Valuation Office Agency

Annual Report and Accounts 2006–07

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Valuation Office Agency

Annual Report and Accounts 2006–07

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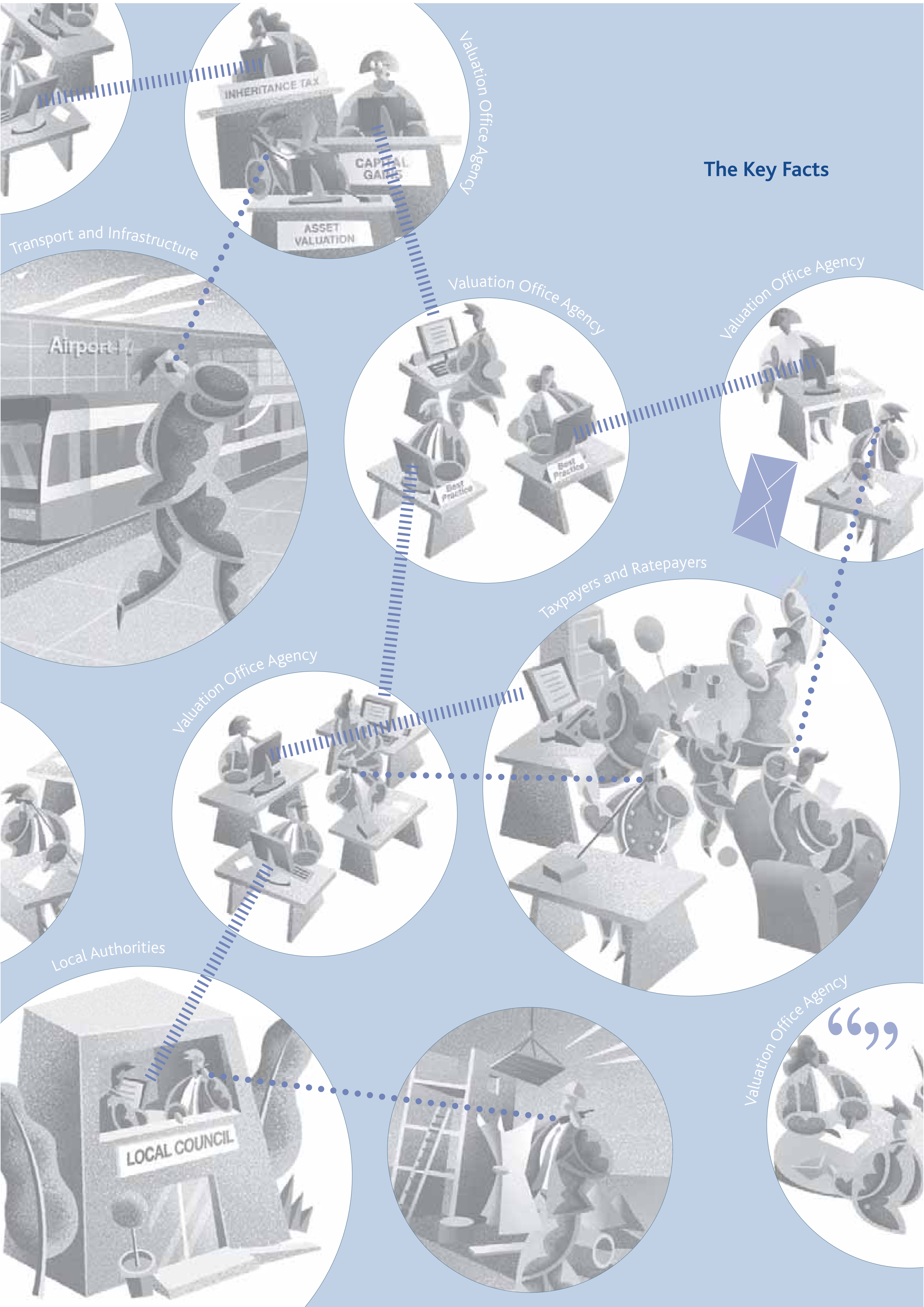
Annual Report

The Key Facts



The Key Facts

Status

An Executive Agency of HM Revenue & Customs (HMRC)

Background

The Agency brings together the previously separate Valuation Office organisations in England and Wales (established in 1910) and in Scotland (established in 1911), and was launched under the Next Steps initiative on 30 September 1991. We provide valuation and estate surveying services, including advice on minerals, to Government Departments, the wider public sector and other areas in the public interest.

People

4,224 people (full time equivalent at March 2007); the Agency has Investor in People Accreditation.

Values

We are committed to:

- seeking excellence from diversity;
- working in teams and partnerships;
- continuous improvement and innovation;
- being businesslike and customer focused;
- fairness and impartiality;
- involving and trusting people

National Network

We have 81 offices arranged in 22 Groups across England and Wales, providing statutory local taxation valuation services for business rates and council tax. We also have nine District Valuer Services Units, covering the English Regions, Scotland, where we have five offices, and Wales, providing valuations for HMRC taxes, 'Right to Buy', and for other clients across the public sector.

Head Office

New Court, 48 Carey Street, London, WC2A 2JE

Website and Associated Site

www.voa.gov.uk; www.mybusinessrates.gov.uk

Services

The work of the Agency encompasses:

- compiling and maintaining lists of rateable values of the 1.6m non-domestic properties in England, and the 100,000 in Wales, to support the collection of around £20bn in business rates;
- compiling and maintaining the list of council tax bandings of some 21.7m domestic properties in England and 1.3m in Wales, to support the collection of around £23bn in council tax;
- advising government ministers on property valuation matters;
- providing services to the Scottish Parliament and Welsh Assembly Government;
- providing valuation advice to HMRC in connection with capital gains, inheritance tax and other compliance work;
- delivering a range of non-statutory valuation and estate surveying services to government departments and the wider public sector

The main statutory and other authorities relating to the work of the Agency are set out in an Annex to its Framework Document. The Agency undergoes Framework Reviews at regular intervals, the last being in 2005.

Latest Revaluation of Business Rates

Effective from 1 April 2005, in both England and Wales

Next Revaluation of Business Rates

Planned for 1 April 2010, in both England and Wales

Latest Revaluation of Council Tax

Effective 1 April 2005 in Wales
Effective 1 April 1993 in England

Main Clients

- Communities and Local Government (CLG)
- The Welsh Assembly Government (WAG)
- HM Revenue & Customs (HMRC)
- The Scottish Executive

Expenditure

Around £202m in 2006–07

Governance

The Minister with responsibility for the Agency is the Paymaster General, the Rt Hon Dawn Primarolo MP, who formally announces the Agency's Key Performance Indicators to Parliament.

Policy on local taxation issues for England is set by Ministers in Communities and Local Government, and for Wales by the Welsh Assembly Government. Policy on capital taxes is set by the Chancellor of the Exchequer.

The Agency itself is governed by a Management Board of ten members. The Board is led by the Chief Executive who is appointed by, and reports to, the Chairman of HM Revenue & Customs, and includes two independent non-executive directors. The Chief Executive is the Agency's Accounting Officer.

The VOA's Audit Committee is chaired by a non-executive director and is attended by representatives from the National Audit Office and HMRC's Internal Audit office. It oversees the Management Board's work on risk and also agrees the programme of audit work conducted by HMRC's Internal Audit office, which covers a wide range of management and business activities.

Account Direction Details

Under the Government Resources and Accounts Act 2000, we are required to prepare Accounts for each financial year in conformity with the Treasury direction detailed in its Accounting Officer letter DAO(GEN) 12/06, and compliance with Treasury's Financial Reporting Manual.

Audit Information and Remuneration

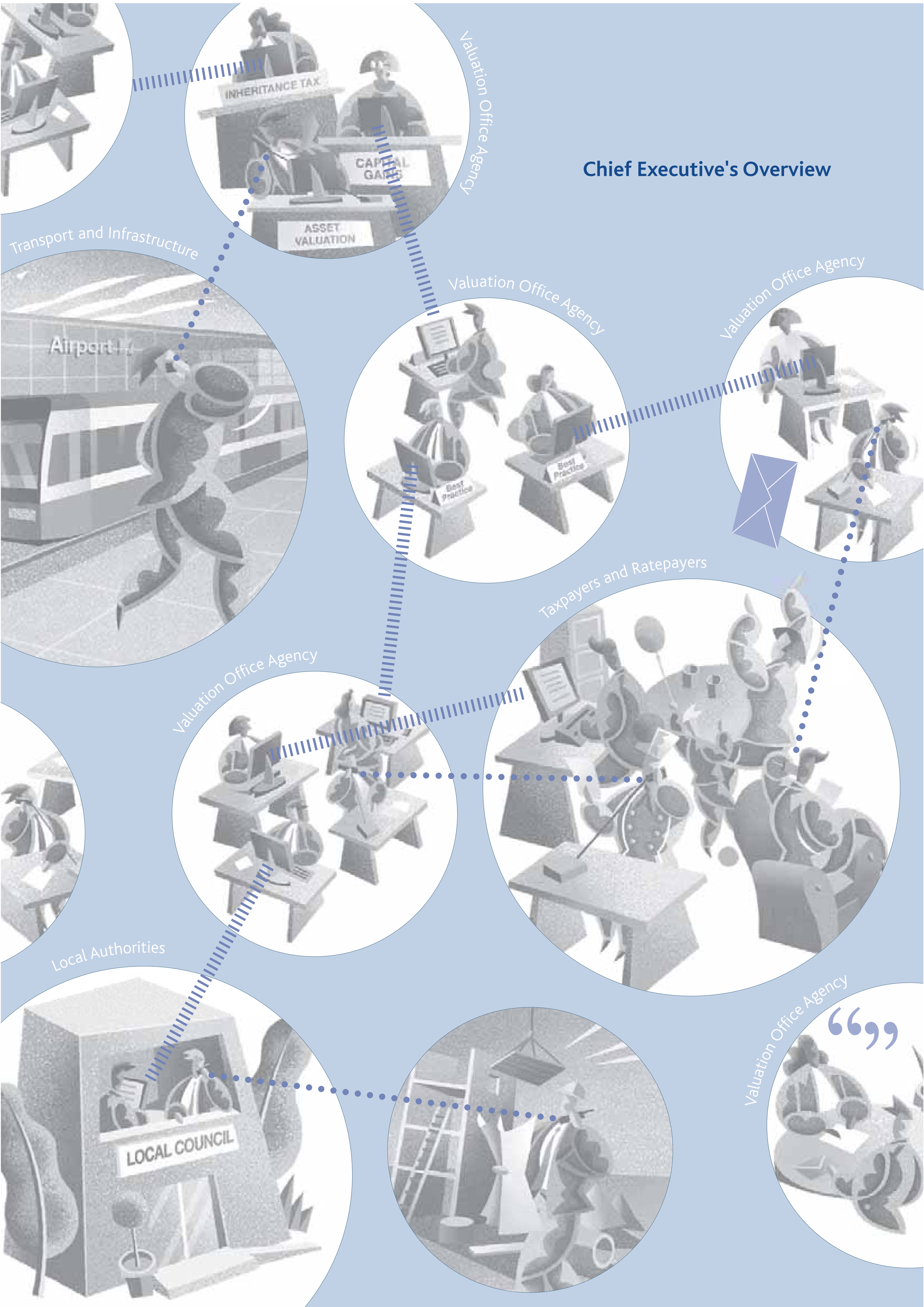
The Agency's Accounts have been audited, under the Government Resources and Accounts Act 2000, by the Comptroller and Auditor General (C&AG), who is appointed under statute and reports to Parliament. The Comptroller and Auditor General's audit opinion, certificate and report on the Agency's Accounts to the House of Commons are on pages 50 and 51. The notional cost to the Agency of the external audit of the Accounts by the National Audit Office for the C&AG was £65,000 (£65,000 in 2005–06). During the year the Agency's auditors did not carry out any non-audit work and therefore their remuneration for such services was nil (£nil in 2005–06).

To the Accounting Officer's knowledge, there is no relevant audit information of which the Agency's auditors are unaware. The Accounting Officer has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Agency's auditors are aware of that information.

Treatment of Pension Liabilities

The provisions of the Principal Civil Service Pension Scheme (PCSPS) cover all past and present employees. This defined benefit scheme is unfunded and non-contributory, except in respect of dependants' benefits. The Agency recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution element of the scheme, the Agency recognises the contributions payable for the year. For additional information please see the Remuneration Report on page 41, the Accounting Policy and the Notes to the Accounts on pages 55-57.

Chief Executive's Overview



Chief Executive's Overview

In September last year, we held the first Valuation Office Agency awards event, as part of the Senior Managers' Conference. Fifteen teams from different parts of the country, covering a wide range of skills and roles, came along to showcase the innovative ideas and solutions they had been developing and implementing. I certainly found it inspiring to listen to their enthusiasm, commitment, and skill, and I know that all the other senior managers felt the same. The spreading of good practice was just as important as the awards themselves.

Good practice, of course, is only good if it translates into successful outcomes for customers. I am very pleased and proud that this Annual Report, on the work done in 2006–07, shows that we have indeed achieved that. It has been a very successful year in business terms, measured both by statistics and by feedback from our customers. We met three and exceeded four of our eight key performance indicators, and met the vast majority of our other targets. Overall customer satisfaction rose from 83% to 88%, with the number of complaints about the service we provide down. Local authorities – and through them ratepayers and council taxpayers – are seeing a much quicker turnaround time where there are changes to properties. Council taxpayers who approach us directly with queries are getting a quicker answer. We continue to focus on improving quality and accuracy, and the number of appeals against the 2005 Rating List is running at less than half the number at the comparable time in the last cycle. The range of our clients for general valuation work continues to grow.

Meanwhile we are investing for the future. We completed the work on the Automated Valuation Model for council tax in June 2006, by far the biggest use of this technology in the world. The information on our website is broader and more accessible, and more business between ourselves and local authorities is taking place electronically.

2006–07 also saw some Ministerial decisions that shape our agenda for the coming years. The Secretary of State for Work and Pensions, Rt Hon John Hutton MP, announced in November that the functions of The Rent Service would be transferring to the Agency from 2009, and we are already preparing for that with our new colleagues. We are working closely with colleagues in Communities and Local Government in implementing the Government's response to the Lyons Inquiry into Local Government.

The Agency's success in 2006–07 is above all down to the hard work and expertise of our staff – I see this everywhere I go, not just in the relatively small number who came to the awards event – and I would like to thank them publicly for that. I know that we are all committed to doing better still in 2007–08.

Andrew Hudson
Chief Executive
23 May 2007

The Management Board

Not shown in photo:

Margaret Devlin, Non-Executive Director
(to 26 May 2006)

Alan Sherriff, Acting Director, Finance & Planning
(to 4 June 2006)

1.	Andrew Hudson	*Chief Executive*
2.	David Park	*Deputy Chief Executive Director, Local Taxation*
3.	Mary Morrison-Paton	*Head of Communications & Customer Insight*
4.	Steve Hartnell	*Director, Human Resources*
5.	Paul Sanderson	*Director, Data Strategy*
6.	Ian Milliken	*Chief Information Officer (from 27 June 2006)*
7.	Sue Townsend	*Director, Finance & Planning (from 5 June 2006)*
8.	Dawn Johnson	*Non-Executive Director (from 1 June 2006)*
9.	John Wilkinson	*Director, District Valuer Services*
10.	Ann Grinstead	*Non-Executive Director*

Directorships and other significant interests of board members

In addition to her role on the Agency Management Board as a non-executive director (to 26 May 2006) Margaret Devlin held the following company directorships during 2006–07:

South East Water Plc *(Managing Director)*
Water UK *(Chairman and Director)*
Waterwise
South East Water Ltd
South East Water (Holdings) Ltd
South West Water (Finance) Ltd
Southern Utilities (Holdings) Ltd
Southern Utilities Ltd
Dynamco Ltd
Optimum Information Services Ltd
Mid Sussex Water Ltd
Mid Southern Water Plc
Eastbourne Water Plc
West Kent Water Plc
WaterCall Ltd

Transactions between the above companies and the Agency were not of a material nature or of significant interest. No other Board members held directorships or had any other significant interests that would conflict with their management responsibilities.

Membership of sub-committees to the Board

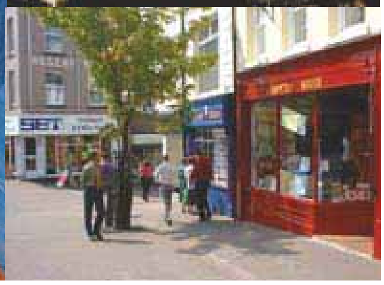
The Audit Committee

Margaret Devlin	Chair (to 26 May 2006)
Dawn Johnson	Chair (from 1 June 2006)
David Fletcher	Welsh Assembly Government
Nigel Williams	HM Revenue & Customs
Mike Pears	Department for Education and Skills (from 10 August 2006)

The People Committee

Andrew Hudson	Chair (VOA)
David Park	VOA
Steve Hartnell	VOA
John Wilkinson	VOA
Ian Milliken	VOA (from 27 June 2006)
Ann Grinstead	Non-Executive Director



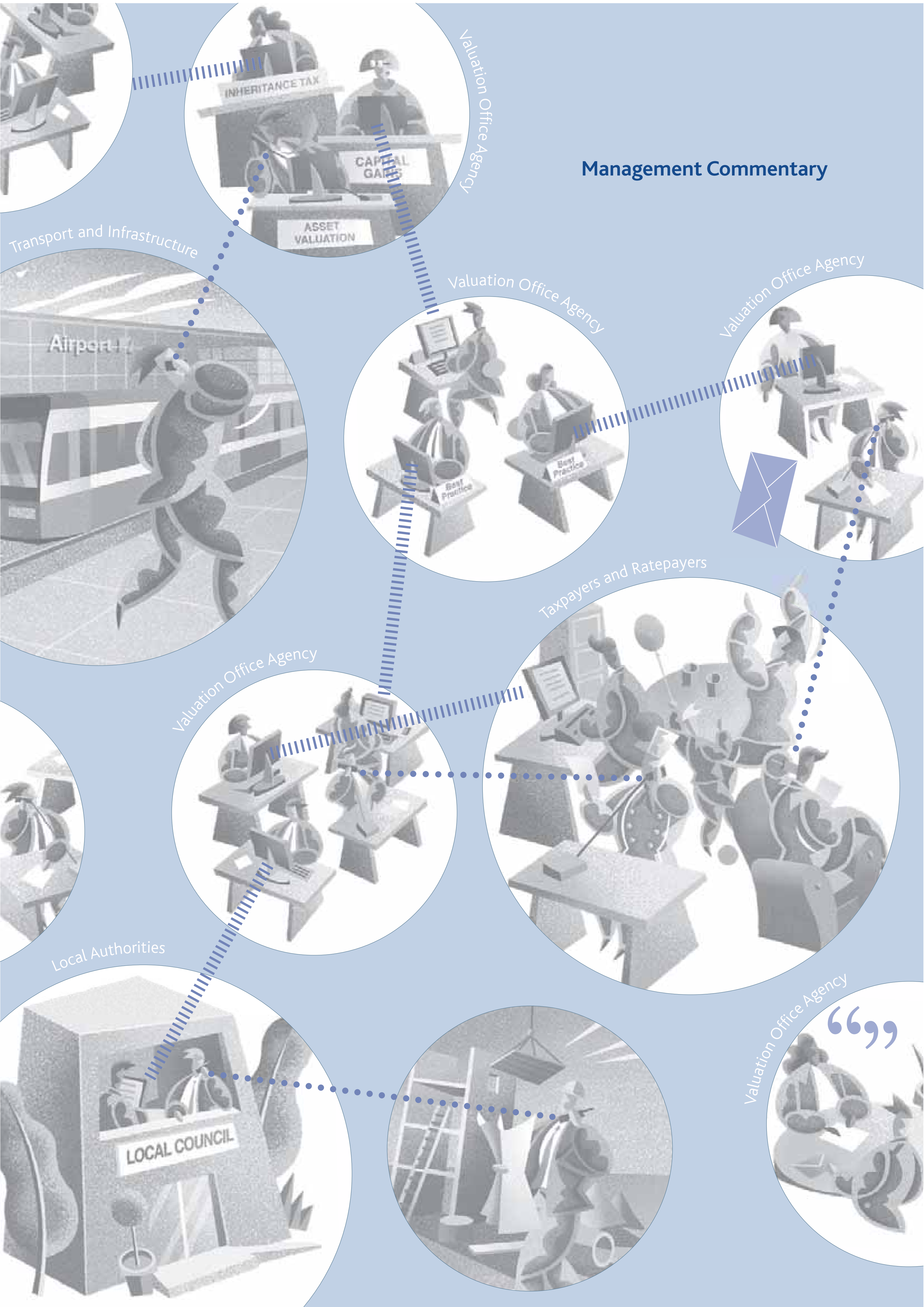








World Class
PERFORMANCE MANAGEMENT

Management Commentary



Vision, Purpose and Commitment

Our Vision

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

Our Purpose

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

- compiling and maintaining accurate and comprehensive valuation lists for local taxation
- providing accurate valuations for national taxes
- delivering expert advice on valuations and strategic property management
- developing and maintaining a comprehensive and up-to-date property database
- advising policy makers on valuation and property issues

Our Commitment

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

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

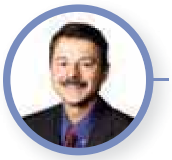
Organisational Structure in 2006 – 07

Senior Management – Chief Executive's Office


Mary Hardman
Field Director
(from May 2006)


Patrick Bond
Deputy Director, Rating


Alan Sherriff
Head of Planning


David Subacchi
Field Director


Chris Deakin
Head of Land Services Policy


John Smallwood
Programme Manager,
Maintenance Transformation,
and Corporate Social
Responsibility Manager


Tim Bradford
Director, Council Tax


John Derrick
Head of Business
Efficiency Unit


Graham Stalker
Head of Health Sector Policy


Craig Lester
Director,
Client Development,
District Valuer Services


Tim Eden
Business Change Manager,
Council Tax


Barny Todd
Head of Financial
Operations


Brian McCormick
Director, IT


David Hughes
Head of Data Strategy


Steve Todd
Head of Human Resources


David Tretton
Director, Rating


Keith Noakes
Head of Cross-Cutting
Projects


Stephen Wright
Head of Operations


John Berry
Head of Strategy &
Change Management


Lynda Rawsthorne
Head of Customer Services


Steve Bliss
Project Manager,
Non-Domestic Revaluation
2010 (from April 2006)


Geoff Scheers
Head of Tax Valuations
& Compliance

Group Valuation Officers (GVOs)

Group Valuation Officers are responsible for the smooth and efficient running of the Valuation Office Agency at a local level, delivering valuations to enable the levying of council tax and business rates.

1 Birmingham Group
Neil Garrett
Birmingham, Coventry

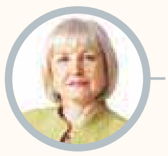
2 East Anglia Group
Jackie McKenzie
Chelmsford, Colchester, Ipswich, Norwich

3 East Midlands Group
Niall Walsh
Nottingham, Derby, Leicester, Northampton, Lincoln

4 Leeds Group
Tony Speight
Leeds, Halifax, Harrogate, York

5 Liverpool Group
Nick Cooper *(from May 06)*
Liverpool, Chester, Crewe

6 London – City Group
Mark Jorgensen
(from April 06)
City of London, Tower Hamlets, London Support Unit (Gloucester)



7 London – North Group
Karen Kendrick
Enfield, Barking, Harrow

8 London – South Group
Diane Addison
Wimbledon, Bromley, Lambeth

9 London – Westminster Group
Andy Holdsworth
(from April 06)
Westminster, London Support Unit (Huddersfield)

10 Manchester Group
Ian Chilton-Merryweather
Manchester, Stockport

11 Newcastle Group
Colin Snowball
Newcastle, Alnwick, Durham, Teesside

12 North Wales Group
David Grace *(from May 06)*
Mary Hardman *(to May 06)*
Wrexham, Bangor

District Valuers

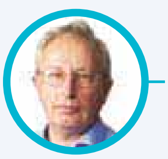
District Valuers are responsible for regional level units. They support HMRC with valuations for capital gains tax and inheritance tax purposes. They also work with a range of other public sector organisations, competing for the business on the open market, to deliver valuations and property advice.

Central
Keith Skirving

London
Don Baker *(from April 06)*

North West
Phil Percival *(from Nov 06)*
Rob Hughes *(to Sept 06)*

East
Mark Catley



North
Roger Haworth

Scotland
Allan Ainslie

Specialist Valuers

The specialist valuation teams support both the local taxation and the District Valuer business, dealing with the more complex properties and land issues.

Eastern Specialist Rating Unit
Dave Richards

Southern Specialist Rating Unit
Gerry Biddle

Specialist Valuation Unit
Clive Smithson

Northern Specialist Rating Unit
Alan Perrin

Wales and Western Specialist Rating Unit
John Bryant

Utilities Rating Team
Anne Whitham

13 North West Group
Jim Gallagher *(from Jan 07)*
Geoff Chetwood *(to Dec 06)*
Preston, Carlisle, Lancaster, Ulverston

14 Reading Group
Andy Thompson
Reading, Aylesbury, Oxford, Guildford, Reigate

15 Sheffield Group
Diane Wilding
Sheffield, Grimsby, Hull

16 South East Group
Jo Coll *(from April 06)*
Tunbridge Wells, Chatham, Eastbourne, Folkestone, Worthing

17 South Wales Group
Clive Daniels
Cardiff, Carmarthen, Merthyr Tydfil, Newport, Swansea

18 South West Group
John Reeves
Exeter, Barnstaple, Plymouth, St Austell, Taunton, Bournemouth, Dorchester

19 St Albans Group
Andrew Booth
St Albans, Bedford, Cambridge, Peterborough

20 Wessex Group
David Russell-Smith
Southampton, Basingstoke, Isle of Wight

21 Western Group
Clive Angell
Bristol, Gloucester, Swindon

22 West Midlands Group
Andrew Baird
Wolverhampton, Kidderminster, Shrewsbury, Stoke, Worcester

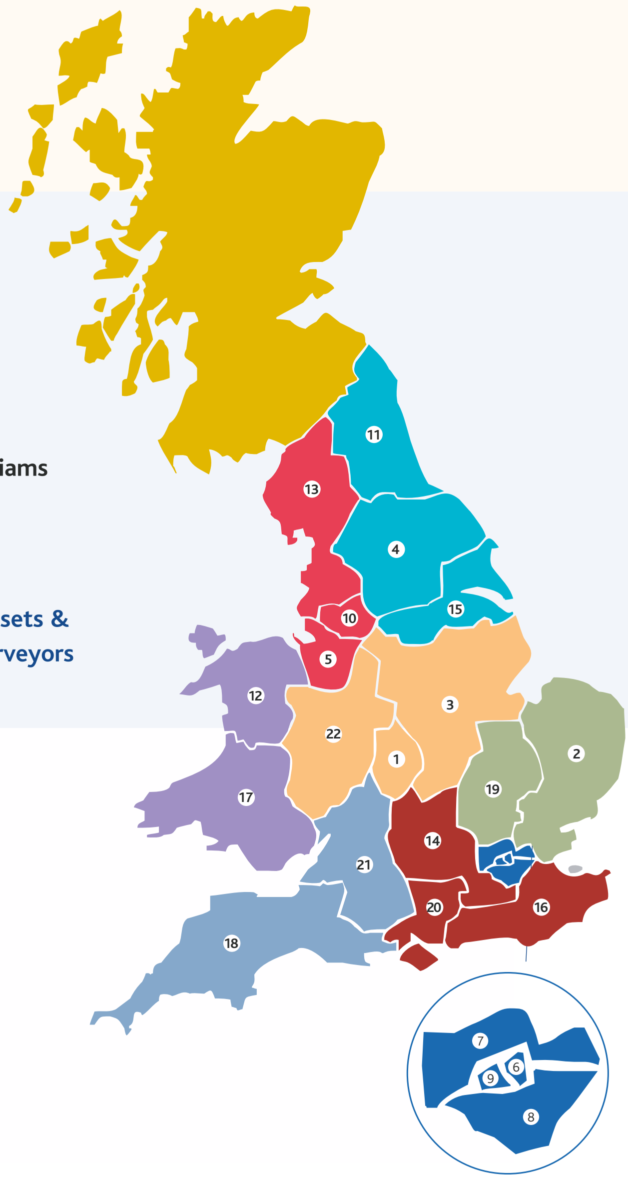
South East
Anna Hutchings

Wales
Martyn Williams
(to March 07)

South West
John Bennett

National Assets & Building Surveyors
Ron Heeley

Mineral Valuers
Martin Evans



Results Against Key Targets

	Target	**Result 2006-07**	Result 2005-06	Result 2004-05
Customer Satisfaction To achieve overall customer satisfaction of 88%	88%	**88%**	83%	77%
Operations Enable prompt issue of correct bills by local authorities through clearance of 90% of rating reports,	90%	**97%**	91%	n/a
and 95% of council tax reports within two months of receipt	95%	**98%**	95%	n/a
Enable prompt issue of tax assessments by clearing all HMRC initial appraisal cases for inheritance tax on average within 12 days	12	**7.6**	9	n/a
Contain reductions in the 2005 rating lists to a maximum of 4.2% of the total compiled list rateable value, over the entire life of the lists	4.2%	**1.1%**	0.09%	n/a
Ensure that 96% of new council tax bandings are right first time	96%	**96%**	96%	n/a
Value for Money To improve productivity by 5% in 2006-07	5%	**-2.2%**	5%	2.4%
and be on course to achieve 15% improvement over the four years to 2007-08	15%	**5.1%**	7.4%	on target
To improve value for money on inheritance tax work for HMRC by 5%	5%	**21%**	n/a	n/a
People All staff to have the core skills and competencies for their role within six months of taking up post	100%	**100%**	n/a	n/a

Results Against Other Targets

Agency	Target	Result 2006-07
To achieve an overall staff satisfaction rating of 60%	60%	**68%**
To initiate a measure of staff commitment to the success of the VOA with a view to benchmarking against others	Met	**Met**
To improve health at work so that the average of all sick leave is under seven days	7	**8.2**
and the average short-term sick leave under four days	4	**4.6**
To help inefficient performers get back on track and conclude cases within six months	100%	**100%**
Recover full resource costs within Parliamentary Approved Estimates, including a return on capital of 3.5% from fees and charges	Yes	**Yes**

Local Taxation	Target	Result 2006-07
To achieve at least 86% customer satisfaction for our local taxation work	86%	**86%**
To have recorded up to date tenure details for 85% of non-domestic properties	85%	**88%**
To achieve 90% compliance with valuation integrity standards	90%	**91%**
Wales To clear 90% of enquiries on the 2005 council tax list within three months	90%	**94%**[1]
To provide a considered decision on 90% of council tax appeals and have those that remain unresolved ready for hearing within six months	90%	**92%**
England & Wales To clear[2] by 31 March 2007, 95% of 2005 compiled list rating appeals received by 31 January 2006	95%	**95%**

[1] *This outturn is derived from management information systems maintained by the VOA. Based on its testing, Internal Audit is unable to confirm the results of this target.*

[2] *'clear' means all actions up to target date taken and case referred for valuation tribunal hearing and determination where needed.*

District Valuer Services	Target	Result 2006-07
To achieve 90% compliance with quality assurance standards	90%	**92%**
HM Revenue & Customs Work		
To achieve 88% customer satisfaction for the work done by our District Valuer teams, including HMRC and other clients	88%	**95%**
To deliver timeliness targets on all inheritance tax and capital gains work as set out in the service level agreement:		
Report all Capital Gains and other Not Negotiated Valuations within an average of 25 working days (5 weeks)	25	**17**
Report all Inheritance Tax formal cases within an average of 100 working days (20 weeks)	100	**70**
Report all Capital Gains and other Negotiated Valuations within an average of 120 working days (24 weeks)	120	**96**
The VOA will at the end of each year provide HMRC with a list of all cases outstanding over 12 months together with a brief note of the reasons why cases are outstanding	Met	**Met**
Land Services Work To achieve a valuation accuracy rating, from customers, of 88% across Land Services work	88%	**84%**

Local Taxation

Progress Towards World Class

Our vision for local taxation is focussed on:

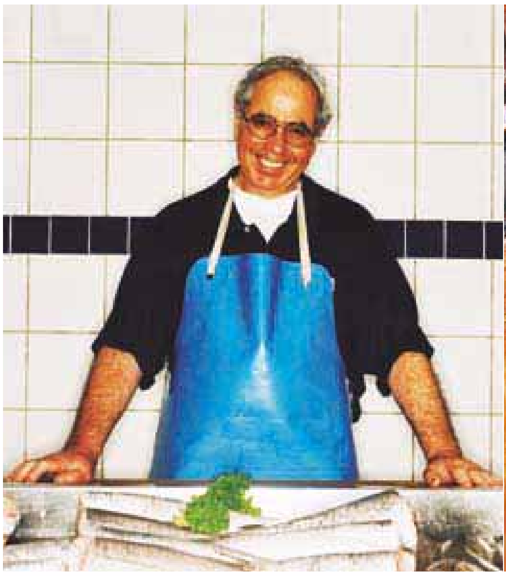
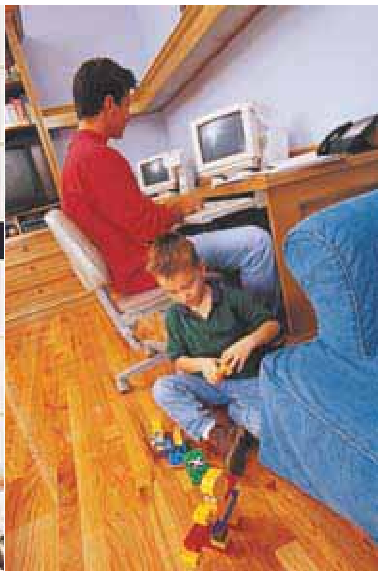
- **Making assessments for rating and assigning bandings for council tax that are right first time**
  - providing explanations of assessments or bandings in clear and accessible form
  - minimising burdens on ratepayers and council taxpayers in supplying information to us
  - dealing with enquiries informally and quickly – giving early decisions too on formal appeals wherever we can
- **Keeping assessments and bandings up to date, reflecting additions or alterations, enabling early issue of correct bills by local authorities**
  - streamlining our processes with increasing use of technology to drive cost savings

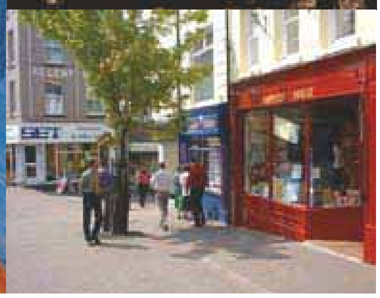
Each year we make some 300,000 alterations to the non-domestic rating lists to reflect new or altered properties and similarly some 550,000 alterations to the domestic council tax lists. So it is important that we do this accurately and in the most cost effective way, providing an efficient service both to local (billing) authorities and to ratepayers and taxpayers, so that the correct bills can be issued by authorities as soon after completion of the new or altered building as practical.

Over the last two years, our particular focus has been on:

- working closely with local authorities to improve the speed and quality of the information they send us about property alterations, encouraging its electronic transfer
- streamlining our processes so they are as efficient as possible, with best practice identified and shared across all our locations
- risk-assessing work, so we only carry out a property inspection where necessary
- in the case of domestic property, developing our automated valuation model capability so that it can now[3] support the banding of properties on the 1993 lists.

In 2005–06 we concentrated on identifying and sharing best practice across our offices to 'fast track' work, enabling us to shorten our target turn around times for reports from three months to two months. In 2006–07, we completed pilots in Bristol, Eastbourne and Sheffield to establish whether we could dispense with inspections in straightforward cases and rely instead on plans or other



3 From the second quarter of 2007-08

Pilot location: Sheffield Group

Aim:
To improve the speed and quality of the information about property alterations sent to us by local authorities

How:
By building closer working relationships with local authorities and improving information flow

What they did:
- Established more effective partnerships, working successfully with the Building Control and Revenues Departments of Sheffield City Council
- Used electronic transmission of information to speed up the process and cut down margin for error
- Involved VOA staff – they came up with ideas to improve ways of working and fedback on how things were working on the ground
- Targeted resources towards gathering property information proactively, using new sources of information.

Benefits achieved:
- Stronger working relationships that lead to a better, more seamless service for the customer
- Quicker exchange of quality information from Sheffield City Council to VOA, meaning properties can be banded earlier
- Because the Council can issue bills sooner, it can also plan its revenue streams more accurately
- Improved staff engagement through ownership of and contribution to new ways of working.

details, removing the need for occupiers to put time aside for our visits. These pilots proved successful, delivering further improvements in speed with no material loss of quality – and so during the second half of the year we progressively rolled out this improved approach across all our offices.

"We do not make many compliments but this matter was dealt with exceptionally well. It was so nice to be treated as a person not just a number on a computer."

Working Smarter, Working in Advance
At the same time we have focussed on working even more closely and effectively with local authorities and in summer 2006, we approached all billing authorities to explore ways in which we could jointly provide a quicker and more seamless 'end to end' service to the public. We have been very encouraged by the positive responses received. Sharing property plans and other details with us that have already been provided by a ratepayer or taxpayer reduces the compliance burden and helps us avoid any duplication of effort.

As well as exceeding our key clearance targets for the current year, the outcome from this series of initiatives is that over the last three years we have virtually halved the average times we take to clear cases, with rating cases now standing at an average of 20 days and council tax cases at 18 days. Feedback we have received indicates that customers agree that these changes are indeed a positive move.

In 2007–08 we are aiming to do better still, reducing average times to 18 and 14 working days[4] – or better – for rating and council tax cases, respectively. And we are also looking to work in advance where we can – for example, by collecting the details we need directly from the developers of new housing estates or blocks of flats, so we can complete our work as they complete theirs. In some cases it means that new occupiers can be advised of the intended assessment or banding even before they move in. Whilst that will not be possible in all cases, we are nevertheless keen to ensure that any interval between

"Very supportive and useful information. Very clear response to my enquiries. Excellent."

[4] *16 in Wales, where there are some detailed differences in process.*

occupation and the receipt of an assessment or banding notice from us is as short as possible – a key component of our determination to provide a world class service.

In England, we will also be bringing on stream our automated valuation model to support our banding decisions. This speeds up the process of checking that proposed bandings align well with those of comparable properties, helping us to ensure fairness and consistency.

"The officer who came out to us was very good – taking time to explain everything and listening to us."

We realise that the processes by which we band properties are not well understood and so we have expanded explanatory material on our website to counter some of the more common misunderstandings that arise – 'Setting the Record Straight' is a simple guide to the key points.

Safeguarding Consistency and Fairness for Ratepayers
Compiling the rating and council tax lists and keeping them up to date is only part of the picture. We also need to deal with proposals and appeals. We put more effort than ever before into getting the assessments underpinning the 2005 rating lists 'right first time'. And, encouragingly there has been a significant and welcome fall in the number of appeals compared with the 2000 lists – a marked 56% reduction to date, though this is in part due to changes in the Appeal Regulations[5]. At the same time, the nature and spread of cases has altered. We want to give decisions on individual cases quickly where we can, whilst maintaining uniformity of valuations across broadly similar properties. This way, we can safeguard the

Pilot locations: Eastbourne and Bristol

Aim:
To speed up clearance of council tax and rating reports

How:
By segmenting cases according to their level of complexity and applying different timeliness targets depending on each case type

What they did:
- Used a checklist to help sort cases according to complexity
- Distributed work more effectively across the team, using caseworker support resource to clear straightforward cases early on
- Used existing data sources to gather the information needed to clear simple cases
- Obtained more information upfront by exploring new sources - searching property and planning websites and getting plans from building control departments in local authorities
- Targeted property visits to where they were needed most: complex or high value cases.

Benefits achieved:

For local authorities:
- Earlier receipt of banding and assessment details from the VOA because cases are turned around more quickly
- Prompt issue of bills to taxpayers and ratepayers.

For taxpayers and ratepayers:
- More certainty about their level of tax liability
- Ability to manage their personal finances better
- Reduced need to put time aside for our visits.

For the VOA:
- Improved timeliness of casework - faster turnaround of simple cases allowing us to focus on the more complex cases
- Improved quantity and quality of information we hold
- Greater efficiency – more work carried out from desk, reducing the need to visit properties
- New and interesting ways of working for VOA staff; better teamwork and use of skills.

[5] The changes to appeal regulations introduced on 1 April 2005 mean there are now no restrictive time limits for making a proposal to alter an entry in the 2005 compiled rating list. However, an interested party can only make one proposal against the compiled list rateable value and one against any subsequent event that may occur (i.e. material change of circumstances). Under the new regulations there is a new requirement to state in the proposal the amount payable each year in respect of lease, easement or licence to occupy the property.

overall fairness and consistency of the rating lists. It is often in the best interests of ratepayers for broadly similar cases to be 'programmed' for consideration together, as issues relating to one case may well be relevant to others. At the same time we have to ensure that proportionate effort can be directed to the more complex cases and so we do encourage early disclosure and exchange of facts or information that may be relevant to the appeal.

This year, the Valuation Tribunal Service in England has introduced a universal 'listing after target date' policy. It has been designed to ensure that only those appeals that genuinely cannot be settled by the target date[6] are referred to an independent valuation tribunal.

Whilst in 2006–07 we have programmed the planned number of appeals, a higher proportion have remained unresolved by the target date than forecast, reflecting a richer mix of substantive issues within the reduced overall numbers received – and a need in some instances to devote more time or resource to address them fully. Thus the number of cases finally cleared was over 293,000. Overall rateable value loss to date is 1.1%, well within the ceiling of 4.2% over the life of the 2005 lists.

"I was satisfied, but did think that six months was rather a long time for the Valuation Office to have to get things sorted out."

Refining Our Processes

The orderly handling of cases continues to be important. We recognise that some refinements are necessary for 2007–08, in part because the balance between appeals against the compiled list and appeals against 'material changes in circumstance' will shift. We will therefore place renewed emphasis on the speedy clearance of straightforward cases – those which only involve factual matters – but we will then allow for greater differentiation in clearance timescales for other cases. This will ensure the most efficient handling, with resource proportionate to the issues at stake. This will address some of the practical issues encountered during 2006–07 and, so far as possible, ensure that cases are only listed by valuation tribunals where a full hearing is genuinely necessary.

"The visit received was informative and the VOA officer was very pleasant and a credit to the VOA."

During 2007-08 we will also be starting our preparations for the next non-domestic rating revaluation, due to take effect from 1 April 2010. Our experience in dealing with the 2005 list appeals will be reflected in the development of process improvements for 2010.

The processes we introduced to encourage earlier enquiries from taxpayers following the council tax revaluation in

Working in advance – Wessex Group case study

Wessex Group has established a close working relationship with Test Valley Borough Council, which allows the Group to obtain plans and information about properties from the Council much sooner. But the benefits don't end there...

Benefits achieved:

- More productive working relationships established with Planning, Building Control, Street Naming and Numbering Departments at Test Valley Borough Council
- Rating assessments or council tax bandings can be prepared as buildings are being altered or completed, saving time
- Test Valley can issue a rating or council tax bill just as the property is completed rather than months later
- Ratepayers or taxpayers know what they'll be paying much sooner.

"Working with the VOA on this is really important to me. The new partnership approach offers potentially big improvements in the service we provide to our ratepayers and council taxpayers."

Helen White, Local Taxation Manager, Test Valley Borough Council

[6] *'Target date' is the end of the period in which appeals are 'programmed'*

London South Group - Innovative ideas that lead to best practice

The VOA receives information about new builds mostly from local authorities. Staff at London South Group have put into practice some of their ideas to use more innovative ways to gather information about new properties.

They have used a variety of new sources to get the information they need about new homes, including research on the Internet, using the property sections of local newspapers, and speaking directly with developers, architects and estate agents.

Gathering information early means provisional bands can be placed on new properties. Developers can then advertise the properties with indicative bands on them, which can help potential buyers work out how much they are likely to pay in council tax.

Many of the new approaches initiated by staff in London South Group have been rolled out across the Agency.

Wales had a positive impact. Significant progress has been made in Wales in clearing the enquiries and appeals received up to 30 September 2006 as a result of the council tax revaluation, which came into effect from 1 April 2005. By offering an informal route by which taxpayers could raise queries about their banding, we ensured that the need for formal appeals was minimised.

Of the nearly 22,000 enquiries received, all were cleared, with over 90% within three months of receipt. In 2007-08 we shall be looking to provide an even faster service, aiming to clear 95% of enquiries within two months. Of the 17,659 formal appeals received up to 30 September 2006, representing only 1.34% of the total entries in the new lists, we have fully cleared over 85%, and in most other cases have considered the evidence and given our decision, with the taxpayer having the right to appeal to an independent valuation tribunal if they disagree.

In England, our work is focussed on continuing to maintain the 1993 council tax lists. We have cleared some 28,000 appeals in England, broadly comparable with earlier years, but have markedly improved the speed of our decision-making so that we are giving taxpayers a considered view on the merits of their case in 98% of cases within two months. This puts us in a good position to adapt to the new 'Appeals Direct' system, an initiative to improve the handling of challenges to council tax list entries, which can culminate in an appeal direct to the local valuation tribunal. This is due to come into effect by October 2007.

Towards the end of the year we saw a surge in enquiries as a result of media publicity, though in the majority of cases there is no formal right of appeal. However, if we do spot something wrong with an individual banding we will always endeavour to put it right by taking action ourselves.

Payment of Local Authority Rates (POLAR)

The VOA is responsible for paying non-domestic rates to local authorities for properties occupied by Foreign Missions and some International Organisations accredited by the Foreign and Commonwealth Office. These payments are administered through a separate Vote of £33.3m. Since these occupiers benefit from a number of services provided by local authorities (street cleaning, lighting, fire services etc.), we seek reimbursement for these services known as the Beneficial Portion (6%) from Missions. Although there is no legal obligation for Missions to pay, nor any enforcement legislation available, the Agency succeeded in recovering a healthy £1.88m (92.24%) of current year debt against a target of 85%. Continuing negotiations and agreements resulted in the recovery of £131.3k (12%) of aged debt.

District Valuer Services

The work carried out by District Valuer Services (DVS) falls into two broad categories: the valuation work for our parent department, HM Revenue & Customs (HMRC); and the extensive range of services, outside the taxation field, that we carry out for other government departments, local authorities and other bodies operating in the public arena – this is referred to as Land Services work.

HM Revenue & Customs Work

For HMRC, we provide advice on valuations for capital gains, inheritance tax, stamp duty land tax and other tax purposes. We also give advice on capital allowances claims and provide comprehensive information to support HMRC compliance work.

We carry out this work according to criteria set out in a Service Level Agreement (SLA), which includes a range of value, quality and timeliness indicators. We also provide inputs to policy advice on property related issues, such as the planning gain supplement.

2006–07 has seen further improvements in our performance against our Service Level Agreement indicators, with all supporting targets met, against a background of lower costs.

For 2006–07, we estimate that our work on inheritance tax cases resulted in around £80m of additional tax being collected, representing a cost-yield ratio of 1:17. Analysis of the more complex capital gains cases suggests additional tax yield of £24m for 2006–07, representing a cost-yield ratio of around 1:12. Further work is being done to develop new ways to measure other areas of our casework and compliance activities.

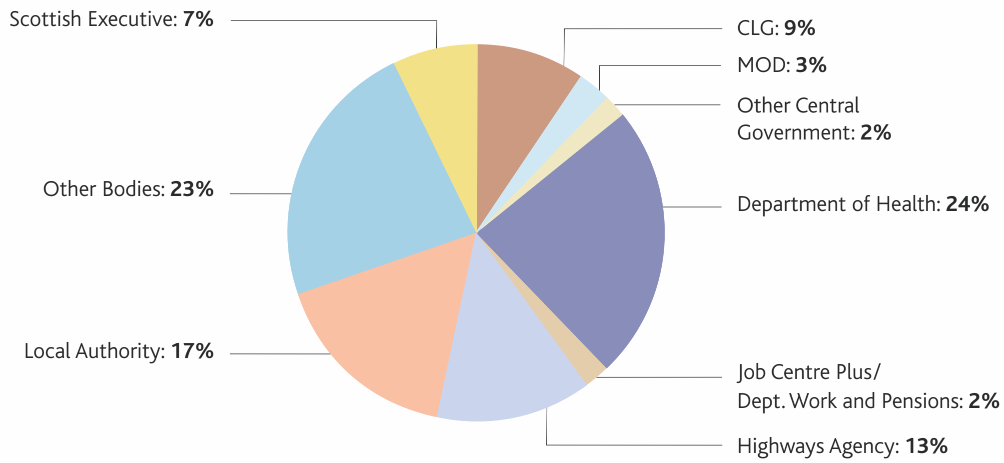
Through the Initial Appraisal Unit in Nottingham and the wider local office network, we have continued to improve both the timeliness and costs of dealing with inheritance tax cases. We exceeded our target to clear initial appraisal cases in an average of 12 working days, doing so in less than eight working days, on average. This means the closure of estates is now quicker, so bereaved families can plan for the future with greater financial certainty.

We have also introduced new processes to speed up the clearance of capital gains cases. These more complex cases are being cleared within an average of 17 days, against a target of 25 days.

Land Services Work

Land Services work includes asset valuations for resource accounting and compulsory purchase, advice on the purchase and sale of property, specialist building surveying advice, and valuations of mineral bearing property, land fill sites and plant and machinery. In delivering this work, the District Valuer Services team draws upon the expertise of our specialist Building Surveyors, Mineral Valuers, Commercial Development Advisors, and Plant and Machinery team where appropriate.

Breakdown of Land Services Income by Client



At £18.7m, Land Services income is down around 5% in comparison to last year, against a backdrop of a tighter financial position for some clients and an increasingly competitive market for property services. In particular, we carried out over 20% fewer statutory Right To Buy determinations.

More positively, our major sectoral work remains strong, and we have attracted a number of new clients, including private sector bodies working on public sector projects or in the wider public arena. For example, we have provided advice on compensation and costs relating to the proposed runway extension at Stansted and the tramline extension to Edinburgh airport.

"It has been good, sensible advice and they have been very good at negotiating difficult valuations and presenting different options."

David Silver, Surrey & Borders Partnership, NHS

"The people I deal with at the DVS are very friendly, helpful, they respond quickly, keep us informed and do what they say they are going to do."

Inspector of Taxes, HMRC

CASE STUDY

Expertise: Compulsory Purchase and Compensation
Client: tie (Transport Initiatives Edinburgh Ltd.)

tie is a wholly owned company of the City of Edinburgh Council, set up specifically to deliver a series of transport initiatives to provide the city with an efficient infrastructure to equal the best in Europe. tie appointed DV Services to provide consultancy and land acquisition advice for the development of new tram lines running from central Edinburgh to the airport and serving north Edinburgh, Leith and the city centre.

The District Valuer from our Edinburgh office appeared as an expert witness before the Scottish Parliamentary Committees during the Private Bill process and our valuers were major contributors to the project, providing land estimates for tram routes and advising on planning gains issues. They prepared advisory papers on aspects of compulsory purchase valuations, provided advice on land acquisition costs and helped the project team in the risk assessment process.

Geoff Duke, Project Manager, tie, adds:

"The help and advice we received from DV Services proved invaluable in contributing to the overall success of the project."

CASE STUDY

Expertise: Commercial Development Support
Client: Wigan Metropolitan Borough Council

Wigan Metropolitan Borough Council was working with developers on an innovative £78m sports village complex on a 39 hectare site. The new facilities comprised an indoor sports centre/pool, an athletics track and arena, as well as a 10,000 seat stadium, an hotel, and leisure and retail operations.

The public facilities element was funded jointly from grant aid, council investment of capital and a substantial contribution by the private sector, generated from investment value.

Valuers from our Liverpool office ensured the completion of the public sector work in a way that satisfied all parties.

Steve Crossley, Project Director, Wigan Metropolitan Borough Council, adds:

"DV Services' involvement has ensured that the best consideration possible has been achieved for the community. The ongoing assistance from DVS has been invaluable."

Customer Satisfaction and Service Delivery

2006–07 saw all Groups across the Valuation Office Agency – and our central team of customer service advisors – holding Charter Mark status, an independent award that recognises exceptional customer service. Our success in this field has been recognised by the Cabinet Office and we are contributing to the development by them of the new award criteria, which it is anticipated will be announced later in 2007.

Customer Satisfaction

Overall customer satisfaction for the Agency is now at 88.1% meeting our key target of 88%. This figure represents a weighted combination of individual results for District Valuer Services and Local Taxation business streams.

Local taxation customer satisfaction overall now stands at 86% – up from 83% in 2005–06. The customer surveys now cover a broader range of our local taxation business. In 2005–06 we sampled those who have pursued an appeal with us and those whose properties we visit as part of day-to-day business. This year, we extended the sample to encompass those who contact us to make enquiries about their rating assessments or council tax band, and the recipients of our service in local authorities. We are analysing the results in detail to understand how satisfaction can be further improved.

The results of the annual survey of customers within HMRC were generally very positive. An overall HMRC customer satisfaction rating of 96% was achieved, an improvement on last year. Among Land Services customers, satisfaction with the service received has increased 1% to 95%. However satisfaction with valuation accuracy scored 84% on average, causing DVS to miss its target of 88%. We believe the positive results reflect our endeavours to improve timely delivery and ensure well-directed effort. From next year, these surveys will be carried out on a rolling monthly basis, giving us more timely feedback across the whole year.

Addressing Customer Issues

We recognise that timeliness is still an important area for improvement, and our published targets for 2007-08 reflect renewed emphasis on providing earlier decisions and clear explanations. In addition, we are benchmarking our results with similar organisations so that we can learn from them and also share our own knowledge and experience.

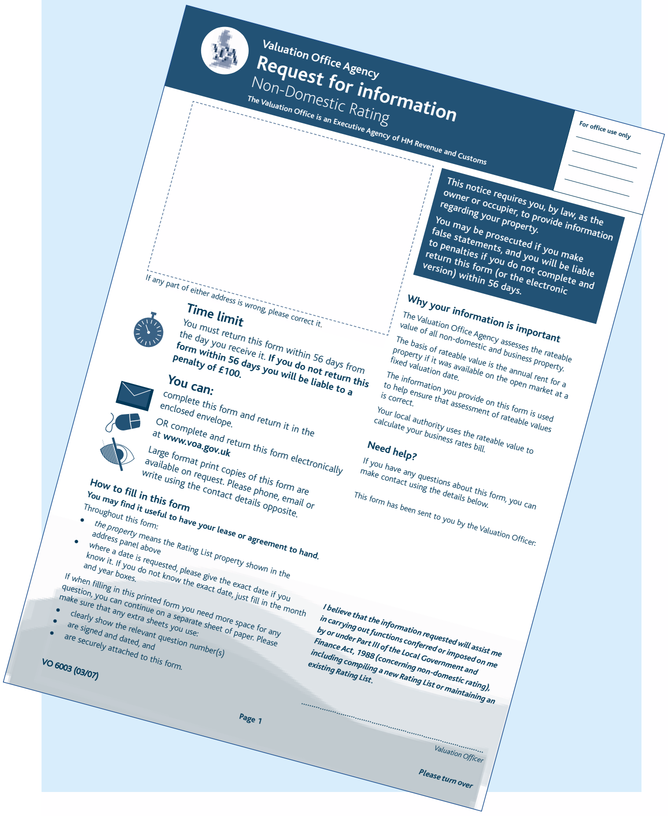
In local taxation we have undertaken a number of specific initiatives this year to improve the service we offer to customers. With input direct from council taxpayers, we have reviewed all our correspondence to ensure it is both clear and consistent, rewriting and adding further explanation as necessary.

This year we redesigned one of the forms we use to collect information from ratepayers about the business premises they occupy. We wanted to improve the clarity, readability and navigation of the form. Was it an improvement on the previous version? We tested it direct with ratepayers to find out. Here's what some of them said:

"I think it's clearer and more eye-catching."

"The immediate thing is I think it's better. It's clearer…this has a more modern look."

"(The new version)…comes over as important but not so formal…more user friendly."


Valuation Office Agency
Request for information
Non-Domestic Rating
The Valuation Office is an Executive Agency of HM Revenue and Customs

For office use only

This notice requires you, by law, as the owner or occupier, to provide information regarding your property.
You may be prosecuted if you make false statements, and you will be liable to penalties if you do not complete and return this form (or the electronic version) within 56 days.

If any part of either address is wrong, please correct it.

Time limit
You must return this form within 56 days from the day you receive it. **If you do not return this form within 56 days you will be liable to a penalty of £100.**

You can:
complete this form and return it in the enclosed envelope.
OR complete and return this form electronically at **www.voa.gov.uk**
Large format print copies of this form are available on request. Please phone, email or write using the contact details opposite.

How to fill in this form
You may find it useful to have your lease or agreement to hand.
Throughout this form:
- *the property* means the Rating List property shown in the address panel above
- where a date is requested, please give the exact date if you know it. If you do not know the exact date, just fill in the month and year boxes.

If when filling in this printed form you need more space for any question, you can continue on a separate sheet of paper. Please make sure that any extra sheets you use:
- clearly show the relevant question number(s)
- are signed and dated, and
- are securely attached to this form.

VO 6003 (03/07)

Why your information is important
The Valuation Office Agency assesses the rateable value of all non-domestic and business property.
The basis of rateable value is the annual rent for a property if it was available on the open market at a fixed valuation date.
The information you provide on this form is used to help ensure that assessment of rateable values is correct.
Your local authority uses the rateable value to calculate your business rates bill.

Need help?
If you have any questions about this form, you can make contact using the details below.

This form has been sent to you by the Valuation Officer:

I believe that the information requested will assist me in carrying out functions conferred or imposed on me by or under Part III of the Local Government and Finance Act, 1988 (concerning non-domestic rating), including compiling a new Rating List or maintaining an existing Rating List.

Valuation Officer

Page 1

Please turn over

Liaison with customer and stakeholder groups such as local authorities, business organisations and professional bodies has continued. It is important to us to maintain productive working relationships and to reflect their input into process changes that we make, for example, to improve the programming of rating appeals.

The number of complaints we receive is small in comparison to the total number of customers we have but all are considered seriously. The total number of complaints received in 2006–07 was 1,659, lower than the previous year when it was 1,821. Financial redress paid amounted to £223,303, compared with £349,585 previously. We look closely at the causes of all complaints we receive to ensure that we learn any lessons that can lead to improvements in service.

The independent Adjudicator's Office reported a total of 12 cases in 2006–07, of which only one was partially upheld. This compares with 15 reported and one upheld in 2005–06.

To support transparency, we published more information about our practices and processes on our website during the course of the year. We received 211 requests under the Freedom of Information Act 2000 during the calendar year 2006.

Working with Partners – Sharing Knowledge

We are committed to working closely with partners to improve customer service and efficiency, and to provide enhanced cost-effectiveness.

We carried out a major consultation exercise with many local authorities to identify new ways to improve our service. As a result, we put in place some new working arrangements designed to enable VOA and local authority staff to work in a more joined-up way at a local level.

A new partnership with the Office of Government Commerce (OGC) has allowed us to benefit from electronic facilities they offer in order to improve our knowledge of government properties. OGC's Electronic Property Information Mapping Service is now accessible in our local offices by a small group of staff. This arrangement will help us to provide a better service to our colleagues throughout government.

Working closely with Ordnance Survey and the National Land and Property Gazetteer has led to improvements in the accuracy of our address database so that we are able to direct correspondence to customers more accurately.

In line with the recommendations of the recent report prepared by Sir David Varney ('Service Transformation – a better deal for citizens and business, a better deal for the taxpayer'), we are continually looking for opportunities to use our data to support a wider range of government policy development and implementation. For example, we provide data to assist the emergency services; our data has been used in developing energy efficiency research; we provide data on floor space to assist a number of government departments; and our data is used by local authorities to assist in their policy considerations.

We also continue to explore opportunities to obtain the relevant data we need from other parts of the public sector, where it is already held, with a view to reducing the burden on council taxpayers or ratepayers to provide it to us. We strictly observe the legal constraints that impact on this area of activity, and respect the sensitivities surrounding data sharing.

IT Resources

During the year a range of IT implementations have contributed to improved customer focus and quality and better internal efficiencies. Other projects have improved the availability, performance and security of the internal IT system.

We provided a new electronic facility to local (billing) authorities to enable faster and more accurate transmission of information relating to valuation and rating list maintenance.

Staff were provided with access to the Internet direct from their desktop, which has proved particularly useful in our aims to work in advance by accessing property plans where available online. In turn, this has reduced our need to visit properties to capture details.

Developments in IT to support the 2010 non-domestic rating revaluation are in hand and will be delivered in the year ahead. Work is also underway to support changes in procedure associated with 'Appeals Direct', which is due to come into effect by October 2007.

Productivity

Productivity outturn was -2.2% in 2006–07 compared with a target of 5%. The main reason for not hitting this target lies in the change in the nature of rating appeals. When the target was defined three years ago, we did not envisage the dramatic reduction in the volume of rating appeals following the publication of the 2005 list, compared with those received against the 2000 list. So to a large degree we are a victim of our own success in terms of the impact on our productivity index.

A smaller, more substantive number of rating appeals is far preferable to a larger volume of widely varying cases. It is certainly better in terms of delivering overall value for money for our clients and also for the public. But it does mean we have to devote more resources to individual appeals, and even though our total administrative costs decrease, it does impact adversely on our productivity outcome.

This is one reason why we now wish to develop a wider, overall value for money measure for 2008–09 and beyond to cover this type of casework and better reflect our true achievement. But productivity will continue to be a key focus for our bulk process-type tasks.

Embedding Quality

We have undertaken a review of the revised quality assurance process we implemented two years ago to ensure compliance with our standards and processes consistently across our network of offices. The outturn of 91% against our target of 90% for local taxation processes is encouraging, but we intend to strengthen the feedback loops to improve further the quality and consistency of our processes in the coming year, in turn to deliver improved customer and stakeholder satisfaction.

Our People, Our Workplace

Performance Management
To play their part in our job of helping to raise some £43bn of taxation, our staff need to have the requisite knowledge and skills, be clear on what is required of them, and have a clear understanding of how their individual contribution fits into the bigger picture.

This year we introduced an improved performance management process, which puts into sharper focus the performance of every member of staff. The process is designed to reinforce the role of the individual within the Agency's overall business objectives, as well as providing for personal learning and development while supporting good team working.

Performance is evaluated against a set of objectives agreed at the start of the year by the jobholder and the manager. Under the new process, achievement against the agreed objectives and all round performance are recognised and rewarded. Staff can be rewarded in-year through recognition payments and the new process also acknowledges, with performance pay, staff who make a particularly significant contribution to the Agency. It also provides managers with a more robust process to address underperformance or inefficient performance.

The aims of the updated process are to:

- Improve performance across the Agency, so that we serve our customers better still
- Ensure people understand how their roles fit into the team, Group/Unit and the Agency
- Allow the Agency to acknowledge and reward excellent performance
- Encourage and support learning and development; and
- Help deliver the vision of becoming a world class organisation

Awards – internal and external recognition

This year, the Chief Executive launched the inaugural Agency awards to recognise and celebrate outstanding achievement in a variety of categories, including distinguished contribution to customer service, business excellence, leadership, the community and/or charity, and environmental good practice, plus a special Chief Executive's Award for overall outstanding performance.

Each person or team nominated had to demonstrate one or more of the Agency's core behaviours and values; a high level of service or an exceptional contribution; excellence in their performance and exemplary commitment; customer service, resourcefulness, innovation or creativity. The finalists were showcased at the Senior Managers' Conference in September 2006.

Winners of the VOA Agency Awards 2006		
Mike Brankin Project Manager	Chief Executive's Award for Overall Outstanding Performance	For his significant contribution to the Agency and his ground-breaking work on the development of the automated valuation model; for his commitment to innovation, improvement, quality, consistency and strategy, which has been key to the motivation of colleagues in the Agency
Alan Colston South Wales Group	Outstanding Contribution to Leadership	For his work in connection to the council tax in Wales; for his commitment to training others, developing new processes and procedures to support high standards of service to customers and clients
Paul Sheppard District Valuer Services East	Outstanding Contribution to Business Excellence	For extremely high standards of work carried out on a new project for District Valuer Services, which led directly to repeat and new business opportunities, strengthening the Agency's status and reputation
Market Information Unit (MIU) Team Newcastle Group	Distinguished Contribution to Internal Customer Service by a Team or Individual	For team members' efficient, effective and committed approach to work, which stands out as an example of good practice and helps local colleagues achieve their targets; for sharing innovations with other MIU colleagues to increase levels of service and support continuous improvement
Council Tax Referencing Team Sheffield Group	Distinguished Contribution to Customer Service by a Team	For pioneering new processes that benefit taxpayers, local authorities and colleagues; for building relationships and sharing best practice and ideas outside the Group for the benefit of the VOA as a whole, leading to improved results right across the board
Karen Callaghan Manchester Group	Distinguished Contribution to Customer Service by an Individual	For her contribution to the considerable improvement of timeliness on customer contact records within the Group; for commitment to active liaison with local authorities to improve customer service; and for her significant contribution to the Group's Charter Mark success
Carolynn Davison North West Group	Distinguished Contribution to Environmental Good Practice	For driving awareness of the importance of recycling through posters, news items and good practice, and leading recycling activities in the Group office
Mary Jessop Manchester Group	Distinguished Contribution to the Community and/or Charity	For leading the promotion and organisation of many volunteering and other charitable events within the Group

The Agency continues to provide high quality learning and development tools that have received external recognition during the past year. This year, our e-learning achievements were recognised at a National Training Awards presentation evening. Our entry showcased an e-learning programme to inform staff on how innovative methods can be used to deliver results and improve performance.

In May 2006 we were short listed in the category of 'Graduate Employer of the Year' in the TARGET National Graduate Recruitment Awards and our graduates continue to achieve results that are above industry average in the Assessment of Professional Competence.

Managing Sickness Absence
In 2007 the Agency introduced a new policy for managing short term sickness absence. The new process focuses on early intervention in short term sickness absence cases in order to help individuals and to prevent further absences. There is more emphasis on discussion between line manager and jobholder and there are speedier conclusions if levels of sickness absence do not improve.

Early indications show that the new policy is already having an impact. In the last year, we have achieved a reduction of 1.80 days per person in sickness absence overall, and a reduction of 0.84 days per person in short term sickness absence.

We have been working with an external provider on pilot schemes for 'working well' profiles. These web based questionnaires cover lifestyle and holistic health issues such as stress management and nutrition, and provide feedback on how an individual can better manage their health. The pilot scheme is to monitor take up along with individual and business benefits and will be evaluated prior to any decision to roll out to the rest of the Agency.

Diversity
In 2006 the Agency committed to implementing the findings of the Diversity Excellence Model (DEM) analysis conducted in March 2006. We are using this tool to drive forward the diversity agenda using a wide range of policies and plans. All our operational Groups have produced a diversity action plan, each of which covers specific areas for improvement on a local level and in December we published our Agency Disability Equality Action Plan.

There are now five consultative groups (the Women's Group; the Gay, Lesbian, Bisexual and Transgender Group; the Disability Group; the Religion and Belief Group; and the Ethnic Diversity Group) used to support proofing of VOA policy and practice. These groups, each chaired by a different Board member, have been expanded to ensure they are more inclusive.

Advancements from 1 April 2006 to 31 March 2007 – Promotions

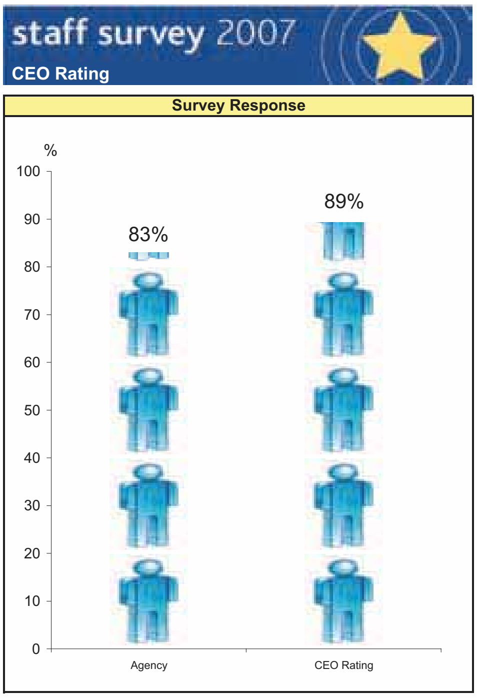
Band	Female	Male	Disabled	Non Disabled	Not known	BME[7]	Non BME	Not known
SCS	1	1	0	2	0	0	2	0
Pay band 1	0	8	0	7	1	1	7	0
Pay band 2	6	11	2	11	4	3	14	0
Pay band 3	9	11	0	18	2	1	16	3
Pay band 4	4	2	0	5	1	1	4	1
Pay band 4G	3	6	0	6	3	3	6	0
Pay band 5	8	4	2	6	4	2	10	0
Pay band 6	4	1	0	4	1	1	3	1
TOTAL	**35**	**44**	**4**	**59**	**16**	**12**	**62**	**5**

[7] *Black Minority Ethnic*

Advancements from 1 April 2006 to 31 March 2007 – Temporary Promotions								
Band	Female	Male	Disabled	Non Disabled	Not known	BME	Non BME	Not known
SCS	0	0	0	0	0	0	0	0
Pay band 1	0	0	0	0	0	0	0	0
Pay band 2	2	5	1	4	2	2	5	0
Pay band 3	2	1	0	2	1	0	3	0
Pay band 4	3	3	0	2	4	3	2	1
Pay band 4G	0	0	0	0	0	0	0	0
Pay band 5	9	13	1	16	5	4	17	1
Pay band 6	4	6	0	8	2	2	8	0
TOTAL	**20**	**28**	**2**	**32**	**14**	**11**	**35**	**2**

New Entrants from 1 April 2006 to 31 March 2007								
Band	Female	Male	Disabled	Non Disabled	Not known	BME	Non BME	Not known
Pay band 1	0	0	0	0	0	0	0	0
Pay band 2	0	0	0	0	0	0	0	0
Pay band 3	1	2	0	2	1	0	2	1
Pay band 4	8	10	1	9	8	4	9	5
Pay band 5	1	0	0	1	0	0	1	0
Pay band 6	0	0	0	0	0	0	0	0
Pay band 7	1	0	0	1	0	0	1	0
TOTAL	**11**	**12**	**1**	**13**	**9**	**4**	**13**	**6**

Diversity of Staff in Post at 31 March 2007	
Female	48.17%
Male	51.83%
Ethnic Minority	7.37%
Disabled	7.28%



Staff Survey

This year, we have incorporated some major developments into our staff survey, based on the outcome of the qualitative research carried out with staff and managers in February 2006.

Working in conjunction with independent research partners, we created a new questionnaire, designed to cover broader topics including customer focus, working culture, management and leadership.

In the new survey, questions are grouped according to the Agency's core values. This is so that conversations about the results can be more closely aligned to the values and the behaviours and actions that are expected from staff.

The core question set produced by the Cabinet Office has also been incorporated, providing us with additional benchmarking opportunities and the chance to share best practice with more government departments and agencies.

This year, 83% of staff took part in the survey, 4% more than the previous survey in February 2006. Results show that 68% of staff (against a target of 60%) are very or fairly satisfied working for the VOA. This represents an 11% increase on the previous year.

This year, we also initiated a measure of staff commitment to the success of the VOA with a view to benchmarking against others. Encouragingly, 72% of staff said they were committed to the success of the organisation, indicating that, where possible, they would 'go the extra mile' to help the VOA achieve its targets.

Carolyn Hickman, Council Tax Line Manager from the St Austell office, was the first person to gain her Certificate in Management qualification by completing the VOA's Management Development Programme (MDP). She found the MDP to be an excellent way to learn new skills and share best practice with managers from other offices.

"I'd encourage all new managers to do this course. As the programme progressed I was challenged by new ideas and, as a result, I now feel more confident in my existing management role. I benefited from face-to-face events during the programme, which gave me valuable opportunities to talk about working practices in different offices. Good management techniques, applied properly, can really benefit effective team working, which, in turn, will contribute to achieving the Agency's world class targets."

72% of staff said they were committed to the success of the organisation, indicating that they would 'go the extra mile' to help the VOA achieve its targets

Simpler, visual reports clearly highlight where teams are doing well and also areas for improvement. Team leaders will therefore been able to focus discussion about the results, making it more productive. The aim is to involve staff at all levels in deciding what action is needed to make things better for the future.

Recruitment and Retention

The Agency has continued to develop and streamline recruitment processes. In January 2007, an online recruitment system was introduced to reduce the time taken to hire new staff and to reduce costs associated with more traditional recruitment methods. The system has greater alignment to roles within the Agency and will ensure greater consistency of approach.

Management Development Programme

The Agency has continued to embed a comprehensive Management Development Programme, a full training and development package open to all managers in the Agency. Sixty managers have either successfully completed the programme or are expected to do so within the next few months.

The programme gained its initial Chartered Management Institute (CMI) accreditation in 2005 and has received favourable reports at each of the Institute's verification visits. This has allowed us to gain extended accreditation for our existing level 3 Certificate and level 4 Diploma programmes. In addition we were granted accreditation for the new CMI level 5 Diploma in January 2007 following the launch of new Management Standards by CMI and the realignment of the qualification by the Qualifications and Curriculum Authority.

Feedback suggests that the programme is having a positive impact. Senior managers report that those managers who have participated in the programme have increased confidence, improved people skills, and are working in a more inclusive and co-operative way, leading to better team working.

Embedding Responsible Business Practice

Minimising the impact on the environment, support for the community, ethical work practices – these things sit at the heart of any world class organisation, alongside a strong commitment to meeting customer needs.

We take our responsibilities to the community seriously and over the last 12 months, we have enjoyed a fruitful partnership with Business in the Community, a charitable organisation set up to encourage companies to demonstrate positive and responsible business practices. As a result we have made significant progress in understanding and embedding corporate social responsibility (CSR) within the VOA, whilst achieving some success along the way.

This year, we put our CSR strategy and activities to the test by submitting an entry to the 'Companies that Count Corporate Responsibility Index 2006', which is run by Business in the Community. Submission to the Index required us to provide evidence of our commitment to meeting our customers' needs, supporting our staff, contributing to the community and protecting the environment. We are proud that we have achieved a place in the bronze performance band at our very first attempt to enter the Index. This success reinforces our organisation's leadership in managing, measuring and reporting on responsible business practice. But this is certainly not the end of the process. We will use the feedback we receive from Business in the Community about our submission to identify areas for future improvement. It will also be a useful tool to help us benchmark ourselves against other organisations with a view to sharing best practice.

Supporting Good Causes

Here are just some of the ways our staff have supported good causes during the year:

- A member of staff from the HR Learning team did a four-day charity drive to a Bulgarian orphanage to deliver much-needed toys and equipment to children
- Five employees from London North Group took part in Trailwalker 2006, a 65 mile sponsored walk across the South Downs in Hampshire and Sussex to raise money for Oxfam and Gurkha Welfare Association projects in Nepal
- Staff in the Business Improvement and Support team raised funds for the Ann Conroy Trust by walking for ten miles from Dawlish Warren to Exeter
- A member of staff from Specialist Rating Unit in Westminster trekked to Everest Base Camp to raise money for his local children's hospice
- A member of staff from our Mineral Valuers North team gave up her time to help out in a local People's Dispensary for Sick Animals charity shop
- Staff from the Wrexham office undertook some intensive gardening duties to create a safe and interesting woodland for children to play in at a local nursery
- A member of staff in the Preston office supervises young people from inner city areas at an outdoor education centre, giving them the opportunity to participate in activities like orienteering, abseiling and team sports
- Sixteen members of staff from the Sheffield Group volunteered to repaint a local Scouts block
- A member of staff from our office in North Wales ran the Cardiff Marathon to raise money for Clic Sargent children's charity
- Five members of staff from the Chief Executive's Office took part in the One Mile Run in London's Hyde Park to raise money for Sport Relief
- Staff in Birmingham office held a 'Rainbow Day' where staff dressed in bright colours for the day and made donations to the Institute of Cancer Research and the Multiple Sclerosis Society
- Several staff from the North West Group took part in the Carlisle Race For Life, running a distance of 5km, raising money for Cancer Research UK

In October 2006, we published our first CSR report both internally and on our website. Here, we set out our formal commitment to CSR in key areas covering the community, environment, marketplace and workplace. In the report, we also highlight our achievements in these areas during 2006–07, and present our action plan for the year ahead, which will ensure that as we move forward everything we do is underpinned by a concern for the wider society.

We are proud that, during 2006–07, over £42,000 has been donated by staff to a variety of national and local charitable causes.

In line with the UK Strategy for Sustainable Development, we have created an action plan specifically to help us minimise our negative environmental impacts.

We have appointed a sustainable development manager to monitor and measure the direct impact we have on the environment. During the past year, we started to collate and baseline information relating to the Agency's carbon emissions, energy efficiency, and waste and water consumption. This will enable monitoring of our impact on a year on year basis and provide a benchmark to identify where improvements can be made.

Progress is already under way. During the course of the year we have:

- reviewed our computer policy. Staff now turn off their PCs overnight – rather than leaving them on standby – to reduce energy consumption
- moved away from the use of pool cars, encouraging instead the use of public transport and hire cars to reduce carbon dioxide emissions
- implemented a capped mileage allowance on Grey Fleet mileage to discourage the use of employees' own cars at the point where the use of a hire car would be more economical
- introduced video conferencing facilities to 13 locations, resulting in a saving of approximately 38,000 business miles and 3.5 tonnes of carbon emissions
- provided recycling facilities at most locations, allowing recycling of paper, spectacles, plastic, mobile phones, cans and more. A pilot scheme in the Chief Executive's Office resulted in 33 tonnes of mixed waste being recycled rather than sent to landfill sites.

IN SUPPORT OF SPORT RELIEF

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WE ARE MACMILLAN CANCER SUPPORT

Finance

The Agency has again achieved the key financial target of breaking even, whilst continuing our investment in the future.

On a reduced turnover of £207m, down from £237m in 2005–06, we have realised a surplus of £5.3m – just over 2% of operating costs – across the Agency as a whole. Capital investment reduced slightly from £12.2m to £10.6m.

During the year, £171m was spent on rating and council tax work for our two major clients, Communities and Local Government, and the Welsh Assembly Government. This has enabled the collection of some £43bn in council tax and rates by local authorities across England and Wales. Put another way, every £1 spent by the VOA on this work has contributed to the collection of around £24 in Local Government revenue. On the direct tax side, our compliance work for HMRC continues to support the collection of over £5bn of capital gains and inheritance tax.

For 2006–07, we have brought the publication of our Annual Report and Accounts forward again, with the accounts being laid in the House of Commons by 15 June, just 11 weeks after the year end, consistent with the Government's *faster closing* initiative.

To ensure that our spending was properly controlled, the Agency's Financial Audit Unit continued its rolling programme of inspections and HMRC's Internal Audit office carried out regular reviews. These tested compliance with financial procedures, provided suggestions for improvement and identified good management practices that could be replicated across the Agency. They have audited the results set out in this Report.

Financial Position

The Balance Sheet, on page 53 shows the assets, liabilities and taxpayers' equity of the Agency at year end. The Agency's overall financial position remains strong. Total assets of over £56m are balanced by total liabilities of £36m giving taxpayers' equity of just over £20m. Assets are dominated by fixed assets of £33m; the bulk of this being made up of in-house computer software, with a net book value of £24m – a small increase on the 31 March 2006 position. This reflects continuing investment in a number of applications to improve business delivery as set out in more detail in the section on our investment strategy below.

Other changes at the balance sheet date include a decrease in cash held at bank of £2m along with a small decrease in debtors. Work in progress – on Land Services work – increased slightly by some £0.4m. Creditors have increased significantly, from £9.7m to £17m. This is primarily due to delays in paying monies due to the Consolidated Fund, but also reflects an increase in invoices that were due but not received until after the end of the financial year.

Financial Results

The Operating Cost Statement on page 52 shows the income and resources consumed by the Agency in undertaking our activities during the financial year. During the year the Agency saw a 12% decrease in income from the previous financial year and a 13% decrease in operating costs in earning this income. The overall net surplus transferred to the general fund increased slightly to £5.3m.

An analysis of other operating costs can be found at Note 5 on page 60. The reduction in costs shown here, at 13%, reflects the overall reduction in the Agency's operating costs in the year.

Cash Flows

The Cash Flow Statement on page 54 analyses the net cash flow from operating activities, identifies how much the Agency has spent on capital expenditure, records what receipts were collected on behalf of the Consolidated Fund and shows the net overall movement in the Agency's cash and bank balances during the year. The Agency consumed net cash of £2m, compared with the previous year's cash generation of £3.8m, reflecting movement in provisions. This is an isolated movement due to significant provisions being created in 2005–06 and then utilised in 2006–07 and is not a cause for concern.

Payment of Suppliers

All invoices received by the Agency that are not in dispute are to be paid within 30 days of receipt, or in accordance with agreed supplier terms, if shorter. In 2006–07, the Agency paid 92.96% (2005–06: 96.54%) of invoices within 30 days. The reduction in performance was mainly due to staff shortages in certain key areas of the business. The Agency is in the process of introducing an Enterprise Resource Planning system, an integrated system which will form the foundation of both management information and HR and finance transactions within the VOA. The new system should assist in improving our performance against this target in subsequent years.

Financing Implications of Changes in Objectives and Activities
There were no major changes in objectives to affect the Agency's finances during the year.

Investment Strategy
The Agency's capital expenditure for 2007–08 is set at £10.3m. Expenditure for the three forward years will depend on decisions on strategy and resources coming from the 2007 Comprehensive Spending Review. The Agency's investment strategy supports the delivery of valuation services and other business areas, covering both replacement programmes for existing assets and areas of new investment and modernisation, specifically the Enterprise Resource Planning project and supporting the World Class Vision projects for transformation of customer service. Proposed investments are prioritised by the Agency's Management Board and the World Class Project Board.

Areas of potential new investment include:

Developments – IT software
The following projects are either in progress or planned as part of the Agency's investment in its future through the introduction of world class information technology.

- electronic handling of rating and council tax processes to provide quicker and more accessible customer services for businesses and individuals; better interfaces with billing authorities; and lower overall costs for both public and private sectors
- enhancements to software to enable faster, better quality valuations and processing and improved overall timeliness
- further development of Mass Appraisal Techniques to support the day to day valuation of domestic properties in England and Wales, and potentially to support the statutory delivery of the non-domestic rating revaluation in 2010
- in liaison with the Valuation Tribunal Service, a new 'Appeals Direct' system for council tax delivery in 2007-08 complying with the legislative requirements
- Enterprise Resource Planning, a joint collaboration with HMRC, our parent department
- telecoms – essential replacement for switchboard software
- ongoing support for a public sector wide property database through the National Land Information System (NLIS), and the National Land and Property Gazetteer, and generally providing more accessible information for the public and other users in partnership with HM Land Registry, Ordnance Survey and other public bodies dealing with property
- IT support to the improvement and digitisation of the Agency's core data.

Tangible Fixed Assets
The Agency's planned replacement programme for desktop hardware has been extended from a three to five year rolling cycle to reflect the increased lifespan of modern technology.

Accommodation Related Capital Spending
Planned expenditure covers essential works to six existing sites.

Long-term Liabilities (provisions and PFI)
Provisions are amounts retained as reasonably necessary for the purpose of providing for any liability or loss that is measurable and is likely to be incurred as a result of a past economic event. Details of amounts and timings are recorded at Note 13 on page 65.

The Agency has made the following provisions:

Early Departure
Provisions for early retirement and pension commitments relate to early departure costs of staff (£3.9m). The Agency is required to pay pensions to employees retiring early until they reach normal pensionable age and certain lump sum payments.

Legal Claims
The costs of running an appeal to Lands Tribunal and higher courts, irrespective of the outcome, and the possibility of paying costs to the other side can be substantial. In many instances Counsel's opinion, expert witnesses and consultancy are required to support and inform the VOA case. Legal provisions reflect the actual cost of the VOA running the appeal (in terms of Counsels' fees, expert witnesses and consultancy) as well as the costs that are deemed probable to have to be paid to the other side at the conclusion of the case. Some of the cases included in provisions are ones where costs have actually been awarded against the VOA, but where negotiations over the final amounts payable are ongoing.

Private Finance Initiative (PFI) Transactions
The Agency is a partner in HMRC's 20 year PFI deal with Strategic Transfer Estate to Private Sector (STEPS) for the provision of office accommodation and facilities management. Additional information can be found at Note 18 on page 68.

Contingent Liabilities
A contingent liability exists where the criteria for a provision outlined above are not all met because the present obligation is only possible rather than certain, the outflow of economic benefit is not probable or the outflow cannot be reliably measured. These appear as notes to the accounts rather than entries in the accounts themselves.

The Agency currently has 31 legal appeals, which are not provided for in the accounts, as legal opinion suggests that these can be successfully resisted.

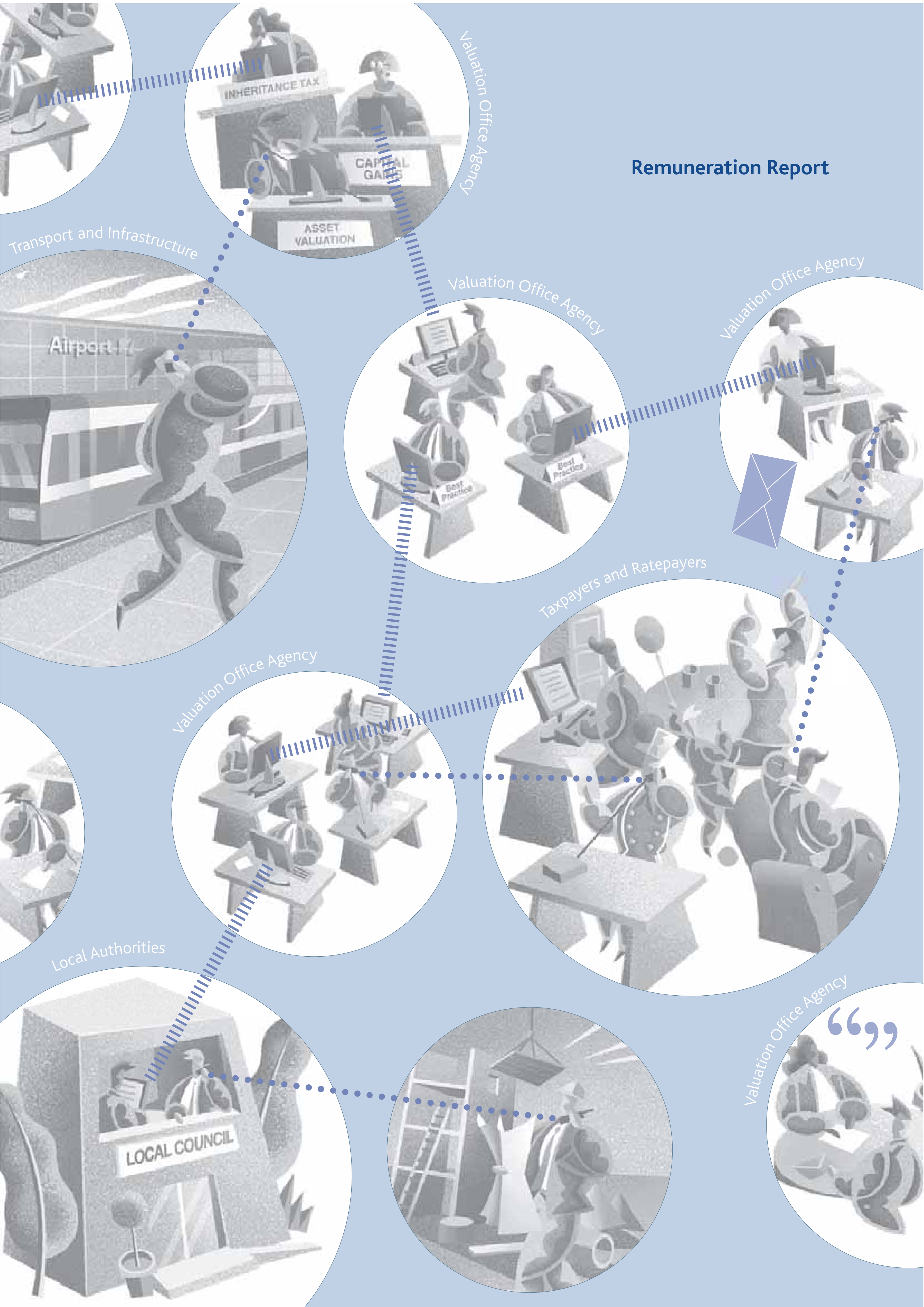
Explanation of Adoption of Going Concern Basis of Accounting
In the Statement of Accounting Officer's responsibilities on page 46, the Chief Executive, in his capacity as Accounting Officer, states that, in accordance with the Financial Reporting Manual (FReM), the accounting statements are prepared on a going concern basis. In making this statement the Chief Executive and the members of the Management Board have made an assessment of the financial position, associated risks and external influences of the Agency and have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Agency will continue in operational existence for the foreseeable future.

In making their assessment, the Management Board has considered the following aspects of the Agency's position:

- forecasts and budgets
- liability management
- contingent liabilities
- markets for its services and outputs
- adaptability – financial and otherwise

The Agency retains the full support of Ministers for its work. The Agency has a strong balance sheet and sound liquidity. Over 90% of our income comes from our three main client departments and is met by their supply funding to be granted annually by Parliament. There is no reason to believe that approvals for funding will not be forthcoming in the future.

Remuneration Report



Remuneration Report

Remuneration of Directors
Directors who are members of the Senior Civil Service are subject to the terms and conditions applicable across the parent Department, HM Revenue & Customs. Details of their remuneration is provided on page 43 and their pay remuneration is determined by HMRC in the light of the recommendations of the Senior Salaries Review Body. There is no separate remuneration committee specific to the VOA, as this function is fulfilled by the parent Department.

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

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

Contracts, Notice Periods and Termination Periods
The majority of Agency staff, including the executive directors are employed as permanent staff and are subject to both statutory and civil service conditions of service. The non-executive directors are on renewable three year fixed term contracts, with the assumption being that they will not be renewed more than once. The Agency does employ, on a short-term contract basis, a small number of staff who are on call-off contracts.

Awards Made to Past Managers
No awards have been made to past managers.

Details of Non-Cash Elements of Remuneration Package
There were no non-cash awards made to board members in 2006–07 or 2005–06.

Salary and Pension Entitlements
The following section provides details of the remuneration and pension interests of the most senior officials of the Agency.

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

Benefits in Kind
The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue & Customs as a taxable emolument. No benefits in kind were made available to board members during the year.

Details of Compensation Payable to Former Senior Managers
No compensation payments were made to former senior managers during 2006–07 (2005–06 £Nil).

Details of Amounts Payable to Third Parties for Services of a Senior Manager
No amounts were paid to third parties for the services of a senior manager during 2006–07 (2005–06 £Nil).

Civil Service Pensions
Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each

Pay and Pensions Information

Name and title		Salary including performance pay	Real increase in pension and related lump sum at age 60	Total accrued pension at age 60 at 31/03/07 and related lump sum	Cash Equivalent Transfer Value (CETV) (nearest £k)		
					As at 31/03/06	As at 31/03/07	Real increase in year
		£'000	£'000	£'000	£'000	£'000	£'000
Andrew Hudson Chief Executive	2006-07 2005-06	120 – 125 115 – 120	0 – 2.5 *	45 – 47.5 *	629	666	18
David Park Deputy Chief Executive	2006-07 2005-06	90 – 95 90 – 95	0 – 2.5 *	45 – 47.5 *	843	884	9
Ian Milliken Board Member *(from 27 June 2006)*	2006-07 2005-06	75 – 80 (95 – 100 full year equivalent) N/A	7.5 – 10	7.5 – 10	20	172	148
Alan Sherriff Board Member *(1 November 2005 to 4 June 2006)*	2006-07 2005-06	10 – 15 (70 – 75 full year equivalent) 25 – 30 (70 – 75 full year equivalent)	0 – 2.5 *	42.5 – 45 *	817	864	4
Sue Townsend Board Member *(from 5 June 2006)*	2006-07 2005-06	45 – 50 (60 – 65 full year equivalent) N/A	0 – 2.5 plus 5 –7.5 lump sum	17.5 – 20 plus 55 – 57.5 lump sum	228	257	26
John Wilkinson Board Member	2006-07 2005-06	85 – 90 85 – 90	0 – 2.5 plus 0 – 2.5 lump sum	32.5 – 35 plus 100 – 102.5 lump sum	628	657	8
Steve Hartnell Board Member	2006-07 2005-06	80 – 85 75 – 80	0 – 2.5 plus 0 – 2.5 lump sum	27.5 – 30 plus 87.5 – 90 lump sum	563	590	8
Paul Sanderson Board Member	2006-07 2005-06	80 – 85 80 – 85	0 – 2.5 plus -2.5 – 0*** lump sum	35 – 37.5 plus 107.5 – 110 lump sum	712	736	–
Mary Morrison-Paton Board Member	2006-07 2005-06	60 – 65 45 – 50 (60 – 65 full year equivalent)	0 – 2.5 *	2.5 – 5.0 *	53	69	13
Ann Grinstead Non-Executive Member	2006-07 2005-06	10 – 15 10 – 15	**	**	–	–	–
Margaret Devlin Non-Executive Member *(to 26 May 2006)*	2006-07 2005-06	0 – 5 (10 – 15 full year equivalent) 10 – 15 (10 – 15 full year equivalent)	**	**	–	–	–
Dawn Johnson Non-Executive Member *(from 1 June 2006)*	2006-07 2005-06	5 – 10 (10 – 15 full year equivalent) N/A	**	**	–	–	–

* *Member of the Premium Scheme – Lump Sum not applicable*

** *Fee paid consultant – not in Civil Service Pension Scheme*

*** *Real decrease in Pension Lump Sum*

year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly in the same way as in classic.

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

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

Cash Equivalent Transfer Values
A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing 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.

Real Increase in CETV
This 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.

Andrew Hudson
Chief Executive
23 May 2007

Annual Accounts

Annual Accounts for the Year Ended 31 March 2007

Contents

About these Accounts
The Valuation Office is a supply-financed Agency within HM Revenue & Customs. These accounts will be consolidated as part of the HM Revenue & Customs resource accounts, which are audited separately by the Comptroller and Auditor General and presented to Parliament annually.

Statement of the Agency's and Chief Executive's Responsibilities with respect to the Accounts
Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Valuation Office Agency to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction DAO(GEN)12/06. The accounts are prepared on an accruals basis and must reflect a true and fair view of the state of affairs of the Agency and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Accounting Officer is required to comply with the Government Financial Reporting Manual prepared by the Treasury and in particular to:

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

The Treasury has appointed the Chief Executive of the Valuation Office Agency as Accounting Officer for the Agency. The responsibility of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Agency's assets, are set out in the Accounting Officer's Memorandum, issued by the Treasury and published in Government Accounting.

Statement on Internal Control

As Accounting Officer for the Agency, I have responsibility for maintaining a sound system of internal control which supports the achievement of the Valuation Office Agency's policies, aims and objectives, as set by the Agency's Ministers, whilst safeguarding the public funds and Agency assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting. I carry out this responsibility in conjunction with the Department's Principal Accounting Officer, the Executive Chairman of Her Majesty's Revenue & Customs. The relationship between us is set out in writing.

In delivering the Agency's vision, I am supported by the Agency's Management Board, which I chair. The Board comprises the Deputy Chief Executive, six executive members and two non-executive Directors. The Board meets at least ten times per year and workshops are held at least twice a year to focus on particular strategic issues affecting the Agency. The Board sets the strategic direction for the Agency, agrees the annual current and capital budget allocations, monitors Agency performance including agreeing performance indicators with clients, and has oversight of sub-committees to the Board.

There are currently two sub-committees supporting the work of the Board: the Audit Committee and the People Committee. Their governance work will be covered in more detail later.

My Private Office carries out the function of Secretariat to the Board and sub-committees. The Secretariat ensures compliance with Board procedures. It holds a Register of Members' Interests and maintains a record of continuing professional development undertaken by Board members. The Secretariat also manages agendas, makes and publishes notes of decision points, and ensures that action points are followed up.

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 Agency policies, aims and objectives: to evaluate the likelihood of those risks being realised, and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Agency for the year ended 31 March 2007 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

Governance

Good governance is as important to the Agency as it is to any other private or public sector organisation. It is about ensuring that the appropriate controls are in place and that there is a clear understanding of the rules and procedures for making decisions on corporate affairs.

This year, the Audit Committee has reviewed the Agency's performance against the Corporate Governance Compliance Matrix established by the Audit Committee last year, which looks at requirements of the Board, skills, non-executive Directors and internal controls. The review was successful and will be repeated again next year with any recommendations being acted upon.

This year also saw the first evaluation of the Management Board's corporate governance function led by the non-executive chair of the Audit Committee. The recommendations of the review have now been incorporated into the Board's procedures. A similar evaluation has been scheduled for next year.

The People Committee's role includes succession planning for senior appointments in the Agency.

Risk Management

The Management Board, supported by the Audit Committee, has continued to take a lead in embedding risk management in the Agency. Risk management is a regular topic of Management Board discussions where risk and any change of risk is identified, evaluated and controlled. We have made considerable efforts this year to improve our risk management process at all levels in the Agency with regular review of risk registers throughout the network offices. We have recruited a new member of the Audit Committee, who has substantial experience of risk management work.

We have adopted an approach to risk in the Agency, which is about managing our threats and opportunities, and creating an environment of 'no surprises'. We are working to develop an Agency culture that supports well thought out risk taking and innovation with a focus on maximising opportunities rather than on minimising risk. By managing threats effectively, we will be in a stronger position to deliver our aims and objectives. In line with this:

- we have reviewed the risk principles underpinning our revised risk management strategy;
- the Management Board has an annual workshop and regular discussions to identify and prioritise the most significant risks facing the Agency;
- the Audit Committee regularly reviews the record of risks facing the Agency;
- we maintain published risk management guidance, including a systematic approach to risk management within network offices, and instructions relating to the Agency's internal project management methodology including risk management and review;
- all project sponsors and managers include risk management in their project plans. Regular progress reports on key projects are provided to the Management Board;
- training and advice on risk management is included in the Agency's Management Development Programme.

The Board and the Audit Committee have incorporated risk management principles into the revised business continuity and disaster recovery plan that provides the framework for an effective way in which to manage the Agency's assets. New business continuity plans have been introduced across the network, and as part of the ongoing business continuity work a full simulation exercise was carried out in October 2006 involving members of the Management Board. The exercise showed that the business continuity plan was basically robust and that our controls and procedures are sound and proportionate, though several lessons were learned. Business continuity exercises have also been carried out in the network along with awareness workshops, and this process will continue throughout the forthcoming year. A new round of Business Impact analysis will be carried out to identify and prioritise the key business processes that must be maintained by the Agency.

Further work will be done in 2007–08 building on the progress in 2006–07 including strengthening the links between the risk register, resource allocation process, and performance against key indicators and targets.

The Control Framework – Control Environment

I have a clearly defined Statement of Accounting Officer Responsibilities (which forms part of these Accounts).

An Agency committee structure, with clear terms of reference and defined membership, is in place (details given above). The Audit Committee follows the draft best practice guidance issued by the Treasury though it has chosen to meet only three times a year, with the option of a fourth meeting if deemed necessary. It has also reviewed its working practices in line with the new HM Treasury Audit Committee Handbook.

There is detailed guidance on standards of behaviour and conduct, diversity and equality on the intranet. We have also completed the cascade of fraud awareness information to all staff.

Control Activities

We have a comprehensive framework of procedures covering all aspects of the conduct of business. Financial procedures are set out in the Finance Manual, and are available on the intranet.

Information and Communication

- We have a comprehensive range of performance indicators, and the results are validated by Internal Audit and are published in the Annual Report;
- We have a balanced scorecard (the 'team results scorecard') in place across all operational units, and activity monitoring systems that provide information on actual staff deployment on each of our main areas of work, by operational unit, and data for measuring productivity. These mechanisms provide us with measures of performance across the full range of

operational activity, and help to drive performance improvement and support internal benchmarking activity;

- The Business Improvement and Support (BIS) team help local managers to review performance and promote continuous improvement. There are process maps for standard processes, and the BIS team work on identifying and sharing best practice across the Agency;
- The Strategy and Change Management team established in 2005-06 are spearheading the work on delivering the Agency's World Class vision;
- The Financial Audit Unit (FAU) team are the Agency's own specialised inspection unit. Their role is to provide assurances that all financial activities and responsibilities are carried out with propriety and in accordance with current instructions, by carrying out regular reviews of all the Agency's operational units, testing for compliance with procedures and identifying good financial management practices. Checks are also conducted to ensure that, where weaknesses have been identified previously, these have been remedied;
- Agency-level monthly management accounts are provided to the Management Board;
- All of the directors have been active in explaining to staff the detail and implications of the Agency's modernisation agenda and strategic direction through:
  - personal visits to local offices and to local Management Team meetings;
  - articles in internal publications; and
  - presentations at internal conferences.

Monitoring

Measures in place here include:

- monthly budget monitoring based on systematic reports from all budget holders in the Agency;
- monthly performance reports for the Management Board on operational, financial, staffing and IT issues and major projects and programmes;
- regular reports by Internal Audit, to standards defined in the Government Internal Audit Manual, which include the Head of Internal Audit's opinion on the adequacy and effectiveness of the Agency's system of internal control, together with recommendations for improvement;
- quarterly reports from the Adjudicator on the outcome of complaint cases;
- Regularity and Propriety reviews by the Local Taxation Business Improvement Support (BIS) team, which are scheduled to ensure complete coverage of all parts of the organisation;
- Quality Assurance reviews by the BIS team, to ensure that work is performed to the standards our clients expect;
- compliance with the principal recommendations in the Cabinet Office report 'Successful IT: Modernising Government in Action'; and
- results of internal staff surveys.

Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. This review is informed by the managers within the Agency who have responsibility for the development and maintenance of the internal control framework, by the work of the internal auditors, and by comments made by the external auditors in their management letters and other reports. I am pleased that no significant internal control problems have arisen during the previous financial year, and I will be addressing areas for improvement, so that the system remains fit for purpose in 2007–08 and beyond.

Andrew Hudson
Chief Executive
23 May 2007

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

I certify that I have audited the financial statements of the Valuation Office Agency for the year ended 31 March 2007 under the Government Resources and Accounts Act 2000. These comprise the Operating Cost Statement and Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective Responsibilities of the Agency, the Chief Executive and Auditor

The Agency and Chief Executive, as Accounting Officer, are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the part of the financial statements and the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether in my opinion, certain information given in the Annual Report, which comprises the Key Facts, the Chief Executive's Overview, the Management Commentary and the unaudited part of the Remuneration Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

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

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate 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 Agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

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

Opinions

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Agency's affairs as at 31 March 2007 the net operating cost, 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 HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- the information given within the Annual Report, which comprises the Key Facts, the Chief Executive's Overview, the Management Commentary and the unaudited part of the Remuneration Report. is consistent with the financial statements.

Audit Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

5 June 2007

The maintenance and integrity of the Valuation Office Agency's website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Operating Cost Statement for the Year Ended 31 March 2007

		31 March 2007		31 March 2006	
	Notes	£'000	£'000	£'000	£'000
Income	2		206,821		236,643
Increase in value of work in progress	9		402 **207,223**		83 **236,726**
Staff costs	4a	(139,341)		(149,460)	
Early departure costs	4b	(3,943)		(16,551)	
Depreciation	7	(5,521)		(6,341)	
Other operating costs	5	(52,488)		(60,071)	
			(201,293)		**(232,423)**
Operating surplus			**5,930**		**4,303**
Profit on disposal of fixed assets			1		140
Surplus after profit on disposal of fixed assets			**5,931**		**4,443**
Notional interest on capital	1.6		(637)		(558)
Surplus for year transferred to the General Fund	20		**5,294**		**3,885**

All income and expenditure is derived entirely from continuing operations.
Notes 1 to 23 form part of these Accounts.

Statement of Total Recognised Gains and Losses for the Year Ended 31 March 2007

		31 March 2007	31 March 2006
	Notes	£'000	£'000
Surplus for the year		**5,294**	**3,885**
Unrealised surplus on revaluation of fixed assets	14	531	850
Total recognised gains and losses relating to the financial year		**5,825**	**4,735**

Notes 1 to 23 form part of these Accounts.

Balance Sheet as at 31 March 2007

		31 March 2007		31 March 2006	
	Notes	£'000	£'000	£'000	£'000
Fixed Assets	7		33,343		27,682
Debtors: Amounts falling due after more than one year	10		2,129		2,243
Current Assets					
Work in progress	9	3,288		2,886	
Debtors: Amounts falling due within one year	10	9,942		9,988	
Cash at bank and in hand	11	7,501		9,527	
		20,731		22,401	
Creditors: Amounts falling due within one year	12	(16,983)		(9,678)	
Net Current Assets			**3,748**		**12,723**
Total Assets less Current Liabilities			**39,220**		**42,648**
Provisions for liabilities and charges	13	(18,667)		(23,335)	
			(18,667)		(23,335)
Net Assets			**20,553**		**19,313**
Taxpayers' Equity					
General Fund	20		18,052		17,343
Revaluation Reserve	14		2,501		1,970
			20,553		**19,313**

Notes 1 to 23 form part of these Accounts.

Andrew Hudson
Chief Executive
23 May 2007

Cash Flow Statement for the Year Ended 31 March 2007

	Notes	31 March 2007 £'000	31 March 2006 £'000
Net Cash inflow from operating activities	15a	8,364	21,670
Capital expenditure and financial investment	15b	(10,608)	(12,029)
Payments to the Consolidated Fund		-	(5,993)
Civil penalty receipts due to the Consolidated Fund		218	131
Net cash (consumed)/generated	15c	**(2,026)**	**3,779**

Notes 1 to 23 form part of these Accounts.

Notes to the Accounts

1. Statement of Accounting Policies
The following accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Basis of Accounting
These accounts have been prepared under the historical cost convention, modified to include the revaluation of fixed assets at their value to the business by reference to their current costs. The accounts comply with the accounting principles and disclosure requirements laid down in the Government Financial Reporting Manual (FReM) issued by the Treasury, as supplemented by specific Treasury guidance or direction.

1.2 Fixed Assets
In order to disclose fixed assets in the Balance Sheet by reference to current costs, the appropriate index has been applied to each class of asset in accordance with HM Treasury rates. The appropriate indices are also applied to in-year acquisitions and are applied in advance of depreciation being charged on all assets.

The Accounting Officer is not aware of any material change in value and has therefore decided that there has not been a need for external valuations to be undertaken during the year.

The fixed asset position has been adjusted to recognise those assets which were under construction at the start of the financial year. Costs are accumulated until the asset is completed and brought into service when the asset is transferred to the relevant asset group and depreciation commences. Note 7 reports details of assets by class.

1.3 Depreciation and Amortisation
Depreciation is charged at a rate chosen to recover the replacement cost less estimated residual value of all tangible fixed assets over their estimated useful life. Land is not depreciated. The asset lives currently estimated for each other class of asset are as follows:

Refurbishments	Between 4 and 7 years
Computer equipment	Between 3 and 7 years
Computer software	3 years
In-house developed software	10 years
Leased telephony equipment	5 years
Office and other equipment	Between 3 and 7 years

1.4 Stocks and Work in Progress
Stocks and work in progress are valued as follows:

i. Stock is such that it is immaterial and has no significant realisable value outside the Agency. It is given a nil value in these accounts.

ii. Work in progress is an accounting estimate mainly determined by applying the lower of selling price and outturn unit cost for each type of Land Services work outstanding at year end.

1.5 Operating Income
Operating income comprises fees and charges for services provided to external customers and is net of Value Added Tax.

1.6 Capital Charge
A notional capital charge, reflecting the cost of capital utilised by the Agency, is included and calculated as 3.5% of capital employed after adjusting for other items outside the boundary of Resource Accounting and Budgeting.

1.7 Pensions
All past and present permanent staff members are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), to which the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply. Contributions are paid to the Paymaster General at rates determined from time to time by the Government Actuary; the rate for the year varied from 17.1% to 25.5% of reckonable pay (2006: from 16.2% to 24.6%). During the year superannuation contributions were made in respect of all permanent staff. The liability for payment of future benefits is a charge on the PCSPS.

1.8 Early Departure Costs
The Agency is required to pay the pensions of employees who retire early until they reach normal pensionable age. The total pensions liability arising from reorganisation and from early retirement in previous years, up to the normal retirement age of each employee is charged as a provision which is discounted at the standard rate of 2.2%, in accordance with the Government Financial Reporting Manual. Funds are released from that provision annually to fund pension and related benefits payments to the retired employees until normal retirement age.

The Civil Service White Paper, 'Continuity and Change' (Cm 2627), published in July 1994, announced new arrangements for funding early departure costs of civil servants departing between 1 October 1994 and 31 March 1997. Under these arrangements 20 per cent of the cost will normally be borne by Agencies and Departments and the remaining 80 per cent, which would otherwise fall upon Departments' or Agencies' running costs, will be met centrally from the Civil Superannuation Vote.

1.9 Policy on Leasing Commitments
Rentals paid under operating leases are charged to the operating cost statement on a straight-line basis over the period of the lease. The liability for the lease rentals for the year ended 31 March 2007 has been disclosed in Note 17 and has been broken down into various categories of leased assets and the periods of their termination.

1.10 Private Finance Initiative (PFI) Transactions
PFI transactions have been accounted for in accordance with Technical Note No.1 (Revised), How to Account for PFI Transactions as required by the FReM. Where the balance of risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI payments are recorded as an operating cost. Where the Agency has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract.

Where the balance of risks and rewards of ownership of the PFI property are borne by the Agency, the property is recognised as a fixed asset and the liability to pay for it is accounted for as a finance lease. Contract payments are apportioned between an imputed finance lease charge and a service charge.

1.11 Provisions
The Agency 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.

1.12 Provision for Doubtful Debt
A general provision for doubtful debt has been made for all trade debt over 12 months old at the Balance Sheet date.

1.13 Penalty Debtors
Income arising from the levying of civil penalties for failure to submit forms of return to assist in the assessment of rateable values are treated as Consolidated Fund Extra Receipts (CFER).

1.14 Value Added Tax
Apart from Land Services income most of the activities of the Agency are outside the scope of VAT. In general output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Income and expenditure is otherwise shown net of VAT.

2. Segmental Fees and Charges

For Fees and Charges purposes an analysis of income for services provided to external and public sector customers is as follows:

31 March 2007	Income	Increase in work in progress	Full cost including notional costs	Surplus/(deficit)	Surplus/(deficit)
	£'000	£'000	£'000	£'000	%
Chargeable activities:					
Rating and Council Tax	176,564	-	(170,685)	5,879	3.33%
Other valuation work	18,303	402	(19,320)	(615)	-3.36%
Revenue work	11,500	-	(11,470)	30	0.26%
Other operating income (Note 3)	454	-	(454)	-	0%
Total	**206,821**	**402**	**(201,929)**	**5,294**	

31 March 2006	Income	Increase in work in progress	Full cost including notional costs	Surplus/(deficit)	Surplus/(deficit)
	£'000	£'000	£'000	£'000	%
Chargeable Activities:					
Rating and Council Tax	204,050	-	(197,272)	6,778	3.32%
Other valuation work	19,622	83	(21,950)	(2,245)	-11.44%
Revenue work	12,226	-	(12,874)	(648)	-5.3%
Other operating income (Note 3)	745	-	(745)	-	0%
Total	**236,643**	**83**	**(232,841)**	**3,885**	

3. Other Operating Income

Other operating income comprised the following:

	31 March 2007	31 March 2006
	£'000	£'000
Consultancy and training	-	34
Sale of data	225	280
Miscellaneous receipts	229	431
	454	**745**

4a. Staff Numbers and Costs

	31 March 2007			31 March 2006
	Total Number	Permanently-employed staff	Others	Total Number
The average number of full-time equivalent staff (including senior management) employed during the year was as follows:				
Valuation	4,425	4,398	27	5,081
Payment of Local Authority Rates	3	3	-	3
	4,428	**4,401**	**27**	**5,084**
	Total	**Permanently-employed staff**	**Others**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
The aggregate payroll costs of these persons were as follows:				
Wages and salaries	109,794	108,832	962	118,815
Social security costs	8,243	8,219	24	8,842
Other pension costs (Note 1.7)	21,304	21,242	62	21,803
	139,341	**138,293**	**1,048**	**149,460**

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. In common with other employers, the Agency is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2003. There is a separate scheme statement for the PCSPS as a whole. Details can be found in the accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For the period ended 31 March 2007 employer's contributions of £21,219,054 were payable to the PCSPS (2005 – 06: £21,802,738) at one of four rates in the range 17.1% to 25.5% of pensionable pay (2005–06: 16.2% to 24.6%), based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £78,618 (2005–06: £89,599) were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £5,866, 0.8% (2005–06: £6,593, 0.8%) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill-health retirement of these employees.

Contributions due to the partnership pension providers at the 31 March 2007 were nil (2005–06: £nil). Contributions prepaid at that date were nil (2006: £nil.)

Seven persons (2005–06: seven) retired early on ill-health grounds; their total additional accrued pension liabilities in the year amounted to £9,584 (2005–06: £9,689).

For additional information about the PCSPS please refer to the Remuneration Report on page 41.

4b. Early Departure Costs

	Notes	31 March 2007	31 March 2006
		£'000	£'000
Movement in provisions	13a	3,831	13,333
Unwinding of discount		199	573
In-year departure costs		(87)	2,645
Total in-year costs		**3,943**	**16,551**

5. Other Operating Costs

	Notes	31 March 2007 £'000	31 March 2006 £'000
Accommodation – PFI related		14,540	14,310
Accommodation – Non PFI related		8,948	9,826
HM Revenue & Customs service charge		4,000	3,881
Capgemini services charges		7,216	7,032
Management consultancy		144	1,776
Postage/couriers		872	1,269
Subscriptions		776	603
Telephone charges		1,346	1,658
Data Capture		1,557	4,413
Sundry costs		3,259	3,865
Travel and subsistence	i	4,868	4,652
Printing, stationery and distribution		926	1,265
Computing (including IT consultancy)		1,575	1,043
Legal services		1,259	3,051
External training		633	524
Charges for operating leases		530	888
Notional auditors remuneration – for audit	ii	65	65
Net loss/(profit) on revaluation of fixed assets		(26)	(91)
Other fixed asset non-cash costs		-	41
		52,488	**60,071**

(i) Of this approximately £27,116 (2005–06: £28,635) was incurred by the Chief Executive and other Board members.

(ii) During the year the auditors did not carry out any non-audit work and therefore their remuneration for such services was £nil (2005–06: £nil).

6. Analysis of Capital Expenditure, Financial Investment and Associated Appropriations-in-Aid ("A-in-A")

	31 March 2007			
	Capital expenditure (Note 7)	Loans	A-in-A	Net Total
	£'000	£'000	£'000	£'000
Administration	10,610	-	-	10,610
Total	**10,610**	**-**	**-**	**10,610**

	31 March 2006			
	Capital expenditure	Loans	A-in-A	Net Total
	£'000	£'000	£'000	£'000
Administration	12,182	-	-	12,182
Total	**12,182**	**-**	**-**	**12,182**

7. Fixed Assets

	Refurbishments	Computer equipment	Computer software	Leased equipment	Office and other equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost and Revaluation:							
At 1 April 2006	12,755	8,880	38,809	693	11,472	-	72,609
Transfers/ Reclassifications	-	-	(23)	-	-	23	-
Additions	594	45	3,728	-	200	6,043	10,610
Revaluations	444	(509)	871	(8)	124	-	922
Disposals	(341)	(851)	(46)	-	(109)	-	(1,347)
At 31 March 2007	**13,452**	**7,565**	**43,339**	**685**	**11,687**	**6,066**	**82,794**
Depreciation:							
At 1 April 2006	11,914	7,424	15,699	564	9,326	-	44,927
Transfers/ Reclassifications	-	-	(15)	-	-	-	(15)
Charged in-year	671	802	3,253	29	766	-	5,521
Revaluations	409	(415)	279	(6)	98	-	365
Disposals	(341)	(850)	(47)	-	(108)	-	(1,346)
At 31 March 2007	**12,653**	**6,961**	**19,169**	**587**	**10,082**	**-**	**49,452**
Net Book Value:							
At 31 March 2007	**799**	**605**	**24,170**	**98**	**1,605**	**6,066**	**33,343**
At 31 March 2006	**841**	**1,456**	**23,110**	**129**	**2,146**	**-**	**27,682**

8. Movements in Working Capital Other Than Cash

	Notes	31 March 2007 £'000	31 March 2006 £'000
Increase in work in progress	9	(402)	(83)
Decrease/(Increase) in debtors	10	160	(2,326)
Increase/(Decrease) in creditors	12	7,305	(3,481)
Less movements in creditors relating to items not passing through the OCS		(5,513)	1,974
		(1,550)	**(3,916)**

9. Work in Progress

		31 March 2007 £'000	31 March 2006 £'000
Opening		2,886	2,803
In-year movement		402	83
Closing		**3,288**	**2,886**

10. Debtors

(a)

		31 March 2007 £'000	31 March 2006 £'000
Amounts falling due within one year:			
Trade debtors		7,732	7,848
Other debtors		665	390
Prepayments and accrued income		1,545	1,750
		9,942	**9,988**
Amounts falling due after more than one year:			
Prepayments and accrued income		**2,129**	**2,243**

(b) Prepayments Commitments

		31 March 2007	31 March 2006
The maturity profile of prepayments is as follows:			
Within one year		1,545	1,750
Between one and two years		336	220
Between two and five years		743	716
After five years		1,050	1,307
		3,674	**3,993**

11. Cash at Bank and in Hand

	31 March 2007	31 March 2006
	£'000	£'000
Balance at 1 April	9,527	5,748
Net cash (outflow)/inflow	(2,026)	3,779
Balance at 31 March	**7,501**	**9,527**
The cash balance as at the year end comprises: Balances at the Office of HM Paymaster General	7,501	9,527
	7,501	**9,527**

12. Creditors: Amounts Falling Due Within One Year

	31 March 2007	31 March 2006
	£'000	£'000
Trade Creditors	713	1,401
Operating receipts payable to the Consolidated Fund	9,532	4,019
Accruals and deferred income	6,609	4,258
VAT Creditor	129	-
	16,983	**9,678**

13. Provisions for Liabilities and Charges

(a)

	Early retirement and pension commitments	Provision for legal claims	Other provisions	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2006	17,947	4,056	1,332	23,335
Additional provisions made	3,831	2,588	49	6,468
Unused amounts reversed	(60)	(902)	(801)	(1,763)
Amounts incurred and charged against provision	(8,852)	(189)	(531)	(9,572)
Unwinding of discount	199	-	-	199
Balance at 31 March 2007	**13,065**	**5,553**	**49**	**18,667**

The provisions for early retirement and pension commitments relate to early departure costs as set out in Note 1.8. These costs are expected to fall due as in Note 13(b).

There is uncertainty regarding the timing of the transfer of economic benefits in relation to the legal claims. Some cases involve points of principle and there may be appeals (and counter appeals), which will delay the final outcome.

Due to the number of legal cases outstanding it is not practicable to disclose individual details of the above provisions.

For additional information relating to this provision please refer to page 39.

(b) Early Retirement and Pension Commitments

	31 March 2007	31 March 2006
	£'000	£'000
Early retirement and pension commitments fall due:		
Within one year	5,368	8,908
Between one and two years	2,649	3,055
Between two and five years	4,009	4,726
After five years	1,039	1,258
	13,065	**17,947**

(c) Contingent Liabilities

The Agency has contingent liabilities of £1,394,000 at 31 March 2007 relating to 31 appeals. The legal opinion obtained by the Agency is that these appeals can be successfully resisted. (2005-06: 27 cases, £860,000).

14. Reserves

	Revaluation Reserve	
	31 March 2007	31 March 2006
	£'000	£'000
Balance at 1 April	1,970	1,120
Arising on revaluation of fixed assets during the year (net)	531	850
Balance at 31 March	**2,501**	**1,970**

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and fixed asset revaluation adjustments (excluding donated assets). There were no donated assets at 31 March 2007 (31 March 2006: £nil).

15 (a). Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities

	31 March 2007	31 March 2006
	£'000	£'000
Operating surplus	5,931	4,303
Depreciation (see Note 7)	5,521	6,341
Amortisation of prepayments	209	203
(Profit)/Loss on revaluation of fixed assets (see Note 5)	(26)	(50)
Auditors notional remuneration and expenses (see Note 5)	65	65
Adjust for movements in working capital other than cash (see Note 8)	1,550	(3,916)
Increase/(Decrease) in provisions (other than Early Departure)	934	3,418
Utilisation of provisions	(9,572)	(2,561)
Increase/(decrease) in provision for early departure costs	3,771	13,333
Unwinding of one year's discount	199	573
Receipts due to Consolidated Fund	(218)	(39)
Net cash inflow from operating activities	**8,364**	**21,670**

(b) Analysis of Capital Expenditure and Financial Investment

	31 March 2007	31 March 2006
	£'000	£'000
Purchase of fixed assets net of finance leases (see Note 6)	(10,610)	(12,182)
Proceeds on disposal of fixed assets	2	153
Net cash outflow from investing activities	**(10,608)**	**(12,029)**

(c) Analysis of Financing

	31 March 2007	31 March 2006
	£'000	£'000
(Decrease)/Increase in cash (see Note 11)	**(2,026)**	**3,779**

16. Capital Commitments

	31 March 2007	31 March 2006
	£'000	£'000
At 31 March the following future capital expenditure had been contracted:	**1,177**	**107**

17. Commitments Under Operating Leases

	31 March 2007		31 March 2006	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
At 31 March the Agency was committed to making the following payments during the next year in respect of operating leases expiring:				
Within one year	151	106	1,706	187
Between two and five years	2,800	262	1,178	227
After five years	17,843	10,053	17,624	8,951
	20,794	**10,421**	**20,508**	**9,365**

18. Commitments under PFI Contracts

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

The total amount charged in the Operating Cost Statement in respect of operating lease PFI transactions was £14,540,000 (2005-06: £14,310,000) and the payments to which the Agency is committed during 2007–08, analysed by the period during which the commitment expires, is as follows:

	2006-07	2005-06
	£'000	£'000
Expiry within one year	-	-
Expiry within two to five years	-	-
Expiry within six to ten years	-	-
Expiry within 11 to 15 years	16,434	15,745

19. Financial Instruments

FRS13 "Derivatives and Other Financial Instruments" requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Due to the way in which it is financed, the VOA is not exposed to the degree of financial risk faced by other 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. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the VOA in undertaking its activities.

The VOA's financial assets comprise short-term debtors and cash at bank and in hand. The Agency's financial liabilities include short-term creditors, early retirement and pension commitments.

The VOA has taken advantage of the exemption in FRS13 not to give disclosures in respect of short-term debtors and creditors.

Liquidity Risk
Over 90% of the Agency's income this year (2005–06: 90%) is from chargeable work to other Government Departments (Communities and Local Government and the Welsh Assembly Government). The Agency is not, therefore, exposed to significant liquidity risks. Cash balances are on deposit with HM Paymaster General and to a lesser extent with commercial banks, and there is therefore no significant exposure to liquidity risks.

Interest Rate Risk
Early retirement and pension commitments are discounted at the rate of 2.2% per annum and the maturity profile is shown in Note 13(b). The maturity profile of prepayments is shown in Note 10(b). Cash balances on deposit with HM Paymaster General do not attract interest. Balances held with commercial banks are held in short-term fixed rate deposits and there is therefore no exposure to significant liquidity and interest rates risks.

Foreign Currency Risk
The Agency's exposure to foreign currency risk is not significant. Foreign currency expenditure is negligible and foreign currency income, at less than 0.5% of the total income, is not significant.

Fair Values
The book values of the Agency's financial assets and liabilities at 31 March 2007 are not significantly different from their fair values. Accordingly they have not been shown separately.

20. General Fund – Reconciliation of Net Operating Surplus to Changes in General Fund

	31 March 2007		31 March 2006	
	£'000	£'000	£'000	£'000
Net Surplus for the year transferred to General Fund		**5,294**		**3,885**
Income not appropriated in aid payable to Consolidated Fund		(5,294)		(3,885)
Non cash charges:				
Cost of capital	637		558	
Auditor's remuneration	65		65	
		702		623
Write Back of Fixed Assets		7		-
Net increase in General Fund		709		623
General Fund at 1 April		17,343		16,720
General Fund at 31 March		**18,052**		**17,343**

21. Related Party Transactions

The Valuation Office Agency is an Executive Agency of HM Revenue & Customs (HMRC). For the purpose of these accounts, HMRC is regarded as a related party with which the Agency had a significant number of material transactions during the year.

In addition the Agency has had a significant number of material transactions with other Government Departments. Most of these transactions have been with Communities and Local Government (formerly the Office of the Deputy Prime Minister) and the Welsh Assembly Government. To 31 March 2007 income was earned from Communities and Local Government of approximately £166,250,000 (2005–06: £193,450,000); and the Welsh Assembly Government of £10,314,000 (2005–06: £10,600,000).

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

22. Intra-Government Balances

	Debtors: Amounts falling due within one year	Debtors: Amounts falling due after more than one year	Creditors: Amounts falling due within one year
31 March 2007	**£'000**	**£'000**	**£'000**
Balances with other Central Government Bodies	5,332	-	9,875
Balances with local authorities	1,547	27	3
Balances with NHS Trusts	1,538	-	13
Balances with public corporations and trading funds	32	-	7
Balances with bodies external to government	1,493	2,102	7,085
At 31 March 2007	**9,942**	**2,129**	**16,983**
31 March 2006			
Balances with other Central Government Bodies	4,101	-	5,534
Balances with local authorities	1,540	-	115
Balances with NHS Trusts	1,769	-	51
Balances with public corporations and trading funds	34	-	-
Balances with bodies external to government	2,544	2,243	3,978
At 31 March 2006	**9,988**	**2,243**	**9,678**

23. Events after the Balance Sheet Date

There were no reportable events after the balance sheet date.

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