	-	-	-	(1,343)	-	(1,343)
Other movements in reserves		-	-	-	(169)	(50)	(219)
Transactions with Consolidated Fund							
Repayable to the Consolidated Fund		(3,417)	-	(3,417)	(2,134)	-	(2,134)
Received from the Consolidated Fund		2,700	-	2,700	320	-	320
Total recognised income and expense for the year		(8,964)	(2,798)	(11,761)	(17,094)	259	(16,835)
Balance carried forward		(13,161)	2,172	10,989	(4,197)	4,970	773

The VOA has adopted International Financial Reporting Standards for the first time within this account (Note 2) and has absorbed the functions of The Rent Service (Note 3). The primary statements have been restated in the prior year, as have the associated notes.

Notes 1 to 26 form part of this Account.

1. Statement of accounting policies

The VOA has prepared these financial statements in accordance with the 2009-10 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the VOA has selected the accounting policy which is most appropriate for giving a true and fair view. We describe our accounting policies below.

We use the verb "to recognise" when we are referring to transactions that affect the Statement of Financial Position (or Balance Sheet) and "to charge" in relation to the Operating Cost Statement.

International Financial Reporting standards, as interpreted by the FReM, have been adopted for the first time in this year's account, with an adoption date of 1 April 2008. The prior year comparatives given within this account are therefore restated under IFRS.

In addition, the VOA absorbed many of the functions of another government body, The Rent Service (TRS) on 1 April 2009. The FReM requires that such machinery of government changes are accounted for on merger accounting principles, so that balances and transactions are shown as if the transferred functions had always been performed by the new merged body. The comparatives in this account are therefore also restated to include the applicable balances and transactions of The Rent Service.

The adjustments made on adoption of IFRS and on absorbing TRS are shown separately in Notes 2 and 3 respectively. The IFRS adjustments have been applied first, so that the opening balances in Note 2 agree to the published 2008-09 account and the closing balances represent these balances in IFRS terms. Note 3 then demonstrates the impact of the merger with TRS.

1.1 Accounting convention

The VOA has prepared the account using the modified historical cost convention. This means we use historical cost for most items but revalue property, plant and equipment, and intangible assets (see 1.2 and 1.3).

This account has been prepared on a going concern basis.

1.2 Property, plant and equipment

Initial Recognition

On initial recognition, the VOA recognises its property, plant and equipment assets at cost, including all costs directly attributable to making them available for use. Cost is the amount of cash or cash equivalent paid or the fair value of any consideration given to acquire the asset or during its construction.

Subsequent measurement

In subsequent periods, the VOA accounts for these assets using their fair values. We calculate this by professionally valuing our land and buildings on an existing use basis every five years supplemented by such interim valuations as are necessary to ensure that the recorded values of the assets materially reflect their fair values.

For assets other than land and buildings we calculate fair value by using modified historical cost. This involves applying a revaluation index to each class of asset using the appropriate indices from the Office for National Statistics.

Treatment of changes in valuation

We recognise increases in asset value in the revaluation reserve within taxpayers' equity. We match off any subsequent devaluations of these assets against the amount of the reserve relating to the asset. However if the devaluation exceeds the amount we recognise that excess as a charge in the Operating Cost Statement.

Similarly the VOA recognises devaluations firstly in the revaluation reserve, if the particular asset has had a previous revaluation, and then in the Operating Cost Statement. When the VOA disposes of revalued property, plant and equipment, any remaining value attributable to the asset held in the revaluation reserve is transferred to the General Fund.

We carry the costs of the refurbishment of office accommodation on the balance sheet where the work results in additional and/or extended service potential to the VOA.

Depreciation

The VOA depreciates property, plant and equipment over its estimated useful life in order to write it down to its estimated residual value. We use a straight line method of depreciation. The useful lives of property, plant and equipment are detailed in the accompanying table.

We review the assets' residual values, useful lives and method of depreciation at each financial reporting year end, and adjust them if appropriate.

Buildings are depreciated over the shorter of the term of the lease under which they are occupied and their estimated useful lives as assessed by a professional valuer.

Asset Class	Recognition Threshold	Estimated Useful life
Accommodation Refurbishments	£15,000	4 years or period of lease, whichever is shorter
Office Equipment	£1,500	3 - 7 years
IT Hardware	£1,500	Up to 5 years
Furniture & Fittings	£1,500	Up to 10 years
Telecommunications	£1,500	5 years

1.3 Intangible assets

The VOA's intangible assets consist of developed software and software assets under construction. The VOA recognises an intangible asset only if:

- it is technically and economically feasible to complete the asset;
- the VOA intends to complete the asset; and
- the VOA is able to use the asset generated by the project.

Initial Recognition

On initial recognition, the VOA values intangible assets at the directly attributable costs incurred to bring them into use.

Subsequent periods

In subsequent periods, the VOA accounts for its intangible assets on a fair value basis using modified historical cost. This involves applying a revaluation index to each class of asset using the appropriate indices from the Office for National Statistics. The treatment of changes in valuation is the same as that used for property, plant and equipment (see note 1.2 above).

Amortisation

The VOA amortises its intangible assets over their estimated useful lives in order to write them down to their estimated residual value. We use a straight line method of depreciation. The useful lives of intangible assets are detailed in the accompanying table.

We review our intangible assets' residual values, useful lives and methods of amortisation at each financial reporting year end, and adjust if appropriate.

Assets under construction

The costs of the VOA's assets under construction are accumulated until the asset is completed and brought into service, at which point the asset is transferred to the relevant asset class and depreciation commences.

1.4 Impairment of non-financial assets

We review property, plant and equipment and intangible assets for potential impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss occurs when the carrying amount of the asset exceeds its recoverable amount. The asset's recoverable amount is the higher of its net selling price and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows or future service potential.

Financial Assets and Liabilities

1.5 Financial assets

The VOA recognises a financial asset when it gains a contractual right to the asset. The exception is where the financial asset is consideration from customers for services provided. In these cases we recognise the financial asset when the revenue recognition criteria are met (set out in paragraph 1.14). The VOA removes a financial asset from its balance sheet when it no longer has a contractual right to the asset, or when the asset is transferred to another party.

The VOA's financial assets are classified as loans and receivables

Asset Class	Recognition Threshold	Estimated Useful Life
Developed Software - new/projects	£15,000	Up to 10 years
Developed Software - enhancements	nil	As per the enhanced asset
Software Licences	£1,500	5 years

and on initial recognition are measured at fair value. Subsequent to initial recognition the VOA's loans and receivables are measured at amortised cost.

The VOA's financial assets consist of trade and other debtors, accrued income and work in progress.

1.6 Impairment of financial assets

The VOA assesses, at each balance sheet date, whether there is objective evidence that its financial assets are impaired. Assets are impaired if the future cash flows associated with the asset have been reduced by events before the balance sheet date, and if the effect on future cash flows can be reliably estimated. Events that could trigger impairments include a breach of terms or default by a counter-party on a contract, significant financial hardship of a counter-party or an emerging pattern of lower than expected recovery on a class of assets.

The VOA measures the amount of impairment loss as the difference between the asset's carrying amount and the revised recoverable amount. The amount of the loss is recognised in the VOA's Operating Cost Statement in the period of impairment.

1.7 Work in progress

The VOA's work in progress is classed as a financial asset. We value it at the lower of cost and net realisable value. The cost reflects the VOA's hourly charge rate which represents the full costs of the service calculated in accordance with the requirements of *Managing Public Money*.

1.8 Cash and cash equivalents

Cash and cash equivalents represent cash balances in hand and cash balances held at the Office of HM Paymaster General or with commercial banks.

1.9 Financial liabilities

The VOA recognises a financial liability when it becomes a party to the contractual provisions of the financial instrument. The exception is any liability related to the purchase of goods or services in the normal course of the VOA's business. In these cases the financial liability is recognised when, and to the extent that, the goods or services are provided. The VOA removes a financial liability from its balance sheet, when it is extinguished, i.e. when the obligation in the contract is paid, is cancelled or expires.

The VOA's financial liabilities are its trade payables and accruals. On recognition we recognise them at fair value and subsequently at amortised cost.

1.10 Other liabilities

The VOA's other liabilities consist of PFI related liabilities, provisions and statutory obligations, as well as any accruals or deferred income that are not financial liabilities. On initial recognition we measure them at fair value. Subsequently accruals are measured at amortised cost and deferred income is measured at cost. The treatment of PFI related liabilities is described at 1.12. The VOA's statutory obligations are short-term in nature and are held at fair value until paid. If material, liabilities that fall due after one year of the balance sheet date are discounted to take account of the time value of money.

The VOA makes provisions for liabilities and charges where, at the balance sheet date, a legal or constructive liability (a present obligation arising from a past event) exists, for a probable transfer of economic benefits and for which a reasonable estimate can be made. Where obligations are less certain, or cannot be reliably estimated we disclose them as contingent liabilities in Note 23.

1.11 Employee benefits

Pensions

Following our merger with The Rent Service the VOA operates two different pension arrangements.

Principal Civil Service Pension Scheme (PCSPS)

The majority of past and present permanent staff members are part of the PCSPS, to which the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply. The PCSPS is accounted for as a defined contribution scheme despite being a defined benefit scheme. This is because, due to the largely unfunded multi-employer nature of the scheme, it is not possible to identify the individual assets and liabilities associated with any one employer. We use our actual contributions to Paymaster General as the basis for the charge to the Operating Cost Statement. We do not recognise any PCSPS assets or liabilities.

Local Government Pension Scheme (LGPS)

The VOA's merger with TRS in April 2009 brought staff on board who are members of the LGPS. This is a funded defined benefit scheme.

The VOA therefore recognises its LGPS pension liability. The value of the liability is the present value of the defined benefit obligation to staff minus the fair value of the scheme assets attributable to the VOA.

Independent actuaries value the defined benefit obligation using the projected unit method – an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees.

The scheme managers carry out a formal valuation of the scheme's assets and liabilities for the purpose of setting employers' contributions every three years.

The VOA charges current service costs, interest on the scheme liabilities, gains and losses on settlements or curtailments and the expected return on assets to the Operating Cost Statement in the period in which they occur. Past service costs are charged to the Operating Cost Statement immediately.

We take actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions to reserves in the period in which they arise.

Annual leave and other short-term employee benefits

The VOA recognises employee entitlements to untaken annual leave and other short-term employee benefits when they accrue to employees. We provide for the estimated liability of leave earned but not taken by employees at 31 March.

1.12 Private Finance Initiative (PFI) transactions

HM Treasury has determined that government bodies shall account for infrastructure PFI schemes on balance sheet as service concession arrangements where:

- the VOA controls the service provided using the infrastructure; and
- a significant residual interest in the infrastructure at the end of the arrangement; or
- where the arrangement meets the definition of a finance lease under IAS 17.

The VOA has consequently recognised five 'on balance sheet' PFI properties as assets together with a liability to pay for them. The services received under the contract are recorded as operating expenses. The VOA continues to treat 'off balance sheet' PFI properties as operating leases (see Note 22).

For 'on balance sheet' PFI properties, we separate the annual unitary payments into the following component parts, using appropriate estimation techniques where necessary:

a) Payment for the fair value of services received; and
b) Payment for the PFI asset, including finance costs.

Except where noted above, costs related to the PFI arrangement are charged to operating costs in the period to which they relate. We use the same treatment for PFI costs, assets and liabilities as we do for other similarly classified transactions.

1.13 Leases

The VOA's non-PFI leases are all operating leases (i.e. the risks and rewards of ownership remain with the lessor). We charge the rentals paid under operating lease agreements to the Operating Cost Statement over the period of the lease term, in order to reflect the consumption of economic benefit. The future obligations for the lease rentals for the period ended 31 March 2010 are disclosed in Note 21.

1.14 Operating income

Operating income comprises fees and charges for services provided to other government departments, agencies, non-departmental public bodies and external customers and is recorded net of Value Added Tax.

The VOA recognises revenue when:

- the amount of revenue can be reliably measured;
- it is probable that future economic benefits will flow to the VOA; and
- the services for which the revenue is receivable or has been received have been performed.

1.15 Administration and programme expenditure

The VOA analyses its Operating Cost Statement between administration and programme expenditure. The classification of expenditure as administration or as programme follows the definition set out in the FReM by HM Treasury. We recognise operating costs when, and to the extent that, the goods or services for which they are incurred have been provided.

1.16 Capital charge

We include a charge, reflecting the cost of capital utilised by the VOA, in the Operating Cost Statement and credit it to the General Fund. We calculate the charge using the HM Treasury standard rate for financial year 2009 - 10 of 3.5% (2008 - 09: 3.5%) in real terms on all assets less liabilities except for the following, where the charge is nil:

(i) Liabilities for the amounts to be surrendered to the Consolidated Fund, and
(ii) Amounts due from the Consolidated Fund.

1.17 Value Added Tax

Apart from some Commercial Services income most of the activities of the VOA are outside the scope of VAT. In general output tax does not apply and input tax on purchases is not recoverable. Some input VAT on a restricted number of services is recovered under Section 41(3) of the VAT Act 1994 and in accordance with the HM Treasury 'Contracting-out Direction'. Section 41(3) is intended to remove any disincentive to government departments of contracting-out activities performed 'in-house' where there is a sound basis for doing so. The VOA charges Irrecoverable VAT to the relevant expenditure category or includes it in the capitalised purchase cost of fixed assets.

1.18 Civil penalties

We levy civil penalties for the failure to submit Forms of Return deemed essential for the assessment of rateable values. We do not account for receipts of these penalties in the Operating Cost Statement as we have no claim on them and must surrender them to the Consolidated Fund. We therefore recognise them as a liability on the Balance Sheet and show receipts and payments in the Cash Flow Statement.

1.19 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent liabilities. Although management bases these estimates on its best knowledge of current events and actions, actual results may differ from those estimates.

- the provisions for legal claims and early departures (see note 17);
- the estimation of recoverability and foreseeable losses on work in progress (see note 12);
- the measurement of developed software assets no longer in use and therefore impaired (see note 10);
- the treatment of the STEPS and ASPIRE contracts (see note 22); and
- the values of the assets and liabilities within the LGPS, which are rolled forward estimates from the last triennial valuation in March 2007 (see note 19).

2. First time adoption of IFRS

The movements disclosed below do not fully reconcile the published UK GAAP accounts to the balances disclosed in the primary statements and the following supporting notes. This is because the VOA has absorbed many of the functions of another government body, The Rent Service, from 1 April 2009. We have therefore adjusted the comparatives to include the balances and transactions of TRS in the relevant periods. The reconciliations below show the balances and adjustments relating to the legacy operations of the VOA, excluding functions brought in from TRS. The movements necessary to reconcile the IFRS figures below to the primary statements are described in Note 3.

a) Reconciliation of Taxpayers' Equity from UK GAAP to IFRS at date of adoption and for the end of the final period reported under UK GAAP (Excluding former TRS operations)

		General Fund £'000	Revaluation reserve £'000	Total taxpayers' equity £'000
Taxpayers' equity at 31 March 2009 under UK GAAP		21,200	4,773	25,973
Adjustments for:				
IAS 19 Employee benefits	a	(9,204)	-	(9,204)
IFRIC 12 Service Concession Arrangements (PFI) - Accommodation	d	(590)	81	(509)
IAS 17 Service Concession Arrangements (PFI) - Accommodation	d	(40)	116	76
Taxpayers' equity at 31 March 2009 under IFRS		11,366	4,970	16,336
Taxpayers' equity at 1 April 2008 under UK GAAP		18,780	3,991	22,771
Adjustments for:				
IAS 19 Employee benefits	a	(7,591)	-	(7,591)
IAS 39 Financial Instruments	c	53	-	53
IFRIC 12 Service Concession Arrangements (PFI) - Accommodation	d	(510)	101	(409)
IAS 17 Service Concession Arrangements (PFI) - Accommodation	d	(56)	209	153
Taxpayers' equity at 1 April 2008 under IFRS		10,676	4,301	14,977

b) Reconciliation of net operating cost for year ended 31 March 2009 (Excluding former TRS operations)

		£'000
Net operating costs for 2008-09 under UK GAAP		2,134
Adjustments for:		
IAS 19 Employee benefits	a	(1,613)
IAS 36 Impairment	b	398
IAS 39 Financial Instruments	c	(53)
IFRIC 12 Service Concession Arrangements (PFI) - Accommodation	d	(79)
IAS 17 Service Concession Arrangements (PFI) - Accommodation	d	(21)
Net operating costs for 2008-09 under IFRS		766

a) IAS 19 requires the recognition of a liability for leave earned but not taken by employees at the reporting date. The adjustment to taxpayers' equity is £7,699k at 31 March 2008, with a £1,657k adjustment to operating costs representing the movement in this liability during 2008-09. These adjustments are included in the £7,951k balance sheet adjustment shown above at 1 April 2008 and the £1,613k operating cost adjustment for 2008-09.

In addition, the FReM requires that the Treasury pensions discount rate be used for early retirements provisions, rather than the provisions rate, as has been used previously. This has resulted in a £108k reduction in the provision at 31 March 2008, and a further £44k reduction in operating costs during 2008-09. These adjustments are included in the £7,951k balance sheet adjustment at 1 April 2008 and the £1,613k operating cost adjustment for 2008-09.

b) IAS 36 allows the impairment losses to be charged against the revaluation reserve instead of being charged to operating costs, to the extent that the revaluation surplus relates to the impaired assets. Under the equivalent UK GAAP standard, the revaluation reserve was cleared to the general fund rather than the operating cost statement. There is therefore a £398k credit to operating costs but no impact on reserves.

(c) IAS 39 does not permit a general provision for doubtful debts, so the general fund was credited by £53k at 31 March 2008. This adjustment does not appear at 31 March 2009 because the VOA adopted UK GAAP standards FRS 25 and 26 during 2008-09, which also disallows general provisions for doubtful debt. Under UK GAAP the £53k provision for doubtful debt was therefore written off to operating costs in year. The 2008-09 operating cost adjustment reverses this write-off to make the adjustment fully retroactive.

(d) The remaining adjustments concern the recognition of property, plant and equipment procured under Private Finance Initiative contracts as required by IFRIC 12 and IAS 17. These assets were previously held off balance sheet. The impact on the balance sheet reflects the recognition of the assets and corresponding liabilities, while the change to operating costs reflects the difference between the service charge recognised under UK GAAP and the combined finance charge and depreciation charged under IFRS.

c) Reconciliation of net Operating Cost Statement for year ended 31 March 2009 (Excluding former TRS operations)

	UK GAAP £'000	Effect of transition to IFRS £'000	Restated under IFRS £'000
Administration Costs:			
Income	209,568	-	209,568
Increase in value of work in progress	667	-	667
	210, 235	-	210,235
Staff costs	(135,083)	(1,657)	(136,740)
Early departures	(3,564)	44	(3,520)
Depreciation and amortisation	(6,252)	(98)	(6,350)
Other operating costs	(60,252)	(55)	(60,307)
	(205,151)	(1,766)	(206,917)
Programme Costs:			
Impairment	(2,950)	398	(2,552)
Gross Operating Cost	(208,101)	(1,368)	(209,469)
Net Operating Surplus / (Cost)	2,134	(1,368)	766

d) Reconciliation of Statement of Financial Position at date of transition to IFRS and at end of final period reported under UK GAAP (Excluding former TRS operations)

	Statement of Financial Position at 1 April 2008			Statement of Financial Position at 31 March 2009		
	UK GAAP £'000	Effect of transition to IFRS £'000	Restated under IFRS £'000	UK GAAP £'000	Effect of transition to IFRS £'000	Restated under IFRS £'000
ASSETS						
Non-current assets						
Property, plant and equipment	38,003	(32,821)	5,182	38,753	(31,973)	6,780
Intangible assets	-	33,963	33,963	-	32,876	32,876
Financial assets:						
Trade and other receivables falling due after more than one year	1,792	(673)	1,119	1,555	(634)	921
Total non-current assets	39,795	469	40,264	40,308	269	40,577
Current assets						
Financial assets:						
Trade and other receivables falling due within one year	12,074	15	12,089	10,513	(38)	10,475
Work in progress	3,686	-	3,686	4,353	-	4,353
Cash and cash equivalents	7,791	-	7,791	2,466	-	2,466
Total current assets	23,551	15	23,566	17,332	(38)	17,294
Total assets	**63,346**	**484**	**63,830**	**57,640**	**231**	**57,871**
LIABILITIES						
Current liabilities						
Financial liabilities:						
Trade payables	(6,237)	-	(6,237)	(4,652)	-	(4,652)
Accruals and deferred income	(7,794)	-	(7,794)	(9,039)	-	(9,039)
Other current liabilities:						
Accrued employee benefits	-	(7,699)	(7,699)	-	(9,356)	(9,356)
Amounts payable to the Consolidated Fund	(8,789)	-	(8,789)	(2,415)	-	(2,415)
Other liabilities	-	(24)	(24)	(411)	(28)	(439)
Total current liabilities	(22,820)	(7,723)	(30,543)	(16,517)	(9,384)	(25,901)
Net current assets / (liabilities)	731	(7,708)	(6,977)	815	(9,422)	(8,607)
Total assets less current liabilities	40,526	(7,239)	33,287	41,123	(9,153)	31,970
Non-current liabilities						
Employee benefit provision	(12,797)	108	(12,689)	(10,873)	152	(10,721)
Other provisions and charges	(4,958)	-	(4,958)	(4,277)	-	(4,277)
Other liabilities	-	(663)	(663)	-	(636)	(636)
Total non-current liabilities	(17,755)	(555)	(18,310)	(15,150)	(484)	(15,634)
Total liabilities	(40,575)	(8,278)	(48,854)	(31,667)	(9,868)	(41,535)
Total assets less total liabilities	22,771	(7,794)	14,977	25,973	(9,637)	16,336

d) Continued	Statement of Financial Position at 1 April 2008			Statement of Financial Position at 31 March 2009		
	UK GAAP £'000	Effect of transition to IFRS £'000	Restated under IFRS £'000	UK GAAP £'000	Effect of transition to IFRS £'000	Restated under IFRS £'000
TAXPAYERS' EQUITY						
General Fund	18,780	(8,104)	10,676	21,200	(9,834)	11,366
Revaluation Reserve	3,991	310	4,301	4,773	197	4,970
Total taxpayers' equity	**22,771**	**(7,794)**	**14,977**	**25,973**	**(9,637)**	**16,336**

e) Reconciliation of Statement of Cash Flow for the year ended 31 March 2009 (Excluding former TRS operations)			
	UK GAAP £'000	Effect of transition to IFRS £'000	Restated under IFRS £'000
Cash flows from operating activities			
Net operating cost	2,134	(1,371)	763
Adjustments for non-cash transactions	14,904	1,605	16,509
(Increase)/Decrease in trade and other receivables	1,798	53	1,851
Less movements in receivables relating to items not passing through the OCS	(232)	-	(232)
(Increase)/Decrease in inventories/work in progress	(667)	-	(667)
Increase/(Decrease) in trade and other payables	(6,306)	(287)	(6,593)
Less movements in receivables relating to items not passing through the OCS	6,375	289	6,664
Use of provisions	(6,198)	-	(6,198)
Net cash inflow/(outflow) from operating activities	11,808	289	12,097
Cash flows from investing activities			
Purchase of property, plant and equipment	(8,625)	5,439	(3,186)
Purchase of intangible assets	-	(5,439)	(5,439)
Net cash inflow/(outflow) from investing activities	**(8,625)**	**0**	**(8,625)**
Cash flows from financing activities			
Received on behalf of the Consolidated Fund	280	-	280
Payments to the Consolidated Fund	(8,788)	-	(8,788)
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	-	(289)	(289)
Net cash inflow/(outflow) from financing activities	**(8,508)**	**(289)**	**(8,797)**
Net increase/(decrease) in cash and cash equivalents in the period	**(5,325)**	**0**	**(5,325)**
Cash and cash equivalents at the beginning of the period	**7,791**	**0**	**7,791**
Cash and cash equivalents at the end of the period	**2,466**	**0**	**2,466**

3. Transfer of function at 1 April 2009

On 1 April 2009, the VOA took on many of the functions of The Rent Service (TRS). We have restated the comparative information within this statement of accounts, (including the 2008-09 Operating Cost Statement, the Statements of Financial Position for 31 March 2009 and 1 April 2008, the Statement of Cash Flows for the year ended 31 March 2009 and the supporting notes) to take account of those TRS balances and transactions that relate to the functions taken on by the VOA.

	As reported at 31 March 2009 (Restated under IFRS) £'000	Transfer in of TRS functions £'000	As restated, including TRS functions £'000
Income	210,235	38,106	248,341
Administration costs			
Staff costs	(136,740)	(17,368)	(154,108)
Other administration costs	(70,177)	(20,738)	(90,915)
Programme costs	(2,552)	-	(2,552)
Net operating (cost) / surplus	766	-	766
Non-current assets	40,264	2,982	43,246
Net current assets	(6,977)	931	(6,046)
Pension deficit	-	(1,282)	(1,282)
Other liabilities	(18,310)	-	(18,310)
Net assets at 1 April 2008	14,977	2,631	17,608
General Fund at 1 April 2008	10,676	2,220	12,896
Non-current assets	40,577	1,219	41,796
Net current assets	(8,607)	97	(8,510)
Pension deficit	-	(16,879)	(16,879)
Other liabilities	(15,634)	-	(15,634)
Net assets at 31 March 2009	16,336	(15,563)	773
General Fund at 31 March 2009	11,366	(15,563)	**(4,197)**

The transferred balances and transactions shown above have been restated under IFRS before being merged with the VOA's statement of account. Adjustments made to restate TRS balances under IFRS are therefore not included within Note 2.

Note that TRS was financed by Supply to perform its functions, whereas the VOA charges its customers for the services it provides. TRS therefore did not receive income to cover its costs; instead it received cash financing equal to its net operating cash flow, which was charged to reserves.

The Financial Reporting Manual requires machinery of government changes such as this to be accounted for on merger accounting principles. Comparatives are therefore to be restated as if the transferred function has always been part of the receiving body. In order to reflect the TRS operations within the prior year comparatives as if they had always been a part of the VOA, the financing received by TRS has been accounted for as income equal to its net operating cost. The difference between net operating cash flow and net operating cost has been charged to the general fund (see Statement of Movement in Taxpayer's Equity). From 2009-10, this adjustment is not required because the VOA has moved to charging for these activities and receives income to fund them.

The financing shown in the 2008-09 accounts of TRS is reconciled to the balances shown in the 2008-09 comparatives to this account as follows:

	£'000
Financing show in TRS 2008-09 Account	39,320
Less: Financing relating to balance sheet items not absorbed by VOA	(2,241)
TRS financing relating to activities taken on by VOA	**37,079**
Financing treated as income in the merged 2008-09 VOA Operating Cost Statement	38,102
Financing of capital investment in Statement of Cash Flows	320
Shown as non-cash charge in Statement of Changes in Taxpayer's Equity	(1,343)
TRS financing relating to activities taken on by VOA	**37,079**

As part of our Service Level Agreement with them, Department for Work and Pensions (DWP) accepts that were the TRS pension scheme liability to crystallise then DWP would accept this liability and in so far as they could fund this themselves would do so and in the event that they could not fund this would seek additional funding from HM Treasury to address any shortfall. The VOA is effectively indemnified against this liability. Therefore the £16,879k pension deficit transferred in does not affect the VOA's going concern status.

4. Operating segments for the year ended 31 March 2010

In accordance with IFRS 8, the VOA has identified four key factors to distinguish its reportable operating segments. These are:

- That the reportable operating segment engages in activities from which the VOA earns revenues and incurs expenses.
- That the reportable operating segment's financial results are regularly reviewed by the VOA's chief operating decision maker to make decisions about allocation of resources to the segment and assess its performance.
- That the reportable operating segment has discrete financial information.
- That the reportable operating segment provides a distinct service to its customers.

The VOA considers its chief operating decision maker to be its Management Board. The segmental information below is based on the information presented to the Management Board. The Management Board review financial information based on four reportable segments:

Ratings and Council Tax – Compilation and maintenance of the rating and council tax lists that support the collection of council tax and business rates.

National & Central Services – Delivery of valuation advice for national taxes, principally inheritance tax and capital gains tax to HMRC; for the operations of 'Right to Buy' provisions and for the assessment and entitlements to benefits from DWP.

Commercial Services – Delivery of valuation services and property advice to other public sector bodies.

Housing Allowances & Fair Rents – Rent assessment services which are used for assessing Housing Benefit claims and for determining fair rents in accordance with the Rent Act 1977. Its principal client is the Department of Communities and Local Government.

Financial information presented to the Management Board is issued before all adjustments made for financial reporting purposes have been completed. Assets are not normally reported to the Management Board. A reconciliation of the differences between the segmental information presented to the Management Board and the results shown on the primary financial statements is presented below.

	Ratings & Council Tax £'000	National & Central Services £'000	Commercial Services £'000	Local Housing Allowance & Fair Rents £'000	Total £'000
Income from external customers	174,428	12,852	19,634	24,190	**231,104**
Depreciation and amortisation	(6,332)	(176)	(274)	(362)	**(7,144)**
Reportable segment surplus/(deficit)	2,841	111	919	(440)	**3,431**
Reportable segment assets	45,929	2,098	13,145	5,066	**66,238**

The impairment charge of £4,432k (see Note 10) is included within the costs allocated to the Ratings and Council Tax segment. All the impaired assets related to this segment.

Reconciliation of operating segment results to entity results

	Total reported by operating segment	*Adjustments during financial reporting process*	As reported for entity in primary financial statements
	£'000	*£'000*	£'000
Income from external customers	**231,104**	*(0)*	**231,104**
Depreciation and amortisation	**(7,144)**	*(16)*	**(7,160)**
Net surplus/(cost)	**3,431**	*(212)*	**3,219**
Total assets	**66,238**	*103*	**66,342**

Adjustments made during the financial reporting process primarily relate to changes made on receipt of final data on the Local Government Pension Scheme from the scheme actuary.

5a. Staff numbers and Related Costs

	31 March 2010			31 March 2009		
	Total	Permanently - employed staff	Others	Total	Permanently - employed staff	Others
The average number of full-time equivalent persons (including senior management) employed during the year was as follows:						
Rating and Council Tax	3,125	3,109	16	3,356	3,332	24
Commercial, National and Central Services	612	599	13	485	480	5
Local Housing Allowances and Fair Rents (former TRS)	323	323	-	521	506	15
Payment of Local Authority Rates	3	3	-	2	2	-
	4,063	**4,034**	**29**	**4,364**	**4,320**	**44**

We cannot split staff numbers within Commercial, National and Central Services as the work is performed by one department.

Staff costs comprise:

	31 March 2010			31 March 2009		
	Total £'000	Permanently - employed staff £'000	Others £'000	Total £'000	Permanently - employed staff £'000	Others £'000
Wages and salaries	116,950	114,326	2,624	123,571	119,744	3,827
Social security costs	8,373	8,340	33	8,725	8,689	36
Other pension costs	22,282	22,214	68	21,968	21,889	79
	147,605	144,880	2,725	154,264	150,322	3,942
Less recoveries in respect of outward secondments				(156)	(156)	-
Total net costs	**147,605**	**144,880**	**2,725**	**154,108**	**150,166**	**3,942**

The majority of VOA employees (approximately 4,200) are members of the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is a largely unfunded multi-employer defined benefit scheme but the VOA is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found at www.civilservice-pensions.gov.uk

For 2009-10, employers' contributions of £19,941,718, (2008-09: £20,264,458), were payable to the PCSPS at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2010-11, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2009-10 payable 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. Employers' contributions of £81,312 (2008-09: £76,616) were paid to one or more of the panel of three appointed stakeholders pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. The employer also matches employee contributions up to 3% of pensionable pay. In addition, employer contributions of £5,860, 0.8% of pensionable pay (2008-09: £5,922, 0.8%), were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Five employees (2008-09: four) retired early on ill-health grounds; their total additional accrued pension liabilities in the year amounted to £9,559 (2008-09: £6,060).

More detailed information on the pension benefits earned by the VOA's senior managers can be found within the Remuneration Report, on page 30.

A number of the VOA's employees (219) are members of the Local Government Pension Scheme. Details of this scheme can be found in Note 19 to this account.

5b. Early Departure Costs

	31 March 2010	31 March 2009
	£'000	£'000
Additional provisions made	6,478	3,378
Costs during the year	5,370	7,392
Amortisation of one year's discount	199	201
Change in the discount rate	202	(60)
Unused amounts reversed	-	-
Total in-year costs	**12,249**	**10,911**

Details of the opening and closing balances of the provision for early retirement and pension obligations can be found in Note 17.

6. Other Operating Costs for the year ended 31 March 2010

	31 March 2010 £'000	31 March 2009 £'000
Finance charges – PFI related	150	166
Accommodation – excluding business rates	19,210	25,625
Accommodation – Business Rates	3,676	4,092
Depreciation	2,829	2,209
Amortisation	4,331	5,406
HM Revenue & Customs service charges	3,970	3,832
Capgemini service charges	8,967	9,017
Costs incurred in transfer of functions from TRS	-	1,566
Professional services employed by TRS	-	2,425
Telephone charges	1,799	1,907
Travel and subsistence	5,613	6,579
Management consultancy	1,663	342
External training	1,159	1,927
Computing (including IT consultancy)	2,024	1,685
Printing stationery and distribution	690	878
Data capture	134	768
Subscriptions	888	720
Postage and couriers	928	861
Rentals under operating leases	931	1,491
Legal claims and services (excl movement in provisions)	(96)	(105)
Legal claims and services (movement in provisions)	(1,463)	29
Auditors' notional remuneration – 2009-10 account	82	127
Auditors' notional remuneration – IFRS restatement	57	21
Notional cost of capital	221	458
Net loss/(profit) on impairment of fixed assets	4,432	124
Net loss/(profit) on disposal of fixed assets	648	963
Asset write-offs	-	669
Movement on allowance for doubtful debts	196	-
Sundry costs	4,992	6,222
	68,031	80,004

During the year the auditors did not carry out any non-audit work and therefore their remuneration for such services was £nil (2008-09: £nil).

7. Income for the year ended 31 March 2010

	31 March 2010 £'000	31 March 2009 £'000
Rating and Council Tax	174,428	177,128
National and Central Services	12,852	13,005
Commercial Services	19,634	18,536
Local Housing Allowances and Fair Rents (former Rent Service)	24,190	39,672
	231,104	**248,341**

The VOA must disclose performance results for the areas of its activities where fees and charges are made. This information is provided for Fees and Charges purposes and not for IFRS 8 purposes.

The financial goal of all the VOA's fees and charges is to recover the full cost of providing the service.

	Ratings & Council Tax £'000	National & Central Services £'000	Commercial Services £'000	Local Housing Allowance & Fair Rents £'000	Total £'000
Income from fees and charges	174,428	12,852	19,634	24,190	**231,104**
Full cost of providing services	(172,047)	(12,741)	(18,715)	(24,382)	**(227,885)**
Surplus/(deficit)	2,381	111	919	(192)	**3,219**

The full cost of each fee-charging activity includes the costs of early departure schemes established during the year to improve the future efficiency of the activity. Income from fees and charges includes £2 million received from Department of Communities and Local Government and £2.5 million from Department for Work and Pensions to be applied against these costs.

8. Property, Plant and Equipment

	Buildings £'000	Accommodation refurbishments £'000	Assets under construction £'000	Information technology hardware £'000	Furniture, fittings & office equipment £'000	Total £'000
Cost or valuation:						
At 1 April 2009	2,689	1,747	1,829	5,185	6,260	**17,710**
Additions	-	463	3,245	1,082	465	**5,255**
Disposals	-	(33)	-	(2,883)	(289)	**(3,205)**
Reclassifications	-	2,652	(3,008)	-	356	**-**
Revaluations	(31)	205	-	950	72	**1,196**
At 31 March 2010	**2,658**	**5,034**	**2,066**	**4,334**	**6,864**	**20,956**
Depreciation:						
At 1 April 2009	1,788	865	-	3,050	4,488	**10,191**
Charged in the year	99	1,032	-	1,312	386	**2,829**
Disposals	-	(31)	-	(2,708)	(186)	**(2,925)**
Revaluations	(30)	36	-	202	44	**252**
At 31 March 2010	**1,857**	**1,902**	**-**	**1,856**	**4,732**	**10,347**
Net Book Value:						
At 31 March 2010	**801**	**3,132**	**2,066**	**2,478**	**2,132**	**10,609**
At 31 March 2009	**901**	**882**	**1,829**	**2,135**	**1,772**	**7,519**
Asset financing:						
Owned	-	3,132	2,066	2,478	2,132	**9,808**
PFI financed	801	-	-	-	-	**801**
	801	**3,132**	**2,066**	**2,478**	**2,132**	**10,609**

The VOA had no donated assets during the year, (2008 - 09: nil).

The VOA's buildings were valued by District Valuation Services, a unit of the VOA, on the 31 March 2009. Two of the five buildings on the VOA's balance sheet were valued by District Valuation Services at 31 March 2010. All other assets have been revalued by index, as described in Note 1.

	Buildings £'000	Accommodation refurbishments £'000	Assets under construction £'000	Information technology hardware £'000	Furniture, fittings & office equipment £'000	Total £'000
Cost or valuation:						
At 1 April 2008	3,058	14,773	155	12,963	16,496	**47,445**
Additions	-	202	1,829	570	905	**3,506**
Disposals	-	(12,780)	-	(8,599)	(11,013)	**(32,392)**
Reclassifications	-	-	(155)	155	-	**-**
Revaluations	(369)	(448)	-	96	(128)	**(849)**
At 31 March 2009	**2,689**	**1,747**	**1,829**	**5,185**	**6,260**	**17,710**
Depreciation:						
At 1 April 2008	1,918	13,544	-	10,521	14,433	**40,416**
Charged in the year	98	479	-	781	851	**2,209**
Disposals	-	(12,664)	-	(8,366)	(10,501)	**(31,531)**
Revaluations	(228)	(494)	-	114	(295)	**(903)**
At 31 March 2009	**1,788**	**865**	**-**	**3,050**	**4,488**	**10,191**
Net Book Value:						
At 31 March 2009	**901**	**882**	**1,829**	**2,135**	**1,772**	**7,519**
At 31 March 2008	**1,140**	**1,229**	**155**	**2,442**	**2,063**	**7,029**
Asset financing:						
Owned	-	882	1,829	2,135	1,772	**6,618**
PFI financed	901	-	-	-	-	**901**
	901	**882**	**1,829**	**2,135**	**1,772**	**7,519**

9. Intangible Assets

	Developed Software £'000	Assets Under Construction £'000	Total £'000
Cost or valuation:			
At 1 April 2009	49,930	4,509	**54,439**
Additions	1,670	8,151	**9,821**
Disposals	(7,181)	-	**(7,181)**
Write-offs	-	-	**-**
Impairments	(13,090)	-	**(13,090)**
Reclassifications	2,073	(2,073)	**-**
Revaluations	71	-	**71**
At 31 March 2010	**33,473**	**10,587**	**44,060**
Amortisation:			
At 1 April 2009	21,083	-	**21,083**
Charged in the year	4,331	-	**4,331**
Disposals	(6,817)	-	**(6,817)**
Write-offs	-	-	**-**
Impairments	(6,511)	-	**(6,511)**
Reclassifications	-	-	**-**
Revaluations	23	-	**23**
At 31 March 2010	**12,109**	**-**	**12,109**
Net book value:			
At 31 March 2010	**21,364**	**10,587**	**31,951**
At 31 March 2009	**28,847**	**4,509**	**33,356**

	Developed Software £'000	Assets Under Construction £'000	Total £'000
Cost or valuation:			
At 1 April 2008	58,758	3,723	**62,481**
Additions	506	4,933	**5,439**
Disposals	(10,658)	-	**(10,658)**
Write-offs	(890)	-	**(890)**
Impairments	(4,616)	-	**(4,616)**
Reclassifications	4,147	(4,147)	**-**
Revaluations	2,683	-	**2,683**
At 31 March 2009	**49,930**	**4,509**	**54,439**
Amortisation:			
At 1 April 2008	27,382	-	**27,382**
Charged in the year	5,406	-	**5,406**
Disposals	(10,555)	-	**(10,555)**
Write-offs	(221)	-	**(221)**
Impairments	(1,666)	-	**(1,666)**
Reclassifications	-	-	**-**
Revaluations	737	-	**737**
At 31 March 2009	**21,083**	**-**	**21,083**
Net book value:			
At 31 March 2009	**28,847**	**4,509**	**33,356**
At 1 April 2008	**31,376**	**3,723**	**35,099**

10. Impairments

	Notes	Impairment taken through to the Revaluation Reserve £'000	Impairment charged to the Operating Cost Statement £'000	Total £'000
Property, plant and equipment		-	-	-
Intangible assets		2,146	4,432	6,578
Impairment charged for the year ended 31 March 2010		**2,146**	**4,432**	**6,578**
Property, plant and equipment		-	-	-
Intangible assets		398	2,552	2,950
Impairment charged for the year ended 31 March 2009		**398**	**2,552**	**2,950**

During the year ended 31 March 2010 the VOA carried out a verification exercise to confirm that the software development costs capitalised on our balance sheet were associated with a specific software application. This process identified significant costs which were not providing continuing benefit to the VOA. The impairment recorded above is the net book value of those developed software assets previously carried on the balance sheet which are no longer in use. Details of the gross value and accumulated amortisation impacts can be found in Note 9.

The impaired assets consist of software applications which have fallen out of use before the expiry of their useful lives, which have been superceded by subsequent applications or which are no longer identifiable as distinct assets. The assets impaired in 2008-09 consisted of software that was no longer required as a result of a change in government policy. The impairment charge to operating costs was therefore treated as a programme cost.

11. Movements in Working Capital Other Than Cash

	Notes	31 March 2010 £'000	31 March 2009 £'000
Decrease/(Increase) in work in progress		1,650	(667)
Decrease/(Increase) in receivables		2,262	3,375
Less movements in receivables relating to items not passing through the OCS		(198)	(191)
Increase/(Decrease) in payables		562	(7,056)
Less movements in payables relating to items not passing through the OCS		(3,711)	6,399
		565	**1,860**

12. Work in progress

	31 March 2010		31 March 2009		1 April 2008	
	£'000	£'000	£'000	£'000	£'000	£'000
Opening		4,353		3,686		3,288
Write -off	(55)		(52)		-	
Movement in WIP	(1,396)		994		398	
Movement in provision for foreseeable losses and irrecoverable amounts	(199)		(275)		-	
		(1,650)		667		398
Closing		**2,703**		**4,353**		**3,686**

(i) As at 31 March 2009 the VOA's management has an operating policy of not invoicing for work in progress where a period of thirty-six months has elapsed since the VOA last did work on the specific case and the monetary value of the work in progress is less than £100 or the case worker is of the view that the client will not pay if invoiced. In line with this policy and due to other exceptional situations the VOA has written off £55k for the year ending 31 March 2010 (2008-09: £52k).

(ii) As at 31 March 2010 the VOA carried out a review of the current fixed price contracts. The purpose of this review was to ascertain if any of these contracts were likely to realise less than the cost of the work required to complete them and to estimate the potential loss. As a result of this review, the VOA has recognised a provision for future losses on these contracts of £153k (2008-09: £275k).

(iii) At 31 March 2009 the VOA also carried out a review of work in progress that relates to contracts on which work has not been carried out for more than six months. We have estimated that £321k of this balance may not be recoverable and have recognised this sum as impairment in the year ended 31 March 2010 (2008-09: £nil).

13. Financial assets and other curent and non-current assets

a)	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
Amounts falling due within one year:			
Trade receivables	7,656	9,164	9,010
Allowance for doubtful debt	(196)	-	-
Other receivables	297	525	1,487
Prepayments and accrued income	1,058	1,184	3,278
VAT Debtor	-	-	275
	8,815	**10,873**	**14,050**
Amounts falling due after more than one year:			
Prepayments and accrued income	**715**	**921**	**1,119**
	9,530	**11,794**	**15,169**

b)		Receivables: Amounts falling due within one year £'000	Receivables: Amounts falling due after more than one year £'000
Balances with other central government bodies		4,511	-
Balances with local authorities		1,297	-
Balances with NHS Trusts		1,390	-
Balances with bodies external to government		1,617	715
At 31 March 2010		**8,815**	**715**
Balances with other central government bodies		3,427	-
Balances with local authorities		1,823	-
Balances with NHS Trusts		2,931	-
Balances with bodies external to government		2,692	921
At 31 March 2009		**10,873**	**921**

14. Cash & Cash Equivalents

	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
Balance at 1 April	2,466	7,791	7,501
Net change in cash and cash equivalent balances	9,082	(5,325)	290
Balance at 31 March	**11,548**	**2,466**	**7,791**
The following balances as at 31 March were held at:			
Office of HM Paymaster General	11,527	60	67
Commercial banks and cash in hand	21	2,406	7,724
Balance at 31 March	11,548	2,466	7,791

15. Financial liabilities and other current and non-current liabilities

a)	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
Amounts falling due within one year:			
VAT creditor	566	411	-
Trade payables	3,749	4,659	7,033
Accruals and deferred income	9,192	9,039	7,794
Current part of imputed finance lease element of on balance sheet PFI contracts	32	27	24
	13,539	**14,136**	**14,851**
Amounts payable to the consolidated fund	3,607	2,415	8,789
	17,146	**16,551**	**23,640**
	31 March 2010 £'000	**31 March 2009 £'000**	**1 April 2008 £'000**
Amounts falling due after more than one year:			
Imputed finance lease element of on-balance sheet PFI contracts	604	636	663
	604	**636**	**663**
	17,750	**17,187**	**24,303**

b)		Payables: Amounts falling due within one year £'000	Payables: Amounts falling due after more than one year £'000
Balances with other central government bodies		8,534	-
Balances with local authorities		249	-
Balances with NHS Trusts		-	-
Balances with bodies external to government		8,363	604
At 31 March 2010		**17,146**	**604**
Balances with other central government bodies		10,810	-
Balances with local authorities		39	-
Balances with NHS Trusts		80	-
Balances with bodies external to government		5,622	636
At 31 March 2009		**16,551**	**636**

16. Financial Instruments Risk Management

Financial risk management framework

The VOA's financial risk is categorised as follows:

– Credit
– Liquidity
– Market

Credit risk

Credit risk is the risk of loss of value of financial assets due to counterparties failing to meet all or part of their obligations. The majority of the VOA's trade receivables are due from other Government Departments and Agencies, therefore the risk of counterparty default, and hence the VOA's exposure to credit risk, is minimal. There is higher risk associated with the VOA's £2.7m of Trade Receivables due from NHS Trusts and Local Authorities. With regards to risk concentration, 9%, (£749,000) of the VOA's trade receivables are due from one specific counterparty. However due to the fact that this counterparty is a Central Government agency, the credit risk associated with this concentration is very limited. As part of the VOA's strategy to manage its trade receivables, it has put in place policies and practices to ensure that it accurately invoices its clients and that this is done in a timely manner.

The majority of the VOA's cash balances are held with the Paymaster General and are available on demand hence the probability of default is insignificant.

The VOA's financial assets (trade receivables, work in progress and cash deposits) that are neither past due nor impaired are of high quality. This is because they are due from other UK Government Department, Agencies and the Office of the Paymaster General. The VOA has assessed its trade receivables for possible impairment and has recognised a £198k provision for debts which may not be recoverable. The VOA has performed a similar assessment of its work in progress and recognised a £474k (2008-09: £275k) provision.

The following table provides information regarding the ageing of trade receivables that are past due at the financial reporting date but that are not impaired.

At 31 March 2010 Receivables that are past due but not impaired					
	< 2 months	< 6 months	6 - 12 months	> 12 months	Total
	£'000	£'000	£'000	£'000	£'000
Trade receivables	1,378	420	2	3	**1,803**

The VOA's policy is to recover all of its work in progress costs. The VOA's work in progress, gross of provisions for impairments, as at 31 March 2010 is presented in the table below, aged by the date the work began. Sixty-three per cent of the VOA's work in progress relates to contracts that commenced over twelve months ago.

A significant proportion (£1,408k or 70% of the balance older than one year) of this is due to transport sector cases, which have a lengthy invoicing process between the VOA (on behalf of the Highways Agency) and the third party.

At 31 March 2010 Work in progress, gross of impairment and aged by commencement date						
	< 3 months	3-6 months	6-12 months	12-18 months	> 18 months	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Work in progress (gross)	448	310	429	332	1,659	**3,178**

The tables below are an analysis of the VOA's work in progress based on its monetary value and its ageing since the last time work was done for the client on the specific case. Cases for which there has been no activity for over twelve months account for about 5% of the VOA's work in progress balance. A significant proportion (£113k, 73% of the balance for which there has been no activity for twelve months) of these are transport cases, which due to the nature of the negotiation and compensation process can take several years to resolve.

At 31 March 2010 Work in progress, gross of impairment and aged by date last worked on						
	< 3 months	3-6 months	6-12 months	12-18 months	> 18 months	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Work in progress (gross)	2,510	304	210	110	44	**3,178**

The table below presents the age of the work in progress balance, net of a £321k provision for possibly irrecoverable amounts and a £154k provision for foreseeable losses on fixed price contracts.

At 31 March 2010 Work in progress, net of impairment and aged by date last worked on						
	< 3 months	3-6 months	6-12 months	12-18 months	> 18 months	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Work in progress (net)	2,411	292	-	-	-	**2,703**

Liquidity risk

Liquidity risk is the risk that the VOA will not be able to meet its financial obligations as they fall due. Over 85% of the VOA's income and receipts for the year is from chargeable work for the Department of Communities and Local Government, the Department for Work and Pensions and the Welsh Assembly Government. As part of the VOA's agreement with these clients, they are required to make specific payments on a regular basis and by a specified date. The VOA would be exposed to severe liquidity risk in the event that the agreed payments from them clients were not received or were received substantially later than agreed. Additionally the VOA's liquidity is at risk if substantial levels of work in progress are not billed and collected in a timely manner. Though the impact would be less severe than a delay in payment from a major client it would nevertheless force the VOA to delay some payments.

The objective of the VOA's liquidity risk management policy is for the VOA to maintain sufficient financial resources to be able to meet its obligations as they fall due. Key aspects of the risk management policy include having an agreement with the VOA's key clients for payments to be made to the VOA on a bi-monthly basis. The VOA ensures that it invoices its major clients accurately and timeously and the process is under constant review by a senior member of the finance department. In addition the VOA has an adequately staffed credit control function, part of whose responsibility it is for ensuring that debtors adhere to the agreed credit terms.

The VOA has in place a cash management process that is managed by a senior member of the finance function as well as the active management of its creditors payment days. In addition its cash balances are on deposit with the Paymaster General and are available on demand.

The expected payment profile of undiscounted financial liabilities as at 31 March 2010 is as follows:

	< 1 year	> 1 year	Total
	£'000	£'000	£'000
Trade payables	3,749	-	3,749
Accruals	8,977	-	8,977
Total	**12,726**	-	**12,726**

Market risk

Market risk is the risk of adverse financial impact due to changes in fair values of future cash flows of financial instruments from fluctuations in interest rates, foreign currency exchange rates, equity prices and property prices. The VOA has an insignificant exposure to market risk as its cash balances are held at the Office of the Paymaster General and interest is not paid on these deposits.

Classification of financial assets and liabilities

In accordance with IAS 39, the VOA's financial assets have been classified as loans and receivables and are measured initially at fair value and subsequently at amortised cost. An analysis is presented in the table below:

	Total
	£'000
Work in progress	2,703
Debtors falling due after more than one year	717
Debtors falling due within one year	7,758
Cash and cash equivalents	11,548
Loans and receivables	**22,726**

In accordance with IAS 39, the VOA's financial liabilities are measured initially at fair value and subsequently at amortised cost. An analysis is presented in the table below:

	Total
	£'000
Trade payables	3,749
Accruals	8,977
Financial liabilities at amortised cost	**12,726**

17. Provisions for liabilities and Charges

	Year ended 31 March 2010				Year ended 31 March 2009			
	Accrued employee benefits	Early retirement and pension commitments	Provision for legal claims	Total	Accrued employee benefits	Early retirement and pension commitments	Provision for legal claims	Total
a)				£'000				£'000
Balance at 1 April 2009	9,651	10,721	4,277	24,649	7,933	12,689	4,958	25,580
Increase in provision	1,264	6,478	1,240	8,982	1,718	3,378	2,653	7,749
Provisions not required written back	-	-	(2,703)	(2,703)	-	-	(2,624)	(2,624)
Provisions utilised in the year	-	(4,539)	(517)	(5,056)	-	(5,487)	(710)	(6,197)
Change in the discount rate	-	202	-	202	-	(60)	-	(60)
Unwinding of discount	-	199	-	199	-	201	-	201
Balance at 31 March 2010	**10,915**	**13,061**	**2,297**	**26,273**	**9,651**	**10,721**	**4,277**	**24,649**

Provisions for early retirement and pension commitments
The VOA approved 269 staff to depart under early departure schemes. The VOA has made a provision of £6,478K for the scheme in the current year.

The detailed accounting policy for early departure costs is set out in Note 1.9, the costs are expected to fall due as shown below in Note 17b, and the total in-year costs are detailed in Note 5b.

Provisions for legal claims
There is uncertainty regarding the timing of the transfer of economic benefits in relation to the legal claims due to risk of appeals and counter appeals, which delay the final outcome. As many of the cases included in the provision are still undecided the VOA will not provide details in case this prejudices the outcome.

Accrued employee benefits
The provision for accrued employee benefits represents the VOA's liability for paid leave earned by employees but not taken at the balance sheet date.

	31 March 2010	31 March 2009
b)	£'000	£'000
Early retirement and pension commitments fall due:		
Within one year	6,559	4,493
Between one and two years	2,580	2,403
Between two and five years	3,304	3,147
After five years	618	678
	13,061	**10,721**

18. Payable to the Consolidated Fund for the year ended 31 March 2010

	31 March 2010	31 March 2009	1 April 2008
	£'000	£'000	£'000
Amounts falling due within one year:			
Operating receipts payable to the Consolidated Fund	3,417	2,134	8,389
Operating receipts payable to the Consolidated Fund which are outside the scope of the VOA's activities	190	281	400
	3,607	**2,415**	**8,789**

19. Pension benefit obligations

Introduction

The VOA merged with The Rent Service on 1 April 2009, taking on staff who are members of the Local Government Pension Scheme. The fund is administered by London Pension Fund Authority (LPFA) and the trustees are appointed by the Mayor of London. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the VOA. The Local Government Scheme is accounted for as a defined benefit scheme.

The accounting entries in respect of the year ended 31 March 2010 have been made using information supplied by the scheme actuary, Barnet Waddingham LLP (2008-09: Hymans Robertson LLP). The actuary prepared this information by rolling forward the value of the employer's liabilities calculated at the last formal valuation in March 2007 (the next full valuation will be as at March 2010) and allowing for the different financial assumptions required by IAS 19. To calculate the asset share, the actuary has rolled forward the VOA's share of the scheme's assets at the last formal valuation, allowing for investment returns and the effect of payments in and out of the fund. Current service costs have been estimated using contribution information supplied to the actuary.

The total cash contribution that the VOA expects to make to the LGPS scheme in the year to 31 March 2011 is £1,167,000.

Transactions relating to the Local Government Pension Scheme

Recognised in the Operating Cost Statement				
	2009-10		2008-09	
	£000s	% of pay	£000s	% of pay
Current service cost	801	13.6%	1,114	15.9%
Interest cost on scheme liabilities	5,949	101.0%	6,017	85.8%
Expected return on scheme assets	(4,506)	-76.5%	(6,059)	-86.4%
Past service cost / (gain)	-	0.0%	1,028	14.7%
Losses / (gains) on curtailments and settlements	1,892	32.1%	4,172	59.5%
	4,136	**70.2%**	**6,272**	**89.5%**
Actual return on scheme assets	20,567		(18,121)	

The current service cost is the increase in scheme liabilities as a result of employees' service within the year. Past service costs are costs arising due to current year decisions, but pertaining to past years' service. Interest cost is the increase in the present value of the scheme's liabilities due to moving one year closer to payment.

The expected return on scheme assets is an estimate of the annual investment return attributable to the VOA - further details of this are given below. Losses/gains on curtailments and settlements are costs incurred in relieving the VOA of liabilities, or the results of changes which affect expected future service or benefits.

Recognised in Statement of Changes in Taxpayer's Equity					
	2009-10	**2008-09**	**2007-08**	**2006-07**	**2005-06**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Actuarial gains / (losses)	(14,423)	(16,456)	3,112	3,714	(569)
Increase / (decrease) in irrecoverable surplus from membership	-	-	-	-	-
Actuarial gains / (losses) recognised in Statement of Changes in Taxpayer's Equity	(14,423)	(16,456)	3,112	3,714	(569)
Cumulative Actuarial Gains and Losses	**(31,327)**	**(16,904)**	**(448)**	**(3,560)**	**(7,274)**

Actuarial gains and losses may arise on both scheme assets and liabilities. For assets, the gains and losses are as a result of the differences between the actual and expected return. This figure may be volatile from year to year because of sensitivity to the market values of scheme assets at 31 March each year.

Actuarial gains and losses on liabilities arise because of differences between actuarial assumptions and actual experience during the period, and the effect of changes in actuarial assumptions.

Assets and liabilities relating to the Local Government Pension Scheme

Amounts recognised in the Statement of Financial Position		
	31 March 2010	**31 March 2009**
	£000s	**£000s**
Fair value of scheme assets	90,041	70,493
Present value of funded liabilities	(123,016)	(87,014)
	(32,975)	(16,521)
Present value of unfunded obligations	(332)	(358)
Unrecognised past service cost	-	-
Net Asset / (Liability) in the balance sheet	**(33,307)**	**(16,879)**

Reconciliation of fair value of the scheme liabilities		
	31 March 2010	31 March 2009
	£000s	£000s
Fair value of liabilities at 1 April	87,372	85,066
Current service cost	801	1,114
Interest cost	5,949	6,017
Contributions by scheme members	387	464
Actuarial (gains) / losses	30,484	(8,059)
Past service costs	-	1,028
Losses / (gains) on curtailments	1,892	4,172
Liabilities extinguished on settlements	-	-
Estimated unfunded benefits paid	(14)	(20)
Estimated benefits paid	(3,523)	(2,410)
Estimated fair value of scheme liabilities at 31 March	**123,348**	**87,372**

Reconciliation of fair value of the scheme assets		
	31 March 2010	31 March 2009
	£000s	£000s
Fair value of assets at 1 April	70,493	83,784
Expected return on assets	4,506	6,059
Contributions by scheme members	387	464
Contributions by the employer	2,131	7,111
Contribution in respect of unfunded benefits	-	20
Actuarial gains / (losses)	16,061	(24,515)
Assets distributed on settlements	-	-
Unfunded benefits paid	(14)	(20)
Benefits paid	(3,523)	(2,410)
Estimated fair value of scheme assets at 31 March	**90,041**	**70,493**

Employer contributions shown above include £953k of contributions made to the scheme by the Department for Work and Pensions regarding additional pension costs for employees of The Rent Service who took early retirement in the year before that agency merged with the VOA.

History of surplus / deficit in the scheme					
	31 March 2010	31 March 2009	31 March 2008	31 March 2007	31 March 2006
	£000s	£000s	£000s	£000s	£000s
Fair value of employer assets	90,041	70,493	83,784	51,472	45,870
Fair value of defined benefit obligations	(123,348)	(87,372)	(85,066)	(55,671)	(54,823)
Surplus (deficit) in the scheme	**(33,307)**	**(16,879)**	**(1,282)**	**(4,199)**	**(8,953)**
Experience gains (losses) on assets	16,061	(24,515)	27,687	449	5,812
Experience gains (losses) on liabilities	14,845	10	(35,949)	(105)	(46)

Financial assumptions		
	31 March 2010	31 March 2009
	% per year	% per year
Inflation / pension increase rate	3.9%	3.1%
Rate of increase of salaries	5.4%	4.6%
Expected return on assets	6.8%	6.4%
Discount rate	5.5%	6.9%

The scheme guarantees that pensions will increase by the rise in the Retail Prices Index. The actuary therefore assumes that long term pension increases will match the inflation rate.

Composition of scheme assets and expected returns				
	31 March 2010		31 March 2009	
	£000s	%	£000s	%
Equities	63,029	70.0%	40,182	57.0%
Target return funds	9,004	10.0%	7,049	10.0%
Alternative assets	12,606	14.0%	17,623	25.0%
Cash	4,502	5.0%	5,639	8.0%
Corporate Bonds	900	1.0%	-	0.0%
	90,041		**70,493**	
Expected return - % per year		31 March 2010		31 March 2009
Equities		7.5%		7.0%
Target return funds		4.5%		5.5%
Alternative assets		6.5%		6.0%
Cash		3.0%		4.0%
Corporate Bonds		5.5%		0.0%

The expected return on scheme assets is determined by considering the expected returns available on the assets in the scheme. Expected yields on fixed interest investments are based on gross redemption yields at the balance sheet date. Expected return on equities reflects the long-term real rates of return experienced in the relevant markets.

20. Capital Commitments

	31 March 2010	31 March 2009
	£'000	£'000
At 31 March the following future capital commitments had been authorised and contracted:		
Property, plant and equipment	-	155
Intangible assets	679	1,712
	679	**1,867**

21. Commitments under leases

Operating leases

Total future minimum lease payments under operating leases (excluding PFI contracts), analysed according to the period in which the payments fall due		
	31 March 2010	31 March 2009
	£'000	£'000
Obligations under operating leases comprise:		
Land and buildings		
Not later than one year	4,123	5,637
Later than one year and not later than five years	6,447	9,624
Later than five years	1,746	3,439
	12,316	**18,700**
Other		
Not later than one year	53	60
Later than one year and not later than five years	26	59
Later than five years	-	-
	79	**119**

The commitments presented in this note do not include the VOA's commitments with regard to the STEPS PFI contract for accommodation services or the ASPIRE contract for IT services. These are discussed in Note 22.

22. Commitments under PFI Contracts

The VOA has entered into an off-balance sheet (operating lease) PFI arrangement with Strategic Transfer Estate to Private Sector (STEPS) for the provision of office accommodation and facilities management. The VOA has entered into this contract alongside its parent department, HMRC. The contract commenced in April 2001 and ends in March 2021. The estimated capital value of the contract is £2.421m.

a) On-balance sheet

Five of the VOA's office buildings under its PFI contract with Strategic Transfer Estate to Private Sector (STEPS) for the provision of office accommodation and facilities are treated as assets of the VOA in accordance with IFRIC 12 and IAS 17. For three of these buildings, the VOA has both control over the services provided using the assets and control of their residual interest. In accordance with IFRIC 12 the assets are treated as assets of the VOA. For the two additional buildings accounted for on the VOA's balance sheet, the arrangement constitutes a finance lease under IAS 17.

	31 March 2010	31 March 2009
	£'000	£'000
Total obligations under on-balance sheet PFI contract for the following periods comprises:		
Not later than one year	179	177
Later than one year and not later than five years	690	703
Later than five years	1,083	1,249
	1,952	2,129
Less interest element	(1,316)	(1,466)
	636	**663**

Upon transfer, the VOA received a consideration from the PFI provider of £1.5m in respect of the transferred assets. This resulted in a PFI prepayment of £921k which was immediately offset against the opening liability in respect of the relevant properties, rather than being capitalised and amortised over the period of the contract. This prepayment has therefore reduced the interest and capital repayment costs over the life of the contract.

b) Off-balance sheet

The payments to which the VOA is committed during 2010-11, analysed by the period during which the commitment expires is set out below. The total payments the VOA is committed to make, analysed by the period in which they are due, are also set out below.

	31 March 2010	31 March 2009
	£'000	£'000
Commitments for 2010-11, analysed by the period in which the commitment expires:		
Not later than one year	4,918	3,439
Later than one year and not later than five years	3,362	3,827
Later than five years	308	813
	8,588	**8,079**

	31 March 2010	31 March 2009
	£'000	£'000
Total commitments, analysed by period in which they are due:		
Not later than one year	8,589	8,079
Later than one year and not later than five years	7,613	11,079
Later than five years	679	1,586
	16,881	**20,744**

In the year to 31 March 2010, the VOA paid £9,990k to the STEPs contractor in respect of off-balance sheet properties and service charges. In addition to the STEPS scheme described above, the VOA occupies space in buildings procured under PFI schemes by HMRC and the Department for Work and Pensions. Lease commitments to other government bodies in respect of these buildings are included in Note 21.

(c) The ASPIRE contract for the provision of IT services and equipment

The VOA outsourced the management of some of its IT services as part of a HMRC-wide arrangement in 2004. This Public Private Partnership (PPP) agreement, known as ASPIRE, involved the VOA selling some of its IT hardware to a consortium who would then provide a managed service using these assets. The initial term of the arrangement was 10 years, but the contract has since been extended until June 2017.

In 2007 the ASPIRE arrangement was amended to allow better use of the overall asset base. Essentially it allowed the provider to allocate asset usage in such a way as to maximise efficiency and deliver savings on the overall contract. The managed service continued but the asset base was no longer specified.

Effectively the VOA's assets became fungible elements of a much larger asset pool which is almost entirely devoted to the activities of HMRC. The VOA has estimated its share of that pool to be less than 2%.

On the introduction of IFRS from 1 April 2008, preparers of accounts were directed to consider assets involved in such arrangements for inclusion on the balance sheet under IFRIC 12. However, the structure of the ASPIRE contract is such that it has not been possible to reliably identify the specific assets within the overall pool which are used to provide services to the VOA. Nor has it been possible to gain any assurance that the VOA has a continuing right to the use of particular assets within the pool, as is required by IFRIC 12 if assets are to be included on the balance sheet.

The VOA has therefore concluded that the accounting treatment that most accurately describes the substance of the arrangement is to treat the costs of the service provided through the ASPIRE contract as operating costs recognised as the services are consumed. Amounts paid to the ASPIRE consortium for the development and construction of assets are capitalised in accordance with the accounting policies set down in Note 1.

Based on the limited information available we have estimated that the impact for 2009-10 of bringing the ASPIRE assets on balance sheet would be a £390k reduction in net assets on the Statement of Financial Position (2008-09: £430k reduction on net assets) and £20k additional net expenditure on the Operating Cost Statement (2008-09: £40k reduction in net expenditure). This impact has been judged not to be material to the VOA's account.

During the year to 31 March 2010, the VOA paid £8,967k in service charges in respect of the ASPIRE contract. While the VOA currently plans to spend £8,898k on ASPIRE services during 2010-11 there is no commitment to expend these sums.

23. Contingent liabilities at 31 March 2010

There are several activities which may generate contingent liabilities for the VOA:

a) The VOA is involved in many legal actions arising from its statutory activities. If the VOA loses these cases it is generally not liable for compensation but could be liable for the other party's costs if the court so decides. Often cases pass through several levels of appeal before final resolution and subsequent hearings to assess costs are not uncommon. Cases are currently under consideration by tribunals ranging from the Valuation Tribunal to the European Court of Justice.

   The VOA is confident of success in those cases which are not accounted for within its provisions. This is often because we have already won in a lower court or because we have received legal advice confirming the strength of our position. We cannot easily assess third party costs in these cases should we become liable for them at some point. Due to all these factors we believe it would be misleading to quantify these contingent liabilities though we acknowledge the potential for them to crystalise.

b) The VOA is occasionally liable to compensate staff for dismissal for health related issues under the PCSPS. Also on occasion current or former staff may sue the VOA for discrimination or unfair dismissal. At present there are several cases where there is a potential liability which we estimate to be £287k.

c) On rare occasions the VOA can sometimes be liable to third parties for poor customer service. A small number of cases are in hand at the moment and the estimated liability is £40k.

d) The VOA occupies twelve properties where, under the terms of their leases, it may be asked to "make good" the property when the lease expires. This creates a potential liability. However there are circumstances where these clauses cannot be enforced and in all cases the amounts involved are highly uncertain until fairly near the time of the lease expiry. Consequently we are disclosing these items as contingent liabilities but not providing for them in the account. Currently the VOA is negotiating make good costs for its recently vacated Harrow office. The maximum liability is estimated to be £162k.

e) The VOA is party to several tribunal cases relating to equal pay. The issues are complex but at present we consider it unlikely that liabilities will emerge from these cases. Equally, the status of the cases makes it impossible to quantify the potential liabilities with any certainty.

24. Related Party Transactions for the year ended 31 March 2010

The VOA is an Executive Agency of HM Revenue and Customs (HMRC). HMRC is regarded as a related party with which the VOA had a significant number of material transactions during the year.

In addition the VOA has a significant number of material transactions with other Government Departments. Most of these transactions have been with the Department for Work and Pensions, the Department of Communities and Local Government and the Welsh Assembly Government. To 31 March 2010 approximate income was earned from these parties as follows:

Department for Work and Pensions	£22,885k	(2008-09: £2,377k)
Department of Communities and Local Government	£166,240k	(2008-09: £166,000k)
Welsh Assembly Government	£10,170k	(2008-09: £10,424k)

The increase in income from the Department for Work and Pensions is due to the VOA absorbing the Local Housing Allowance and Fair Rents functions previously carried out by The Rent Service.

During the year, none of the Board Members or other related parties have undertaken any material transactions with the VOA.

25. Events after the Reporting Period

There were no events reportable under IAS 10 between the balance sheet date and the date that this account was authorised for issue.

26. Standards in issue but not yet effective

This account has been prepared following the 2009-10 Financial Reporting Manual. This manual typically applies the standards and interpretations that are effective for the accounting period to which it refers. New and revised standards and interpretations have been issued but are not yet effective, and have not therefore been adopted in this account. We expect that the following new and revised standards may affect the VOA's account when they are adopted by the Financial Reporting Manual:

- IFRS 9 Financial Instruments
  This standard changes the measurement and classification of financial instruments. (Applicable 1 January 2013.)
- IAS 24 Related Parties
  The revision clarifies the definition of a related party and provides partial exemptions for government entities. (Applicable 1 January 2011.)
- IAS 17 Leases
  Clarifies the correct treatment of land elements of property leases. (Applicable 1 January 2010.)

The impact of these new and revised standards will not be known until they have been interpreted in the Financial Reporting Manual.

IFRS 8 Operating Segments was revised in April 2009 to clarify that it is not compulsory to provide segmental information on assets employed unless the chief operating decision maker regularly reviews such information. Though the revision is effective only for accounting periods beginning after January 2010, it has been early adopted within the 2009-10 Financial Reporting Manual. This has had no impact on this account.

In addition, the several changes will be made to the Financial Reporting Manual for 2010-11, and may affect the VOA's accounts as follows:

Impairments
Impairments caused by consumption of economic benefits will be charged to operating costs.

Cost of Capital
The VOA will no longer recognise a notional cost of capital charge.

Payment of Local Authority Rates (POLAR)

Introduction

The CEO of the VOA is also the Accounting Officer for POLAR. The POLAR account is included within the HMRC consolidated account and is audited as part of the overall HMRC audit. It does not form part of the VOA account and is not audited as part of the VOA audit. Therefore the following information has not been subject to audit.

Background

POLAR is a scheme by which local billing authorities in the UK are compensated by central government for the non-domestic rates due on properties occupied by a mission with diplomatic status.

As per the Vienna Convention on Diplomatic Relations (1961) and Diplomatic Privileges Act (1964) – all states and other bodies sending diplomatic representatives to another state are exempt from all national, regional or municipal dues and taxes in respect of premises of the mission.

Under the scheme diplomatic missions are encouraged to contribute an amount knows as the "Beneficial Portion." This is to take account of the extraneous services such as the fire service and street lighting. Following a review in 2009-10 the Beneficial Portion is currently set at 6% of the overall rates bill.

VOA Responsibilities

The VOA administers the POLAR scheme. Essentially our role is to liaise with local billing authorities and the missions. We pay the rates due to the billing authorities and then seek to recover the Beneficial Portion from the mission.

Most diplomatic occupiers are keen to pay the Beneficial Portion and payment rates are very high. In cases of arrears the Foreign and Commonwealth Office writes to the relevant Missions encouraging them to pay.

However since there is no legal obligation for the Missions to pay the Beneficial Portion the VOA disburses 100% of the rates liability to the billing authorities. The beneficial Portion collected is then kept by central government.

Facts and Figures

In 2009-10 there were 199 diplomatic missions in the UK covering 456 properties. Of these all were in England except 27 in Scotland, five in Wales and four in Northern Ireland. Rateable values ranged from less that £500 to £6 million and a total of 29 billing authorities are involved in the POLAR scheme mainly in Greater London.

During 2009-10 the POLAR scheme required £34.2million of funding (2008-09 £31.18 million). The net Beneficial Portion collected was £2.15m (2008-09 £2.16 million). This constitutes 95% of the total due.

The inherent risk of the POLAR scheme is low. The main area of uncertainty relates to changes in the rateable value of properties due to refurbishments etc. These can sometimes take several years to come to light and can lead to sudden demands for backdated rates or indeed refunds.

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