



# The Valuation Tribunal Service Annual Report and Accounts 2005-2006

INDEPENDENT AND FAIR IMPARTIALITY HONESTY TRUSTWORTHINESS OPEN-  
MINDEDNESS **OBJECTIVITY** EVEN-HANDEDNESS UNPREJUDICED INDEPENDENT  
AND FAIR IMPARTIALITY HONESTY TRUSTWORTHINESS **OPEN-MINDEDNESS**  
OBJECTIVITY EVEN-HANDEDNESS UNPREJUDICED INDEPENDENT AND FAIR  
**IMPARTIALITY** HONESTY TRUSTWORTHINESS OPEN-MINDEDNESS OBJECTIVITY  
EVEN-HANDEDNESS UNPREJUDICED **INDEPENDENT AND FAIR** IMPARTIALITY





# **The Valuation Tribunal Service**

## **Annual Report and Accounts**

### **2005-2006**

Presented to Parliament pursuant to Schedule 4, paragraph 20 (4b)  
of the Local Government Act 2003

Ordered by the House of Commons to be printed on 18 July 2006

HC1296 London: The Stationery Office

£18.50

## Contents

	Page No
Foreword by the Chairman	3
Outline of what we do	5
Organisational structure	6
Corporate Governance	10
Review of the year by the Chief Executive	12
Management Commentary	16
Remuneration Report	20
Public interests and other matters	25
Tribunal and Judicial matters	27
Working Committees	31
Human Resources	32
Information Technology	35
Training	36
Estates	39
Forward look by the Chief Executive	40
Foreword to the financial statements	42
Statement of the Board's and Chief Executive's responsibilities	44
Statement on internal control	46
Report by the Internal Auditors	51
Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament	53
Income and Expenditure account	56
Statement of total recognised gains and losses	57
Balance Sheet	58
Cash Flow Statement	59
Notes to the Accounts	60
Appendix 1 Map of administrative units	83
Appendix 2 Map of administrative regions	84
Appendix 3 Business Plan achievements	85
Appendix 4 Presidents of valuation tribunals	100
Appendix 5 Tribunal workload statistics	102
Appendix 6 Accounts direction	104
Appendix 7 Glossary of pension technical terms	105

## Foreword by the Chairman

*“These are interesting times in the world of tribunals, with far greater interest and scrutiny than has ever existed before, and higher user expectations. The challenges which have been set for the VTS are in step with changes in the tribunals world in general.”*

When the Valuation Tribunal Service (VTS) was established in April 2004, there was acceptance that change was necessary and would inevitably occur. Some was immediate, such as the central employment of all staff by the VTS. Other changes were already in the pipeline, for example the amalgamation of the Leeds and Doncaster offices. However, putting a fresh imprint onto the development of the service was inevitably going to take longer.



Now, looking back over our second year of operation, I can see real progress against the plan we have developed. What is more, when challenges such as the postponement of council tax revaluation arose we were able to accelerate some elements of the plan. It is a real testament to the hard work and commitment of staff that our revalidated programmes of work were developed into comprehensive change programmes in so short a period of time.

The changes brought about by the revaluation postponement meant that we had to contemplate a very different landscape. We originally anticipated that there would be no staff redundancies as we expected a surge in workload from April 2007. Once that was clearly no longer to be the case, a voluntary redundancy scheme was developed. This has meant saying goodbye to some very long serving staff, many of whom have played a key part in developing the service in times past. We wish them all well for the future. A difficult year has resulted in a slight overspend against our Departmental expenditure limit, and details of this are contained in the Report.

The voluntary redundancy programme opened up development opportunities for other staff in an unprecedented way. In consequence, we have a sizeable number of people taking up new roles and challenges. I am confident that through their professionalism, we will continue to develop the service we offer to the public.

Our consultation on proposed changes to the set up of valuation tribunals was also a major piece of work last year, culminating in advice to the Minister recommending the establishment of a single tribunal with a national president. Our advice also dealt with appellants making a direct appeal to the tribunal, rather than appeals continuing as an automatic process via the Valuation Office. Work has continued with the aim of making this important change a reality for council tax cases from April 2007. This is a significant step forward in ensuring that valuation tribunals are truly independent.

In 2005 we also ran the first comprehensive external and independent survey of customers. The views of users of valuation tribunals have been highly influential in shaping our views on delivering a more customer-focussed service. Some of the results related to administrative processes, where we are already implementing changes to respond to the feedback. Other aspects related to the actual hearings in tribunals, where the feedback has influenced the training programme for members. These are interesting times in the world of tribunals, with far greater interest and scrutiny than has ever existed before, and higher user expectations. The challenges which have been set for the VTS – creating a more coherent and consistent service, becoming more customer-focussed, and delivering an effective and efficient service – are appropriate and in step with changes in the tribunals world in general. My Board and I are working hard to deliver on these challenges. I take this opportunity to thank them wholeheartedly for the commitment and enthusiasm they bring to their role and for their support to me.



**Anne Galbraith**  
Chairman, VTS

**11 July 2006**

## Outline of what we do

The VTS was created as a corporate body by the Local Government Act 2003 and was formally established on 1 April 2004 as a non-departmental public body (NDPB). The VTS Board comprises a Chairman and members, who are appointed by the Secretary of State. During 2005-06 the VTS was sponsored by the Office of the Deputy Prime Minister (ODPM). This has since changed and the VTS is now sponsored by the Department for Communities and Local Government (DCLG).

The VTS is charged with providing or arranging for the provision of the services required for the operation of valuation tribunals in England, in particular:

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

The VTS has a Chief Executive's Office based in London with a permanent staff of 13. There are a further 123 staff employed in four regional areas, serving 56 valuation tribunals, to provide guidance and general support to a lay membership totalling 1,082.

Valuation tribunals have jurisdiction in hearing appeals against:

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

The VTS is resourced from public funding and is responsible and accountable for its activities. The VTS works in accordance with a corporate governance framework and requirements laid down by its sponsoring department.

## Organisational Structure

### The VTS Board



The Board consists of seven members including the Chairman and Deputy Chairman; the majority of the Board are Presidents of valuation tribunals.

Members of the Board during 2005-06 were:

Board Members	Position	Number of Board meetings attended*	Appointment started	Appointment ends
Anne Galbraith OBE <sup>1</sup>	Chairman	8	1 April 2004	31 March 2009
Paul Wood OBE <sup>1</sup>	Deputy Chairman	8	1 April 2004	31 March 2008
Maurice Crosswell <sup>2</sup>		8	1 April 2004	31 March 2006
Ted Gunby <sup>1</sup>		8	1 April 2004	31 March 2008
Peter Lawton <sup>1</sup>		8	13 July 2004	31 March 2008
Irene Robinson		8	1 April 2004	31 March 2007
Michael Tildesley OBE		7	1 April 2004	31 March 2007

\* 8 meetings held during 2005-06

<sup>1</sup> Appointment renewed by the Secretary of State

<sup>2</sup> Retired on 31 March 2006 and Ronald Barham was appointed as a Board member with effect from 1 April 2006.



## Audit Committee

The Audit Committee consists of four members of the Board. The work of the Committee includes reviews of:

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

Members of the Audit Committee during 2005-06 were:

Audit Committee Members	Position	Number of Committee meetings attended*
Irene Robinson <sup>1</sup>	Chairman	3
Maurice Crosswell	Member	3
Peter Lawton	Member	3
Paul Wood OBE	Member	3

\* 3 meetings held during 2005-06

<sup>1</sup> qualified accountant

## Remuneration Committee

The Remuneration Committee consists of three members of the Board. The work of the Committee encompasses making recommendations to the Board and the sponsoring department on the terms of service and remuneration of the Chief Executive, Directors and staff having regard to:

- appropriate comparator organisations;
- recruiting, retaining and motivating staff;
- improving the public services; and
- meeting output targets.

Members of the Remuneration Committee during 2005-06 were:

Remuneration Committee Members	Position	Number of Committee meetings attended*
Ted Gunby	Chairman	1
Anne Galbraith OBE	Member	1
Paul Wood OBE (replaced Michael Tildesley OBE during the year)	Member	1

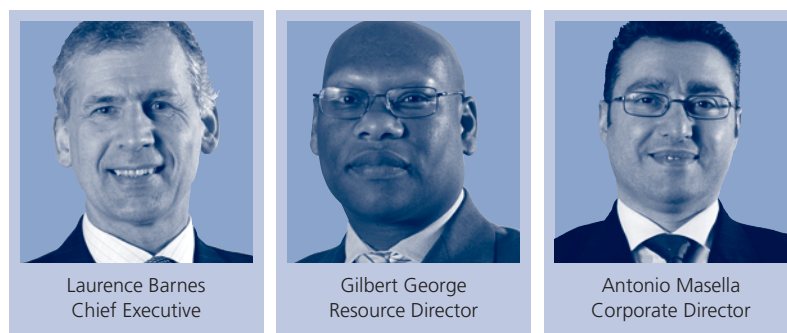
\* 1 meeting held during 2005-06

### Chief Executive and Accounting Officer

Laurence Barnes is the Chief Executive and Accounting Officer of the VTS.

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

### Executive Management Team (EMT)



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

Members of the EMT during 2005-06 were:

Name	Position	Appointment started	Appointment ends
Laurence Barnes	Chief Executive	1 April 2004	31 March 2007
Gilbert George <sup>1</sup>	Resource Director	1 April 2004	12 May 2006
Antonio Masella	Corporate Director	1 April 2004	Permanent

<sup>1</sup> Gilbert George left the VTS on 12 May 2006 and Alan Begg has been appointed Resource Director with effect from 15 May 2006.

## Senior Management Team (SMT)

The EMT are also members of the SMT, which provides the day-to-day operational control of regional staff. During 2005-06 the other members of the SMT held the positions of Heads of Administration. These were:

Name	Administrative unit
Kate Adams <sup>1</sup>	Southern
Jon Bestow	Eastern
Richard Bowater MBE <sup>1</sup>	East Midlands
Malcolm Buckland	Home Counties North
Murray Campbell	Thames Valley
Ian Coates <sup>1</sup>	Home Counties South
Larry Goddard <sup>1</sup>	London North
Brian Hannon	South West
John Hewitson	West Midlands
Mavis Latham <sup>1</sup>	Yorkshire
David Phillips	Wessex
Lesley Rutherford	Northern
Andrew Shippides <sup>2</sup>	North West
Vincent Turner	London South

<sup>1</sup> Accepted offer of Voluntary Redundancy 12 March 2006

<sup>2</sup> Redundancy 1 January 2006

A map showing the administrative units that existed during 2005-06 is shown at Appendix 1.

A new regional structure was implemented on 1 April 2006, with a revised SMT, and a map of the new regions is at Appendix 2. The new SMT comprises the EMT and the Regional Managers.

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

## Corporate Governance

Good governance continues to be the central plank around which VTS and tribunal operations, planning, administration and reorganisation are built. The VTS was created by the Local Government Act 2003, and this is supplemented by a Management Statement and Financial Memorandum produced by our sponsoring department. The legislation and documents together set out the Government's expectations of the VTS. The governance of an organisation provides for:

- proper process, propriety, scrutiny and accountability;
- an appropriate policy and planning framework;
- a comprehensive and auditable system of accounting and financial control; and,
- clear guidance and transparency on effectiveness, efficiency and service.

Last year, as an example of the detail required, the VTS looked at the range of financial governance activities that were required to be put in place at an early stage. This year we have provided a major focus on the human resource (HR) aspects of governance to provide the level of detail that would be expected of a public sector employer.

Previously, the HR function of the VTS was embedded in the sponsoring department and many aspects of it were either inappropriate or inaccessible. We have had to break out this function, set up our own payroll and personnel information system, and provide a suite of policies that have come under Board scrutiny in the last few months. These include a new redundancy policy, the revision of policies such as harassment, code of conduct, grievance, sickness and staff travel, as well as a number of new policies on whistle-blowing, diversity, dress code, secondment, performance management and aspects of maternity. There are many others.

Another discipline of our governance is good forward planning and reporting. Each year we undertake business planning as part of a series of annual objectives that the Board agrees with the sponsoring department. This constitutes the detailed 'in-year' Business Plan that is monitored closely throughout the year by the VTS Board and the Department. It also includes a three-year forward look at the organisational objectives and goals of the VTS, in a Corporate Plan, which justifies the Department's allocation of future funding under the Government spending settlement with the Treasury. Each year the Corporate Plan is rolled forward. Finally, towards the middle of each year we place in Parliament this Annual Report, which provides an accurate, transparent and detailed account of our operations, achievements, spending, strategic planning and audit reporting.

The VTS Board now undertakes an annual review of organisational structure and processes to refine and clarify its responsibilities. These include accounting for its responsibilities on compliance, communicating with stakeholders, the framework for

strategic control, policy development, the decision making process and a review of implementation. In addition Board members attended a governance training module delivered by the Chartered Institute of Public Finance and Accountancy (CIPFA), providing valuable additional lessons and a commitment to good governance.

A major structural change implemented since the last report was the establishment of a Judicial Interface Committee (JIC) and a Members' Judicial Committee (MJC), both committees of the VTS and within the VTS governance framework. This resulted from the 2004 ODPM consultation on sustaining judicial independence, and the framework was put into place following a letter from the previous Minister, Phil Hope. During 2005-06 the MJC was based on a membership that reflected the 14 administrative units. This arrangement has since changed again, with the introduction of Quarterly Presidents' Meetings.

Our governance arrangements are audited regularly and have been found to meet the high standard required by the National Audit Office (NAO). Minor recommendations from last year's audit have been implemented and the VTS continues to discuss best practice with the NAO.

## Review of the year by the Chief Executive

*“We are now seeing the fruits of our hard work and considerable planning, with the introduction of the four new regions, the first elements of a new staff structure, the continued estate rationalisation programme and a common listing process across all tribunals.”*

Last year I reported that the VTS had progressed during 2004-05 from a successful launch to a process of strategic development, where a detailed consultation document on the evolution of the VTS and the valuation tribunals (VTs) had been circulated for comment. This year we have sustained the rate of progress and I am pleased to report that we have moved from strategic development to implementation and delivery.

The open consultation on development closed in May 2005 and two months later the VTS Board reported the outcome. Overall we were delighted with the response rate, particularly as this was on top of the numerous helpful comments made during the seven roadshows that were staged. The development sought to enhance partnership working, increase coherence and consistency as well as address issues of economy and efficiency. The proposals for Appeals Direct received very strong support and the idea of taking back control of the appeals process, and providing greater customer choice, was warmly welcomed.

The VTS Board had made clear that continuing with 14 administrative units was not sustainable and that the staff structure was top-heavy. They recommended a reduction to four administrative regions, but retaining a number of local offices. There was strong support for this reduction and a new, streamlined, staff structure that offered greater opportunity for advancement. These issues, concerning estates,



regional structures and staff structures were within the Board's responsibility and planning for the changes continued immediately.

The consultation outcome also made a number of recommendations to the Minister on tribunal and member issues. This included the amalgamation of all VTs into one national tribunal, operating within four divisions each led by a vice-president, and the appointment of a national president to the single tribunal. This would accord with best practice in the tribunal world, strengthen judicial independence and champion lay membership in the wider tribunal world. Further recommendations that were well supported included the appointment of members and chairmen through a changed appointments process and against a framework of skills, a common probationary period and the retention of the upper age limit of 72 for members. The Board did not feel that this was the appropriate time to deal with both staff and member numbers, given the expected peak of work associated with the council tax revaluation scheduled for 2007.

In late September 2005 the Government announced the postponement of the council tax revaluation, with no future date identified. With the workload peak removed or delayed, the Board recognised their duty to revalidate all of the recommendations and decisions in the consultation outcome, and this resulted in the Strategy Planning Programme Update issued in October 2005. This process confirmed that the recommendations made to the Minister on tribunal and member issues were not affected by the postponement, although the Board took the opportunity to make further minor changes to the estate and staff structure, confirm that the reorganisation would commence on 1 April 2006, and re-examine both staff and member numbers for the future.

The Board examined the projected workload of tribunals and the regional variations, and asked the Minister to take note of the Board's view that future member numbers should reduce from the current level of around 1100, to a figure of around 550 and that VT Presidents had been asked to consider how such a reduction might be achieved. The Board recognised that some reductions in staff numbers would be inevitable with the office reduction programme, but a voluntary redundancy programme offered at the most severely affected senior regional levels would provide staff reductions and future economies.

In November 2005 therefore, the VTS embarked on a very tight rolling programme to, in turn, establish who would be leaving under a voluntary redundancy programme, recruit the four Regional Managers for the new regions that would be introduced in April 2006, and, when all the vacancies were established as a result of the redundancy and Regional Manager appointments, to appoint clerks to fill any

vacancies. The Regional Managers were selected in January 2006 and undertook an intensive four-week training programme throughout March 2006. Five of the six clerk vacancies at Durham, Doncaster, Bolton/Preston, Whitechapel and a new office at Cambridge have been filled, with appointment for a sixth clerk position at Winchester following on behind. Overall, the VTS will establish only 12 long-term clerk positions, one for each of the projected long-term regional offices.

The estate rationalisation programme has already started. During 2005 we closed the offices at Liverpool, Hertford and Ipswich, and before the next report the office at Norwich will also close. In future years there will be further rationalisation to get down to 12 regional offices. Those destined to close during the development plan period have been designated as satellite offices to the long-term offices – for example, both Horsham and Maidstone will close and have become satellites of Croydon. This programme does include the opening of new, or replacement premises. We have already replaced the office at Stafford and refurbished the Preston office. Instead of replacing the Durham office we have renegotiated the lease to provide additionally hearing, waiting and retiring rooms and this provides added stability for staff and members, and welcome new facilities for customers. In the future, new offices will be provided in the vicinity of Cambridge, Winchester, Leamington and Exeter/Taunton.

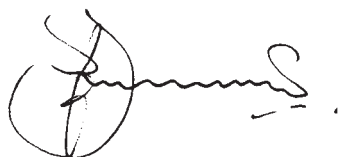
During the year we have also developed the plans for introducing Listing after Target Date (LATD) and Appeals Direct. LATD will also be launched as a common approach across the country to listing non-domestic rating appeals, mindful of the very helpful and successful trial that was run in the North West in 2005, and the handful of other tribunals that had adopted the system previously. We have been able to build on these lessons and LATD will cut the number of appeals listed and increase the proportion of attended hearings. This is a 'halfway house' to Appeals Direct, which the VTS hopes to see introduced for council tax in April 2007.

Appeals Direct has been developed as a means whereby more transparency is introduced to the appeals system and greater control is exercised by the VTS and VTs. Appellants will be clear that they are choosing to make an appeal with another, independent body, distinct from the Valuation Office Agency (VOA). A new, transparent two-stage system will replace the current automatic generation of appeals. Having served a proposal on the Listing Officer, and received their decision, the taxpayer will be able to make a conscious decision to appeal direct to a VT. Developing the business process, the software and bringing the various parties together has been a huge effort and, once this is launched for council tax, the VTS' aim is to work towards the possible introduction of Appeals Direct for non-domestic rating at the next revaluation in April 2010.



The need to distinguish between the VOA and the VTS/VT was reinforced as one of the major lessons from our customer survey. This was conducted in the summer of 2005 by an independent specialist firm and will become a regular feature to introduce greater customer feedback into our planning. The 2005 survey has already prompted us to introduce administrative changes to give more help to the appellant prior to a hearing, including the provision of a short video or DVD that will assist the appellant to understand, appreciate and prepare for the process at an earlier stage. Points arising from the survey that concern tribunals and members will be introduced into training during 2006 and will inform such training modules as chairman's skills and structured decision making.

We are now seeing the fruits of our hard work and considerable planning, with the introduction of the four new regions, the first elements of a new staff structure, the continued estate rationalisation programme and a common listing process across all tribunals. Just two years after launch, this represents a tremendous achievement by the organisation and I am most grateful for the support given by everyone. This forthcoming year will continue to introduce change across the organisation, and I appreciate the commitment of both staff and members to work together in partnership on this venture.



**Laurence Barnes**  
**Chief Executive**

## Management Commentary

### Performance against targets

Business Plan targets have been accomplished whilst implementing the major reorganisation of the senior management. Key objectives, targets, milestones and achievements are shown in Appendix 3. In summary there were 63 individual objectives for 2005-06 and performance against these objectives was as follows:

- Fully achieved 53
- Partly achieved and/or ongoing 8
- Not achieved 2

One of our sponsoring department's Public Service Agreement (PSA) targets is to, "by 2008, improve the effectiveness and efficiency of local government in leading and delivering services to all communities" (PSA 4). The Department also has a Strategic Priority of "promoting high quality, customer-focussed local services". The VTS' annual Business Plan outlines how we aim to contribute to these with the summary objectives for 2005-06 being:

#### Operational

- To promote a better understanding of the organisation with stakeholders to build relationships.
- To promote and facilitate effective internal stakeholder working relationships by promoting equal opportunities and diversity in VTs and VTS offices.
- Improve delivery through business tools.
- Liaise with other organisations providing tribunal services and learn from them to develop the role of the VTS and VTs.

#### Organisational

- To provide a first class service to the public, stakeholders and the sponsoring department.

#### Tribunal Partnership Working

- Research and implement agreed better ways of working.

## Financial

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

## Funding

Following the decision of the Government to postpone the 2007 council tax revaluation, the VTS sought to reduce its future overheads by introducing a voluntary redundancy programme, in harmony with the Government principle of 'spend to save'. To finance this programme additional funding was sought and given by our sponsoring department.

The cash flow statement, set out on page 59 analyses net cash flow from operating activities, identifies cash spent by the VTS on capital expenditure and shows grant-in-aid that the VTS drew down from its sponsoring department in order to finance its activities.

## Asset management

The main aim of VTS asset management is to ensure that appropriate fixed assets are held to meet the VTS objectives. All assets are treated in accordance with consistent underlying principles:

- Ensure assets are retained where it is effective and efficient to do so;
- Sharing of assets through partnership working (outsourced contacts);
- Maintain the VTS assets base in the condition necessary to meet its objectives;
- Actively manage assets including strategies for disposing of assets that are no longer required.

## Outturn against estimates 2005-06

Deficit for period (on page 56) shows (£792k) on ordinary activities, adjusted for pensions, to record a Net Overall Deficit of (£1,940k). (2004-05 overall deficit £328k). This overspend against income results from the need for the VTS to comply in full with both FRS 12 (Provisions, Liabilities and Assets) and FRS 17 (Retirement Benefits). To conform to FRS 12, provisions were made for Board-approved strategies including estate dilapidation costs and for the VTS share of the cost of Local Government Pension Scheme (LGPS) benefits accruing over the financial year.

## Financial Summary

Net operating costs for the financial year as at 31 March 2006 were £13,706,000.

The VTS has delivered on its 2005-06 Business Plan targets. VTS expenditure has been above its budget limit of £12,617,000. However, in cash terms, its grant-in-aid entitlement of £12,617,000 has not been exceeded.

### Fixed Assets

The total net book value of the fixed assets as at 31 March 2006 was £804,000. The movements in fixed assets for the year are set out in notes 6 and 7 to the financial statements. There were no costs incurred on Research and Development during the 12 months ended 31 March 2006.

### Pension Liabilities

For the purposes of FRS 17, pension scheme liabilities of £8,373,000 have been recognised in the balance sheet. An actuarial loss of £7,000 is shown in the Statement of Recognised Gains and Losses, having adjusted for the revaluation at March 2005 of all pension funds to March 2006. The above pension entries in the Report and Accounts represent non-cash items.

### Payment to suppliers

The VTS is committed to the prompt payment of bills for goods and services received and, in doing so, conforms to the obligations within the Late Payment of Commercial Debts (Interest) Act 1998 and the Late Payment of Commercial Debts Regulations 2002. Payments are normally made as specified in contracts. If there is no contractual provision or understanding, they should be paid within 30 days of the receipt of goods and services, or presentation of a valid invoice or similar demand, whichever is later. A review of all payments made during the 12-month period, conducted to measure how promptly the VTS pays its bills, found that 99.23% (90.24% in 2004-05) of bills were paid within this time-scale.

### 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. It should be noted

however that the VTS' sponsoring department for 2006-07 is referred to as the Department for Communities and Local Government.

## Employee Involvement

At the end of the financial year, the VTS employed 126.8 (150.2 in 2004-05) full-time equivalent staff. The VTS maintains regular communications and contact with managers and staff through individual and group meetings, team briefings, the Intranet and the VTS Newsletter. The VTS consults on issues affecting staff with representatives from its recognised trade union, UNISON.

## Auditors

The Accounts of the VTS are audited by the Comptroller and Auditor General under the Local Government Act 2003. An internal audit service is provided by Deloitte & Touche Public Sector Internal Audit separately under the terms of a service level agreement (expiring on 31 March 2007).

## Remuneration Report

### Board members' emoluments and expenses

The Board consists of up to seven members, including the Chairman. Members are appointed by the Secretary of State for terms ranging from 12 to 36 months. Non-executive Board members are eligible to receive an annual fee, which is not pensionable.

### Executive Management Team

The salaries of the Chief Executive Officer and the Directors were re-assessed during 2004-05 with the help of an independent consultant who had carried out a review of the salaries in other NDPBs. Annual increases, from the levels agreed following that exercise, are set in line with those awarded to the VTS in general. The annual increment for the Chief Executive followed policy direction from the sponsoring department.

The Remuneration Committee considered a proposal from the Chief Executive to remove an anomaly concerning Directors' rewards. The Committee concluded that the two Directors should have access to performance related pay (PRP) to a maximum of 5% in 2005-06 and 10% in subsequent years. The recommendation of the Committee was ratified by the full Board at the November 2005 meeting.

### Chairman's and Chief Executive's emoluments

The Chairman was appointed by the Secretary of State on 1 April 2004 and re-appointed for a further three years from 1 April 2006. The Chairman's total emolument consists of a salary of £54,000. The Chairman does not participate in the Local Government Pension Scheme (LGPS).

The Chief Executive was appointed on 1 April 2004. The Chief Executive is a member of the LGPS. The amount of the Chief Executive's bonus is decided by the Remuneration Committee, which reviews performance against agreed targets.

The contract for the Chairman ends on 31 March 2009 and that for the Chief Executive on 31 March 2007.

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

	Period ended 31 March 2006 £'000	Period ended 31 March 2005 £'000
<i>The emoluments of the Chairman, Anne Galbraith:</i>		
– Basic salary	54	37
<b>Total emoluments</b>	<b>54</b>	<b>37</b>
<i>The emoluments of the Chief Executive, Laurence Barnes:</i>		
– Basic salary	77	75
– London weighting	3	3
– Performance related pay	0 <sup>1</sup>	8
– Employer pension contribution	11	9
<b>Total emoluments</b>	<b>91</b>	<b>95</b>
– Pension increase (net of inflation)	1	1
– Total accrued pension at 31 March 2006	2	1

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

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

Name	Period ended 31 March 2006 £'000	Period ended 31 March 2005 £'000
Anne Galbraith	54	37
Paul Wood	6	10
Maurice Crosswell	4	6
Ted Gunby	5	6
Peter Lawton	6	4
Irene Robinson	5	6
Michael Tildesley <sup>1</sup>	6	0
<b>Total</b>	<b>86</b>	<b>69</b>

<sup>1</sup> fee declined in 2004-05.

## The salary and pension entitlements of the most senior staff

The emoluments of the Directors were as follows:

	Period ended 31 March 2006 £'000	Period ended 31 March 2005 £'000
<i>The emoluments of the Resource Director, Gilbert George for the period 1 April 05 to 31 March 06:</i>		
– Basic salary	54	52
– London weighting	3	3
– Performance related pay	3 <sup>1</sup>	0
– Employer pension contribution	7	6
<b>Total emoluments</b>	<b>67</b>	<b>61</b>
– Pension increase (net of inflation)	1	1
– Total accrued pension at 31 March 2006	5	4
<i>The emoluments of the Corporate Director, Antonio Masella for the period 1 April 05 to 31 March 06:</i>		
– Basic salary	54	52
– London weighting	3	3
– Performance related pay	3 <sup>1</sup>	0
– Employer pension contribution	7	5
<b>Total emoluments</b>	<b>67</b>	<b>60</b>
– Pension increase (net of inflation)	1	1
– Total accrued pension at 31 March 2006	17	15

<sup>1</sup> Performance pay cost accrued in 2005-06 to be implemented in 2006-07.



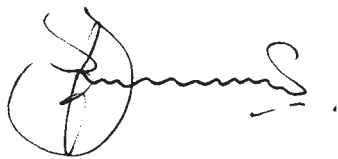
The salary, pension entitlements and the value of any taxable benefits in kind of the senior management team of the VTS during 2005-06 are as shown.

Name	Salary, including London Weighting and performance pay (£k) (2004-05 in brackets)	Benefits in kind (rounded to nearest £k) (2004-05 in brackets)	Real increase in pension & related lump sum at age 60 (£k)	Total accrued pension at age 60 at 31.3.06 & related lump sum (£k)	CETV at 31.3.05 (nearest £k)	CETV at 31.3.06 (nearest £k)	Real increase in CETV after adjustment for inflation and changes in market investment factors (nearest £k)
	i	ii	iii	iv	v	vi	vii
Laurence Barnes	80-85 (80-85)	0	2.5-5	5-10	12	26	8
Gilbert George	55-60 (50-55)	0	2.5-5	15-20	49	58	3
Antonio Masella	55-60 (50-55)	0	2.5-5	60-65	173	193	6
Kate Adams	Consent to disclose withheld						
Jon Bestow	Consent to disclose withheld						
Richard Bowater	Consent to disclose withheld						
Malcolm Buckland	40-45 (40-45)	1 (1)	2.5-5	60-65	198	218	6
Murray Campbell	40-45 (40-45)	1 (1)	2.5-5	50-55	181	200	7
Ian Coates	40-45 (40-45)	1 (1)	2.5-5	85-90	355	393	21
Larry Goddard	40-45 (40-45)	1 (1)	2.5-5	70-75	269	293	7
Brian Hannon	40-45 (40-45)	1 (1)	2.5-5	40-45	160	178	7
John Hewitson	40-45 (40-45)	1 (1)	2.5-5	50-55	168	186	6
Mavis Latham	Consent to disclose withheld						
David Phillips	40-45 (40-45)	1 (1)	2.5-5	75-80	285	312	11
Lesley Rutherford	40-45 (40-45)	1 (1)	2.5-5	45-50	149	165	6
Andrew Shippides	40-45 (40-45)	1 (1)	0-2.5	35-40	118	131	4
Vincent Turner	40-45 (40-45)	1 (1)	2.5-5	50-55	169	186	6

In the course of the year the VTS paid out, as part of its voluntary redundancy programme, redundancy payments to early retirees amounting to £1,581,856.

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

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the staff member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the staff member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2005-06 the other pension details, include the value of any pension benefit in another scheme or arrangement that the individual has transferred to the LGPS arrangements. They also include any additional pension benefit accrued to the staff member as a result of their additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.



**Laurence Barnes**  
**Accounting Officer and Chief Executive**  
**Valuation Tribunal Service**

**11 July 2006**

## Public interests and other matters

### Equality and diversity

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

VTS guidance leaflets for appellants are offered in eight languages on request. Interpreters are provided on request to appellants attending a hearing.

### Disability

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

The VTS has carried out significant works on its estates in order to comply with the Disability Discrimination Act (DDA). This cost was in excess of £80,000 for the 2005-06 financial year (2004-05, £200,000), with a further £30,000 earmarked for the financial year 2006-07.

VTS guidance leaflets and tribunal decision documents are offered in Braille, large print or audiotape. Signers are provided on request to assist hearing impaired appellants attending a tribunal.

### Health and safety

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

In 2005-06 there were 10 recorded accidents involving VTS staff (compared to 20 in 2004-05), of which none were classed as reportable (more serious), and none resulted in absence from work. In terms of injuries 7.5% (12.5% in 2004-05) of staff involved in recorded accidents suffered minor injuries. There were no reportable injuries sustained.

The VTS monitors its statutory responsibility through its Health and Safety Committee.

## Complaints

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

In 2005-06, 17 complaints about the administration were registered. Five complaints were referred to the Corporate Director, who found maladministration in one instance. No cases were referred to the Parliamentary Commissioner. There were 46 judicial complaints. No cases were brought for judicial review. Full details of the complaints can be seen in the register held at:

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

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

We have developed a sustainable development strategy that will build into our policies and practices, to be taken forward by the VTS' procurement working group.

## Freedom of Information Act 2000

The VTS has received approval for its publication scheme from the Information Commissioner in accordance with Section 19 of the Act. The scheme gives details of the classes of information that the VTS makes available proactively and how they can be accessed. This approval has been granted until 29 February 2008.

During the year, the VTS has received and responded to 11 requests made under the Act. None of these has been referred to the Information Commissioner.

## Details of company directorships and other significant interests

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

## Tribunal and Judicial Matters

### Judicial matters

As VTs are currently configured, there are 56 separate tribunals, each with its own President, Chairmen and members. In December 2004, the VTS was asked to advise our Minister on the way forward for the future configuration of the tribunals. Following a consultation exercise which the VTS undertook, advice was tendered to the Minister in July 2005, recommending that a single valuation tribunal with a national president should be established, supported by four regional vice presidents. New arrangements for the appointment of members and chairmen were also proposed. The consultation also focussed on the desirability of introducing a system of direct appeal to the tribunals, as opposed to appeals coming through the Valuation Office Agency (VOA).

The Government's response to the Board's proposed reforms, in the shape of its own proposals for the primary and secondary legislation required to give effect to these reforms, is now the subject of formal public consultation by the DCLG. Subject to this consultation and the passing by Parliament of the necessary secondary legislation, it is hoped that direct appeals for council tax can be introduced with effect from 1 April 2007. The timetable for the introduction of the wider reforms proposed by the Board will depend on the timetable for the necessary primary legislation.

In the meantime, ahead of the introduction of direct appeals, we have also undertaken a pilot study to understand the benefits of listing non-domestic rating cases only after the target date for negotiations with the VOA has passed. This pilot has allowed us to develop a consistent system of listing cases for hearing, which should result in a substantially reduced administrative burden for our offices, with consequent savings.

Another likely result of listing after target date is the greater expectation that cases listed will end up in an actual hearing. It is anticipated that a common concern of members, that scheduled hearing dates are cancelled late in the day, will thus be overcome. Over the course of the year, the VTS has issued general guidance on postponements and adjournments and on pre-hearing reviews. It is likely that both sets of guidance will assume greater significance in the light of the new listing arrangements.

A feature of the strategy of the VTS is to continue to move forward in developing a more customer-focussed service. In 2005, a major survey was undertaken on behalf of the VTS by an independent research company, mainly looking at the views of council tax appellants. There were some clear messages about how we could improve the administration of the service, and also some comments which should influence our member training. We plan to repeat this survey each year.

A number of matters of interest to members have been taken up with the Members' Judicial Committee, including training matters, further development of the appraisal process, proposed new standing orders for all tribunals, judicial complaints, and a revision of the members' handbook. The VTS responded to the Council on Tribunals consultation on the value of oral hearings, and was pleased to be represented at the Council's conference. We were also pleased to be at the presentation of the research findings of Professor Hazel Genn in relation to Tribunals for Diverse Users, where some of her findings echoed those we found from our own customer survey.

The number of members of VTs was also the subject of separate advice to the Minister. It has long been acknowledged that there is insufficient work to sustain the current member numbers, and the maintenance of 56 separate tribunals, with members appointed to a specific tribunal, does – in some areas – inhibit flexibility of working. We continue to encourage cross tribunal membership, and are giving consideration to ways in which the membership can be better matched to the workload, as well as thinking about improving the diversity of the membership.

Tribunal members have a compulsory retirement age of 72. In consequence, each year we bid farewell to a number of members who have made a valuable contribution, as volunteers, to this important aspect of public service. We have also bid farewell to some long serving Presidents over the last year, and take this opportunity to formally record our thanks to Bill Clements (East Sussex), Grahame Holloway (Devon), Gus Gorman (Merseyside), David Young (Coventry & Solihull), Paul Chittenden (Hertfordshire) and Tom Sale (Northumberland). Tom was succeeded in Northumberland by Tom McPherson, who served as President for only a short time before he sadly died during his tenure. The VTS was represented at his funeral by Paul Wood, the VTS' Deputy Chairman. Sadly, we also record the death of Bill Clements shortly after his retirement whilst abroad on holiday. We welcome incoming Presidents, David Rhodes in East Sussex, George Tout in Devon, Mike Kearns in Merseyside, Ros Mason in Coventry and Solihull, Gerald Lincoln in Hertfordshire and George Miller in Northumberland. A full list of Presidents is at Appendix 4.

### **Judicial Interface Committee**

The Judicial Interface Committee (JIC) was the principal committee for advice to the Board on matters within the statutory remit of the VTS that might impact on the VTs' judicial independence.

Membership of the JIC was as follows:

Name	
Mrs Anne Galbraith OBE	Chairman of the VTS Board
Mr Michael Tildesley OBE	Board Member and President of Leicestershire VT
Mr Peter Lawton	Board Member and President of Suffolk VT
Mr Peter Jewell	President of Herefordshire & Worcestershire VT
Mr Ian Irvine	President of Teesside VT
Mr Martin Suthers	President of Nottinghamshire VT

In addition Laurence Barnes, VTS Chief Executive, attended JIC meetings by invitation. The Committee met on four occasions during 2005-06.

### Members' Judicial Committee

The Members' Judicial Committee (MJC) is a committee of the VTS Board, comprised of elected representatives of valuation tribunals, to advise the JIC on matters within the statutory remit of the VTS that might impact on the judicial independence of tribunals.

The membership of the MJC during the year under review was as follows:

Name	Tribunal	Administrative Unit
Mr John Birkbeck	Cornwall VT	South West AU
Mr Derek Carline	Kent VT	Home Counties South AU
Mr Tony Craig	Central London VT	London North AU
Mr John Dunning	Norfolk VT	Eastern VT
Mr Lyell Fairlie	Hampshire North VT	Southern AU
Mr Ian Irvine	Teesside VT	Northern AU
Mr Peter Jewell	Herefordshire & Worcestershire VT	West Midlands AU
Mr Aubrey John	Oxfordshire VT	Thames Valley AU
Mr John Jones	Bedfordshire VT	Home Counties North AU
Mr Tony Ritchie	London South East VT	London South AU
Mr David Sheard	West Yorkshire VT	Yorkshire AU
Mrs Clementine Smith	Severnside VT	Wessex AU
Mr Jeremy Smith	Cheshire VT	North West AU
Mr Martin Suthers	Nottinghamshire VT	East Midlands AU

At its meeting on 12 April 2005, the MJC elected Peter Jewell as Chairman. The Committee met on nine occasions during 2005-06.

Changes to the judicial committee arrangements have since been made and from July 2006 Quarterly Presidents' Meetings will replace both the JIC and MJC, to provide a flatter structure and engage all Presidents in accordance with concerns expressed by a number of members.

## Workload report

A total of 151,221 appeals were carried forward to the 2005-06 financial year. As at 31 March 2006, a total of 279,238 appeals had been cleared against a total appeal clearance benchmark agreed with the Valuation Office Agency of 277,394 (revised in January 2006).

During the year under review 3,672 tribunals were scheduled in England, of which 2911 actually met. 283,027 appeals were listed on tribunal agendas in preparation for a hearing:

- 16,776 appeals related to council tax.
- 266,251 appeals related to non-domestic rating (NDR).

Valuation tribunals issued 43,318 decisions during the course of this financial year.

A total of 48,380 appeals were deferred during the year, identified as follows:

- 9,077 were postponements granted by the administration.
- 39,104 were adjournments granted at hearings.

The average operational cost of clearing an appeal this year was £41.31<sup>1</sup> per case (2004-05 £34.71). This was due to the smaller number of appeals listed, although the end of the 2000 list for NDR has produced longer and more complex cases.

A full breakdown of tribunal workload statistics is at Appendix 5.

<sup>1</sup> Excluding additional funds received solely for redundancy payments



## Working Committees

### **The Legal and Publications Advisory Committee (LPAC)**

The Committee operates under the direction of the Corporate Director and is responsible for providing advice to professional staff on tribunal related matters. The Committee is responsible for producing and maintaining guidance literature for appellants and a professional newsletter. It also provides advice to the VTS on consultation papers relating to local taxation matters.

### **Best Practice Committee (BPC)**

During the year the BPC met under the direction of the Corporate Director and was responsible for reviewing the operational effectiveness of processes and procedures leading up to, and after, a VT hearing to ensure consistent practices. The BPC included some Heads of Administration. Following the implementation of the regional structure, the Committee no longer exists with this constitution.

## Human Resources

### Staff numbers

Following the Strategy Development consultation paper, which detailed options for the VTS, the 14 administrative units were restructured into four new administrative regions: East, Central, North and South. Each region is headed by a Regional Manager, with one main regional office and several satellite offices.

Employee numbers as at 31 March 2006 were:

Office	Staff in Post		Full time equivalent (FTE)	
	2006	2005	2006	2005
Chief Executive's Office	<b>13</b>	13	<b>13.0</b>	13.0
<b>East Region</b>				
Harrow	<b>5</b>	6	<b>5.0</b>	6.0
Hertford <sup>1</sup>	<b>0</b>	5	<b>0.0</b>	5.0
Ipswich <sup>1</sup>	<b>0</b>	2	<b>0.0</b>	2.0
Norwich	<b>3</b>	4	<b>2.2</b>	3.2
Peterborough	<b>4</b>	3	<b>4.0</b>	3.0
Whitechapel	<b>7</b>	8	<b>7.0</b>	8.0
Witham	<b>7</b>	4	<b>6.6</b>	4.0
<b>Central Region</b>				
Leamington Spa	<b>5</b>	5	<b>5.0</b>	5.0
Nottingham	<b>8</b>	9	<b>6.5</b>	7.9
Stafford	<b>7</b>	8	<b>7.0</b>	8.0
Worcester	<b>5</b>	6	<b>4.3</b>	5.3
<b>North Region</b>				
Bolton	<b>7</b>	9	<b>7.0</b>	9.0
Doncaster	<b>10</b>	11	<b>9.6</b>	10.6
Durham	<b>10</b>	11	<b>10.0</b>	11.0
Liverpool <sup>1</sup>	<b>0</b>	8	<b>0.0</b>	6.6
Preston	<b>8</b>	4	<b>6.8</b>	3.5
<b>South Region</b>				
Croydon	<b>6</b>	9	<b>6.0</b>	9.0
Horsham	<b>5</b>	6	<b>4.5</b>	5.5
Maidstone	<b>3</b>	4	<b>2.8</b>	3.8
Plymouth	<b>6</b>	6	<b>5.4</b>	5.4
Weston-Super-Mare	<b>9</b>	9	<b>7.1</b>	7.5
Winchester	<b>5</b>	4	<b>5.0</b>	4.0
Wokingham	<b>3</b>	5	<b>2.0</b>	3.9
<b>Totals</b>	<b>136</b>	159	<b>126.8</b>	150.2

<sup>1</sup> These offices closed during the year 2005-06

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

## Composition of workforce

The workforce is made up as follows:

Category	% of Workforce	
	2006	2005
Male	<b>32.4</b>	35.9
Female	<b>67.6</b>	64.1
Black or Black British	<b>4.4</b>	4.4
White	<b>93.4</b>	92.5
Mixed	<b>0.0</b>	0.6
Asian or Asian British	<b>2.2</b>	0.6
Chinese or other ethnic group	<b>0.0</b>	0.0
Not declared	<b>0.0</b>	1.9
Disabled	<b>1.5</b>	0.6

## Appointments and leavers

Seven external appointments were made over the period. Due to the new administrative structure there was a need for a new staffing structure, under which 10 internal appointments were made. Four Regional Managers were appointed to be based within the four regions: East, Central, North and South, and six Clerks were appointed. Twenty nine employees left the employment of the VTS. This included 12 employees leaving under the voluntary redundancy scheme and one retirement.

The external appointments were as follows:

Category	% of Workforce	
	2006	2005
Male	<b>16.7</b>	50.0
Female	<b>83.3</b>	50.0
Black or Black British	<b>0.0</b>	25.0
White	<b>100.0</b>	68.7
Mixed	<b>0.0</b>	0.0
Asian or Asian British	<b>0.0</b>	6.3
Chinese or other ethnic group	<b>0.0</b>	0.0
Not declared	<b>0.0</b>	0.0
Disabled	<b>0.0</b>	0.0

## Staff profile

Employees have an average age of 45.1 years. (In 2004-05 this average was 45.3 years).

Average length of service is 13.6 years (compared to 16.5 years in 2004-05).

Employees' terms and conditions are based on those of the National Joint Council for Local Government.

Employees belong to 30 different pension funds within the Local Government Pension Scheme (according to location) and 89% of the workforce is in the pension scheme.

## Attendance

The average number of working days lost per full time equivalent employee was 7.2 days for the year (compared to 11 days in 2004-05). Factoring out leave and Bank Holidays, this considerable improvement meant that only 3.2% of available working time was lost through sickness absence. (This figure was 4.9% in 2004-05).

## Health and Safety

The VTS has a comprehensive risk assessment record. All health and safety policies have been updated and implemented, including a no-smoking initiative.

## General

2005-06 has seen the introduction of the new Performance and Development Review Scheme. This has been successfully launched through national roadshows and briefing sessions for staff.

Work has also started revising the VTS Staff Handbook, with the development of a VTS Organisational Change Policy and a Staff Code of Conduct. Further policies will be released during 2006-07.

The VTS has officially entered into a recognition agreement with UNISON for collective bargaining.

The VTS is at various stages of consultation with staff in the offices affected by the office closures. Affected staff are encouraged to relocate to nearby offices wherever possible, however some redundancies have been unavoidable due to the circumstances of some individuals and their inability to relocate. Support to these staff has been given / offered to assist them in their search for alternative work.

## Information Technology (IT)

### IT Strategy

In February 2006, a review was undertaken of the current IT strategy, to ensure that it was still aligned to the proposed Corporate and Business strategies. The current IT strategy sets out the technological roadmap for the next five years. Stated milestones have been built into the plan to enable greater control of IT expenditure.

### Technological refresh

The VTS undertook a technological refresh to its entire infrastructure during the last financial year. This included upgrading the desktops, printers and servers. The project involved procuring services from a number of suppliers approved by the Office of Government Commerce (OGC). The refresh was successful with minimal disruption to existing services, and has enabled the VTS to continue to enjoy unqualified support to all its services. The refresh also provides the VTS with a future-proof infrastructure that will enable it to fulfil its ongoing business needs and introduce more powerful and valuable technology solutions. The new infrastructure will cope with all current demands and is also robust and flexible enough to support future business requirements.

### Enhancements to existing systems

A programme of continuous enhancements was introduced to the central database, and a large number of improvements were implemented. These enhancements were designed to assist the current business requirements. The VTS has also started preliminary work on the necessary enhancements to the system to enable Appeals Direct to be part of next year's enhancements.

### New website launched

During the course of the year, the current website, [www.valuation-tribunals.gov.uk](http://www.valuation-tribunals.gov.uk), was re-branded and re-launched. The new website is more customer-focussed and adheres to current government guidelines. It includes dedicated members' pages.

### GSX approval

Towards the end of the last financial year, the VTS was able to renew its approval from the OGC for the Government Secure extranet "GSX" service. This has meant that the OGC has now endorsed the VTS' current technology security arrangements.

## Training

### Training and Development Programme

The Programme for 2005-06 was designed and developed in line with the Board priorities as articulated in the Corporate Plan and the Business Plan. The work this year concentrated on building a foundation on which to develop a learning organisation where a variety of learning solutions are offered that are specific to the needs of individuals. This training in turn serves to enhance staff and members' capabilities and aids the establishment of a more flexible organisation.

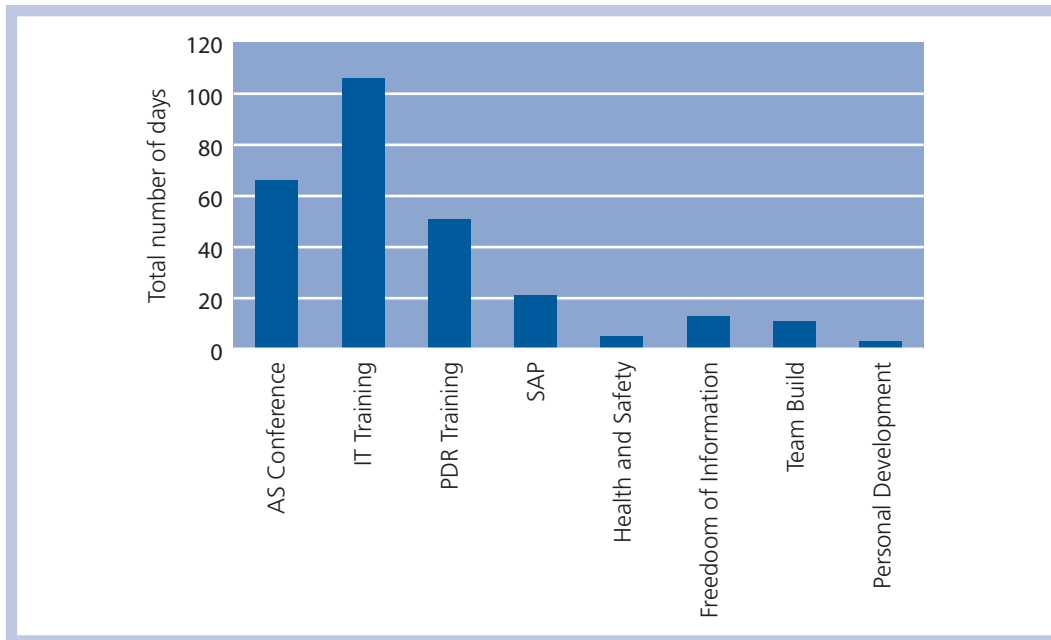
### VTS Staff

A comprehensive range of training events were organised to address strategic and operational issues such as:

- Launching the Performance Development Review process;
- Preparing staff for the upgrade of desktops;
- Preparing new Regional Managers and Clerks for their enhanced posts;
- Implementing a communication strategy of the change process utilising staff conferences.

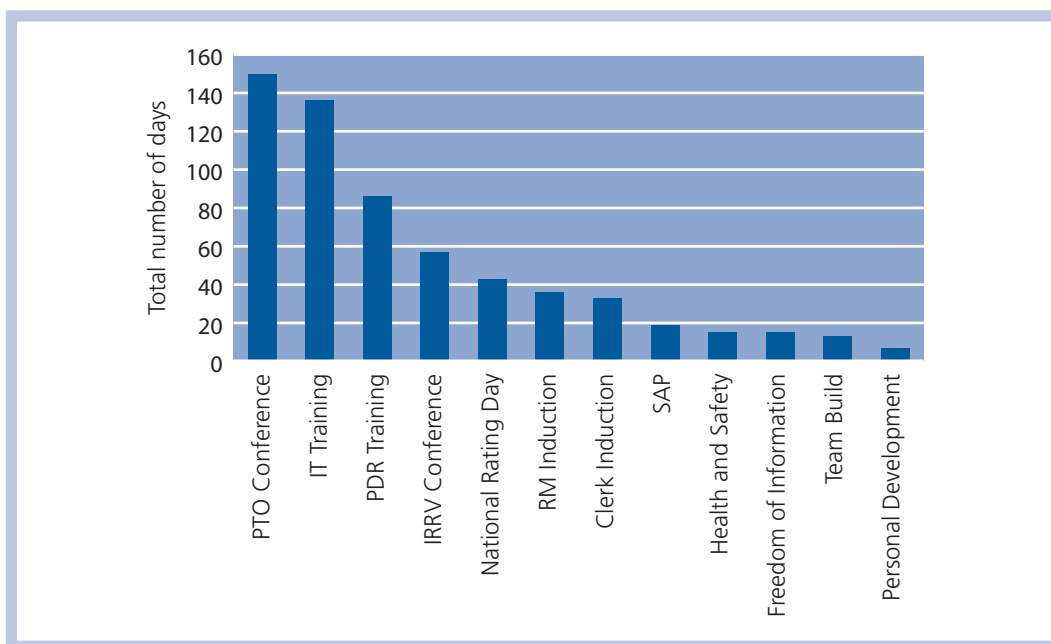
Administrative staff received 271 training days in total; a detailed breakdown is illustrated in Figure 1. This total equates to an approximate average of five days training per person.

**Figure 1**



Professional staff received 610 of training days in total across the organisation; a detailed breakdown is illustrated in Figure 2. This total equates to an approximate average of eight days training per person.

**Figure 2**



## Tribunal Members

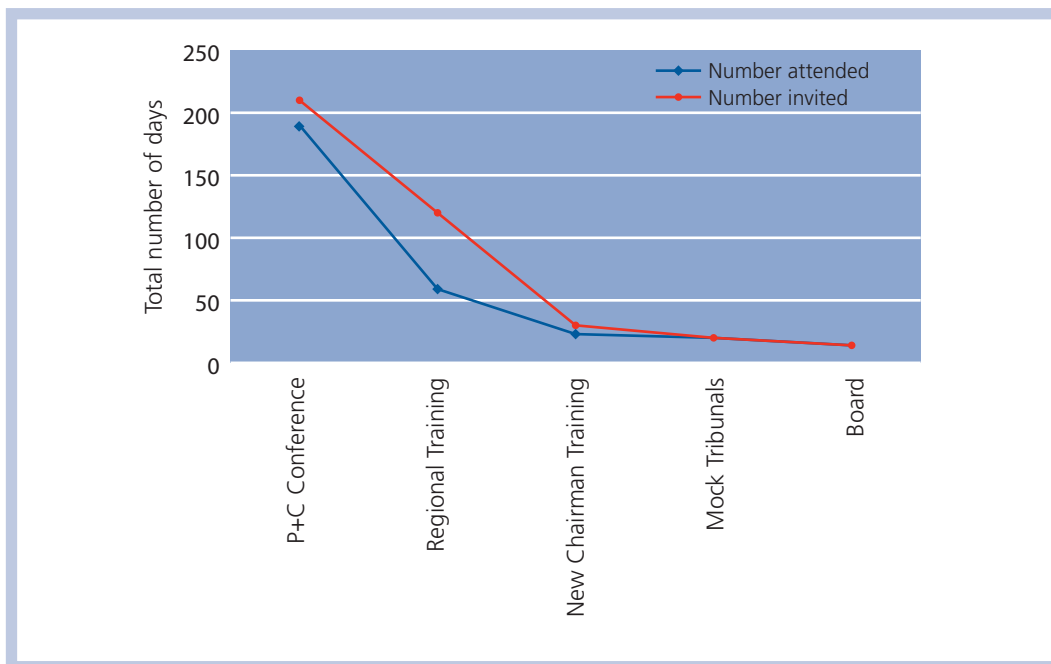
During 2005-06, significant progress was made in establishing the Training Implementation Committee comprising members and staff, which advocates partnership working between the VTS administration and its members. This team is responsible for designing and delivering the members training programme as agreed by the Members' Judicial Committee.

The training team designed and delivered a total of five training events and a number of locally-based 'mock tribunals'. This programme included a residential Presidents' and Chairmen's conference for 200 delegates based in Stratford-upon-Avon.

Members received 504 training days in total across the organisation; this equates to an approximate average of 0.5 days training per member.

The detail of these events, including the total number of people invited and the number of people who attended is shown in Figure 3.

**Figure 3**





## Estates

### Leases

This past year has seen the implementation of the first phase of the VTS' Estates Strategy. In an aim to reduce the VTS' estate liability, the Board decided not to renew office leases in respect of Hertford, Ipswich, Stafford and our Memorandum of Terms of Occupation in respect of Liverpool. These offices were vacated between October and December 2005.

As part of our strategy we have replaced our Stafford office with a larger demise in the locality (The Hollies), with the added benefit of an in-house hearing room that can also be used for regional or national training purposes.

These changes have resulted in a reduction in VTS offices, from 24 to 21.

During the year the VTS has also successfully negotiated the conversion of the inter-departmental occupancy agreements into leases for our offices in Durham, Maidstone and Whitechapel. This approach has not only given us security of tenure, but has also provided us with leases that both reflect our long-term strategy and help reduce our overall liability in terms of potential surrender fees.

Our ongoing refurbishment and planned maintenance programme was also carried forward during the year so as to ensure that all VTS offices are kept in good condition and continue to provide staff with good working conditions that meet modern day health and safety standards within the workplace. The key achievement in this area was the reconfiguration of our office in Preston to accommodate staff transferring from the closed Liverpool office. This resulted in a much-improved hearing room suite at the premises and a general upgrade in the facility as a whole.

### Disability Discrimination Act

Significant progress towards the completion of our commitment to the Disability Discrimination Act 1995 (DDA) requirements across the whole of the VTS has also been made during 2005-06. Only three properties with hearing room facilities will require further DDA consideration during 2006-07.

### Asbestos Management Plan

Since introducing an Asbestos Management Plan, we have taken reasonable steps to remove, treat or monitor any identified materials across the whole estate. A revised Plan was published on the VTS Intranet in January 2006 and our future aim is to monitor VTS offices on a biennial basis.

## Forward look by the Chief Executive

The judicial changes associated with the introduction of Listing after Target Date (LATD) will be a priority for monitoring during the early part of the new year. Our trial held in the North West during 2005 showed that listing after the VOA target date does reduce the overall number of rating appeals that VTs list for hearing. During the trial, listing occurred shortly after target date and the reduction in numbers was broadly 50%. Training and practice will assist tribunal members with any difficulties encountered, but equally it will be important to ensure that a common approach from Group Valuation Offices across the country contributes to the success of the new listing process. A training programme for members has been agreed with the Members' Judicial Committee (MJC), and this began with a training event at Bristol on 26 April 2006.

We would also expect to continue discussions about a gradual reduction in member numbers. The volume of appeals work has been suppressed for some time now, and both LATD and Appeals Direct will eliminate the need for tribunals to meet and 'sign-off' agreements that have been made between appellants and the Valuation Office. There is a growing trend for members to serve on two or more contiguous tribunals, and this both makes good use of experienced members and reduces further the need for a large membership. Overall, the plans should demonstrate how membership numbers could be reduced by around half over a two to three year period.

For the administration, monitoring the introduction of the four new regions and changing the associated systems such as finance, procurement and training will dominate the first part of the year. Regional Managers will not only be able to provide a greater focus on standardising our administrative and personnel resources, the regions will offer a more responsive organisation and greater flexibility to use scarce staff resources across a wider area. This will be coupled with a continued estate rationalisation programme that will see the Norwich office close in July 2006. We expect to renew the lease on the Durham office – adding hearing room facilities to our demise – later in 2006.

Part of this rationalisation also involves bringing a greater customer focus to our work. Our customer survey showed that appellants were not always impressed with our hearing facilities, and felt that we could have helped them more to prepare for their hearings. Once established, Regional Managers will continue with their work to identify good hearing facilities across the country and eliminate locations associated with local government or revenue-raising organisations. This will mean focussing on fewer – but better – locations that offer appropriate facilities for customers and tribunal members. We will be introducing the video or DVD package to appellants who wish to be better prepared for the hearing, and later in the year we will take

stock of what potential benefit this has provided to appellants and the tribunal hearings themselves. During the summer of 2006 we will conduct a second customer survey, but in the nature of the time lag associated with these exercises, it will be the 2007 survey that provides feedback on the improvements we are introducing this year.

A major focus this year will be the finalisation of arrangements for the proposed introduction of Appeals Direct for council tax in April 2007. We have been working hard on this issue throughout the past year, and are very grateful for the support of our sponsoring department and the VOA. Our work has produced a mature version of the business process and the Appeals Direct Working Group – led by the VTS Directors and involving professional and administrative staff drawn from all over the country – has put a tremendous amount of time and effort into guiding this initiative. The focus this year will be to advise on the regulatory changes required and produce a comprehensive communication strategy to ensure that the public, billing authorities and rating professionals are informed fully of the changes.

Finally, the budget in the forthcoming year will take considerable management. As part of the business case for the voluntary redundancy programme, the VTS has agreed to a reduced budget for future years. This, coupled with the absence of any uplift for inflation since the VTS was formed and the requirement to provide annual efficiency savings, means that in real terms our budget in 2006-07 is significantly lower than that at our formation. This will test our skills in good housekeeping and value for money, and although we may need to prioritise our spending in the months ahead, spending associated with tribunal hearings will of course take priority.

## Foreword to the financial statements

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

### Statutory basis

The VTS is a non-departmental public body. It was created under the Local Government Act 2003 and its constitution is set out in section 105 and Schedule 4 to this Act.

Principal activities:

- to provide, or arrange for the provision of, the services required for the operation of valuation tribunals in England, particularly accommodation, staff (including clerks to tribunals), IT, equipment and training of members of valuation tribunals and all staff of (including clerks to) tribunals;
- to give general advice about procedure relating to proceedings before tribunals;
- to provide the Secretary of State with such information advice and assistance as he may require;
- to carry out its functions with respect to valuation tribunals in the manner which it considers best calculated to secure their efficient and independent operation; and
- in relation to its functions with respect to the valuation tribunals, to consult the tribunals concerned about the carrying out of its functions.

### VTS aim

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

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

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

### Going concern

The balance sheet at 31 March 2006 shows net liabilities of £8,315,000. This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the VTS' other sources of income, may only be met by future grants or grants-in-aid from the VTS' 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 2006-07, takes into account the amounts required to meet the VTS' liabilities falling due in that year. This has already been included in the Department's estimates for that year, which have been approved by Parliament. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

### **Financial Reporting Standard 17 'Retirement benefits'**

Under HM Treasury guidance, the VTS has implemented Financial Reporting Standard 17 (FRS17). The VTS prepares its Accounts in accordance with the Financial Reporting Manual (FRM) as it applies to NDPBs. This assumes a net discount rate of 2.8% p.a. and assumes inflation to be 3.1% p.a. Further, under FRS17, the additional costs associated with paying benefits early, or granting additional service, where staff members retire on unreduced pension on redundancy or efficiency grounds have been recognised in full in the Income and Expenditure Statement in the year the requirement is granted.

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

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

The Accounting Officer for the sponsoring department has designated me as the VTS' Accounting Officer for the accounting period 1 April 2005 to 31 March 2006.

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

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

In preparing these Accounts, I am required to:

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

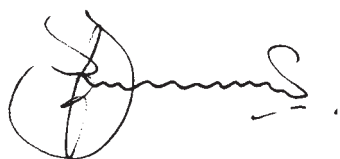
In addition:

- I confirm there is no relevant audit information of which the VTS external auditors are unaware;
- I have taken all reasonable steps I ought to have taken to make me aware and the auditors aware of any relevant audit information; and
- to establish that the VTS external auditors have been made aware of such information.

The VTS Board will continue to employ Deloitte & Touche as the internal auditors for the VTS for the 2006-07 accounting period, operating to Government Internal Audit Standards (GIAS). The work of the internal auditors has been carried out in accordance with agreed plans.

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

Signed on behalf of the Board by

A handwritten signature in black ink, appearing to read 'Laurence Barnes', with a large, stylized initial 'L'.

**Laurence Barnes**  
**Accounting Officer and Chief Executive**  
**Valuation Tribunal Service**

**11 July 2006**

## 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 the VTS' policies, aims and objectives, while safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

The VTS has now completed its second full year, having been set up on 1 April 2004. The VTS has a comprehensive set of policies and procedures in place, appropriate for the organisation, and which represents a key element of the overall internal control system. The Service's continuing growth in understanding of the nature and extent of its responsibilities, and the mechanisms required to effectively manage its business, has led to further development of finance policies and procedures aimed at ensuring effective control and the full implementation of Treasury guidance.

In addition, the system of internal control includes:

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

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

### The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the VTS' policies, aims and objectives, to evaluate the likelihood of those risks occurring and the impact should they occur, and to manage them efficiently, effectively and economically. The system of internal



control has been in place in the VTS for the year ended 31 March 2006 and up to the date of approval of the annual accounts and accords with the HM Treasury guidance.

## Capacity to handle risk

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

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

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

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

## The risk and control framework

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

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

Given the VTS' responsibilities, the loss of reputation is likely to be the most damaging outcome, with the potential to do the greatest harm to the organisation's

capacity to effectively carry out its legislative functions. The review cycle ensures that the corporate risk register is comprehensively reviewed twice each year and that the residual risk, which is now identified on the register, is acknowledged and properly managed.

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

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

During the year the following enhancements have been put in place:

- a formal strategy has been developed to restructure the VTS from 14 administrative units with 24 regional offices, to four administrative regions (North, Central, East and South) with 21 offices spread across the regions;
- a centralised training strategy has been developed and implemented.

## Review of effectiveness

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

- the EMT meets on a regular basis and is responsible for implementing the strategic direction of the VTS, ensuring that appropriate corporate governance procedures are in place, establishing the risk priorities for the organisation and overseeing the

effective management of risk within the VTS;

- the SMT meets at least eight times a year to consider the procedures and the operational and strategic direction of the VTS. The SMT is responsible for ensuring that corporate risks are identified as early as possible, are properly managed and that the importance of risk management receives a high profile within regional units;
- the Audit Committee meets at regular intervals and is responsible for ensuring, as far as possible, that appropriate mechanisms are in place within the VTS for the assessment and management of risk and for advising the Accounting Officer on the effectiveness of the system of internal control within the organisation, prior to his signing off the Statement on Internal Control;
- regular reports are provided by internal auditors, to standards defined in the Government Internal Audit Standards, which includes the internal auditors' independent opinion on the adequacy and effectiveness of the VTS' system of internal control together with recommendations for improvement;
- periodic reports on internal control are given to the VTS Board by the Chairman of the Audit Committee;
- the establishment of an appropriate delegated budget management framework;
- the establishment of a system of end-of-year stewardship reporting by senior managers;
- the development of a risk management strategy and risk management framework which comply with best practice;
- the establishment of a corporate risk register, which is supported by regional risk registers, reviewed by the SMT on a periodic basis;
- the adoption of formal project management arrangements for all key projects, which includes the development and maintenance of project risk registers;
- regular reports are given to the Board on progress against the VTS' key targets, objectives and projects; and
- regular meetings with the sponsoring department to review and agree policy and accounting matters.

These Accounts include provision for future Board strategy.

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

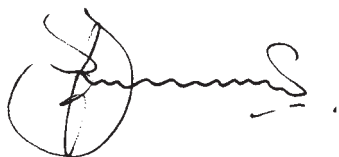
The Audit Committee is the mechanism employed by the organisation to enable detailed scrutiny of the internal control system. It offers a forum, independent of management, where both the internal and external auditors can raise matters of concern regarding any weaknesses or failures in the system.

The VTS continues to employ Deloitte & Touche as internal auditors for the financial year 2005-06, operating to Government Internal Audit Standards. The work of the internal auditors has been carried out in accordance with the agreed plan subject to the changing analysis of the risk provided by the risk management processes which are now being put in place and will be subject to careful scrutiny by the Audit Committee.

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

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

The system of internal control has been fully in place since 1 April 2005 and up to the date of the approval of the Annual Report and Accounts, and accords with Treasury guidance.



**Signed by Laurence Barnes**  
**Accounting Officer and Chief Executive**  
**Valuation Tribunal Service**

**11 July 2006**

## Report by the Internal Auditors

We have now completed our Internal Audit Programme covering the financial period, 1 April 2005 – 31 March 2006, as approved by the Audit Committee. The purpose of this report is to present the results of the Internal Audit work carried out by Deloitte & Touche during 2005-06.

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

### The Statement of Assurance

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

- all internal audits undertaken between 1 April 2005 and 31 March 2006;
- the action taken in response to our audit recommendations;
- whether fundamental or significant recommendations have been accepted by management, and the consequent risks;
- the effects of any material changes in the VTS' objectives or systems; and
- whether or not any limitations have been placed on the scope of internal audit.

### Sources of Assurance

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

- to appraise the soundness, adequacy and application of the whole internal control system;
- to ascertain the extent to which the system of internal control ensures compliance with established policies and procedures;
- to ascertain the extent to which the assets and interests entrusted to or funded by VTS are properly controlled and safeguarded from losses arising from fraud, irregularity or corruption;
- to ascertain that accounting and other information is reliable as a basis for

producing accounts, and financial, statistical and other returns;

- to ascertain the integrity and reliability of financial and other information provided to management, including that used in decision making; and
- to ascertain that systems of control are laid down and operate to promote the most economic, efficient and effective use of resources.

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

Based on the work completed between 1 April 2005 and 31 March 2006, carried out in accordance with the scopes agreed by the Audit Committee, taking into account the proposed action by management to rectify the control weaknesses identified in our detailed reports, in our opinion the VTS has an adequate and effective system of internal controls which provides reasonable assurance regarding the effective and efficient achievement of the VTS' objectives.

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

I certify that I have audited the financial statements of the Valuation Tribunal Service for the year ended 31 March 2006 under the Local Government Act 2003. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

## Respective responsibilities of the Board, Chief Executive and Auditor

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Local Government Act 2003 and directions made there-under by the Secretary of State. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Valuation Tribunal Service has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 46 to 50 reflects the Valuation Tribunal Service's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Valuation Tribunal Service's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises

only the Review of the Year by the Chief Executive and Management Commentary including the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### Basis of audit opinion

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

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

### Opinions

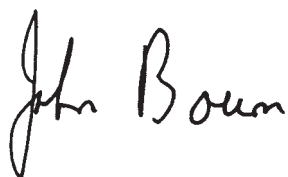
In my opinion:

- the financial statements give a true and fair view, in accordance with the Local Government Act 2003 and directions made thereunder by the Secretary of State, of the state of the Valuation Tribunal Service's affairs as at 31 March 2006 and of the deficit, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Local Government Act 2003 and directions made thereunder by the Secretary of State; and



- 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.

I have no observations to make on these financial statements.



**John Bourn**  
**Comptroller and Auditor General**

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

**Date: 14 July 2006**

## Income and Expenditure Account for the period to 31 March 2006

	Note	Period ended 31 March 2006 £'000	Period ended 31 March 2005 £'000
			Restated
<b>Income</b>			
Grant-in-aid receivable from the Office of the Deputy Prime Minister for revenue purposes		12,041	10,610
Transfer from Government Capital Reserve	15	67	12
Other Income	2	37	200
<b>Total Income</b>		<b>12,145</b>	<b>10,822</b>
<b>Expenditure</b>			
Administration Costs			
– Staff costs	3	7,771	5,273
– Other costs	4	5,868	5,508
– Depreciation	5	67	12
<b>Total Expenditure</b>		<b>(13,706)</b>	<b>(10,793)</b>
<b>(Deficit)/Surplus before interest</b>		<b>(1,561)</b>	<b>29</b>
Interest received		1	2
Interest paid/charges		(4)	(2)
Cost of capital	8	265	249
Notional expenditure <sup>1</sup>		0	(202)
Finance Charges for Pensions <sup>2</sup>		(376)	0
(Deficit)/Surplus after interest		(1,675)	76
Reversal of cost of capital	8	(265)	(249)
Reversal of notional expenditure <sup>1</sup>		0	202
Net Revenue Pension Account <sup>3</sup>	13a	0	(924)
Prior Year Pension Adjustment		0	567
<b>(Deficit) for period</b>	<b>14</b>	<b>(1,940)</b>	<b>(328)</b>
Represented by:			
(Deficit)/Surplus attributable to ordinary activities		<b>(792)</b>	<b>29</b>
(Deficit) attributable to pensions <sup>2</sup>	17	<b>(1,148)</b>	<b>(357)</b>
The notes on pages 60 to 82 form part of these Accounts. All of the results are derived from continuing operations.			

<sup>1</sup> VTS rent and related costs paid by the ODPM related to the VTS 2004-05 financial year. The VTS has recognised these costs in its Income and Expenditure Statement as notional costs.

<sup>2</sup> Inherited obligations.

<sup>3</sup> The net revenue account cost comprises of an operating charge, which represents the employer's share of the cost of Local Government Pension Scheme benefits accruing over the financial year, plus the costs of granting early retirement. Finance charges, being the difference between the interest accrued on the pension scheme liabilities and the expected investment return on the pension scheme assets, has been charged in 2005-06 following restatement of the pension funds' liabilities at 31 March 2006.

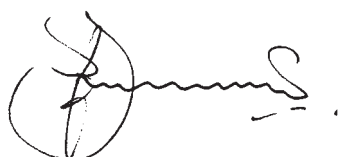
## Statement of Total Recognised Gains and Losses as at 31 March 2006

	Note	Period ended 31 March 2006 £'000	Period ended 31 March 2005 £'000
(Deficit) for period		<b>(1,940)</b>	Restated (328)
Increase/(Decrease) in Irrecoverable Surplus from Membership Fall and Other Factors	13b	(7)	737
<b>Total Recognised Gains and (Losses) for the period</b>		<b>(1,947)</b>	<b>409</b>

## Balance Sheet as at 31 March 2006

	Note	Period ended 31 March 2006 £'000	Period ended 31 March 2005 £'000
			Restated
<b>Fixed Assets</b>			
– Intangible Assets	6	4	7
– Tangible Assets	7	800	320
		<b>804</b>	<b>327</b>
<b>Current Assets</b>			
– Debtors	9	215	561
– Cash at Bank and in Hand	20	0	206
		215	767
<b>Creditors</b>			
– Amounts Falling due within one year	10	(786)	(576)
<b>Net Current Assets</b>		<b>(571)</b>	<b>191</b>
<b>Total Assets less Current Liabilities</b>		<b>233</b>	<b>518</b>
Deferred Income	11	0	(56)
Provisions for Liabilities and Charges	12	(175)	(90)
<b>Net Assets employed excluding pension liabilities</b>		<b>58</b>	<b>372</b>
Provisions for Pension Liabilities	13	(8,373)	(6,977)
<b>Total Net Liabilities</b>		<b>(8,315)</b>	<b>(6,605)</b>
<b>Represented by</b>			
Capital and reserves			
– General Reserve	14	(748)	44
– Government Capital Reserve	15	851	328
– Revaluation Reserve	16	(45)	0
– Pension Fund Reserve	17	(8,373)	(6,977)
		<b>(8,315)</b>	<b>(6,605)</b>

The notes on pages 60 to 82 form part of these Accounts



**Laurence Barnes**  
**Chief Executive**  
**Valuation Tribunal Service**

11 July 2006

## Cash Flow Statement for the period to 31 March 2006

	Note	Period ended 31 March 2006 £'000	Period ended 31 March 2005 £'000
Net Cash (Outflow)/Inflow from Operating Activities	19	<b>(909)</b>	203
Return on Investments and Finance Charges		(3)	0
<b>Capital Expenditure</b>			
Purchase of Fixed Assets	6/7	(590)	(340)
<b>Net Cash Outflow from Capital Expenditure</b>		<b>(590)</b>	<b>(340)</b>
<b>Financing</b>			
Increase in Deferred Government Grant		523	328
Staff loans from ODPM (pre 1 April 2004)		0	15
FRS 17 adjustment		773	0
<b>Total Financing</b>		<b>1,296</b>	<b>343</b>
<b>Net Cash (Outflow) Inflow</b>	20	<b>(206)</b>	<b>206</b>

The notes on pages 60 to 82 form part of these Accounts

# Notes to the Accounts

## 1 Statement of accounting policies

**1.1** The financial statements have been prepared in accordance with the FReM issued by HM Treasury. The particular accounting policies adopted by the VTS are described below. They have been applied consistently in dealing with items considered material in relation to the Accounts.

**1.2** The Accounts follow the accruals concept of accounting and have been prepared under the historical cost convention modified to account for the revaluation of fixed assets.

### 1.3 Basis of Accounting

These Accounts are prepared on a going concern basis.

### 1.4 Fixed Assets and Depreciation

#### i Capitalisation threshold

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

#### ii Land and buildings

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

#### iii Revaluation

The VTS re-values its assets in March of each year using appropriate indices provided by the Office for National Statistics.

#### iv Depreciation

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

- computers 3 years;
- in-house developed software 5 years;
- furniture and office equipment 5 years.

Depreciation is charged in the month of acquisition except where this may

fall at the month end in which case the charge falls in the following month, but depreciation is charged in the month of asset disposal.

#### v Intangible assets and amortisation

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

#### vi Assets under construction

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

#### vii Donated assets

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

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

#### viii Group assets

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

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

Where the VTS replaces key components of grouped assets, the replacement is depreciated over the remaining useful life of the asset.

Where regular maintenance is performed, this is expensed during the year.

### 1.5 Stocks

The VTS aims to hold stock at a level that is commensurate with immediate business needs. Therefore stock holdings are minimal and have no significant realisable value outside the VTS. Stock has therefore been valued at zero for the year ended 31 March 2006.

### 1.6 Income

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

## 1.7 Capital charge

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

## 1.8 Pensions

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

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

FRS 17 requires an organisation to account for pension liabilities as they arise, regardless of when pension payments are due to be paid. Setting side by side the value of all future pension payments and the snapshot value of investments as at 31 March each year, results in either an overall deficit, or surplus. The total deficit arising for the VTS, as at 31 March, is £1,940k. The assessment of current surplus or deficit arising from an FRS 17 valuation carries with it no additional payment requirements from the VTS to its LGPS pension authorities as the separate LGPS actuarial valuation, carried out every three years, sets revised employer contribution rates for each employer, such as the VTS, to ensure that existing assets and future contributions will be sufficient to meet its future pension payments.

The VTS is an NDPB, sponsored by the DCLG. 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.



At the conclusion of the 2004-05 Accounts, pension fund valuations for Merseyside and Buckinghamshire were unavailable. Complete valuations have now been undertaken for these Accounts. As a consequence of restating the 2004-05 position to reflect FRS17 accounting through the current year, the Income & Expenditure Account reflects a pension cost adjustment of £924k in 2004-05, and a prior year adjustment of £567k in 2004-05 for overstatement of pension costs.

A glossary of pension terms is at Appendix 7.

### **1.9 Leases**

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

### **1.10 Provisions**

The VTS provides for legal or constructive obligations which are of uncertain timing or amount at the Balance Sheet date on the basis of the best estimate of the expenditure required to settle the obligation. This practice conforms to FRS 12. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury discount rate of 2.8% (2004-05, 3.5%) in real terms.

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

### **1.11 VAT**

Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets.

### **1.12 Taxation**

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

## 2 Other Income

	Period ended 31 March 2006 £'000	Period ended 31 March 2005 £'000
<b>Rent receivable</b>	33	198
Publications and copies of documents	0	2
Receipts from sale of fixed assets	0	0
Other Income	4	0
<b>Total Other Income</b>	<b>37</b>	<b>200</b>

## 3 Staff Costs

	Period ended 31 March 2006 £'000	Period ended 31 March 2005 £'000
The aggregate payroll costs for the VTS were as follows:		
Salaries	4,149	4,174
Social security costs	348	351
Pension costs	1,463	567
	<b>5,960</b>	<b>5,092</b>
<b>Other staff costs</b>		
Redundancies and payment in lieu of notice (VRP)	1,704	56
Fringe benefits	2	2
Agency/Seconded staff costs	100	104
Other non staff costs	5	19
	<b>1,811</b>	<b>181</b>
<b>Total staff costs</b>	<b>7,771</b>	<b>5,273</b>
The average number of staff employed during the period to 31 March, including the Chief Executive was:		
	149	159

The number of staff, including the Chief Executive, whose annual rate of remuneration as at 31 March 2006 exceeded £40,000 excluding pension contributions and performance related pay but including any benefits in kind and London Weighting was:

Remuneration Band	Period ended 31 March 2006 Number	Period ended 31 March 2005 Number
£40,000 to £44,999	10	24
£45,000 to £49,999	0	1
£50,000 to £54,999	0	0
£55,000 to £59,999	2	2
£60,000 to £64,999	0	0
£65,000 to £69,999	0	0
£70,000 to £74,999	0	0
£75,000 to £79,999	0	0
£80,000 to £84,999	1	1

## 4 Other costs

	Period ended 31 March 2006 £'000	Period ended 31 March 2005 £'000
<b>4a Board costs</b>		
Emoluments	85	70
Training	4	8
Travel and Subsistence	30	30
<b>Total Board costs</b>	<b>119</b>	<b>108</b>
<b>4b Members' Costs</b>		
Financial Loss Allowance	83	101
Training	74	73
Travel and Subsistence	366	393
<b>Total Members' costs</b>	<b>523</b>	<b>567</b>
<b>4c Administration costs</b>		
Travel and Subsistence – staff	277	261
Furniture and Office Equipment	14	36
Telecommunications and Postage	585	341
Publications, Printing and Publicity	155	85
Recruitment, Training and Conferences	207	174
Catering and Hospitality	46	43
Office Supplies	69	83
Subscription to Professional Organisations	12	20
Car hire and Lease Cost	7	7
Removals and Storage	14	6
Professional Services <sup>1</sup>	1,144	1,523
Information Technology	231	262
	<b>2,761</b>	<b>2,841</b>
Internal audit fees	22	16
External audit fees	29	30
<b>Total Administration costs</b>	<b>2,812</b>	<b>2,887</b>

<sup>1</sup> includes legal fees and outsourced contracts e.g. accounting system, IT support, Payroll.

#### 4d Estates Costs

	Period ended 31 March 2006 £'000	Period ended 31 March 2005 £'000
Rent	1,002	825
Rates	266	275
Service Charges	252	217
Fixed Maintenance	109	189
Domestic Services	76	79
Heating and Lighting	31	27
Insurance	18	19
Temporary Accommodation	92	96
Security	9	5
Variable Maintenance	532	203
Car Park Charges	27	11
<b>Total Estates Costs</b>	<b>2,414</b>	<b>1,946</b>
<b>Total other costs</b>	<b>5,868</b>	<b>5,508</b>

#### 5 Depreciation

	Note	Period ended 31 March 2006 £'000	Period ended 31 March 2005 £'000
Intangible Fixed Assets			
Depreciation charge for period	6	2	1
Tangible Fixed Assets			
Depreciation charge for period	7	65	11
<b>Total Depreciation charge for period</b>		<b>67</b>	<b>12</b>

## 6 Intangible Fixed Assets

	Period ended 31 March 2006 £'000	Period ended 31 March 2005 £'000
<b>Cost or Valuation</b>		
At 1 April 2005	8	0
Revaluation	0	0
Impairment	0	0
Additions	0	8
Disposals	0	0
<b>At 31 March 2006</b>	<b>8</b>	<b>8</b>
<b>Depreciation</b>		
At 1 April 2005	(1)	0
Revaluation	(1)	0
Impairment	0	0
Additions	0	0
Charge for period	(2)	(1)
<b>At 31 March 2006</b>	<b>(4)</b>	<b>(1)</b>
<b>Net Book value at 31 March 2006</b>	<b>4</b>	<b>7</b>
Net Book value at 31 March 2005	7	0

Revaluation took place during 2005-06, as the intangible fixed assets represent software licences amortised in year 1 of capitalisation.

## 7 Tangible Fixed Assets

	Furniture, Fittings & Office Equipment £'000	Computers & Other IT £'000	Total £'000
<b>Cost or Valuation</b>			
At 1 April 2005	49	283	332
Revaluation – Note 16	0	(45)	(45)
Impairment	0	0	0
Additions	37	553	590
Disposals	0	0	0
<b>At 31 March 2006</b>	<b>86</b>	<b>791</b>	<b>877</b>
<b>Depreciation</b>			
At 1 April 2005	(3)	(9)	(12)
Revaluation	0	0	0
Impairment	0	0	0
Additions	0	0	0
Disposals	0	0	0
Charge for period	(12)	(53)	(65)
<b>At 31 March 2006</b>	<b>(15)</b>	<b>(62)</b>	<b>(77)</b>
<b>Net Book Value At 31 March 2006</b>	<b>71</b>	<b>729</b>	<b>800</b>
Net Book Value at 31 March 2005	46	274	320

## 8 Notional Costs

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

The cost of capital has been arrived at by calculating a rate of 3.5 per cent to the average capital employed.

The average capital employed is defined as an average of total assets less current liabilities at 1 April 2005 and 31 March 2006. The total assets are to exclude non-interest bearing bank balances with the Office of the Paymaster General and the Bank of England.

	Period ended 31 March 2006 £'000
Capital employed as at 1 April 2005	(6,811)
Capital employed as at 31 March 2006	(8,315)
Average capital employed	(7,563)
<b>Notional Interest on Capital @3.5%</b>	<b>265</b>

## 9 Debtors

	Period ended 31 March 2006 £'000	Period ended 31 March 2005 £'000
<b>Due in one year</b>		
Trade Debtors	8	0
Accrued Income and Prepayments	168	524
Staff Car Loans	14	10
Other Debtors	11	8
	<b>201</b>	<b>542</b>
<b>Due in more than one year</b>		
Staff Car Loans	14	19
<b>Total Debtors</b>	<b>215</b>	<b>561</b>



## 10 Creditors: Amounts falling due within one year

	Period ended 31 March 2006 £'000	Period ended 31 March 2005 £'000
		Restated
Trade Creditors	0	164
Taxation and Social Security	166	0
Accrued Expenses	540	230
Other Creditors	80	182
	<b>786</b>	<b>576</b>

## 11 Deferred Income

	Period ended 31 March 2006 £'000	Period ended 31 March 2005 £'000
Provided for in year	0	56
<b>Year end balance</b>	<b>0</b>	<b>56</b>

## 12 Provisions for Liabilities and Charges

	Period ended 31 March 2006 £'000	Period ended 31 March 2005 £'000
		Restated
Balance of provision at 1 April 2005	90	0
Provision for dilapidations	85	90
Provision utilised in year	0	0
	<b>175</b>	<b>90</b>

### 13 Provisions for Pension Liabilities

	Period ended 31 March 2006 £'000	Period ended 31 March 2005 £'000
Balance of provision at 1 April 2005	6,977	0
Additional provision in period	1,396	6,977
Provision utilised in period	0	0
	<b>8,373</b>	<b>6,977</b>

A provision has been recognised for pension liabilities.

Employers following the FReM guidance are required to adopt FRS17 in line with the original timetable. For the financial year ended 31 March 2006, the VTS is required to disclose the FRS17 figures in the Accounts.

For the purpose of FRS17, VTS commissioned a qualified independent actuary to use the assessment of the LGPS as at 31 March 2006. The results of the actuarial valuation are shown below.

As required under FRS17, the actuary has used the projected unit method of valuation to calculate the service costs.

The financial assumptions used for the purposes of the FRS17 calculations as at 31 March 2005 and 31 March 2006 are shown in the table below.

Assumptions as at	31 Mar 2006 % p.a.	Real % p.a.	31 Mar 2005 % p.a.	Real % p.a.
Price Increases	3.1%	–	2.5%	–
Salary Increases	4.6%	1.5%	4.0%	1.5%
Pension Increases	3.1%	–	2.5%	–
Discount Rate	6.0%	2.8%	6.0%	3.5%

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

Both the service cost and the interest cost over the year to 31 March 2006 have been based on HM Treasury’s net discount rate of 2.8% p.a. but using an inflation assumption as at 31 March 2005 to calculate the nominal discount rate (that is a discount rate of 5.9% using market implied inflation of 3.1%). Additionally, the interest cost over the year was based on the liabilities as at 31 March 2005 rebased to the 2.8% net discount rate.

**Expected Return on Assets**

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (as at 31 March 2006 for the year to 31 March 2007).

FRS17 requires that the expected return on assets is to be set by VTS having taken actuarial advice. The expected returns we have adopted as at 31 March 2005 and 31 March 2006 are shown in the table below:

Asset Class	Expected Return at 31 March 2006 (% per annum)	Expected Return at 31 March 2005 (% per annum)
Price Increases	7.4%	7.7%
Salary Increases	4.6%	4.8%
Pension Increases	5.5%	5.7%
Discount Rate	4.6%	4.8%

There is a range of actuarial assumptions that are acceptable under the requirements of FRS17, particularly in respect of the expected return on equities. We consider that these assumptions are within the acceptable range and are thus consistent with the requirements of FRS17. The assumed returns are net of administration and investment expenses. Allowance has been included in the cost of accruing benefits for expenses to the extent that we have been informed that it has been allowed for in the future service rate for each Fund.

## Balance Sheet disclosure as at 31 March 2006

Restated 2005 position to include Merseyside and Buckinghamshire Pension Funds

Assumptions as at		31 Mar 2006 % p.a.	31 Mar 2005 % p.a.
Price Increases		3.1	2.5
Salary Increases		4.6	4.0
Pension Increases		3.1	2.5
Discount Rate		6.0	6.0

Assets (Employer)	Long-term return at 31 Mar 2006 % p.a.	Assets at 31 Mar 2006 £'000	Long-term return at 31 Mar 2005 % p.a.	Assets at 31 Mar 2005 £'000
				<b>Restated</b>
Equities	7.4	18,875	7.7	15,307
Bonds	4.6	4,218	4.8	3,508
Property	5.5	2,177	5.7	1,426
Cash	4.6	985	4.8	981
<b>Total</b>	<b>6.7</b>	<b>26,255</b>	<b>7.0</b>	<b>21,223</b>

Net Pension Asset as at	31 Mar 2006 £'000	31 Mar 2005 £'000
		<b>Restated</b>
<b>Estimated Employer Assets (A)</b>	<b>26,255</b>	<b>21,222</b>
Present Value of Scheme Liabilities <sup>1</sup>	32,893	26,975
Present Value of Unfunded Liabilities <sup>2</sup>	1,735	1,466
<b>Total Value of Liabilities (B)</b>	<b>34,627</b>	<b>28,441</b>
<b>Net Pension Asset (A)-(B)</b>	<b>(8,373)</b>	<b>(7,218)</b>

<sup>1</sup> The actuary estimates that this liability comprises of approximately £19,932,000, £2,529,000 and £10,432,000 in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2006. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable for certain Funds where there has been membership movement between active, deferred and pensioner classes. However, the actuary is satisfied that the approach used leads to reasonable estimates for the aggregate liability figure.

<sup>2</sup> The actuary assumed that all unfunded pensions are payable for the remainder of the member's life. On death of the member, any spouse will receive a pension equal to 50% of the member's pension as at the time of death of the member.

### 13a Revenue Account Costs for the year to 31 March 2006

#### Analysis of amount charged to operating profit.

Restated 2005 position to include Merseyside and Buckinghamshire Pension Funds

	Year to 31 March 2006 (% of £(000) Payroll)		Year to 31 March 2005 (% of £(000) Payroll)	
<b>Amount Charged to Operating Profit</b>				
			<b>Restated</b>	
Service Cost	699	17.4	567	14.0
Past Service Costs	–	–	–	–
Curtailement and Settlements	764	19.1	118	2.9
Decrease in Irrecoverable Surplus	–	–	–	–
<b>Total Operating Charge (A)</b>	<b>1,463</b>	<b>36.5</b>	<b>685</b>	<b>16.9</b>
<b>Amount Credited to Other Finance Income</b>				
Expected Return on Employer Assets	1,486	37.1	1,354	33.5
Interest on Pension Scheme Liabilities	(1,862)	(46.5)	(1,623)	(40.1)
<b>Net Return (B)</b>	<b>(376)</b>	<b>(9.4)</b>	<b>(269)</b>	<b>(6.7)</b>
<b>Net Revenue Account Cost (A)-(B)</b>	<b>1,839</b>	<b>45.9</b>	<b>954</b>	<b>23.6</b>

### Movement in Surplus/(Deficit) during the year, following March 2005 revaluation

	Year to 31 March 2006 £'000	Year to 31 March 2005 £'000
<b>Surplus / (Deficit) at Beginning of the Year</b>	<b>(6,977)</b>	<b>(7,387)</b>
Restated Opening Balance	(241)	0
Current Service Cost	(699)	(545)
Employer Contributions	587	506
Contributions in respect of Unfunded Benefits	104	91
Other Income	0	0
Other Outgoing costs (e.g. expenses, etc)	0	0
Past Service Costs	0	0
Impact of Settlements and Curtailments	(764)	(118)
Net Return on Assets	(376)	(261)
Actuarial Gains / (Losses)	(7)	737
<b>Surplus / Deficit) at End of Year</b>	<b>(8,373)</b>	<b>(6,977)</b>

### 13b History of Experience Gains and Losses

Restated 2005 position to include Merseyside and Buckinghamshire Pension Funds

	Year to 31 March 2006 £'000	Year to 31 March 2005 £'000
		<b>Restated</b>
Difference Between the Expected and Actual Return on Assets	3,622	797
Value of Assets	26,255	21,224
<b>Percentage of Assets</b>	<b>13.8%</b>	<b>3.8%</b>
Experience Gains / (Losses) on Liabilities	(78)	(23)
Total Present Value of Liabilities	34,627	28,441
<b>Percentage of the Total Present Value of Liabilities</b>	<b>(0.2%)</b>	<b>(0.1%)</b>
Actuarial Gains / Losses Recognised in STRGL	(7)	774
Total Present Value of Liabilities	34,627	28,441
<b>Percentage of the Total Present Value of Liabilities</b>	<b>0.0%</b>	<b>2.7%</b>

### Projected pension expense for the year to 31 March 2007

Analysis of projected amount to be charged to operating profit for the year to 31 March 2007

	Year to 31 March 2007	
	£(000)	(% of Payroll)
<b>Projected Amount Charged to Operating Profit</b>		
Estimated Current Service Cost	647	16.3
Past Service Costs	–	–
Curtailment and Settlements	–	–
Decrease in Irrecoverable Surplus	–	–
<b>Total Operating Charge (A)</b>	<b>647</b>	<b>16.3</b>
<b>Projected Amount Credited to Other Finance Income</b>		
Expected Return on Employer Assets	1,751	44.2
Interest on Pension Scheme Liabilities	(2,074)	(52.4)
<b>Net Return (B)</b>	<b>(323)</b>	<b>(8.2)</b>
<b>Estimated Net Revenue Account Cost (A)-(B)</b>	<b>970</b>	<b>24.5</b>

Note that these figures exclude the capitalised cost of any early retirements or augmentations which may occur during 2006-07.

The service cost figures are based on the Regulations as they currently stand, that is they allow for the abolition of the Rule of 85 as at 1 October 2006 as set out in the Local Government Pension Scheme (Amendment)(No 2) Regulations 2004.

No allowance has been made for any changes to the assumptions used for the 2005-06 disclosures.

## 14 General Reserve

	As at 31 March 2006 £'000	As at 31 March 2005 £'000
		<b>Restated</b>
Balance at 1 April 2005	44	15
(Deficit) for period	(1,940)	(328)
Transfer to Pensions Reserve	1,148	357
<b>Balance at 31 March 2006</b>	<b>(748)</b>	<b>44</b>

## 15 Government Capital Reserve

	As at 31 March 2006 £'000	As at 31 March 2005 £'000
Balance at 1 April 2005	328	0
Allocated from grant-in-aid (purchase of capital assets)	590	340
Transfer to Income and Expenditure	(67)	(12)
<b>Balance at 31 March 2006</b>	<b>851</b>	<b>328</b>

## 16 Revaluation Reserve

	As at 31 March 2006 £'000	As at 31 March 2005 £'000
Balance at 1 April 2005	0	Restated 0
Arising on asset revaluations during the year – Note 7	(45)	0
<b>Balance at 31 March 2006</b>	<b>(45)</b>	<b>0</b>

## 17 Pension Fund Reserve

	As at 31 March 2006 £'000	As at 31 March 2005 £'000
Balance at 1 April 2005	(6,977)	Restated 0
Transfer from General Fund <sup>1</sup>	(1,148)	(357)
Movement on Pensions <sup>1</sup>	(248)	(6,620)
<b>Balance at 31 March 2006</b>	<b>(8,373)</b>	<b>(6,977)</b>

<sup>1</sup> Represents net movement on assets and liabilities recognised across all pension funds resulting in an increase in total pension liabilities (Note 13), offset by annual charges for accrued benefits, early retirements and employer's contributions, such that the movement on Reserve falls short of the actuarial value of the liabilities.



## 18 Reconciliation of Movement in funds

	As at 31 March 2006 £'000	As at 31 March 2005 £'000
		Restated
Opening balance of Reserves	(6,605)	0
Movement in funds:		
Operating (Deficit)	(1,940)	(328)
Staff Loans (transferred from ODPM)	0	15
Capital Purchases (GIA)	590	340
Revaluation of fixed assets	(45)	0
Depreciation Transfer to Income and Expenditure Account	(67)	(12)
Movement on Pensions	(248)	(6,620)
<b>Closing Balance of Reserves</b>	<b>(8,315)</b>	<b>(6,605)</b>
<b>Represented by:</b>		
General Reserve	(748)	44
Government Capital Reserve	851	328
Revaluation Reserve	(45)	0
Pension Fund reserve	(8,373)	(6,977)
<b>Closing Balance of Reserves</b>	<b>(8,315)</b>	<b>(6,605)</b>

## 19 Reconciliation of Operating Deficit to net cash flow from operating activities

	As at 31 March 2006 £'000	As at 31 March 2005 £'000
		Restated
Operating (Deficit)/Surplus before interest	(1,561)	29
Depreciation charges	67	12
(Increase)/Decrease in Debtors	346	(561)
Increase/(Decrease) in Creditors	210	577
Increase/(Decrease) in Provisions for Liabilities and Charges	85	90
Increase/(Decrease) in Deferred Income	(56)	56
<b>Net Cash (Outflow)/ Inflow from Operating Activities</b>	<b>(909)</b>	<b>203</b>

## 20 Reconciliation of net cash flow to movement in cash balance held

	As at 31 March 2006 £'000	As at 31 March 2005 £'000
Cash at bank and in hand at 1 April 2005	206	0
Increase/(Decrease) in cash for the year	(206)	206
<b>Cash at bank and in hand at 31 March 2006</b>	<b>0</b>	<b>206</b>

## 21 Commitments under non-private finance initiative leases

	Period ended 31 March 2006 £'000	Period ended 31 March 2005 £'000
These were annual commitments as at 31 March 2006 to pay rentals under lease agreements as follows:		
<b>Land and Buildings</b>		
<b>Leases that:</b>		
Expire within 1 year	0	73
Expire after 1 year but no more than 5 years	1,320	1,852
Expire after more than 5 years	2,611	1,697
	<b>3,931</b>	<b>3,622</b>

There were no annual commitments as at 31 March 2006 to pay rental on office equipment under lease agreements.

## 22 Capital Commitments

The VTS is committed to making all its offices DDA compliant and is committed to spending £23,000 in the 2006-07 financial year.

## 23 Related Party Transactions

The VTS is an NDPB sponsored during 2005-06 by the Office of the Deputy Prime Minister (ODPM), which is regarded as a related party. During the course of the reporting period the VTS had a number of significant related party transactions and was dependent on its shared IT management service and software development using capacities operated on its behalf by the Valuation Office Agency (VOA) and HM Revenue and Customs.

The values of related party transactions are as follows with:

- Grant-in-aid of £12,631,266 was received from ODPM;
- Payments of £1,080,577 were made to VOA for IT shared service support;
- Payments of £691,000 were made to the LGPS Pension Fund representing employer's contribution for the year.

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

## 24 Contingent liabilities

No contingent liabilities have been identified as at 31 March 2006.

## 25 Financial Instruments

Financial Reporting Standard 13 (FRS13), 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 FRS13 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 FRS13, debtors and creditors which mature or become payable within 12 months from the Balance Sheet date have been omitted from the currency profile.

### **Liquidity risk**

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

### **Interest rate risk**

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

Map of administrative units



## Map of administrative regions



## Business Plan achievements

## VTS Objectives, Targets, Time-bound Tasks and Key Performance Indicators (KPIs) for 2005-06

## VTS Objective: Operational

What This Means		To promote a better understanding of the organisation with stakeholders to build relationships.	
Key Tasks		Review all published information, and develop a plan for the improvement of the content and accessibility of material published by the VTS.	
Targets	How Measured		
Revise all current national guidance leaflets to reflect new Appeals Regulations for Non-Domestic Rating within Quarter 1 and provide copies to Administrative Unit offices within Quarter 2.	National guidance leaflets to receive the Plain English Crystal mark to ensure clarity and customer understanding.		<b>Fully achieved</b>
Create and circulate a national, multi-language general leaflet, for widespread distribution to Citizen Advice Bureau's, Libraries, Billing Authorities, etc., within Quarter 2.	Research the most used languages. Develop and maintain a national register of languages.		<b>Fully achieved</b>
All leaflets to be translated in other formats to comply with the requirements of the Disability Discrimination Act 1995 by 30 June 2005 and the Race Relations Act 1976 and Race Relations Act 2000 by 30 June 2005.	Develop and maintain a register of Home Office approved interpreters and translators.		<b>Fully achieved</b>
Review current agreements set up for arranging Interpreters (including deaf signing) by 30 April 2005, and monitor the use of interpreters, and languages required.	Provide a yearly report to the VTS Board to raise awareness of diversity of users.		<b>Fully achieved</b>
Redesign the VTS website to enhance the VTS' corporate identity by 31 August 2005.	Research the 'look and feel' of other websites and issue a report to the Chief Executive proposing a way forward within Quarter 2.		<b>Fully achieved</b>
Regularly review the FOI Publication Scheme to ensure full compliance with the Act.	The FOI Compliance Officer to monitor and report to the Board quarterly on FOI requests and ensure processes are in place to guarantee compliance within legislative guidelines.		<b>Fully achieved</b>

## VTS Objectives, Targets, Time-bound Tasks and Key Performance Indicators (KPIs) for 2005-06

## Continuation – VTS Objective: Operational

<b>Key Tasks</b> Continuation – Review all published information, and develop a plan for the improvement of the content and accessibility of material published by the VTS.		
<b>Targets</b>	<b>How Measured</b>	
VTS Legal Publications and Advisory Committee to meet quarterly to provide support and guidance on the interpretation of legislation, and assist in the production of VTS publications to enhance stakeholder perceptions.	Respond to enquiries connected with staff roles in valuation tribunals.  Issue a quarterly newsletter on judicial aspects of the work of valuation tribunals.	<b>Fully achieved</b>
<b>Key Tasks</b> Listen to customers, provide feedback, and develop flexible systems to enhance customer-orientation.		
<b>Targets</b>	<b>How Measured</b>	
Identify key stakeholder participants, undertake a national customer awareness and satisfaction survey and address issues raised.	Identify stakeholder participants within the first quarter.  Carry out a survey within the first quarter.  Evaluation of surveys by the second quarter.  Produce a Board report by the second quarter.  Devise and implement an action plan, outlining the best ways forward, addressing all issues raised in the survey by the third quarter.	<b>Fully achieved</b>
Review the national and local complaints procedure policies by 30 April 2005 to ensure that all complaints are dealt with in line with the VTS Customer Charter.	Monitor complaint-handling times from receipt of complaint until resolved.  Present the national complaints register to the Board on a quarterly basis.  Report all types of complaints in the VTS' Annual Report.	<b>Fully achieved</b>



## VTS Objectives, Targets, Time-bound Tasks and Key Performance Indicators (KPIs) for 2005-06

### Continuation – VTS Objective: Operational

What This Means		To promote and facilitate effective internal stakeholder working relationships by promoting equal opportunities and diversity in VTs and VTS offices.
Key Tasks		Further develop approaches to cultural change, human resource practices, training and development and diversity within the organisation.
Targets	How Measured	
Develop and implement a comprehensive equality of opportunity and diversity policy in accordance with Commission for Racial Equality guidance to capture the diversity of the Membership and staff by 30 September 2005.	Draft policy submitted to be submitted to the Board within the first quarter.  Policy to be circulated by 30 September 2005.	<b>Partly achieved</b>
Provision of accurate information to the Cabinet Office on diversity of the VTS employees and VT members as required.	Conduct equal opportunities monitoring in Administrative Units by 30 April 2005.	<b>Fully achieved</b>
Review the staff handbook and update related policies and procedures within Quarter 4.	Identify and introduce policies required.	<b>Partly achieved</b>
Facilitate discussions in resolving the union recognition issue and implement a Union Recognition Agreement by 30 September 2005.	Consult with current recognised trade union through quarterly meetings.  Prepare a VTS/Union Recognition Agreement by 31 May 2005.  Work with the recognised Union to address relevant staff issues.	<b>Fully achieved</b>
Develop for implementation a Management Information System (MIS) by 31 March 2006.	Work with successful tender in developing Phase 1 to ensure an accurate and comprehensive HR and Training Database of VTS employees and VT Members within Quarter 1.  Develop Phase 2 to include corporate management information by 31 December 2005. (Business Objects)	<b>Partly achieved</b>

## VTS Objectives, Targets, Time-bound Tasks and Key Performance Indicators (KPIs) for 2005-06

## Continuation – VTS Objective: Operational

Key Tasks		
Review VTS Communication Strategy.		
Targets	How Measured	
Develop and implement an effective and comprehensive Internal Communications Policy.	Implement an approved Board policy by the end of Quarter 1.	<b>Fully achieved</b>
What This Means		
Improve delivery through business tools.		
Key Tasks		
Develop and prepare an e-business strategy to improve access to the VTS and improve customer service.		
Targets	How Measured	
Ensure effective 'desk top' operating systems that meet business requirements	Upgrade operating system on all desktops to enable introduction of flexible applications as required by 31 December 2005.	<b>Fully achieved</b>
Further develop initiatives and align the VTS e-business strategy with e-government guidelines by 31 March 2006.	Explore with IT partners e-communication with regards to the lodging of appeals by email.	<b>Ongoing</b>
Work with the professional bodies (Rating Surveyors' Association, Institute of Revenues, Rating and Valuation and the Valuation Office Agency) on the transfer of electronic data transfer initiative.	Stakeholder advice to inform the initiative in order to propose effective working methods by March 2006.	<b>Fully achieved</b>

VTS Objectives, Targets, Time-bound Tasks and Key Performance Indicators (KPIs) for 2005-06

Continuation – VTS Objective: Operational

<p><b>What This Means</b> Liaise with other organisations providing tribunal services and learn from them to develop the role of the VTS and the VTs.</p>		
<p><b>Key Tasks</b> Work with government agencies and professional bodies in raising the awareness of the VTS at both national and international levels.</p>		
Targets	How Measured	
Identify and work with selected stakeholders to devise a cross-organisational website.	Identify suitable stakeholder websites by 31 July 2005.	<b>Fully achieved</b>
Continue to lead on the Rating Liaison Group (RLG) to discuss issues affecting the non-domestic rating system.	Continue to hold quarterly meetings and to work in accordance with Terms of Reference and report to the Board.	<b>Fully achieved</b>
Agree with the Valuation Office Agency (VOA) a global clearance figure for workload.	Continue to hold quarterly VOAVTS Liaison Meetings and agree a global figure by 30 April 2005.	<b>Fully achieved</b>
Keep under review the Memorandum of Agreement between the VOA and the VTS and amended as necessary.	Review the current VOAVTS Memorandum of Agreement within the first quarter and publish it on the Intranet and Internet.	<b>Fully achieved</b>
<p><b>Key Tasks</b> Engage with other tribunal systems to learn to more effectively utilise the VTS' knowledge and experience in the appeals process.</p>		
Targets	How Measured	
Establish meaningful links with other tribunal-based organisations in sharing knowledge and working practices.	Identify similar organisations to establish a network and prepare a presentation to the Board by the end of the third quarter.	<b>Partly achieved – ongoing</b>
Liaise with the Department of Constitutional Affairs (DCA) and Council on Tribunals to gain a better knowledge and understanding of other appeal hearing organisations.	Meetings and conferences were held with the DCA and the sponsoring department. In addition there was attendance at Tribunal Council conferences.	<b>Fully achieved</b>

## VTS Objectives, Targets, Time-bound Tasks and Key Performance Indicators (KPIs) for 2005-06

### VTS Objective: Organisational

What This Means	Provide a first class service to the public, stakeholders and the sponsoring department.	
Key Tasks	Achieve a community-facing organisation by ensuring the VTS provides an effective service of tribunal hearings across the country.	
Targets	How Measured	
Agree workload benchmarks with Administrative Units and deliver on the agreed figures.	Disseminate workload figures to Admin Units within the first quarter.  Conduct quarterly monitoring on workload.	<b>Fully achieved</b>
Key Tasks	Develop an estates programme to optimise the geographical spread of operational offices over the life of the corporate plan.	
Targets	How Measured	
Undertake a comprehensive estates review programme to ensure the locations of operational offices are strategically sited to optimise service to the VTS' customers.	Complete a review of the current VTS estate and implement the Board's estate strategy, starting in Quarter 1.	<b>Fully achieved</b>
Review asbestos surveys reports and prepare timetable of works by 30 April 2005.	Maintain and review asbestos registers on a monthly basis.	<b>Fully achieved</b>
Key Tasks	Further enhance Health and Safety within the VTS environment.	
Targets	How Measured	
Keep under review Disability Discrimination Act access audit reports to ensure compliance.	Within the first quarter, produce and implement a programme of works for the financial year.  Maintain ongoing VTS Health and Safety Committee meetings on a quarterly basis.	<b>Fully achieved</b>
Ensure compliance with Health and Safety requirements.	Monitor Accident Book entries based in each VTS office and identify risks highlighted.	<b>Fully achieved</b>

VTS Objectives, Targets, Time-bound Tasks and Key Performance Indicators (KPIs) for 2005-06

Continuation – VTS Objective: Organisational

Key Tasks Promote the VTS as a learning organisation.		
Targets	How Measured	
Review the Staff Development Review Scheme.	<p>Publish the revised Performance and Development Review (PDR), to all employees by Quarter 3.</p> <p>Assess the impact of the introduction of Performance Related Pay by November 2005.</p>	<b>Fully achieved</b>
Evaluate findings from the Training Needs Analysis and formulate a training programme for employees	<p>Devise training programme by the end of the second quarter and evaluate feedback received on a monthly basis.</p> <p>Quarterly meetings of the Training Needs Project Group to discuss and evaluate employee-training needs.</p>	<b>Fully achieved</b>
Continue to prepare and plan for the accreditation of Investors in People.	Prepare a report for a recommended plan of action and present to the Board by Quarter 4.	<b>Fully achieved</b>
Key Tasks Ensure an effective VTS pay and grading structure.		
Targets	How Measured	
Examine the continued effectiveness of the current pay and grading structure and identify, develop and implement a pay structure for the Chief Executive's office staff.	Produce proposals by the end of Quarter 2 and obtain ODPM and Treasury agreement by 31 March 2006.	<p><b>Not achieved.</b></p> <p>Following the Government's decision to postpone council tax revaluation, the VTS re-evaluated its strategic programme and brought forward staffing changes. This will be ongoing in 2006-07.</p>

**VTS Objectives, Targets, Time-bound Tasks and Key Performance Indicators (KPIs) for 2005-06**

**Continuation – VTS Objective: Organisational**

Key Tasks		
Promote communication within the VTS and provide all staff with regular briefings and updates, and the means for broad discussion.		
Targets	How Measured	
Regular meetings with all staffs to provide briefings, receive feedback and ideas.	<p>Continue to build on dissemination of information through the VTS Senior Management Team Meetings.</p> <p>Provide regular updates on corporate issues through newsletters and intranet.</p> <p>Provide the Board with regular feedback and ideas developed from staff comment.</p> <p>Issue a minimum of 5 VTS Newsletters during the year.</p> <p>Hold staff conferences for staff at all levels.</p>	<b>Fully achieved</b>
Implementation of a Staff Suggestion Scheme.	Implement Scheme within Quarter 1.	<b>Fully achieved</b>
Key Tasks		
Provide a plan for the future development of the organisation.		
Targets	How Measured	
Implementation of the Strategy Development Plan.	<p>Analyse responses within Quarter 2.</p> <p>Consult with ODPM within Quarter 3.</p> <p>Implement the Plan within Quarter 4.</p>	<b>Fully achieved</b>

VTS Objectives, Targets, Time-bound Tasks and Key Performance Indicators (KPIs) for 2005-06

Continuation – VTS Objective: Organisational

Key Tasks Set challenging targets to improve performance and consistency.		
Targets	How Measured	
Clerks to liaise with the President of valuation tribunals to ensure all appeals are listed within regulatory guidelines.	Quarterly monitoring of the following: <ul style="list-style-type: none"> <li>– Number of appeals listed</li> <li>– Clearance rates</li> <li>– Number of appeals settled before hearing</li> <li>– Number of appeals settled after hearing</li> <li>– Number of tribunals convened</li> <li>– Number of tribunals cancelled</li> <li>– Number of Postponements and adjournments.</li> </ul>	<b>Fully achieved</b>
Key Tasks Promote the effective monitoring of risk management.		
Targets	How Measured	
Raise awareness of risk management. Review and update the Risk Management Strategy and devise a Risk Management Policy by 30 April 2005	Implementation of strategy and policy within Quarter 1.	<b>Fully achieved</b>
Maintain effective local and central risk registers.	Consideration of local risks to feed into the VTS central risk register, reviewed by the Board and the Audit Committee on a quarterly basis.  The Senior Management Team and the Chief Executive’s office to continuously maintain local and central risk registers.  Continuously identify best practice and implement through the Senior Management Team.	<b>Fully achieved</b>
Work towards consistent and effective working practices.	Provide annual report to the Board by Quarter 4 on identified best working practices.	<b>Partly achieved</b> – ongoing process. Taken forward to 2006-07 Business Plan objectives.

## VTS Objectives, Targets, Time-bound Tasks and Key Performance Indicators (KPIs) for 2005-06

### VTS Objective: Tribunal Partnership Working

<b>What This Means</b> Research and implement agreed better ways of working.		
<b>Key Tasks</b> Work towards an improved tribunal system.		
<b>Targets</b>	<b>How Measured</b>	
Work in partnership with the Office of the Deputy Prime Minister (the sponsoring body) and the 'judicial' committees of the Board, to review and develop current regulatory requirements.	Bi monthly ODPM/VTS meetings. Regular feedback from Tribunal Annual General Meetings. Quarterly meetings with the Board's Judicial Interface Committee	<b>Fully achieved</b>
<b>Key Tasks</b> Build networks within the wider tribunal world.		
<b>Targets</b>	<b>How Measured</b>	
Maintain a watching brief on tribunal developments.	Quarterly reports to the Board.	<b>Fully achieved</b>
Work in partnership with members on the provision of advice about procedures in relation to proceedings before tribunals.	Regular consultative meetings between the Presidents of the Tribunals and the Clerks of the Tribunals (Local Judicial Committees) to consult on administrative procedures before tribunals.  Minutes of the meetings to be recorded and circulated to internal stakeholders. The Minutes are to be published on both the Intranet and the Members' Pages of the Internet.	<b>Fully achieved</b>
<b>Key Tasks</b> Promote partnership working and the administrative/judicial interface.		
<b>Targets</b>	<b>How Measured</b>	
Provide regular communication with Presidents and lay members on development and organisational issues.	Produce programme of regular meetings and provide regular feedback to the Board through Chief Executive reports.	<b>Fully achieved</b>



## VTS Objectives, Targets, Time-bound Tasks and Key Performance Indicators (KPIs) for 2005-06

## Continuation – VTS Objective: Tribunal Partnership Working

Key Tasks		
Review procedures and processes to improve case management.		
Targets	How Measured	
Work towards reducing time-delay between receipt of an appeal and its related hearing.	<p>Work in partnership with all Presidents of tribunals in addressing the benefits of moving to a uniform system of listing after target date for all valuation tribunals.</p> <p>Measure effectiveness through quarterly monitoring.</p> <p>List 100% of outstanding 1990 appeals by 31 July 2005.</p> <p>List 95% of outstanding 1995 appeals by 31 September 2005.</p> <p>List 95% of Council Tax Liability Appeals within three months of lodgement.</p> <p>List 100% of Civil Penalty Appeals within six months of lodgement.</p> <p>Administrative Unit age analysis monitoring of council tax appeals.</p>	<p><b>Fully achieved</b></p> <p><b>Fully achieved</b></p>
Key Tasks		
Design an effective training programme for VT members.		
Targets	How Measured	
Implement an effective training programme for Chairman and Members, for delivery by Training Champions and the Core Project Group.	Identify training requirements and devise training modules and publish.	<b>Fully achieved</b>

## VTS Objectives, Targets, Time-bound Tasks and Key Performance Indicators (KPIs) for 2005-06

## Continuation – VTS Objective: Tribunal Partnership Working

Key Tasks Support governmental legislative initiatives within the VTS corporate framework.		
Targets	How Measured	
Explore ways of working to support governmental initiatives such as collaborative working by 30 September 2005.	Prepare a paper for review by the Board.	<b>Fully achieved</b>
Support diversity by working towards an effective single recruitment process for appointing Members to valuation tribunals.	Produce an agreed national lay membership recruitment process with the Judicial Interface Committee (JIC) by Quarter 4.	<b>Not achieved</b> – Ongoing process
Key Tasks Promote and facilitate effective internal equal opportunity and diversity monitoring.		
Targets	How Measured	
Monitor diversity. Implement an equal opportunity monitoring system for the lay Membership.	Provision of statistical information to the Cabinet Office on the make-up of the Membership of Valuation Tribunals as required.	<b>Fully achieved</b>
Key Tasks Provide 'user friendly', quality decisions that stakeholders understand.		
Targets	How Measured	
Work with the Members' Judicial Committee and the Judicial Interface Committee to introduce a consistent framework for 'Reasons of Decisions' to ensure clarity and consistency of decisions issued and published on the website.	Produce paper by 30 June 2005 to ensure clarity and consistency of decisions published on the web site.	<b>Partly achieved</b> – ongoing process. Taken forward as Business Plan 2006-07 objectives
	Implement an agreed framework within Quarter 2.	<b>Partly achieved</b> – process is ongoing.

VTS Objectives, Targets, Time-bound Tasks and Key Performance Indicators (KPIs) for 2005-06

Continuation – VTS Objective: Tribunal Partnership Working

Key Tasks Improve the recruitment and training process of members		
Targets	How Measured	
Liaise with Judicial Committee in working towards an effective single recruitment process for valuation tribunal members.	Minuted meetings between the Members’ Judicial Committee (MJC) and Judicial Interface Committee (JIC).	<b>Fully achieved</b>
Key Tasks Improve the recruitment and training process of members.		
Targets	How Measured	
Devise a relevant training programme based on the evaluation of the training needs analysis within Quarter 1.	Analyse comments on evaluation forms and provide report to the Board for future improvement.	<b>Fully achieved</b>
Develop training videos by Quarter 2 to support the training programme for members.	Implementation of videos as a training tool for lay members.	<b>Fully achieved</b>
Training champions to deliver a regional-based training programme in support of the national training plan.	Prepare a training programme and publish dates.	<b>Fully achieved</b>

## VTS Objectives, Targets, Time-bound Tasks and Key Performance Indicators (KPIs) for 2005-06

### VTS Objective: Financial

What This Means	Ensure the appropriate allocation of public funds in meeting the business needs and to consider the effective application of financial resources.	
Key Tasks	Ensure compliance of accounts direction issued by the ODPM sponsoring team and HM Treasury guidance.	
Targets	How Measured	
Produce statutory accounts by May 2006 to include applicable elements of ODPM accounts direction and HM Treasury guidance.	Review by National Audit on compliance of accounts direction.	<b>Fully achieved</b>
Key Tasks	Secure economy, efficiency, effectiveness, regularity and propriety.	
Targets	How Measured	
Implement Internal Audit recommendations by March 2006	Quarterly monitoring of the Recommendation Action Plan by the Internal Audit Committee.	<b>Fully achieved</b>
Review all existing contracts for services employed locally to identify central providers by Quarter 2.	Creation and implementation of central service contracts.  The documentation of tendering processes to demonstrate competitive basis and tenders representing value for money.	<b>Fully achieved</b>
Key Tasks	To consider the allocation of funding in providing financial resources to deliver business objectives.	
Targets	How Measured	
Ensure expenditure is contained within resources available.	Implementation of financial controls within Quarter 1.  Quarterly monitoring of budgets by the Board.	<b>Fully achieved</b>
Devise and publish year end timetable by February 2006.	Internal Audit Inspections and recommendations.	<b>Fully achieved</b>

VTS Objectives, Targets, Time-bound Tasks and Key Performance Indicators (KPIs) for 2005-06

Continuation – VTS Objective: Financial

Key Tasks		
Produce unqualified annual Accounts.		
Targets	How Measured	
Administrative Units to prepare bids for 2006-07.	Analysing of Administrative Unit year end Accounts.	<b>Fully achieved</b>
Key Tasks		
Prepare a budget for the incoming 2006-07 Financial Year.		
Targets	How Measured	
Consider financial resources required to meet 2006-07 business objectives.	Board to approve budget allocation. Submit a draft expenditure plan to the sponsoring department.	<b>Fully achieved</b>

**Presidents of valuation tribunals as at 31 March 2006.**

Title	First name	Surname	Valuation Tribunal
Mr	Ian	Andrews	President of the Dorset VT
Mr	Peter	Ashton	President of the Essex South VT
Mr	Michael	Atkins	President of the Surrey VT
Mr	Garry	Bean	President of the Birmingham VT
Mr	Murray	Bell	President of the Hampshire South VT
Mr	Raymond	Bennett	President of the Durham VT
Mr	John	Birkbeck	President of the Cornwall VT
Mr	John	Bosson	President of the Lancashire VT
Mr	John	Burcher	President of the Gloucestershire VT
Mr	Derek	Carline	President of the Kent VT
Mr	Dave	Church	President of the West Midlands West VT
Mrs	Angela	Comfort OBE	President of the Essex North VT
Mr	Antony	Craig	President of the Central London VT
Mr	Maurice	Crosswell	President of the London South West VT
Mr	Tony	Dingley	President of the Isles of Scilly VT
Mr	Jim	Dixon	President of the Lincolnshire VT
Mr	Brian	Dunn	President of the Manchester South VT
Mr	John	Dunning	President of the Norfolk VT
Mrs	Mary	Fagan	President of the East Yorkshire VT
Mr	Lyell	Fairlie	President of the Hampshire North VT
Mrs	Jane	Fitzgerald	President of the Wiltshire VT
Mr	Stephen	Fowler	President of the Somerset VT
Mr	Bill	Glover	President of the Tyne & Wear VT
Mr	Phillip	Harrison	President of the Manchester North VT
Mr	Brian	Hill	President of the West Sussex VT
Mr	Peter	Hurlstone	President of the Shropshire VT
Mr	Ian	Irvine	President of the Teesside VT
Mrs	Ann	Jacobs	President of the Isle of Wight VT
Mr	Peter	Jewell	President of the Herefordshire and Worcestershire VT
Mr	Aubrey	John	President of the Oxfordshire VT
Mr	John	Jones	President of the Bedfordshire VT

## Continuation – Presidents of valuation tribunals as at 31 March 2006.

Title	First name	Surname	Valuation Tribunal
Mr	Mike	Kearns	President of the Merseyside VT
Mr	Peter	Lawton	President of the Suffolk VT
Mr	Gerald	Lincoln	President of the Hertfordshire VT
Mrs	Rosalind	Mason	President of the Coventry & Solihull VT
Mr	Bill	Miller	President of the North Yorkshire VT
Mr	George	Miller	President of the Northumberland VT
Mr	Joe	Osborne	President of the Derbyshire VT
Mr	Jay	Patel	President of the London North East VT
Mr	David	Rhodes	President of the East Sussex VT
Mr	Tony	Ritchie	President of the London SE VT
Mr	David	Sheard	President of the West Yorkshire VT
Mr	Jeremy	Smith	President of the Cheshire VT
Mrs	Clementine	Smith	President of the Severnside VT
Mr	Martin	Suthers OBE	President of the Nottinghamshire VT
Mr	Brian	Talfourd-Cook	President of the Berkshire VT
Mr	Roy	Taylor	President of the Warwickshire VT
Mr	Michael	Tildesley OBE	President of the Leicestershire VT
Mr	Denver	Tolley	President of the Staffordshire VT
Mr	Richard	Tomlinson	President of the London North West VT
Mr	George	Tout	President of the Devon VT
Mr	James	Walker	President of the Buckinghamshire VT
Mr	David	Waters	President of the Northamptonshire VT
Mr	Paul	Wood OBE	President of the South Yorkshire VT
Mr	Kevin	Woodthorpe	President of the Cambridgeshire VT
Mr	John	Woolley	President of the Cumbria VT

Tribunal workload statistics<sup>1</sup>Valuation Tribunals – Total of all Types of Appeals  
1 April 2005 to 31 March 2006

Tribunals	Appeals b/f	Appeals Received	Settled	Standard Decisions	Non- Standard Decisions	Total Cleared	Appeals c/f
<b>North</b>							
Cumbria	1,042	2,426	1,918	230	120	2,268	1,200
Durham & Teesside	2,348	6,265	4,410	196	266	4,872	3,741
Northumberland/ Tyne & Wear	3,372	6,937	5,786	141	277	6,204	4,105
<b>Total</b>	<b>6,762</b>	<b>15,628</b>	<b>12,114</b>	<b>567</b>	<b>663</b>	<b>13,344</b>	<b>9,046</b>
<b>Yorkshire</b>							
East Yorkshire	2,770	6,253	4,737	413	135	5,285	3,738
North Yorkshire	1,331	3,008	2,329	176	73	2,578	1,761
South Yorkshire	4,461	7,493	6,738	534	163	7,435	4,519
West Yorkshire	7,857	13,885	12,138	1,569	544	14,251	7,491
<b>Total</b>	<b>16,419</b>	<b>30,639</b>	<b>25,942</b>	<b>2,692</b>	<b>915</b>	<b>29,549</b>	<b>17,509</b>
<b>North West</b>							
Lancashire	2,606	8,408	4,705	1,051	616	6,372	4,642
Manchester North/South	11,391	17,047	14,631	3,105	1,290	19,026	9,412
Merseyside & Cheshire	5,098	13,426	8,801	1,272	858	10,931	7,593
<b>Total</b>	<b>19,095</b>	<b>38,881</b>	<b>28,137</b>	<b>5,428</b>	<b>2,764</b>	<b>36,329</b>	<b>21,647</b>
<b>West Midlands</b>							
Birmingham	3,865	8,345	6,365	697	126	7,188	5,022
Coventry/Solihull/ Warwickshire	2,713	5,974	4,452	288	85	4,825	3,862
Herefordshire/ Worcestershire/ West Midlands West	4,676	13,063	8,291	1,423	194	9,908	7,831
Staffordshire/Shropshire	2,762	10,014	5,891	766	238	6,895	5,881
Derbyshire	2,203	6,554	3,986	588	218	4,792	3,965
<b>Total</b>	<b>16,219</b>	<b>43,950</b>	<b>28,985</b>	<b>3,762</b>	<b>861</b>	<b>33,608</b>	<b>26,561</b>
<b>East Midlands</b>							
Leicestershire/ Nottinghamshire/ Northamptonshire	<b>2,341</b>	<b>15,849</b>	<b>7,695</b>	<b>311</b>	<b>785</b>	<b>8,791</b>	<b>9,399</b>
<b>Eastern</b>							
Cambridgeshire	1,680	4,286	3,136	106	91	3,333	2,633
Lincolnshire	2,450	6,832	4,928	135	497	5,560	3,722
Norfolk	5,783	6,033	7,612	1,066	479	9,157	2,659
Suffolk	1,251	4,385	2,675	121	86	2,882	2,754
<b>Total</b>	<b>11,164</b>	<b>21,536</b>	<b>18,351</b>	<b>1,428</b>	<b>1,153</b>	<b>20,932</b>	<b>11,768</b>

<sup>1</sup> These figures are provided by the system database



**Continuation – Total of all Types of Appeals**  
**1 April 2005 to 31 March 2006**

Tribunals	Appeals b/f	Appeals Received	Settled	Standard Decisions	Non- Standard Decisions	Total Cleared	Appeals c/f
<b>Home Counties North</b>							
Bedfordshire & Hertfordshire	3,193	9,355	5,406	759	246	6,411	6,137
Essex	1,521	7,907	4,549	426	280	5,255	4,173
<b>Total</b>	<b>4,714</b>	<b>17,262</b>	<b>9,955</b>	<b>1,185</b>	<b>526</b>	<b>11,666</b>	<b>10,310</b>
<b>London Central &amp; North</b>							
Central London	17,892	15,275	19,699	1,795	784	22,278	10,889
London North East	5,755	6,250	7,747	1,124	497	9,368	2,637
London North West	8,862	13,601	10,433	1,763	1,104	13,300	9,163
<b>Total</b>	<b>32,509</b>	<b>35,126</b>	<b>37,879</b>	<b>4,682</b>	<b>2,385</b>	<b>44,946</b>	<b>22,689</b>
<b>London South</b>							
London South East	4,162	8,292	5,683	1,168	362	7,213	5,241
London South West	6,557	10,159	8,188	1,513	422	10,123	6,593
<b>Total</b>	<b>10,719</b>	<b>18,451</b>	<b>13,871</b>	<b>2,681</b>	<b>784</b>	<b>17,336</b>	<b>11,834</b>
<b>Home Counties South</b>							
East & West Sussex	4,768	10,264	5,876	2,116	162	8,154	6,878
Kent	3,422	9,981	5,058	2,060	219	7,337	6,066
Surrey	3,659	6,561	4,353	775	64	5,192	5,028
<b>Total</b>	<b>11,849</b>	<b>26,806</b>	<b>15,287</b>	<b>4,951</b>	<b>445</b>	<b>20,683</b>	<b>17,972</b>
<b>Thames Valley</b>							
Berkshire	3,151	5,790	4,192	344	137	4,673	4,268
Oxfordshire/ Buckinghamshire	3,316	8,293	6,042	668	139	6,849	4,760
<b>Total</b>	<b>6,467</b>	<b>14,083</b>	<b>10,234</b>	<b>1,012</b>	<b>276</b>	<b>11,522</b>	<b>9,028</b>
<b>Southern</b>							
Hampshire/Isle of Wight/ Wiltshire	<b>5,102</b>	<b>12,851</b>	<b>9,614</b>	<b>351</b>	<b>667</b>	<b>10,632</b>	<b>7,321</b>
<b>Wessex</b>							
Dorset & Somerset	2,545	7,116	4,950	588	291	5,829	3,832
Severnside & Gloucestershire	2,137	7,712	5,588	523	152	6,263	3,586
<b>Total</b>	<b>4,682</b>	<b>14,828</b>	<b>10,538</b>	<b>1,111</b>	<b>443</b>	<b>12,092</b>	<b>7,418</b>
<b>South West</b>							
Devon/Cornwall/ Isles of Scilly	<b>3,548</b>	<b>8,095</b>	<b>7,430</b>	<b>449</b>	<b>183</b>	<b>8,062</b>	<b>3,581</b>
<b>TOTAL</b>	<b>151,590</b>	<b>313,985</b>	<b>236,032</b>	<b>30,610</b>	<b>12,850</b>	<b>279,492</b>	<b>186,083</b>

## Accounts Direction

### THE VALUATION TRIBUNAL SERVICE

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

1. The annual Accounts of The Valuation Tribunal Service (hereafter in this accounts direction referred to as "the Service") shall give a true and fair view of the income and expenditure and cash flows for the year and the state of affairs at the year end. Subject to this requirement, the annual Accounts for 2005-06 and for subsequent years shall be prepared in accordance with:
  - (a) the accounting and disclosure requirements given in Government Accounting and in the Government Financial Reporting Manual issued by the Treasury ("the FReM"), as amended or augmented from time to time;
  - (b) any other relevant guidance that the Treasury may issue from time to time;
  - (c) any other specific disclosure requirements of the First 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 First 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 First 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 that dated 8 February 2005

Signed by authority of the Secretary of State



Andrew Allberry

An officer in the Department for Communities and Local Government

Date 28 March 2006

## Glossary of pension technical terms

### Actuarial Gains and Losses

Changes in actuarial deficits or surpluses that arise because:

- (a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); and
- (b) the actuarial assumptions have changed.

### Current Service Cost

The increase in the present value of the scheme liabilities expected to arise from employee service in the current period.

### Curtailement

Curtailements will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

### Expected Rate of Return on Assets

The average rate of return expected over the remaining life of the related obligation on the actual assets held by the Scheme.

### Interest on Pension Scheme Liabilities

The expected increase during the period in the present value of the scheme liabilities because the benefits are one year closer to settlement.

### Irrecoverable Surplus

The employer may not control or be able to benefit from the whole of a surplus – it may be so large that the employer cannot absorb it all through reduced contributions. The amount recoverable through reduced contributions reflects the maximum possible to be recovered without assuming an increase in the number of employees covered by the scheme.

### Past Service Cost

Discretionary benefits awarded on early retirement are treated as past service costs. This includes added years and unreduced pension benefits awarded before the rule of 85 age on efficiency grounds.

### **Projected Unit Method**

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- (a) the benefits for pensioners and deferred pensioners and their dependants, allowing where appropriate for future increases; and
- (b) the accrued benefits for members in service on the valuation date.

### **Rule of 85**

The date on which the sum of:

- (a) the member's age in whole years on the date his local government employment ends or the date he elects for payment, if later,
- (b) his total membership in whole years, and
- (c) in a case where he elects after his local government employment ends, the period beginning with the end of that employment and ending with the date he elects for payment,

equals 85 years.

The rule of 85 can be reached prior to age 60; however benefits can only be paid prior to age 60 if the employer permits it. Therefore, generally for the calculations where Hymans Robertson is actuary to the Fund, we assume a minimum of age 60 for the rule of 85. The Funds with different advisors may have made different assumptions in their calculations.

### **Settlement**

Settlements will take account of outgoing bulk transfers and will show the difference between the FRS 17 liability and the amount paid to settle the liability.

© Valuation Tribunal Service copyright 2006

You may re-use information/extracts from this publication (not including logos) free of charge in any format or medium. You must re-use it accurately and not in a misleading context. The material must be acknowledged as Valuation Tribunal Service copyright and you must give the title of the publication.

Printed in the UK by The Stationery Office Limited  
on behalf of the Controller of Her Majesty's Stationery Office

ID 5401728 08/06

Published by TSO (The Stationery Office) and available from:

**Online**

[www.tso.co.uk/bookshop](http://www.tso.co.uk/bookshop)

**Mail, Telephone, Fax & E-mail**

TSO

PO Box 29, Norwich NR3 1GN

Telephone orders/General enquiries 0870 600 5522

Fax orders 0870 600 5533

Order through the Parliamentary Hotline Lo-call 0845 7 023474

E-mail [book.orders@tso.co.uk](mailto:book.orders@tso.co.uk)

Textphone 0870 240 3701

**TSO Shops**

123 Kingsway, London WC2B 6PQ

020 7242 6393 Fax 020 7242 6394

68-69 Bull Street, Birmingham B4 6AD

0121 236 9696 Fax 0121 236 9699

9-21 Princess Street, Manchester M60 8AS

0161 834 7201 Fax 0161 833 0634

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401

18-19 High Street, Cardiff CF10 1PT

029 2039 5548 Fax 029 2038 4347

71 Lothian Road, Edinburgh EH3 9AZ

0870 606 5566 Fax 0870 606 5588

**The Parliamentary Bookshop**

12 Bridge Street, Parliament Square, London SW1A 2JX

Telephone orders/General enquiries 020 7219 3890

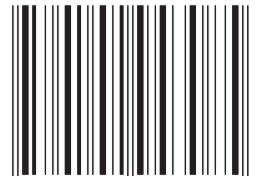
Fax orders 020 7219 3866

**TSO Accredited Agents**

(see Yellow Pages)

*and through good booksellers*

ISBN 0-10-294308-7



9 780102 943085