The Valuation Tribunal Service

Annual Report and Accounts 2010-11

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Chairman's statement

Each year, as I reflect on the year past, I am struck by the scale of change that has been happening in the VTS. We have continued to move forward with our strategic plan to reduce our estate portfolio, rationalise our work into two hubs in London and Doncaster, and support staff who have changed their working practices and become a more flexible resource, operating from their home base. A new organisational structure has been established which we are confident will give enhanced service to the Valuation Tribunal for England (VTE) and its users. The Tribunal has now been fully established for 18 months and, as new Practice Statements have been introduced, the VTS has worked hard to implement the changes with effective administration, support and development in IT.

We recognise that the scale and pace of our programme of change has been challenging. One consequence of this was that it was not possible to retain all of our staff in bases that were too far from the remaining offices to be able to transfer. Many of those who have left had given long and loyal service, for which we are grateful.

Of course, the achievement of our own strategic objectives has to be set into the context of what is happening in the wider world of tribunals and their administration. We have been engaged over the last few months in discussions about a possible transfer of the VTS into the Courts and Tribunals Service, whilst the VTE is similarly engaged about moving into the First Tier Tribunal. These discussions took on an increased significance when the Government announced its proposal to abolish a number of non-departmental public bodies, including the VTS, and introduced the Public Bodies Bill as the enabler of such a programme. There is no definitive timetable for the move into the Courts and Tribunals Service as it is subject to the progress of the Bill.

During the course of the year, it was confirmed that several of my Board members would be reappointed for eighteen month terms. This ensures the stability of the Board at a time when so much change is taking place, which is very welcome news. We have greatly appreciated the commitment and enthusiasm of our Chief Executive, Tony Masella, in delivering the challenging programme that we set and look forward to his continuing strong leadership. We remain committed to seeking ways to improve our service to users, to finding efficient and economic ways to do business and to working effectively with our stakeholders.

Anne Galbraith CBE

Chairman, Valuation Tribunal Service

Chief Executive's statement

Our year has not been dissimilar to many other public sector organisations, with a continuing emphasis on reducing costs wherever possible and optimising outputs with less resource. For us it has been a question of ensuring that we align our organisation better so that we may continue to meet the increasing expectations of our stakeholders and provide a first-class service.

The current economic climate is the toughest many of us have witnessed and it is, therefore, only right and proper that decisive and even more robust action is taken to provide clear value for money. Our focus in this area will be continuous and relentless.

During the year we have undergone great change. We have optimised our estate portfolio by concentrating our administrative services into two centres, each supported by a new streamlined management structure. We have successfully mitigated redundancies by offering staff in closing offices redeployment so that the skill and expertise developed over many years' service could be retained wherever possible. Staff have had very difficult choices to make.

None of what we have achieved would be possible without good people. The Board and senior management team have responded with enthusiasm to the challenge of redirecting and restructuring the organisation, and I am grateful for their wise counsel.

My biggest thank you must be to all the staff who have delivered a year of solid achievement at the same time as contributing to a fundamental restructuring of the organisation. The change process has been both disconcerting and exhilarating for all concerned. But we have risen to the challenges and I believe that we are now well placed to respond effectively to the demands and further changes that we will face as we move forward.

Antonio Masella

Chief Executive and Chief Operating Officer
Valuation Tribunal Service

Our services and what we do

The Valuation Tribunal Service

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

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

The VTE was established by the Local Government and Public Involvement in Health Act 2007 with jurisdiction to hear appeals in respect of:

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

The VTE replaced the 56 valuation tribunals in England that previously existed, each headed by a president elected by its lay membership. The VTE is headed by a national President, Professor Graham Zellick CBE QC, appointed by the Lord Chancellor.

The members of the VTE are volunteers who come from all walks of life and receive training to support them in their statutory role. They commit to one hearing day per month and are reimbursed for expenses incurred, based on prescribed amounts determined by the Secretary of State. In certain circumstances, members may also be reimbursed at prescribed rates for financial loss incurred as a result of undertaking VTE duties. A tribunal panel consists normally of a chairman and two members; they are supported at hearings by a salaried clerk who provides procedural and technical advice.

Appeals

Appeals arise when the Valuation Office Agency (VOA, in the case of business rates or council tax valuation) or the council (in the case of council tax liability appeals) do not agree with a ratepayer or council taxpayer's contention and the ratepayer or taxpayer seeks a resolution to the matter.

- Business (non-domestic) rates appeals are forwarded to the VTE by the VOA under a regulatory framework that requires them to transmit any proposals (formal challenges) that they have not resolved after a three-month period. This is an automated process, and due to the large volume of challenges made, the number of proposals transmitted as appeals is also large in volume.
- Council tax valuation (banding) appeals are made direct to the VTE when the individual has made a proposal to the VOA and the VOA has issued a decision notice with which the appellant disagrees. An appeal must be made within three months of receiving the notice.
- Liability appeals against a council's decision are made direct to the VTE and have to be made within two months of the date of the council's decision. In cases where a council has failed to respond to an individual within this two month period, the timescale for appealing to the Valuation Tribunal becomes four months, starting from the date the initial challenge was made by the individual.

Workload

Around 85,000 appeals were brought forward in April 2010 and during the year we received over 340,000 appeals. Not all appeals received follow through to a hearing as some are agreed through negotiation between the parties during the period leading up to the hearing date; this year 62% of all types of appeals listed for hearing were settled (consistent with previous years).

During the year, almost 155,000 appeals were cleared and the table below shows the detail of these figures by appeal type. There remain a small number of appeals outstanding against earlier rating lists that are awaiting relevant higher court decisions, or where national negotiations are underway.

Type of appeal	Brought forward	Received	Cleared	Carried forward
Non-domestic Completion Notice	180	190	230	140
Non-domestic rates 1995 rating list	40	–	30	10
Non-domestic rates 2000 rating list	610	–	380	230
Non-domestic rates 2005 rating list	81,700	167,000	144,300	104,400
Non-domestic rates 2010 rating list	–	169,300	5,800	163,500
Council tax Completion Notice	70	280	260	90
Council tax valuation and invalidity notice	1,700	2,860	2,700	1,860
Council tax liability	400	830	840	390
Penalties for non-domestic rates returns	–	120	110	10
Total	**84,700**	**340,580**	**154,650**	**270,630**

Please note that figures have been rounded to the nearest 10, except for figures for Non-domestic rates appeals against the 2005 and 2010 lists, which have been rounded to the nearest 100. Some 'Brought forward' figures differ slightly from the 'Carried forward' figures reported last year due to this rounding and also the fact that the statistics are based on a 'snapshot' of data at a fixed point in time. This data can change over the course of a day, due for example to re-instatements or settlements of appeals.

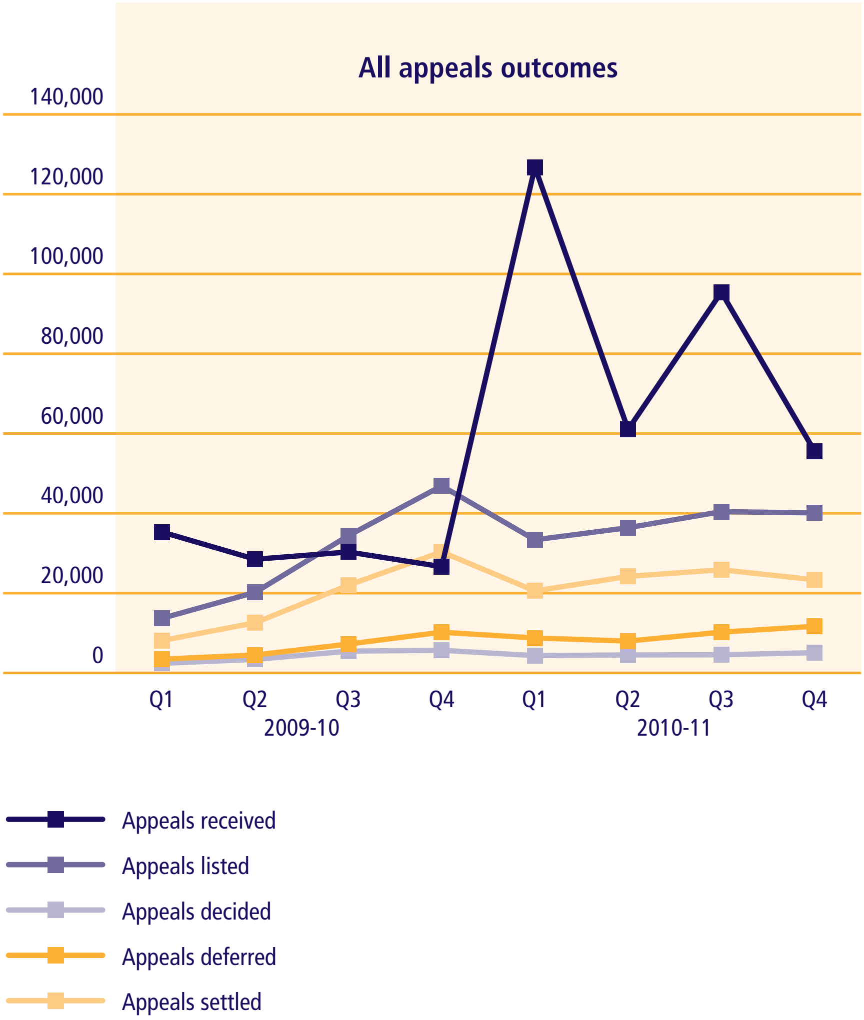
Receipts of non-domestic rating appeals almost trebled, increasing by 220,000 over last year's figure, with a surge in numbers right at the end of the life of the 2005 rating list and an influx of 2010 list appeals. Council tax valuation appeals receipts also increased, at 20% more than the previous year.

Receipts of non-domestic appeals almost trebled compared to 2009-10.

A key service standard commitment for VTS staff is to issue a tribunal panel's reasoned account of its decision (in a contested case) to the parties within one month of the hearing date. This is because surveys show that early receipt of the decision is important to our tribunal users. In 2010-11, a total of 2,806 such reasoned decisions were issued, of which 96% were completed within one month.

During the year, 1,381 tribunal hearings were held, almost 100 fewer than last year; nevertheless, we listed 36,000 more appeals than in the previous financial year. Nearly 2,500 appellants or their representatives attended a hearing to pursue an appeal in person and around 850 appeals were determined in the absence of the appellant by request.

Chart 1 below shows the numbers of appeals received each quarter, compared to last year, and the outcomes for the appeals listed during each quarter.



We listed 36,000 more appeals, on 100 fewer hearings, than the previous year.

36,000

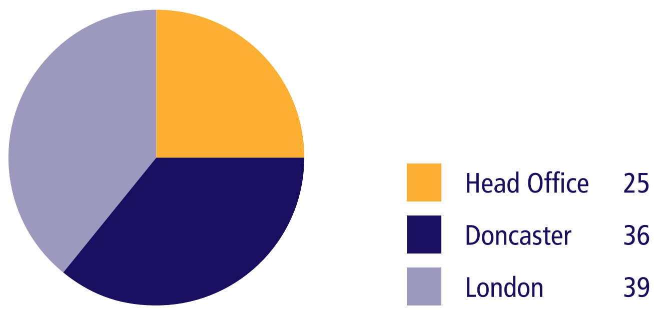
Our people

Staff

During the year, following the approval of a programme of strategic change by the Secretary of State for CLG, and our focus on optimising operational activity into two administrative centres in London (Whitechapel) and Doncaster, we closed six offices by 31 March 2011. Staff numbers reduced from 90 at 31 March 2010 to 67 at 31 March 2011, although our average staff headcount across the year was 80. This change also resulted in a 14.7% reduction in the required number of posts within the organisation (95 to 81).

With effect from 1 April 2011 we operate from our two administrative hubs. Our Head Office is also within the London (Whitechapel) office. The chart below shows the new distribution of posts.

Staff as percentage of total, 31 March 2011



The representation of ethnic minorities within the workforce increased from 14.6% to 14.9%.

Of the 32 people who left the VTS during the year 21 did not wish to be redeployed following the closure of offices, seven people resigned during the year and two retired.

Our average age reduced from 47 to 45.5 years, with a median age of 48. Average length of service fell to 13.6 years (from 15 years in 2009-10).

With the optimisation of our estate, we have further built on the flexibility introduced in 2009 with the development of a group of home-based qualified staff to advise hearing panels throughout England. We have increased the size of the group from 10 in 2010 to 21 at 31 March 2011. This flexibility allows us to continue to deliver a national service and maintain a national geographical presence irrespective of office closures.

For historical reasons, the VTS inherited pension liabilities in a number of local government schemes. At 31 March 2011, 94% (63) of our current employees were members of these schemes.

During the year there were 769 days' staff sickness absence recorded, giving an average of 9.6 days per person compared with 7.8 days in 2009-10. The underlying rate of sickness – excluding leavers – is 4.7 days.

The absenteeism rate for the VTS is 4.3% compared to 3.1% for 2009-10. This compares with an overall UK rate of 3.4% and a public sector rate of 4.2% (CIPD *Annual Absence Survey*, July 2010). In a relatively small organisation such as the VTS, sickness levels can fluctuate quite markedly. For example, one extra incidence of a 20-day (long-term) absence can increase the overall average by 0.25 days.

Valuation Tribunal for England (VTE) members

As at 31 March 2011 there were 451 members, a reduction of approximately 20% from last year. The equality breakdown remains consistent, with 21.1% being female, 7.1% from ethnic minority groups; the number recorded as having a disability fell slightly from 8% to 7.1%.

We improved the capability of the HR and Training Database regarding members which has enabled the use of a central booking system to record and produce reports on member activity.

Developing our people

Staff

We have continued with our commitment to Continuing Professional Development (CPD) and all our staff providing legal, procedural and technical advice at hearings are required to provide evidence of at least 20 hours CPD.

Over the year 118 days of training was provided to our staff, an average of 1.3 days' training per member of staff. Training programmes delivered professional, technical and managerial courses including a Lean Six Sigma programme to assist us in delivering our services better with a reduced cohort of staff.

VTE members

The members' training and development programme for 2010-11 was tailored to meet the requirements of the President's Practice Statements. There was also a focus on the challenges of the non-domestic rating revaluation 2010, with 81% of members having received training in this crucial area. In addition, training for appraisers was provided in the Judicial Studies Board's appraisal scheme.

A total of 440 days' training were delivered during the year, equivalent to 0.98 days per member. Our commitment continues to be to deliver at least one day's training a year per member.

20

Member numbers reduced by about 20% from last year.

The estate

57

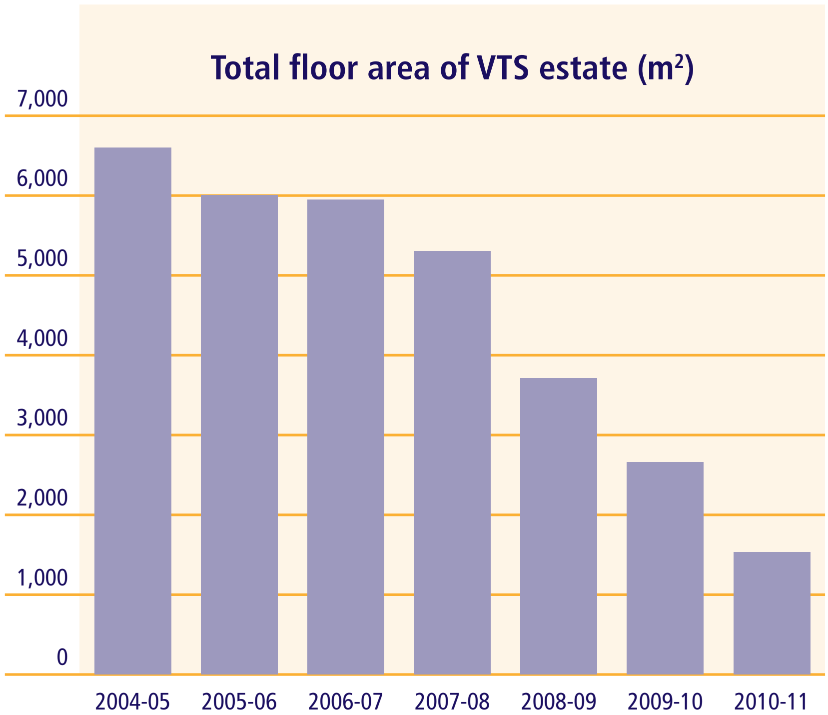
Utility costs fell by 57% compared to 2009-10.

In this financial year, recognising that we continue to provide a local service for tribunal users via our network of some 80 hearing venues throughout England, following the approval of a programme of strategic change by the Secretary of State we have optimised our operational activities into two administrative centres (in London and Doncaster).

In bringing to an end our leases in Werrington, Stafford, Preston, Bolton and Plymouth, our total estate footprint has reduced by 42% (Chart 1) on the previous year. The Witham office remains in the estate, although it is not operational. A smaller estate will provide greater efficiency in both service delivery and running costs as we meet the demands of a challenging economic climate.

Since 2009-10, we have reduced our total estate costs by 14% (£146,000). Centralising our utility contracts under a single provider, combined with the estate changes, has resulted in a 57% reduction in utility expenditure.

Chart 1



Environment and corporate social responsibility

With any office closure we adopt a 'zero-landfill' policy, which means products are either re-used or recycled (for example by donating furniture to charities and other not-for-profit organisations).

We continue to procure certified 'Enviro' environment products from recycled or sustainable materials, wherever possible; 55% of our office stationery and supplies are 'Enviro' products.

Health and safety

During the year under review, there were no recorded accidents on VTS premises. There was one accident involving a staff member at an external hearing venue. However, this was not reportable under the RIDDOR regulations.

Governance and leadership

VTS Board

The VTS is governed by a non-executive Board of seven, three of whom must be Senior Members of the Valuation Tribunal for England (VTE). The President of the VTE, appointed by the Lord Chancellor, is an ex-officio member of the Board. The Chairman and other members of the Board are appointed by the Secretary of State for Communities and Local Government in accordance with the Code of Practice of the Commissioner for Public Appointments.

The Chairman is responsible for leadership of the Board, ensuring its effectiveness in all aspects of its role and that new Board members receive appropriate induction and training on appointment covering all aspects of the VTS's operations.

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

The Board met formally on seven occasions during the year and held two days of discussions on strategic matters. The Chief Executive and Finance Director are present during Board Meetings.

The Chief Executive has responsibility for the overall organisation, management and staffing of the VTS, for the formulation of strategy for the Board, and for the successful delivery of results.

The Board is supported by a number of committees each with written terms of reference. During 2010-11 the standing committees of the Board were:

- Audit Committee
- Finance Committee
- Remuneration and Terms of Service Committee
- Members' Training Strategy Group

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

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

Membership during 2010-11

Chairman

Anne Galbraith CBE was first appointed in 2003 and was re-appointed from 30 September 2010 to a term expiring on 31 March 2012. Mrs Galbraith attended all seven meetings during the year.

Deputy Chairman

Peter Lawton was re-appointed from April 2008 to a term expiring on 31 March 2011. His re-appointment until 30 September 2012 was recently announced. He became Deputy Chairman on 1 April 2008 and has attended seven meetings during the year.

Members

Dr Ronald Barham was re-appointed from 1 April 2009 to a term expiring on 31 March 2011. His re-appointment until 30 September 2012 was recently announced. He attended seven meetings during the year.

Margaret May was appointed on 1 April 2010 to a term expiring on 31 March 2013. She attended seven meetings during the year.

Ian Tighe was appointed from 1 April 2008 to a term expiring on 31 March 2011. His re-appointment until 30 September 2012 was recently announced. He attended six meetings during the year.

John O'Shea was appointed from 1 April 2008 to a term expiring on 31 March 2011. His re-appointment until 30 September 2012 was recently announced. He attended seven meetings during the year.

Professor Graham Zellick CBE QC (VTE President) attended five meetings.

Board Committees

Audit Committee

The Audit Committee meets at least four times a year; it also meets with Internal and External Auditors. The Committee comprises three members of the Board, one of whom acts as Chair of the Committee, and one independent member. Members of the Committee during 2010-11 were:

- John O'Shea (Chairman)
- Ronald Barham
- Peter Lawton
- James Stockwell (independent member)

Margaret May, a member of the VTS Finance Committee, attends Audit Committee meetings as an observer. The Chief Executive, as the Accounting Officer, and the Finance Director also attend the meetings. During 2010-11 the Committee met four times.

Finance Committee

This Committee comprises at least three Board members. It meets at least four times a year and its main purposes are to monitor all financial aspects of the organisation and support the Accounting Officer to ensure that the VTS operates within the financial guidelines set out in current funding arrangements with the Department and its own Standing Financial Instructions.

Its members during 2010-11 were:

- Anne Galbraith (Chairman)
- Margaret May
- Ian Tighe

During 2010-11 the Committee met seven times. The Chief Executive, as the Accounting Officer, and the Finance Director also attend the meetings.

Remuneration and Terms of Service Committee

The Committee comprises three Board members, one of whom acts as Chair of the Committee. Members of the Committee during 2010-11 were:

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

The Committee's main task is to determine and agree with the Board the policy on executive remuneration and terms of service. It also exercises general oversight on matters relating to pay and performance of staff. Further details of the work of the Committee are given in the Remuneration Report (page 27). During 2010-11, the Committee met once.

Members' Training Strategy Group

The Chairman of the Group is a Board member who is also a Valuation Tribunal for England (VTE) member, appointed by the Board with the concurrence of the President of the VTE. There are three VTE members and a Vice-President appointed by the President. The Committee's roles are to advise the President on the training needs and appraisal of members; formulate and evaluate an annual training programme; and to ensure that VTS funds are committed appropriately in providing effective training to VTE members. The Group has met three times since its inception in July 2010.

Members of the Group during the year were:

- Peter Lawton (Chairman and Board Deputy Chairman)
- Michael Tildesley (VTE Vice-President)
- Judi Ellis (VTE Chairman)
- John Birkbeck (VTE Chairman)
- Tony Ritchie (VTE Chairman)
- Jon Bestow (Registrar)
- Tracey Banham (Training Manager)

Leadership

Executive Management Team

The Executive Management Team (EMT) comprises the Chief Executive and the Finance Director. The role of the EMT is to implement operational and strategic Board-approved plans, and provide strategic direction for staff. The EMT met eight times in the year.

New management structure

Towards the end of year, the organisation was restructured, with six offices closing and the administration being run from the London and Doncaster offices. We introduced a new operational management structure in both offices so that we remain an organisation that is able to react promptly in providing the effective administrative support that is required from us. In each office the key posts, to which appointments have now been made, are:

- Service Delivery Manager (SDM) – An active member of the operational senior management team supporting the Operations Manager and Chief Executive and providing line management for the Team Leaders and Office Manager;
- Team Leader (Planning) and Team Leader (Service Delivery) – Supporting the SDM to implement consistent processes and procedures and provide line management for office-based and home-working professional staff respectively;
- Office Manager – Supporting the SDM and Team Leaders and providing line management to the administrative team.

Programme Management Group

The Programme Management Group (PMG) ensures that new activity is properly planned, structured and resourced and that cases for change are made and shared for approval by the Board as required. A key part of this activity is to constantly assess and reassess risk and benefits to ensure that the approved outcomes remain achievable. The PMG also ensures that the Programme is prioritised to meet the VTS Board’s stated requirements; key outcomes and issues are reported to the Board.

Members of the PMG during the year were:

- Tony Masella (Chief Executive)
- Alan Begg (Finance Director)
- Ian Tighe (VTS Board member)
- Michael Harkin (IT Manager)
- Grahame Hunt (IT Support)
- Lee Anderson (Operations Manager)
- Steve Watts (Head of HR and Training)

The Group met nine times in 2010-11. Project managers also attend meetings as required.

Risk management

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

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

Key risk indicators are identified and closely monitored in our organisation-wide risk register, which is reviewed and updated regularly by the EMT, monitored by the Audit Committee quarterly and reviewed by the Board. The Chief Executive encourages an open and receptive approach to solving problems by risk owners and managers. Our risk management framework is closely aligned with the processes of internal control, accounting and audit policies.

Our public interests

Audio versions of all new guidance booklets can be downloaded from our website.

Equality and diversity

We developed our policies relating to equality and diversity to ensure that we met our statutory obligations. These obligations continue and are enhanced now under the requirements of the Equality Act 2010. Most of the provisions of this Act came into force during last year (from 1 October 2010).

We continue to make our guidance booklets available in the nine most commonly used languages in the country (English, Arabic, Bengali, Chinese, Gujarati, Polish, Punjabi, Urdu and Vietnamese). During the year, we accommodated 15 requests for translations; four of our booklets were provided in up to seven different languages. We have also arranged nine interpreters for appellants attending hearings.

Disability

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

Guidance and tribunal decision documents are offered in Braille, large print and audio versions. During the year we received five requests for large print versions and two requests for audio versions of our guidance. Audio versions of all new guidance booklets are available to download from our website. Signers and other communication assistance are provided on request to enable hearing-impaired appellants to participate fully when attending a tribunal. We ensure that as far as possible, our offices and hearing venues comply with the access requirements of the previous Disability Discrimination Act (most of which are now encompassed within the Equality Act 2010). If necessary, hearings may be arranged in especially suitable venues or the appellant's own home.

Our website includes a link enabling the public to download, free of charge, 'Browse aloud' software for use on their PCs. This software reads out the contents of any webpage, PDF file or word document. In addition to reading the contents of the website in a variety of languages and accents, the software contains a facility that explains the meaning of any word for the user.

Customer survey

We commission monthly 'rolling' telephone surveys of appellants (or their representatives) who have attended a hearing in the preceding month. This allows us to receive feedback and, where necessary, respond quickly with improvement initiatives. We now have responses from tribunal users who have attended hearings since November 2009, who agree to take part in independent telephone interviews about their experience. On average, 37 interviews have been conducted each month.

Looking at overall satisfaction levels (where the VTS scores 8, 9 or 10 out of 10), these averaged 59% during the last quarter of the year, compared to 57% for the same period last year. It is an important measure for us that, among those whose appeals were not successful, in the last quarter, 45% scored the VTS 8, 9 or 10 on their satisfaction with the service provided.

The 59% satisfaction rating in the last three months of the year compares reasonably with similar public bodies such as the Appeals Service, the Parking and Traffic Appeals Service, and the Vehicle and Operator Services Agency.

We also held two focus groups during the year, with people from these same samples, looking in depth at their views on our guidance literature and website. We have found this research particularly valuable in planning our communications with the general public.

Complaints

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

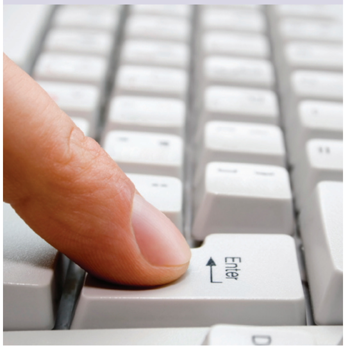
During the year under review, 34 complaints about the administration were registered (compared to 37 complaints in 2009-10). One complaint was referred to the CEO for investigation for maladministration (three in 2009-10); no instances of maladministration were found. No cases were referred to the Parliamentary and Health Service Ombudsman this year.

The Data Protection Act 1998 and Freedom of Information Act 2000

During the year, the VTS received and responded to 13 requests made under these Acts, (compared to 26 in 2009-10). Two internal reviews were carried out; one case was subsequently referred to the Information Commissioner who issued advice on the appropriate application of the two Acts.

Data security and information risk

The VTS continues to develop its security processes and its documented plans and procedures are reviewed annually in accordance with Cabinet Office requirements and the HMG Security Policy Framework. The VTS takes a serious approach to the way it handles information, generated and received, and through the year no incidents were reported on information risk-related incidents. An internal cultural plan aimed at fostering a culture that values, protects and uses information for the public good is supported by the senior information risk owner and VTS Board.



Management commentary

Performance against objectives

During the year, as well as successfully completing the restructuring of our organisation (described more fully in other sections of this Annual Report), we implemented several major changes to our IT capability. These included enhancements to both the HR and Training database and the appeals database to provide better management information and to improve our support for the VTE's judicial processes. Our workforce reduced from 90 to 67 during the year and the grant in aid we received reduced by over £1.25 million; appeal receipts during this time almost trebled. Nevertheless, we listed 36,000 more appeals and cleared 24,000 more than in the previous year.

A full account of our performance against the Business Plan for 2010-11 and our performance against the key performance indicators that we set to demonstrate improvement can be found on our website. Twenty-one objectives, which related to improved service delivery, support for the VTE and building capacity were fully completed. Four objectives were delayed or partially met, but we continue to progress these. One objective (Facilitating a conference for VTE Chairmen) was removed during the year owing to budget constraints.

Some of our highlights include:

Strategic Priority 1 – We will enhance our support to the VTE

We aimed to encourage and maintain effective relationships with stakeholders, to implement appropriate training for VTE members and support their appraisal system. We also planned to use better quality hearing venues and develop IT.

What we did

Forums were established where professional bodies could be consulted on new VTE procedures; these procedures were reflected in the new guidance literature we prepared and trialled with focus groups, and in IT developments.

The Members' Training Strategy Group planned and monitored the training programme and training in appraisal was delivered.

All hearing venues were reviewed for compliance according to established criteria: 74 met the criteria and 40 others have been replaced with more suitable venues.

Strategic Priority 2 – We will seek to improve further the ways we work to achieve higher quality and a more consistent service

Our objectives included listening to and responding to users of the service, optimising the organisational structure, estate and administrative processes.

What we did

Monthly, quarterly and annual user survey reports were received and acted upon.

Major organisational restructuring took place so that administrative functions are carried out in two offices, to achieve more consistency under a new management structure, trained in Lean Six Sigma principles.

Strategic Priority 3 – We will operate in ways that are efficient, economic and provide value for money

Objectives dealt specifically with effective and efficient use of IT and the introduction of 'lean' methodology. High standards of governance and accountability were to be promoted, and more use made of outsourcing and shared services.	What we did *Discussions have been held with the agencies through which our IT contract is managed to identify efficiencies.* *A wide area network was put in place to allow more flexible working and access for staff.* *A study of workflow was carried out in the two offices earmarked as future administrative hubs and new, 'lean' processes identified for implementation.* *Key governance documents have been reviewed and internal audit recommendations addressed and monitored regularly by senior management.*

Strategic Priority 4 – We will build capacity to deliver through our people

We planned to keep the organisational structure under review, to create more flexible job descriptions and revise the staff appraisal system, within which training and development would be offered.	What we did *A new management structure was devised based on the two operational offices, giving development opportunities for some, or the option of home working for many of the professional staff.* *The PDR scheme was revised and qualification sponsorship offered where appropriate.* *CPD became compulsory for tribunal-taking staff to ensure that VTE members and tribunal users receive good support at hearings.*

Key performance indicators

In our Business Plan for 2010-11, we set ourselves a number of performance indicators. Of these, we exceeded our targets for:

- reducing the fixed costs for the estate to below £1,230,000
- paying invoices within 10 days
- issuing decisions within one month of the hearing.

We met our target to have a customer satisfaction rating as good as or better than comparable organisations.

However, we recognise that, as a service delivery organisation, we need to improve on our speed of post and email responses.

Financial review

Delivery of an efficient service that provides value for money

Budgetary control continues to play a vital part in the management of our use of public funds. Whilst budgets continue to be squeezed, regular reviews with budget holders support the internal control processes to achieve the necessary standards of regularity and propriety.

During the year a number of offices were closed to engender consistent working practices in a new two-office structure from 1 April 2011. Added value, in terms of the use of public funds to finance the new structure, has initially been realised through the reduction in the VTS estate. Financial measures through 2011-12 to target the efficiencies now demanded from a two-office structure will be balanced by focussing more resource into front line service delivery. Our sponsoring department's shared service agenda has allowed the VTS to consider further joint cooperation initiatives to minimise cost in certain spend areas.

Funding

We managed our grant in aid to meet our overall expenditure. The Statement of Cash Flows, as set out on page 41 which analyses net cash flow from operating activities, identifies cash spent on capital expenditure and shows grant in aid that we drew down from the sponsoring department to finance our activities during the year.

Asset management

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

Outturn against estimates 2010-11

Net expenditure per the Statement of Comprehensive Net Expenditure for the year, shown on page 39, shows £3,439,000 on ordinary activities (2009-10 – £9,024,000 as restated). Adjusted for pensions, the net expenditure decreases to £1,785,000 (2009-10 – £19,090,000 as restated).

Financial summary

Expenditure for the financial year to 31 March 2011 was £4,275,000. This was held below the budget of £9,020,000 and the revised revenue grant in aid limit of £8,860,000. The apparent reduced actual expenditure has been caused by the reduction in pension liability following valuation, which has had the effect of reducing certain staff cost provisions.

Excluding the effect of pension movements from March 2010, our expenditures were contained within funding limits through the year. Revenue expenditure includes a dilapidation provision as required by International Accounting Standard (IAS) 37. 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 IAS 19 for pension liabilities.

Total grant in aid claimed and received from the sponsor department was £8,860,000.

The Department Expenditure Limit (DEL) budget for 2010-11 was initially set at £10,935,000, made up of £10,535,000 Resource and £400,000 Capital. During the year the VTS was obliged to surrender £700,000 Resource as part of the fallout from the Government's Spending Review. The Resource budget was further reduced by a pre-agreed funding withdrawal in 2010-11 of £800,000 to acknowledge funds no longer required in the year.

Day to day responsibility for financial management of activities is managed by the EMT. During the course of the year, the EMT and the Board's Finance Committee conducted close monitoring of all financial activities.

Non-current assets

The total net book value of the non-current assets at 31 March 2011 was £1,464,000. The movements in non-current assets for the year are set out in notes 5 and 6 to the financial statements. There were no costs incurred on research and development during the 12 months ended 31 March 2011. The additions to non-current assets comprised £175,000 property, plant and equipment assets and £237,000 intangible assets. The assets under construction at March 2010 were capitalised as intangible assets during the year.

The VTS offices at Bolton, Preston, Plymouth, Stafford, Werrington and Witham were closed before 31 March 2011. The leases at Bolton, Preston, Plymouth, Stafford and Werrington were all surrendered by 31 March. Enquiries continue in tracing the landlord of the Witham office. Commitments at the Statement of Financial Position date for lease agreements in force and due to be paid are shown on page 59. On page 59, Note 15 refers to there being no capital commitments entered into at the Statement of Financial Position date.

Pension liabilities

For the purposes of IAS 19, pension scheme liabilities of £14,759,000 have been recognised in the Statement of Financial Position. The net movement in liability from 2009-10 reduced by £7,215,000. The Government's decision to use the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) as the inflation measure for increases in public sector pensions and the revaluation of deferred pensions has been accounted for in the actuarial valuation; this has had the effect of reducing the year end pension liability. These pension entries in the 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 2011 there were no material financial liabilities other than those shown in these Accounts. The accounting for IAS 19, pension liabilities, is dependent on the annual valuations of 37 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.

Payments to suppliers

The VTS continues to uphold the government's 10-day prompt payment target for suppliers and achieved 92% within the target cycle. During the year, the Government moved towards a five-day payment target. Due to mid-year changes, no full-year data have been compiled. There were no invoices in dispute at the year end nor was any intimation received of late charges on any invoice. In compliance with the government's transparency agenda introduced in June 2010 the VTS publishes, on its website and on CLG's data.gov website, monthly spend data above values of £500 and £25,000.

8,860,000

Total grant in aid claimed and received from CLG was £8,860,000.

Going concern

The Statement of Financial Position shows net liabilities of £14,103,000. This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the VTS's other sources of income, may only be met by future grants or grant in aid from the sponsoring department. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

The grant in aid for 2010-11 takes into account the amounts required to meet the VTS's liabilities falling due in that year. This has already been included in the Department's estimates for that year. Funding for 2011-12 and 2012-13 has been confirmed by the Department and therefore it has been considered appropriate to adopt the going concern basis in preparing these financial statements.

Auditors

The Accounts of the VTS are audited by the Comptroller and Auditor General under the Local Government Act 2003. Moore Stephens were reappointed as our internal auditors for 2011-12.

I confirm that so far as I am aware, there is no relevant information of which VTS's auditors are unaware and that I have taken all reasonable steps to ensure that I am aware of any relevant audit information and to establish that the VTS's auditors are also aware of that information.

Remuneration report

Board members' emoluments and expenses

The remuneration of the Chairman is determined by the Secretary of State. Five other Board members, also appointed by the Secretary of State, are eligible to receive an annual fee which is non-pensionable and which is based on the fixed number of days in attendance at Board and other Board approved meetings. All member posts are non-executive and all members' emoluments are non-pensionable. Board members can be appointed for a term up to three years. When their first term of office comes to an end, a second term of appointment may be offered by the Secretary of State. Board members receive an annual appraisal from the Chairman, who in turn is appraised annually by the sponsoring department. The VTE President is an ex-officio member of the Board.

Executive Management Team

The salary of the Chief Executive is reviewed annually and may be increased by the Board in line with guidance provided from the sponsoring department. VTS Directors receive annual pay increases in line with all other VTS staff. For the year commencing 1 April 2010, no pay award was granted to accord with the Coalition Government's freeze on public sector pay.

Proportion of remuneration subject to performance

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

Directors are appraised by the Chief Executive with additional comment from the Chairman. The incentive scheme for the Chief Executive and Directors is restricted to a maximum of 10% of gross salary. The Committee recommends the level of performance award to the Board. In respect of the Chief Executive, any recommendation for a performance award must have the approval of the sponsor department.

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

The Chairman's third term of office was extended by the Secretary of State from September 2010 to 31 March 2012.

The Chief Executive and Finance Director are appointed on permanent contracts.

Audited information

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

Name	Period ended 31 March 2011 £'000	Period ended 31 March 2010 £'000
Anne Galbraith*	64	63
Peter Lawton	7	7
Ronald Barham	6	6
Margaret May (appointed 1 April 2010)	6	–
Irene Robinson (resigned 31 March 2010)	–	6
John O'Shea	6	6
Ian Tighe	6	6
Michael Tildesley (resigned 30 September 2009)	–	3
Total	**95**	**97**

* The remuneration of the Chairman is inclusive of employer's national insurance contribution of £7k (2009-10: £7k).

	Period ended 31 March 2011 £'000	Period ended 31 March 2010 £'000
The emoluments of the Chief Executive, Antonio Masella*:		
– Basic salary	86	60
– London weighting	3	2
– Performance related pay[1]	7	6
– Employer pension contribution	23	15
Total emoluments	**119**	**83**

* The emoluments for the period in 2009-10 were for 9 months.
1 Performance related pay refers to the accrual at the year end of each financial year.

The emoluments of the Directors were as follows:

	Period ended 31 March 2011 £'000	Period ended 31 March 2010 £'000
The emoluments of the Finance Director, Alan Begg:		
– Basic salary	62	60
– London weighting	3	3
– Performance related pay[1]	3	6
– Employer pension contribution	16	14
Total emoluments	**84**	**83**

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

The emoluments of the interim HR Director, Peter Fanning*:		
– Basic salary	6	69
– London weighting	–	3
– Employer pension contribution	–	–
Total emoluments	**6**	**72**

* Emoluments for 2010-11 are based on employment from 1-30 April 2010.

Cash Equivalent Transfer Values (CETV)

Name	Real increase in accrued pension and related lump sum (nearest £k)	Total accrued pension at 31/3/11 and related lump sum (nearest £k)	CETV at 31/3/10 (nearest £k)	CETV at 31/3/11 (nearest £k)	Real increase in CETV after adjustment for inflation and changes in market investment factors, age and employee contributions paid over the year to 31/3/10 (nearest £k)
Antonio Masella					
Pension	4	34	403	473	41
Lump sum	6	88			
Alan Begg					
Pension	2	15	219	265	14
Lump sum	3	34			

The calculations of accrued benefits and cash equivalent transfer values have been calculated by the administrators to the relevant local authority, namely the London Pensions Fund Authority. The real increase in pension and lump sums earned over 2010-11 and the real increase in transfer values have been based on the change in the level of the Consumer Prices Index over the previous twelve months at 5.3%. The calculated net increase in cash equivalent transfer values has taken out the effect of changes in the market conditions, changes in employees' ages over the year and employee contributions paid. The real increase in transfer values of around 8% for those in service over the year omits the effect of inflation which reduces the difference between the values at the start and end of the year.

In the table above, the transfer value calculations for the two Directors are based on the salary data (including pensionable bonus) held by the Funds. The CETV values shown represent the value of the deferred benefits payable on a transfer of those benefits to another scheme and do not represent the liabilities for funding purposes.

The average increase in service is around 10%. Excluding personal AVC related benefits the average drops to around 5%.

The number of staff, including the Chief Executive, whose annual rate of remuneration as at 31 March 2010 exceeded £40,000 (excluding pension contributions and performance related pay but including any benefits in kind and London weighting) was 21.

Remuneration band	Period ended 31 March 2011 Number
£40,000 to £44,999	5
£45,000 to £49,999	10
£50,000 to £54,999	2
£55,000 to £59,999	2
£60,000 to £64,999	–
£65,000 to £69,999	1
£70,000 to £74,999	–
£75,000 to £79,999	–
£80,000 to £84,999	–
£85,000 to £89,999	1

Antonio Masella

Chief Executive and Accounting Officer
Valuation Tribunal Service

22 June 2011

Foreword to the financial statements

The financial statements have been prepared in line with an accounts direction issued by the Department with the consent of HM Treasury in accordance with the Local Government Act 2003.

Statutory basis

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

International Accounting Standard 19 'Employee Benefits'

Under HM Treasury guidance, the VTS has implemented International Accounting Standard (IAS) 19. The VTS prepares its Accounts in accordance with the Financial Reporting Manual (FReM) as it applies to NDPBs. Under IAS 19, 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 Statement of Comprehensive Net Expenditure in the year the requirement is granted.

Antonio Masella
Chief Executive and Accounting Officer
Valuation Tribunal Service
22 June 2011

Anne Galbraith CBE
Chairman
Valuation Tribunal Service
22 June 2011

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

Under the Local Government Act 2003, the Board and the Chief Executive of the VTS 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 Antonio Masella as the VTS's Accounting Officer for the accounting period 1 April 2010 to 31 March 2011.

At March 2011, Mr Masella 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* (HM Treasury).

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

In preparing these Accounts, the Chief Executive, as the Accounting Officer, 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
- prepare annual Accounts on a going concern basis unless it is inappropriate to presume that the VTS will continue in operation.

Statement on internal control

Scope of responsibility

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

I have no role in the make-up of the membership of the Valuation Tribunal for England (VTE), other than provide within the VTS's budget for the staff costs of the President, daily fees (two days per month) payable to Vice-Presidents as determined by their appointing body (Ministry of Justice), reasonable costs associated with the appropriate training of VTE members and reimbursement to members of various expenses incurred whilst on approved duty according to the Determination issued by CLG's Secretary of State on 22 September 2010 with supporting guidance circulated. Nor do I have any role in the management, appraisal or discipline of VTE members, nor the judicial processes associated with it. These responsibilities lie with the President of the VTE.

The purpose of the system of internal control

The system of internal control is designed to manage risk to an acceptable and reasonable level rather than eliminate risk altogether, whilst achieving the policies, aims and objectives of the VTS; 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 VTS policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

Statement of internal control

The system of internal control has been in place in the VTS for the year ended 31 March 2011 and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance.

Capacity to handle risk

There is a clear understanding and ownership of risk at Board and senior management level. Whilst every member of staff within the VTS has a responsibility to ensure that the VTS's exposure to risk is managed, overall leadership of the VTS risk management process rests with senior management. They are responsible for promoting and embedding a risk management culture within the VTS, which includes setting the risk management framework within which the VTS operates.

Risk awareness continues at operational and departmental levels through individual risk registers which in turn feed into the VTS Central Risk Register. A risk register is also in place for the VTE, to ensure that the VTS is aware of risks as perceived by the Tribunal. An important part of our risk management framework is to ensure that staff have the appropriate skills, knowledge and understanding to discharge their risk management responsibilities.

As Accounting Officer, I act as the risk champion for the VTS to ensure that appropriate mechanisms are in place to identify, monitor and control risk and to advise senior management on the actions needed 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 risk management responsibilities are discharged efficiently, effectively and economically.

The VTS empowers all staff to assume responsibility for contributing to effective risk management. This is achieved by robust systems and processes which enable the identification, assessment, analysis and management of risk at appropriate levels for all operational, corporate and project related risks. During 2010-11 we continued to make significant progress in developing our capability to manage risk and to ensure a consolidated and common methodology is in place in the light of recent organisational changes.

The Audit Committee oversees VTS risk management and this features as a standing agenda item at its quarterly meetings. The Audit Committee discharges its duty of governance to the Board by "testing" the various risk registers to ensure that processes in place remain effective and robust. The VTS minimises adverse outcomes such as damage to reputation, loss or damage to the organisation, its people or property, or those who receive its services. It does this through adequate training and supervision, appropriate delegation, continuous review of processes and the environment, and the sharing of lessons learned and best practice through monitoring and evaluation. The VTS Intranet is actively used to promulgate awareness and guidance for all corporate risk-related activities.

The risk and control framework

During the year we reviewed our governance documentation to ensure that this continues to reflect the changing environment. High level controls in place include a formal governance and internal control system that details the aims and principles through which the VTS conducts its business. This system is supported by a risk management framework composed of a hierarchy of registers, including Health and Safety and Data Security. All risk registers are reviewed quarterly with an assessment made on those risks which may impact on the VTS. The control framework is set by the Board under advice from the Audit Committee and Internal Audit. Specifically, the Board has established:

- a clear framework within which risks are identified, managed and regularly reviewed
- guidance to staff and business partners on the VTS's attitude to risk, with specific identification of very low risk appetite areas such as staff security, fraud and corruption
- clear prioritisation of risks and mitigation measures
- guidance to staff in assessing, managing and monitoring risks
- internal auditing and controls to ensure compliance with policies and procedures
- maintenance of appropriate corporate ethics
- increased efficiency and improved use of resources through assessment of delivery models and their impact.

The Board's Finance Committee acts as a further measure of assurance for financial processes and ensures that the VTS is financially sound and that budgets are robust to deliver the resources required whilst delivering value for money.

Information security

During the financial year we have continued to enhance our approach to data handling and information security following guidelines from HMG's Security Policy Framework (SPF) and the Cabinet Office. We refreshed in November 2010 our staff awareness in reinforcing the data security principles in which we operate with E-learning modules, which all staff were mandated to pass, and supported this with policies such as clear desk policy, disposal and retention of documentation and protection of personal, sensitive information. We will now introduce the next stage of E-Learning modules aimed at our information asset owners.

A further development to enhance the information security framework was the completion at March 2011 of a new Incident Response and Business Continuity Plan. This plan, recommended by the Audit Committee and approved by the Board, details process and procedures necessary for incident response and risk mitigation.

In March 2011 we successfully migrated our mail services network from Gsx to Gsi. The Gsi platform now allows the VTS to exchange data within the government network at a higher accredited security level.

The senior information risk owner and each information asset owner provide an annual confirmation that they have reviewed their areas of responsibility, with amendments where necessary introduced to the information risk assessments carried out. There were no information security incidents during the year.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and my senior managers, who have responsibility for the development and maintenance of the internal control framework, and comments made to us by the external auditors in their management letter and other reports.

On the basis of the results of the seven audit reviews undertaken during the year, Internal Audit has provided me with reasonable assurance on all audits undertaken which is the highest level of assurance they provide. These audits focused on IT development, financial controls, pension administration, senior management expenses, procurement, risk management and governance, and data handling. An audit has recently taken place on training of VTE Members. The outcome of this report has yet to be reported to me. Follow up audits from previously agreed audit recommendations have also been carried out.

The Audit Committee is responsible for ensuring, as far as possible, that appropriate mechanisms are in place for the assessment of risk and advising on the effectiveness of controls prior to me signing off the Statement on Internal Control. I chair the meetings of the Programme Management Group (PMG) where project assurance mechanisms related to risk are discussed and recorded. Each meeting is apprised of actions taken and each risk is matched to an operational risk register on which managers report.

The VTS Board has corporate responsibility for ensuring that the aims and objectives set by the Secretary of State are fulfilled, and for promoting the efficient and effective use of staff and other resources. Clear responsibility for managing risk lies with the Board, Chief Executive, Directors and staff. Internal Audit supports this process by focusing on key risks and by auditing the risk management process and its application. Quarterly assurance reports are provided to the Audit Committee on risk-based activity programmes, taking into account the business requirements in collaboration with senior management.

Significant internal control issues

Through 2010-11 there have been no significant control weaknesses reported and I am satisfied within the overall control environment that has been in place in the VTS for the year ended 31 March 2011 and up to the date of approval of our Annual Report and Accounts. Our areas of attention for the short to medium term concern the following:

As a result of a strategic review of our organisation and recent changes implemented, the optimum level of posts for the VTS has been identified at 81. We are currently operating with 78 posts and have been able to deliver our services at this level. However, the continuing recruitment freeze puts pressure on our workforce and presents a risk to our ability to continue to deliver quality service, should staff numbers reduce further.

During the year the funding valuations of our 21 active pension schemes have been re-valued as part of the triennial revaluation resulting in a reduction of our pension deficit. However, there remains the likelihood that pension fund providers will continue to seek payment of shortfalls and increased employer pension contributions given the current economic climate.

The self governing practices of VTE Vice-Presidents in managing the communication with members within their allocated geographical area can impinge on finances and/or staffing. Planning their resources in line with their appointment expectations would greatly mitigate this occurring. Fortnightly meetings with the VTE President provide a forum to air and discuss such matters. However, responsibility for the management of Vice-Presidents falls outside of my remit and outside of my management control.

My review overall confirms that the VTS has a generally sound system of internal control that supports the achievements of its policies, aims and objectives.

The VTS will, through Internal Audit and its Audit Committee, continue to review processes to ensure appropriate controls remain in place.

Signed by

Antonio Masella
Accounting Officer
22 June 2011

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

I certify that I have audited the financial statements of the Valuation Tribunal Service for the year ended 31 March 2011 under the Local Government Act 2003. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related Notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Board, the Accounting Officer and auditor

As explained more fully in the Statement of Board and Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Local Government Act 2003. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Valuation Tribunal Service's affairs as at 31 March 2011 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Local Government Act 2003 and Secretary of State directions issued thereunder.

Emphasis of matter paragraph reflecting going concern uncertainty

In forming my opinion, which is not qualified, I have considered the adequacy of the disclosures made in Note 20 to the financial statements concerning the application of the going concern principle in light of the announcement to abolish the Valuation Tribunal Service, which is subject to legislation. This proposal indicates the existence of a material uncertainty which may cast significant doubt about the ability of the Valuation Tribunal Service to continue as a going concern. The financial statements do not include the adjustments that would result if the Valuation Tribunal Service was unable to continue as a going concern.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Local Government Act 2003; and
- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse

Comptroller and Auditor General, National Audit Office

157-197 Buckingham Palace Road
Victoria, London SW1W 9SP

27 June 2011

Statement of Comprehensive Net Expenditure
for the year ended 31 March 2011

	Note	2010-11 £'000	2009-10 as restated £'000
Expenditure			
Staff costs (excluding pension gain from change in inflation measure)	2	4,079	4,260
Other expenditure	3d	4,179	4,325
Staff costs and other expenditure		8,258	8,585
Pension gain from change in inflation measure	12a	(5,363)	–
Depreciation and amortisation	4	544	439
Net expenditure		**3,439**	**9,024**
Finance charges arising from pension valuations		836	970
Net expenditure after interest		**4,275**	**9,994**
Other comprehensive expenditure			
Net (gain)/loss on revaluation of property, plant and equipment	5	(4)	3
Actuarial (gain)/loss on pension schemes		(2,486)	9,093
Total comprehensive expenditure for the year ended 31 March 2011	11	**1,785**	**19,090**

The accounts have been restated following the removal of the requirement to record a notional cost of capital charge.

Note 1.2 on page 43 is applicable.

The staff costs highlight separately the disclosure of a past service pension gain due to the change in inflation measure.

The Notes on pages 43 to 61 form part of these accounts.

Statement of Financial Position
as at 31 March 2011

	Note	12 months to 31 March 2011 £'000	12 months to 31 March 2010 £'000
Non-current assets			
– Property, plant and equipment	5	443	519
– Intangible assets	6	1,021	1,078
Total non-current assets		**1,464**	**1,597**
Current assets			
– Trade and other receivables	7	212	331
– Cash and cash equivalents	8	3	7
Total current assets		**215**	**338**
Total assets		**1,679**	**1,935**
Current liabilities			
– Trade and other payables	9	(969)	(1,089)
– Provisions for liabilities and charges	10	(54)	(50)
Total current liabilities		**(1,023)**	**(1,139)**
Non-current assets plus/less current assets/liabilities		**656**	**796**
Non-current liabilities			
– Pension liabilities	12	(14,759)	(21,974)
Total non-current liabilities		**(14,759)**	**(21,974)**
Assets less liabilities		**(14,103)**	**(21,178)**
Taxpayers' equity			
– Net Expenditure Reserve	11	656	796
– Pension Fund Reserve	13	(14,759)	(21,974)
		(14,103)	**(21,178)**

The 2010-11 accounts have been restated following the removal of the requirement to record a notional cost of capital charge. Note 12 on page 43 refers to this change.

The financial statements were approved on behalf of the Board on 15 June 2011 and were signed on its behalf by:

Antonio Masella
Chief Executive and Accounting Officer
22 June 2011

Anne Galbraith CBE
Chairman
22 June 2011

Statement of Cash Flows
for the year ended 31 March 2011

	Note	2010-11 £'000	2009-10 as restated £'000
Cash flows from operating activities			
Total comprehensive net expenditure		(4,275)	(9,997)
Depreciation and amortisation	4	544	439
Pension gain		(5,363)	–
IAS 19 pension contributions		638	412
Decrease in trade and other receivables	7	119	72
Decrease in trade and other payables	9	(120)	(311)
Use of provisions	10	4	(199)
Adjustment on capitalisation from prior year		1	33
Net cash outflow from operating activities		**(8,452)**	**(9,548)**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(175)	(42)
Purchase of intangible assets	6	(237)	(696)
Net cash outflow from investing activities		**(412)**	**(738)**
Cash flows from financing activities			
Grant in aid received from sponsoring department	11	8,860	10,192
Net cash inflow from financing activities		**8,860**	**10,192**
Net decrease in cash and cash equivalents in the period		(4)	(94)
Cash and cash equivalents at 1 April 2010		7	101
Cash and cash equivalents at 31 March 2011	8	**3**	**7**

The accounts have been restated following the removal of the requirement to record a notional cost of capital charge and in accordance with Note 1.2 on page 43.

Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2011

	Note	Net Expenditure Reserve £'000	Pension Reserve £'000	Total Reserve £'000
Balance as at 1 April 2009		**271**	**(12,466)**	**(12,195)**
Changes in Taxpayers' Equity 2009-10				
Recognised in Statement of Comprehensive Net Expenditure, net of cost of capital		(19,090)	–	(19,090)
Prior year asset adjustment		(38)	–	(38)
Revaluation of assets		(47)	–	(47)
Movement on pensions		9,508	(9,508)	–
Grant in aid from sponsoring department		10,192	–	10,192
Balance at 31 March 2010	11	**796**	**(21,974)**	**(21,178)**
Changes in Taxpayers' Equity 2010-11				
Recognised in statement of total comprehensive net expenditure		(1,785)	–	(1,785)
Movement in pensions		(7,215)	7,215	–
Grant in aid from sponsoring department		8,860	–	8,860
Balance at 31 March 2011	11	**656**	**(14,759)**	**(14,103)**

Notes to the Accounts

1 Statement of accounting policies

1.1 Basis of preparation

These financial statements have been prepared in accordance with the 2010-11 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. The accounting policies also meet the accounting and disclosure requirements of the Companies Act 2006 to the extent these are appropriate. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the VTS for the purpose of giving a true and fair view has been selected. The accounting policies have been applied consistently in dealing with items that are considered material to the financial statements.

1.2 Standards adopted by the VTS

IAS 1 'Presentation of Financial Statements' – Amendments. This amendment aims to assist users in their ability to analyse and compare the information given in the financial statements. Changes include changes to titles of some of the financial statements and changes to the components of financial statements. The amendment is effective for periods commencing on or after 1 January 2009.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies.

Change of accounting policy regarding cost of capital

In previous years the VTS has been subject to a notional cost of capital charge of 3.5% following guidance from HM Treasury to charge a rate on average capital employed. For 2010-11, this notional cost of capital charge is withdrawn as part of the changes reflected through the FReM. This change in accounting policy, under IAS 1, would require a restatement of prior year comparatives where the change affects certain financial statements. The VTS has adopted this change and has highlighted by way of the Statement of Changes in Taxpayers' Equity that there is no impact on either opening or closing balances to reserves and so has not provided comparatives as at 1 April 2009 for the Statement of Financial Position and related notes.

1.3 Future accounting developments

As noted above, the VTS applies the accounting standards as set out in the FReM. The 2010-11 FReM applies financial reporting standards that are effective for the financial year.

A number of standards have either been issued or amended but which have yet to come into effect. The VTS will apply the new and revised standards and consider in detail their impact once they have been adopted by the FReM. The new standard, IFRS 9 may have an impact on the financial statements when it becomes effective. The VTS cannot currently determine the detailed impact.

Amendments to IFRSs

Such amendments are unlikely to have any significant impact on the VTS's financial statements.

IFRS 1 First-time adoption of IFRS – amendments from 1 July 2011, with earlier application permitted. The VTS adopted IFRS 1 in 2010-11.

Major IFReM changes for 2011-12

The VTS has reviewed the major IFReM changes for 2011-12 and determined that none will have a significant impact on the VTS's financial statements.

1.4 Non-current assets

The VTS has elected to adopt for property, plant and equipment and intangible assets, to depreciate as per historical cost adjusted for revaluation, as a proxy for the fair value because the difference between carrying value and fair value is deemed immaterial.

1.4a Property, plant and equipment

Property, plant and equipment are capitalised where they have an expected useful life of more than one year and where the original cost of the item exceeds £5,000 excluding VAT. This change to the capitalisation policy was approved by the VTS Board in March 2010. 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.

The VTS does not hold any financial interest in land or buildings; it occupies premises rented or leased from a several landlords. During 2010-11, the VTS surrendered its lease obligations in various premises and provides obligations only on three offices at 31 March 2011.

All other property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment (if any). Historical cost includes expenditure that is directly attributable to the acquisition and implementation of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statement of Comprehensive Net Expenditure during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Information Technology	3 years
Furniture and office equipment	5 years
Leasehold improvements	over life of lease

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

The VTS is now required at each accounting year end to revalue property, plant and equipment in line with HM Treasury policy. For this purpose VTS applies indices appropriate to each class of assets. The assets' residual values and useful lives are revalued and adjusted if appropriate, at each Statement of Financial Position date

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

1.5 Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of identifiable and unique software products controlled by the entity, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads.

Amortisation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Computer software licences	over the length of the licence period
Computer software development cost	5 years

Assets under construction are valued at the lower of cost or net realisable value. Cost represents the calculated charges by external developers for IT development based on a time and material basis. The costs associated with IT development are shown as "development expenditure" in Note 6 when incurred, and will not be amortised until the assets are brought into use.

1.6 Inventories

The VTS aims to hold inventories at a level that is commensurate with immediate business needs. Therefore, inventory holdings are minimal and have no significant realisable value outside the VTS. Inventory has, therefore, been valued at zero for the year ended 31 March 2011.

1.7 Grant in aid

Grant in aid (GIA) is accountable on a cash basis. GIA received is treated as financing because it is regarded as a contribution from the controlling party. This gives rise to a financial interest in the residual interest of the VTS as a non-departmental public body.

Grant in aid received is differentiated between Revenue and Capital and in total is credited to the Net Expenditure Reserve.

1.8 Employee benefits

In compliance with its Accounts Direction and the IFReM, the VTS has accounted for employee benefits under IAS 19. 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 statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 1997, as amended. It is contracted out of the state second pension. The London Pensions Fund Authority administers the LGPS on behalf of the VTS but employees are admitted to the 21 separate LGPS pension funds, each with their own employer contribution rate for VTS employees.

The entity has a defined benefit plan for its employees. A defined benefit plan is a pension plan under which the entity has legal or constructive obligations to pay further contributions to the plan if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan typically defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The net pension liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the calculated liabilities at the latest valuation, less the scheme assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated every three years by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to Taxpayers' equity in the Statement of Financial Position in the period in which they arise.

Past service costs are normally recognised immediately in the Statement of Comprehensive Net Expenditure, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In 2010-11 there was a net past service gain due primarily to the change of the inflation measure from RPI to CPI.

The VTS 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 Statement of Comprehensive Net Expenditure in the year that the retirements are granted. Regular pension fund costs are paid from the same source.

IAS 19 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, for each year, the value of all future pension payments and the snapshot value of investments as at 31 March results in either an overall deficit or surplus. The total net deficit arising for the VTS, as at 31 March 2011, is £14,759,000. The assessment of current surplus or deficit arising from an IAS 19 valuation carries with it no additional payment requirement from the VTS to its LGPS pensions authorities as the separate LGPS actuarial valuation, carried out every three years, sets revised employer contribution rates and, in some funds, additional deficit payments for each employer, such as the VTS, to ensure that existing assets and future contributions will be sufficient to meet future pension payments.

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

1.9 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the period of the lease.

1.10 Provisions

The VTS provides for legal or constructive obligations which are of uncertain timing or amount at 31 March 2011 on the basis of the best estimate of the expenditure required to settle the obligation. This practice conforms to IAS 37.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the HM Treasury discount rate of 2.9% (2009-10 – 2.2% in real terms).

Property dilapidations are treated as provisions and are recognised in terms of the obligations within the VTS's leases on buildings where these have been vacated. Where buildings have been vacated, these have been included in payables.

1.11 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 property, plant and equipment and intangible assets.

1.12 Taxation

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

1.13 Liquidity risk

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

1.14 Interest rate risk

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

1.15 Foreign exchange risk

The VTS is not exposed to any significant foreign exchange risk as all operations are carried out in the United Kingdom and denominated in GBP.

2 Staff numbers and related costs

	2010-11 £'000	2009-10 £'000
Staff costs comprise:		
Wages and salaries	2,596	3,081
Social security costs	218	265
Pension costs – payment to funded schemes	846	815
– net cost of employer benefits	(201)	(555)
– past service pension gain	(5,363)	–
	(1,904)	**3,606**
Other staff costs		
Redundancy payments and provisions	418	501
Fringe benefits	4	3
Agency costs	200	110
Other staff costs	(2)	40
	620	**654**
Total net costs	**(1,284)**	**4,260**

Note: Gross staff costs total £4,079k (2009-10: £4,260k) excluding the past service pension gain.

The VTS is an admitted authority to the Local Government Pension Scheme and pays employer contributions and additional sums each year according to the results from actuarial valuations arising from each scheme into which the VTS contributes.

There is a past service gain relating to the change in the inflation measure from RPI to CPI which was applied to payments and deferred revaluations. As CPI is lower on average than RPI, the cost of providing benefits has been reduced as a result. The change to CPI rather than the previous year's RPI calculation method followed HM Treasury guidance.

Average number of persons employed

The numbers of full-time equivalent persons employed during the year, as an average, were:

	Permanent staff	Others	2010-11 Total	2009-10 Total
Directly employed	78	1	79	106
Other	2	6	8	4
Total	**80**	**7**	**87**	**110**

2.1 Reporting compensation schemes – exit packages

Comparative data for 2009-10 is shown in brackets.

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	–	4 (0)	4 (0)
£10,000 – £25,000	–	7 (5)	7 (5)
£25,000 – £50,000	–	5 (1)	5 (1)
£50,000 – £100,000	–	2 (2)	2 (2)
£100,000 – £150,000	–	0 (0)	0 (0)
£150,000 – £200,000	–	0 (3)	0 (3)
Total number of exit packages by type	–	18 (11)	18 (11)
Total resource cost/£	–	24k (65k)	24k (65k)

Payments were made in accordance with VTS's redundancy and organisational change policy and include costs for early retirement where applicable.

3 Other expenditure

	2010-11 £'000	2009-10 as restated £'000
3a Board expenditure		
Emoluments	94	97
Training	1	3
Travel and subsistence	26	33
Total Board expenditure	**121**	**133**

	2010-11 £'000	2009-10 as restated £'000
3b Valuation Tribunal For England (VTE)		
Staff costs	126	178
Travel and subsistence	17	15
Financial loss allowance	47	57
Training and conferences	40	177
Members' meetings and expenses	301	283
Other expenses	67	82
Total VTE expenditure	**598**	**792**

	2010-11 £'000	2009-10 as restated £'000
3c Other administrative expenditure		
Travel and subsistence	124	168
Furniture and office equipment	2	5
Telecommunications and postage	246	329
Publications, printing, publicity and research	90	152
Recruitment, training and conferences	115	156
Meeting expenses	11	26
Office supplies	38	30
Subscriptions to professional bodies	15	19
Support services[1]	847	952
Information technology	525	394
Total other administrative expenditure	**2,013**	**2,231**
Internal audit fees	30	34
External audit fees	38	43
Total administrative expenditure	**2,800**	**3,233**

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

	2010-11 £'000	2009-10 as restated £'000
3d Estates expenditure		
Domestic services	42	50
Heating and lighting	25	58
Fixed and variable maintenance	62	87
Insurance	13	16
Professional services	27	11
Rates	150	136
Rent – paid as operating leases (buildings)	420	526
Security	8	4
Hearing venues	154	115
Service charges	94	64
Office refurbishments	(12)	69
Removals and storage	17	5
Organisational change costs[1]	379	(49)
Total estates expenditure	**1,379**	**1,092**
Total other expenditure per Statement of Comprehensive Net Expenditure	**4,179**	**4,325**

1 Includes the cost of lease surrenders at £325k.

4 Depreciation and amortisation

	Note	2010-11 £'000	2009-10 £'000
Property, plant and equipment			
Depreciation charge, including asset write-off	5	250	360
Intangible assets			
Amortisation for year	6	294	79
Total depreciation and amortisation charge for year		**544**	**439**

5 Property, plant and equipment

	Leasehold improvements £'000	Furniture and fittings £'000	Information technology £'000	Total £'000
Cost or valuation				
At 1 April 2010	409	112	627	1,148
Additions	62	–	113	175
Disposals, including assets written off	(121)	(57)	(507)	(685)
Revaluations	–	–	4	4
At 31 March 2011	**350**	**55**	**237**	**642**
Depreciation				
At 1 April 2010	(143)	(56)	(430)	(629)
Disposals	121	55	504	680
Charge for period	(93)	(21)	(136)	(250)
At 31 March 2011	**(115)**	**(22)**	**(62)**	**(199)**
Net book value at 31 March 2011	**235**	**33**	**175**	**443**
Net book value at 31 March 2010	**266**	**56**	**197**	**519**

No assets are held under finance leases.

Revaluation of assets is based on asset indices provided by HM Treasury.

6 Intangible assets

	IT development expenditure £'000	IT software and licences £'000	Total £'000
Cost or valuation			
At 1 April 2010	409	856	1,265
Additions	190	47	237
At 31 March 2011	**599**	**903**	**1,502**
Amortisation			
At 1 April 2010	–	(187)	(187)
Charge for period	(113)	(181)	(294)
At 31 March 2011	**(113)**	**(368)**	**(481)**
Net book value at 31 March 2011	**486**	**535**	**1,021**
Net book value at 31 March 2010	**409**	**669**	**1,078**

7 Trade receivables and other current assets

Amounts falling due within one year:

	2010-11 £'000	2009-10 £'000
Prepayments and accrued income	**202**	**325**
Season ticket interest free loans	**10**	**6**
Represented by bodies external to Government	**212**	**331**

8 Cash and cash equivalents

	2010-11 £'000	2009-10 £'000
Cash at bank and in hand at 1 April	7	101
Increase/(decrease) in cash for the year	(4)	(94)
Cash at bank and in hand held at 31 March	3	7
The following balances at 31 March were held at:		
HM Paymaster General Account	–	5
Commercial banks and cash in hand	3	2
Total balance at 31 March	**3**	**7**

9 Trade payables and other current liabilities

Amounts falling due within one year:

	2010-11 £'000	2009-10 £'000
Accruals and deferred income	**969**	**1,089**
Represented by bodies external to Government	**969**	**1,089**

10 Provisions for liabilities and charges

	2010-11 £'000	2009-10 £'000
Balance at 1 April	50	249
Provisions utilised in the year	(34)	(200)
Provisions not required written back	(16)	(49)
Dilapidations based on third party valuations	54	50
Balance at 31 March	**54***	**50***

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

Analysis of expected timing of discounted flows:

	Dilapidations £'000	Dilapidations £'000
Not later than one year	54	50
Later than one year and not later than five years	–	–
Later than five years	–	–
Balance at 31 March 2011	**54***	**50**

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

11 Reconciliation of Net Expenditure Reserve

	Capital Reserve £'000	General Reserve £'000	Net Expenditure Reserve £'000
Balance at 31 March 2009	**1,061**	**(790)**	**271**
Capitalisation of prior year assets' provisions	142	(142)	–
Capital additions in the year	738	(738)	–
Transfer of work in progress to capital	213	(213)	–
Depreciation on assets capitalised	(377)	377	–
Disposals and write-offs of property, plant and equipment at net book value	(61)	61	–
Capital adjustments from prior year	(33)	33	–
Asset revaluations	(78)	–	(78)
Prior year depreciation adjustment	(9)	–	(9)
Expenditure for the year	–	(9,994)	(9,994)
Prior year rounding adjustment	–	(1)	(1)
Grant in aid	619	9,573	10,192
Pension movement	–	415	415
Balance at 31 March 2010	**2,215**	**(1,419)**	**796**
Capitalisation of prior year assets' provisions	128	(128)	–
Capital additions in the year	412	(412)	–
Transfer of work in progress to capital	205	(205)	–
Depreciation on assets capitalised	(544)	544	–
Expenditure for the year	–	(4,275)	(4,275)
IAS 19 pension costs – net of employer benefits	–	(5,363)	(5,363)
– pension movement	–	635	635
Rounding adjustment	–	3	3
Grant in aid	–	8,860	8,860
Balance at 31 March 2011	**2,416**	**(1,760)**	**656**

The Net Expenditure Reserve is a total reserve combining both capital and revenue movements over the year. The reserve is shown in the Statement of Financial Position as part of Taxpayers' equity.

12 Non-current pension liabilities

	2010-11 £'000	2009-10 £'000
Pension liabilities at 1 April	21,974	12,466
(Reduction)/addition in period	(7,215)	9,508
At 31 March	**14,759**	**21,974**

A provision has been recognised for pension liabilities and their valuation has been determined by the VTS' independent actuaries, Hymans Robertson LLP.

Valuations of all 37 LGPS funds for which the VTS has pension obligations have been based on valuations rolled forward from the last formal valuation of funds at 31 March 2010. These funds have been adjusted for investment experience and cash flows between 1 April 2010 and 31 March 2011. The pension disclosures at 31 March 2011 are in accordance with IAS 19, which allows for the use of approximate valuations, rather than full valuations, and therefore the latest funds' valuations take account of the different financial assumptions required under IAS 19 for the year to 31 March 2011. The actuaries were unable to obtain valuation data from three LGPS funds and for these funds, the 2007 triennial valuation results have been rolled forward accordingly. Across all funds, asset returns have been used for nine months with extrapolations made in the final quarter, depending on what each fund could provide.

The financial assumptions taken from the VTS's professional advisers and used for purposes of the IAS 19 calculations for the two years to 31 March 2011 are shown in the table below.

Assumptions as at	31 March 2011 % p.a.	Real % p.a.	31 March 2010 % p.a.	Real % p.a.
Price increases	2.8	–	3.8	–
Salary increases	5.1	2.3	4.8	1.0
Pension increases	2.8	–	3.8	–
Discount rate*	5.5	2.7	5.5	1.6

* based on the gross redemption yield on the iboxx Sterling Corporate Index over 15 years for both years.

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 (i.e. as at 31 March 2011 for the year to 31 March 2012).

IAS 19 requires that the expected return on assets is to be the employer's best estimate of future experience, having taken actuarial advice and use of the relevant asset model adopted by Hymans Robertson LLP.

The expected returns adopted as at 31 March 2011 and 31 March 2010 are shown in the table below, which the VTS's actuaries believe are best estimates regarding expected return and therefore comply with IAS 19.

Asset class	Expected return at 31 March 2011 (%) p.a.	Expected return at 31 March 2010 (%) p.a.
Equities	7.5	7.8
Bonds	4.9	5.0
Property	5.5	5.8
Cash	4.6	4.8

There is a range of actuarial assumptions that are acceptable under the requirements of IAS 19, particularly in respect of the expected return on equities. The actuaries consider that these assumptions are within the acceptable range. 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. As required under IAS 19, the projected unit method of valuation has been used to calculate the service cost.

12a Revenue account costs for the year to 31 March 2011

Analysis of amount charged to Statement of Comprehensive Net Expenditure

Year ended	31 March 2011 £'000	(% of payroll)	31 March 2010 £'000	(% of payroll)
Current Service Cost	558	22.7	357	12.5
Past Service Gain	(5,363)	(218.3)	–	–
Curtailment and Settlements – loss/(gain)	(28)	(1.1)	272	9.5
Interest cost	2,673	108.8	2,240	78.6
Expected return on employer assets	(1,837)	(74.8)	(1,270)	(44.6)
Total included in staff costs and finance charges	**(3,997)**	**162.7**	**1,599**	**56.0**
Actual return on plan assets	1,522	–	7,052	–

Movement in (deficit) during the year

Year ended	31 March 2011 £'000	31 March 2010 £'000
Reconciliation of defined benefit obligation		
Opening defined benefit obligation	49,096	32,931
Current service cost	558	357
Interest cost	2,673	2,240
Contribution by members	167	236
Actuarial (gains)/losses	(2,802)	14,875
Past service gains	(5,363)	–
Gains on curtailments	(28)	–
Liabilities extinguished on settlements	–	272
Unfunded benefits paid	(113)	(99)
Benefits paid	(1,609)	(1,716)
Closing defined benefit obligation	**42,579**	**49,096**
Reconciliation of fair value of employer asset		
Opening fair value of employer assets	27,122	20,465
Expected return on assets	1,837	1,270
Contributions by members	167	236
Contributions by the employer	618	1,085
Contributions in respect of unfunded benefits	113	99
Actuarial (losses)/gains	(315)	5,782
Unfunded benefits paid	(113)	(99)
Benefits paid	(1,609)	(1.716)
Closing fair value of employer assets	**27,820**	**27,122**

Statement of Financial Position disclosure as at 31 March 2011

The asset values as at 31 March 2011 and 31 March 2010 are shown in the table below:

Assets	Value as at 31 March 2011	Asset distribution	Value as at 31 March 2010	Asset distribution
Equities	19,051	68.5%	18,173	67%
Bonds	5,851	21%	6,028	22.2%
Property	2,088	7.5%	1,800	6.7%
Cash	830	3.0%	1,121	4.1%
Total	**27,820**	**100.0%**	**27,122**	**100.0%**

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

As at 31 March 2011 annual unfunded LGPS pension amounted to £113,170 for 43 individuals where either the VTS is paying directly to the pensioner or where the administering authority is acting as paying agent.

12b History of experience gains and losses

Year ended	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000	31 March 2008 £'000	31 March 2007 £'000
Fair Value of employer assets	27,820	27,122	20,465	26,068	27,892
Present value of defined benefit obligation	(42,579)	(49,046)	(32,931)	(35,238)	(41,086)
Experience gains/(losses) on assets	(315)	5,782	(6,998)	(3,256)	182
% of assets	(1.1%)	21.3%	(34.2%)	(12.5%)	0.7%
Experience gains/(losses) on liabilities	2,323	63	63	3,075	268
% of liabilities	5.5%	0.1%	0.2%	8.7%	0.7%
Actuarial gains/(losses) on liabilities	479	(14,876)	4,307	7,552	(4,696)
% of liabilities	1.1%	(30.3%)	13.1%	21.4%	(11.4%)

Note – the figures shown up to 31 March 2009 are those recognised previously under FRS 17.

Projected pension expense for the year to 31 March 2012

Analysis of projected amount to be charged to operating profit for the year to 31 March 2012:

Year ended	31 March 2012 £'000	(% of payroll)
Service cost	698	27.0
Interest cost	2,316	89.7
Expected return on employer assets	(1,701)	(65.9)
Total net revenue account cost	**1,313**	**50.8**

Note – these figures exclude the capitalised cost of any early retirements or augmentations which may occur during 2011-12.

13 Pension Fund Reserve

The Reserve represents the accumulated net movement on assets and liabilities across all 37 pension funds to which the VTS pays employer contributions. The actuarial valuations of all LGPS funds have resulted in accumulated liabilities exceeding assets thereby increasing the pension liabilities, with adjustments made for employer's contributions, annual charges for accrued benefits and early retirements.

14 Commitments under non-private finance initiative leases

	2010-11 £'000	2009-10 £'000
These were annual commitments as at 31 March 2011 to pay rentals on lease agreements as follows:		
Buildings		
Leases that:		
Expire within 1 year	350	469
Expire after 1 year but no more than 5 years	595	1,077
Expire after more than 5 years	–	–
	945	**1,546**

There were no annual commitments as at 31 March 2011 to pay rental on office equipment under lease agreements.

15 Capital commitments

There were no capital commitments authorised and not contracted for at 31 March 2011.

16 Related party transactions

The VTS is an NDPB sponsored during 2010-11 by the Department for Communities and Local Government (CLG), which is regarded as a related party. During the reporting period the VTS had a number of significant related party transactions. In particular the VTS is dependent on two shared services – IT management service and software development using capacities operated on its behalf by the Valuation Office Agency (VOA) and HM Revenue and Customs; and shared use of SAP accounting software provided by CLG's Finance and Shared Services Division (FSSD).

The values of related party transactions are as follows with:

- Grant in aid of £8,860,000 was received from CLG, of which £8,445,000 was Revenue
- Payments of £1,020,991 were made to VOA for IT support and maintenance services
- Payments of £100,761 were made to FSSD for accounting services
- Payments of £331,279 were made to the LGPS Pension Fund representing employer's contributions for the year.

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

17 Contingent liabilities disclosed under IAS 37

The VTS has a contingent liability as at 31 March 2011 in relation to its Witham office for which rent has been provided since 2004. The VTS has taken all reasonable steps to trace the landlord, yet has not paid over the full value of rent accrued at 31 March 2011. The sponsoring department has been made aware of the situation, since the VTS has not set aside funds for the full value of rent payable should the landlord eventually be traced. As at 31 March 2011 the rent accrued amounts to £286,000.

18 Financial instruments

Financial Reporting Standard IAS 32/39, Derivatives and Other Financial Instruments, requires disclosure of the impact that 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 IAS 32/39 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 IAS 32/39, trade receivables and trade payables which mature or become payable within 12 months from the Statement of Financial Position date have been omitted from the currency profile.

19 Events after the reporting period

The VTS's financial statements are laid before the Houses of Parliament by the Secretary of State for Communities and Local Government or HM Treasury. IAS 10 requires the VTS to disclose the date on which the Accounts are authorised for issue. This is 27 June 2011.

The VTS is currently reviewing, with its sponsoring department, its pension liabilities ahead of a transfer to HM Courts and Tribunals Service, as outlined in the 2010 Public Bodies Bill. Whilst no transfer is imminent before April 2012, at the earliest, LGPS regulations require that an assessment is made of ongoing obligations in the various schemes to which the VTS acts as the employer. This review will consider the VTS's exposure to any further pension deficits that may yet be communicated following the last triennial valuation across the pension schemes to which the VTS acts as the employer.

The Government announced in June 2010 that it intends to apply the Consumer Price Index (CPI) rather than the Retail Price Index (RPI) from 1 April 2011 for the price indexation of benefits and tax credits. This would apply also to public service pensions. The VTS has accounted through pension valuation at 31 March 2011 for the change in past service cost and will continue to apply the relevant accounting standard (IAS 19) on the CPI basis. The change to CPI from RPI is under judicial review. As a public body, the VTS expects the Government's stance to be upheld in which case there would be no change to the accounting treatment adopted in these accounts.

20 Going concern basis

The financial statements have been prepared on a going concern basis.

In 2010, the Government announced its intention in its Public Bodies Bill to abolish the VTS. This closure is dependent on the passage of legislation and therefore whether the VTS will be closed, and any resulting timetable for closure has yet to be decided. After the closure, it is proposed that all the VTS's functions will continue in HM Courts and Tribunal Service.

At the point of closure, it is proposed that the VTS, in its current legal form, will be abolished. As arrangements have yet to be confirmed there is a material uncertainty that casts significant doubt upon the VTS's ability to continue to operate in its current form and with its current functions.

Having considered the circumstances described above and from discussion with the Department for Communities and Local Government, management's expectation is that the VTS will continue to operate in its current form for at least the next twelve months. As a result, management considers it appropriate to continue to adopt the going concern basis in preparing the annual report and financial statements.

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 financial statements for 2010-11 and for subsequent years shall be prepared in accordance with:

(a) the accounting and disclosure requirements given in Managing Public Money 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 for Communities and Local Government

An officer in the Department for Communities and Local Government

31 March 2010

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