VALUATION
TRIBUNAL SERVICE

The Valuation Tribunal Service

Annual Report and Accounts

2006-2007

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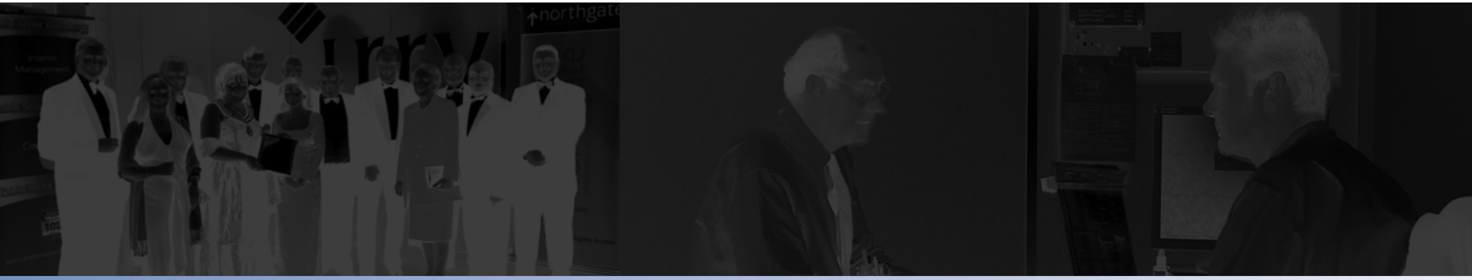

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Chairman's preface

Looking back over the third year of operation of the Valuation Tribunal Service, this report provides the opportunity to reflect closely on our priorities over the last twelve months. I am pleased to report that during the course of the year, we met nine out of the ten key targets set in our 2006-07 Business Plan. Our staff have been influential in shaping improvements and much of what has been achieved is down to their dedication as they have continued to deliver our aspirations for a more user focused service.

In April 2006 we introduced the four region administrative structure and I have been delighted with the progress the Regional Managers have made in rolling our the various changes whilst continuing to provide the much needed administrative support to each of the valuation tribunals within their region. Following ministerial approval, we have recently published our Forward Plan 2007-2010, in which we have set ourselves an agenda for continuous improvement in how we deliver our remit and services.

Effective communication with the membership of valuation tribunals is important, and over the course of the year we held four quarterly meetings with the 56 Presidents of valuation tribunals. These meetings have provided regular opportunities for consultation and debate on topics of interest and concern to members. A number of training events were delivered in house for both members and staff. At the annual President's and Chairmen's conference held in Stratford, those attending heard a review of what is happening across the world of tribunals from a range of speakers, and participated in a number of training sessions. Membership of the tribunals now stands at over 900 volunteers, and we are grateful to them for their continuing commitment in participating in an important aspect of public service.

Effective communication with the membership of valuation tribunals is important, and over the course of the year we held four quarterly meetings with the 56 Presidents of valuation tribunals

We recognise that this has been a challenging year financially and that members and staff throughout the organisation have felt the effects. I am most grateful to everyone for maintaining the focus in delivering the service to our stakeholders.

I reported last year on the first external customer survey conducted to appraise the delivery and standards of service. A second survey was undertaken in 2006 and we are acting on its findings to assist tribunal users. Improvements to date have included the production of a DVD, and the introduction of indicative time slots for hearing individual appeals. Other surveys are programmed for July 2007 which will all ensure that we can target resources to achieve continuous improvement in the services we provide to the public.

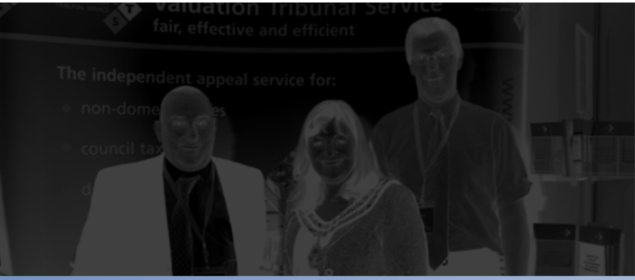
Looking to the future, we are delighted that the advice tendered to our sponsoring department has moved forward, with measures being taken in the Local Government and Public Involvement in Health Bill to create a single Valuation Tribunal for England headed by a national President. I am also pleased to announce that we have appointed Dr Christina Townsend as our new Chief Executive. The Board look forward to working with her in the months ahead.

Lastly, my Board and I recognise the significance of the further changes that lie ahead and will strive to ensure that the service continues to develop and improve. I thank the Board members for the enthusiasm and commitment they bring and the advice and support they have shown to me.

Anne Galbraith

Chairman, VTS

18 July 2007



Our services

The VTS, as a non-departmental public body, is charged with providing or arranging for the provision of the services necessary for the operation of valuation tribunals in England.

The services provided by the VTS are:

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

The VTS' Management Statement, drawn up by its sponsoring department, Communities and Local Government (CLG), sets out the broad framework within which the VTS will operate. This document identifies the aim of the VTS as:

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

The VTS seeks to provide a fair, effective and efficient service for users, in support of the hearing of their appeals by an independent valuation tribunal. This is done by providing appropriate administrative back up, hearing facilities, clerking support and training.

> **Numbers of postponements and adjournments were reduced by 10% over the previous year**
>
> VTS Workload Statistics for 2006-07

The VTS has a Chief Executive's Office based in London with a permanent staff of 13. There are a further 119 staff employed in 19 offices, based in four administrative regions (North, Central, East and South). The offices serve 56 valuation tribunals, providing guidance and general support to a lay membership totalling 909. Tribunal members act in a voluntary capacity.

Valuation tribunals are statutory bodies with jurisdiction to hear appeals against:

- non-domestic rating;
- council tax valuation;
- council tax liability;
- completion notices;
- drainage assessments; and
- penalty notices for failure to provide requested rental information.

> **Almost 1,000 fewer tribunals were convened during 2006-07 than in the previous year, making more efficient use of resources**
>
> VTS Workload Statistics for 2006-07

Chief Executive's review of the year

'This is a real achievement for the VTS and recognises the efforts the VTS Board, the staff and the large number of lay members have made to raise their standards of service to achieve high levels of customer satisfaction and effective administrative procedures. It demonstrates true excellence in delivery and yet further progress in achieving a customer focused service. Again, my congratulations to you all'

Letter to VTS Chairman from Phil Woolas MP, Minister for Local Government and Community Cohesion, 19 October 2006

2006-07 has been an eventful year about which I am able to report some very positive develop developments and outcomes. It was a year that saw further consolidation of the changes outlined in the 2005 strategic planning document, and considerable steps taken towards the modernisation of both the VTS and valuation tribunals.

Regional structure

Following the voluntary redundancy programme that took place at the end of 2005-06, the year started with the introduction of four new regions to replace the 14 administrative units that had existed since 2000. Many of the Heads of Administration had chosen to leave under the redundancy scheme and four new Regional Managers were appointed to work within a structure that had identified three primary offices within each region. Each of these primary offices has a clerk working with a number of tribunals. Overall, therefore, these changes resulted in a more effective and efficient management structure of four Regional Managers and 12 Clerks, instead of 14 Heads of Administration with 23 Clerks.

This year has been a very positive and productive learning experience with the new regions, providing a more effective system of wider regional working and making much better use of staff across the offices. Greater accountability has also been devolved and there has been a better focus on financial decision making at regional level. Without exception, and to their great credit, staff and managers have worked hard to implement the regional structure and they finish the first year well embedded with further improvements identified for next year.

Estates

The estate development programme continued to move forward during the year. Although the overall programme will see the number of properties reduce from 24 to 13, the five-year programme was designed to take advantage of leases expiring, or of break clauses. Only two offices were affected this year, with the Norwich office closing in July 2006, but a short extension of the Peterborough office lease was negotiated to carry this over into the next year. In 2007-08 however, the impact will be much greater as the offices at Worcester, Wokingham and Maidstone are scheduled for closure, whilst the Peterborough office will be replaced. The VTS estate will then have reduced to 17 properties.

Customer service

A further major component of the strategic development plan was to introduce a more direct, efficient and customer-focused system of appeals. Although the Government decided to postpone the 2007 council tax revaluation, we continued to develop Appeals Direct for council tax and, following a Departmental consultation, the system should be operational in 2007-08. Appeals Direct is a process for making appeals directly to the independent tribunal, rather than through the body whose decision is being challenged (the Valuation Office Agency (VOA)). I am delighted and grateful that the Minister gave his agreement for the new appeals system to be introduced for council tax. We and the VOA are now turning our attention to the possibility of developing a similar system for non-domestic rating (NDR), which may coincide with the next NDR revaluation in April 2010.

> 73% of those surveyed in 2006 rated their treatment before, during and after the hearing as excellent or good. This compares with 63% in the 2005 survey

The introduction of Listing after Target Date (LATD) provides for valuation tribunals to list appeals following the expiry of a negotiation period, set by the VOA. We hoped that this approach to listing non-domestic cases would cut the number of appeals unnecessarily listed and increase the proportion of attended hearings. I can report that both staff and members across the country have embraced LATD. In some areas we have seen listings fall, whilst in others tribunals have had to list disappointingly high numbers of appeals that are settled before the hearing. We remain in dialogue with the VOA and with agents to encourage more adherence to the requirements of tribunals under LATD.

We introduced an annual independent survey in 2005-06, and in this last year we were able to provide the first direct year-on-year comparison when the second survey had been completed. This showed a considerable increase in customer satisfaction level both before and after the hearing, in the administration of their appeal by staff, and at the hearing in their contact with tribunal members. It is pleasing that a substantial number of appellants who lost their cases identified that, nevertheless, the administration and proceedings were fair and independent. We do have some further work to make sure that clearly reasoned tribunal decisions are produced and communicated more quickly, and some appellants still continue to confuse the VTS and tribunals with the VOA – the VOA of course is the body that determines property values for local taxation purposes in the first instance.

With professional help, we have produced a short DVD/video for council tax appellants. Filmed at the Doncaster office, this shows a rehearsed hearing using staff and members. It is aimed at providing greater assurances on surroundings, atmosphere, conduct and procedure to those who may be nervous or unsure of both the formality of hearings and the degree of preparation needed.

Venue management

In 2004, valuation tribunals were using in excess of five hundred different hearing venues. Following a review of the types of venues used, taking into account quality, accessibility, and the perception of independence, Regional Managers and Clerks assessed the venues used within the regions. This exercise has resulted in a smaller number (around 200) of national venues being used that will allow us to focus more on meeting tribunal user needs. In the 2006 customer survey we found that 75% of those responding travelled less than 30 minutes to the hearing, 95% less than one hour. We continue to look carefully at such responses through this year.

Recognition

In October, the VTS was delighted to receive the Institute of Revenues, Rating and Valuation (IRRV) Performance Award for the Valuation Team of the year. In congratulating the service our Minister, Phil Woolas, called it ‘a real achievement for the VTS and recognises the efforts that the Board, the staff and the large number of lay members have made to raise their standards of service to achieve high levels of customer satisfaction and effective administrative procedures’.

Finances

Robust financial management was needed to achieve financial targets this year and, with our existing planned budgets, the financial pressures to manage on a day-to-day basis will increase in successive years.

Working with Presidents

During the year the VTS Board moved to a more direct system of consultation with members through their Presidents, by introducing Quarterly Presidents' Meetings (QPMs). At the time of writing four have taken place, replacing the Judicial Interface Committee, the Members' Judicial Committee and Regional Presidents' Groups with a single direct interface with all Presidents on a regular basis. These meetings have allowed a substantial number of judicial issues to be aired, and the format of them, and their location, will continue to be kept under review, in order to maximise the benefit of this consultation forum.

Stakeholders

Thanks are offered to all of our stakeholders that we meet regularly – the Rating Liaison Group, the VOA, the Departmental sponsoring team, the IRRV, the Tribunals Service, the Ministry of Justice, the Council on Tribunals, and the trade union with which we deal, for productive meetings and positive assistance as we have moved forward with the modernisation programme.

Tribunal members and staff

The two most important groups of stakeholders are the valuation tribunal members and VTS staff. I would like to thank these groups for their hard work and forbearance as the development plan has been and continues to be implemented. Change, modernisation, transformation – whichever term is appropriate – is always unsettling and creates uncertainty. Despite these uncertainties, staff and managers have developed a stronger customer focus and I am grateful for their loyalty and support.

Achievements to date

The achievements of this year and the preceding years have taken place under the leadership of my predecessor, Laurence Barnes, who was in post to 31 March 2007. I am grateful to him for the solid foundations he has put in place on which to build an effective tribunal service for the future. I am also grateful to my two senior colleagues, Tony Masella and Alan Begg, who have so solidly bridged the period between April and June 2007 when there was no Chief Executive in post. Alan Begg also acted as the VTS Accounting Officer for the period 2 April 2007 to 29 June 2007.

Forward look

Over the next 18 months the spotlight will turn to the member and tribunal changes recommended by the VTS Board in 2005. This was the subject of a Departmental consultation in the summer of 2006, and legislation giving effect to the Government's conclusions is currently before Parliament. Subject to the passage of this legislation, we will see all 56 valuation tribunals combined into a single Valuation Tribunal for England, the appointment of a national President, and the appointment and reappointment of members and chairmen made against a framework of competences by the Judicial Appointments Commission, rather than by election to these offices.

These prospective changes have been welcomed by the Council on Tribunals and the Tribunals Service, who see this as part of the modernisation programme of tribunals more broadly. It is as yet unclear whether valuation tribunals will be amalgamated into the Tribunals Service, but the current proposals for change will certainly ensure that the new structure is more aligned to current thinking on good practice in the world of tribunals.

I am looking forward to working with all my colleagues in bringing about this substantial programme of change.

Dr Christina Townsend

Chief Executive

18 July 2007

Annual Report

History and statutory background

The VTS was created as a corporate body by the Local Government Act 2003 and was formally established on 1 April 2004 as a Non Departmental Public Body (NDPB) sponsored by Communities and Local Government (CLG, formerly the Office of the Deputy Prime Minister). The Department is the main government stakeholder in terms of funding and the service delivery functions of the VTS. The VTS is charged with continuing to support the provision of an independent and consistent high quality service of tribunal hearings for users and assist in the modernisation of valuation tribunals.

> At 31 March 2007, the VTS employed 123 full-time equivalent staff (126.8 in 2005-06)

Basis of accounts

The accounts are prepared in a form directed by CLG and in accordance with both the financial guidance issued by the Treasury on behalf of the Secretary of State and Schedule 4 to the Local Government Act 2003.

Management

The VTS is governed by a non-executive Board of seven, four of whom are Presidents or Chairmen of valuation tribunals. Each Member is appointed by the Secretary of State for a term of up to three years, renewable subject to review. Day-to-day management is under the control of the Chief Executive, who, with two Executive Directors, form the Executive Management team. The Directors are also members of the Senior Management team, which comprises the executive with four regional managers who provide the operational control over the regions of North, Central, East and South.

Employee engagement

The VTS recognises the role staff play in the development of the organisation and in the achievement of corporate objectives. A staff development and training programme focuses on business plan priorities and risk management in a manner that impacts on achievements and performance indicators.

At 31 March 2007, the VTS employed 123 full-time equivalent staff (126.8 in 2005-06). The VTS maintains regular communications and contact with its employees through individual and group meetings, team briefings, the Intranet, and the VTS Newsletter. Issues which may affect staff are represented to Unison, the recognised trade union.

The VTS has adopted a Code of Conduct recommended for NDPBs and the consultation process with staff engages them in matters of VTS performance, forward plans, policy and strategy.

Payment policy

The VTS pays for goods and services in accordance with individual contractual terms reached with each supplier, or alternatively payments are made at the latest within 30 days of receipt of invoice or claim. This policy has been adhered to throughout the year.

Management – Organisational structure

The VTS Board


Anne Galbraith OBE
Chairman


Paul Wood OBE
Deputy Chairman


Ronald Barham


Ted Gunby


Peter Lawton


Irene Robinson


Michael Tildesley OBE

Members of the Board who served during 2006-07 were:

Board Members	Position	Number of Board meetings attended*	Appointment started	Appointment ends
Anne Galbraith OBE	Chairman	9	1 April 2004	31 March 2009
Paul Wood OBE	Deputy Chairman	8	1 April 2004	31 March 2008
Ronald Barham	Member	9	1 April 2006	31 March 2009
Ted Gunby	Member	8	1 April 2004	31 March 2008
Peter Lawton	Member	9	1 April 2004	31 March 2008
Irene Robinson[1]	Member	9	1 April 2004	31 March 2010
Michael Tildesley[1] OBE	Member	8	1 April 2004	31 March 2010

* Nine meetings held during 2006-07
1 Appointment renewed by Secretary of State during 2006-07

Details of company directorships and other significant interests

A register of Board members' business interests is held by the Resource Director at:
Chief Executive's Office, Block One, Angel Square, 1 Torrens Street, London EC1V 1NY.

Audit Committee

The Audit Committee consists of four members of the VTS Board who are appointed under the terms of the Management Statement and Standing Orders, with one independent member. The Committee meets at least four times a year with separate meetings called as and when the Chair of the Audit Committee deems necessary.

During 2006-07 the Committee introduced revised Terms of Reference to encompass its responsibilities in the review of:

- internal control and risk management;
- the internal audit programme, considering the major findings of internal audit investigations (and management's response), and ensuring co-ordination between the internal and external auditors;
- external audit reports, including performance reports and annual audit letters, together with the management responses; and
- the annual financial statements.

The Audit Committee has an important role to play in the management of the VTS risk strategy. Such responsibilities are devolved to the Executive Team who ensure that the Board is apprised of the key risks identified in the Risk Register. This register is updated monthly and reproduced on a quarterly basis to the Board. All managers are obliged to maintain their own departmental risk registers and actively participate in risk mitigation reviews and good risk management practices.

Members of the Audit Committee during 2006-07 were:

Audit Committee Members	Position	Number of Committee meetings attended*
Irene Robinson	Chair and Board Member	4
Ronald Barham[1]	Board Member	3
Peter Lawton	Board Member	4
Paul Wood OBE	Board Member	2
James Stockwell[2]	Independent Member	2

* Four meetings held during 2006-07
1 Appointed 19 April 2006
2 Appointed 1 September 2006

Remuneration Committee

The Remuneration Committee consists of three members of the Board. The work of the Committee encompasses making recommendations to the Board and CLG on the terms of service and remuneration of the Chief Executive and Directors, having regard to appropriate comparator organisations, and performance management targets and improvement in public services.

Members of the Remuneration Committee during 2006-07 were:

Renumeration Committee Members	**Position**	**Number of Committee meetings attended***
Ted Gunby	Chairman and Board Member	1
Anne Galbraith OBE	Board Member	1
Michael Tildesley OBE	Board Member	1

* One meeting held during 2006-07

Chief Executive and Accounting Officer

The Chief Executive and Accounting Officer of the VTS is responsible to the VTS Board for the day-to-day operational and financial management of the VTS in the capacity of Chief Executive and directly responsible to Parliament in the role as Accounting Officer.

Executive Management Team (EMT)

The EMT comprises the Chief Executive, the Corporate Director and the Resource Director.

The role of the EMT is to implement operational and strategic Board-approved plans, and provide strategic direction for staff.

Members of the EMT during 2006-07 were:

Name	Position	Appointment started	Appointment ends
Laurence Barnes[1]	Chief Executive	1 April 2004	31 March 2007
Alan Begg[2]	Resource Director	15 May 2006	Permanent
Antonio Masella	Corporate Director	1 April 2004	Permanent

1 The position of Chief Executive became vacant on 31 March 2007. A decision was taken to appoint the two Executive Directors as joint Acting Chief Executives from that date. In addition, Alan Begg held responsibility as Acting Accounting Officer. On 1 July 2007 Dr Christina Townsend was formally appointed Chief Executive and Accounting Officer.

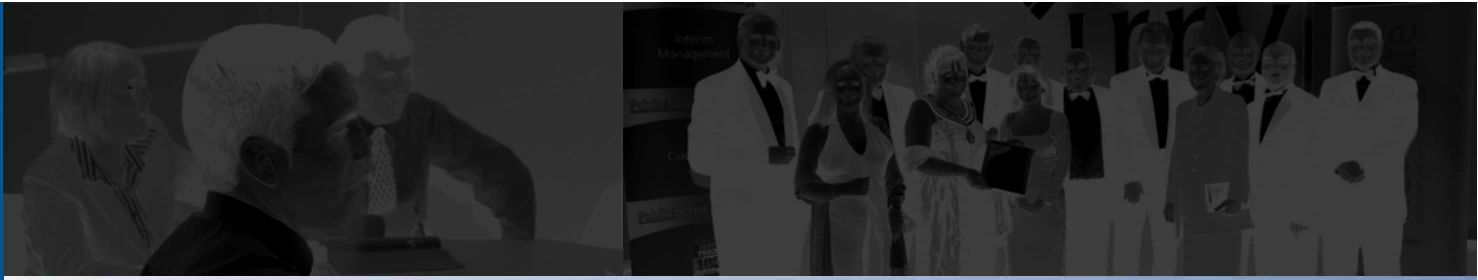
2 Gilbert George held this position until 12 May 2006

The position of Chief Executive became vacant on 31 March 2007. A decision was taken to appoint a replacement to a permanent position from that date.

Senior Management Team (SMT)

The EMT are also members of the SMT, which provides the day-to-day operational control. Other members of the SMT held the position of Regional Managers, whose appointments were confirmed following the introduction of a four-region structure on 1 April 2006. During 2006-07 the Regional Managers were:

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



Corporate governance

The VTS is controlled by an independent Board appointed by the Secretary of State through processes involving the Office for the Commissioner of Public Appointments (OCPA).

In 2006-07 the VTS Board met formally on nine occasions, and records of these meetings are placed on the organisation's intranet and members' website pages. The Board also met informally at a strategic planning 'awayday' on one occasion. Formal meetings were conducted in accordance with standing orders, and decisions properly made and recorded. The details show that the Board is regularly apprised on matters of key importance to the organisation, that registers are constantly updated and discussed, and key documents such as the corporate plan, business plan and strategic planning document are reviewed quarterly. The minutes of all committees, with briefings on significant issues, are also presented to the full Board.

> About 10,000 tribunal decisions were issued in the South region during the year
>
> VTS Workload Statistics for 2006-07

Members of the Board are required to adopt a code of conduct recommended by Government for use by members of Non-Departmental Public Bodies. This covers public service values, the corporate responsibilities of Board members, handling conflicts of interest, accountability for public funds, the personal liability of Board members and the seven principles of public life.

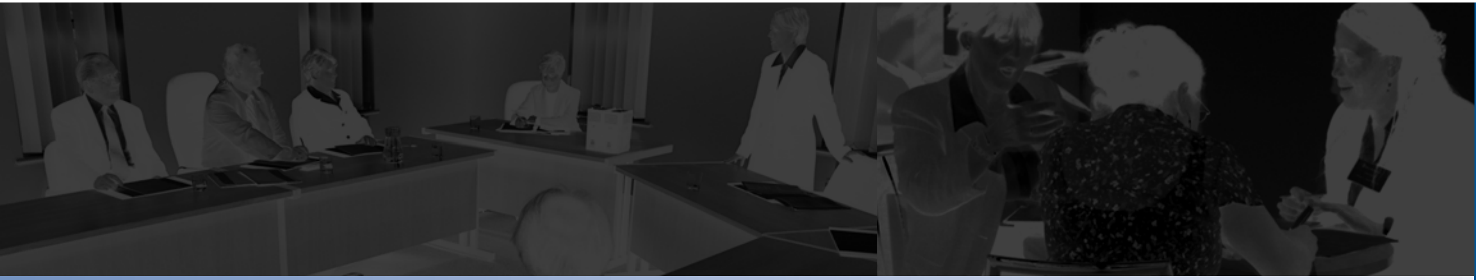
Risk management and strategy

The VTS Board views the management of risk as a key component of its governance framework. It sets the tone and influences the culture of risk management throughout the organisation, determining the acceptable levels of risk exposure and the appropriate risk controls.

Key risk indicators are identified and closely monitored in the organisation-wide risk register, which is reviewed and updated quarterly by the Executive Management Team (EMT), and discussed by the Board. The Accounting Officer and EMT propose, support and implement risk policies agreed by the Board, and encourage an open and receptive approach to solving problems by risk owners and managers at executive and regional level.

The risk management framework is closely aligned with the processes of internal control, accounting policies, audit policies, and reviews (in conjunction with CLG) of the Management Statement and Financial Memorandum issued to the Board.

> Of those surveyed in the East region, 73.5% said that their treatment had been good or excellent before the hearing and 76% said that it had been good or excellent during and after the hearing
>
> VTS 2006 Appellants' Telephone Survey, conducted by Falcon Research Ltd



Our public interests

Equality and diversity

The VTS is fully committed to equality of opportunity in the workplace, and strives to ensure that all job applicants are treated fairly regardless of sex, sexual orientation, age, race, disability or religion. The aim of the VTS is that its workforce reflects the diversity of society at large and the customers whom the VTS serves. The VTS respects the dignity and worth of each individual that makes up its workforce, as well as the diverse and positive contribution that they make in shaping the VTS' policies and delivering its services at the front line.

VTS guidance leaflets for appellants are offered in eight languages on request and other documents such as decisions are also translated when necessary.

Interpreters are provided on request to appellants attending a hearing; this year two were provided.

Disability

We value the skills and experience that disabled people bring to the workforce and wish to make full use of the talents of disabled staff and members, and to be user-friendly towards appellants with disabilities.

The VTS regularly reviews its estates in order to ensure compliance with the Disability Discrimination Act (DDA). £2,000 was expended in the financial year 2006-07 in two offices for this purpose and further sums are earmarked in 2007-08 for more extensive works.

VTS guidance leaflets and tribunal decision documents are offered in Braille, large print and audiotape. During the year we received seven requests for large print versions, two for audio and one for Braille. Signers and other communication assistance are provided on request to enable hearing impaired appellants to participate fully when attending a tribunal.

Health and safety

The VTS publishes a Health and Safety Policy and is fully committed to the health and safety of all our staff, valuation tribunal members, and other persons who are lawfully on VTS premises.

In 2006-07 there were 16 recorded accidents involving VTS staff (compared to 10 in 2005-06), of which none was classed as reportable (more serious), and none resulted in absence from work. There were no reportable injuries sustained.

The VTS monitors its statutory responsibility through its Health and Safety Committee which comprises regional co-ordinators who receive appropriate training.

Complaints

The VTS maintains a register of all complaints received in its offices. A Customer Charter and Complaints Policy are published on the VTS website and issued to anyone expressing dissatisfaction with the service they receive from the administration. In 2006-07, 21 complaints about the administration were registered (17 in 2005-06). Nine complaints were referred to the Corporate Director, who found no instances of maladministration. No cases were referred to the Parliamentary Commissioner. There were 33 judicial complaints (46 in 2005-06). No cases were brought for judicial review. Full details of the complaints can be seen in the register held at:

Chief Executive's Office
Block One, Angel Square
1 Torrens Street
London EC1V 1NY.

Conserving energy, reducing waste and minimising the release of greenhouse gases

The VTS is committed to support the Government's sustainable procurement agenda which strategy underlies energy procurement in the public sector. The VTS will continue to seek solutions of best practice, efficiency savings and cost reduction, put in place during 2006-07.

Freedom of Information Act 2000

During the year, the VTS received and responded to 14 requests made under the Act (or under the Data Protection Act 1998). One internal review was carried out but none has been referred to the Information Commissioner.

Tribunal and judicial services

Currently there are 56 separate valuation tribunals, each with its own President, Chairmen and members. In December 2004 we were invited by the then Minister for Local Government to make recommendations about the possible reform of valuation tribunals. The VTS undertook a consultation in 2005 and subsequently made recommendations to the Minister. In turn, during 2006 CLG built on our recommendations to conduct its own consultation. The proposals included a single Valuation Tribunal for England (VTE); the appointment of a national President to the single tribunal; and new appointment procedures for members and chairmen of tribunals.

Following the consultation, the Government has decided to proceed with:

- the establishment of the VTE;
- the positions of VTE President and Vice-Presidents;
- appointments being made by the Lord Chancellor following selection by the Judicial Appointments Commission (JAC).

The necessary legislation to deliver the Government's proposals was introduced to Parliament in December 2006 as part of the Local Government and Public Involvement in Health Bill. No date has been set for the establishment of the VTE.

During the year, the VTS maintained a watch on wider tribunal reforms, including the development of the umbrella grouping of tribunals into the Tribunal Service (TS), under the Department for Constitutional Affairs (now the Ministry of Justice). The Chairman, Chief Executive and CLG staff met twice during the year with the Chief Executive and staff of the TS. Areas of common concern were discussed and it was agreed that there could be more sharing of TS and VTS hearing venues.

Early in the financial year, the Members' Judicial Committee and the Judicial Interface Committee were disbanded. The Board had been concerned about the best way to communicate and consult with the Presidents and the membership as a whole, and decided to hold quarterly meetings with all Presidents (Quarterly Presidents' Meetings, QPMs). The first of these was held on 4 July 2006 and three more have followed. These meetings follow a pattern of part presentation and discussion, and part regional working groups, considering and reporting back on topical judicial matters.

The number of valuation tribunal members fell from 1082 to 909 during the year. Cross-tribunal working was encouraged to make good use of trained and committed members' time.

A review of hearing venues, in accordance with required facilities and standards for the disabled was undertaken. In an attempt to move away from unsuitable accommodation, greater use is now made of in-house hearing accommodation and, as mentioned above, TS hearing rooms are also being used.

Over 176,244 new appeals were received by valuation tribunals during the year, a reduction on the previous year's total of 313,965. This was due to a fall in the number of non-domestic rating (NDR) proposals received by the VOA, transmitted as appeals. Council tax valuation appeals received increased (26,650 compared to 21,805), a trend that appears to be continuing due to media interest in all matters related to council tax.

As well as the overall drop in appeal receipts, Listing after Target Date (a process whereby NDR appeals are only listed for hearing after the VOA's target date for the conclusion of their negotiations with appellants has passed), contributed to a reduction in the number of appeals listed (from 283,027 in 2005-06 to 189,528). These factors, together with the introduction of active case management to provide better customer service and more meaningful workload at hearings, reduced by a third the number of tribunals convened (to 1,967).

Though appeals received fell by about 45%, the number of decisions handed down by tribunals fell by only 32% (29,499 compared with 43,318 in the previous year). In 3,664 cases, a full hearing was required, where the appellant attended to present their case or had sent in a written submission, or the written representations procedure was used. 80% of the full written reasons for these decisions were issued within our Customer Charter aim of 21 working days. 43,850 appeals were deferred compared to 48,380 last year.

Information Technology (IT)

IT Strategy

The existing IT strategy was still being followed during 2006-07, and will be reviewed early in the next financial year.

Technological refresh

The wide area network connections to all offices were upgraded during 2006-07. This enabled staff to enjoy greater bandwidths whilst significantly reducing costs. The upgrade was managed with no loss of service to staff or to the public.

Enhancements to existing systems

The programme of enhancements continued throughout the year and included the introduction of a new design for all system generated tribunal notices. This was implemented on time and within budget to the exact requirements of the business. The majority of the effort and resources were however dedicated to the significant changes that were required for Appeals Direct for council tax valuation appeals. The new software prototypes were warmly welcomed by the business. It is hoped to introduce this development within the latter part of 2007.

The software used by Human Resources was also enhanced to accommodate changes to employment legislation and additional reporting requirements.

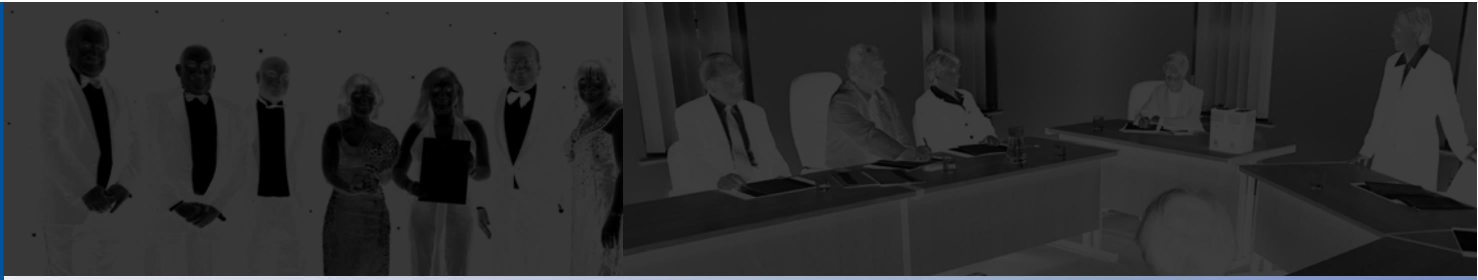
New Intranet launched

The organisation’s intranet was re-branded and re-launched. The new site is based on the corporate design of the VTS website, and includes a comprehensive search facility, making it easier for staff to locate information.

Internal customer survey

An internal customer survey of the IT support service was carried out during the course of the year. Customer satisfaction was high, with 96% of responses rating the support as either excellent or good.

Customer satisfaction was high, with 96% of responses rating the IT support as either excellent or good



Estates management

Map of VTS Regions and Office Locations

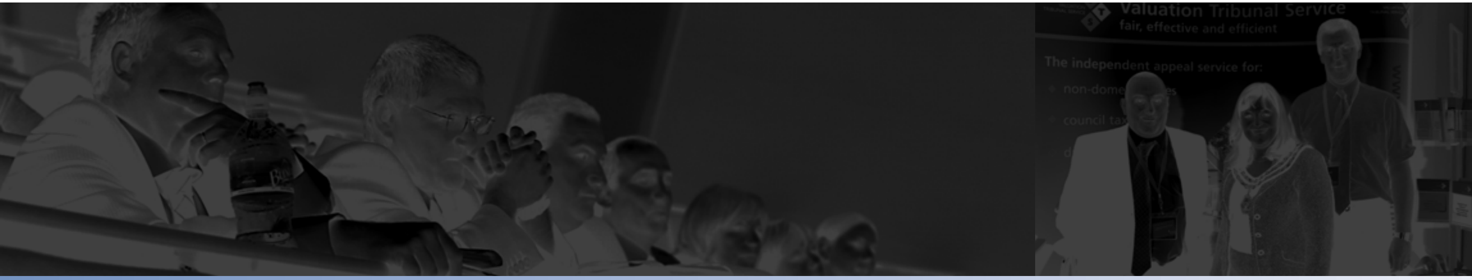
We continue in our commitment to develop the VTS estate, to ensure that our offices meet modern day health and safety standards, providing a safe working environment for staff. In accordance with the VTS Asbestos Plan, offices are monitored biennially.

We have carried out necessary works to ensure that our offices comply with the Disability Discrimination Act 1995, making our in-house hearing rooms more accessible to members of the public.

The estate strategy continues to focus on the consolidation of all administrative activity into 12 long-term regional offices, supported by a Head Office, to enhance service delivery. The estate currently stands at 20 offices and this reduction will be through natural breaks in leases and inter-governmental MOTO (Memorandum of Terms of Occupation) agreements. During 2006 the Norwich office was closed on expiry of its lease, and negotiations will commence early in 2007-08 to renew the lease on the Croydon office and find alternative premises in the Peterborough area.

Only 1% of those responding to our independent customer survey found problems accessing our hearing venues

VTS 2006 Appellants' Telephone Survey, conducted by Falcon Research Ltd



Our people

> **708 appellants attended tribunal hearings in the North Region in 2006-07**
>
> VTS Workload Statistics for 2006-07

The VTS has at its core fairness, equality of opportunity and diversity, respect in the workplace and a flexible approach to work-life balance with its staff. The VTS is committed to the highest standards of integrity and transparency. It expects, therefore, that staff adopt appropriate standards of behaviour in the workplace and in dealings with members, colleagues and external stakeholders. The VTS operates a whistleblowing policy to enable staff to raise concerns about potential impropriety or malpractice.

During 2006 a full review of all human resources policies and procedures, some brought about through regulation, others as updates to policies already in force, was carried out by the Human Resources team. This review, seen also as a training mechanism for staff, built on the VTS' commitment to develop its staff to contribute fully to the success of the organisation and their own personal development. Through a small focus group, the VTS is currently progressing its aim to achieve Investor in People (IiP) status in 2008. To support staff development and training programmes, staff skills are honed into a formal performance appraisal process, which itself will be reviewed during 2007-08. The opportunity is constantly taken to apprise staff of policy, procedures and information via regional roadshows, the VTS intranet, and a Staff Handbook, which with revised and new policies and procedures will be available on the intranet during 2007-08. The sharing of information and improvement in collaborative working practices, both across regions and with stakeholders, are seen as strategic aims for the VTS.

At 31 March 2007 there were 132 staff in post (123 as full-time equivalents (FTE)). Across the four regions the numbers were:

North Region 35 (33.2 FTE)

Central Region 24 (21.8 FTE)

East Region 25 (24.5 FTE)

South Region 35 (30.5 FTE)

Staff complements continue to be reviewed in line with the VTS Development Strategy.

Staff Profile

The average age of staff is 45.7 years (2005-06, 45.1 years) with an average length of service of 14.5 years (2005-06, 13.6 years).

Employees' terms and conditions are based on those of the National Joint Council for Local Government. Employees belong to 31 local government pension schemes (according to location) with 90% (2005-06, 89%) of the workforce in the schemes.

Attendance

The average number of working days lost per full-time equivalent employee was 8.2 (2005-06, 7.2 days) for the year. Factoring out leave and Bank

> **97% of those appellants surveyed in the Central region said that tribunal staff explained the process to them at each stage**
>
> VTS 2006 Appellants' Telephone Survey, conducted by Falcon Research Ltd

Holidays, 3.7% (2005-06, 3.2%) of available working time was lost through sickness absence.

Offices

The VTS recognises that strategic management of its estates may from time to time require decisions to be taken to close offices. Staff affected by such closures are encouraged to relocate wherever possible. However, redundancies may result where individuals cannot relocate. Support for these employees is given by way of outplacement counselling and assistance in finding alternative employment.

Training and Development

The Training and Development Programme for the year was designed and developed to address Board priorities detailed in the Corporate Plan and the Business Plan. The work in 2006-07 concentrated on the continuing development of the VTS as a learning organisation and provided individuals with opportunities to share their learning by discussing current challenges and identifying shared solutions. A variety of learning solutions were offered that was specific to the VTS' strategic objectives and individual needs. The training plan sought to enhance staff capabilities and aid the VTS in achieving its goal of becoming a flexible organisation.

Staff

A comprehensive range of training events for staff were organised to address strategic, operational and personal development issues.

During the year we targeted training for all 132 staff. In total staff received 348 training days. This equates to an average of 2.8 training days per person (2005-06 average was five days per person).

Tribunal Members

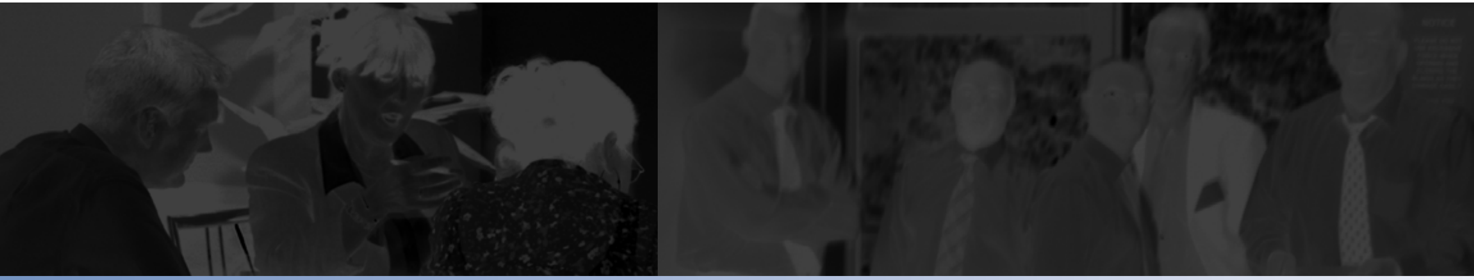
Emphasis in 2006-07 was on streamlining the planning process in identifying, designing and delivering members' training. The continued use of training champions, from both staff and members, in the design and delivery of training has been a success, and continues to demonstrate partnership working between the VTS administration and its members.

Training provided to members was identified through the Training Implementation Committee and sought to address specific areas pertinent to presiding over hearings and guidance on judicial matters.

We targeted training for 981 members. In reality not all received training. Those that did, received 708 training days. This equates to an average of 0.8 training days per member, an increase on the 2005-06 average of 0.5 days per member. Most of these training opportunities were fully subscribed.

> An average of two cases were fully heard at each tribunal held in 2006-07
>
> VTS Workload Statistics for 2006-07

> 80% of those surveyed thought the level of formality at our tribunal hearings was 'about right'
>
> VTS 2006 Appellants' Telephone Survey, conducted by Falcon Research Ltd



Management commentary

Performance against targets

The VTS sets out its objectives in support of the Business Plan targeted for the year. The achievements underpinned the span of responsibilities and milestones presented to CLG to contribute to the Public Service Agreement (PSA) targets overall of achieving –

> 'by 2008, to improve the effectiveness and efficiency of local government in leading and delivering services to all communities' (PSA 4).

The Department also has a Strategic Priority of 'promoting high quality, customer-focussed local services'. The VTS' annual Business Plan (now entitled Forward Plan 2007-2010) outlines how we aim to contribute to these with the summary objectives for 2006-07 as set out in the accompanying table.

In so doing, the VTS accepts its responsibilities in ensuring effective application of all its financial resources.

> Almost 80% of all written reasoned decisions for heard cases were issued within the target of 21 working days
>
> VTS Workload Statistics for 2006-07

Business Plan achievements 2006-07

Nine objectives were met in full or in part within the year (shaded blue below). One objective was not met.

Operational	To continue to promote better stakeholder understanding of the organisation and to build relationships.

All national guidance leaflets were updated to reflect any new legislation or best practice. They were Plain English Campaign crystal-marked to ensure clarity and customer understanding. Monitoring is ongoing.

Distribution of DVD/video, 'A Fair Hearing', to appellants through local offices began in August 2006.

Content of the VTS website was reviewed and a user survey conducted. Recommendations to improve the quality and accessibility of published material were submitted to and approved by the Board.

Clarity and user-friendliness of statutory tribunal notices were reviewed. Revised notices were in use from August, including a new Hearing Reminder notice, offering practical help and allowing indicative time-slots to be arranged for appellants attending hearings.

Annual, national, independent customer awareness and satisfaction survey carried out. Results compared favourably in many areas over 2005 responses.

Customer Charter revised and complaints fell by 11% on 2005-06 levels.

Operational	Improve delivery through business tools.

E-communication of hearing notices to agents and planning for an electronic document management system were not achievable in the year due to financial restrictions on budget. They are included in the plan for 2007-08.

Organisational	Liaise with other organisations providing tribunal services and learn from them.

Chairman and Chief Executive met with the Ministry of Justice (formerly the Department for Constitutional Affairs) on two occasions during the year. Chairman met with the Council on Tribunals and with the Residential Property Tribunal.

Organisational	Involve key stakeholders to help improve delivery.

We continued to lead on the Rating Liaison Group to discuss issues affecting the non-domestic rating system; quarterly liaison meetings were held with the Valuation Office Agency, with whom global appeal clearance figures and a new Memorandum of Agreement were agreed during the year.

Organisational	Promote equal opportunities and diversity in valuation tribunals and VTS offices.

The new Equality and Diversity Policy was approved in February 2007. All policies were revised with this in mind. Guidance literature was translated on request into different languages and formats, and communication assistance continued to be provided for appellants.

Organisational	Provide a first class service to the public, stakeholders and the sponsoring department.

Introduction of an effective four-region structure. Regional Managers (RMs) established in post. Clerks and Senior Professional Tribunal Officers (SPTOs) also in post.

Worked with sponsoring department and Presidents towards implementation of single valuation tribunal. Regular meetings with sponsoring department, whose consultation document resulted in clauses in the Local Government and Public Involvement in Health Bill. This contains provisions for a single valuation tribunal for England, a national President and changes to the way members are appointed.

Number of hearing venues used reduced following a more stringent audit of their suitability. More use of in-house tribunal accommodation.

New contract awarded for management of planned estates' maintenance to improve the welfare and facilities for staff and members.

Implementation of an annual training programme designed to develop management and technical competences for staff and managers.

Contents of VTS Staff Handbook updated to reflect employment law policies and incorporating the work-life ethic within staff working arrangements. This introduction falls more into line with our management structure.

Improvements in two way communications with staff to provide briefings, receive feedback and ideas in line with internal communications policy. Development of redesigned intranet site as communication tool and repository.

Encouraged valuation tribunals to set challenging targets to improve listing of appeals.

Introduced effective utilisation of a Risk Management Strategy and Policy. Registers updated continuously and centrally monitored quarterly.

Tribunal Partnership Working	Research and implement agreed better ways of working.

The VTS worked in partnership with the sponsoring department (through quarterly CLG/VTS meetings) and the Presidents (at Quarterly Presidents' Meetings, QPMs) to review and develop current regulatory requirements.

Tribunal Partnership Working	To promote and facilitate effective working relationships.

Listing after Target Date for non-domestic rating appeals was introduced. We worked towards an Appeals Direct system for council tax valuation and invalidity appeals to be introduced in 2007-08.

Listing process adhered to, so that, at the end of 2006, 95% of council tax valuation appeals and 84% of council tax liability appeals had been with the VTs for less than six months.

Tribunal Partnership Working	To promote more effective ways of working through the Members' Judicial Committee and Judicial Interface Committee.

Introduced a forum which includes all Presidents of valuation tribunals.

Framework provided to enhance the clarity and consistency of decisions issued and published on the website.

Introduced a handling complaints policy.

Financial	Ensure the appropriate allocation of public funds in meeting the business needs and consider the effective application of financial resources.

The expenditures within the Resource and Capital departmentally approved budgets set for the year were not exceeded.

Format of management accounts analysed by office providing more detailed analysis of utilisation of revenue expenditures.

Internal audit reviews confirmed more than adequate assurances on financial processes and internal controls.

Contracts for shared services in accounting, IT, and payroll were reviewed for improved cost effectiveness. Other than these, the procurement policy sought national suppliers wherever practical.

Valuation Tribunal for England

The sponsoring department has included proposals for the introduction of a single valuation tribunal for England in its Bill, currently progressing through Parliament (Local Government and Public Involvement in Health Bill) following its public consultation. We look forward to working further with CLG in implementing this change through the life of our Forward Plan, and also in support of any future changes to the tribunals.

Funding

The VTS received supplementary funding following its bid to the Department in January 2007, in support of changes to the estates' programme.

These additional funds are included within the overall total of grant-in-aid and expenditures set out on page 40 of the Cash Flow Statement, which analyses net cash flow from operating activities, identifies cash spent by the VTS on capital expenditure and shows grant-in-aid that the VTS drew down from its sponsoring department in order to finance its activities.

Asset management

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

Outturn against estimates 2006-07

In accordance with changes made within the Government's Financial Accounting Manual, (FReM) for 2006-07, the VTS as an NDPB reported its grant-in-aid as a finance flow to meet its statutory obligations. Grant-in-aid is therefore not shown as income but is treated as an inflow in reserves.

This change in accounting treatment of grant-in-aid for 2006-07 has necessitated a restatement of the corresponding 2005-06 position within the Income and Expenditure Account, where for both years grant-in-aid is omitted. In the Balance Sheet the funding is credited to General Reserve. Capital grants received in the year, and the previous year, continue to be shown in the Government Grant Reserve.

As a result of this change in omitting revenue grant funding from the Income and Expenditure Account, the net expenditure for period (on page 37) shows £9,809,000 on ordinary activities (2005-06 – £12,900,000). Adjusted for pensions, the net expenditure increases to £10,116,000, (2005-06 – £14,048,000).

Financial Summary

Expenditure for the financial year to 31 March 2007 was £10,116,000.

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

Total revenue grants in cash terms, including £300,000 supplementary funding was £9,843,000. Total capital grants received were £380,000, which was net of £120,000 returned to the sponsoring department as part of the VTS' contribution to receiving supplementary revenue funding.

Day-to-day responsibility for financial management of the VTS' activities is managed on behalf of the Board by the EMT. During the course of the year, the EMT reviewed the three-year business and corporate plans and conducted close monitoring of all financial activities. Total net operational revenue expenditure was £9,793,000 in 2006-07. This was held below the budget and grant-in-aid limit of £9,843,000.

Fixed Assets

The total net book value of the fixed assets as at 31 March 2007 was £1,023,000. The movements in fixed assets for the year are set out in notes 6 and 7 to the financial statements. There were no costs incurred on Research and Development during the 12 months ended 31 March 2007. Completed project work costs in developing Appeals Direct software amounted to £258,000.

In July 2006, the VTS closed its Norwich office on expiry of the lease.

Commitments at the balance sheet date for lease agreements in force and due to be paid are shown on page 59. On the same page, Note 21 refers to capital commitments to meet DDA compliance expenditures in 2007-08.

Pension Liabilities

For the purposes of FRS 17, pension scheme liabilities of £13,194,000 have been recognised in the balance sheet. An actuarial loss of £4,514,000 is shown in the Statement of Recognised Gains and Losses, taking account of pension fund movements to 31 March 2007. These pension entries in the Report and Accounts represent non-cash items.

Financial Risk

The VTS adheres to a policy of managing and monitoring significant risks, including financial risks, as an integral part of the management of the VTS. At 31 March 2007 there were no material financial liabilities other than those shown in these accounts. The accounting for FRS 17 – pension liabilities, is dependent on the annual valuations of 31 pension funds administered outside the control of the VTS for which valuations are returned for the schemes by actuarial reports at the year end.

Events since the end of the financial year

There are no events that have happened since the end of the financial year to materially affect the contents of these financial statements.

Going Concern

The Board confirms that, after making appropriate enquiries with the sponsoring department, it has a reasonable expectation that the VTS has adequate resources to continue its operations for the foreseeable future. The balance sheet shows net liabilities of £12,677,000. This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the VTS' other sources of income, may only be met by future grants or grants-in-aid from the sponsoring department. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

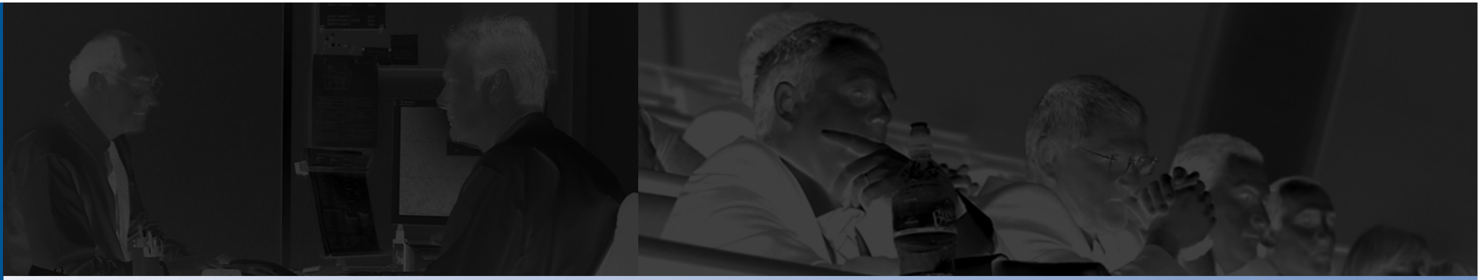
The grant-in-aid for 2007-08 takes into account the amounts required to meet the VTS' liabilities falling due in that year. This has already been included in the Department's estimates for that year. Provision for future years is being considered within HM Treasury's Comprehensive Spending Review, currently underway. It has accordingly been considered appropriate to adopt the going concern basis in preparing these financial statements.

Employee Involvement

Supported by effective leadership, staff strive to deliver the VTS' outputs and use their skills to achieve maximum impact on the achievement of the VTS' priorities. The VTS recognises therefore, the various roles staff play in developing their organisation.

Auditors

The Accounts of the VTS are audited by the Comptroller and Auditor General under the Local Government Act 2003. An internal audit service is provided by Deloitte & Touche Public Sector Internal Audit separately under the terms of a service level agreement which expired on 31 March 2007. The Board has approved an extension to this contract for a further one year to 31 March 2008.



Remuneration Report

Board members' emoluments and expenses

The remuneration of the Chairman is determined by Ministers and at 31 March 2007 was £55,000. The other six Board Members, also appointed by the Secretary of State, are eligible to receive an annual fee, which is not pensionable, and which is based on the number of days in attendance at Board and other Board approved meetings. All Member posts are non-executive. All Members' emoluments are non-pensionable. Board Members can be appointed for a term up to three years. When their first term of office comes to an end, a second term of appointment may be granted by the Secretary of State. At 31 March 2007, two Members received confirmation of re-appointment for a second three year term. Board Members receive an annual appraisal from the Chairman.

Executive Management Team

The salary of the Chief Executive is reviewed annually and is increased on guidance provided from the Department. In line with that guidance, the salary increased by two per cent from 1 April 2006. There is also a performance related element. Directors, who with the Chief Executive comprise the Executive Management Team, receive annual pay increases in line with all other VTS staff. For the year commencing 1 April 2006 the pay award was 2.96 per cent.

Proportion of remuneration subject to performance

The Remuneration Committee considers annually the performance of the Chief Executive against the objectives set for the year. On this basis the Remuneration Committee recommended a bonus to the Chief Executive for the year 2006-07 of £8,000 which was approved by the Department.

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

Chairman's, Chief Executive's and Directors' Terms of Office

The Chairman is appointed on a three year term; the second three year term was reconfirmed by the Secretary of State to expire on 31 March 2009.

Laurence Barnes was appointed Chief Executive on 1 April 2004 on a fixed three year contract, which expired on 31 March 2007. The new Chief Executive, Dr Christina Townsend, and the Executive Directors are appointed on a permanent contract basis.

Audited information

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

	Period ended 31 March 2007 £'000	Period ended 31 March 2006 £'000
The emoluments of the Chairman, Anne Galbraith:		
– Basic salary	55	54
Total emoluments	**55**	**54**
The emoluments of the Chief Executive, Laurence Barnes:		
– Basic salary	79	77
– London weighting	3	3
– Performance related pay	8	0 [1]
– Employer pension contribution	12	11
Total emoluments	**102**	**91**
– Pension increase (net of inflation)	1	1
– Total accrued pension at 31 March 2007	3	2

1 The Chief Executive was recommended a full performance related bonus, but he declined it.

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

Name	Period ended 31 March 2007 £'000	Period ended 31 March 2006 £'000
Anne Galbraith	55	54
Paul Wood	6	6
Ronald Barham	5	0
Ted Gunby	5	5
Peter Lawton	5	6
Irene Robinson	5	5
Michael Tildesley	5	6
Total	**86**	**82**

The emoluments of the Directors were as follows:

	Period ended 31 March 2007 £'000	Period ended 31 March 2006 £'000
The emoluments of the Resource Director, Alan Begg for the period 15 May 2006 to 31 March 2007:		
– Basic salary	47	0
– London weighting	3	0
– Performance related pay	6 [1]	0
– Employer pension contribution	8	0
Total emoluments	**64**	**0**
– Pension increase (net of inflation)	1	0
– Total accrued pension at 31 March 2007	7	0
The emoluments of the Corporate Director, Antonio Masella for the period 1 April 2006 to 31 March 2007:		
– Basic salary	56	54
– London weighting	3	3
– Performance related pay	6 [1]	3
– Employer pension contribution	9	7
Total emoluments	**68**	**67**
– Pension increase (net of inflation)	1	1
– Total accrued pension at 31 March 2007	18	17

1 Performance pay accrued in 2006-07 to be implemented in 2007-08.

The salary, pension entitlements and the value of any taxable benefits in kind of the Executive Management Team of the VTS during 2006-07 are as shown:

	Salary, including London Weighting and performance pay (£k) (2005-06 in brackets)	Benefits in kind (rounded to nearest £k) (2005-06 in brackets)	Real increase in pension and related lump sum at age 60 (£k)	Total accrued pension at age 60 at 31.3.07 and related lump sum (£k)	CETV at 31.3.06 (nearest £k)	CETV at 31.3.07 (nearest £k)	Real increase in CETV after adjustment for inflation and changes in market investment factors (nearest £k)
Name	**i**	**ii**	**iii**	**iv**	**v**	**vi**	**vii**
Laurence Barnes	90-95 (80-85)	0	1-2	3-9	28	44	8
Alan Begg[1]	55-60 (Nil)	0	1-3	7-20	67	89	15
Antonio Masella	65-70 (55-60)	0	1-4	18-54	193	223	12

1 The CETV at 31 March 2006 is actually at date of joining and includes the transfer of his previously accrued service in the local government pension scheme.

Columns (v) and (vi) of the table show the member's cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. Column (vii) reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the staff member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the staff member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2006-07 the other pension details, include the value of any pension benefit in another scheme or arrangement that the individual has transferred to the LGPS. They also include any additional pension benefit accrued to the staff member as a result of their additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Dr Christina Townsend

Accounting Officer and Chief Executive,
Valuation Tribunal Service

18 July 2007

Foreword to the financial statements

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

Statutory basis

The VTS is an NDPB and its constitution is set out in section 105 and Schedule 4 to this Act.

VTS aim

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

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

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

Financial Reporting Standard 17 'Retirement Benefits'

Under HM Treasury guidance, the VTS has implemented Financial Reporting Standard 17 (FRS 17). The VTS prepares its Accounts in accordance with the FReM as it applies to NDPBs. This assumes a net discount rate of 2.8% p.a. and an inflation rate of 3.1% p.a. Under FRS 17, the additional costs associated with paying benefits early, or granting additional service, where staff members retire on unreduced pension on redundancy or efficiency grounds have been recognised in full in the Income and Expenditure Account in the year the requirement is granted.

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

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

The Accounting Officer for the sponsoring department designated Laurence Barnes as the VTS' Accounting Officer for the accounting period 1 April 2006 to 31 March 2007.

He had responsibility for the propriety and regularity of the public finances and for the keeping of proper records, as set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum, issued by HM Treasury and published in Government Accounting by the Stationery Office.

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

In preparing these Accounts, the Chief Executive is required to:

- observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether or not applicable accounting standards have been followed and disclose and explain any material departures in the financial statements; and
- prepare annual Accounts on a going concern basis, unless it is inappropriate to presume that the VTS will continue in operation.

In addition the Chief Executive should:

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

Signed on behalf of the Board by

Dr Christina Townsend

Accounting Officer and
Chief Executive,
Valuation Tribunal Service

18 July 2007

Statement on internal control

Scope of responsibility

The Accounting Officer has responsibility for maintaining a sound system of internal control that supports the achievement of the VTS' policies, aims and objectives, while safeguarding the public funds and assets for which he was personally responsible, in accordance with the responsibilities assigned to him in Government Accounting.

The VTS has now completed its third full year, having been set up on 1 April 2004. The VTS has a comprehensive set of policies and procedures in place, appropriate for the organisation, and which represents a key element of the overall internal control system.

The Service's continuing growth in understanding of the nature and extent of its responsibilities, and the mechanisms required to effectively manage its business, has led to further development of finance policies and procedures aimed at ensuring effective control and the full implementation of Treasury guidance.

In addition, the system of internal control includes:

- an annual corporate planning process during which performance targets and strategic, operational and financial parameters are agreed by the VTS. The VTS monitors performance through regular review of the operational plan. The three-year corporate plan, is subject to scrutiny by the sponsoring department and approval by the Secretary of State;
- budgets that have been delegated to appropriate levels of management with accurate and timely monthly management accounts being produced for all budget holders;
- regular reviews by senior management and the Service of monthly and annual financial reports which indicate financial performance against forecasts.

There are no control problems of significance to report. The VTS is subject to Departmental control totals, which may change from time to time in accordance with the sponsoring department's guidelines.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the VTS' policies, aims and objectives, to evaluate the likelihood of those risks occurring and the impact should they occur, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the VTS for the year ended 31 March 2007 and up to the date of approval of the annual Accounts, and accords with the HM Treasury guidance.

Capacity to handle risk

Whilst every member of staff within the VTS has responsibility to ensure that the VTS' exposure to risk is minimised, overall leadership of the VTS risk management process rests with members of the Executive Management Team (EMT). They are responsible for promoting and embedding a risk management culture within the VTS, which includes setting the risk management framework within which the VTS operates.

The Accounting Officer acts as the Risk Champion for the VTS. The Corporate Director has leadership responsibility for ensuring that appropriate mechanisms are in place to identify, monitor and control risk and for advising the EMT on the actions needed in order to comply with our corporate governance requirements. The Board regularly monitors the organisation's risk management performance and delegates to the Audit Committee the responsibility for ensuring that the risk management responsibilities are discharged efficiently, effectively and economically.

The Audit Committee meets at regular intervals and is made up of four full Board members and an independent member. The Committee has the review of risk management as a standing item on its agenda. Amongst other tasks, the Committee will, at least once a year, review the major corporate risks and the level of assurance provided against each one, and will make an assessment concerning the acceptability of the residual risk that has been identified.

> The corporate risk register is comprehensively reviewed twice each year

Both the corporate risk register and individual departmental risk registers are collectively reviewed by the members of the Senior Management Team (SMT) at least twice annually.

The risk and control framework

The VTS has a risk management policy and strategy which include a methodology for measuring the relative levels of risk to the organisation. The two key areas are considered to be

- the risk to VTs' reputation, followed by
- financial risks.

Given the VTS' responsibilities, the loss of reputation is likely to be the most damaging outcome, with the potential to do the greatest harm to the organisation's capacity to effectively carry out its legislative functions. The review cycle ensures that the corporate risk register is comprehensively reviewed twice each year and that the residual risk, which is now identified on the register, is acknowledged and properly managed.

In addition to the actions mentioned above, the following have continued:

- the VTS receives regular reports on all significant issues and every Board report now includes a section on risks;
- the business planning process ensures that new risks, or changes to existing risks, are identified at each stage of the process, from horizon scanning through to the agreement of detailed business plans for each department;
- the maintenance of a corporate risk register that cascades down into regional risk registers, which are also subject to regular reviews;
- the reporting of performance against key performance indicators;
- periodic reports from the Chair of the Audit Committee.

During the year, and coinciding with the introduction of the new regional structure, the following enhancement has been put in place:

- a revision to all HR practices and policies.

Review of effectiveness

The Accounting Officer, has responsibility for reviewing the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. The Chief Executive was advised on the implications of the result of the review of the effectiveness of the system of internal control by the internal auditors and the Audit Committee, and all plans to address weaknesses and ensure continuous improvement of the system are in place. The processes implemented to maintain an effective system of internal control include the following:

- the EMT meets on a regular basis and is responsible for implementing the strategic direction of the VTS, ensuring that appropriate corporate governance procedures are in place, establishing the risk priorities for the organisation and overseeing the effective management of risk within the VTS;
- the SMT meets at least eight times a year to consider the procedures and the operational and strategic direction of the VTS. The SMT is responsible for ensuring that corporate risks are identified as early as possible, are properly managed and that the importance of risk management receives a high profile within regional units;
- the Audit Committee meets at regular intervals and is responsible for ensuring, as far as possible, that appropriate mechanisms are in place within the VTS for the assessment and management of risk and for advising the Accounting Officer on the effectiveness of the system of internal control within the organisation, prior to his signing off the Statement on Internal Control;

> The SMT is responsible for ensuring that corporate risks are identified as early as possible

- regular reports are provided by internal auditors, to standards defined in the Government Internal Audit Standards, which includes the internal auditors' independent opinion on the adequacy and effectiveness of the VTS' system of internal control together with recommendations for improvement;
- periodic reports on internal control are given to the VTS Board by the Chairman of the Audit Committee;
- the establishment of an appropriate delegated budget management framework;
- the establishment of a system of end-of-year stewardship reporting by senior managers;
- the development of a risk management strategy and risk management framework which comply with best practice;
- the establishment of a corporate risk register, which is supported by regional risk registers, reviewed by the SMT on a periodic basis;
- the adoption of formal project management arrangements for all key projects, which includes the development and maintenance of project risk registers;
- regular reports are given to the Board on progress against the VTS' key targets, objectives and projects; and
- regular meetings with the sponsoring department to review and agree policy and accounting matters.

The VTS continues to take overall responsibility for monitoring my performance, and that of my executive officers, in delivering a sound and effective system of internal control. They do this by receiving and considering regular reports from the Audit Committee on the detailed work being done in developing and managing the system of internal control.

The Audit Committee is the mechanism employed by the organisation to enable detailed scrutiny of the internal control system. It offers a forum, independent of management, where both the internal and external auditors can raise matters of concern regarding any weaknesses or failures in the system.

The VTS continues to employ Deloitte & Touche as internal auditors for the financial year 2006-07, operating to Government Internal Audit Standards (GIAS). The work of the internal auditors has been carried out in accordance with the agreed plan subject to the changing analysis of the risk provided by the risk management processes which are now being put in place and will be subject to careful scrutiny by the Audit Committee.

At regular intervals, the internal auditors provide the Audit Committee and Accounting Officer with reports on the areas of activity which are subject to audit. The reports include the internal auditors' independent opinion on the adequacy and effectiveness of the VTS' system of internal control during the report period.

The development and maintenance of the control framework has continued to be informed by work undertaken by the SMT. The content of the management report provided by the external auditors has also played a vital role.

The system of internal control has been fully in place since 1 April 2006 and up to the date of the approval of the Annual Report and Accounts, and accords with Treasury guidance.

The VTS Board will continue to employ Deloitte & Touche as the internal auditors for the VTS for the 2007-08 accounting period, operating to Government Internal Audit Standards. The work of the internal auditors has been carried out in accordance with agreed plans.

The development and maintenance of the VTS internal control framework will be informed by work undertaken by our internal auditors and the content of our external auditors' management letter.

Signed by

Dr Christina Townsend

Accounting Officer and
Chief Executive
Valuation Tribunal Service

18 July 2007

Report by the Internal Auditors

We have now completed our Internal Audit Programme covering the financial period, 1 April 2006 – 31 March 2007, as approved by the Audit Committee. The purpose of this report is to present the results of the Internal Audit work carried out by Deloitte & Touche during 2006-07.

As defined in the GIAS, the role of internal audit is to provide an independent and objective opinion to the Accounting Officer on risk management, control and governance. The opinion given by internal audit is a key element of the framework of assurance which the Accounting Officer needs to inform the completion of the annual Statement of Internal Control (SIC). The opinion can only be reasonable in the sense that no opinion or assurance can ever be absolute and is by definition an extrapolation of the evidence available. The Internal Audit opinion does not supersede the Accounting Officer's personal responsibility for risk, control and governance.

The Statement of Assurance

We are required to give an opinion on risk management, control and governance. In assessing the level of assurance to be given, we have taken into account:

- all internal audits undertaken between 1 April 2006 and 31 March 2007;
- the action taken in response to our audit recommendations;
- whether fundamental or significant recommendations have been accepted by management, and the consequent risks;
- the effects of any material changes in the VTS' objectives or systems; and
- whether or not any limitations have been placed on the scope of internal audit.

Sources of Assurance

To provide the required assurance we undertook an agreed programme of work with the following objectives:

- to appraise the soundness, adequacy and application of the whole internal control system;
- to ascertain the extent to which the system of internal control ensures compliance with established policies and procedures;
- to ascertain the extent to which the assets and interests entrusted to or funded by VTS are properly controlled and safeguarded from losses arising from fraud, irregularity or corruption;
- to ascertain that accounting and other information is reliable as a basis for producing accounts, and financial, statistical and other returns;
- to ascertain the integrity and reliability of financial and other information provided to management, including that used in decision making; and
- to ascertain that systems of control are laid down and operate to promote the most economic, efficient and effective use of resources.

We have provided a statement of the level of assurance achieved for each system audited. Full or substantial assurance was achieved for 100% of all of the systems audited.

Based on the work completed between 1 April 2006 and 31 March 2007, carried out in accordance with the scopes agreed by the Audit Committee, taking into account the proposed action by management to rectify the control weaknesses identified in our detailed reports, in our opinion the VTS has an adequate and effective system of internal controls which provides reasonable assurance regarding the effective and efficient achievement of the VTS' objectives.

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

I certify that I have audited the financial statements of the Valuation Tribunal Service for the year ended 31 March 2007 under the Local Government Act 2003. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Board, Chief Executive and Auditor

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Local Government Act 2003 and the Secretary of State for Communities and Local Government's directions made thereunder. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Chairman's preface, the section titled 'Our Services', the Chief Executive's review of the year, the unaudited parts of the Remuneration Report and the Management Commentary, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

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

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinions

Audit opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Local Government Act 2003 and directions made thereunder by the Secretary of State for Communities and Local Government, of the state of the Valuation Tribunal Service's affairs as at 31 March 2007 and of its Net Expenditure for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Local Government Act 2003 and the Secretary of State for Communities and Local Government's directions made thereunder; and
- information given within the Annual Report, which comprises the Chairman's preface, the section titled 'Our services', the Chief Executive's review of the year, the Management Commentary and the unaudited parts of the Remuneration Report, is consistent with the financial statements.

Audit opinion on Regularity

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

Report

I have no observations to make on these financial statements.

John Bourn

Comptroller and Auditor General

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

18 July 2007

Income and Expenditure Account for the year to 31 March 2007

	Note	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000 Restated
Income[1]			
Operating Income	2	4	37
Total Income		**4**	**37**
Expenditure			
Administration Costs			
– Staff costs	3	4,577	7,771
– Other administrative expenses	4	5,048	5,868
– Depreciation	5	172	67
Total expenditure		**(9,797)**	**(13,706)**
Net expenditure		**(9,793)**	**(13,669)**
Interest received		0	1
Interest paid/charges		0	(4)
Cost of capital	8	368	265
Finance Charges for Pensions[2]		(323)	(376)
Net expenditure on ordinary activities		**(9,748)**	**(13,783)**
Reversal of notional cost of capital	8	(368)	(265)
Net expenditure for year	14	**(10,116)**	**(14,048)**
Represented by:			
Net expenditure attributable to ordinary activities		**(9,809)**	**(12,900)**
Net expenditure attributable to pensions[2]	17	**(307)**	**(1,148)**

The notes on pages 41 to 60 form part of these Accounts

All activities were continuing in the year

1 Grant-in-aid received to finance activities and capital expenditure which support the statutory and other objectives of the VTS is treated as financing, credited to the General Reserve, because it is regarded as a contribution from a controlling party. This change in treatment of grant received is in accordance with a change in the accounting treatment as advocated by the Government Financial Reporting Manual applicable for the financial year 2006-07. On a comparable basis grant received in 2005-06 has been similarly treated and credited to Reserves.

2 Inherited obligations

Statement of Recognised Gains and Losses as at 31 March 2007

	Note	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000 Restated
Increase/(Decrease) in Irrecoverable Pension Surplus from Membership Fall and Other Factors	12b	(4,514)	(7)
Recognised Gains and (Losses) for the year		**(4,514)**	**(7)**

Balance Sheet as at 31 March 2007

	Note	12 Months to 31 March 2007 £'000	12 months to 31 March 2006 £'000
Fixed Assets			
– Intangible Assets	6	4	4
– Tangible Assets	7	1,019	800
		1,023	**804**
Current Assets			
– Debtors and Prepayments	9	492	215
– Cash at Bank and in Hand	19	29	0
		521	215
Creditors			
– Amounts Falling due within one year	10	(632)	(786)
Net Current Liabilities		**(111)**	**(571)**
Total Assets less Current Liabilities		**912**	**233**
Provisions for Liabilities and Charges	11	(395)	(175)
Net Assets employed excluding pension liabilities		**517**	**58**
Provisions for Pension Liabilities	12	(13,194)	(8,373)
Total Net Liabilities		**(12,677)**	**(8,315)**
Represented by			
Capital and Reserves			
– General Reserve	13	(781)	(815)
– Grant-in-aid Reserve	14	1,298	918
– Revaluation Reserve	15	0	(45)
– Pension Fund Reserve	16	(13,194)	(8,373)
		(12,677)	**(8,315)**

The notes on pages 41 to 60 form part of these Accounts

Dr Christina Townsend

Chief Executive,
Valuation Tribunal Service

18 July 2007

Cash Flow Statement for the period to 31 March 2007

	Note	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Net Cash Inflow/(Outflow) from			
Operating Activities	18	11	(909)
Return on Investments and Finance Charges		0	(3)
Capital Expenditure			
Purchase of Fixed Assets	6/7	(342)	(590)
Net Cash Outflow from Capital Expenditure		**(342)**	**(590)**
Financing			
Increase in Grant-in-aid Reserve		380	523
FRS 17 adjustment		(20)	773
Total Financing		**360**	**1,296**
Net Cash Inflow/(Outflow)	19	**29**	**(206)**

The notes on pages 41 to 60 form part of these Accounts

Notes to the Accounts

1 Statement of accounting policies

1.1 The financial statements are prepared in accordance with applicable Accounting Standards in the United Kingdom and meet the accounting and disclosure requirements of the Companies Act 1985. The financial statements are prepared on a modified historical cost basis.

With effect from the 2006-07 reporting period the Government's Financial Reporting Manual requires non-departmental public bodies to account for grant-in-aid as financing because they are regarded as contributions from a controlling party, which gives rise to a financial interest in the residual interest of NDPBs. This is a change in accounting policy from earlier periods when such items were recorded as income. The effect of the adoption of this new policy on the certified 2005-06 accounts and the impact of the change on the results of the current year are shown below:

	Previously stated 2005-06 £'000	Impact of adopting new policy 2005-06 £'000	As restated 2005-06 £'000	Without applying new policy 2006-07 £'000	Impact of adopting new policy 2006-07 £'000	Applying new policy 2006-07 £'000
Net expenditure	(1,940)	(12,108)	(14,048)	(273)	(9,843)	(10,116)
Grant-in-aid Reserve (formerly Government Grant Reserve)	851	67	918	1,021	277	1,298
General Reserve	(748)	(67)	(815)	(441)	(340)	(781)
Revaluation Reserve	(45)	0	(45)	(45)	45	0

1.2 Fixed Assets and Depreciation

i Capitalisation threshold

Assets are capitalised where they have an expected useful life of more than one year and where the original cost of the item exceeds £1,000 including VAT. Individual items valued at less than this threshold are capitalised if they constitute integral parts of a composite asset that is in total valued at more than the capitalisation value.

ii Land and buildings

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

iii Revaluation

The VTS re-valued its assets in 2005-06 at March using appropriate indices provided by the Office for National Statistics.

iv Depreciation

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

- computers three years;
- in-house developed software five years;
- furniture and office equipment five years.

Depreciation is charged in the month of acquisition except where this may fall at the month end in which case the charge falls in the following month, but depreciation is charged in the month of asset disposal.

v Intangible assets and amortisation

Software licences are capitalised as Intangible Assets and shown in Note 6. These licences are amortised by equal annual instalments over the length of the licence.

vi Assets under construction

These represent the accumulated expenditure incurred in constructing assets that enhance the VTS' infrastructure. Assets under construction are not depreciated until brought into use.

vii Donated assets

Donated tangible fixed assets are capitalised at valuation, which represents current cost on receipt. This valuation gain is credited to the donated asset reserve. The valuation of these assets is then reviewed annually.

Donated assets are subject to revaluation, depreciation and impairment reviews in the same way as other assets.

viii Group assets

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

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

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

1.3 Stocks

The VTS aims to hold stock at a level that is commensurate with immediate business needs. Therefore stock holdings are minimal and have no significant realisable value outside the VTS. Stock has therefore been valued at zero for the year ended 31 March 2007.

1.4 Income

Income is accounted for on a receivable basis. Grant-in-aid is accountable on a cash basis.

The VTS has conformed to the change of accounting policy in the treatment of grant-in-aid, as required for the 2006-07 reporting period. Revenue grants received are treated as financing because they are regarded as contributions from the controlling party. This gives rise to a financial interest in the residual interest of the VTS as an NDPB. For earlier periods, revenue grants were treated as income. The effect of this change is to restate the certified 2005-06 accounts on a comparable basis. There is no impact on the liability position of the VTS as a result of this change of policy.

1.5 Capital charge

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

1.6 Pensions

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

The VTS, therefore, pays for the pension entitlements of existing and retired employees and also bears the full cost of the LGPS benefits for employees who retire early or with an enhanced pension. The total cost of granting early retirements or enhancements is charged to the Income and Expenditure Account in the year that the retirements are granted. Regular pension fund costs are paid from the same source.

FRS 17 requires an organisation to account for pension liabilities as they arise, regardless of when pension payments are due to be paid. Setting side by side the value of all future pension payments and the snapshot value of investments as at 31 March each year, results in either an overall deficit, or surplus. The total net deficit arising for the VTS, as at 31 March, is £13,194,000. The assessment of current surplus or deficit arising from an FRS 17 valuation carries with it no additional payment requirements from the VTS to its LGPS pension authorities as the separate LGPS actuarial valuation, carried out every three years, sets revised employer contribution rates for each employer, such as the VTS, to ensure that existing assets and future contributions will be sufficient to meet its future pension payments.

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

1.7 Leases

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

1.8 Provisions

The VTS provides for legal or constructive obligations which are of uncertain timing or amount at the Balance Sheet date on the basis of the best estimate of the expenditure required to settle the obligation. This practice conforms to FRS 12. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury discount rate of 2.8% (2005-06, 2.8%) in real terms.

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

1.9 VAT

The VTS is not VAT registered. Therefore where goods and services include a charge for VAT the VAT inclusive cost is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets.

1.10 Taxation

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

2 Other Income

	Period ended 31 March 2007 £'000	Period ended 31 March 2006 £'000
Rent receivable	0	33
Other Income	4	4
Total Other Income	**4**	**37**

3 Staff Costs

	Period ended 31 March 2007 £'000	Period ended 31 March 2006 £'000
The payroll costs for the VTS were as follows:		
Salaries	3,467	4,149
Social security costs	290	348
Pension costs	634	1,463
	4,391	**5,960**
Other staff costs		
Redundancy payments and provisions	105	1,704
Fringe benefits	2	2
Agency/Seconded staff costs	71	100
Other non staff costs	8	5
	186	**1,811**
Total staff costs	**4,577**	**7,771**
The average number of staff employed during the period to 31 March, including the Chief Executive was:	135	149

The number of staff, including the Chief Executive, whose annual rate of remuneration as at 31 March 2007 exceeded £40,000 excluding pension contributions and performance related pay but including any benefits in kind and London Weighting was:

Remuneration Band	Period ended 31 March 2007 Number	Period ended 31 March 2006 Number
£40,000 to £44,999	6	10
£45,000 to £49,999	10	0
£50,000 to £54,999	0	0
£55,000 to £59,999	2	2
£60,000 to £64,999	0	0
£65,000 to £69,999	0	0
£70,000 to £74,999	0	0
£75,000 to £79,999	0	0
£80,000 to £84,999	1	1

4 Other costs

	Period ended 31 March 2007 £'000	Period ended 31 March 2006 £'000
4a Board costs		
Emoluments	86	85
Training	2	4
Travel and Subsistence	34	30
Total Board costs	**122**	**119**
4b Members' Costs		
Financial Loss Allowance	56	83
Training	82	74
Travel and Subsistence	304	366
Total Members' costs	**442**	**523**
4c Other Administrative Expenses		
Travel and Subsistence – staff	204	277
Furniture and Office Equipment	4	14
Telecommunications and Postage	508	585
Publications, Printing and Publicity	77	148
Recruitment, Training and Conferences	129	207
Catering and Hospitality	25	46
Office Supplies	69	69
Subscription to Professional Organisations	15	12
Car Hire and Lease Cost	7	7
Removals and Storage	8	14
Professional Services[1]	965	1,151
Information Technology	202	231
	2,213	**2,761**
Internal audit fees	26	22
External audit fees	31	29
Total Administrative Expenses	**2,834**	**2,812**

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

	Period ended 31 March 2007 £'000	Period ended 31 March 2006 £'000
4d Estates Costs		
Rent	833	1,002
Rates	273	266
Service Charges	312	252
Fixed Maintenance	76	109
Domestic Services	73	76
Heating and Lighting	53	31
Insurance	22	18
Temporary Accommodation	55	92
Security	8	9
Variable Maintenance	110	532
Car Park Charges	17	27
Dilapidation Charges	100	0
Strategic Provisions	282	0
Total Estates Costs	**2,214**	**2,414**
Total other costs	**5,048**	**5,868**

5 Depreciation

	Note	Period ended 31 March 2007 £'000	Period ended 31 March 2006 £'000
Intangible Fixed Assets			
Depreciation charge for period	6	4	2
Tangible Fixed Assets			
Depreciation charge for period	7	168	65
Total Depreciation		**172**	**67**

6 Intangible Fixed Assets

	Period ended 31 March 2007 £'000	Period ended 31 March 2006 £'000
Cost or Valuation		
At 1 April 2006	8	8
Revaluation	0	0
Impairment	0	0
Additions	0	0
Disposals	0	0
At 31 March	**8**	**8**
Depreciation		
At 1 April 2006	(4)	(1)
Revaluation	4	(1)
Impairment	0	0
Additions	0	0
Charge for period	(4)	(2)
At 31 March	**(4)**	**(4)**
Net Book Value at 31 March 2007	**4**	**4**
Net Book Value at 31 March 2006		4

Revaluation took place during 2005-06, as the intangible fixed assets represent software licences amortised in year one of capitalisation.

7 Tangible Fixed Assets

	Furniture, Fittings & Office Equipment £'000	Computers & Other IT £'000	Total £'000
Cost or Valuation			
At 1 April 2006	86	791	877
Revaluation – Note 15	0	45	45
Impairment	0	0	0
Additions	0	342	342
Disposals	0	0	0
At 31 March 2007	**86**	**1,178**	**1,264**
Depreciation			
At 1 April 2006	(15)	(62)	(77)
Revaluation	0	0	0
Impairment	0	0	0
Additions	0	0	0
Disposals	0	0	0
Charge for period	(17)	(151)	(168)
At 31 March 2007	**(32)**	**(213)**	**(245)**
Net Book Value at 31 March 2007	**54**	**965**	**1,019**
Net Book Value at 31 March 2006	71	729	800

8 Notional Costs

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

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

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

	Period ended 31 March 2007 £'000
Capital employed as at 1 April 2006	(8,315)
Capital employed as at 31 March 2007	(12,706)
Average capital employed	(10,510)
Notional Cost of Capital @3.5%	(368)

9 Debtors

	Period ended 31 March 2007 £'000	Period ended 31 March 2006 £'000
Due in one year		
Trade Debtors	0	8
Accrued Income and Prepayments	462	168
Staff Car Loans[1]	22	28
Other Debtors	8	11
	492	**215**

1 Falling due in more than one year £10,000 (2005-06 £14,000)

10 Creditors: Amounts falling due within one year

	Period ended 31 March 2007 £'000	Period ended 31 March 2006 £'000
Taxation and Social Security	0	166
Accrued Expenses	632	540
Other Creditors	0	80
	632	**786**

11 Provisions for Liabilities and Charges

	Period ended 31 March 2007 £'000	Period ended 31 March 2006 £'000
Balance of provision at 1 April 2006	175	90
Provision for dilapidations	366	85
Provision utilised in year	146	0
	395	**175**

12 Provisions for Pension Liabilities

	Period ended 31 March 2007 £'000	Period ended 31 March 2006 £'000
Balance of provision at 1 April 2006	8,373	6,977
Additional provision in period	4,821	1,396
Provision utilised in period	0	0
	13,194	**8,373**

A provision has been recognised for pension liabilities.

For purposes of valuing pension liabilities, the VTS commissioned its independent actuaries, Hymans Robertson.

The results of the actuarial valuation are shown overleaf. A full valuation was carried out as at 31 March 2004. The actuaries have updated the 2004 valuations to take account of the different assumptions required by FRS 17 and adjusted the results to allow for changes in the investment experience, salary growth, membership movement and cash flows between 31 March 2004 and 31 March 2007.

The projected unit method of valuation was used to calculate the service cost under FRS 17.

The financial assumptions used for the purposes of the FRS 17 calculations as at 31 March 2006 and 31 March 2007 are shown in the table below.

Assumptions as at	31 March 2007 % p.a.	Real % p.a.	31 March 2006 % p.a.	Real % p.a.
Price Increases	3.2%	–	3.1%	–
Salary Increases	4.7%	1.5%	4.6%	1.5%
Pension Increases	3.2%	–	3.1%	–
Discount Rate*	5.4%	2.1%	6.0%	2.8%

* A real discount rate of 2.2 % was used to determine unfunded liabilities at 31 March 2007.

Salary increases are assumed to be 1.5% more than price increases, in line with the assumption used in the latest formal valuations by the vast majority of the funds. The actuary assumed that salary increases are 1.5% more at the 31 March 2004 formal valuation.

Both the service cost and the interest cost over the year to 31 March 2007 have been based on HM Treasury's net discount rate of 2.8% p.a. but using an inflation assumption as at 31 March 2006 to calculate the nominal discount rate (that is a discount rate of 6.0% using market implied inflation of 3.1%). Additionally, the interest cost over the year was based on the liabilities as at 31 March 2006 rebased to the moving to a corporate bond related discount rate.

Expected Return on Assets

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (as at 31 March 2007 for the year to 31 March 2008).

FRS 17 requires that the expected return on assets is to be set by VTS having taken actuarial advice. The expected returns adopted as at 31 March 2006 and 31 March 2007 are shown in the table below:

Asset Class	Expected return at 31 March 2007 % p.a.	Expected return at 31 March 2006 % p.a.
Equities	7.8%	7.4%
Bonds	4.9%	4.6%
Property	5.8%	5.5%
Cash	4.9%	4.6%

There is a range of actuarial assumptions that are acceptable under the requirements of FRS 17, particularly in respect of the expected return on equities. We consider that these assumptions are within the acceptable range and are thus consistent with the requirements of FRS 17. The assumed returns are net of administration and investment expenses. Allowance has been included in the cost of accruing benefits for expenses to the extent that we have been informed that it has been allowed for in the future service rate for each Fund.

Balance Sheet disclosure as at 31 March 2007

Assumptions as at		31 March 2007 % p.a.		31 March 2006 % p.a.
Price Increases		3.2%		3.1%
Salary Increases		4.7%		4.6%
Pension Increases		3.2%		3.1%
Discount Rate		5.4%		6.0%
Assets (Employer)	**Long-term return at 31 March 2007 % p.a.**	**Assets at 31 March 2007 £'000**	**Long-term return at 31 March 2006 % p.a.**	**Assets at 31 March 2006 £'000**
Equities	7.8%	21,191	7.4%	18,875
Bonds	4.9%	3,729	4.6%	4,218
Property	5.8%	2,009	5.5%	2,177
Cash	4.9%	963	4.6%	985
Total	**7.2%**	**27,892**	**6.7%**	**26,255**
Net Pension Asset as at		**31 March 2007 £'000**		**31 March 2006 £'000**
Estimated Employer Assets (A)		**27,892**		**26,255**
Present Value of Scheme Liabilities[1]		39,548		32,893
Present Value of Unfunded Liabilities[2]		1,538		1,735
Total Value of Liabilities (B)		**41,086**		**34,627**
Net Pension Asset (A)-(B)		(13,194)		(8,373)

1 The actuary estimates that this liability comprises of approximately £25,766,000, £3,235,000 and £10,547,000 in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2007. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable for certain Funds where there has been membership movement between active, deferred and pensioner classes. However, the actuary is satisfied that the approach used leads to reasonable estimates for the aggregate liability figure.

2 The actuary assumed that all unfunded pensions are payable for the remainder of the member's life. On death of the member, any spouse will receive a pension equal to 50% of the member's pension as at the time of death of the member. The unfunded liabilities as at 31 March 2007 have been valued using a real discount rate of 2.2%.

12a Revenue Account Costs for the year to 31 March 2007

Analysis of amount charged to Income and Expenditure Account

Amount Charged to Income and Expenditure Account	Year to 31 March 2007 £'000	Year to 31 March 2007 % of Payroll	Year to 31 March 2006 £'000	Year to 31 March 2006 % of Payroll
Service Cost	561	17.2%	699	17.4%
Past Service Costs	–	–	–	–
Curtailment and Settlements	179	5.5%	764	19.1%
Decrease in Irrecoverable Surplus	–	–	–	–
Total Operating Charge (A)	**740**	**22.7%**	**1,463**	**36.5%**

Amount Credited to Other Finance Income	Year to 31 March 2007 £'000	Year to 31 March 2007 % of Payroll	Year to 31 March 2006 £'000	Year to 31 March 2006 % of Payroll
Expected Return on Employer Assets	1,744	53.4%	1,486	37.1%
Interest on Pension Scheme Liabilities	(2,067)	(63.3%)	(1,862)	(46.5%)
Net Return (B)	**(323)**	**(9.9%)**	**(376)**	**(9.4%)**
Net Revenue Account Cost (A)-(B)	**1,063**	**32.6%**	**1,839**	**45.9%**

Movement in (Deficit) during the year

	Year to 31 March 2007 £'000	Year to 31 March 2006 £'000
(Deficit) at Beginning of the Year	**(8,373)**	**(7,218)**
Current Service Cost	(561)	(699)
Employer Contributions	663	587
Contributions in respect of Unfunded Benefits	93	104
Past Service Costs	0	0
Impact of Settlements and Curtailments	(179)	(764)
Net Return on Assets	(323)	(376)
Actuarial Gains/(Losses)	(4,514)	(7)
(Deficit) at End of Year	**(13,194)**	**(8,373)**

12b History of Experience Gains and Losses

	Year to 31 March 2007 £'000	Year to 31 March 2006 £'000
Difference Between the Expected and Actual Return on Assets	182	3,622
Value of Assets	27,892	26,255
Percentage of Assets	**0.7%**	**13.8%**
Experience Gains/(Losses) on Liabilities	268	(78)
Total Present Value of Liabilities	41,086	34,627
Percentage of the Total Present Value of Liabilities	**0.7%**	**(0.2%)**
Actuarial Gains/Losses Recognised in SRGL	(4,514)	(7)
Total Present Value of Liabilities	41,086	34,627
Percentage of the Total Present Value of Liabilities	**(11.0%)**	**0.0%**

Projected pension expense for the year to 31 March 2008

Analysis of projected amount to be charged to Income and Expenditure Account for the year to 31 March 2008

	Year to 31 March 2008	
Projected Amount Charged to Income and Expenditure Account	**£'000**	**% of Payroll**
Estimated Current Service Cost	677	21.3%
Past Service Costs	–	–
Curtailment and Settlements	–	–
Decrease in Irrecoverable Surplus	–	–
Total Operating Charge (A)	**677**	**21.3%**

	Year to 31 March 2008	
Projected Amount Credited to Other Finance Income	**£'000**	**% of Payroll**
Expected Return on Employer Assets	1,986	62.5%
Interest on Pension Scheme Liabilities	(2,209)	(69.5%)
Net Return (B)	**(223)**	**(7.0%)**
Estimated Net Revenue Account Cost (A)-(B)	**900**	**28.3%**

Note: these figures exclude the capitalised cost of any early retirements or augmentations which may occur during 2007-08.

The service cost figures make no allowance for the removal of the Rule of 85 for new entrants from 1 October 2006 but the cost is projected at 21.3% of payroll. This figure will be recalculated when the 2007-08 disclosures and valuations are determined.

13 General Reserve

	As at 31 March 2007 £'000	As at 31 March 2006 £'000 Restated
Balance at 1 April 2006	(815)	44
Net expenditure for year	(10,116)	(14,048)
Grant-in-aid treated as financing[1]	9,843	12,041
Transfer to Pension Fund Reserve	307	1,148
	(781)	**(815)**

1 Note 1.1 to the Accounts highlights a change of accounting policy treating grants received as financing and not as income.

14 Grant-in-aid Reserve

	As at 31 March 2007 £'000	As at 31 March 2006 £'000 Restated
Balance at 1 April 2006	918	328
Allocated from grant-in-aid[1]	380	590
	1,298	**918**

1 Note 1.1 to the Accounts highlights a change of accounting policy treating grants received as financing and not as income.

15 Revaluation Reserve

	As at 31 March 2007 £'000	As at 31 March 2006 £'000
Balance at 1 April 2006	(45)	0
Write back of asset revaluations during the year – Note 7	45	(45)
	0	**(45)**

16 Pension Fund Reserve

	As at 31 March 2007 £'000	As at 31 March 2006 £'000
Balance at 1 April 2006	(8,373)	(6,977)
Transfer from General Fund[1]	(307)	(1,148)
Movement on Pensions[1]	(4,514)	(248)
	(13,194)	**(8,373)**

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

17 Reconciliation of Movement in funds

	As at 31 March 2007 £'000	As at 31 March 2006 £'000 [1]
Opening balance of Reserves	(8,315)	(6,605)
Movement in funds:		
Operating Net Expenditure	(10,116)	(14,048)
Capital Purchases (GIA)	342	590
Revaluation of fixed assets	45	(45)
Movement on Pensions	(4,476)	(248)
GIA treated as Financing	9,843	12,041
Closing Balance of Reserves	**(12,677)**	**(8,315)**
Represented by:		
General Reserve	(781)	(815)
Grant-in-aid Reserve	1,298	918
Revaluation Reserve	0	(45)
Pension Fund reserve	(13,194)	(8,373)
Closing Balance of Reserves	**(12,677)**	**(8,315)**

1 Restated for grant-in-aid treated as financing

18 Reconciliation of Operating Deficit to net cash flow from operating activities

	As at 31 March 2007 £'000	As at 31 March 2006 £'000 [1]
Net expenditure before interest	(9,793)	(13,669)
Depreciation charges	172	67
(Increase)/Decrease in Debtors	(277)	346
Increase/(Decrease) in Creditors	(154)	210
Increase/(Decrease) in Provisions for Liabilities and Charges	220	85
Increase/(Decrease) in Deferred Income	0	(56)
Grant-in-aid credited to General Reserve	9,843	12,041
Depreciation charges transferred from Capital Reserve	0	67
Net Cash Inflow/(Outflow) from Operating Activities	**11**	**(909)**

1 Restated for grant-in-aid treated as financing

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

	As at 31 March 2007 £'000	As at 31 March 2006 £'000
Cash at bank and in hand at 1 April	0	206
Increase/(Decrease) in cash for the year	29	(206)
Cash at bank and in hand at 31 March	**29**	**0**

20 Commitments under non-private finance initiative leases

	Period ended 31 March 2007 £'000	Period ended 31 March 2006 £'000
These were annual commitments as at 31 March 2007 to pay rentals under lease agreements as follows:		
Land and Buildings		
Leases that:		
Expire within one year	138	0
Expire after one year but no more than five years	1,088	1,320
Expire after more than five years	1,458	2,611
	2,684	**3,931**

There were no annual commitments as at 31 March 2007 to pay rental on office equipment under lease agreements.

21 Capital Commitments

The VTS is committed to making all its offices DDA compliant and is committed to spending £12,000 in the 2007-08 financial year.

22 Related Party Transactions

The VTS is an NDPB sponsored during 2006-07 by Communities and Local Government (CLG), which is regarded as a related party. During the reporting period the VTS had a number of significant related party transactions. In particular the VTS is dependent on two shared services – IT management service and software development using capacities operated on its behalf by the Valuation Office Agency (VOA) and HM Revenue and Customs; and shared use of SAP accounting software provided by CLG's Finance and Shared Services Division (FSSD).

The values of related party transactions are as follows:

Grant-in-aid of £10,223,000 was received from CLG, of which £9,843,000 was Revenue;

Payments of £912,838 were made to VOA for IT shared service support;

Payments of £123,375 were made to FSSD for accounting services; and

Payments of £144,562 were made to the LGPS Pension Fund representing employers' contributions for the year.

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

23 Contingent liabilities

No contingent liabilities have been identified as at 31 March 2007.

24 Financial Instruments

Financial Reporting Standard 13 (FRS 13), Derivatives and Other Financial Instruments, requires disclosure of the impact financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way government agencies are financed, the VTS is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The VTS has very limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the VTS in undertaking its activities.

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

25 Post Balance Sheet Events

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

The authorised date for issue is:
18 July 2007

Liquidity risk

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

Interest rate risk

All of the VTS' financial assets and liabilities carry nil or fixed rates of interest and are, therefore, not exposed to significant interest rate risk.

Accounts direction

THE VALUATION TRIBUNAL SERVICE

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

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

(a) the accounting and disclosure requirements given in *Government Accounting* and in *the Government Financial Reporting Manual* issued by the Treasury ("the FReM"), as amended or augmented from time to time;

(b) any other relevant guidance that the Treasury may issue from time to time;

(c) any other specific disclosure requirements of the Secretary of State;

insofar as these requirements are appropriate to the Service and are in force for the year for which the accounts are prepared, and except where agreed otherwise with the Secretary of State and the Treasury, in which case the exception shall be described in the notes to the accounts.

2. Schedule 1 to this direction gives clarification of the application of the accounting and disclosure requirements of the Companies Act and accounting standards. Additional disclosure requirements of the Secretary of State and further explanation of Treasury requirements are set out in Schedule 2.

3. This direction shall be reproduced as an appendix to the annual accounts.

4. This direction replaces all previously issued directions.

Signed by authority of the Secretary of State

....

An officer in the Department for
Communities and Local Government

Date 28 March 2007

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