Valuation Office Agency

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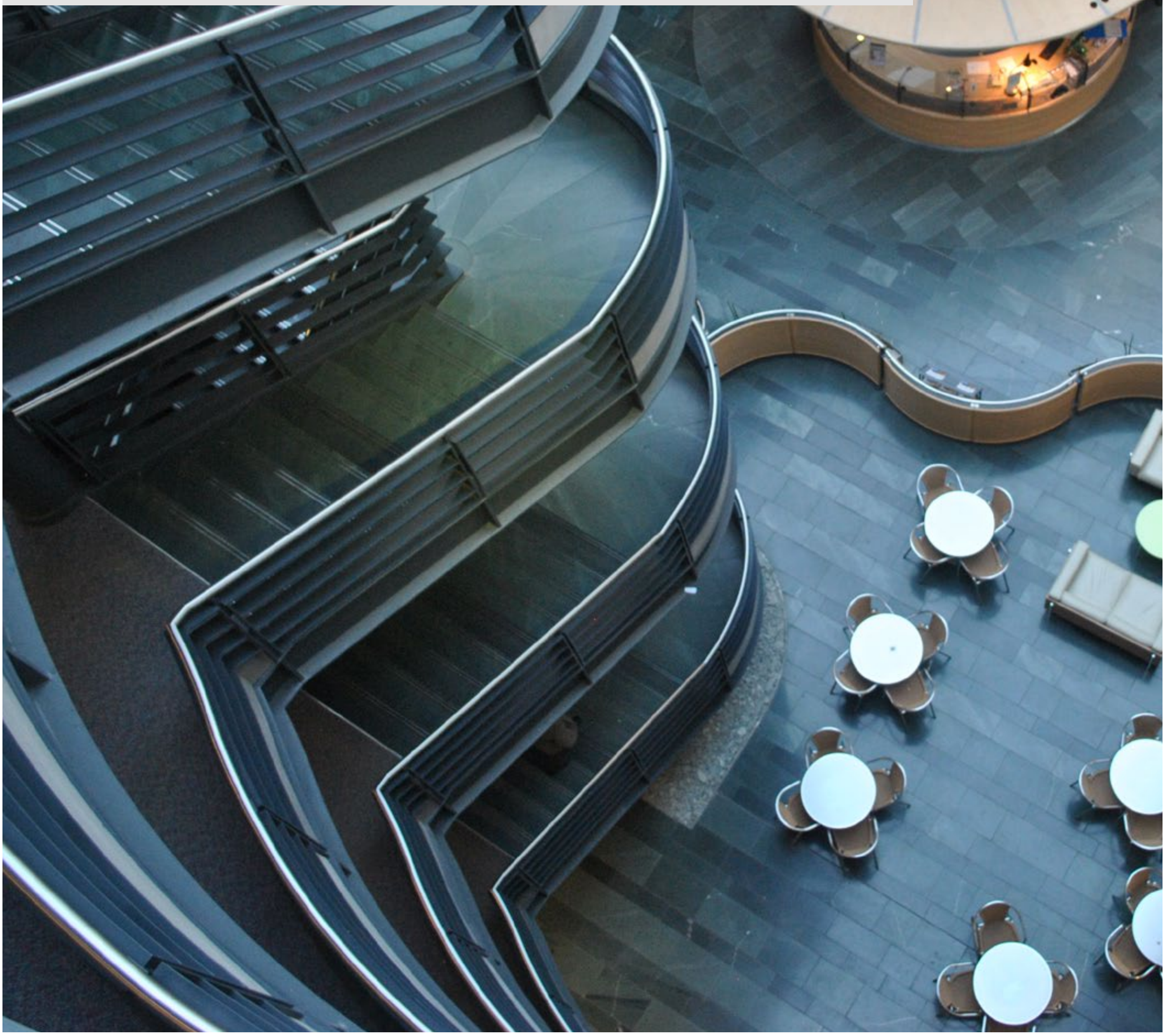
Annual Report and Accounts

2015-16



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Valuation Office Agency

Annual Report and Accounts

2015-16

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OVERVIEW

Foreword by Penny Ciniewicz

“During the year we have also continued to invest in the development of people who work in the Agency, as it is only through their skills, expertise and dedication that we will be able to continue to innovate and deliver.”

Penny Ciniewicz
Chief Executive

As you would expect from an operational Agency, 2015-16 has been a year in which we have focused our resources and efforts on delivering effective and efficient services for our customers and clients. But we have also been delivering the early stages of a fundamental transformation of the Agency, which will enable us to offer new services in a more digital and cost-effective way. We have provided the government with advice and expertise to support improvements to the non-domestic rating (NDR) appeals system to make it fairer, simpler and speedier. These changes will provide businesses and local government with greater certainty and stability over their finances. During the year we have also continued to invest in the development of people who work in the Agency, as it is only through their skills, expertise and dedication that we will be able to continue to innovate and deliver.

This year we have delivered a strong performance across many of our services. Two of our major priorities for the past year were: delivery of the Chancellor’s target to clear 95% of non-domestic rating appeals in England outstanding on 30 September 2013 by July 2015; and delivery of the NDR Revaluation, which comes into effect on 1 April 2017. Colleagues across the Agency have worked energetically together to deliver these priorities, demonstrating flexibility and expertise, and I am proud of what we have achieved.

On the Chancellor's target, we cleared more than 94% of these outstanding appeals by the end of July 2015, and by 31 October 2015 we had cleared more than 95%. The remaining appeals were either in litigation (most awaiting a hearing at Valuation Tribunal) or were held up at the request of the ratepayer.

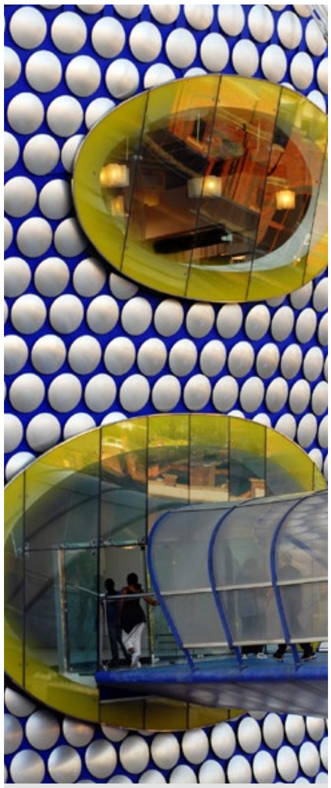
Our work on the 2017 NDR Revaluation has been demanding and complex. Revaluations are designed to ensure that non-domestic rates, commonly known as business rates, are based on up-to-date property values. This maintains fairness in the system by redistributing the total amount payable to reflect changes in the property market. In doing this work, colleagues across the Agency had valued approximately 1.76m properties by the end of March 2016.

The Agency has also continued to deliver excellent results across our other services such as: property valuations for council tax purposes; domestic property rental valuations for local authorities so that they can pay Housing Benefits; property valuations for Inheritance Tax; and providing property valuation advice to the wider public sector.

In the coming year, the Agency will continue to deliver on our service commitments while taking the next steps in our transformation journey. In 2015-16 we started to put in place the IT infrastructure we need to create new digital services for our customers; this will also help us to deliver our work more efficiently. We developed a new digital system for collecting rent and lease details from business ratepayers. We also built a new portal to allow billing authorities to send us reports about new properties or changes to properties more easily. We are trialling these services and will refine them based on customers' feedback.

Delivering the range of services and volume of work that we do in tandem with transforming the Agency requires continued investment in the people who work here. In the last year, we supported 84 people in undertaking new qualifications across our property surveying, operational delivery, project management, IT and HR professions. We also recruited 30 people to our graduate surveyor scheme and sponsored over 200 people to undertake surveying qualifications. We remain one of the largest employers of professional surveyors in the UK. We are on track to ensure that 2.3% of our workforce is made up of apprentices by the end of 2016-17. And we invested in leaders at all levels, involving them in over 40 workshops designed to improve how we manage and lead.

While our People Survey engagement score remains low, it rose by five percentage points to 48% in 2015 and we saw significant improvements in scores relating



"Revaluations are designed to ensure that non-domestic rates are based on up-to-date property values."

to leadership. We will be looking for a further step change in the year ahead to improve how colleagues feel about working in the Agency. We will also continue to support colleagues in the Agency as we enter the next phase of our transformation.

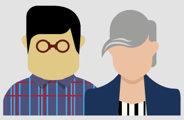
I am proud of what we have achieved as an Agency in 2015-16. We have delivered the services we said we would deliver; we have played a full and important part in helping the government to put in place plans to reform non-domestic rates; we have created firm foundations for the transformation of the Agency; and we have provided our people with the support and development they need to ensure that we are successful.

Penny Ciniewicz
Chief Executive
5 July 2016

Who we are and what we do

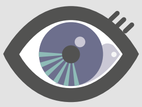
Who we are

The Valuation Office Agency (VOA) is an executive agency of HM Revenue & Customs (HMRC) and employs approximately 3,600 people, based on full-time equivalents, with an office estate across 62 locations in England, Wales and Scotland.



The VOA's core purpose

To provide the valuations and property advice required to support taxation and benefits.



The VOA's vision

The VOA's customers have confidence in its valuations and advice. As a modern professional organisation with expert and committed people, it acts fairly, consistently and efficiently.

The VOA's strategic objectives

Target and achieve customer trust

Drive quality and consistency through improved processes

Develop and sustain the right capabilities

Sustainably reduce cost and improve value for money

Income £207.9m

Department for Communities and Local Government	£164.4m
Property Services	£15.1m
Department for Work and Pensions	£9.6m
Welsh Government	£9.4m
HM Revenue & Customs (HMRC)	£9.0m
Other	£0.4m

Expenditure £209.4m

Staff Costs	£148.4m
Other Running Costs	£18.8m
IT	£15.6m
Accommodation	£15.3m
Depreciation/ impairment	£8.9m
Early Departure Scheme	£2.4m

In 2015-16, the VOA made an operating deficit of £1.52m. This was as a result of HM Treasury rules, which state that the non-cash transactions totalling £1.94m, which relate to the Local Government Pension Scheme and are required by accounting standards to be charged to operating costs, cannot be offset by income, as the Agency had in prior years.

Although no corresponding income is shown in the Statement of Comprehensive Net Expenditure, these costs are fully funded by the Agency's sponsor department HMRC.

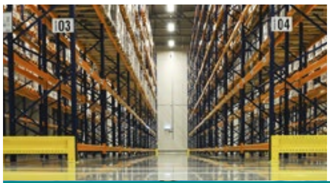
Prior to these costs being accounted for, the Agency made a surplus of £0.42m.

What we do

The work we do enables the collection of approximately £50bn of revenue in non-domestic rates and council tax in England and Wales. This money allows central and local government to pay for essential services.

We deliver our services through four main business streams:

- Non-domestic Rating
- Council Tax and Housing Allowances
- Statutory Valuations Team
- Property Services



Non-Domestic Rating

- We compile and maintain statutory lists of the rateable values for 1.9m assessments for non-domestic rating, enabling the collection of approximately £24bn in non-domestic rates by local authorities across England and Wales.

Council Tax

- We compile and maintain statutory lists of council tax bands for 25m domestic properties, enabling the collection of approximately £26bn in council tax across England and Wales.

Housing Allowances

- We determine Local Housing Allowances (LHA) rates across England.
- We advise local authorities of the maximum subsidy level payable for Housing Benefit claims under the local reference rent system.
- We maintain a register of Fair Rents for regulated tenancies and valuations in England.

Statutory Valuations Team

- We provide statutory valuations to support Inheritance Tax, Capital Gains Tax and other taxes administered by HM Revenue & Customs.
- We determine Right to Buy appeals in England and Wales and we carry out valuations for Right to Buy in Scotland.
- We decide appeals against the Community Infrastructure Levy.
- We provide valuations for the Department for Work and Pensions to support the administration of benefits.

Property Services

- We provide a range of independent property advice and valuations right across the public sector, in cases where there is a public function and/or public money involved.

We also provide advice to ministers on valuation and property matters.

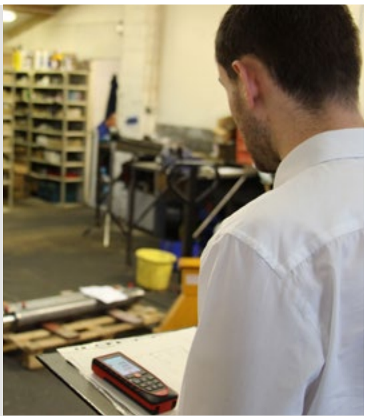
Our four Network Support Offices handle centralised processing work and much of our initial telephone contact and correspondence with our customers. By providing these services centrally, we ensure greater consistency in the service we provide to our customers and provide better value for money.

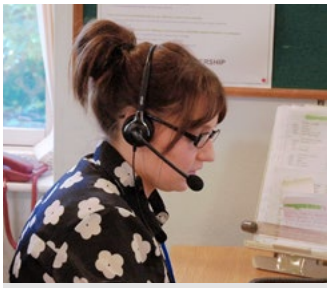
The delivery work of our operational business streams and Network Support Offices is supported by our corporate services and a range of shared services provided by HMRC, Civil Service HR and other providers.

Our performance in 2015-16

Cleared more than 94%

of non-domestic rating appeals in England outstanding on 30 September 2013 by July 2015, against the Chancellor's target of 95% and cleared more than 95% of these outstanding appeals by 31 October 2015



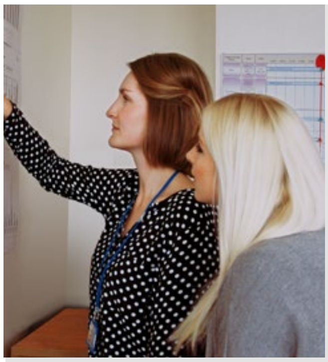


30 seconds

Answered 90% of calls to our central switchboard within an average of 30 seconds

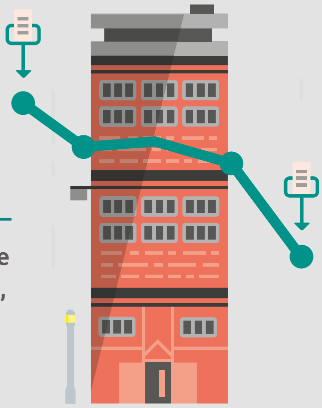
Consumer Prices Index - housing

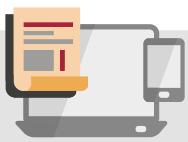
Strengthened our production process for the statistical information provided to the Office for National Statistics for the Consumer Prices Index measure of inflation including owner occupied housing costs - CPI(H)



Reduced office space by 3,500m²

Reduced the amount of office space we occupy by 3,500m², which we expect to deliver annualised running cost savings of £1.3m





Rent and Lease Details form

Launched our new digital Rent and Lease Details form which enables business ratepayers to provide information more quickly and easily online

Processes streamlined

Streamlined our internal council tax processes, improving productivity

Exceeded Housing Allowances targets

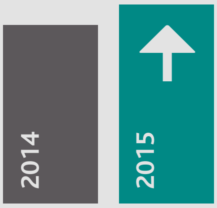
Exceeded all our Housing Allowances targets on timeliness and quality again this operational year

Official statistics redesign

Redesigned our official statistics publications to make them easier to interpret and more informative

48%

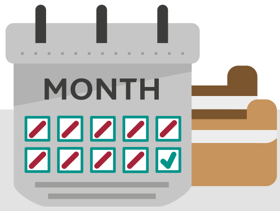
People engagement score



Increased our People Engagement score from 43% in 2014 to 48% in 2015

Exceeded milestone of valuing 85%

of the 1.9m properties in the rating lists for England and Wales for the 2017 non-domestic rating revaluation by 11 March 2016 - achieving 90%



SVT targets

Met or exceeded all our Statutory Valuations Team (SVT) casework timeliness targets

Student of the Year

Alison Fox, while in the VOA's Activity Costing team, was named the Institute of Management Services Student of the Year 2015

Launched two new apprenticeship schemes under the government's Trailblazer initiative

Improved our Information Technology infrastructure

so we have a platform for new digital tools and ways of working

Appointed to the Welsh Government Framework for Estate Professional Services

Summary of Key Risks and Issues

We identify risks and issues which pose a threat to our performance. We then mitigate and manage these risks and issues to reduce or prevent their impacting the successful delivery of our objectives. More detailed explanation can be found on pages 56 to 58.

Risks which emerged during the year include:

- **Check, Challenge, Appeal (CCA) - There is a risk to the Agency that...we fail to deliver CCA in a way that delivers the government's objectives.**
  - To mitigate this risk the Agency has: developed a comprehensive change programme to deliver CCA; secured appropriate resource; engaged extensively internally and externally; reprioritised expertise, energy and activity to give CCA the best chance of success.

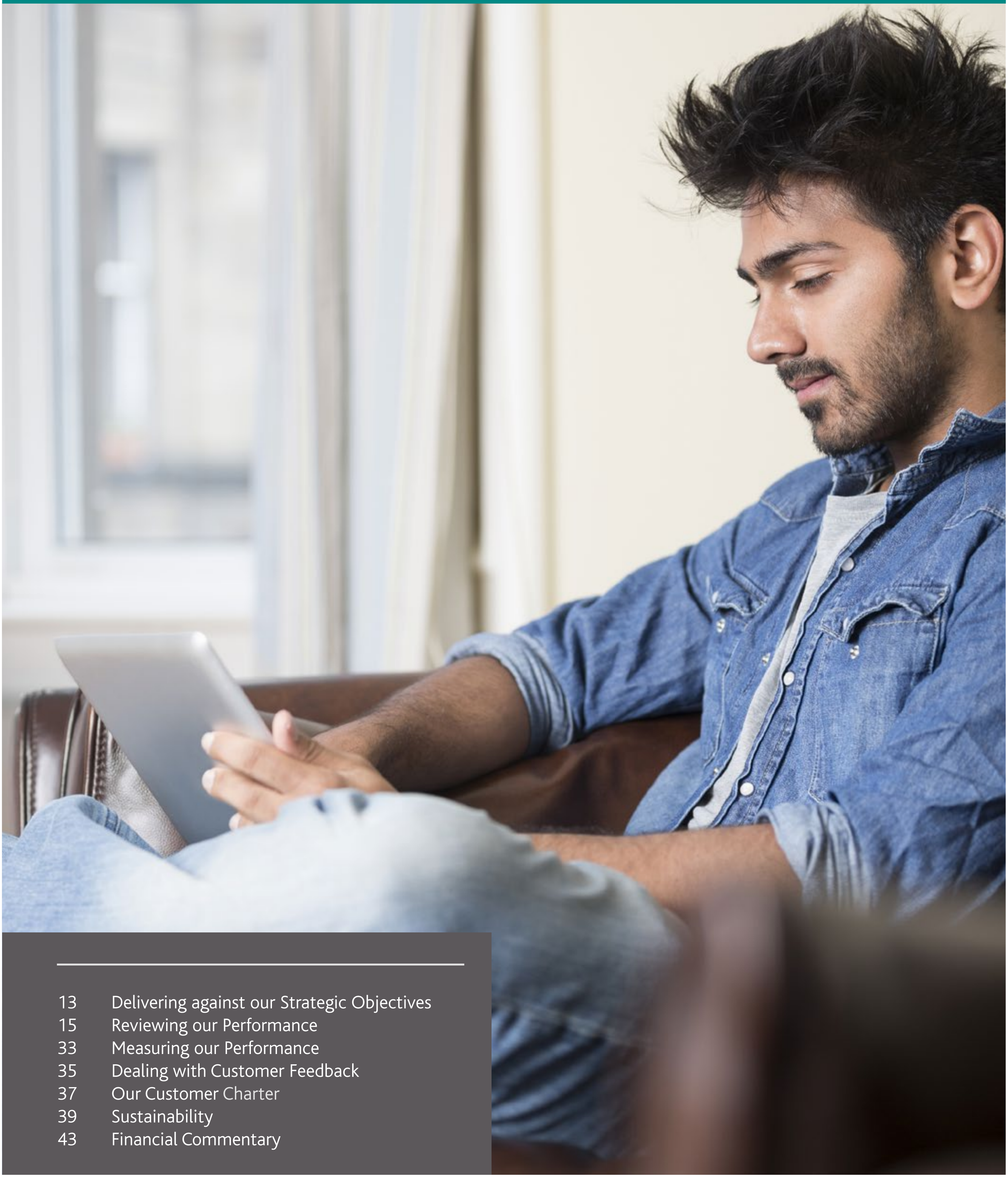
Risks which the Agency continues to manage include:

- **Managing estates - There is a risk to the Agency that...the future size, location, and quality of our estate adversely affects the Agency's ability to deliver services efficiently or effectively.**
  - To mitigate this risk the Agency will ensure the provision and agreement of workforce planning future requirements; build in flexibility arrangements with suppliers to allow provision for extra capacity if required; take an incremental approach to estates rationalisation; co-ordinate and align with HMRC, Government Property Unit and others in terms of timing and locations; and finalise the VOA 'core' office design specification.
- **Managing resources - There is a risk to the Agency that...we fail to understand, attract, develop and retain the skills and knowledge required to deliver our services.**
  - To mitigate this risk the Agency continues to develop its strategic workforce plan, working with colleagues leading on significant pieces of change so we understand the impact on overall resource need. We will finalise the people deal changes during 2016-17 and draw it all together and publicise it, so it is clear what the offer is.
- **Leadership - There is a risk to the Agency that...our leaders and managers do not have the capability or confidence to move the organisation from where it is now to where it needs to be in the future.**
  - To mitigate this risk the Agency will invest in the skills of our leaders and managers, working with them to develop the future of the Agency and equipping them with the knowledge and capability to lead their teams during our transformation.

- **Working with key stakeholders - There is a risk to the Agency that...we fail to work effectively with central and local government to deliver the government's policies.**
  - To mitigate this risk the Agency has put in place Local Authority Relationship Managers, has developed a stakeholder strategy and has created a stakeholder function.
- **Managing our policy environment - There is a risk to the Agency that... we are unable to influence our policy environment in order to sustain the delivery of key services.**
  - To mitigate this risk the Agency has: developed a policy function and is in the process of recruiting the required capability; actively engages with HM Treasury on current and emerging policy issues; is in the process of discussing a new policy partnership approach to working with the Department for Communities and Local Government; and is an active member of HMRC's policy forum.

"... the Agency will invest in the skills of our leaders and managers, working with them to develop the future of the Agency ..."

PERFORMANCE ANALYSIS



Delivering against our Strategic Objectives

"... the vision of the government's estate strategy is to create an efficient, fit-for-purpose and sustainable estate whose performance matches the best of the private sector."

Over the last year, we worked to:

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

Here is a summary of how we have delivered against these objectives.

Target and achieve customer trust

Feedback from our annual customer survey indicates that the vast majority of our customers consider us to be professional, polite and friendly. However, we know we can do better when it comes to responding to our customers' requests in a clear and timely manner.

We continue to work on improving our customers' access to information, and on resolving more of their queries quickly and clearly. Over the course of the year we have conducted extensive research with expert research teams to help us build a better understanding of who our customers are and how they want to interact with us.

Drive quality and consistency through improved processes

We have been working to improve the quality and consistency of our services, review our existing processes and design new ones to be as simple and intuitive as possible for both our customers and our people.

We have been piloting continuous improvement techniques to help us improve what we do. We reviewed and mapped key processes to identify efficiency opportunities and find ways to solve problems and do things better.

Develop and sustain the right capabilities

The capability of all our people remains central to our being able to deliver the service our customers expect.

To build this capability, we have continued to recruit people with the right skills, developing all our professionals in areas such as surveying, operational delivery, digital and technology, data analysis, policy, strategy and finance. We have also continued to invest in the leadership and management skills of our leaders and managers.

Sustainably reduce cost and improve value for money

We continued to find ways to sustainably reduce our operating costs, drawing on digital solutions where appropriate, while maintaining the quality of the services we provide.

In addition the vision of the government's estate strategy is to create an efficient, fit-for-purpose and sustainable estate whose performance matches the best of the private sector.

Both support the government's aim of fiscal consolidation, and feature heavily in our transformation programme.

Our 2015-16 performance

To ensure the delivery of our objectives for 2015-16, we focused on nine priorities that fall into three themes, as outlined in our 2015-16 Business Plan commitments:

Delivery
- Non-domestic rating appeals clearance commitment made by the Chancellor in his Autumn Statement 2013
- NDR Revaluation 2017
- Delivering for our clients and customers

Transformation
- Our transformation programme
- Provide more effective technology to help people do their jobs
- Make our processes easier for our customers and our people

People
- Improve our leadership
- Support our managers to succeed
- Sustain, build and be proud of our professions

"To ensure that our work on Revaluation 2017 continued to go smoothly and to schedule, we increased our Revaluation 2017 workforce by 400 people ..."

Reviewing our performance

This section provides an overview of how we performed against our 2015-16 Business Plan commitments.

Delivery

Non-domestic rating appeals clearance commitment made by the Chancellor in his Autumn Statement 2013

We continued working with the Valuation Tribunal Service to deliver the Chancellor's 2013 Autumn Statement commitment – that 95% of non-domestic rating appeals in England outstanding on 30 September 2013 would be cleared by July 2015.

We cleared more than 94% by the end of July 2015, and by 31 October 2015 we had cleared more than 95% of these outstanding appeals.

The remaining appeals were either in litigation (most awaiting a hearing at Valuation Tribunal) or were held up at the request of the ratepayer.

Non-domestic rates reform

Throughout the year we worked with stakeholders in HM Treasury and the Department for Communities and Local Government (DCLG) to identify ways in which the administration of non-domestic rates, commonly known as business rates, could be improved. In particular, we are working to deliver the reforms to the non-domestic rating appeals system that were announced by the Chancellor and have now passed through Parliament as part of the Enterprise Act 2016. This Act was announced in the 2015 Queen's Speech. It will form the primary legislation that is needed to enable a modernised business rates appeals system to be in place from 1 April 2017.

On 30 October 2015, DCLG launched the public consultation on the proposed reformed appeals system, to be built around three stages: 'Check, Challenge, Appeal'. We provided detailed evidence and analysis for the consultation and held meetings with stakeholder groups including industry and representative bodies. The consultation closed in early 2016.

The Check, Challenge, Appeal system will be in place when the new rating list comes into effect on 1 April 2017. The system will apply in England only. We expect the changes to result in:

- clearer understanding of expectations from all parties on actions required, and timescales within which to complete;
- earlier discussion and exchange of necessary information between parties; and
- as many cases as possible being resolved at one of the first two stages – Check and Challenge. We expect this to result in a reduction in the number of appeals listed for Valuation Tribunal hearing.

Developing innovative solutions

Case Study

To help us identify the right levels of training for the people doing our revaluation work, we used a diagnostic tool developed by our internal Learning and Development team. This tool - which won this team our 2015 internal People Award for Innovator of the Year - provided a comprehensive testing mechanism for assessing the tools and skills that people actually needed. As people came to our revaluation work with varying levels of expertise, the tool saved us time and money by enabling us to target the training we delivered and to progress our revaluation work as efficiently as possible.

Non-domestic rating revaluation 2017

Revaluations are designed to ensure that business rates are based on up-to-date property values. This maintains fairness in the system by redistributing the total amount payable to reflect changes in the property market. Therefore, Revaluation 2017 is a key programme of work for the customers we serve.

The revaluation comes into effect on 1 April 2017. On 1 July 2015, we started carrying out the 1.9m valuations needed across England and Wales and, since then, we have made good progress towards delivering the programme.

To ensure that our work on Revaluation 2017 continued to go smoothly and to schedule, we increased our Revaluation 2017 workforce by 400 people, either by redeploying them from other work areas or by recruiting them from outside the Agency. To give them the right tools and skills to help them to deliver the Revaluation, we delivered over 50 training events to around 350 people. We also continued to collect and analyse market information and evidence to support our valuations. Once we have completed the bulk of our Revaluation 2017 work, we expect most of our rating caseworkers to return to non-domestic rating casework.

In January 2016 we exceeded our first key milestone of valuing 70% and validating (quality assuring) 40% of the 1.9m properties in the rating lists for England and Wales (achieving 74% and 54%, respectively). We also exceeded our second milestone of 85% valued and 60% validated as at 11 March 2016 (achieving 90% and 81%, respectively).

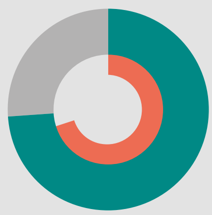
Throughout our work on Revaluation 2017, we have kept key stakeholders, including local authorities, industry bodies and ratepayer representative groups, informed about the progress we are making and sought to involve them in discussions.

January 2016 Revaluation Milestones

Valuing Milestone

70%
Valuing Target

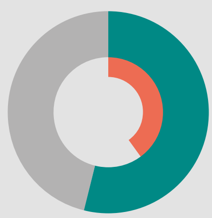
74%
Achieved



Validating Milestone

40%
Validating Target

54%
Achieved

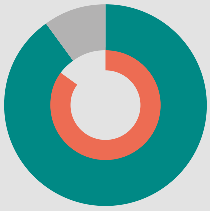


March 2016 Revaluation Milestones

Valuing Milestone

85% Valuing Target

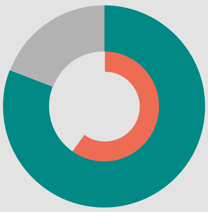
90% Achieved



Validating Milestone

60% Validating Target

81% Achieved



Delivering for our clients and customers

Non-Domestic Rating (NDR)

As well as delivering the Chancellor's NDR commitments and our work on Revaluation 2017, we continued to clear those outstanding NDR appeals not included in the Chancellor's commitment. This year, we settled a total of 84,170 appeals relating to the 2005 and 2010 rating lists.

Our team of Local Authority Relationship Managers provided ongoing support to our 326 local authority partners in managing the Business Rate Retention Scheme in England. This enables local authorities to retain 50% of the business rates growth in their area and to pool business rates with other local authorities. The information we provided included monthly appeals data and details about significant changes to their local rating list.

We raise and investigate reports after we receive information about property changes from billing authorities or business ratepayers, as part of our ongoing work to maintain the rating lists. This year we cleared a total of 295,320 NDR maintenance reports relating to the 2005 and 2010 rating lists.

Of the reports we raised, we cleared:

- 52.8% in 12 days against a target of 50%
- 70.1% in 25 days against a target of 75%
- 97.0% in 90 days against a target of 99%.

There is an increasing demand from billing authorities on our non-domestic rating teams to update the rating lists to support the Business Rates Retention incentives. During this year we introduced a prioritisation process to help us better plan this work in accordance with our statutory duty and to help balance pressures for our people. This, together with the increasing complexity of this work, explains the decline in the timeliness measures for non-domestic rating. Delivering Revaluation 2017 valuation work has also impacted on these timeliness measures.

During this year we have changed our operational approach following a significant legal decision. The Supreme Court decision on Woolway (VO) v Mazars in July 2015 changed the way that occupations separated by communal or public areas are assessed. To ensure that our people fully understood the implications of this decision, we updated our guidance, both internal and external, and ran workshops and team discussions.

For non-domestic rating customers not represented by an agent, our latest customer tracking survey[1], demonstrated that:

1 The non-domestic rating customer tracking survey results presented in this document are from a survey carried out in 2014-15. Fieldwork for the 2015-16 year is still ongoing. The results from the 2015-16 survey will be available later in 2016 and the final report will be published in November 2016 on GOV.UK.

- half (50%) of non-domestic rating (NDR) customers who were unrepresented (i.e. not represented by an agent) rated their overall experience of dealing with the VOA as good. This was an improvement on 2013-14, when the figure was 41%.
- just over half (51%) of unrepresented customers agreed that they trusted the VOA to get the outcome of their appeal right.
- over half of unrepresented customers (52%) said that their appeal was resolved within six months.
- around half (51%) of unrepresented NDR customers thought the VOA had dealt fairly with their case – a similar proportion to 2013-14 (52%).

For non-domestic rating customers represented by an agent, our latest customer tracking survey demonstrated that:

- almost half (49%) of NDR customers who were represented by an agent agreed that they trusted the VOA to get the outcome of their appeal right.
- 34% of represented NDR customers said their appeal took less than six months to conclude.

Council Tax

We ensured that our customers got the information they needed more quickly, as our Network Support Offices resolved around 58% of council tax calls at first point of contact. This meant these calls did not need to be passed on to colleagues in other parts of the organisation.

We strengthened the quality of our council tax banding decisions, including acting on our people's suggestions for improvement. We ran workshops with colleagues to gather ideas about what we could do to make our processes more efficient without compromising quality or customer service. We implemented the best suggestions in June 2015. This work has enabled us to streamline our internal processes and the suggestions have resulted in our in-year efficiency and productivity challenge being fully met, meaning that the cost per maintenance report has decreased.

More detailed statistics summarising the number of council tax band reviews and proposals received and cleared will be available as Official Statistics on GOV. UK in August 2016.

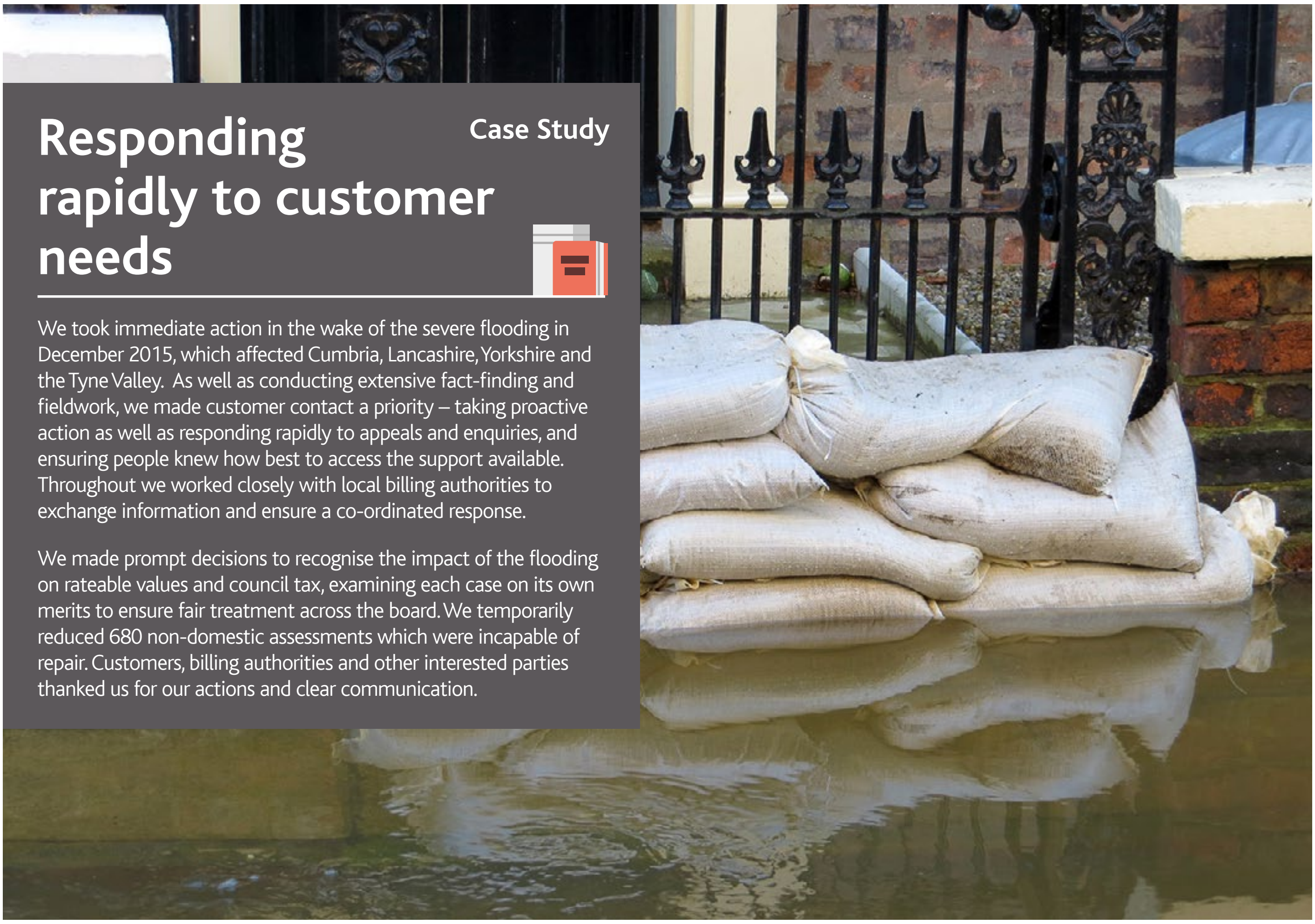
For council tax customers not represented by an agent, our latest customer tracking survey[2] demonstrated that:

- around three in five (58%) rated their overall experience of dealing with the VOA as good.

58%

of council tax calls were dealt with at first point of contact at the NSOs.

2 The council tax customer tracking survey results presented in this document are from a survey carried out in 2014-15. Fieldwork for the 2015-16 year is still ongoing. The results from the 2015-16 survey will be available later in 2016 and the final report will be published in November 2016 on GOV.UK.



Responding rapidly to customer needs

Case Study

We took immediate action in the wake of the severe flooding in December 2015, which affected Cumbria, Lancashire, Yorkshire and the Tyne Valley. As well as conducting extensive fact-finding and fieldwork, we made customer contact a priority – taking proactive action as well as responding rapidly to appeals and enquiries, and ensuring people knew how best to access the support available. Throughout we worked closely with local billing authorities to exchange information and ensure a co-ordinated response.

We made prompt decisions to recognise the impact of the flooding on rateable values and council tax, examining each case on its own merits to ensure fair treatment across the board. We temporarily reduced 680 non-domestic assessments which were incapable of repair. Customers, billing authorities and other interested parties thanked us for our actions and clear communication.

- the proportion who reported a poor experience had decreased compared with 2013-14 (26% in 2014-15 compared to 30% in 2013-14).
- approximately half (49%) said they trusted the VOA to get the outcome of their appeal right. This is similar to responses in previous years.
- nearly nine in ten customers (88%) said their appeal was resolved within six months.
- around half (51%) agreed that their case had been fairly dealt with.

For taxpayers represented by an agent, our latest customer tracking survey demonstrated that:

- approximately two-thirds (64%) agreed they trusted the VOA to get the outcome of their appeal right.
- approximately three in five (59%) reported that their appeal had been resolved within six months.

> "The tools and techniques comprise structured problem solving, escalation of issues, and planning and forecasting tools."

Network Support Offices (NSOs)

Our four Network Support Offices handle centralised processing work and much of our initial telephone and correspondence with customers. During the year we made further strides in improving the quality and consistency of our customer service and we are using continuous improvement tools and techniques to help us do this. This approach also gives people more ownership and influence over how they do their work. The tools and techniques comprise structured problem solving, escalation of issues, and planning and forecasting tools.

Following a change in non-domestic rating (NDR) regulations announced in the Chancellor's Autumn Statement in 2014, in February 2015 we received a large volume of NDR proposals to alter the rating lists (appeals) in a two month period. The Network Support Offices (NSOs) sought assistance from the wider NDR business stream to meet the demand. By using these more rigorous planning and forecasting tools, teams in the NSOs were better able to accurately estimate the level of resource required to meet the registration and validity deadlines on NDR proposals and track progress in detail. This allowed the NSO teams to provide better management information to colleagues in the non-domestic rating business stream, regular assurance on progress against targets and ultimately register these appeals more quickly and efficiently.

Our Network Support Office in Halifax handles the receipt and registration of hard copy forms completed by business ratepayers which provide rent and lease details. Continuous improvement techniques have allowed NSO teams to better monitor receipt levels and use the resource in the team flexibly to meet demand: when receipt levels are low, resource is freed up and deployed to other high priority work.

Housing Allowance timeliness targets

Against our target to...

Determine 96% of Housing Benefit claims where no inspection is required in 3 days

...we achieved

99.9%

Determine 96% of Housing Benefit claims requiring an inspection within 15 working days

...we achieved

99.8%

Determine 96% of Housing Benefit claims requiring redeterminations within 15 working days

...we achieved

99.8%

Determine 96% of pre-tenancy Housing Benefit determinations within 4 working days

...we achieved

100.0%

Determine 95% Fair Rent Registrations in 40 working days

...we achieved

99.4%

In line with other government departments, we monitor the quality of our response to the calls we receive; we also use feedback from customers and colleagues to identify ways in which we can improve. Using real time monitoring information for our call handling work, we are able to track call volumes and allocate our resource effectively to be able to deliver our target of answering 90% of calls to our NSOs within an average of 30 seconds.

Our call handlers can now resolve a much broader range of enquiries without requiring specialist input, meaning quicker resolution of some of our customers' enquiries. In the last year we have increased first call resolution from an average of 7.49% for council tax calls and 11.21% for NDR calls (October to March 2014-15), to an average of 57.63% for council tax calls and 44.81% for NDR calls (October to March 2015-16). As well as resolving more of our customers' calls at the first point of contact, this also allows our specialist operational colleagues to focus on more complex valuation enquiries.

Housing Allowances

Our Housing Allowances team provides property rental valuations and information to local authorities, landlords and tenants. The main areas of work the team covers are valuations for Fair Rents, and determinations for Local Housing Allowances and Housing Benefit purposes. We exceeded all our targets on timeliness and quality again this operational year.

During the year, three national landlords and a regionally-based lettings agency chain submitted lettings information using our secure digital data transfer service. We anticipate adding new users who have expressed a preference in using the service in 2016-17. Further consultation with partners and lessons learned around the consistency of data held centrally will inform our future digital services.

In January 2016 we published the 2016-17 Local Housing Allowances Rates for England on the GOV.UK website, ensuring all local authorities were aware. We published these figures at the same time as Rent Officer Services in Scotland and Wales made their rates available and followed a similar style, making it easier for customers to compare figures.

The data we gather on rents feeds into the Office for National Statistics' Retail and Consumer Prices Indices, and new experimental Index of Private Housing Rental Prices. This work is evolving and we continue to explore how we can improve our supply of information and broaden the use of our data.

Statutory Valuations Team

We support HMRC's work on Capital Gains, Inheritance Tax and other areas of tax compliance. Our Statutory Valuations Team continued to deliver property valuation advice in all these areas, ensuring the right amount of tax was paid.

- Our Statutory Valuations Team achieved an income of £11.8m this year, exceeding the £11.3m income plan. In addition, all quality standards were met or exceeded.

- The team has exceeded all HMRC service level agreement timeliness targets this year, helping to support HMRC deliver its targets.
- The team delivered all Community Infrastructure Levy service level agreement targets, including 100% timeliness for appeals.
- Income from Right to Buy work in Scotland increased by 34% prior to the cessation in Scotland of the Right to Buy in August 2016.
- In England and Wales, the number of Right to Buy determinations (where we determine the value if the owner and occupier cannot agree) has increased by 27%.

Property Services

In 2015-16 our Property Services team (also known as District Valuer Services) generated £15.1m through the provision of valuations and property advice to clients across the public sector. This was achieved despite Property Services operating in 2015-16 with its lowest ever number of staff in post brought about through, for example, internal transfers, retirements and some difficulties with external recruitment. We were able to limit the resulting income reduction to only £0.4m below our target while our overall costs fell by a significantly higher amount. Accordingly, we still covered all our costs and complied with 'Managing Public Money', the HM Treasury publication which sets out how to handle public funds.

We are on a number of key Procurement Frameworks: these include Crown Commercial Services, Homes and Communities Agency, and Eastern Shires Purchasing Organisation. We were also recently appointed to the Welsh Government Framework for Estate Professional Services. During the year we were appointed as sole valuation services supplier to Highways England to support their infrastructure projects, and we continued to work on the High-Speed 2 (HS2) rail link.

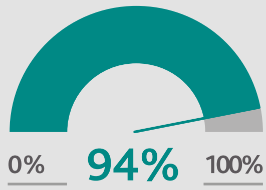
We delivered the 2015 Market Value Survey for the Department for Communities and Local Government (DCLG). This involved the desktop valuation of around 12,300 properties across England, as well as providing DCLG with accurate and up-to-date data on house values across all property types.

Our most recently published annual Property Services customer survey[3] indicated that:

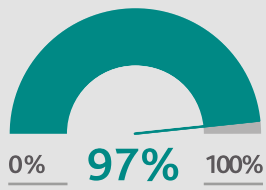
- 94% of our customers were satisfied or very satisfied with the service our Property Services team provided.
- 97% of our customers were satisfied or very satisfied with our independence and impartiality.
- 97% of our customers were satisfied with our professionalism.

3 The Property Services customer survey results presented in this document are from a survey carried out in 2014-15. Fieldwork for the 2015-16 year is still ongoing. The results from the 2015-16 survey will be available later in 2016 and the final report will be published in November 2016 on GOV.UK.

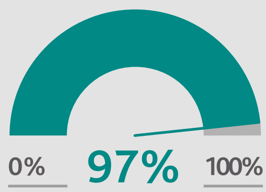
Property Services Customer Survey



of our customers were satisfied or very satisfied with the service our Property Services team provided.



of our customers were satisfied or very satisfied with our independence and impartiality.



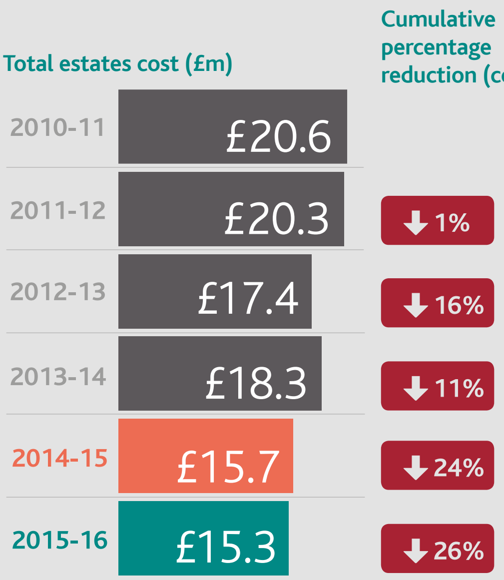
of our customers were satisfied with our professionalism.

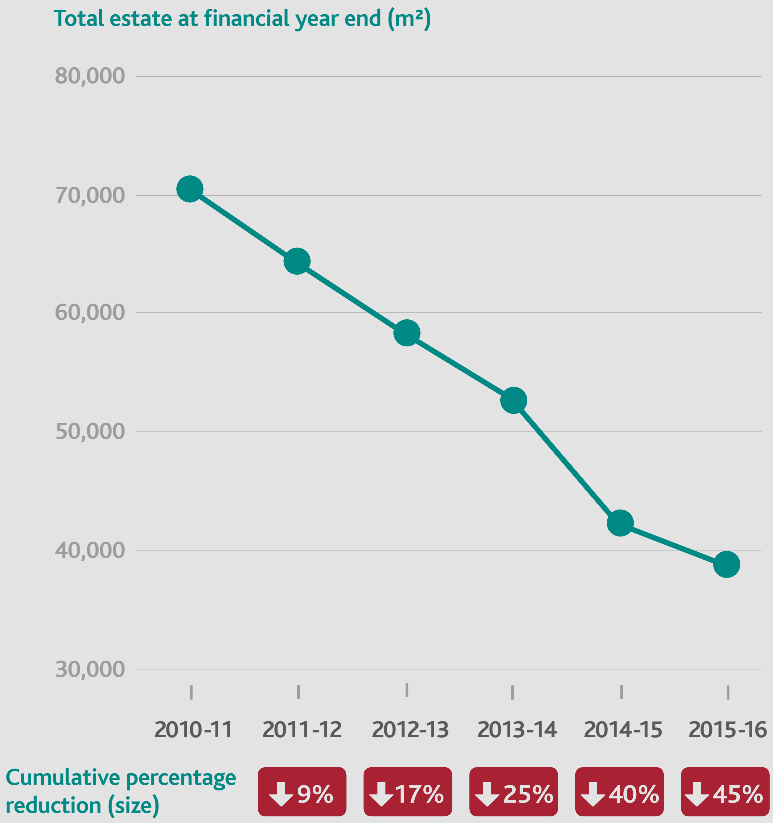
Transformation

Our transformation programme

In 2015-16 we continued to make progress on transforming the Agency to deliver better, more efficient services for our customers and clients. Our transformation programme is the most complex and ambitious programme of change we have ever undertaken. This year we further broadened its scope to encompass the delivery of reforms to the non-domestic rating appeal system (Check, Challenge, Appeal) that were announced by the Chancellor and have now passed through Parliament as part of the Enterprise Act 2016.

Estates reduction 2010-16





This year we:

- established new 'agile' development teams based in our Digital Centre (which we also completed this year). Agile is a way of delivering projects in small steps rather than trying to deliver everything at once; it puts the needs of the people using our services and systems at the heart of the project. Our agile teams will work across the Agency to deliver great services for our internal and external customers, meeting the Government Digital Service standard - we delivered the first of these this year (see page 26).
- delivered the first tranche of activity to transform our estates, reducing the amount of office space we occupy by 3,500m² and closing seven of our offices. We expect these changes to deliver annualised running cost savings of £1.3m.
- invested in our future locations to enable more flexible ways of working; these are the locations where we think we need to be located to support our plans to keep the right expertise and deliver our services in a more efficient way in the future. We have made it easier for our people to work from different places while accessing the data and programs they need: during the year we installed a network of 33 modern video-conferencing and collaboration suites. We also expanded our home working network, enabling more people to work from home.
- conducted extensive research to inform our transformation, improving our understanding of the reasons customers contact us and the channels they use; an essential first step in enabling us to redesign our services to make it easier for our customers and our people to use them.
- carried out other research into how we provide information to and receive it from partner organisations - information such as reports from billing authorities and Stamp Duty data - as well as how our internal processes and structure operate.
- delivered important building blocks to support us in our transformation, including a new system for our deskside telephony across the Agency and upgrading the operating system used on our PCs.
- worked with users of some of our services to test ways of explaining or presenting information; this will help to ensure we communicate with our customers in a clear and accessible way. For example, we developed new pages for GOV.UK to help customers navigate our published information and to answer their queries more quickly through digital channels.

Our transformation activity is now heavily focused on the delivery of Check, Challenge, Appeal (CCA). We continued to align our transformation plans to enable delivery of CCA, prioritising those elements of our programme which align most closely with the changes we need to make to deliver CCA successfully.

We have built a small programme team to oversee and manage the delivery of this major programme of change. During the year we:

- worked closely with the Department for Communities and Local Government in support of the legislation which has now passed through Parliament as part of the Enterprise Act 2016.
- consulted with a variety of stakeholders and customers from industry, the agent community and representative bodies to ensure their feedback informs our development of a more efficient appeals system.
- developed an alpha version of the online ‘Check’ stage - this is a working prototype which stakeholders can use to test and refine the system before it is launched.
- designed the high level processes; we have aimed to make these processes as clear and simple as possible for our customers and our people.

“We have built a small programme team to oversee and manage the delivery of this major programme of change.”

Provide more effective technology to help people do their jobs

We continued to improve our technology infrastructure to give us better tools for the job and underpin further planned improvements. The improvements we have made help us move towards our objective to become digital by default and provide a better service for our external customers.

We set up our Digital Centre to support this work, providing a new flexible working space for our digital and technology teams to use agile tools and techniques to deliver our services. These teams included specialist user researchers to make sure our services are as straightforward and intuitive as possible, as well as embedded experts from our operational teams. This ensured that our public-facing services were built around our users. We used the Government Digital Service (GDS) standard to ensure we delivered best practice. As a result we passed a rigorous GDS assessment for good quality digital services, including providing 'assisted digital' options to make sure that our services are inclusive.

We developed a new digital system for collecting rent and lease details from business ratepayers (formerly these were hard copy Forms of Return). We launched this system as a beta service after it had passed the Government Digital Service assessment. This new system means our customers can provide information to us more quickly and it also saves us from re-entering data manually. Launching the beta service means the new system is available for customers to trial and we can refine it based on their feedback. It will run parallel with our old service before we switch over completely. From January to April 2016, we received nearly 27,000 submissions via the new service, helping us to collect up-to-date infomation in prepartion for the non-domestic rating revaluation. We have gradually invited more and more people to use it, with customer satisfaction rates of over 70% for the digital service. Our target is for 80% of submissions to be via the new online service by June 2016.

We built a new portal to allow billing authorities to send us reports about new properties or changes to properties more easily. This saves them time and helps to ensure we get the information we need to set correct rateable values more quickly. The new digital system is simple to use and completely based around what billing authorities need. We have invited 18 billing authorities to help trial the service, sending us reports about domestic properties in the first instance. We will invite the billing authorities to give us feedback on it and use their feedback to improve the service further. We then plan to widen the pilot to include more billing authorities and to cover reports on non-domestic properties.

We have developed an online Register of Fair Rents which will improve our Electronic Rent Register tool so that customers can check details about regulated tenancy properties. The new tool has been built to be as simple as possible to use and, in developing the tool, we involved people who use it to make sure it does what they need it to.

33 smart rooms installed

also known as video-conferencing and collaboration suites.

For much of this work, we made use of HMRC's digital platform to host our new public services. This enabled us to develop the services quickly, using a secure and established service already in use in government.

In addition, we have begun planning for the digital work we need to do to deliver Check, Challenge, Appeal, including how the online process will work and what our supporting technology needs to do to support it.

During the year we moved our entire internet presence to the GOV.UK website, which enables our customers to access all the information they need from us in one place, alongside information from across government.

We have worked with external suppliers, including many innovative small and medium sized enterprises (SMEs), to help us deliver many of these changes. Over 60% of our discretionary IT spend on external suppliers went to SMEs during the year.

We also improved our internal tools and technology to help us work more efficiently. Internally, our work included:

- upgrading the operating system for PCs across the Agency to improve our performance and security and make it easier for us to make further improvements in future.
- installing 33 video-conferencing suites in 27 offices to improve our ability to collaborate across sites, using software-based tools to share information and ideas, and to reduce the amount of travel required of our people.

The new technology infrastructure we have started to put into place gives us a good foundation for making further changes in the years ahead. It has helped us identify in more detail the challenges and opportunities for modernising the wide range of legacy systems and technology across our Agency. The complexity and design of some of these systems means there will be significant challenges for us to overcome during this transformation. But the work we have already done is helping us approach the challenges that lie ahead with greater confidence.

Delivering large scale IT change

Case Study

We upgraded all of our desktops and laptops to a new version of Windows and Microsoft Office, delivering upgraded PCs to every office and more than 400 homeworkers. This gave us better technology to use now, and a more stable footing for future improvements.

We have over 100 different applications which needed to be tested and updated for the new system, and we also needed to update our background technical infrastructure (and make sure that our people had the right support).

People across our Agency worked on this - including Digital Group (whose Transition Team won the VOA 2015 People Award for Team of the Year for their work), operational people and change teams. Working together, we delivered this ambitious project within a year, and over 95% of people told us they had the information they needed ahead of their upgrade.

Make our processes easier for our customers and our people

Having the right processes in place is key to making things simpler and quicker for our customers and our people. During 2015-16 we brought together all our expertise and responsibilities for process design into one team.

We started to map all the Agency's key processes to identify areas for improvement, and to redesign our processes to support new digital and more streamlined services.

We also began work to improve how we manage customer contact across the Agency. The first stage, which we completed this year, looked at:

- how and why our customers contact us
- what processes we use to manage this contact
- how we can improve these processes to ensure our customers receive a service that meets their needs, both now and in the future.

We will begin the next phase of this work in 2016-17. This will take forward the findings of the first phase and will include:

- redesigning our key customer contact processes and communications to improve the service we provide.
- continuing to develop our online services so that customers can quickly find the information they need.
- rolling out continuous improvement tools and techniques more widely so that people across the Agency will have the opportunity to improve their work processes, thereby providing a better service to our customers.

People

Our new People Strategy joins up all our people-focused work. Our People Strategy provides a robust framework to support us during a time of significant change, both within the Agency and across the Civil Service.

People Awards 2015

Attendees at the Valuation Office Agency People Awards 2015

It covers five main areas:

- Develop inspiring, confident and empowering leaders
- Support our managers to succeed
- Develop and implement a Strategic Workforce Plan
- Sustain, build and be proud of our professions
- Develop a new People Deal.

These five pillars rest on:

- open, honest and transparent communications
- a focus on wellbeing
- an organisation that is inclusive and recognises the strengths in diversity.

Our ambition is to create an Agency with an empowered, engaged and inclusive workforce – one that is dynamic and flexible enough to meet the current and future needs of our customers and stakeholders, and that delivers improved services to the public in a modern, consistent, and cost-effective way.

During the year we started to implement our People Strategy, including work to develop a rolling workforce plan and a plan to cover learning and development. This work is set to continue into 2016-17.

Improve our leadership

Throughout the year we continued to focus on improving our leadership capability. We promoted the Civil Service Leadership Statement to all our senior leaders and managers, and discussed it with them at our regular Board led line manager and senior leader meetings.

Our senior leadership team led 21 'Future, Engage, Deliver' workshops across the Agency. Future, Engage, Deliver is a simple, practical approach to help people - regardless of position or title - to grow as leaders, make a bigger difference to their organisation and help it become more successful. We designed the workshops to improve the way we lead change in the VOA. We also ran dedicated training sessions to support our leadership community in change conversations.

We achieved our target of a five percentage point increase in our People Survey engagement score (to 48%). One of the catalysts for change has been the People Survey Focus Group, a cross-Agency group formed to encourage corporate level action following the 2014 survey results. After detailed discussions, this group came up with seven action points, which our Board agreed and took forward:

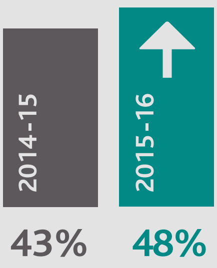
- Invest in our leaders
- Invest in line managers
- Innovations scheme led by people in the business

Providing inspiring leadership

Case Study

Dean Hannan, who consistently inspires his colleagues to go the extra mile, won the VOA 2015 People Award for Outstanding Leader. Dean builds strong relationships with the people in his team, working with them to deliver objectives and projects on time. He has built the capability of national team leaders through coaching and mentoring - giving them the confidence to deliver VOA change programmes. Colleagues in our Bristol office found Dean inspirational when he guided them into new accommodation and implemented new ways of working.

VOA People Survey engagement index



- Knowledge transfer and succession planning
- More focus groups to test and evaluate initiatives
- Better communication about change
- Directors listening to people, earning trust and encouraging people to be honest.

Our senior leadership team significantly increased the frequency of their office visits. These visits provided an opportunity to interact with teams, listen to people's concerns, provide information and take action. We achieved an increase of 14 percentage points for the People Survey statement: 'Senior managers in the VOA are sufficiently visible'. We also saw significant improvements in other scores relating to leadership.

Support our managers to succeed

Our People Survey Focus Group identified that effective line management was a key factor in improving our engagement.

During the year we held a number of sessions to support our managers to succeed: these included the 'Future, Engage, Deliver' workshops mentioned in the previous section. We also ran:

- 20 'Working Together as One VOA' workshops, which focused on breaking down hierarchical and team barriers.
- three sets of all line manager meetings, 'Leading to Deliver', where the senior leadership team shared business priorities and sought input into decisions about our transformation.

An essential part of a manager's role is to communicate effectively, manage individual performance and encourage people to develop their potential. During the year we exceeded our target of 60% of people participating in regular and useful team meetings, achieving 65%. However, we fell short of our target of

98%

of our people met the Continuing Professional Development requirements for the Royal Institution of Chartered Surveyors.

95% of people having at least ten performance reviews during the course of the year to discuss progress against their personal objectives and to ensure the right development and support is in place, achieving 70%. Eighty per cent of our people took up their entitlement to five days learning and development as set out by Civil Service Learning. This met our target.

From August 2015 we introduced a new bonus scheme that gives managers the tools to reward good performance during the year, rather than waiting until the end of the year. This is aimed at providing immediate recognition and reward to our people for a job well done and empowering our managers to manage their team's performance.

In 2016-17, we are piloting a new approach to performance management. While still aligned to the Civil Service performance management principles, the pilot will focus on monthly coaching conversations between a member of staff and their manager. The approach will mean we can focus more on regular, high quality conversations that will encourage and support real performance improvement.

During the year we began to implement 'Words Matter', an innovative culture change initiative. 'Words Matter' focuses on using inclusive language to help us have better conversations and build on the best of our culture and habits by guiding us towards new and effective ways of working together. This too will impact on how effectively managers engage with their teams and we involved our community of around 500 line managers in this work. We also organised focus groups with over 80 people from offices around the country. We are in the process of introducing a 'Words Matter' toolkit that all colleagues can use.

Sustain, build and be proud of our professions

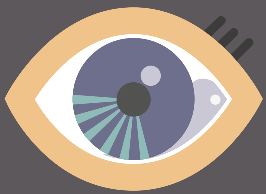
We continued to invest in all the professions represented in the VOA to help us retain, develop and attract the skills we need. In 2015-16 we supported 84 people in undertaking new qualifications across our professions, which include surveying, operational delivery, project management, IT and HR. Over 97% were successful.

Ninety-eight per cent of our people met the Continuing Professional Development requirements for the Royal Institution of Chartered Surveyors (RICS), exceeding our target of 85%.

During the year we recruited over 30 people to our graduate surveyor scheme, a three-year programme that leads to full corporate membership of RICS. We also sponsored over 200 people to undertake surveying qualifications run by external bodies.

"Eighty per cent of our people took up their entitlement to five days learning and development as set out by Civil Service Learning. This met our target."

Measuring our Performance



The measures...enabled us to identify where we are doing well and those areas on which we need to focus more attention.

We have adopted a set of measures and targets which together provide a picture of our performance. This allows us to manage performance throughout the year, and react in real time when needed. The measures cover a range of areas, including operations, finance, people and transformation and have enabled us to identify where we are doing well and those areas on which we need to focus more attention.

Of the measures in place, 17 were included in the 2015-16 Business Plan. These, our Key Performance Indicators, were managed throughout the year at either Agency or director level.

The tables below and on page 34 set out our key performance indicators for 2015-16[4].

Operations	Result	Clarification
Non-domestic rating appeals: 95% of appeals outstanding in England in September 2013 cleared by July 2015	Not met	We cleared more than 94% by the end of July 2015, and by 31 October 2015 we had cleared more than 95% of these outstanding appeals.
Non-domestic rating reports cleared: 50% in 12 working days 75% in 25 working days 99% in 90 working days	Partly Met	Percentage of non-domestic rating reports cleared: 52.8% in 12 working days 70.1% in 25 working days 97.0% in 90 working days
Non-domestic rating quality: 94% of cases meet quality standards	Exceeded	Percentage of non-domestic rating cases meeting quality standards: 94.3%
Revaluation 2017: 85% of business properties in England and Wales valued by March 2016	Exceeded	Percentage of business properties valued by March 2016: 90%

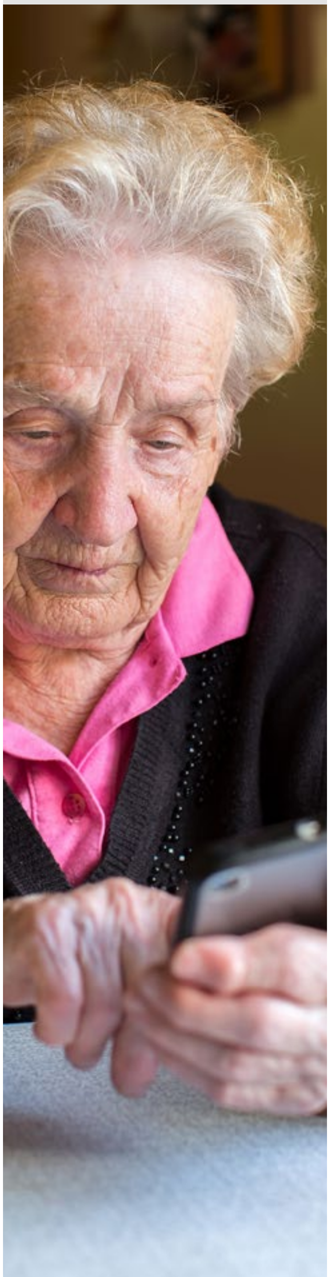
4 Our Business Plan 2015-16 included key performance indicators (KPIs) on the clearance of council tax reports (timeliness) and the percentage of council tax cases meeting quality standards. These two KPIs and the outturn figures against them are not included in the table above because more detailed statistics will be available as Official Statistics on GOV.UK in August 2016.

Our Business Plan 2015-16 also included a KPI to deliver increased efficiency by increasing productivity within a range of 2.5% to 3.5% within our front-line business. We have not measured this KPI during this year as we are developing productivity measures as part of our Spending Review plan.

Operations	Result	Clarification
Housing Allowances quality: 95% of cases meet quality standards	Exceeded	Percentage of Fair Rent cases meeting quality standards: 99.2% Percentage of Housing Benefit cases meeting quality standards: 98.5%
Housing Allowances service: 95% of referrals determined where no inspection is required in three working days	Exceeded	Target was changed to 96% in agreement with the Department for Work and Pensions; percentage achieved 99.9%
Statutory Valuations Team quality: 94% of cases meet quality standards	Exceeded	Percentage of Statutory Valuations Team cases meeting quality standards was 95.3%
Statutory Valuations Team service: 100% of Initial Appraisals reported within an average of five working days	Exceeded	100% of Initial Appraisals were reported within an average of 4.2 working days
Property Services quality: 94% of cases meet quality standards	Exceeded	Percentage of Property Services cases meeting quality standards according to our independent Quality Assurance assessments was 95.1%
Income		
At least £15.6m Property Services income generated	Not met	Income generated £15.1m
Cost		
Deliver value for money by realising estate footprint reductions of 3,400m²	Exceeded	Realised reductions of 3,500m². Expected annualised running cost savings of £1.3m by reducing the amount of office space we occupy
Learning and Development		
80% of people attain the Civil Service minimum of five days learning and development	Met	80% of people attained minimum five days learning and development
Professional Development		
85% of people meet Continuing Professional Development (CPD) requirements	Exceeded	98% of people met CPD requirements
Data Security		
Zero data incidents reported to the Information Commissioner	Met	

Dealing with Customer Feedback

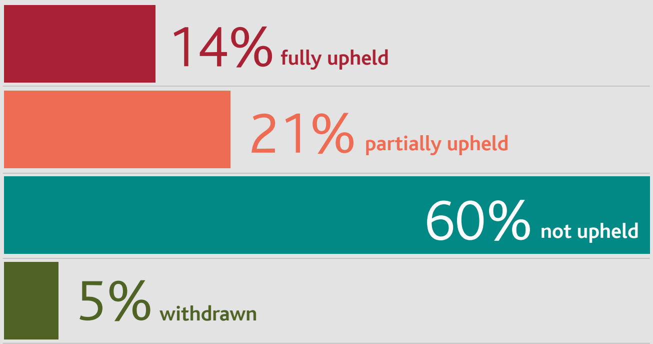
"...we believe that everyone should receive a good service from us."



1,087

complaints resolved

in 2015-16



We always try to do our best for our customers. When we get things right, a number of our customers take the time to let us know - we recorded 235 compliments about our service across all teams in 2015-16, an increase on last year when we recorded 126.

However, we know we do not always get things right. Complaints are a valuable source of feedback and, regardless of the number of complaints we investigate, we believe that everyone should receive a good service from us. If anything does go wrong, we take the complaint seriously, apologise for any errors we have made, take whatever steps we can to put matters right and learn lessons.

We have a two tier internal complaints procedure. Tier 1 complaints are considered by a network of customer service managers, who will look at specific concerns a customer has brought to our attention, what happened, the impact it had and what we can do to put things right. We resolve most of the complaints we receive at this stage. However, should a customer remain unhappy, our Tier 2 central customer service team will carry out a further investigation to consider if there is anything more we could have done to resolve the complaint at Tier 1.

In 2015-16 we received a total of 1,102 complaints and responded to 81% within 20 working days, against a target of 80%. We resolved 1,087 complaints during the year. Of these, 14% were fully upheld, 21% were partially upheld, 60% were not upheld and 5% were withdrawn.

- At Tier 1 we investigated 950 complaints
- At Tier 2 we investigated 137 complaints.

If a customer remains dissatisfied with our final response at Tier 2, they have the right of further independent scrutiny by the Adjudicator's Office and then the Parliamentary Ombudsman.

The Adjudicator offers a fair and unbiased independent investigation of the complaint. In 2015-16 the Adjudicator's Office investigated 30 complaints[5], of which:

- 0 were substantially upheld
- 13 were partially upheld
- 17 were not upheld.

The Ombudsman offers a free and independent service and was set up by Parliament to make final decisions on complaints about public services. In 2015-16 the Ombudsman investigated two complaints, of which:

- 0 were substantially upheld
- 0 were partially upheld
- 2 were not upheld.

Putting things right

When our service falls short of our customers' expectations, we look to improve and, where possible, seek to put things right for those customers affected.

We are currently reviewing our processes and identifying better ways to turn lessons learned into tangible revisions to our processes where necessary, or to update our guidance or make changes to the way we communicate with our customers.

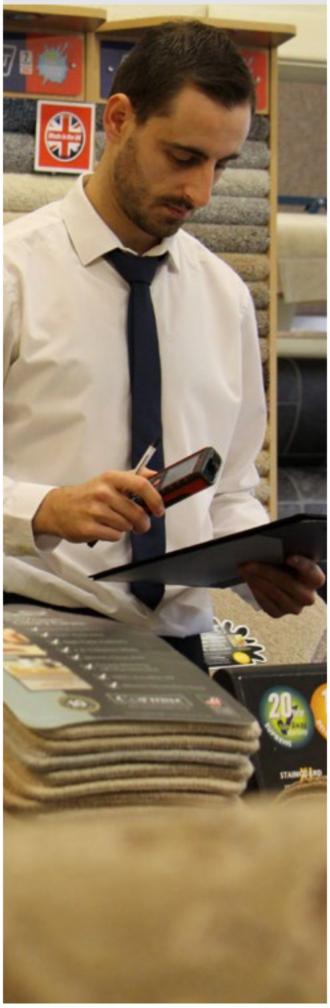
5 The Adjudicator reports 28 cases. Two cases were closed by the Adjudicator in 2014-15 but not reported to the VOA until 2015-16.

81%

of complaints were responded to within 20 working days against a target of 80%.

Our Customer Charter

"We'll assist you to understand what you have to do, when you have to do it and make sure that you are dealt with by people who have the right expertise."



In providing our services, we want to give our customers a service that is even-handed, accurate and based on mutual trust and respect. We also want to make it as easy as we can for our customers to get things right. During the year we updated our Charter, which explains what our customers can expect from us and what we expect from our customers.

Your rights - what you can expect from us

Respect

We'll treat you fairly, with courtesy and respect; listen to your concerns and answer your questions clearly.

A timely, efficient and effective service

We'll assist you to understand what you have to do, when you have to do it and make sure that you are dealt with by people who have the right expertise. When we need additional information we will explain why. If we make a mistake we will put it right as soon as we can.

Protection for your information and privacy

We'll protect the information we receive or hold about you and only share it when it makes sense to do so as part of our business and when the law allows.

A quick and fair response to complaints

We'll deal with your complaints as quickly as we can. If we can't resolve matters to your satisfaction, we will explain how you can take it further.

Accept that someone else can represent you

You can appoint someone else to deal with us on your behalf, such as an agent or a relative, and we'll respect this wish. We'll deal with them courteously and effectively.

Tackle those who bend or break the rules

We will identify those who are not providing information when they should to ensure we get the information we need. We will charge penalties where appropriate and be reasonable in how we use our powers.

What we expect from you

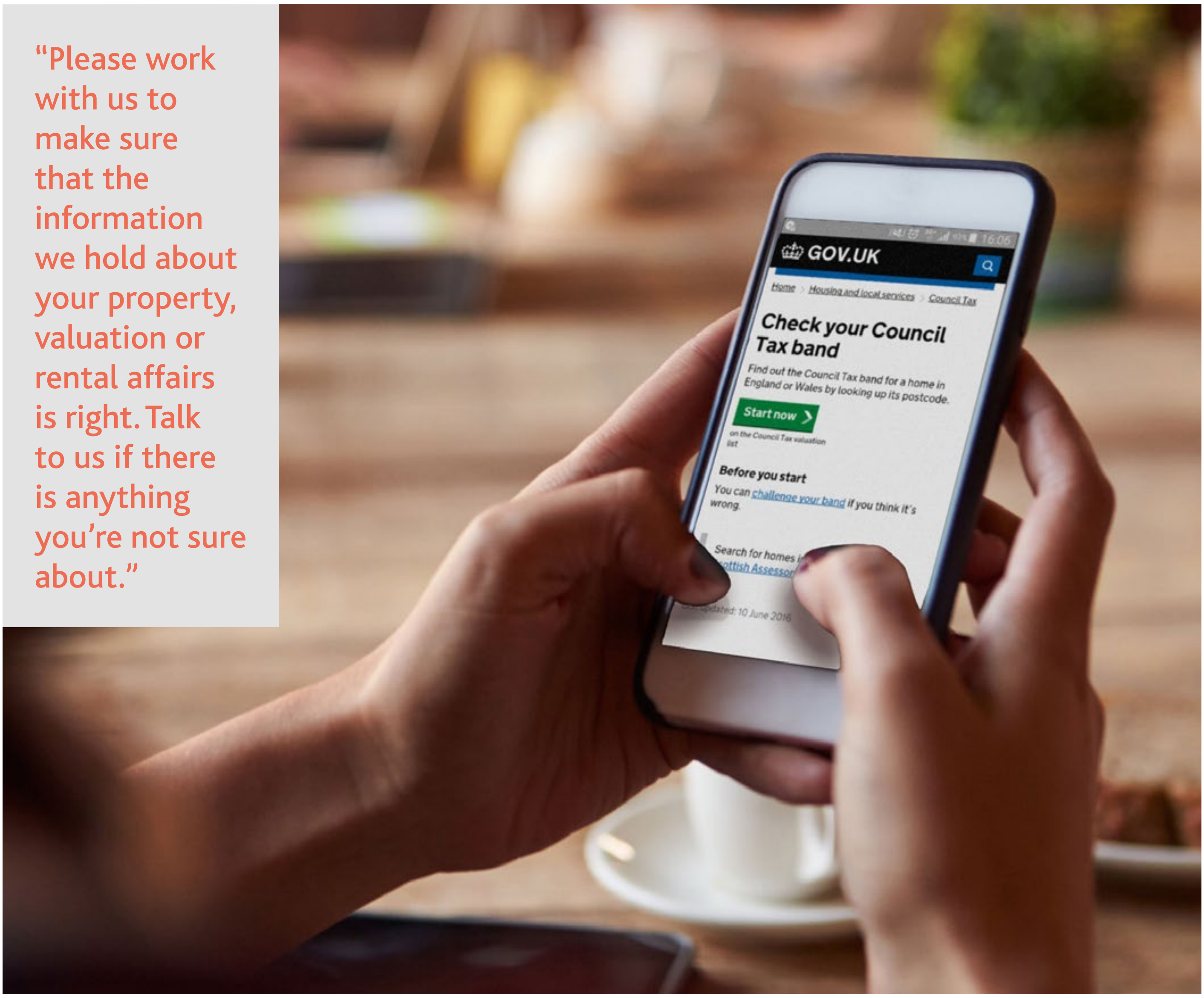
Assist us to get things right

Please work with us to make sure that the information we hold about your property, valuation or rental affairs is right. Talk to us if there is anything you're not sure about.

Honesty

Please be truthful and give us all the relevant facts about your property and any additional information we ask you for. If you're having trouble providing the information, tell us straight away.

“Please work with us to make sure that the information we hold about your property, valuation or rental affairs is right. Talk to us if there is anything you’re not sure about.”



Responsibility for your representative

It is in your best interests to make sure that you know what your representative is doing on your behalf. Please make sure that the information they give us is accurate and on time.

Respond in good time

Send us returns and other information accurately and on time so we can assist you.

Take reasonable care to avoid mistakes

Take care to avoid mistakes when you send us information.

Respect

Please treat our staff with the same respect that you expect from us.

Sustainability

Overview

Sustainable development embraces environmental, social and economic goals. These goals are aimed at delivering equitable growth for the benefit of current and future generations. They help steer the Agency in its role of providing property advice and enabling people and businesses to pay property taxes or receive targeted financial support.

We now send just 2% of our waste to landfill and re-use 98%.

Governance arrangements and plans

We continued to report against the Greening Government Commitments through our sponsor department, HM Revenue & Customs (HMRC). In the longer term we want to integrate environmental performance into mainstream management procedures so we can encourage a culture of good environmental practice among our people.

Meeting our targets

This was the final year of the 2010-15 Greening Government Commitments for sustainable operations and procurement. The table on page 40 shows what we have achieved during this period and makes it clear we exceeded most of our targets. A major success was in reducing our overall greenhouse gas emissions from 7,031 carbon tonnes in 2009-10 down to 3,064 carbon tonnes. We achieved this through a combination of planned estate transformation, installing modern efficient lighting in major refurbishments, and the use of timers for hot water boilers. Better journey planning and increased use of public transport reduced our emissions from travel.

We did not meet our target of reducing our number of domestic flights to below 604. Although we did achieve this target during the previous three years, the number of flights taken rose in 2015-16. Our data confirms that the cost benefits of flying were often so substantial that this offered the best use of our finances in 2015-16. In addition, work won by our Property Services team required people to undertake valuation work in the Channel Islands, the Orkneys and the Shetland Isles and air travel was the only reasonable way of reaching these destinations. Increasing our use of modern video-conferencing and collaboration suites should enable us to reduce our travel costs further during the next few years.

In 2015-16 we introduced dry mixed recycling in most of our offices as part of our commitment to reduce waste. We also introduced closed loop recycling in all our offices; this involves shredding confidential waste and turning it into recycled paper, which we can then rebuy. These efforts, combined with the impact of reducing our estate, have led to a significant reduction in the total waste we produce. We now send just 2% of our waste to landfill and recycle and re-use 98%, an exceptional achievement.

During the year we continued to achieve savings on our water use, which is now the equivalent of 2.69m³ per full time equivalent. We also identified a small number of sites where consumption is higher than average. Working with our suppliers, we will undertake an assessment during 2016-17 to determine where we can make improvements.

Since 2009-10, we have achieved an overall reduction in paper use of 50%. Although we made the bulk of these savings in the earlier years, we are now printing almost 1.7m fewer sheets of paper than we were five years ago. We continue to develop online systems for collecting rent and lease details, and for Check, Challenge, Appeal; both these projects are set to deliver substantial reductions in paper use in the years ahead.

"During the year we introduced and continued to champion the Green Volunteer Network."

Greening Government Commitment	Government reduction target 2015	Position at 31 March 2016	Position on Target
Greenhouse gas emissions	25%	56%	Exceeded
Waste	25%	68%	Exceeded
Water	6m³ per full time equivalent (efficiency target)	2.69m³	Exceeded
Paper	10%	50%	Exceeded
Domestic flights	20%	-7%	Not met

Mainstreaming sustainability

Mainstreaming sustainability means ensuring that environmental, social and economic objectives are incorporated into how the Agency uses finite natural resources, such as energy and water. It includes working in partnership with our suppliers to ensure we conserve these resources and that they continue to be available for future generations.

During the year we introduced and continued to champion the Green Volunteer Network. This is a network of people who provide local support across our business, promoting our green agenda and driving the changes in behaviour that are so important if we are to meet our environmental targets. By raising awareness of green issues, volunteers encourage colleagues to recycle, save energy, reduce resource usage and change their travel habits.

Sustainable estate

The Agency has an agreement with Mapeley, our estates PFI Main contractor, to fulfil our estates environmental requirements. Mapeley also provide facilities management services across most of our accommodation. The agreement we have ensures that any accommodation project we undertake is sustainable. Mapeley have committed that they will, at all times:

- conserve resources
- reduce pollution
- protect bio-diversity and
- support the government's vision of sustainable development.

In 2015-16 we also introduced Sustainability Appraisals to measure and mitigate the impacts of our estates transformation. Our intentions for the future require us to systematically consider the three pillars of sustainability (economic, social and environmental) in our policies, plans, stakeholder engagement and people initiatives.

Climate change is likely to have an increasing relevance to how we run our estate, deliver services and maintain the working environment for our people. The last year saw severe flooding affecting many parts of the UK, which impacted on the Agency and some of our people; we offered practical help and support to those colleagues who were affected. Although our current business continuity plans include contingencies to deal with events of this nature, we will be reviewing these and addressing potential impacts for locations in areas at risk from flooding.

As part of our estates transformation, we have reduced our estates carbon footprint by almost 68%. We are piloting the use of LED lighting so we can fully assess the benefits, including energy saving, and target our investment into our estate.

Biodiversity

As a business, we recognise that people value biodiversity and that there are regulations to protect it. We are also dependent on biodiversity and benefit from it, for example in the form of fuel and raw materials. The VOA has no sites of special scientific interest and green areas account for less than 5% of our estate. We continue to work with our PFI provider and our sponsor department HMRC to identify and implement opportunities to promote biodiversity. We plan to review the indirect impacts from our supply chain in more detail.

Sustainable procurement

Our Procurement Framework promotes the principles of sustainable procurement to generate social, economic and environmental benefits and opportunities.

The framework:

- ensures we comply with government sustainability requirements
- outlines the minimum standards we expect from all our suppliers and
- covers our suppliers' approach to a range of sustainability issues that relate to their environmental, social and ethical performance.

The framework encourages sustainable considerations as standard, for example environmental accreditations, reductions in costs and use of sub-contractors to support the small and medium-sized enterprise (SME) agenda. This will ensure that our procurement and our contract documents all take into account an evaluation of sustainability considerations.

There is also a central government target for 25% of spend to be directed towards SMEs; we currently meet this through our office supplies procurement and IT. We now receive better sustainability data from two of our major suppliers, which enables us to better monitor our carbon emissions from transport.

Charitable giving and supporting our communities

People in the VOA work hard to support many charities – from Macmillan to Comic Relief. We recently launched a Charity of the Year initiative to act as a focal point for fundraising activities across our business. People voted for Macmillan Cancer Support as the charity we want to help in 2016-17. Additionally, people working for the VOA have the option of taking one day a year as paid leave to take part in voluntary activity in their local community. During 2015-16, our people took 266 volunteering days.

Financial Commentary

£207.9m

Income for 2015-16 was £207.9m; £14.7m (7.6%) higher than the previous year.

The VOA's financial performance is set out in the accounts attached to this report.

The Agency's principal financial objective under the framework document is to recover full resource costs as funding from the other government departments ('clients') for whom valuation services are provided. This was achieved during the year. However, the accounts show an operating deficit of £1.5m (0.73%) of operating income.

Historically, Local Government Pension Scheme costs were met by the Department for Work and Pensions (DWP). However, based on advice from HM Treasury, DWP is unable to fund this expenditure, which is classified as Annually Managed Expenditure under HM Treasury budgeting rules. This funding shortfall of £1.9m has been met by the VOA's sponsor department, HM Revenue & Customs. However, in line with accounting standards, this funding cannot be reflected as income in the Statement of Comprehensive Net Expenditure, and has resulted in the Agency's operating deficit of £1.5m.

In terms of income from fees and charges from clients and the full cost of providing services, the VOA made a surplus of £0.4m (2014-15: £1.4m).

Income

Income for 2015-16 was £207.9m; £14.7m (7.6%) higher than the previous year. Additional income was required to support the 2017 non-domestic rating revaluation (Revaluation 2017) and the Agency's transformation programme.

The VOA Property Services division generated £15.1m of income; £0.9m (5.6%) lower than the previous year. This was from an average workforce of 180 full time equivalents (FTEs), 10 FTEs below the annual complement.

Managing costs

Total spending for 2015-16 was £209.4m, including the £1.9m accounting adjustment described above. Pay costs were £150.8m, 72.0% of total costs. These represented an 8.5% increase on the previous year (£139m). This rise is due to the resourcing requirements of the 2017 non-domestic rating revaluation and to support our transformation programme.

Accommodation costs were £15.3m, 7.3% of total costs. These represented a 2.6% reduction on the previous year (£15.7m). This decrease was due to the ongoing estates rationalisation programme.

IT costs were £15.6m, 7.4% of total costs. These represented a 50% increase on the previous year (£10.4m). The majority of this increase related to one-off investments to support transformation.

Depreciation and amortisation charges were £8.9m (2014-15: £8.3m).

As part of the government's transparency agenda the VOA publishes financial data on the GOV.UK and www.data.gov.uk websites.

Controlling cash flow

Cash levels remain positive with £19.5m (2014-15: £17.9m) on hand at year end.

Cash forecasting is working effectively with a target to pay 80% of valid invoices within five days of receipt of the goods in line with guidance issued by the Department of Business, Innovation & Skills. This year 87.9% of invoices were paid within three days.

Investing in our services

£6.1m was invested in our IT capital assets in 2015-16 to provide infrastructure and equipment to support the changes above. An additional £1.4m was invested in accommodation to support reducing the Agency's footprint by 3,500m^2, a 7.5% reduction.

Financial outlook

The Agency has been working with clients to find the best way of meeting the Spending Review 2015 challenges set by the government to reduce our costs over the next four years. During 2016-17 the Agency will be delivering against the requirement to introduce a new system of operating within the non-domestic rating business, 'Check, Challenge, Appeal', and to complete Revaluation 2017, alongside dealing with outstanding appeals on Revaluation 2010 and continuing to undertake the long term transformation of the Agency. Funding for 2016-17 is being reduced by lower amounts in the early part of the Spending Review to take account of these factors. The Agency has still to agree final full year funding with key clients but will be aiming to reduce operating costs in line with Spending Review parameters.

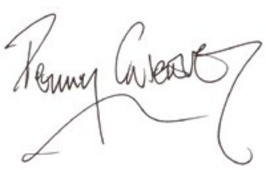
Non-domestic rating (NDR) revaluations are a legal requirement, and 2015-16 was a peak year of activity in this cycle. The cost of this was £27.7m. To ensure that we deliver this work efficiently, the Agency rebalances resources internally between revaluation and business as usual, and recruits where necessary.

Adoption of going concern

VOA accounts are prepared on a going concern basis. There is no reason to believe the Agency will not continue in operational existence for the foreseeable future.

Accounts

The Accounting Officer is not aware of any relevant audit information that the auditor is unaware of, and has taken all steps she ought to have in order to make herself aware of any relevant audit information and ensure that the auditor is aware of it.



Penny Ciniewicz
Chief Executive
5 July 2016

ACCOUNTABILITY

Governance Statement

Foreword

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

Penny Ciniewicz
VOA Chief Executive and Accounting Officer

Governance

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

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

Non-executives

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

Agency Board

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

Board Member
Penny Ciniewicz
Role
Chief Executive (Chair)
Attendance
11/11

Board Member
Alex Jablonowski
Role
Non-Executive Director
Attendance
11/11

Board Member
Janet Grossman
Role
Non-Executive Director
Attendance
11/11

Board Member
Alison Hewett
Role
Non-Executive Director
Attendance
09/11

Board Member
Janet Alexander
Role
Chief People Officer
Attendance
10/11

Board Member
Dyfed Alsop
Role
Chief Strategy Officer
Attendance
10/11

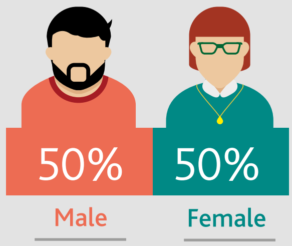
Board Member
Mary Hardman
Role
Director, Non-Domestic Rating
Attendance
09/11

Board Member
Philip Macpherson
Role
Chief Digital Officer and Information Officer
Attendance
11/11

Board Member
Craig Pemberton
Role
Chief Finance Officer
Attendance
11/11

Board Member
Niall Walsh
Role
Chief Operating Officer and Chief Valuer
Attendance
10/11

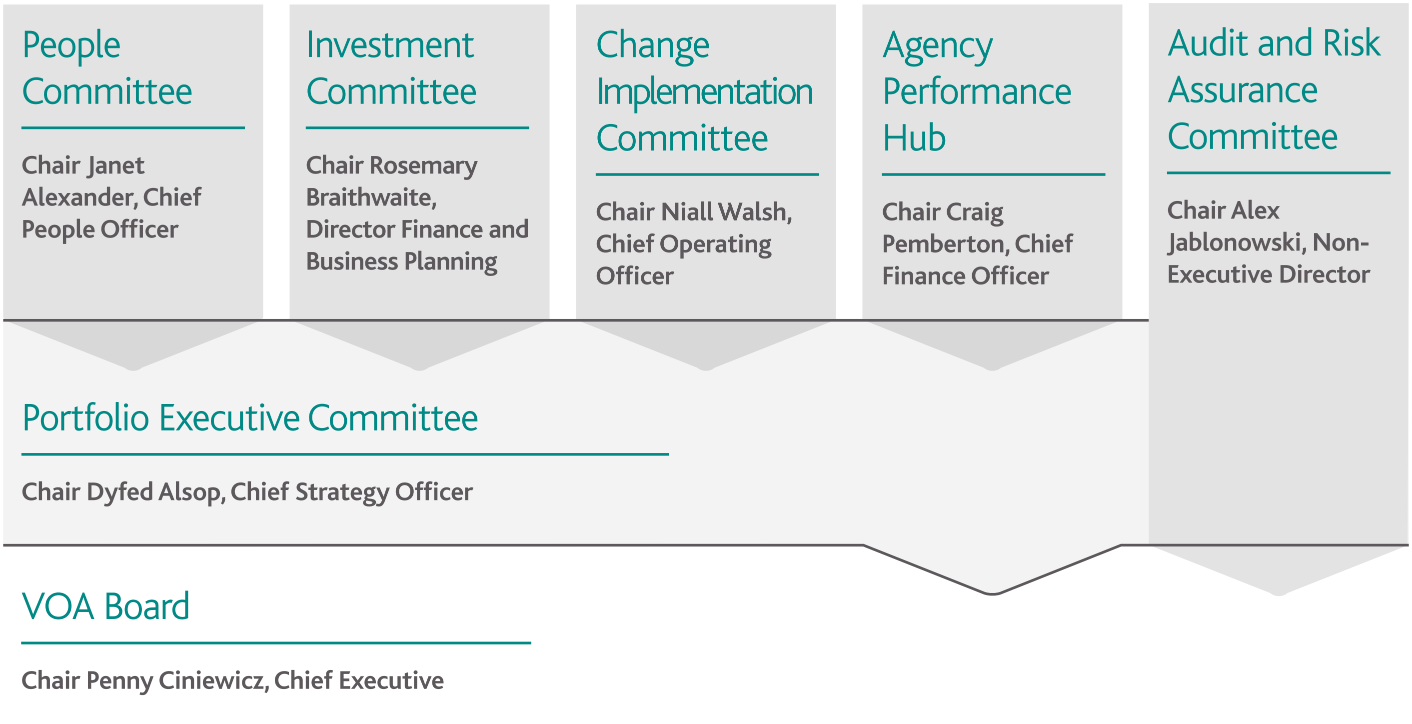
Board composition



The Agency Board scrutinises and advises on the following areas:

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

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



Managing conflicts of interest

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

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

Board focus areas

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

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

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

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

- Agreeing medium term strategy and funding
- Assuring strategic risk management
- Non-domestic rating (NDR) administrative reforms[6].

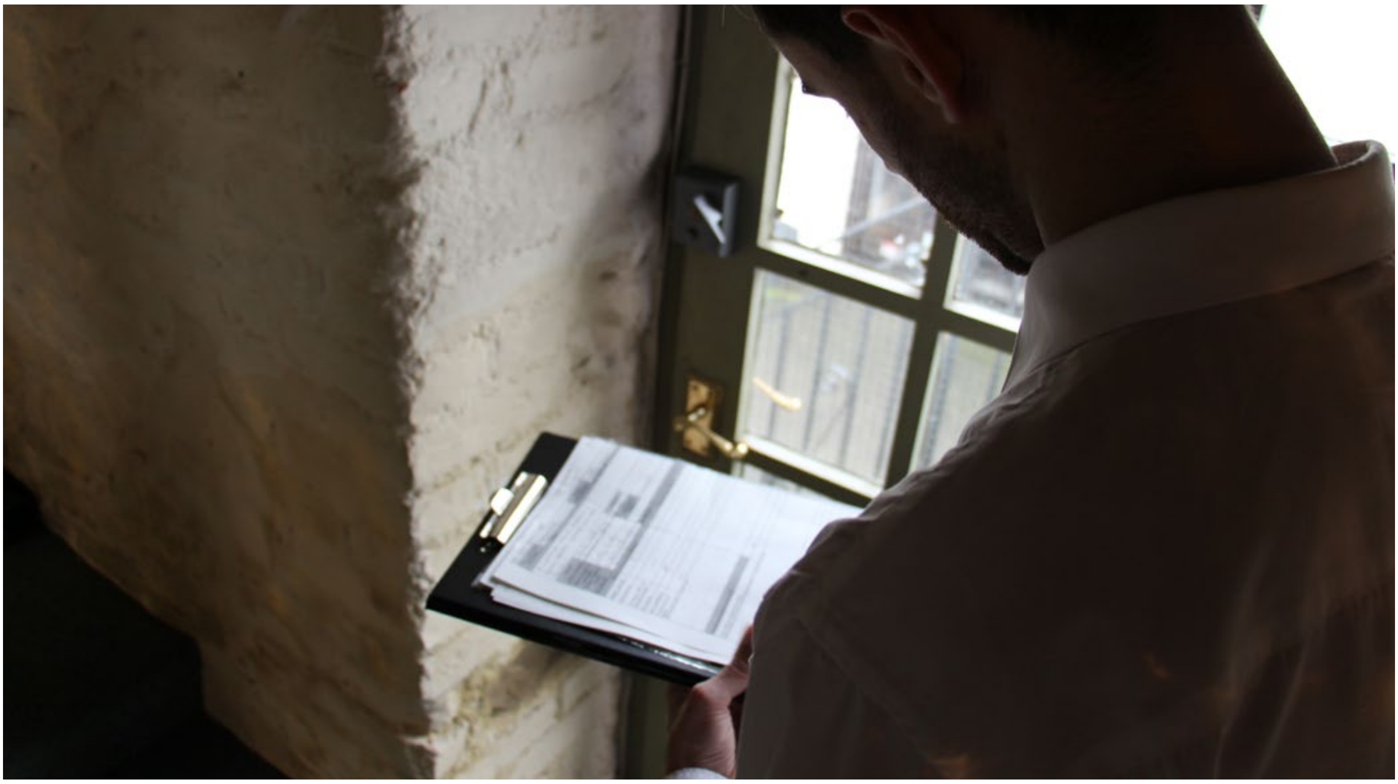
Board visibility

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

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

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

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



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

Board highlights

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

Apr 2015
NDR Appeals[7]
People Strategy
2015-16 Budget

May 2015
Annual Report and Accounts 2014-15
Target Organisational Model
NDR Appeals Reform[8]
Portfolio Management

Jun 2015
Blueprint Strategic Outline Case
Pay Remit 2015-16
HR Shared Services

Jul 2015
Blueprint Strategic Outline Case
NDR Administrative Reforms
Target Organisational Model

Sept 2015
Spending Review
NDR Administrative Reforms
Revaluation 2017
Change Portfolio Model Development

Oct 2015
Estates Transformation
Spending Review

Dec 2015
Change Portfolio
People Survey Results 2015
External Communication Strategy

Jan 2016
HR Shared Services - Complex Casework
Health and Safety
Revaluation 2017
Agency Core Purpose and Strategic Objectives

Feb 2016
NDR Administrative Reforms
Engagement
Agency Performance Framework
Home-based and Flexible Working
Target Organisational Model

Mar 2016
Non-Domestic Rating Maintenance Plan
Check, Challenge, Appeal
Agency Governance Review

Regular Standing Items

Performance Update; Celebrating Success; Conflict of Interests; Meeting Review and Audit and Risk Assurance Committee feedback.

7 Dealing with appeals against rateable values for non-domestic properties.
8 Appeals process and how it operates.

Audit and Risk Assurance Committee (ARAC)

Chair's overview

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

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

Communicating and reporting

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

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

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

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

Other Agency Governance Committee focus has included:

Audit and Risk Assurance Committee
(Chair Alex Jablonowski)

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

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

Number of meetings:

06

People Committee
(Chair Janet Alexander)

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

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

Number of meetings:

10

Portfolio Executive Committee
(Chair Dyfed Alsop)

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

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

Number of meetings:

13

Change Implementation Committee
(Chair Niall Walsh)

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

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

Number of meetings:

11

Investment Committee
(Chair Rosemary Braithwaite)

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

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

Number of meetings:

13

Agency Performance Hub
(Chair Craig Pemberton)

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

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

Number of meetings:

11

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

Board and ARAC effectiveness review

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

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

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

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

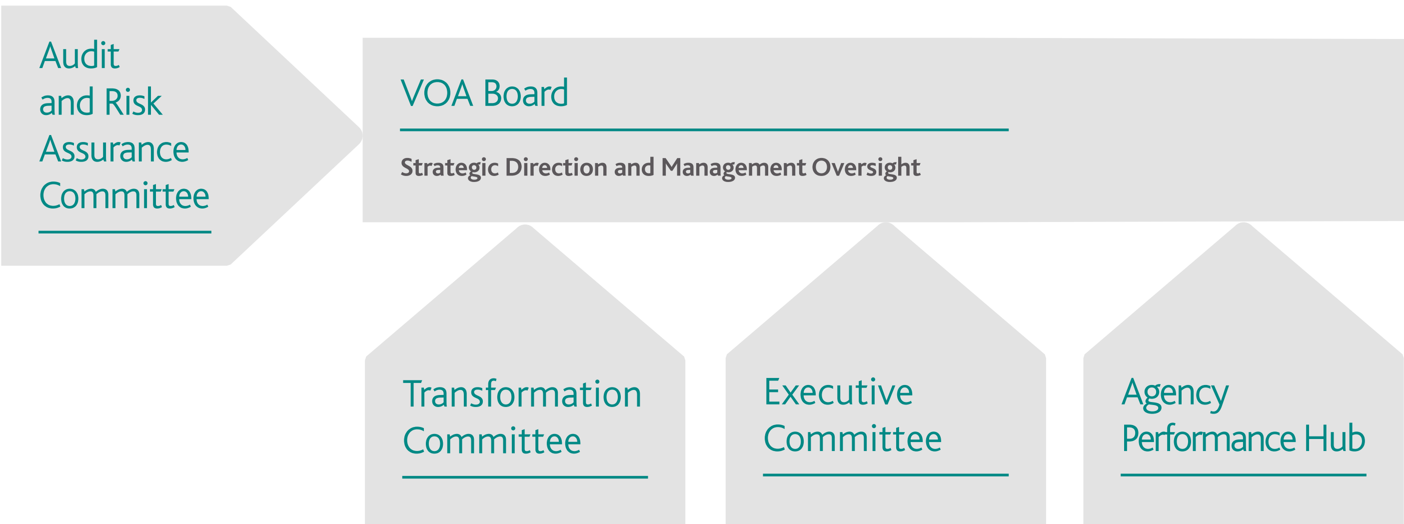
Grant Thornton made a number of recommendations to further improve the effectiveness of the Board, including building upon the strong engagement between non-executive directors and executives through additional opportunities to engage informally outside the Board, capturing the skills of members in a Board skills matrix, and further reducing the length of meetings.

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

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

Board and Committee Governance framework changes

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



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

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

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

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

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

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

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

Risk management

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

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

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

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

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

Risk management developments

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

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

Managing issues

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

Agency's risk landscape

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

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

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

Risks which emerged during the year include:

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

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

Risks which the Agency continues to manage include:

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

Internal Controls and Stewardship

Internal control issues

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

Compliance

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

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

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

Whistleblowing

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

The Agency has:

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

Operating in a secure manner

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

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

Performance data and hubs

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

Managing debt, fraud and error

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

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

Internal Audit

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

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

Assurance from Internal Audit

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

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

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

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

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

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

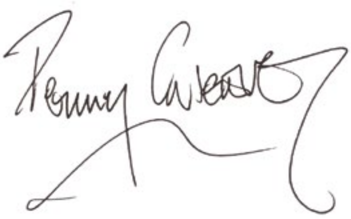
- 4 resulted in a '**substantial**' opinion - the framework is adequate and effective.
- 13 resulted in a '**moderate**' opinion' – corrective action is required to reduce risk.

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

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

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

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



Penny Ciniewicz
Chief Executive
5 July 2016

How We Share Data

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

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

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

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

Examples of initiatives include:

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

Directors' Report

The VOA Board (as at 31 March 2016)

Penny Ciniewicz

Chief Executive

Janet Alexander

Chief People Officer

Dyfed Alsop

Chief Strategy Officer

Mary Hardman

Director, Non-Domestic Rating

Philip Macpherson

Chief Digital and Information Officer

Craig Pemberton

Chief Finance Officer

Niall Walsh

Chief Operating Officer and Chief Valuer

Non-Executive Directors

Janet Grossman
Alison Hewett
Alex Jablonowski

Pensions

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

Register of interests

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

Personal data related incidents

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

Other protected personal data related incidents in 2015-16

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

Fees and charges

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

Remote contingent liabilities

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

Losses and Special Payments

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

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

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

Long term expenditure trends

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

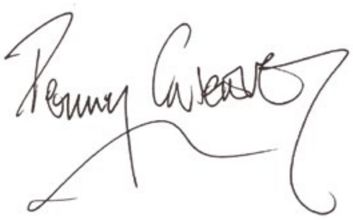
		2011-12	2012-13	2013-14	2014-15	2015-16
		£'000	£'000	£'000	£'000	£'000
Non-Domestic Rating and Council Tax	Expenditure	160,524	150,636	152,257	150,435	169,273
	Income	161,801	150,475	153,094	150,896	169,427
Statutory Valuations Team	Expenditure	12,144	10,866	11,902	10,742	11,168
	Income	11,933	11,586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

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

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

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

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



Penny Ciniewicz
Chief Executive
5 July 2016

Statement of Accounting Officer's Responsibilities

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

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

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

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

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

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

Penny Ciniewicz
Chief Executive
5 July 2016

Remuneration and Staff Report

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

Directors' remuneration

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

Contracts, notice periods and termination periods

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

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

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

Salary and pension entitlements

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

Salaries

These include:

- gross salary;
- overtime[9];
- reserved rights to London weighting or London allowances[10];

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

- recruitment and retention allowance[11]; and
- Private Office allowances and any other allowance to the extent that it is subject to UK taxation[12].

Directors' bonus payments

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

Benefits in kind

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

Compensation / third party payments

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

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

Civil Service pensions

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

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

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

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

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

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

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

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

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV):

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

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

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

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

Travel and subsistence reimbursements

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

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

Pay multiples

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

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

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

This was 5.03 times (2014-15: 4.91[13]) the average remuneration of the workforce, which was £27,258 (2014-15: £26,978).

Total remuneration includes:

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

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

In 2015-16 (also in 2014-15) no employee received remuneration in excess of the highest-paid director. Remuneration for all employees excluding pension benefits ranged from £15,200 to £135,000-£140,000 (2014-15: £15,050 to £130,000-£135,000[14]).

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

14 As above.

The information in this table is subject to audit.

Board Members' Remuneration Information

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

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

The information in this table is subject to audit.

Board Members' Pensions

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

[1] Fee paid consultant – not in Civil Service pension scheme
* Penny Ciniewicz's increase in 2015-16 real CETV was largely due to the increase in salary after she was appointed to the CEO role at Director General level, following an external competition to fill this post.
** These Board members transferred to the alpha pension scheme during the year 2015-16 and the amounts above reflect both the Principal Civil Service Pension Scheme (PCSPS) and alpha pension scheme benefits as at 31 March 2016.

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

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

Staff numbers and related costs

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

(a) Staff numbers and costs

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

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

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

Staff costs comprise:

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

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

Pension past service cost

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

Civil Service pensions

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

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

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions of £109,901 (2014-15: £78,834) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable earnings up to 30 September 2015 and from 8% to 14.75% of pensionable earnings from 1 October 2015. The Agency also matches employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £4,969, 0.8% (2014-15: £6,034, 0.8%) of pensionable pay up to 30 September 2015 and 0.5% of pensionable pay from 1 October 2015, were payable to the PCSPS and alpha to cover the cost of the future provision of lump sum benefits on death in service and ill-health retirement of these employees.

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

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

(b) Early departure costs

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

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

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

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

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

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

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

Reporting on the tax arrangements of public sector appointees

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

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

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

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

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

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

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

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

People

We have a workforce of approximately

3,900

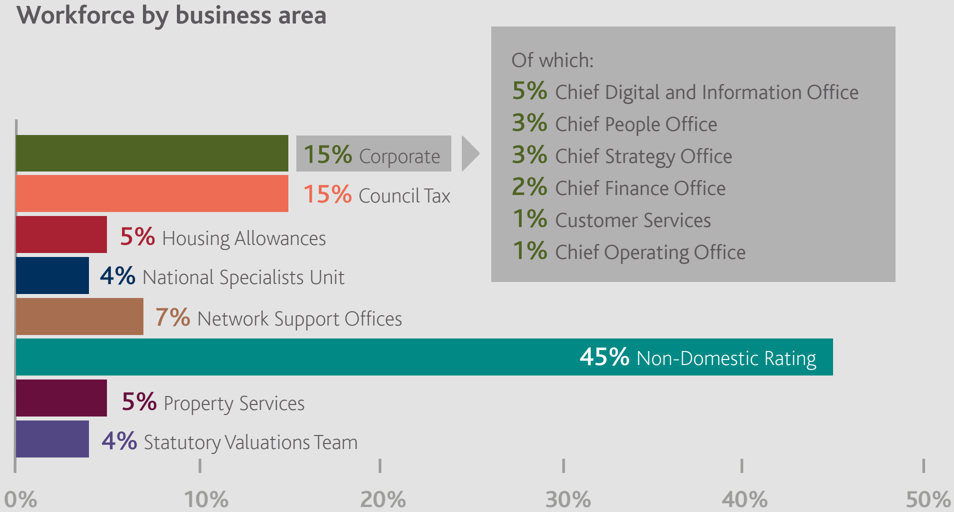
people (or around 3,600 full-time equivalents)

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

3,600

full time equivalents (approximately)

Workforce by business area



Our Target Organisational Model

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

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

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

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

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

Future locations and our people

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

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

Recruitment and exits

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

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

Apprenticeships

To help address the challenges of making sure we have skilled people in the Agency and to develop our internal pipeline of talent, we have continued to invest in a number of apprenticeship programmes. During the year we offered over 30 apprenticeships to our 'Trailblazer' surveying apprenticeship schemes and we aim to offer 90 places, across a number of schemes, over each of the next four years.

We also:

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

Secondments

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

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

Senior Civil Service (SCS)

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

SCS recruitment

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

Diversity and Inclusion

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

Number of male and female employees

SCS

Male	Female
11	8

19 Total 31 March 2016

All other employees

Male	Female
1,895	1,674

3,569 Total 31 March 2016

Totals

Male	Female
1,906	1,682

3,588 Total 31 March 2016

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

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

SCS employees by pay band

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

Health and safety

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

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

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

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

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

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

95 health and safety reports received in 2015-16

a reduction compared to 121 recorded in 2014-15.

Penny Ciniewicz
Chief Executive
5 July 2016

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

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

Respective responsibilities of the Chief Executive and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

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

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

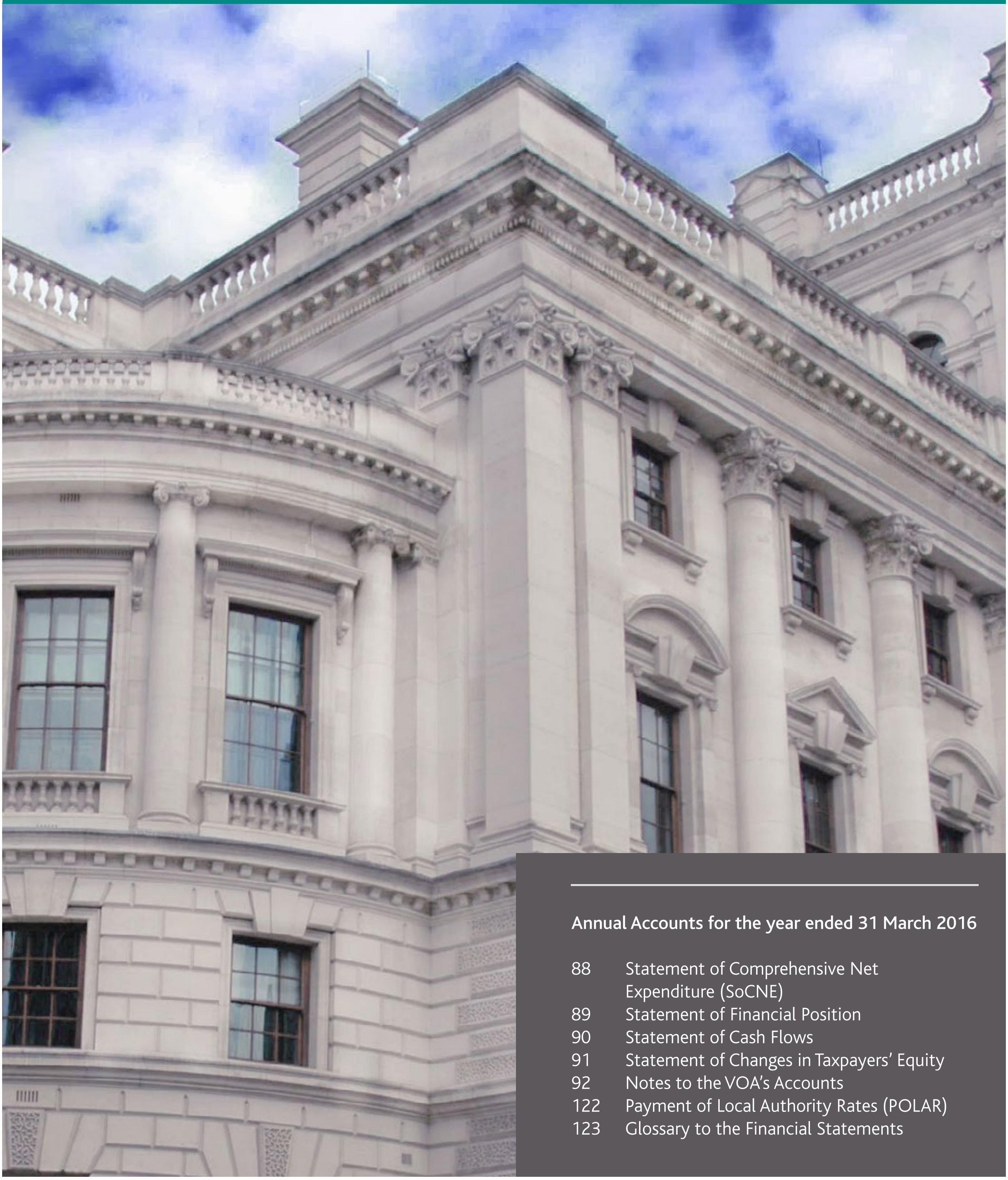
Report

I have no observations to make on these financial statements.

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

7 July 2016

FINANCIAL STATEMENTS



Annual Accounts for the year ended 31 March 2016

Statement of Comprehensive Net Expenditure for the year ended 31 March 2016

		2015-16	2014-15
		Total	Total
	Note	£'000	£'000
Income	5	207,873	193,155
Staff costs	3	(150,830)	(138,968)
Accommodation costs	4	(15,300)	(15,658)
Running costs	4	(32,810)	(27,098)
Non-cash costs	4	(1,519)	(1,746)
Depreciation and amortisation	4	(8,932)	(8,295)
Gross operating cost		(209,391)	(191,765)
Net Operating Surplus/(Deficit)		**(1,518)**	**1,390**
Other Comprehensive Expenditure:			
Net gain on revaluation of tangible assets		-	389
Net gain on revaluation of intangible assets		344	408
Actuarial gain/(loss) on pension fund	16	2,048	(17,336)
Total Comprehensive Net Income/ (Expenditure)		**874**	**(15,149)**

In 2015-16, the VOA made an operating deficit of £1.518m. This was due to HM Treasury rules which state that the non-cash transactions relating to the Local Government Pension Scheme, required by accounting standards to be charged to operating costs cannot be offset by income, as the Agency had in prior years.

Although no corresponding income is shown in the Statement of Comprehensive Net Expenditure, these costs are fully funded by the Agency's sponsor department HMRC. They have no impact on the cash flow of the Agency. A breakdown of these costs is in Note 16.

Before these costs are accounted for, the Agency made a surplus of £0.425m.

The notes on pages 92 to 121 form part of these accounts.

Statement of Financial Position as at 31 March 2016

	Note	31 March 2016 £'000	31 March 2015 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	10,861	9,898
Intangible assets	7	15,582	18,160
Total non-current assets		**26,443**	**28,058**
Current assets			
Trade and other receivables	9	10,579	7,380
Work in progress	10	1,953	2,341
Cash and cash equivalents	11	19,485	17,949
Total current assets		**32,017**	**27,670**
Total assets		**58,460**	**55,728**
LIABILITIES			
Current liabilities			
Trade and other payables	12	(12,993)	(11,086)
Employee leave accrual	12	(9,048)	(9,059)
Short term provisions	14	(1,505)	(1,141)
Amounts payable to the Consolidated Fund	15	(286)	(264)
Total current liabilities		**(23,832)**	**(21,550)**
Total assets less current liabilities		**34,628**	**34,178**
Non-current liabilities			
Long term provisions	14	(220)	(635)
Pension liability	16	(7,834)	(8,679)
Liability in respect of PFI assets	12	(125)	(143)
Total non-current liabilities		**(8,179)**	**(9,457)**
Total assets less total liabilities		**26,449**	**24,721**
TAXPAYERS' EQUITY			
General Fund		25,442	23,336
Revaluation Reserve		1,007	1,385
Total Taxpayers' equity		**26,449**	**24,721**

The notes on pages 92 to 121 form part of these accounts.

Penny Ciniewicz

Penny Ciniewicz
Accounting Officer
5 July 2016

Statement of Cash Flows for the year ended 31 March 2016

	Note	2015-16 £'000	2014-15 £'000
Cash flows from operating activities			
Net operating surplus/(deficit)		**(1,518)**	**1,390**
Adjustments for:			
Depreciation of property, plant and equipment	6	3,084	3,063
Amortisation of intangible assets	7	5,848	5,232
Net loss on disposal of non-current assets	4	542	752
Net loss on impairment of non-current assets	8	58	541
Creation and reversal of provisions	14	954	942
Use of provisions	14	(1,010)	(1,091)
Unwinding of the discount on provisions	14	6	13
Change in the discount rate on provisions	14	(1)	8
Notional auditor's remuneration	4	72	73
Pension fund expenditure passing through the SoCNE	16	1,943	2,987
Movements on pension liability and pension fund income and expenditure not passing through the SoCNE	16	(740)	-
Pension fund contribution not passing through the SoCNE		782	-
Cash contributions to pension fund not charged to operating costs	16	-	(1,375)
(Increase) in trade and other receivables	9	(3,199)	(790)
Increase/(Decrease) in work in progress	10	388	(94)
(Increase)/Decrease in trade and other payables and other liabilities	12	1,901	(1,573)
Less movements in payables relating to items not passing through operating costs		(9)	5
Net cash inflow from operating activities		**9,101**	**10,083**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(2,867)	(3,986)
Purchase of intangible assets	7	(4,706)	(3,887)
Net cash outflow from investing activities		**(7,573)**	**(7,873)**
Cash flows from financing activities			
Receipts on behalf of the Consolidated Fund	15	22	7
Capital element of payments in respect of on-balance sheet PFI assets		(14)	(12)
Net cash (outflow)/inflow from financing activities		**8**	**(5)**
Net increase in cash and cash equivalents in the period		**1,536**	**2,205**
Cash and cash equivalents at the beginning of the period	11	**17,949**	**15,744**
Cash and cash equivalents at the end of the period	11	**19,485**	**17,949**

The notes on pages 92 to 121 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2016

		2015-16			2014-15		
		General Fund	Revaluation Reserve	Total Reserves	General Fund	Revaluation Reserve	Total Reserves
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance		**23,336**	**1,385**	**24,721**	**(9,419)**	**1,216**	**(8,203)**
Changes in Taxpayers' Equity for the period							
Comprehensive Net Expenditure							
Net gain on revaluation of property, plant and equipment		-	-	-	-	389	389
Net gain on revaluation of intangible assets		-	344	344	-	408	408
Operating surplus/(deficit) for the year		(1,518)	-	(1,518)	1,390	-	1,390
Actuarial gain/(loss) on pension fund	16	2,048	-	2,048	(17,336)	-	(17,336)
Total Other Comprehensive Net Expenditure		530	344	874	(15,946)	797	(15,149)
Transfers and other reserve movements							
Third party pension liability payments	16	782	-	782	48,000	-	48,000
Realised and transferred to General Fund		722	(722)	-	628	(628)	-
Notional charges - auditor's remuneration	4	72	-	72	73	-	73
Total recognised income and expense for the year		**2,106**	**(378)**	**1,728**	**32,755**	**169**	**32,924**
Balance carried forward		**25,442**	**1,007**	**26,449**	**23,336**	**1,385**	**24,721**

The notes on pages 92 to 121 form part of these accounts.

Notes to the VOA's Accounts

1. Statement of accounting policies

As the VOA is a government entity, the financial statements have been prepared in accordance with the 2015-16 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS), as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the Agency has selected the accounting policy which is most appropriate to provide a true and fair view. The Agency's accounting policies are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting convention

The Agency's accounts have been prepared using the historical cost convention, modified to account for the revaluation of property, plant and equipment, and intangible assets (see Notes 1.2 and 1.3).

The accounts have been prepared on a going concern basis.

1.2 Property, plant and equipment

On initial recognition, the Agency recognises property, plant and equipment assets at cost, including all costs directly attributable to bringing them into working condition. Assets under construction costs are accumulated until the asset is completed and ready to be brought into service when the asset is transferred to the relevant asset class and depreciation commences. Non-property assets are valued on a depreciated historical cost basis as a proxy for value in existing use as they are non-specialised, low value, and of short lives.

The Agency carries the costs of the refurbishment of office accommodation on the Statement of Financial Position as non-current assets where the work results in additional and/or extended service potential to the VOA.

Land and buildings are valued professionally 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 current value in existing use.

Apart from property and IT developed software, the Agency consider all other assets' fair values to be comparable to their carrying values in the accounts.

Increases in asset values are recognised in the Revaluation Reserve within Taxpayers' Equity. Any subsequent revaluations of the asset are matched off against the amount of the revaluation reserve relating to the asset. However if the devaluation exceeds the amount in the Revaluation Reserve relating to this asset, an impairment results; see Note 1.4.

When the Agency disposes of revalued property, plant and equipment, any remaining amount attributable to the asset held in the Revaluation Reserve is transferred to the General Fund.

Depreciation

Property, plant and equipment is depreciated over its estimated useful life in order to write it down to its estimated residual value. A straight line method of depreciation is used. The useful lives of property, plant and equipment are detailed in the accompanying table.

The assets' residual values, useful lives and method of depreciation are reviewed at each financial reporting year end, and adjusted if appropriate.

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 and Fittings	£1,500	Up to 10 years
Telecommunications equipment	£1,500	5 years

Where appropriate, individual assets falling below the minimum value for capitalisation are grouped and thus capitalised. Individual assets above the recognition threshold are also grouped, usually at the time of purchase, and within asset classes where the estimated useful lives are the same. Intangible assets are also grouped on a similar basis (see 1.3 below).

The Shrewsbury office is recorded as a non-fully depreciated asset, being accounted for as a service concession under IFRIC 12 and is held under a PFI contract (see Note 1.10 below). This building is depreciated over the shorter of its estimated useful economic life or the remaining lease term. The lease term and estimated useful life of the Shrewsbury office is set out in the table below. The estimated useful life was revised at its last revaluation to 12 years.

Office	Lease Term at inception (remaining at 31 March 2015)	Estimated useful life at 31 March 2015
Shrewsbury	20 years (6 years)	12 years

1.3 Intangible assets

Intangible assets consist of developed software and software assets under construction. Intangible assets under construction are only recognised if:

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

On initial recognition, the Agency values intangible assets at the directly attributable costs incurred to bring them into use. In subsequent periods, the Agency accounts for developed software on a fair value basis using modified historical cost. This involves applying a revaluation index, using appropriate indices from the Office for National Statistics (please see Note 1.15). Indices are applied annually on 31 March if there is any material change in the carrying values of the assets. The treatment of changes in valuation is the same as that used for property, plant and equipment (see Note 1.2 above).

Amortisation

Intangible assets are amortised over their estimated useful lives in order to write them down to their estimated residual value. A straight line method of depreciation is used. The useful lives of intangible assets are detailed in the table below.

Asset class	Recognition Threshold	Estimated useful life
Developed Software - new projects	£15,000	Up to 5 years
Developed Software - existing projects	£15,000	Up to 10 years
Developed Software - enhancements	nil	As per the enhanced asset
Software Licences	£1,500	Up to 5 years

Intangible assets' residual values, useful lives and methods of amortisation are reviewed at each financial reporting year end, and adjusted if appropriate.

1.4 Impairment of non-financial assets

Events and changes of circumstances are considered annually, and there is a review of property, plant and equipment and intangible assets for potential impairment losses whenever there is an indication that the carrying amount may not be recoverable. The Agency reviews assets that are not yet ready for use annually. 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 or 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.

Where an impairment results from a loss in economic value or service potential, the loss is recognised as an operating cost in the Statement of Comprehensive Net Expenditure. Any Revaluation Reserve balance associated with the impaired assets is then released to the General Fund. Impairment losses that do not result from such consumption of economic benefits are first applied against any existing amounts in the Revaluation Reserve before any remaining loss is recognised as an operating cost.

1.5 Financial assets

A financial asset is recognised when the Agency gains a contractual right to the asset. The exception is where the financial asset is consideration from customers for services provided. In these cases the Agency recognises the financial asset when our revenue recognition criteria are met (set out in Note 1.12). A financial asset is removed from the Statement of Financial Position when there is no longer a contractual right to the asset, or when the asset is transferred to another party.

Financial assets are measured at fair value and consist of trade and other receivables, work in progress, and cash and equivalents.

Allowance for doubtful debts is regularly reviewed. Invoices which are more than six months overdue are provided for unless they are covered by credit balances. Allowance for work in progress is also reviewed. Cases which are older than six months, or where a future loss is forecast, are provided for.

The Agency assesses, at each reporting 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 reporting 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 amount of impairment loss is measured as the difference between the asset's carrying amount and the revised recoverable amount. The amount of the loss is recognised in the Statement of Comprehensive Net Expenditure in the period of impairment.

1.6 Work in progress

Work in progress is classed as a financial asset. It is valued at amortised cost. It represents income recognised due to progress on work that is not yet complete (see Note 1.12). The cost is calculated using records of time spent on the work and our hourly charge rate which reflects the estimated full cost of the service, as required by 'Managing Public Money'. Work in progress is measured net of provisions for foreseeable losses on current contracts and for irrecoverable amounts (see Note 10).

1.7 Cash and cash equivalents

Cash and cash equivalents represent cash balances held in the Government Banking Service.

1.8 Liabilities

A financial liability is recognised 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 business. In these cases the financial liability is recognised when, and to the extent that, the goods or services are provided. A financial liability is removed from the Statement of Financial Position when it is extinguished, i.e. when the obligation in the contract is paid, is cancelled or expires.

Financial liabilities consist of trade payables and accruals. On recognition they are measured at fair value.

Other liabilities consist of PFI-related liabilities, provisions and statutory liabilities, as well as any trade payables, accruals or deferred income that are not financial liabilities. On initial recognition they are measured at fair value. Subsequently, accruals and trade payables are measured at amortised cost and deferred income is measured at cost. The treatment of PFI-related liabilities is described in Note 1.10.

Statutory liabilities consist of the Agency's obligations to make payments into the Consolidated Fund and to pay over National Insurance and tax relating to the Agency's employees. They are short term in nature and are held at fair value until paid. If material, liabilities that fall due after one year of the reporting date are discounted to take account of the time value of money.

Provisions for liabilities and charges are made where, at the reporting 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, the Agency discloses them as contingent liabilities in Note 20.

1.9 Employee benefits

Pensions

The Agency operates two different pension arrangements.

a) Civil Service pension schemes

Principal Civil Service Pension Scheme (PCSPS)
The majority of past and a large number of present permanent staff members are part of the PCSPS.

The Civil Servants and Others Pension Scheme (alpha)

From 1 April 2015, a new pension scheme for civil servants was introduced - alpha. From that date, all newly-appointed civil servants and the majority of those already in service joined **alpha**. This scheme provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher).

The PCSPS and alpha schemes are accounted for as a defined contribution scheme despite being defined benefit schemes. Owing to the largely unfunded, multi-employer nature of the schemes, it is not possible to identify the assets and liabilities associated with any one employer. Actual contributions to the scheme are used as the basis for the charge to the Statement of Comprehensive Net Expenditure. The Agency does not recognise any PCSPS or alpha assets or liabilities.

Pension scheme members who first joined the Civil Service pension's arrangements by 30 July 2007 have their benefits calculated as a fraction of their final salary. Members first joining the arrangements after this date are entitled to benefits based on career average salary.

b) Local Government Pension Scheme (LGPS)

The Agency merged with The Rent Service in April 2009, taking on staff who are members of the LGPS. This is a funded defined benefit scheme. Entitlement to benefits is based on a scheme member's final salary.

The Statement of Financial Position includes an LGPS liability, which 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 Agency charges service costs and net interest cost (comprising interest income on the assets and interest expense on the liabilities), both of which are calculated with reference to the discount rate, and administration expenses as operating costs in the Statement of Comprehensive Net Expenditure in the period in which they occur.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in reserves in the period in which they arise.

Annual leave

Employee entitlements to untaken annual leave are recognised when they accrue. The estimated liability for leave earned but not taken by employees at 31 March each year is accrued.

Early departure costs

Costs of early departures are recognised when the Agency is committed to the departure. They are disclosed in the Remuneration and Staff Report. The increased pension liabilities in respect of LGPS members due to early departures are recognised within the pension liability (Note 16). Liabilities in respect of other departures are recognised in the provision for early departure and additional pension commitments.

1.10 Private Finance Initiative (PFI) transactions

HM Treasury has determined that government bodies shall account for infrastructure PFI schemes 'on-balance sheet' where:

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

'On-balance sheet' means that an asset and corresponding liability appear in our Statement of Financial Position. This year the Agency had one 'on-balance sheet' PFI asset (Shrewsbury office) that meets this criteria. The in-year services received under the contract are recorded as operating expenses. Off-balance sheet PFI-procured assets continue to be treated as operating leases, and assets and liabilities are not recognised in respect of them. The land elements of all leases are treated as operating leases.

For on-balance sheet PFI schemes, the Agency separates the annual payments into the following component parts, using appropriate estimation techniques where necessary:

- repayment of the principal element of the imputed financing arrangement;

- interest charged on the imputed principal outstanding; and
- the remaining expenditure for services associated with the buildings.

The first element is treated as repayment of financing and used to write down the PFI liability in the Statement of Financial Position. The final two elements are charged to the Statement of Comprehensive Net Expenditure.

Details of the Agency's PFI arrangements can be found in Note 19.

1.11 Leases

The Agency's non-PFI leases are all operating leases (i.e. the risks and rewards of ownership remain with the lessor). Rentals paid by the Agency under operating lease agreements are charged to the Statement of Comprehensive Net Expenditure over the period of the lease term, in order to reflect the consumption of economic benefit. Future obligations for the lease rentals for the period ended 31 March 2016 are disclosed in Note 18.

1.12 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 Agency recognises revenue when:

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

Charges for statutory and non-statutory work are set in order to recover the full cost of services from clients. Revenue is recognised as the costs of providing services are incurred.

For most statutory work, the service level agreements with the Agency's customers are for year-long periods matching the Agency's reporting years. Revenue is recognised for an agreement in the year to which the agreement pertains.

For non-statutory services and a small amount of statutory work, the Agency records the time worked on each customer contract and recognises as revenue an amount equal to the estimated fully-absorbed cost of each hour of work as the hour is recorded. Where there is indication that costs incurred on a contract will not be recoverable, for example if costs exceed the value of a fixed price contract, further revenue is not recognised. Revenue is measured net of an estimate of foreseeable losses on current contracts and of an estimate of amounts that we are unlikely to recover from clients.

1.13 Value Added Tax

Apart from some Property Services income, most of the Agency's activities 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. In addition, a portion of the VAT on the Agency's inputs is recovered, calculated to reflect the portion of output services which are within the scope of VAT. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets.

1.14 Civil penalties

Civil penalties are levied for the failure to submit Forms of Return deemed essential for the assessment of rateable values. The receipt of these penalties is not accounted for in the Statement of Comprehensive Net Expenditure, as the Agency has no claim on them and must surrender them to the Consolidated Fund. Therefore they are recognised as a liability on the Statement of Financial Position and shown as receipts and payments in the Cash Flow Statement.

1.15 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires the use of estimates and assumptions. Although the Agency bases judgements and estimates on the best knowledge of current events and actions, actual results may differ from assumptions. The most significant estimates and areas of management judgement made in the accounts relate to:

- **Provisions for legal claims and early departures (Note 14)**

Concerning legal claims, judgement is required to estimate the likelihood of a case being found against the Agency and to estimate the most likely amount that the Agency would be required to pay. Both estimates are made based on past experience and the advice of the Agency's legal advisors.

Regarding early departures, there is not normally any doubt that the liability exists, but it is necessary to estimate the future cash flows based on quotes from the Agency's pensions administrator. Cash flows are also subject to a discount factor. The Treasury pension discount rate is applied, currently 1.37%. In certain cases there may be doubt as to whether past events create an obligation on us to pay early departure costs. The Agency considers the status of its plans, announcements to staff and other factors, and judgement is used to determine whether the Agency has an obligation.

- **Estimation of recoverability and foreseeable losses on work in progress (Note 10)**

The amount of work in progress that will not be recovered is estimated by referring to historical trends. These trends indicate that balances relating to cases that have not been worked on for more than six months are unlikely to be billed and recovered.

Similarly, an estimate is made for foreseeable losses on fixed term contracts by considering past performance on such contracts.

- **Treatment of the STEPS and Capgemini & Fujitsu (formerly ASPIRE) contracts (Note 19)**

These contracts are complex and it has been necessary to use judgement in determining the economic substance of the arrangements.

A number of judgements have been made regarding the treatment of the STEPS contract. The extent of the Agency's residual interest in the properties beyond the end of the contract is a matter of judgement, as the contract gives the Agency some rights. The Agency has judged that for all but one property these rights do not currently grant significant control. In addition, the classification of properties between on and off-balance sheet requires judgements to be made about the useful lives of the buildings and the extent of the other rights that the leases grant the Agency.

The principal judgements of the Capgemini & Fujitsu contracts are that the contracts do not give the Agency the use of particular assets and they do not give any continuing right to use any assets throughout and beyond the contract periods. The contracts are therefore not accounted for on-balance sheet.

- **Measurement of the LGPS pension liability (Note 16)**

The present value of the Agency's net pension obligation under the LGPS depends on a number of factors, which are actuarially determined on the basis of a set of assumptions. Key assumptions include the discount rate to be applied, inflation forecasts, long term changes in member salaries, future return on assets and member mortality.

Assumptions are determined annually with the advice of the scheme actuary. Financial assumptions are made on the basis of market conditions at the reporting date. The post-retirement mortality assumptions have been based on Club Vita analysis.

The net liability is particularly sensitive to variations in the discount rate and in mortality. An increase in the discount rate assumption by 0.1% would reduce the net liability by £2.5m. A one year increase in the mortality age would increase the net liability by £5.0m.

- **Revaluation of assets using indices (Note 7)**

Indexation is applied to developed software on a basis consistent with the approach followed by HMRC. Software has been indexed using the K5EX (Employment & Earnings – Average Weekly Earnings – Information & Communication) which is published on the Office for National Statistics website at: http://www.statistics.gov.uk/statbase/tsdtimezone.asp. The average of the monthly index across 2015-16 has been used.

- **Measurement of the employee leave accrual (Note 12)**

The Agency uses an employee-by-employee breakdown of the actual leave balance and salary to calculate its liability for employee leave. The principal uncertainty is in respect of when the untaken leave balance will be used. In the absence of information on the timing of staff members' future use of their leave, the Agency neither discounts the liability nor includes any forecast of future salary increases.

2. Operating segments for the year ended 31 March 2016

The Agency discloses performance results for the areas of its activities where fees and charges are made in line with the Government Financial Reporting Manual requirements. In accordance with IFRS 8, the Agency has identified four key factors to distinguish our reportable operating segments. These are that:

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

The chief operating decision maker is the Agency's Board. The segmental information below is based on the information presented to the Board. The Board reviews financial information based on four reportable segments:

Non-Domestic Rating and Council Tax
Compilation and maintenance of the non-domestic rating and council tax lists that support the collection of council tax and non-domestic rates.

The major client for this service is the Department for Communities and Local Government (DCLG), which contributes £159.7m (2014-15: £142m), or 94%, of the segment's income. DCLG is also a major customer of other segments, as described below, contributing overall £164.4m (2014-15: £146m), or 79%, of our total income.

Statutory Valuations Team
Delivery of valuation advice for national taxes, principally Inheritance Tax and Capital Gains Tax to HMRC; for the operation of Right To Buy and Community Infrastructure Levy provisions for DCLG £2.2m (2014-15: £1.5m) and for the assessment of entitlements to benefits from the Department for Work & Pensions (DWP).

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

Local Housing Allowances and Fair Rents
Rent assessment services are used for assessing Housing Benefit claims and for determining Fair Rents in accordance with the Rent Act 1977. The segment's principal client is the DWP, but additional work is carried out for DCLG, contributing £2.4m (2014-15: £2.4m).

Corporate Services costs are distributed across all four operating segments.

	Non-Domestic Rating and Council Tax	Statutory Valuations Team	Property Services	Local Housing Allowances and Fair Rents	Total
2015-16	£'000	£'000	£'000	£'000	£'000
Income from fees and charges	169,427	11,795	15,121	11,530	**207,873**
Full cost of providing services	169,273	11,168	15,323	11,684	**207,448**
Surplus	154	627	(202)	(154)	**425**

The operating surplus of £0.425m excludes non-cash LGPS pension costs of £1.943m. These costs are fully financed by HMRC rather than being recovered from the Agency's clients, in accordance with HM Treasury requirements. In 2014-15 these costs were offset by income but in 2015-16 no related income is recognised in the financial statements.

	Non-Domestic Rating and Council Tax	Statutory Valuations Team	Property Services	Local Housing Allowances and Fair Rents	Total
2014-15	£'000	£'000	£'000	£'000	£'000
Income from fees and charges	150,896	11,220	15,999	15,040	**193,155**
Full cost of providing services	150,435	10,742	15,657	14,931	**191,765**
Surplus	461	478	342	109	**1,390**

3. Staff Costs

Total staff costs of £150.83m consist of the following:

(a) Staff Costs

Staff costs comprise :

	2015-16			2014-15		
	Permanently employed staff	Others	Total	Permanently employed staff	Others	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	109,393	6,997	116,390	104,548	3484	108,032
Social security costs	8,333	124	8,457	8,094	56	8,150
Other pension costs	23,140	555	23,695	22,194	177	22,371
	140,866	7,676	**148,542**	134,836	3,717	**138,553**
Less recoveries in respect of outward secondments	(112)	-	(112)	(127)	-	(127)
Total staff costs	140,754	7,676	**148,430**	134,709	3,717	**138,426**

(b) Early departure costs

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

A further breakdown of these costs, as well as details on pensions and exit packages, can be found in the Remuneration and Staff Report.

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

4. Non-staff costs for the year ended 31 March 2016

	Note	2015-16 £'000	2014-15 £'000
Accommodation costs			
PFI finance charges	19	37	40
Movement on restructuring provision		(12)	138
Accommodation excluding non-domestic rates		12,398	12,637
Accommodation - non-domestic rates		2,877	2,843
		15,300	15,658
Running costs			
HM Revenue & Customs service charges		1,984	3,470
IT service charges	19	13,271	8,272
Other computing costs		2,362	2,088
Management and IT consultancy		-	16
Telephone charges		2,777	1,448
Travel and subsistence		5,516	4,890
External training		1,310	760
Printing, stationery and distribution		442	531
Subscriptions		527	877
Postage and couriers		1,900	1,351
Rentals under operating leases		105	113
Legal claims and services (excluding movement in provisions)		(175)	868
Contracted-out services		659	974
Losses and special payments		70	63
Sundry costs		2,062	1,377
		32,810	27,098
Non-cash costs			
Legal claims and compensation (movement in provisions)		88	332
Auditors' notional remuneration		72	73
Net loss on disposal of non-current assets		542	752
Increase in provision for doubtful debt		759	48
Impairment of non-current assets	8	58	541
		1,519	1,746
Other operating costs		**49,629**	**44,502**
Depreciation and amortisation			
Depreciation of property, plant and equipment	6	3,084	3,063
Amortisation of intangible assets	7	5,848	5,232
		8,932	**8,295**
Total non-staff programme costs		**58,561**	**52,797**

The Agency is audited by the Comptroller and Auditor General, who has not carried out any non-audit work for the Agency in either year above.

5. Operating Income for the year ended 31 March 2016

	2015-16	2014-15
	£'000	£'000
Non-Domestic Rating and Council Tax	169,427	150,896
Statutory Valuations Team	11,795	11,220
Property Services	15,121	15,999
Local Housing Allowances and Fair Rents (former Rent Service)	11,530	15,040
	207,873	**193,155**

The Agency must disclose performance results for the areas of its activities where fees and charges are made (see Note 2) in accordance with Chapter 6 of 'Managing Public Money' (http://www.hm-treasury.gov.uk/psr_mpm_index.htm). Where the Agency charges for access to its information, it complies with Treasury and National Archives guidance.

6. Property, plant and equipment

	Buildings	Accommodation refurbishments	Assets under construction	Information technology hardware and telecommunications equipment	Furniture, fittings and office equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation:						
At 1 April 2015	1,867	10,986	1,571	11,263	5,197	**30,884**
Additions	-	-	2,867	-	-	**2,867**
Disposals	-	(1,365)	(2)	(252)	(631)	**(2,250)**
Reclassifications	-	1,743	(3,601)	2,542	754	**1,438**
Revaluations	-	-	-	-	-	**-**
At 31 March 2016	**1,867**	**11,364**	**835**	**13,553**	**5,320**	**32,939**
Depreciation:						
At 1 April 2015	1,363	8,963	-	7, 993	2,667	**20,986**
Charged in the year	84	1,283	-	1,261	456	**3,084**
Disposals	-	(1,365)	-	(251)	(376)	**(1,992)**
Revaluations	-	-	-	-	-	**-**
At 31 March 2016	**1,447**	**8,881**	**-**	**9,003**	**2,747**	**22,078**
Net Book Value:						
At 31 March 2016	**420**	**2,483**	**835**	**4,550**	**2,573**	**10,861**
At 31 March 2015	**504**	**2,023**	**1,571**	**3,270**	**2,530**	**9,898**

The Agency's buildings are PFI financed. All other property, plant and equipment are owned, and no donated assets were held during the year (2014-15: nil). The Agency's buildings were valued by Property Services, a unit of the VOA, on 31 March 2015. The revaluation related to the Shrewsbury office which is held in the Agency's Statement of Financial Position as the only remaining service concession asset under IFRIC 12. No revaluation of buildings took place during 2015-16.

There is no material difference between the gross value of buildings disclosed above and open market value. The Agency's accounting policy for revaluation is described in Note 1.2.

	Buildings	Accommodation refurbishments	Assets under construction	Information technology hardware and telecommunications equipment	Furniture, fittings and office equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation:						
At 1 April 2014	570	9,439	1,918	9,925	4,713	**26,565**
Additions	-	-	3,986	-	-	**3,986**
Disposals	-	(60)	-	(588)	(316)	**(964)**
Reclassifications	-	1,607	(4,333)	1,926	800	**-**
Revaluations	1,297	-	-	-	-	**1,297**
At 31 March 2015	**1,867**	**10,986**	**1,571**	**11,263**	**5,197**	**30,884**
Depreciation:						
At 1 April 2014	371	7,809	-	7,210	2,411	**17,801**
Charged in the year	84	1,211	-	1,354	414	**3,063**
Disposals	-	(57)	-	(571)	(158)	**(786)**
Revaluations	908	-	-	-	-	**908**
At 31 March 2015	**1,363**	**8,963**	**-**	**7,993**	**2,667**	**20,986**
Net Book Value:						
At 31 March 2015	**504**	**2,023**	**1,571**	**3,270**	**2,530**	**9,898**
At 31 March 2014	**200**	**1,630**	**1,918**	**2,715**	**2,302**	**8,765**

7. Intangible assets

	Developed Software	Assets Under Construction	Total
	£'000	£'000	£'000
Cost or valuation:			
At 1 April 2015	49,045	3,329	**52,374**
Additions	-	4,706	**4,706**
Disposals	-	(284)	**(284)**
Impairments	(58)	-	**(58)**
Reclassifications	2,050	(3,488)	**(1,438)**
Revaluations	824	-	**824**
At 31 March 2016	**51,861**	**4,263**	**56,124**
Amortisation:			
At 1 April 2015	34,214	-	**34,214**
Charged in the year	5,848	-	**5,848**
Revaluations	480	-	**480**
At 31 March 2016	**40,542**	-	**40,542**
Net Book Value:			
At 31 March 2016	**11,319**	**4,263**	**15,582**
At 31 March 2015	**14,831**	**3,329**	**18,160**

The Developed Software assets above are held at revalued amounts. If they had been held at historic cost their carrying value would have been £10.663m (2014-15: £13.808m).

	Developed Software	Assets Under Construction	Total
	£'000	£'000	£'000
Cost or valuation:			
At 1 April 2014	45,234	4,065	**49,299**
Additions	-	3,887	**3,887**
Disposals	(134)	(545)	**(679)**
Impairments	*(1,169)	-	**(1,169)**
Reclassifications	4,078	(4,078)	**-**
Revaluations	1,036	-	**1,036**
At 31 March 2015	49,045	3,329	**52,374**
Amortisation:			
At 1 April 2014	29,118	-	**29,118**
Charged in the year	5,232	-	**5,232**
Disposals	(107)	-	**(107)**
Reclassifications	*(628)	-	**(628)**
Revaluations	599	-	**599**
At 31 March 2015	**34,214**	-	**34,214**
Net Book Value:			
At 31 March 2015	**14,831**	**3,329**	**18,160**
At 31 March 2014	**16,116**	**4,065**	**20,181**

*Net impairments of £0.541m in 2014-15.

8. Impairments

	Note	Impairment charged to operating costs
		£'000
Intangible assets	4	58
Impairment charged for the year ended 31 March 2016		**58**
Impairment charged for the year ended 31 March 2015		**541**

Impairments in 2014-15 of £0.541m affected NDR appeal software within our intangible assets. The impairment was made following a decision by government to fold the reform of NDR appeals into a broader review of business rates administration.

9. Trade receivables and other current and non-current assets

	31 March 2016	31 March 2015
Trade receivables and other current assets:	£'000	£'000
Trade receivables	9,575	6,013
Other receivables	209	222
Allowance for doubtful debt	(1,103)	(344)
Prepayments	1,898	1,489
	10,579	**7,380**
Non-current financial assets:		
Other receivables	-	-
Total	**10,579**	**7,380**

10. Work in progress

	31 March 2016	31 March 2015
	£'000	£'000
Opening balance	2,341	2,247
Written-off	(15)	(22)
Movement in work in progress	(278)	2
Movement in provision for foreseeable losses and irrecoverable amounts	(95)	114
Closing balance	**1,953**	**2,341**

11. Cash and cash equivalents

	31 March 2016	31 March 2015
	£'000	£'000
Balance at 1 April	17,949	15,744
Net change in cash and cash equivalent balances	1,536	2,205
Balance at 31 March	**19,485**	**17,949**
The following balances as at 31 March were held at:		
Government Banking Service	19,485	17,949
Balance at 31 March	**19,485**	**17,949**

The cash balance disclosed above includes £0.286m (2014-15: £0.264m) of civil penalties which have been collected on behalf of the Consolidated Fund (see Note 1.15). The Agency has no claim on these receipts and will pay them into the Consolidated Fund.

12. Trade payables and other current and non-current liabilities

	31 March 2016	31 March 2015
Current financial and other liabilities:	£'000	£'000
Trade payables	197	887
Accruals and deferred income	12,561	9,122
VAT	217	1,063
Current liability in respect of on-balance sheet PFI assets	18	14
	12,993	**11,086**
Employee leave accrual	9,048	9,059
Amounts payable to the Consolidated Fund	286	264
	22,327	**20,409**
Non-current financial and other liabilities:		
Non-current liability in respect of on-balance sheet PFI assets	125	143
	125	**143**
Total	**22,452**	**20,552**

13. Financial instruments

As the cash requirements of the Agency are largely met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts to buy non-financial items in line with the Agency's expected purchase and usage requirements. The Agency is therefore exposed to little credit or market risk. Nor does it face a liquidity risk, as its operations are financed by the Exchequer.

14. Provisions

(a) Movements in provisions	Early departure and additional pension commitments	Provision for legal claims and compensation	Provision for accommodation costs	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2015	**1,055**	**583**	**138**	**1,776**
Increase in provision	1,022	228	-	1,250
Provisions not required written back	(144)	(140)	(12)	(296)
Provisions utilised in the year	(471)	(499)	(40)	(1,010)
Change in the discount rate	(1)	-	-	(1)
Unwinding of discount	6	-	-	6
Balance at 31 March 2016	**1,467**	**172**	**86**	**1,725**
Short term (under 1 year)	1,247	172	86	1,505
Long term (over 1 year)	220	0	0	220
	1,467	**172**	**86**	**1,725**

Provisions for early departure and additional pension commitments

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 14b, and the total in-year costs are detailed in the Remuneration Report.

Provisions for legal claims and compensation

There is uncertainty regarding the timing of the transfer of economic benefits in relation to 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, we do not provide details in case this prejudices the outcome. These provisions are short term in nature.

The write back of unused amounts is a result of more cases than expected being resolved without cost, or being resolved at lower cost than expected.

(b) Expected payment profile of early departure and additional pension commitments	31 March 2016	31 March 2015
	£'000	£'000
Early retirement and pension commitments fall due:		
Within one year	1,247	573
Between one and two years	128	279
Between two and five years	90	198
After five years	2	5
	1,467	**1,055**

15. Consolidated Fund income and amounts payable to the Consolidated Fund

	31 March 2016	31 March 2015
	£'000	£'000
Operating receipts payable to the Consolidated Fund	-	-
Civil Penalties receipts on behalf of the Consolidated Fund	286	264
Total Payable to the Consolidated Fund	**286**	**264**

The Agency holds sums payable to the Consolidated Fund in respect of civil penalties. Valuation Officers impose civil penalties for failure to submit Forms of Return deemed essential for assessment of rateable value. These penalties are collected by the Agency as an agent of the Consolidated Fund and the Agency has no claim on the amounts received (see Note 1.15).

16. Pension benefit obligations

Introduction

The Agency merged with The Rent Service on 1 April 2009, taking on employees who are members of the Local Government Pension Scheme. The fund is administered by the 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 while working for the Agency. The Local Government Scheme is accounted for as a defined benefit scheme. The Annual Report and Accounts of the LPFA can be found on their website, www.lpfa.org.uk.

The accounting entries in respect of the year ended 31 March 2016 have been made using information supplied by the scheme actuary, Barnett Waddingham LLP. The actuary prepared this information by rolling forward the value of the employer's liabilities calculated at the last formal valuation, performed as at 31 March 2013, and completed in March 2014. The actuary allows for the different financial assumptions required by IAS 19. To calculate the asset share, the actuary has rolled forward our 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. Service costs have been estimated using contribution information supplied to the actuary.

The actuarial gain on the pension fund of £7.9m has resulted in the pension fund liability reducing from £8.7m in 2014-15 to £7.8m in 2015-16. The actuarial gain has occurred because of changes in the financial assumptions used by the actuary to calculate the value of the VOA's portion of the scheme assets and liabilities, including an increase in the discount rate from 3.2% to 3.5%. This was largely offset by a negative return on assets of £5.9m.

In March 2015, the Department for Work and Pensions paid £48m into the scheme to actively manage and reduce the liability. There was no such payment in 2015-16.

In 2015-16, the Agency made contributions at a rate of 18.2% (2014-15: 18.2%) of pensionable salary. The total cash contribution that the Agency expects to make to the LGPS scheme in the year to 31 March 2017 is £0.782m.

Transactions relating to the Local Government Pension Scheme

Recognised as operating costs	2015-16		2014-15	
	£'000	% of pay	£'000	% of pay
Service cost	1,451	30.6%	1,208	25.5%
Net interest on defined liability	265	5.6%	1,629	34.4%
Administrative expenses	227	4.8%	150	3.2%
	1,943	41.0%	**2,987**	63.1%
Actual return on scheme assets	**(1,162)**		**6,621**	

The service cost is the increase in scheme liabilities as a result of employees' services. Net interest cost is the increase in the present value of the scheme's liabilities due to moving one year closer to payment.

Recognised in Statement of Changes in Taxpayers' Equity

	2015-16	2014-15
	£'000	£'000
Return on plan assets in excess of interest	(5,950)	2,290
Actuarial gains and (losses) arising from changes in financial assumptions	7,999	(19,624)
Experience gain/(loss) on defined benefit obligation	(1)	(2)
Actuarial gain/(loss) recognised in Statement of Changes in Taxpayers' Equity	**2,048**	**(17,336)**

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 amount 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

	31 March 2016	31 March 2015
	£'000	£'000
Fair value of scheme assets	146,496	151,342
Present value of funded liabilities	(154,013)	(159,688)
Net liability	(7,517)	(8,346)
Present value of unfunded obligations	(317)	(333)
Net liability in the Statement of Financial Position	**(7,834)**	**(8,679)**

Reconciliation of fair value of the scheme liabilities

	31 March 2016	31 March 2015
	£'000	£'000
Opening defined benefit obligation at 1 April	160,021	137,666
Service Cost	1,451	1,208
Interest cost	5,053	5,960
Remeasurements (gains)/losses arising from changes in financial assumptions	(7,939)	19,624
Experience loss/(gain) on defined benefit obligation	1	2
Estimated benefits paid	(4,542)	(4,710)
Contributions by scheme participants	302	287
Estimated unfunded benefits paid	(17)	(16)
Closing defined benefit obligation at 31 March	**154,330**	**160,021**

Reconciliation of fair value of the scheme assets

	31 March 2016	31 March 2015
	£'000	£'000
Opening fair value of assets at 1 April	151,342	99,965
Interest on assets	4,788	4,331
Return on assets less interest	(5,950)	2,290
Administration expenses	(227)	(150)
Contributions by the employer including unfunded	782	49,370
Contributions by scheme participants	302	287
Estimated benefits paid plus unfunded net of transfers in	(4,541)	(4,751)
Estimated fair value of scheme assets at 31 March	**146,496**	**151,342**

Indemnity for pension liability from the Department for Work and Pensions (DWP)

The VOA has a service level agreement with DWP, which has accepted that if the pension scheme liability was to crystallise then it would be liable for these costs. DWP also accepts that if it cannot meet these costs, it will seek additional funding from HM Treasury to address any shortfall.

In line with HM Treasury accounting guidance, DWP cannot fund the VOA for the amounts recognised as operating costs above. These costs totalling £1.943m for 2015-16 are instead fully financed by our sponsor department HMRC.

The VOA is effectively therefore indemnified against this liability.

Sensitivity analysis

The following is a sensitivity analysis for the key valuation parameters with respect to the present value of pension entitlements.

	£'000	£'000	£'000
Adjustments to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	151,844	154,330	156,858
Projected service cost	1,319	1,347	1,375
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	154,548	154,330	154,112
Projected service cost	1,348	1,347	1,346
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	156,667	154,330	152,030
Projected service cost	1,375	1,347	1,320
Adjustment to mortality age rating assumption	+1 year	None	-1 year
Present value of total obligation	159,319	154,330	149,500
Projected service cost	1,381	1,347	1,313

History of surplus or deficit in the scheme

	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
	£'000	£'000	£'000	£'000	£'000
Fair value of employer assets	146,496	151,342	99,966	98,655	89,166
Fair value of defined benefit obligations	(154,330)	(160,021)	(137,666)	(131,691)	(117,986)
Net liability arising from defined benefit obligation	**(7,834)**	**(8,679)**	**(37,700)**	**(33,036)**	**(28,820)**

Financial assumptions

	31 March 2016	31 March 2015
	% per year	% per year
RPI increases	3.2%	3.1%
CPI increases	2.3%	2.3%
Salary increases	4.1%	4.1%
Pension increases	2.3%	2.3%
Discount rate	3.5%	3.2%

The discount rate is the annualised yield at the 17 year point on the Merrill Lynch AA rated corporate bond yield curve.

Composition of scheme assets

	31 March 2016		31 March 2015	
	£'000	%	£'000	%
Equities	68,053	46.4%	65,659	43.4%
Target return funds	31,162	21.3%	43,751	28.9%
Alternative assets	28,759	19.6%	24,556	16.2%
Cash	18,522	12.7%	17,376	11.5%
	146,496		**151,342**	

Demographic and statistical assumptions

The following life expectancy assumptions are used by the actuary in calculating the accounting entries:

Life expectancy from age 65 (years)	31 March 2016	31 March 2015
Retiring today:		
Males	22.7	22.6
Females	25.4	25.3
Retiring in 20 years:		
Males	25.1	24.9
Females	27.7	27.6

The post-retirement mortality is based on the Club Vita mortality analysis, projected using the CMI 2012 Model, allowing for a long term rate of improvement of 1.5% per annum. In addition, it has been assumed that members will exchange half of their commutable pension for cash at retirement, that active members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age, and that no members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

17. Capital commitments

	31 March 2016	31 March 2015
	£'000	£'000
At 31 March the following future capital commitments had been authorised and contracted:		
Property, plant and equipment	145	220
Intangible assets	917	215
	1,062	**435**

18. 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 2016	**31 March 2015**
	£'000	£'000
Obligations under operating leases comprise:		
Land and buildings		
Not later than one year	4,038	4,349
Later than one year and not later than five years	4,138	5,482
Later than five years	-	-
	8,176	**9,831**
Other		
Not later than one year	91	91
Later than one year and not later than five years	89	168
Later than five years	-	-
	180	**259**

The obligations have reduced during the year as the Agency has vacated a number of properties where the leases or Memorandum of Terms of Occupation have expired. This was in line with the Agency's estates rationalisation strategy.

The Agency has no right to purchase the land and buildings leased under operating leases.

The commitments presented in this note do not include the Agency's commitments with regard to the STEPS PFI contract for accommodation services or the Capgemini & Fujitsu contracts for IT services. These commitments are detailed in Note 19.

19. Commitments under PFI contracts

The Agency's sponsor department, HMRC, has entered into a PFI contract with Mapeley Estates Limited for the provision of office accommodation and facilities management; this is known as the STEPS agreement. The VOA is not itself a party to the contract, which was negotiated by HMRC, but, as part of the sponsor department, the Agency is effectively bound by the contract's terms. As such, liabilities and commitments are recorded in respect of the buildings that the Agency is responsible for. The contract commenced in April 2001 and ends in March 2021. The estimated capital value of the contract in respect of the Agency is £2.421m, as measured at the inception of the contract.

(a) On-balance sheet

The Shrewsbury office is included in the PFI contract with Mapeley Estates Limited and is treated as the Agency's asset in accordance with IFRIC 12. The Agency has control over the services provided, use of the asset and control of its residual interest.

	31 March 2016 £'000	31 March 2015 £'000
Total obligations under on-balance sheet PFI contracts for the following periods comprise:		
Not later than one year	52	52
Later than one year and not later than five years	207	207
Later than five years	-	51
	259	310
Less interest element	(116)	(153)
Liability on Statement of Financial Position (see Note 12)	**143**	**157**

	31 March 2016 £'000	31 March 2015 £'000
Present value of total obligations under on-balance sheet PFI contract for the following periods comprises:		
Not later than one year	18	14
Later than one year and not later than five years	125	101
Later than five years	-	42
Liability on Statement of Financial Position (see Note 12)	**143**	**157**

Upon transfer, a consideration from the PFI provider of £1.5m was received in respect of the transferred assets. The remaining capital value of the assets resulted in a PFI prepayment of £0.921m. This 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 resulted in reduced interest and capital repayment costs over the life of the contract.

The commitments above consist of the minimum lease payments for the Shrewsbury office, over the term running from the reporting date to the earliest date that the Agency can vacate the property without penalty.

The Shrewsbury office is accounted for under IFRIC 12. The Agency has the right to require that a new lease be granted so that it can remain in occupation beyond the end of the STEPS agreement. It is unlikely the Shrewsbury office will remain open, as it has been excluded from the list of properties the VOA intends to retain under the estates rationalisation strategy.

(b) Off-balance sheet

The total payments we are committed to make in respect of off-balance sheet PFI properties, analysed by the period in which they are due, are set out below:

	31 March 2016 £'000	31 March 2015 £'000
Total commitments, analysed by period in which they are due:		
Not later than one year	4,466	4,247
Later than one year and not later than five years	829	1,561
Later than five years	-	110
	5,295	**5,918**

The commitments above consist of the minimum lease payments for each property, over the term running from the reporting date to the earliest date that the Agency can vacate the property without penalty.

The STEPS lease payments increase with the Retail Prices Index (RPI). The Agency does not include these future contingent rent amounts in our commitments.

The Agency has no right to purchase these properties at the end of the STEPS agreement, but may negotiate an extension to the leases if required.

In the year to 31 March 2016, the Agency paid £4.967m (2014-15: £6.296m) to the STEPS contractor in respect of off-balance sheet properties and service charges. In addition to the STEPS scheme described above, the Agency 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 18.

(c) Total charge to the Statement of Net Comprehensive Expenditure and future commitments

The charge to the Statement of Net Comprehensive Expenditure in respect of:

- service charges;
- rent for off-balance sheet land and buildings; and
- interest and contingent rent for on-balance sheet properties;

was a total of £5.536m (2014-15: £6.348m).

Future commitments in respect of these payments are analysed below:

	31 March 2016 £'000	31 March 2015 £'000
Total commitments, analysed by period in which they are due:		
Not later than one year	4,500	4,284
Later than one year and not later than five years	911	1,667
Later than five years	-	120
	5,411	**6,071**

The commitments above consist of the minimum payments for each property, over the term running from the reporting date to the earliest date that we can vacate the property without penalty.

(d) The Capgemini & Fujitsu (formerly ASPIRE) contracts for the provision of IT services and equipment

The IT non-current assets recognised by the Agency's IT partners Capgemini and Fujitsu, and used in delivering the Capgemini & Fujitsu (formerly ASPIRE) contracts, have been capitalised (in HMRC's accounts) as finance leases under IFRIC 12 and are disclosed at the lower of fair value and the present value of the minimum lease payments, at the inception of the contract. It is not possible to separate these assets between the Agency and HMRC, as they are used in common to deliver the service. These joint assets are held by HMRC and are treated as an operating lease by the Agency. While HMRC's consolidated figures report the correct aggregate position, where related amounts are reported separately by HMRC and the Agency these will differ in aggregate to the consolidated position, but the difference will not be material.

During the year to 31 March 2016, the Agency paid £13.271m (2014-15: £8.272m) in service charges in respect of the Capgemini & Fujitsu contracts. The Agency currently plans to incur £7.887m in operating expenditure for Capgemini and Fujitsu services during 2016-17. There is no commitment to expend these funds. The ASPIRE contract was novated to Capgemini & Fujitsu.

20. Contingent liabilities at 31 March 2016

Our contingent liabilities are as follows:

a) The Agency is involved in several legal actions arising from its statutory activities. If the Agency 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 typically under consideration by tribunals ranging from the Valuation Tribunal to the European Court of Justice.

The Agency is confident of success in those cases which are not accounted for within the Agency's provisions. This is often because the Agency has already won in a lower court or because it has received legal advice confirming the strength of its position. The Agency cannot easily assess third party costs in these cases but it is estimated that there is £1.2m (2014-15: £2.4m) of contingent liabilities as at the end of the financial year.

b) The Agency is occasionally liable to compensate staff for dismissal for health-related issues under the PCSPS or alpha. Also on occasion current or former staff may sue us for discrimination or unfair dismissal. At present there are no cases where there is a potential liability (2014-15: £nil).

21. Related Party Transactions for the year ended 31 March 2016

The Valuation Office Agency is an executive agency of HM Revenue and Customs (HMRC). HMRC is a related party and the Agency had a significant number of material transactions with it during the year. Reported income in the year includes £9.038m (2014-15: £9.003m) earned from HMRC and expenditure includes £11.655m (2014-15: £13.036m) invoiced to the Agency by HMRC. Current assets include £5k (2014-15: £27k) of debt due from HMRC and current liabilities include £0.116m (2014-15: £0.124m) due to HMRC. (These figures exclude transfers of tax, national insurance and pension contributions that result from HMRC acting as our payroll provider.)

The Agency is controlled by the UK government and has a significant number of material transactions with other UK government departments. Most of these transactions have been under service level agreements with the Department for Work and Pensions, the Department for Communities and Local Government and the Welsh Government. To 31 March 2016 income was invoiced to these parties under service level agreements as follows:

Department for Work and Pensions	£9.613m	(2014-15: £13.255m)
Department for Communities and Local Government	£164.35m	(2014-15: £145.975m)
Welsh Government	£9.386m	(2014-15: £8.561m)

The Agency had material transactions with pension schemes providing benefits to the Agency's people: the Principal Civil Service Pension Scheme, alpha and the Local Government Pension scheme as administered by the London Pension Fund Authority. These transactions are discussed on page 76 of the Remuneration Report and in Note 16.

During the year, no Board Member has undertaken any material transactions with the VOA. The Agency had no material transactions with any party related to the Agency because of a Board member's interest in it or influence over it. One Board member has a close family member who is also employed by the VOA. The individual concerned is remunerated according to the normal scale and policies for their grade. There is no direct supervision by the Board member of their family member, and our procedures do not allow them to significantly influence the family member's remuneration.

22. Events after the reporting period

The Accounting Officer authorised these financial statements for issue on 14 July 2016.

The Agency has considered the result of the referendum held on 23 June which was in favour of the UK leaving the European Union and whether the vote has any impact on these financial statements. The Agency has concluded that this is a non-adjusting event. There are no other reportable non-adjusting events after the reporting period.

23. Standards in issue but not yet effective

These accounts have been prepared in accordance with the Treasury's Financial Reporting Manual 2015-16. 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 these accounts. The following standards may affect our accounts when they become effective:

IFRS 9 Financial Instruments	This standard was published on 24 July 2014 and is effective from 1 January 2018. It will apply to these financial statements in place of IAS 39. The Agency does not currently hold assets or liabilities which would be affected by this change and does not anticipate doing so in future.
IFRS 15 Revenue from Contracts with Customers	Effective for years ending on or after 31 December 2017, this new standard issued on 24 May 2014 replaces existing IFRS guidance in a single standard. Although there may be a significant impact for some organisations on how and when they recognise revenue under the new standard, it is not likely to have a major impact on the Agency's revenue recognition. All organisations will however be subject to extensive new disclosure requirements.
IFRS 16 Leases	IFRS 16 Leases, effective from 1 January 2019 (not yet EU adopted). IFRS 16 will provide a single model for all leases that will bring all leases on-balance sheet, unless the lease term is 12 months or less, or the underlying asset has a low value. HM Treasury will review the implications of this amendment nearer to the EU adoption date with a view to including it in the 2018-19 FReM.

Payment of Local Authority Rates

Introduction

The Valuation Office Agency (VOA) is responsible for administering the POLAR scheme for the Foreign & Commonwealth Office (FCO). The Chief Executive Officer of the VOA is the Accounting Officer for POLAR. The POLAR accounts are included within the HMRC consolidated resource accounts and are audited as part of the overall HMRC audit. They do not form part of the VOA accounts and are 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 known as the Beneficial Portion. This is to take account of extraneous services such as the fire service and street lighting. The Beneficial Portion was set at 6% of the overall rates bill in 2015-16.

VOA responsibilities

The VOA administers the POLAR scheme. Essentially, the VOA's role is to liaise with local billing authorities, diplomatic missions and the FCO.

The VOA pays 100% of the rates liability to the billing authorities and then seeks to recover the Beneficial Portion from the mission. If a mission falls into arrears then the FCO will encourage them to pay the Beneficial Portion – although there is no legal obligation to do so.

Facts and figures

In 2015-16, there were 240 diplomatic missions in the UK covering 387 properties. Of these, all were in England except 19 in Scotland, one in Wales and two in Northern Ireland. Rateable values ranged from less than £500 to £7m. A total of 28 billing authorities are involved in the POLAR scheme, mainly in Greater London. During 2015-16, the POLAR scheme required £70.8m of funding (2014-15: £72.6m). The net Beneficial Portion collected was £3.8m (2014-15: £4.1m). The inherent risk of the POLAR scheme is low, the main areas of uncertainty being, for example, vacation of properties without FCO knowledge and changes in the rateable value of properties due to refurbishments. These issues can sometimes take several years to come to light and can lead to sudden demands for backdated rates or indeed refunds.

Glossary to the Financial Statements

Amortisation – this is the method of spreading the cost of using a non-current intangible asset over its useful life.

Annually managed expenditure (AME) – the Agency is allocated a separate annually managed spending limit called AME, which does not fall within Departmental Expenditure Limits (DELs). Expenditure in AME is generally less predictable and controllable than expenditure in DEL.

CFER – Consolidated Fund Extra Receipts. This is income which the Agency is not entitled to retain and it is passed over to HM Treasury.

Consolidated Fund – the Consolidated Fund is the government's general bank account at the Bank of England. Payments from this account must be authorised in advance by the House of Commons.

Contingent liabilities – contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the VOA's control. An example is legal action where the Agency may need to pay legal costs if it loses the case. These are not disclosed when disclosure could seriously prejudice the outcome of legal claims against the Agency.

Current assets – a current asset is cash and any other entity asset that will be converting to cash within one year from the Agency's reporting date.

Current liabilities – a current liability is an obligation that is due within one year of the Agency's reporting date.

Deferred revenue – this is income in the current year that relates to future accounting periods.

Departmental Expenditure Limits (DEL) – this is the spending budget that is allocated to and spent by government departments and their executive agencies. This amount, and how it is split between government departments, is set at Spending Reviews on a three-yearly basis. It is normally categorised as Capital DEL and Resource DEL. Departmental expenditure includes the running of the services and the everyday cost of resources such as staff. The DEL limit is tightly controlled by HM Treasury. An agency's expenditure is deemed to be DEL unless HM Treasury has specified otherwise.

Depreciation – this is the method of spreading the cost of a non-current tangible asset over its useful life.

Force Majeure – a common clause in contracts that essentially frees both parties from liability or obligation when an extraordinary event or circumstance beyond the control of the parties, or an event described by the legal term 'act of god' occurs.

FReM – Financial Reporting Manual. This is the HM Treasury technical accounting guide to the preparation of financial statements for government.

IAS – International Accounting Standard.

IFRIC – the IFRS Interpretations Committee (IFRIC) develops guidance on appropriate accounting treatment of particular issues. They are approved by the International Accounting Standards Board (IASB).

IFRS – International Financial Reporting Standards. Government organisations adopted IFRS from 2009-10 as the basis for preparation of their financial statements, which were previously prepared under UK-based Generally Accepted Accounting Practice (UK GAAP).

Intangible assets – intangible assets are non-physical assets, for example developed computer software and website development costs.

Losses – losses are made up of losses of pay and fruitless payments. Losses of pay include overpayments due to miscalculation, misinterpretation, or missing information; unauthorised issues; and other causes. Fruitless payments are a loss from which a liability ought not to have been incurred, or where the demand for the goods and service in question could have been cancelled in time to avoid liability.

Managing Public Money – this is a HM Treasury publication which gives guidance on how to appropriately handle public funds.

Non-current assets – an asset that is not likely to convert to cash or cash equivalent within one year of the Agency's reporting date.

Non-current liabilities – a liability not due to be paid within one year of the Agency's reporting date.

Payables (formerly known as 'creditors') – payables are amounts recognised as owing by the Agency at the end of the reporting period but payment has not been made.

PFI – Private Finance Initiative (PFI) is a way of creating 'public-private partnerships' (PPPs) by funding public infrastructure projects with private capital.

Provisions for liabilities – provisions are recognised when the VOA has a present legal or constructive obligation as a result of a past event, it is probable that the VOA will be required to settle that obligation and an amount has been reliably estimated.

Receivables (formerly known as 'debtors') – receivables represent all amounts recognised as owing to the Agency at the end of the reporting period. A proportion of the receivable balance relates to revenue that is not yet overdue for payment.

Receivable Days – the average number of days it takes to receive payment. The Agency calculates Receivable Days as, 'total receivables / total revenue x 365 days'.

Resource Accounts – the financial statements which report the cost of running the Agency.

Statement of Cash Flows – a statement that reports the cash flows during the financial year from operating, investing and financing activities.

Statement of Changes in Taxpayers' Equity – a statement which explains the movements in the Agency's net assets between the start and end of a financial year.

Statement of Comprehensive Net Expenditure (SoCNE) – this is the performance statement, the equivalent of the 'Profit and Loss' Account and Statement of Total Recognised Gains and Losses. It reports a summary of the Agency's income and expenditure for the financial year, along with its gains and losses.

Statement of Financial Position – previously known as the Balance Sheet, it provides a snapshot of the assets and liabilities of the Agency as at the end of the reporting period.

Supply Estimates process – this is the means by which a government department and their executive agencies seek funds from Parliament and authority is given for departmental group expenditure each year.

UK GAAP – the generally accepted accounting principles in the UK which are the body of accounting standards and guidance published by the Financial Reporting Council.

Voted expenditure – monies voted to the department by Parliament to cover the department and their agencies' expenditure, following the submission of the Estimate. Parliament votes annually on each government department and their executive agencies' future expenditure requirements.

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