

The Valuation Tribunal Service



Annual Report and Accounts 2007-08

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Chairman's statement

The year under review has certainly been a very full one for the VTS. Not only did we welcome a new chief executive, Dr Christina Townsend, but also we saw some important strands of our strategy coming to fruition, in particular the passing of the legislation to permit the creation of a single Valuation Tribunal for England with a national President, and the completion of the work necessary to introduce a system of direct appeals in relation to our council tax work. These developments ensure that we are moving forward in line with good practice in tribunals.

For a period during the early part of the year, our two directors, Antonio Masella and Alan Begg were jointly acting as Chief Executive. They maintained a calm and steady state for us and I am grateful to them for their support. Tina Townsend has joined us at an exciting time for the VTS. She had previously been the Chief Executive of the Appeals Service, and had taken that organisation into the new set-up for tribunals, the Tribunals Service. She brings a strong commitment to further

developing a user focused service, and she has energised our work to ensure that the valuation tribunals are seen as fair and independent. Recognising the changes which will be needed to support the advent of a single tribunal, our staff are now actively engaged in planning for this changed landscape.

This year also saw the completion of their terms of service of two of our Board members, Paul Wood, who has served as Deputy Chairman since 2004 and Ted Gunby who was one of our two independent members. I want to thank them both for the commitment they made to their Board role. A Board needs diversity and a range of skills to operate effectively, and Paul and Ted in their different ways have been stalwart supporters. I am pleased to welcome to the Board two new members, Ian Tighe and John O'Shea, who took up their roles in April, and to record the appointment for a further term of Peter Lawton, who has become Deputy Chairman.

In the tribunals themselves, the volunteer members continue to provide an excellent service to the

public. Many members now sit for more than one tribunal, which permits the service to benefit to the full from their training and experience. A number of them also volunteer to take on roles as training champions, appraisers and mentors, roles which are designed to assist the service to maintain its standards. We are grateful to them all.

The last year has also been a busy one for our staff and we are appreciative of their hard work. I recognise that in the year ahead, we will be asking our staff and the volunteer members to continue to adapt to the changes coming with a single tribunal and a new president. This programme of work keeps us in regular dialogue with our sponsor team, who continue to be supportive and encouraging. We are all committed to the smooth and effective introduction of the new tribunal, and look forward to welcoming a new president during the course of the year.



Anne Galbraith OBE

Chairman, VTS

Chief Executive's statement

I took up post in July 2007 and in my first two months travelled around the country and met most of the staff. I was impressed with their commitment to serving both tribunal users and the volunteer members who sit on tribunals.

Our focus for the year has been to review and strengthen our administrative processes associated with supporting the 56 valuation tribunals in England, working towards a greater emphasis on standardisation of processes across our four regions. This consistency in our processes is important to us as it ensures that tribunal users receive the same standard of customer service from all our staff. We have introduced a number of initiatives and policies, such as our approach on postponements and active case management of workload. These initiatives have significantly assisted valuation tribunals in managing their case load at hearings and in being able to focus on their statutory function of hearing and determining appeals before them.

During the year, 172,449 appeals were cleared, either through actual heard cases at valuation tribunals or through negotiation by the parties leading up to the hearing itself. Valuation tribunals have held 1,732 hearings. Our workload on council tax is

affected by factors, such as the annual bills sent out by councils, and every year this fluctuates. Our current expectation is that our workload in terms of business rates could rise as we see the impact of the recently enacted Empty Property Rates legislation.

Each year we carry out a survey of people unrepresented when presenting their case. I am pleased that the overall satisfaction in 2007 was 78%, an increase of 5% over the previous year. I am pleased too that the perception of the independence of the tribunal rose to 53%, a 17% improvement on the previous year. I am expecting further improvements in the next financial year as a result of our recent implementation of Appeals Direct, a process which enables those unrepresented individuals appealing against their council tax valuation to come to us directly rather than via the Valuation Office Agency. I recognise the need for improvement to the perceived fairness of the tribunal hearing itself from the current 55% (58% in 2006) and we will be developing training modules for members that will focus on a perception of independence as well as fairness.

During the course of the year we closed three of our 21 offices and replaced one office with another in

the same locality. Following a review of the estates strategy, the Board decided to accelerate the closure of offices. In particular, it is planned in the coming year for a substantial proportion of our staff to be located at an enlarged Whitechapel site. This will result in our head office staff being based alongside staff supporting tribunal members and tribunal users at a busy site. Office accommodation for our Chairman and the new national President when appointed is planned to be at this site as well. Although it is for each of these individuals to decide where they wish to be based, it is hoped that they will spend some time at what is planned to become our main office base.

In my first year in post, I have been particularly grateful for the support I have received and significant contribution made by my colleagues at the Chief Executive's office and the Regional Managers. I also wish to thank all staff for their dedication at a time when they have been facing change, including the closure of offices.



Dr Christina Townsend

Chief Executive, VTS

14 July 2008

Our services and what we do

The Valuation Tribunal Service

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

- » Accommodation.
- » Staffing (including clerks to tribunals).
- » Information technology.
- » Equipment.
- » Training for members and staff of (including clerks to) tribunals.
- » General advice about procedure relating to the proceedings before tribunals.

Valuation tribunals

Established by the Local Government Finance Act 1988, valuation tribunals are statutory bodies with jurisdiction to hear appeals against:

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

Valuation tribunals are independent of the Valuation Office Agency (VOA) that sets rateable values on non-domestic (business) properties and council tax bands for homes, and the councils that send out the rates and council tax bills. There are 56 valuation tribunals in England, administered out of 16 offices supported by a total of 104 staff (96.4 full time equivalents). There are a further 16 staff based in the Chief Executive's Office located in Angel Islington, London.

Make up of valuation tribunals

The 56 tribunals are headed by presidents elected by the membership of each tribunal. A President is also one of the elected chairmen. As at 31 March 2008 there were a total of 834 members of valuation tribunals. The total number of members has declined since 2004-05 as more use has been made of cross tribunal membership and efforts made to match members more closely with actual and projected workload at hearings. This reduced membership permits more regular participation at tribunals for members, and takes full advantage of well trained and committed members.

Members of valuation tribunals are volunteers who come from all walks of life and receive training to support them in their statutory role. They commit to one hearing day per month and receive reimbursement of expenses incurred based on prescribed amounts determined by the Secretary of State. In certain

VALUATION TRIBUNALS ARE INDEPENDENT OF THE VALUATION OFFICE AGENCY (VOA) THAT SETS RATEABLE VALUES ON NON-DOMESTIC (BUSINESS) PROPERTIES AND COUNCIL TAX BANDS FOR HOMES, AND THE COUNCILS THAT SEND OUT THE RATES AND COUNCIL TAX BILLS



circumstances, members may also receive reimbursement at prescribed rates in respect of financial loss incurred as a result of undertaking tribunal duties. Some members serve on more than one valuation tribunal. A chairman and a maximum of two members preside at tribunal hearings, and they are supported at hearings by a salaried clerk who provides procedural and technical advice.

Appeals

Appeals arise when the VOA (in the case of business rates or council tax valuation) or the

council (in the case of council tax liability appeals) do not agree with a ratepayer or council taxpayer's contention and the ratepayer or taxpayer seeks a resolution to the matter.

» Business rates appeals are forwarded to valuation tribunals by the VOA under a regulatory framework that requires them to transmit any proposals (initial challenges) that they have not resolved after a three month period. This is an automated process, and due to the large volume of challenges made, the number of proposals transmitted as appeals is also large in volume.

834

THIS REDUCED MEMBERSHIP PERMITS MORE REGULAR PARTICIPATION AT TRIBUNALS FOR MEMBERS

» Until 1 April 2008, council tax valuation (banding) appeals were also forwarded to valuation tribunals by the VOA under a regulatory framework requiring the VOA to transmit any proposals that they had not resolved within a six month period. The regulatory process has now been amended to

126,514

DURING THE YEAR UNDER REVIEW,
VALUATION TRIBUNALS RECEIVED
A TOTAL OF 126,514 APPEALS

allow such appeals to be made direct to the valuation tribunal under a system called 'Appeals Direct' – see below.

- » Liability appeals against a council's decision are made direct to the valuation tribunal and have to be made within two months of the date of the Council's decision. In cases where a council has failed to respond to an individual within this two month period, the timescale for appealing to a valuation tribunal becomes four months, starting from the date the initial challenge was made by the individual.

We started the 2007-08 financial year with 124,211 appeals brought forward, having cleared a total of 243,279 appeals during the previous year. During the year under review, valuation tribunals received a total of 126,514 appeals.

Not all appeals lodged with valuation tribunals result in a hearing, as some appeals are agreed through negotiation between the parties leading up to the hearing date. 58% of all types of appeals listed for hearing by a valuation tribunal were settled (61% in 2006-07). We start the new financial year with a carry forward figure of 78,173 appeals.

Appeals Direct

During the year we have been working in partnership with our sponsoring department to introduce a new process for how council tax appeals are made to valuation tribunals. Appeals Direct was introduced on 1 April 2008 under the Council Tax (Valuations, Alteration of Lists and Appeals) (England) Regulations 2008, which allows appeals to be made direct to the tribunal rather

than through the body whose decision is being challenged (the Valuation Office Agency). Work in this area has involved detailed changes in our IT processes as well as our administrative processes. We completed our IT changes and associated testing in February and implemented training for staff in March. This training prepared staff to handle appeals received under this new regulatory process. To underpin this training, we developed management instructions for staff to guide them through the new regulations, administration and IT processes.

This is a major change for both the Valuation Tribunal Service and valuation tribunals in further demonstrating our independence in the appeal system, whilst we continue to build on our aim of maintaining fairness in the process.

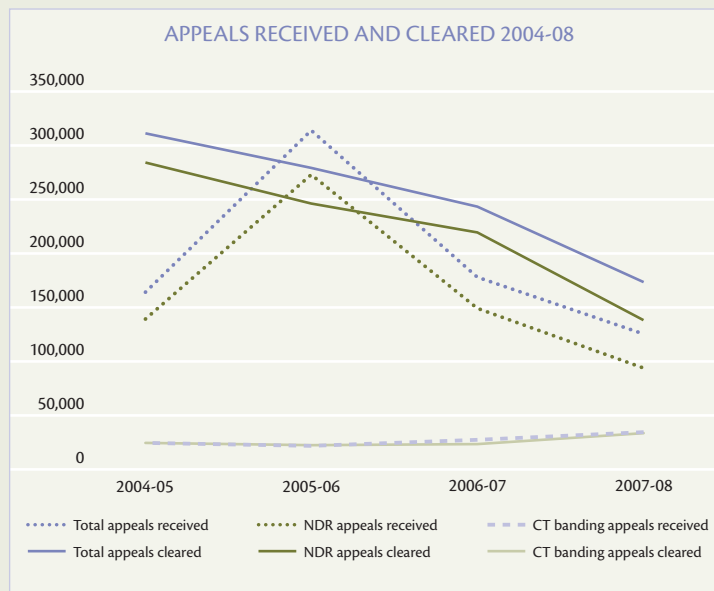
Type of appeal	Brought forward 1 April 2007	Received	Cleared	Carried forward on 31 March 2008
Business rates (1990 Rating List)	81	0	41	41
Business rates (1995 Rating List)	352	55	123	148
Business rates (2000 Rating List)	5241	333	2270	3,304
Business rates (2005 Rating List)	109,210	90,669	135,615	64,264
Council tax valuation list	9008	34,340	33,390	9,958
Council tax liability	319	883	801	401
Business rate rent return penalties	32	234	209	57
Total	124,211	126,514	172,449	78,173

Workload

The majority of the workload of the tribunals in terms of appeals received comes from the 2005 Rating List, which is based on the revaluation of business properties that took place on 1 April 2005. 135,615 appeals have been cleared during the year.

Trends over the four years since the VTS was established show that there has been a fall in total appeals received. There has been a marked fall in business rate appeals (NDR). This has particularly been the case since 1 April 2005 and the introduction of the 2005 Rating List. A likely explanation for the reduction is that the 1995 and 2000 lists were both covered by regulations which encouraged early submission of proposals, but similar regulations were not made for the 2005 List. There is no time restriction attached to making an appeal under the 2005 List.

Trends also show a slight increase in the numbers of council tax valuation (CT banding) appeals received in the last two years. This increase can be attributed, at least



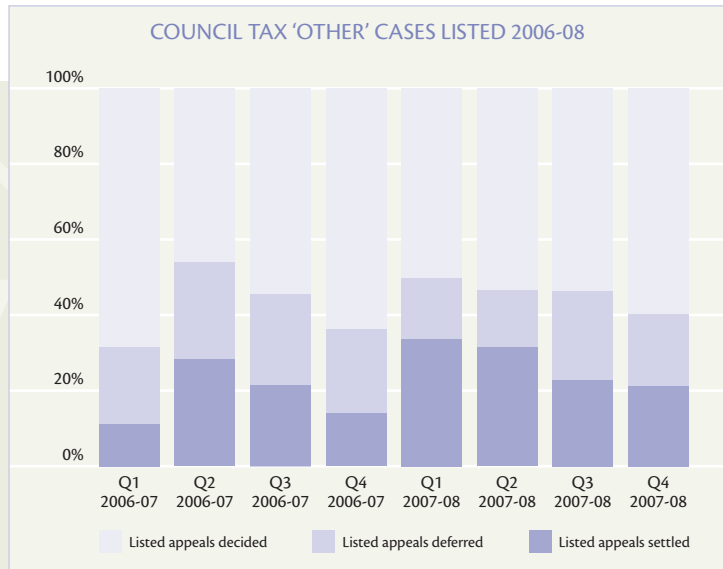
in part, to the national media coverage on council tax during the year. This coverage has led to a resurgence of interest in the banding of properties, which were set in 1993 and are based on values at 1991 prices.

THE MAJORITY OF THE WORKLOAD OF THE TRIBUNALS IN TERMS OF APPEALS RECEIVED COMES FROM THE 2005 RATING LIST

172,449

172,449 APPEALS WERE CLEARED BY VALUATION TRIBUNALS DURING THE YEAR

The chart on the right shows an analysis of council tax valuation appeals listed and the percentages of those listed cases that are subsequently settled through negotiation between the parties (appellant and VOA Listing Officer), decided at the hearing or deferred (postponed or adjourned). The proportions of decided appeals for this year have increased as more appellants opt for a tribunal determination.



This chart shows a break down of other council tax (CT) appeals (such as liability and completion notices). The proportion of appeals decided by a valuation tribunal in respect of these appeals is much higher. The reason for this is that, at the point of making these types of appeals, most of the evidence and discussions surrounding the particular issues have already been aired between the parties and so the matter is referred to the tribunal for immediate resolution. There is, therefore, much more certainty that such appeals will require a tribunal hearing for a determination.



THE PROPORTIONS OF DECIDED APPEALS FOR THIS YEAR HAVE INCREASED AS MORE APPELLANTS OPT FOR A TRIBUNAL DETERMINATION

4,594

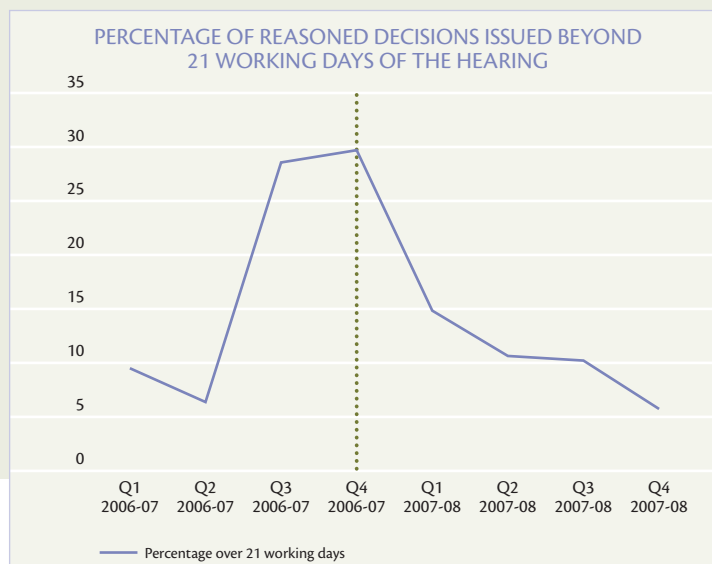
4,594 REASONED DECISIONS WERE ISSUED BY VALUATION TRIBUNALS DURING THIS YEAR

An important service standard commitment for valuation tribunals is to issue a reasoned account of decisions regarding heard (contested) cases to the parties within 21 working days of the hearing date. In 2006-07, valuation tribunals issued a total of 3,333 such reasoned decisions, of which 632 (19%) were issued outside 21 working days, so our focus for 2007-08 has been to improve on this performance. Therefore, as part of the annual staff performance management process for our clerks of valuation tribunals, we introduced a target to 'increase the number of reasoned decisions issued within 21 working days by 5%'.

During the year 2007-08, we have introduced more robust recording and monitoring processes that have improved the recording and management of our workload.

The graph below shows the effect of this process captured at quarterly intervals. This more robust monitoring process has contributed greatly to our end of year figure which, through workload planning and careful monitoring, the number of reasoned decisions issued within 21 working days for this financial year has increased to 89%.

4,594 reasoned decisions were issued by valuation tribunals during this year. 3,589 appellants attended a hearing to pursue an appeal in person, with 1,436 appeals dealt with in the absence of the appellant by request. This represents a 50% increase on last year's numbers of appearances at tribunals (2,389), with a further 1,179 opting to have appeals heard in their absence.



Our people

	Actual numbers of staff in post	Full time equivalent numbers
Chief Executive's Office	16	16
Central Region	19	17.5
East Region	25	24.1
North Region	31	29.1
South Region	29	25.7

Staff numbers

During 2007-08 we planned our resources to employ 135 people, but employed an average of 127 (118 full time equivalents) during the year of which 9% are from an ethnic minority background.

A number of posts became vacant due to a closure of offices during the year and we concluded the financial year with 120 people employed by us. Although this may have had a positive impact on our target of 'achieving 5% savings in accordance with the spending review,' front line services have been stretched in a number of offices. However, this has allowed us to accelerate our focus on the introduction of various policies to encourage more effective working practices, such as active case management.

We have a stable workforce. The average age of staff is 46.1 years compared to 45.7 years in 2006-07 and 45.1 years in 2005-06. During the course of the year 11 members of staff resigned (11 in 2006-07) and 3 retired (1 in 2006-07).

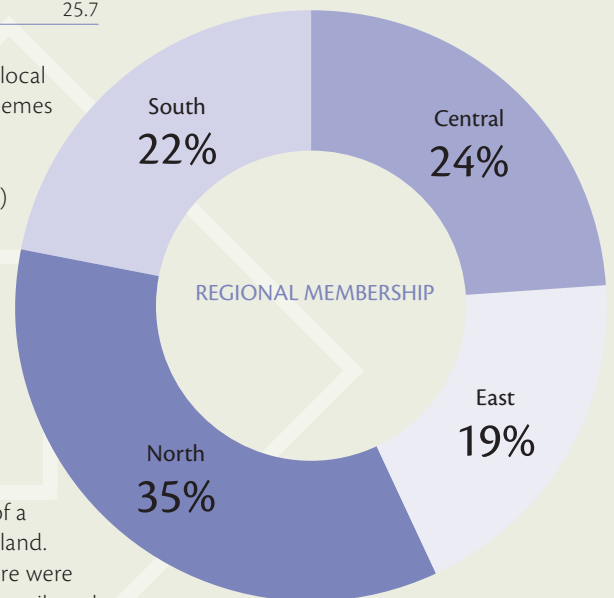
Employees belong to 30 local government pension schemes (according to locations) with 89.2% (90% in 2006-07, 89% in 2005-06) of the workforce in a scheme.

Valuation tribunal membership numbers

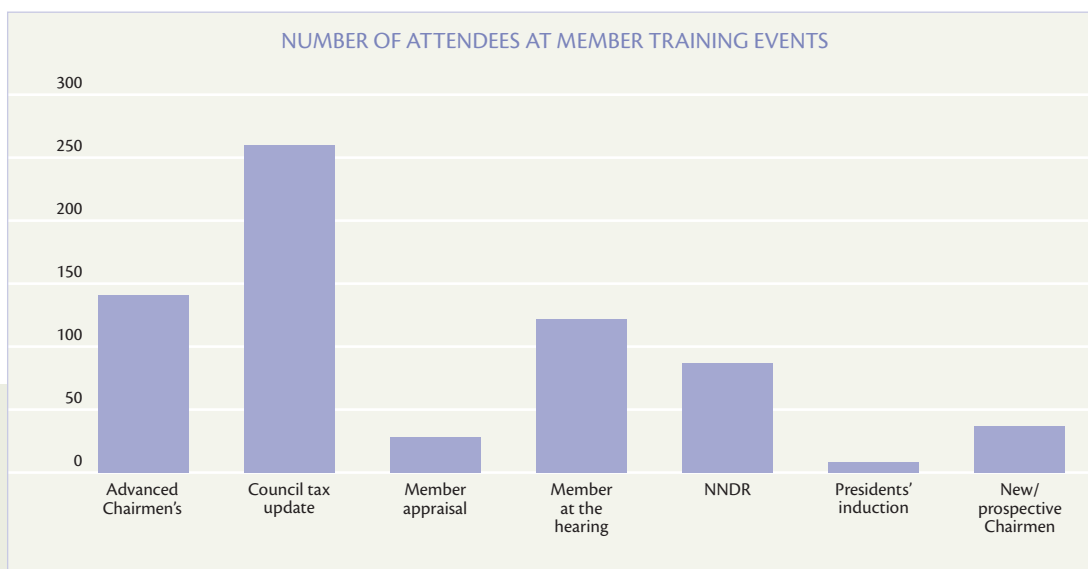
During 2007-08, 27 new members were appointed as members of a valuation tribunal in England. As at 31 March 2008 there were 834 members of valuation tribunals (655 men and 179 women), with 7.2% from an ethnic minority background and 9.4% recorded as having a disability.

Region	Number of members
North	292
Central	201
East	159
South	182

The chart below shows the regional make-up of the total membership broken down into the four regions.



There is currently an imbalance in the number of members in each region when compared to workload. The reason is partly a historical one based on complements of individual valuation tribunals as determined by the Secretary of State, and also due to different approaches to recruitment in the 56 tribunals.



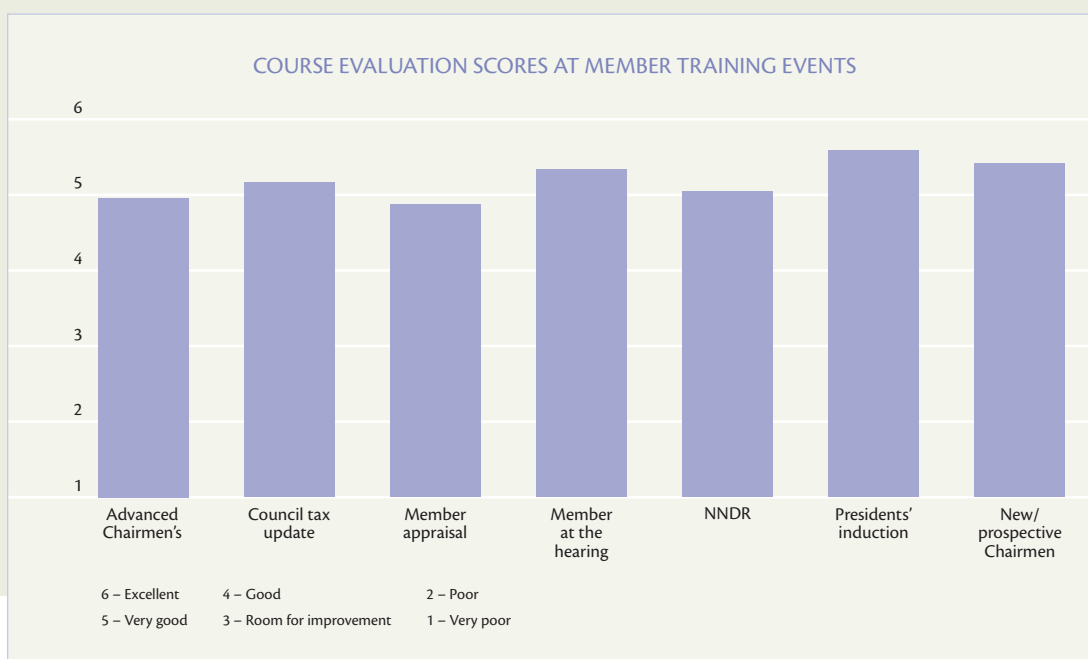
Training and development

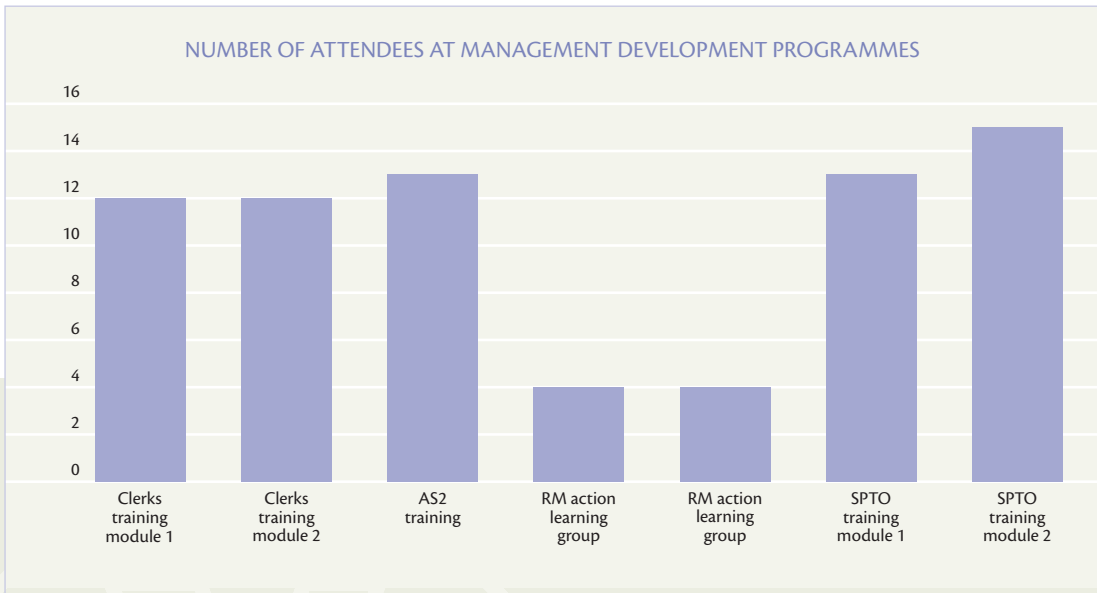
Members

We have also developed and implemented a Training and Development programme for the wider tribunal membership, which was designed and developed to provide at least one day's training per member per annum. Members received a total of 691 training days, which was received by 76% of the membership. In addition we held a Presidents' and Chairmen's conference for 151 delegates in Stratford-upon-Avon on 1 and 2 October 2007.

The members' Training and Development programme included a President's induction day held in June 2007, as well as a continuation of the training modules developed in 2006. Our aim continues to be to provide all members with access to training so that they may undertake their role with confidence. During this financial year, we have introduced a new module aimed at experienced chairmen to further refine and develop their skills at tribunal hearings. More specifically, the following events took place:

- » Advanced Chairmen's training;
- » Council tax update training;
- » Member appraisal training;
- » Member at the hearing training;
- » New/prospective Chairmen training;
- » Presidents' Induction training;
- » National Non-Domestic Rating (NNDR) training.





Staff

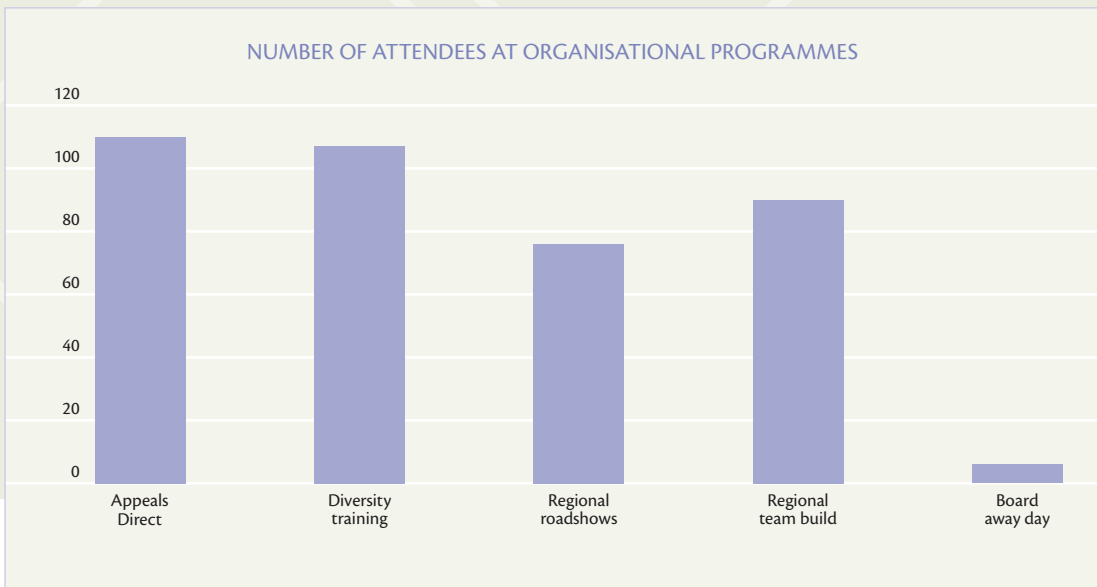
Staff training has been developed to support and underpin organisational priorities. Our focus has been to continue to support the administrative regions introduced in 2006. We have also concentrated on continued professional development for all our staff through in-house courses, seminars and our qualification sponsorship programme. We encourage our staff to study towards the professional qualification accredited by the Institute of Revenues, Rating and Valuation (IRRV) and we will meet costs

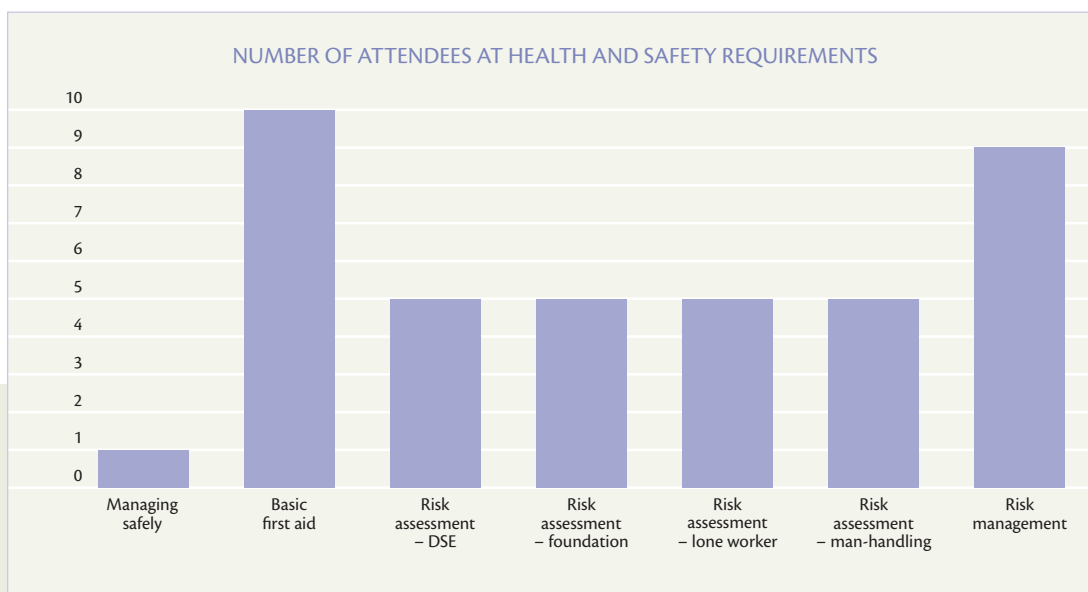
associated with the examination process. We also pay staff subscription fees to the Institute. Our aim is for all our staff advising the voluntary membership to achieve the Institute's corporate professional qualification. In 2007-08 we sponsored nine applications from staff for qualification sponsorship (12 in 2006-07).

During the year there was an emphasis on management development for our senior staff and other staff with line management responsibilities. We also increased our focus on improved communication systems

and implemented a mandatory, organisation wide equality and diversity programme. More specifically the following training events took place:

- » Clerk of Valuation Tribunal management development programme (modules 1 and 2).
- » Senior Professional Tribunal Officer (SPTO) management programme (modules 1 and 2).
- » Administrative Support (AS) Level 2 training.
- » Regional managers (RM) learning groups to contribute to the sharing of good management practice.





We also held a range of organisational programmes during the year. These included:

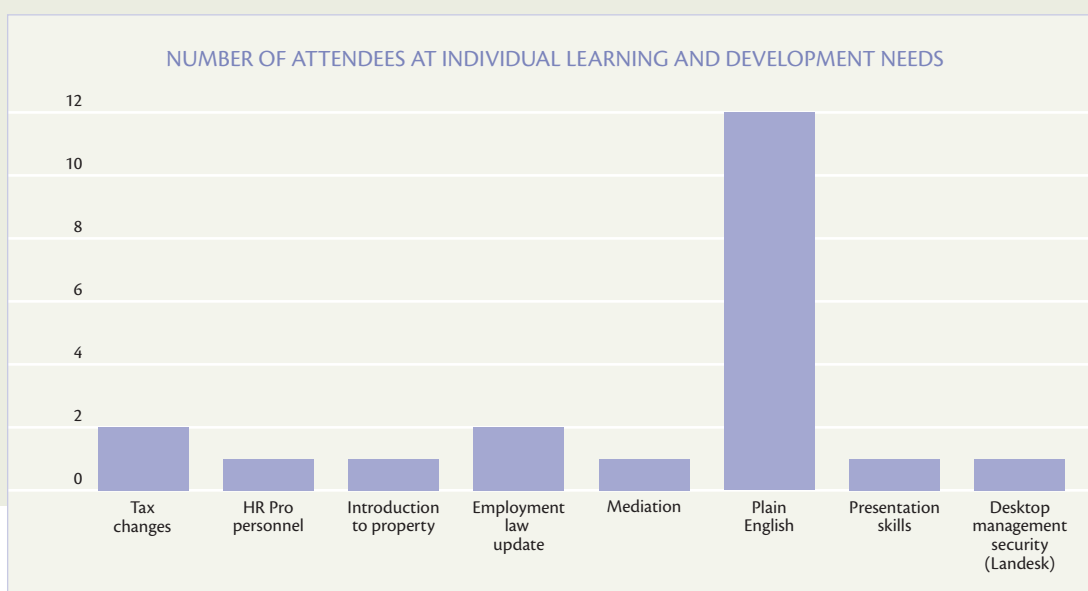
- » Equality and diversity
- » Information road shows communicating:
 - Updated staff handbook
 - Flexi scheme
 - Absence management procedure.
- » Plain English course (provided by the Plain English Campaign).
- » Regional team building events.
- » Appeals Direct IT and regulation training.

In addition, and in keeping with our commitment to health and safety, we held a number of development courses for our health and safety officers. These included:

- » Institute of Occupational Health ‘Managing Safely’.
- » Basic First Aid.
- » Risk Assessment courses in:
 - Display screen equipment (DSE)
 - Lone workers
 - Manual handling
 - Risk management.

Staff received a total of 573 training days, equating to an average of approximately 4.8 training days per person.

There were also a number of individual self development courses that we sponsored during the year as part of the staff appraisal process.



Our estate

We have continued in our commitment to review our portfolio of leases to ensure that our estate is focused on the future operational requirements of the organisation. We brought to an end our liability on Worcester, Maidstone, and Wokingham offices through natural breaks in leases. We have also acquired a replacement Peterborough office in the suburbs (Werrington) and this office was opened in October 2007. This has all been achieved without any disruption to the operation of valuation tribunals previously administered from those offices. Thanks to the co-operation of staff and members, the service to our users has continued to be delivered without interruption.

During February 2008 we carried out an option appraisal focusing on the future of our London estate (Croydon, Angel,

Whitechapel and Harrow). Overall, our footprint at these four offices was considerably larger than we required. We have also taken account of the government initiative relating to 'High Performance Property' aimed at targeting better management of assets. In consequence, we have decided not to renew the Croydon lease on expiry and vacated the premises on 28 June 2008. We will also be vacating our Harrow office when the lease expires on 24 December 2008. Croydon and Harrow administrations will transfer to our Whitechapel office (Black Lion House) as this will bring further opportunities to standardise processes, creating greater harmonisation of practices, as well as creating more flexibility in the deployment of staff. We are currently in negotiations to transfer head

DURING FEBRUARY 2008
WE CARRIED OUT AN
OPTION APPRAISAL
FOCUSING ON THE
FUTURE OF OUR
LONDON ESTATE

office functions carried out in our Angel office to Whitechapel. This will mean acquiring additional space within Black Lion House. The effect of these changes in London will be to reduce our footprint by almost half, and nationally we have seen a 12.8% reduction in the last 12 months in total office space previously occupied.

One of the efficiency standards given to government departments and non-departmental public bodies by the Office of Government Commerce is a recommendation for net internal area per person of 10m² wherever possible. The VTS portfolio is made up of a mixture of property types and our offices include a hearing room and retiring room used as part of the judicial function of valuation tribunals, accounting for an average of

12.8%

NATIONALLY WE HAVE SEEN A 12.8% REDUCTION
IN THE LAST 12 MONTHS IN TOTAL OFFICE SPACE
PREVIOUSLY OCCUPIED

Map of the VTS regions and office locations



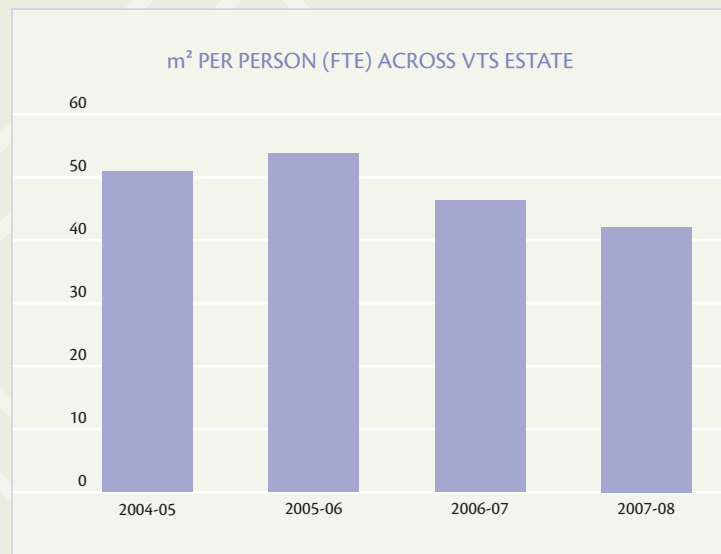
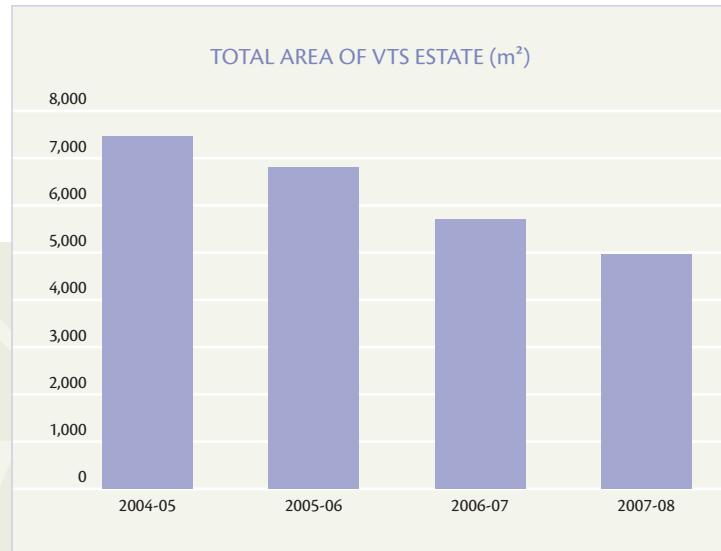
approximately 30% of the office space. Whilst the VTS portfolio currently stands at 42.11 m² per person (FTE) including 'judicial space', this does represent a 19.5% improvement since the inception of the VTS.

The operational costs associated with the estate budget for the year under review were £1,762,084 of which 84% represents costs associated with rent, rates and service charges.

As we move into the new financial year we will be reducing our estate further with the disposal of our current Winchester office and transferring the administration to our Weston-super-Mare office. Due to a lease end, we will also be relocating our existing Durham office to a new location in the Durham area.

Redundancy

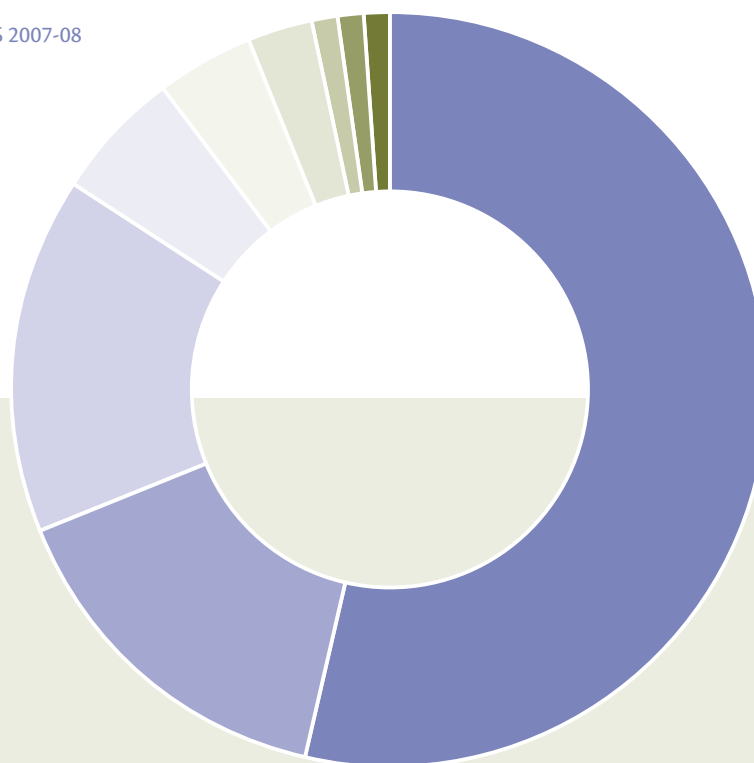
Our aim is to minimise staff exposure to redundancy and in situations of office closures we aim to offer suitable alternative employment through consultation meetings with affected staff. However, with the closure of Worcester, Wokingham



and Maidstone, three part time staff (one professional grade and two administrative grades) and five full time staff (four professional grade and one administrative grade) became redundant and these redundancy payment costs totalled £137,500.

PERCENTAGE OF ESTATE OPERATIONAL COSTS 2007-08

53.8%	Rent	2.9%	Heating and lighting
15.1%	Rates	1.0%	Insurance
15.3%	Service charge	1.2%	Property management
5.8%	Maintenance	0.9%	Other (including security)
4.0%	Domestic services		



Health and Safety

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

During the year under review, there were three recorded accidents involving VTS staff. Although none was classed as reportable (more serious), one did result in an absence from work (compared with 16 in 2006-07 and 10 in 2005-06). The absence was as a result of ankle ligament damage caused by a slip down a staircase.

The VTS monitors its statutory responsibility through its Health and Safety Committee under terms of reference under the chairmanship of the Corporate Director.

The Committee comprises:

Antonio Masella (Chair).
 Paul Mountain (Health and Safety Officer, North Region).
 Sarah Morgan (Health and Safety Officer, Central Region).
 David Jefferies (Health and Safety Officer, South Region).
 John Anderson (Health and Safety, East Region).
 Tom Gardener (Health and Safety, Head Office).

Asbestos Register

To ensure compliance with the Control of Asbestos at Work Regulations, we maintain asbestos registers for each of our occupied buildings where we have a full repairing lease. These registers are reviewed every two years.

Disability Discrimination Act

We continue to monitor our offices for their compliance with the Disability Discrimination Act (DDA) 2004, especially where there is a potential for the public to attend hearings within our offices. One of our 16 offices (Bolton) remains non-compliant in terms of DDA due to the fact that works required to make it compliant are considered to be 'unreasonable' under the terms of the legislation.

Governance and leadership

Corporate Governance: The VTS Board

The VTS is governed by a non-executive Board of seven, four of whom are Presidents or Chairmen of valuation tribunals. The VTS Chairman and members of the Board are appointed by the Secretary of State for Communities and Local Government. All Ministerial appointments to the VTS are subject to the Code of Practice of the Commissioner for Public Appointments. The Chairman and the Board Secretary ensure that new Board members receive appropriate induction training upon appointment covering all aspects of the VTS' operations.

There is a clear division of responsibility between the Chairman and the Chief Executive. The Chairman is responsible for the leadership of the Board, ensuring its effectiveness on all aspects of its role. She facilitates both the contribution of the Board members and constructive relations between the Board and the Executive. She represents the VTS to its external stakeholders at the highest levels. The Chief Executive has responsibility for the overall organisation,



Anne Galbraith OBE
Chairman



Paul Wood OBE
Deputy Chairman



Ronald Barham

management, and staffing of the VTS, for the formulation of strategy, and for the successful delivery of results. As Accounting Officer she is responsible for its procedures and controls in financial and other matters. Day to day management is under the control of the two Executive Directors, who with the Chief Executive form the Executive Management Team. The Chief Executive and Directors are also members of the Senior Management team, which includes four regional managers who provide the operational control over the regions of North, Central, East and South.

Members of the Board have corporate responsibility for

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

The Board has met a total of 10 times during the year. Two of the meetings were substantially dedicated to strategy. The Directors are present during Board

**Ted Gunby****Peter Lawton****Irene Robinson****Michael Tildesley
OBE**

Meetings and on occasions members of the SMT are invited to attend. Board members are provided with appropriate and timely information to enable them to discharge their duties effectively.

The Board is supported by a number of committees under terms of reference. The standing committees of the Board are:

- » The Audit Committee
- » The Remuneration Committee
- » The Training Strategy Committee

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

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

Membership during 2007-08

Chairman

Anne Galbraith OBE (From 1 April 2004. Mrs Galbraith's term of appointment expires on 31 March 2009). Attended 10 meetings during the year.

Deputy Chairman

Paul Wood OBE (Appointed on 1 April 2004. Mr Wood completed his term of appointment on 31 March 2008¹). Attended 10 meetings during the year.

Members

Peter Lawton (First appointed on 13 July 2004²). Has attended 10 meetings during the year.

Dr Ronald Barham (Appointed on 1 April 2006 for a term expiring on 31 March 2009). Attended nine meetings during the year.

Ted Gunby (Appointed on 1 April 2004. Mr Gunby completed his term of appointment on 31 March 2008¹). Attended 10 meetings during the year.

THE TRAINING STRATEGY COMMITTEE WAS ESTABLISHED UNDER TERMS OF REFERENCE ON 6 DECEMBER 2007 TO PROVIDE A GREATER FOCUS ON TRAINING UNDERTAKEN BY THE VOLUNTARY MEMBERSHIP

Michael Tildesley OBE (Re-appointed on 1 April 2007 to a term expiring on 31 March 2010). Attended nine meetings during the year.

Irene Robinson (Re-appointed on 1 April 2007 to a term expiring 31 March 2010). Attended nine meetings during the year.

¹ Mr Ian Tighe and Mr John O'Shea were appointed as Board members with effect 1 April 2008 to terms of appointments expiring 31 March 2011.

² Mr Lawton was re-appointed to the Board on 1 April 2008, to the position of Deputy Chairman.

Board Committees

Audit Committee

The Audit Committee has written terms of reference and meets at least four times a year. The Committee also meets with Internal Auditors and External Auditors. The Committee comprises four members of the Board, one of whom acts as Chair of the Committee, and one independent member. The Chair and Independent Member are members of professional accounting bodies. Members of the committee during 2007-08 were:

Irene Robinson (Chair)
 Ronald Barham
 Paul Wood OBE
 Peter Lawton

James Stockwell (Independent Member).

The Chief Executive and Resource Director also attend the meetings.

During 2007-08, the Committee met four times.

Remuneration Committee

The Remuneration Committee comprises three Board members, one of whom acts as Chair of the Committee. Members of the Committee during 2007-08 were:

Ted Gunby (Chair)
 Paul Wood OBE
 Anne Galbraith OBE.

The Remuneration Committee has written terms of reference and has as its main task annual consideration of the performance of the Chief Executive and the Executive Management Team. Further details of the work of the Committee are given in the Remuneration Report (page 36). During 2007-08, the Committee met twice to discharge its responsibilities.

Training Strategy Committee

The Training Strategy Committee was established under terms of reference on 6 December 2007 to provide a greater focus on training undertaken by the voluntary membership. The Committee

comprises one Board member (who acts as Chair of the Committee) four valuation tribunal presidents, the Chief Executive, the Corporate Director and the Training Manager (who also acts as Secretary to the Committee).

Members of the Committee during 2007-08 were:

Peter Lawton (Chair)
 Philip Harrison (President of Manchester North Valuation Tribunal)
 Jim Dixon (President of Lincolnshire Valuation Tribunal)
 Judi Ellis (President of Kent Valuation Tribunal)
 John Birkbeck (President of Cornwall Valuation Tribunal)
 Christina Townsend (VTS Chief Executive)
 Antonio Masella (VTS Corporate Director)
 Tracey Banham (VTS Training Manager and Committee Secretary).

Leadership

Executive Management Team

The Executive Management Team (EMT) comprises the Chief Executive, the Corporate Director and the Resource Director. The

Members of the EMT during 2007-08 were:

Name	Position	Appointment Started	Appointment Ends
Dr Christina Townsend	Chief Executive	2 July 2007	Permanent
Alan Begg	Resource Director	15 May 2006	Permanent
Antonio Masella	Corporate Director	1 April 2004	Permanent

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

Following the appointment of a new Chief Executive on 2 July 2007 a review of the EMT, together with a review of the corporate governance decision making process is in progress with a view to widening decision making for the organisation in 2008-09.

Senior Management Team

The EMT are also members of the Senior Management Team, responsible for providing the day to day operational control. During the year the SMT has assisted in developing strategy. Four members of the SMT held positions as Regional Managers. During 2007-08 the Regional Managers were:

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

Risk management and strategy

We view the management of risk as a key component of our governance framework and we adopt a system for managing risks, which complies with the principles set out in the 'Orange Book,' Management of Risks – Principles and Concepts, published by HM Treasury in October 2004. Our approach to risk is set out in our risk management strategy, which sets the tone and influences the culture of risk management throughout the organisation, determining the acceptable levels of risk exposure and the appropriate risk controls.

One of our objectives in establishing the risk appraisal process is to achieve assurance that we are managing our key risk exposures in an appropriate manner. This internal assurance enables us to comply with the requirements placed upon us. However, the overriding objective of the process is to provide us

with the means to protect ourselves from the adverse effects of risk and to facilitate progress with meeting our organisational aims.

Key risk indicators are identified and closely monitored in our organisation-wide risk register, which is reviewed and updated quarterly by the EMT, monitored by the Audit Committee and discussed by the Board. The Accounting Officer and EMT propose, support and implement risk policies agreed by the Board, and encourage an open and receptive approach to solving problems by risk owners and managers at executive and regional level. Our risk management framework is closely aligned with the processes of internal control, accounting policies, audit policies, and reviews (in conjunction with CLG) of the Management Statement and Financial Memorandum issued to the Board.

A risk management workshop was held on 19 December 2007, attended by the Board and the Senior Management Team, to develop a best practice approach to the identification and recording of strategic risks. Work in this area continues into the new year.

Our public interests

Equality and diversity

We developed our policies relating to equality and diversity to ensure that we meet our statutory obligations under the Disability Discrimination Act 2005. We continue to make our family of guidance leaflets available in the nine most commonly used languages in the country (English, Arabic, Bengali, Chinese, Gujarati, Polish, Punjabi, Urdu and Vietnamese). During the year, we accommodated 19 requests for translations of seven of our leaflets into six different languages. In addition we had seven requests for large format versions of the guidance leaflets in other languages. We have also provided an interpreter in Bangla.

During the year, we developed an Equality and Diversity Scheme to meet with the requirements of the Equality and Human Rights Commission codes of practice and current equality and anti-discrimination legislation. The scheme provides a strategy and framework for promoting equality and valuing diversity over the next two years. Our aim is to:

- » raise the profile of equality and diversity throughout the VTS and valuation tribunals;

- » ensure that all new policies take account of our legal duty to promote equality;
- » establish systems of monitoring data which chart and measure progress;
- » increase the representation, at all levels, of all minority groups within the organisation; and
- » improve satisfaction across its diverse stakeholders including employees.

As a demonstration of this commitment, during 2007 all employees took part in a full day of Diversity Awareness Training.

Disability

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

The VTS guidance leaflets and tribunal decision documents are offered in Braille, large print and audiotape. During the year we received 11 requests for large print versions and two for audio format. Signers and other communication assistance are provided on request

to enable hearing impaired appellants to participate fully when attending a tribunal. Since the creation of the VTS we have carried out work to our estate portfolio to ensure that wherever reasonable to do so, our offices have been adapted to be compliant with the Disability Discrimination Act requirements.

We also introduced in February 2008, as a pilot, a speech enabling service to our website called 'Browse aloud'. This software will read the contents of any webpage, 'PDF' file and or word document. In return for meeting an annual licence fee, the VTS will have a link on its site to enable the public to download, free of charge, the 'Browse aloud' software for use on their PCs. In addition to reading the contents of the website in a variety of languages and accents, the software contains a facility that explains the meaning of any word for the user. We will be evaluating the benefit of this software during the next financial year.

Customer survey

We continue to build on our improvements based on stakeholder feedback. 2007-08

PRIMARILY WE NEED TO RAISE AWARENESS OF THE INDEPENDENCE OF VALUATION TRIBUNALS FROM THE ORGANISATION WHOSE DECISION IS BEING CHALLENGED

254

PEOPLE INTERVIEWED FOR A SURVEY OF UNREPRESENTED APPELLANTS WHO ATTENDED VALUATION TRIBUNAL HEARINGS TO HAVE THEIR CASES DETERMINED

was the third year that the VTS has commissioned a survey of unrepresented appellants who attended valuation tribunal hearings to have their cases determined. Over the summer of 2007 254 people were interviewed for this survey. The questions have been broadly similar from year to year to allow comparison, but this time we removed some questions about matters over which we have no control and introduced new questions about the improvements that followed the earlier surveys, namely the introduction of a DVD and video about the hearing process, a hearing reminder notice and time slots for hearings.

The challenge for 2008-09 is to focus on the areas showing a decline in satisfaction, whilst continuing to further improve on areas where we are doing well. Primarily we need to raise awareness of the independence of valuation tribunals from the organisation whose decision is being challenged. The automatic transmission of appeals does very little in assisting this understanding, so the recent introduction of regulations which change the way council tax valuation appeals are now made will hopefully alter such a

perspective. We will be monitoring the impact of Appeals Direct for council tax during the year and including questions on this topic in our next survey.

Complaints

The VTS maintains a register of all complaints received in its offices. During the year we raised a greater awareness of our complaints policy to tribunal users. Our Customer Charter and Complaints Policy are published on the VTS website and issued to anyone expressing dissatisfaction with the service they receive from the administration. During the year under review, 49 complaints about the administration were registered (compared to 21 complaints in 2006-07 and 17 in 2005-06). Six complaints were referred to the Corporate Director for investigation for maladministration, (compared to nine in 2006-07). No instances of maladministration were found and no cases were referred to the Parliamentary Commissioner. There were 33 judicial complaints (33 in 2006-07 and 46 in 2005-06). No cases were brought for judicial review. Full details of the complaints are held by the Corporate Director.

The Data Protection Act 1998 and Freedom of Information Act 2000

During the year, the VTS received and responded to nine requests made under the Acts, compared to 14 in 2006-07.

Document Handling and Data Security

We are working closely with our sponsoring department to ensure that we fulfill Cabinet Office requirements and recommendations. We have already taken steps to protect information by encrypting any IT equipment which is transferable (lap tops, USB devices). We will be developing a security policy to cover, for example, handling data we currently hold for HR related purposes and to address paper disposal in our offices, including shredding facilities.

The Accounting Officer has overall responsibility for ensuring that information risks are assessed and mitigated to an acceptable level.

Management commentary

Delivering our Business Plan 2007-08

The following pages set out what we achieved during the year against our business plan for 2007-08. In addition to these activities, we have worked with our IT partners in researching and developing changes to our IT system for the implementation of Appeals Direct for council tax. We have also co-operated with the Valuation Office Agency in reviewing our communication processes with council tax payers. In addition, we liaised with our sponsoring department to successfully implement regulations. Our focus and work in these areas greatly contributed to the successful implementation and introduction of the new regulatory process which came into force on 1 April 2008.

Our delivery against the targets we set in the Business Plan is detailed below.

1. Strategic Management

» **Implement an integrated planning cycle to promote the participation at all levels in the VTS in the direction for the service.**

We involved our four regional managers in the development of our future strategy, building on their operational experiences which provided an important perspective and input in reflecting views and opinions of their staff. Regional Managers have been engaged with the Executive Management Team in developing strategy through the medium of a senior management strategy workshop held in September 2007. The various papers derived from this workshop, covering the creation of a single valuation tribunal, organisational structure, performance management, information technology, and efficient and effective estates utilisation, greatly informed the Board's strategy day held on 17 October.

At this strategy day, the Board focused in working towards a 'Shaping the Future' agenda, the ingredients of which were then discussed with all staff through workshops. In addition to the VTS

strategy, the workshops also addressed findings from our customer and staff surveys. Staff feedback from these workshops has greatly contributed to the future development of the VTS.

» **Review internal and external communications**

A formal review of our internal and external communication processes was deferred during the course of the year as we focused on developing our future strategy. However, we have very much continued to build on processes put in place last year to engage staff at all levels. Staff regional meetings have played a key part in influencing our future development plans. Engagement of regional staff at all levels, through various projects and meeting groups has contributed to a number of initiatives that we have put in place for the development, introduction and implementation of national practices and standards.

We continue to be involved in a number of groups involving external stakeholders. The Rating Liaison Group embraces the professional bodies (Royal Institution of Chartered Surveyors, Rating Surveyors' Institute, Institute of Revenues, Rating and Valuation) and representatives of

78%

THE OVERALL SATISFACTION INDEX IN 2007 WAS 78%,
AN INCREASE OF 5% IN THE OVERALL SATISFACTION
INDEX BETWEEN 2006 AND 2007

the Valuation Office Agency, all specialists in the field of rating and valuation. This group meets quarterly under terms of reference reviewed on an annual basis. We also meet as a liaison group with the Valuation Office Agency on a quarterly basis on workload matters.

We continue to have regular quarterly meetings with our sponsoring department.

Our Chairman continues to attend a number of meetings with the Administrative Justice and Tribunals Council, the Tribunals Service and members of other tribunal jurisdictions, to keep abreast of developments in the wider tribunal arena.

» **Carry out a survey to measure customer satisfaction and improve on 2006 survey results**

We carried out a customer survey during the summer of 2007 that focused on a national sample of 586 people who attended valuation tribunals during the period October 2006 to March 2007 and were unrepresented in presenting their case. 254 people (43%) were interviewed by telephone. The overall satisfaction index in 2007 was 78%, an increase of 5% in the overall satisfaction index between 2006 and 2007.

The survey findings showed an increase of 7% (to 69%) in those who said the guidance leaflets helped and provided all the information required, and an increase of 6% (to 73%) in numbers of those who said their treatment up to the start of the hearing was excellent or good.

An area of concern for us relates to the perception of the independence of the tribunals. 47% of those surveyed still were unaware that their appeal had moved from one organisation to another, or of the difference between the VTS and the Valuation Office Agency. However, this is an improvement on the previous years' figure of 64%.

The survey also showed a small decrease of 3% (to 55%) in those who felt they had received a fair hearing by the tribunal. This perception is linked more with the judicial process (that is, the treatment received during and after the hearing) than the administrative process itself. By far, the majority of complaints this year refer in one way or another to the perceived advantage held by the Valuation Officer, mainly due to accessibility and knowledge of the type of evidence that would be considered by a tribunal and the

perceived familiarity that develops between members and the Valuation Officer, due to the frequency of them attending tribunals. There was an improvement of 16% (39% in 2007; 23% in 2006) in the number of people who felt they could ask questions and explain their case as fully as they wanted. This figure however, leaves room for significant improvement.

» **Work with sponsoring department in developing performance indicators across the organisation**

We have introduced processes to better capture workload information underpinning each valuation tribunal and this has assisted us in developing a number of key performance indicators. We continue to share workload information with our sponsoring department using the vehicle of our quarterly liaison meetings.

We have established a project group to look at a range of performance indicators and are continuing to develop key performance indicators in the areas of finance, staff and members as well as operations.

2. Financial Resources

» Ensure expenditure within agreed budget and implement monthly budget control mechanisms

During the year we raised the awareness of our budget holders in monitoring procedures by introducing budget guidance and holding in-house training sessions for managers on understanding 'accruals' and 'Departmental Expenditure Limits' (DEL). This has led to the development of monthly reporting mechanisms being introduced for managers. However, our controls need further improvement in the light of an unplanned under spend of £500,000 during the year. At year end this under spend was fully utilised to accelerate our estates optimisation programme that will lead to cost savings in the future.

» Achieve 5% efficiency savings in accordance with the Spending Review

Savings were achieved in terms of our workforce running costs, as we had planned our resources to employ 135 people but operated with 120 staff. In addition, we have focused efficiency savings in the area of 'general administration costs' (telecommunications, travel and subsistence, office supplies).

In a budget of £1,004,000 we spent £789,000, representing a saving of 21%. Much of this is as a result of improvements implemented regarding our procurement policy in office supplies.

» Review national contract for legal services to ensure value for money

Better value for money was achieved through a tendering process to bring together all areas of legal activity under a single provider using a 'one stop shop' service approach on a call off basis as opposed to annual contract. This arrangement brings with it the benefit of a single provider who is versed in all aspects of our organisation in advising on legal matters affecting us. This has also meant that relationships have been improved through the introduction of key contacts.

3. Human resources

» Review Head Office make-up and the effectiveness of the Executive Management Team (EMT)

During the course of the year EMT meetings have been informed by the involvement of regional managers, HR Manager and Training Manager in the input

and development of strategic issues. The make up of the EMT will be enhanced at director level by the addition of a HR Director and Developments Director.

» Review regional staff structure and establishment to ensure appropriate resources

Work has been done to standardise responsibilities of staff and we have been working with regional managers to ensure that the regional management structure not only reflects organisational requirements but also meets front line services in providing administrative services to tribunal members and also the professional services of our technical staff at hearings. With new challenges brought about by the estates optimisation and the introduction of a single valuation tribunal, we will be maintaining a focus in future reviews to ensure optimum staffing levels.

» Undertake a job evaluation process

Much work has been undertaken by staff in preparation for implementing a job evaluation process. With the passing of the Local Government and Public Involvement in Health Act 2007 to create the Valuation Tribunal for England it is inappropriate to

25%

THE AVERAGE NUMBER OF WORKING DAYS LOST PER FULL TIME EQUIVALENT EMPLOYEE WAS 6.5 DAYS FOR THE YEAR REPRESENTING A 25% IMPROVEMENT FROM 8.2 DAYS IN 2006-07 (7.2 DAYS IN 2005-06)

implement a job evaluation process given the evolving status of the organisation at present. However, the process so far has generated benefits for the organisation in terms of developing national job descriptions for posts within the service, in addition to better understanding the additional national roles and tasks that staff take on in driving the VTS forward and which will be recognised in future development and appraisals.

» **Implement an absence management policy and achieve an improvement of 5% in working days lost on previous financial year**

A Sickness Absence Policy was implemented in July using the Bradford Index process to encourage improvements in individual attendance, whilst providing an equitable method of dealing with alleged cases of poor attendance. This policy was also aimed at assisting managers to manage absence within their teams and to facilitate the return to work of employees who have been absent due to sickness.

The average number of working days lost per full time equivalent employee was 6.5 days for the

year representing a 25% improvement from 8.2 days in 2006-07 (7.2 days in 2005-06).

4. Estate

Following a review of the estate strategy, the Board decided to accelerate the closure of a number of offices during the course of the year. This included Croydon, Winchester and Angel, which will take place during 2008-09 financial year. The staff and work of both Croydon and Angel (Head Office) will move to Whitechapel. This decision has contributed to our plans for the fuller utilisation of our Whitechapel space. This has not only had the benefit of freeing up some financial resource which can be used in improving front line services, but has also allowed us to create more flexibility in the deployment of staff by bringing a bigger nucleus together under one roof.

» **Close Wokingham, Worcester, Peterborough and Maidstone offices**

In line with our planned closures we closed the Wokingham, Worcester, Peterborough and Maidstone offices and successfully transferred the administration to neighbouring offices.

The closure of Maidstone, Worcester and Wokingham resulted in a total of eight staff opting for redundancy rather than redeployment due to the length of journey to a new office, resulting in a total redundancy payment of £137,500 in year. The annual running costs of these offices for rent, rates and service charges was around £90,000.

Peterborough staff were all redeployed.

» **Open a new Peterborough office**

Following the expiry of the lease, the Peterborough office was replaced with the acquisition of an office in its suburb (Werrington). This new office opened on 1 October 2007.

» **Increase use of dedicated tribunal accommodation by at least 10%**

During the year Clerks worked towards increasing the use of dedicated in-house tribunal accommodation for hearing appeals. Whilst this objective has been achieved, the reduction in our estate portfolio and accelerated approach to office closures has required us to reconsider the use of more external venues to address the travelling requirements of our

users, members and staff. This has inevitably meant that we are now looking to provide a more local footprint for the hearing of appeals which requires the identification of local and appropriate venues.

» **Maintain quarterly health and safety meetings and keep under review health and safety issues in offices and maintain effective monitoring systems**

Four training events were held during the year to further enhance the knowledge and skill base of the six health and safety officers who all hold the Institution of Occupational Health and Safety Managing Safely qualification. In addition, four meetings were held to discuss health and safety matters.

In readiness for the changes introduced in the Corporate Manslaughter Act 2008 on 6 April 2008, which allows criminal proceedings to be brought against employers if they are found to have caused death due to gross corporate health and safety failures, we commissioned an audit of all our current health and safety policies to help identify any gaps in our policies. We are also working towards BS10081 standard.

5. Information Technology

» **Research and work with the professional bodies towards a method of communicating notices electronically**

We met with representatives of the professional bodies (Royal Institution of Chartered Surveyors, Rating Surveyors' Association, Institute of Revenues, Rating and Valuation) in July 2007 to gain a better understanding of their full requirements. As a result of discussions, this work was divided into two separate projects. The first is to enable the software to automatically generate notices in a format which will allow all users to receive and be able to read documentation we send. The second is to streamline our internal processes so that documents to be sent electronically are processed automatically rather than manually. The first part of this is nearing completion. The second part will require development. In addition to notices, we will be looking to include letters within the electronic communication process.

» **Implement a process of initiating a council tax appeal electronically**

Following the introduction of Appeals Direct for council tax, the VTS website has been updated to incorporate electronic versions of the council tax appeal forms. This now permits council tax appeals to be made on-line to the relevant valuation tribunal to initiate the appeal process. The form and guidance meet the criteria established by the Plain English Campaign and have received their 'Crystal Mark'.

» **Research and cost the transfer of the stand alone HR and training database to the VTS network**

The HR and Training database (ASR) contains staff and member details and was introduced to the VTS in 2004. It operates as a stand alone system with a server based in head office. The fact that it is a stand alone system is itself a risk, as there are no back up servers in operation should the lone server fail. The benefit of introducing an

THE VTS WEBSITE HAS BEEN UPDATED TO INCORPORATE ELECTRONIC VERSIONS OF THE COUNCIL TAX APPEAL FORMS. THIS NOW PERMITS COUNCIL TAX APPEALS TO BE MADE ON-LINE

45

WE HELD A TOTAL OF
45 COURSES DURING THE YEAR
COMPARED WITH 10 IN 2006-07

HR database (whether ASR or another) to the central database is part of the ongoing IT strategy currently being developed as part of our focus for the new financial year. The cost to transfer ASR to the central database (currently based in Worthing) and to make it available to the VTS network is within the region of £30,000.

6. Members

» Design and implement a members' development and training programme

The members' training and development programme comprised a range of courses, including an induction programme for Presidents. In addition to the continuation of training modules from 2006-07, a new module aimed at experienced chairmen was introduced to further refine and develop the skills of chairmen in tribunal.

During the year we also made better use of our in-house hearing rooms for the delivery of training, moving away from hotel accommodation. This allowed us to focus better on smaller training groups of 20 rather than 70 at hotel venues. These smaller groups have been successful in achieving greater member

participation and interaction at events. We held a total of 45 courses during the year compared with 10 in 2006-07.

» Complete the Members' Handbook and make it accessible via Members' Pages of the VTS website

The Members' Handbook was completed in July 2007 following various stages of consultation at Quarterly Presidents' Meetings and is available on the Members' Pages of the VTS website, which is accessible to every valuation tribunal member. The Handbook has been recently revised to reflect the introduction of Appeals Direct and following this important addition, the President of London South West volunteered to proof read the six chapters of the Handbook. In addition, and at the request of presidents, once proof read we arranged for the chapters to be made available in hard copy and these have been distributed in ring binders to Clerks of valuation tribunals for circulation to the membership.

» Draft, consult and publish a training programme for 2008-09

The Training Strategy Committee, made up of a number of

presidents and a Board member, was formed on 6 December 2007, under terms of reference endorsed by the VTS Board, to develop strategy relating to the future training of members of valuation tribunals. Member training and development needs for 2008-09 were sought from presidents and presented to this Committee in March 2008, with the emphasis on centrally prepared and locally delivered training. The approved programme has been published centrally and clerks of tribunals have been given the responsibility for booking training events for their tribunal members in consultation with tribunal presidents. In addition, we are piloting a mentoring process in consultation with the President of the Manchester North Valuation Tribunal, Philip Harrison.

» Standardise best practice in the way in which clerks support hearings

As part of our commitment in providing good case management of appeals, and to avoid unnecessary delay and expense, we issued specific guidance to clerks when dealing with postponement requests. This guidance encourages clerks to consider all postponement

THE CORE BENEFITS OF ACTIVE CASE MANAGEMENT (ACM) ARE IN PROMOTING BETTER CUSTOMER SERVICE AND VALUE FOR MONEY

applications on individual merit and undertake a 'reasonableness' test.

Valuation tribunals expect postponement applications to be made in writing and at least three working days before the scheduled hearing date. Where consideration leads the clerk to the view that the request is reasonable, then there will be a presumption to grant the request. However, where such consideration leads the clerk to the view that the request is unreasonable, then there will be a presumption to refuse the request. Whatever the decision, parties will be notified in writing, and this will be supported with reasons in the event of refusals to grant the application. As part of our aim in upholding fairness, anyone remaining unhappy with such a refusal retains the right to appear before the tribunal to present an adjournment application.

This national and robust approach has reduced the administrative burden placed on a presiding tribunal, allowing the members to focus on cases where there are disputes as opposed to dealing with administrative processes.

7. Tribunal procedures

» Review the internal communications policy

The review of our internal communication policy has been put back to 2008-09. We are focusing our activity on communicating changes and developments through the medium of regional meetings, regional workshops with staff who support tribunals and through Quarterly Presidents' Meetings (QPMs).

» Develop and implement an audit tool for policies and guidance

In pursuit of one of its core aims, the VTS has been continually developing practices and procedures, to comply with good practice; and to create greater consistency. As a further development, we have decided to ask our new internal auditors to provide an independent view, so that we can check our progress towards standardisation across all our offices.

» Review active case management in offices

The core benefits of Active Case Management (ACM) are in promoting better customer service and value for money. The ability of our staff to actively case

manage listed appeals is becoming increasingly important and ACM has been developed to encourage:

- » timely personal contact with any appellants who wish to attend hearings and require further information (such as leaflets, video/DVD);
- » direct guidance and advice to those who do not wish to attend;
- » actual or indicative hearing times;
- » management guidance on 'meaningful tribunals' to enable clerks to maximise staff, member and venue resources; and
- » a mechanism which encourages more coherent and timely communication channels with key stakeholders.

This has been very successful in managing workload and regional managers are continually reviewing the effectiveness of ACM within offices to assess the communication flow between the valuation tribunal administration and the parties. We aim to ensure that at least five working days prior to the scheduled hearing date, our administration makes contact with the parties to establish progress. This process endeavours to ascertain that

parties have exchanged all relevant information, agreed facts and identified the issues in dispute, so that the dispute may proceed effectively to the hearing stage.

» **Increase meaningful tribunals by improving the ratio of contested cases to tribunal hearings by 5%**

During the year, we have exceeded our target. A meaningful tribunal is a hearing day that has sufficient business to last several hours that engages members and staff. Valuation tribunals recorded 3,589 appellants attending to contest cases on 1,732 tribunals, compared to 2,389 attending in 2006-07 with 1,967 tribunals. This shows that on every tribunal during the year there were on average 2.0 attendances compared to on average 1.2 in 2006-07.

» **List 100% of all outstanding 1990 appeals**

We have listed all 1990 appeals, apart from 41 appeals which cannot be progressed as they are awaiting a superior court determination.

» **List 95% of all outstanding 1995 appeals**

We have listed 100% of 1995 Rating List appeals. 148 appeals remain outstanding that cannot be progressed as they relate to issues to be considered in appeals to the Lands Tribunal.

» **List 95% of council tax liability appeals within three months of lodgement**

The number of appeals received during the year was 883; all have been listed within three months of receipt.

» **List 100% of council tax banding appeals within six months of lodgement**

The number of appeals received during the year was 34,340. This target was met in 98% of cases. Valuation tribunals administered from the Plymouth, Winchester and Doncaster offices fell slightly outside of this target.

» **List 100% of civil penalty appeals within four months of lodgement**

The number of appeals received during the year was 234 and all were listed within two months of lodgment

8. Quality of Service

» **Agree and publish a standard format and content for reasoned decisions**

A guidance document entitled Format and Content of Decisions was published in September 2007. This document provides for a standard approach to be taken regarding the format and content of reasoned decisions, especially as most decisions are published on the public domain pages of the VTS website so that the general public may check similar decisions issued in different areas. Since this document was issued, the format and content of reasons has improved and this has been acknowledged by the professional bodies.

ON EVERY TRIBUNAL DURING THE YEAR
THERE WERE ON AVERAGE 2.0 ATTENDANCES
COMPARED TO ON AVERAGE 1.2 IN 2006-07

11%

11% OF REASONED DECISIONS WERE ISSUED BEYOND 21 WORKING DAYS. THIS IS AN IMPROVEMENT ON THE FIGURE FOR 2006-07 (19%) AND EXCEEDS OUR TARGET FOR THE YEAR

» **Implement an effective process of quality checking decisions within offices**

All reasoned decisions drafted by our technical staff now undergo a peer checking process to check consistency and accuracy. Peer checking is not restricted to office colleagues, but is extended to include peers from other offices. This process has contributed to the better standard of decision writing and drawing out the salient issues resulting from the evidence presented and considered by the tribunal. This process also assists clerks in managing any review of decision writing standards.

» **Increase number of reasoned decisions issued within 21 working days by 5%**

This 21 working day target relates to reasoned decisions following a hearing, of which there were 4,594 during the year under review.

11% of reasoned decisions were issued beyond 21 working days. This is an improvement on the figure for 2006-07 (19%) and exceeds our target for the year.

We continue to work with clerks of valuation tribunals to reduce this figure even further.

» **Work with members to ensure that all reasoned decisions sent to a presiding tribunal are returned within 7 working days to assist in meeting the 21 working day issue to appellants**

To enable a decision to go out within 21 working days it requires the co-operation of chairmen and members. An objective was set for clerks of valuation tribunals to work with the tribunal membership in agreeing and implementing a timeline that meets the requirement of members yet still achieves the timely issue of decisions to appellants within the 21 working day expectation. Guidance was given to clerks to introduce an aim of seven working days for members to review draft decisions.

4,080 decisions (89%) were issued during the year within the 21 working day target date.

9. Equality and Diversity

» **Communicate the organisation's commitment to workplace equality and diversity to all employees and members**

During the year, we have developed our first Equality and Diversity Scheme, which is fully compliant with the Equality and Human Rights Commission codes of practice and current equality and anti-discrimination legislation. This document contains important information about the work we will be doing to promote equality of access to services and opportunities and how we plan to eliminate discrimination. The Scheme also explains what we will do to ensure that our values on equality and diversity remain fundamental to everything we do. The VTS' Equality and Diversity policy was published to all staff in July and a mandatory training day was held across all regions to raise organisational awareness in this area. We have also built diversity into the various training modules for members' training and members' training programme.

- » Develop and maintain an organisation-wide assessment and evaluation system to monitor progress throughout the organisation towards attainment/retention of a diverse workforce and a work environment

We are required by the Cabinet Office to report on such information and have developed our HR processes to capture this information for prompt reporting. We already have systems in place for staff and request new members appointed to valuation tribunals to provide such information for monitoring purposes. This approach has increased the amount of information we now hold

- » Meet the sponsoring department's monitoring processes, goals and timetables to ensure our workforce, at all levels, and reflects the diversity of the communities from which our workforce is drawn

We monitor the makeup of the lay membership and staff and we ensure that our status and recognition as an equal opportunities employer is reflected in any recruitment literature.

- » Develop ongoing communications systems to create and reinforce a high level of employee awareness of the importance of diversity

We have published our policy on the intranet and have held a mandatory training day for all staff to raise awareness of diversity and the importance of this in the workplace.

- » Implement an equal opportunity system for tribunal users

In addition to the English language, we continue to provide, on request, our family of leaflets in the eight most commonly used languages (Arabic, Bengali, Chinese, Gujarati, Polish, Punjabi, Urdu and Vietnamese). We will also provide them in Braille, large print and in audio to ensure that the appeal process is understood and accessible to all. During the year, we accommodated 19 requests for translations of seven of our leaflets into six different languages. In addition we had 11 requests for large format versions of the guidance leaflets, seven of these in other languages, and two requests for audio versions. We have also provided an interpreter in Bangla.

Funding

We received sufficient funds as grant in aid to meet our overall expenditures. The Cash Flow Statement, as set out on page 53 which analyses net cash flow from operating activities, identifies cash spent by the VTS on capital expenditure and shows grant in aid that the VTS drew down from its sponsoring department in order to finance its activities.

Asset management

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

Outturn against estimates 2007-08

Net expenditure per the Income and Expenditure Account for the year on page 50 shows £9,857,000 on ordinary activities (2006-07 – £9,809,000). Adjusted for pensions, the net expenditure increases to £10,129,000, (2006-07 – £10,116,000).

Financial Summary

Expenditure for the financial year to 31 March 2008 was £10,129,000.

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

Total grant in aid claimed and received from the sponsor department was £9,743,000.

The Department Expenditure Limit (DEL) budget for the year was £10,378,000, made up of £9,968,000 resource and £410,000 capital. This budget took account of a pre-agreed funding withdrawal for 2007-08 of £352,000 from the resource budget and £90,000 from the capital budget.

Day to day responsibility for financial management of the VTS' activities is managed by the EMT. During the course of the year, the

EMT, with engagement also by the SMT, reviewed the three-year business (or Forward) Plan and conducted close monitoring of all financial activities.

Total net operational revenue expenditure was £9,857,000 in 2007-08. This was held below the budget of £9,968,000 but exceeded the grant in aid (revised) limit of £9,243,000.

The operating deficit on the Income and Expenditure Account is not fully covered by grant in aid (GIA) from the Department. This was mainly as a result of timing differences in the accounting for and payment of reorganisation costs. The VTS made provisions for staff redundancies and dilapidations of £631,045 in total, relating to the closure of offices in Croydon, Durham, Harrow, Winchester and in Head Office for period June 2008 to March 2009. GIA received reflects only the VTS' requirement for cash in any given year. The Department has indicated that the GIA required to match the expenditure provided for will be drawn down from the Department during 2008-09 and 2009-10, as the cash to pay these obligations is required.

Fixed Assets

The total net book value of the fixed assets as at 31 March 2008 was £987,000. The movements in fixed assets for the year are set out in notes 6 and 7 to the financial statements. There were no costs incurred on Research and Development during the 12 months ended 31 March 2008. The additions to fixed assets comprised £155,630 on acquiring new leasehold premises in Werrington in October 2007 having closed the Peterborough office the previous month.

In August 2007, the VTS closed its office in Worcester and in February 2008 the offices at Maidstone and Wokingham closed on expiry of the leases. Commitments at the balance sheet date for lease agreements in force and due to be paid are shown on page 69. On page 70, Note 21 refers to there being no capital commitments entered into at the balance sheet date.

Pension Liabilities

For the purposes of Financial Reporting Standard (FRS 17), pension scheme liabilities of £9,170,000 have been recognised in the balance sheet. An actuarial gain of £4,296,000 is shown in the Statement of Recognised Gains and Losses, taking account of pension fund movements to 31 March 2008. These pension entries in the Accounts represent non-cash items.

Financial Risk

The VTS adheres to a policy of managing and monitoring significant risks, including financial risks, as an integral part of the management of the VTS. At 31 March 2008 there were no material financial liabilities other than those shown in these accounts. The accounting for FRS 17 – pension liabilities, is dependent on the annual valuations of 30 pension funds administered outside the control of the VTS for which valuations are returned for the schemes by actuarial reports at the year end.

Events since the end of the financial year

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

Going Concern

The Board confirms that, after making appropriate enquiries with the sponsoring department, it has a reasonable expectation that the VTS has adequate resources to continue its operations for the foreseeable future. The balance sheet shows net liabilities of £8,767,000. This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the VTS' other sources of income, may only be met by future grants or GIA from the sponsoring department. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

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

Auditors

The Accounts of the VTS are audited by the Comptroller and Auditor General under the Local Government Act 2003. An internal audit service was provided by Deloitte & Touche Public Sector Internal Audit separately under the terms of a service level agreement which expired on 31 March 2008. The Board has approved the engagement of AHL Limited as the VTS' internal auditors for 2008-09.

Remuneration report

Board members' emoluments and expenses

The remuneration of the Chairman is determined by Ministers and at 31 March 2008 was £55,451 per annum. The other six Board members, also appointed by the Secretary of State, are eligible to receive an annual fee, which is non-pensionable, and which is based on the number of days in attendance at Board and other Board approved meetings. All member posts are non-executive and all members' emoluments are non-pensionable. Board members can be appointed for a term up to three years. When their first term of office comes to an end, a second term of appointment may be granted by the Secretary of State. At 31 March 2008, three members ended their term of office, two service members and an independent member. One service member was re-appointed for a second three year term as Deputy Chairman; the other two members were replaced through a Department selection process by one service member and an independent member. Board members receive an annual appraisal from the Chairman, who is also appraised annually by the sponsoring department.

Executive Management Team

The salary of the Chief Executive is reviewed annually and is increased on guidance provided from the Department. The post of Chief Executive was filled in July 2007 as the previous incumbent had given notice not to continue beyond March 2007. There was therefore no inflation salary increase to the new appointee although a performance related element does apply to that post. Directors, who with the Chief Executive comprise the Executive Management Team, receive annual pay increases in line with all other VTS staff. For the year commencing 1 April 2007 the pay award was 2.475%.

Proportion of remuneration subject to performance

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

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

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

The Chairman is appointed on a three-year term; the second three-year term was confirmed by the Secretary of State and expires on 31 March 2009.

The Chief Executive, appointed on 1 July 2007, and the Directors are appointed on a permanent contract basis.

**BOARD MEMBERS
CAN BE APPOINTED
FOR A TERM UP TO
THREE YEARS**

Audited Information

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

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
The emoluments of the Chairman, Anne Galbraith:		
– Basic salary	55	55
Total emoluments	55	55
The emoluments shown for of the Chief Executive, Dr Christina Townsend, is for the period 1 July 2007 to 31 March 2008:		
– Basic salary	61	79
– London weighting	2	3
– Performance related pay	0	8
– Employer pension contribution	11	12
Total emoluments	74	102
– Pension increase (net of inflation)	1	1
– Total accrued pension at 31 March 2008	1	3

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

Name	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Anne Galbraith	55	55
Paul Wood	7	6
Ronald Barham	6	5
Ted Gunby	6	5
Peter Lawton	6	5
Irene Robinson	6	5
Michael Tildesley	6	5
Total	92	86

The emoluments of the Directors were as follows:

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
The emoluments of the Resource Director, Alan Begg for the period 1 April 2007 to 31 March 2008:		
– Basic salary	61	47
– London weighting	3	3
– Performance related pay	6 ¹	6 ¹
– Employer pension contribution	12	8
Total emoluments	82	64
– Pension increase (net of inflation)	2	1
– Total accrued pension at 31 March 2008	9	7
The emoluments of the Corporate Director, Antonio Masella for the period 1 April 2007 to 31 March 2008:		
– Basic salary	61	56
– London weighting	3	3
– Performance related pay	6 ¹	6 ¹
– Employer pension contribution	12	9
Total emoluments	82	74
– Pension increase (net of inflation)	4	1
– Total accrued pension at 31 March 2008	22	18

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

The salary, pension entitlements and the value of any taxable benefits in kind of the Executive Management Team of the VTS during 2007-08 are as shown.

Name	Salary, including London weighting and performance pay (£k) (2006-07 in brackets)	Benefits in kind (rounded to nearest £k) (2006-07 in brackets)	Real increase in pension and related lump sum (£k)	Total accrued pension at age 60 at 31.3.08 and related lump sum (£k)	CETV at 31.3.07 (nearest £k)	CETV at 31.3.08 (nearest £k)	Real increase in CETV after adjustment for inflation and changes in market investment factors (nearest £k)
	i	ii	iii	iv	v	vi	vii
Christina Townsend ¹	60-65 (N/A)	0	1-4	1-4	0	18	7
Alan Begg	65-70 (55-60)	0	2-6	9-26	87	119	23
Antonio Masella	65-70 (65-70)	0	4-11	22-65	212	273	41

¹ Dr Townsend became Chief Executive on 1 July 2007 and since she did not transfer in any previously accrued pensionable service at that time, start period calculations have been excluded. Service/benefits purchased from additional voluntary contributions have however been included, as they fall within the Regulations for such payments.

Columns (v) and (vi) of the table show the member's cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. Column (vii) reflects the real increase in CETV using the rate of inflation based on the RPI as 3.77%. The net increase in CETV ignores the effects of the change in market conditions, members' age and employee contributions paid over the year. The CETV calculations ignore the effect of GMP (Guaranteed Minimum Pensions) and as such the GMP stopped accruing after April 2007. GMP has therefore been ignored in the calculations at the start and end of the year.

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the staff member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the staff member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2006-07 the other pension details, include the value of any pension benefit in another scheme or arrangement that the individual has transferred to the LGPS arrangements, where relevant. The transfer value basis is the Club Transfer Value basis adopted by the Local Government Pension Scheme. CETVs are calculated within the guidelines and framework of the London Pensions Fund Authority's CETV calculations.

The number of staff, including the Chief Executive, whose annual rate of remuneration as at 31 March 2008 exceeded £40,000 excluding pension contributions and performance related pay but including any benefits in kind and London Weighting was:

Remuneration Band	Year ended 31 March 2008 Number	Year ended 31 March 2007 Number
£40,000 to £44,999	4	6
£45,000 to £49,999	11	10
£50,000 to £54,999	1	0
£55,000 to £59,999	0	2
£60,000 to £64,999	3	0
£65,000 to £69,999	0	0
£70,000 to £74,999	0	0
£75,000 to £79,999	0	0
£80,000 to £84,999	0	1



Dr Christina Townsend

Accounting Officer and Chief Executive, VTS

14 July 2008

Foreword to the financial statements

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

Statutory basis

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

VTS aim

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

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

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

Financial Reporting Standard FRS 17 'Retirement Benefits'

Under HM Treasury guidance, the VTS has implemented Financial Reporting Standard 17 (FRS 17). The VTS prepares its Accounts in accordance with the Financial Reporting Manual (FRM) as it applies to NDPBs. This assumes a net discount rate of 2.1% p.a. and an inflation rate of 3.8% p.a. Under FRS 17, the additional costs associated with paying benefits early, or granting additional service, where staff members retire on unreduced pension on redundancy or efficiency grounds have been recognised in full in the Income and Expenditure Statement in the year the requirement is granted.

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

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

The Accounting Officer for the sponsoring department designated Dr Christina Townsend as the VTS' Accounting Officer for the accounting period 1 July 2007 to 31 March 2008. For the three month period to June 2007, Alan Begg had been appointed Accounting Officer.

At March 2008 Dr Townsend had responsibility for the propriety and regularity of the public finances and for the keeping of proper records, as set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum, issued by HM Treasury and published in 'Managing Public Money' by the Stationery Office.

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

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

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

In addition the Chief Executive should:

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



Dr Christina Townsend
Accounting Officer and
Chief Executive, VTS
14 July 2008

Statement on internal control

Scope of responsibility

I am appointed by the sponsoring department (Communities and Local Government) as Accounting Officer for the VTS. As Accounting Officer¹ I have responsibility for maintaining a sound system of internal control that supports the achievement of the VTS' policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

I have no role in the make up of the membership of valuation tribunals and the judicial processes associated with them, or the decisions of the individual tribunal, nor any role in the management, appraisal or discipline of tribunal members. Responsibility for the tribunals and appointment of members currently lies with the 56 presidents. The presidents and the members are all volunteers.

¹ For the period up until 1st July 2007, the Resource Director, Alan Begg, had responsibility as Accounting Officer.

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 only provide, therefore, reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the VTS' policies, aims and objectives, to evaluate the likelihood of those risks 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 VTS for the financial year 2007-08 and up to the date of signing of the Annual Report and Accounts and accords with HM Treasury guidance.

Capacity to handle risk

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

The Corporate Director has leadership responsibility for ensuring that appropriate mechanisms are in place to identify, monitor and control risk and for advising senior management on the actions needed in order to comply with our corporate governance requirements. The Board regularly monitors the organisation's risk management performance and delegates to the Audit Committee

THE SYSTEM OF INTERNAL CONTROL IS BASED ON AN ONGOING PROCESS DESIGNED TO IDENTIFY AND PRIORITISE THE RISKS TO THE ACHIEVEMENT OF THE VTS' POLICIES, AIMS AND OBJECTIVES AND TO MANAGE THEM EFFICIENTLY, EFFECTIVELY AND ECONOMICALLY

the responsibility for ensuring that the risk management responsibilities are discharged efficiently, effectively and economically. During the course of the year the Board reviewed the major corporate risks and the level of assurance provided against each one and made an assessment concerning the acceptability of the residual risk that had been identified.

The Audit Committee meets at regular intervals and is made up of four Board members and an independent member. The Committee has the review of risk management as a standing item on its agenda. Between year end and the signing of the accounts, our internal auditors, AHL, (appointed from April 2008) assessed the existing risk management framework against established best practice using the HM Treasury Orange Book (2004). Their report concluded that the current risks management framework is broadly compliant with established good practice and 'reasonable assurance' was given. Their report states that there is a strong case for changing the reporting mechanism to the Board to ensure that the Board is only considering the strategic risks

to the organisation. This change will be introduced in 2008-09 along with the other agreed recommendations contained in the report.

The risk and control framework

The existing risk management framework is composed of a hierarchy of registers, including the corporate risk register, risk registers for each of the four VTS regions, each office and each of the Head Office departments. There is also a separate Health and Safety risk register. Currently risks are identified through a 'bottom up' approach with risk management being a standing item at team meetings. Risks identified in the office risk registers are reviewed by the relevant Regional Manager with high level risks being added to the regional risk register. The regional and departmental risk registers are reviewed quarterly by the Corporate Director, who includes risks with an impact on the whole organisation.

The VTS has a risk management policy and strategy which include a methodology for measuring the relative levels of risk to the

organisation. This year we have added a third key area relating to change. The key areas are now:

- » the risk to the VTS' reputation,
- » financial risks
- » risks resulting from our change agenda

Given the VTS' responsibilities, the loss of reputation is likely to be the most damaging outcome, with the potential to do the greatest harm to the organisation's capacity to effectively carry out its legislative functions.

In the 2008-09 financial year, it is planned to improve the effectiveness and risk monitoring of change through significant staff training on project and programme management. Six managers will receive training and accreditation on PRINCE2 techniques and a further 21 will receive either one or two days training on the principles and practice of project management focusing on PRINCE2 processes. In addition, a senior member of staff at Director level has been appointed to lead our development work and will undertake MSP (strategic programme management) training and accreditation.

21

SIX MANAGERS WILL RECEIVE TRAINING AND ACCREDITATION ON PRINCE2 TECHNIQUES AND A FURTHER 21 WILL RECEIVE EITHER ONE OR TWO DAYS TRAINING ON THE PRINCIPLES AND PRACTICE OF PROJECT MANAGEMENT FOCUSING ON PRINCE2 PROCESSES.

An ongoing dialogue takes place with the 56 presidents of the tribunals. In particular there are quarterly consultative meetings where issues such as standardising the different aspects of the running of a tribunal and appraisal of members are discussed. It is for each president to decide whether to accept any guidelines that emerge. I plan to enhance our communications with presidents and members in the 2008-09 financial year. In particular, I have appointed an additional member of senior staff at director level who will have communication with tribunal members as one of their main responsibilities.

As volunteers the tribunal members carry out their duties because they have a strong commitment to serve their local community. It is a very cost effective means of providing the service and it is important that the 'goodwill' I have available to me is maintained and built upon. I plan to carry out a survey of tribunal members in the next financial year in order to

understand better and to respond to their needs, concerns and motivation.

As part time volunteers sitting on an occasional basis, the tribunal members rely on guidance from my professional staff when coming to a decision about an individual case. I plan for 2008-09 to review the effectiveness of initial and continuing development of my professional staff and to make recommendations to the VTS Board.

In addition to the actions already discussed, the following have continued:

- » the business planning process ensures that new risks, or changes to existing risks, are identified at each stage of the process, from horizon scanning through to the agreement of detailed business plans;
- » the reporting of performance against key operational indicators; and
- » periodic reports from the Chair of the Audit Committee to the Board and the Accounting Officer.

Review of effectiveness

As Accounting Officer I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the senior managers within the VTS who have responsibility for the development and maintenance of the internal control framework, by the advice and guidance I receive from the Audit Committee, the Board and sponsor team within CLG, by surveys of tribunal users and by both internal and external auditors in their management letter and other reports.

The Statement of Assurance from our Internal Auditors for 2007-08 (Deloitte and Touche) states:

"Based on the work completed between 1 April 2007 and 31 March 2008, carried out in accordance with the scopes agreed by the Audit Committee, taking into account the proposed action by management to rectify the control weaknesses identified in our detailed reports, in our opinion the VTS has an adequate and effective system of internal

controls which provide reasonable assurance regarding the effective and efficient achievement of the VTS' objectives".

Information handling

A recent review of information handling procedures in the VTS, in compliance with directives received from the Cabinet Office, has assessed that, generally we operate suitable and appropriate procedures for protecting and sharing data.

The principal threats to the integrity of the VTS' data have been assessed as being from data copied from the network on to removable media and inappropriate transmissions via email. Accordingly, restrictions have been imposed on the copying of data: for example all data exported on to memory disks must be encrypted and the export of data on to CDs, DVDs and floppy discs has been stopped until further software enhancements are available later this year to enforce encryption on these media. A ban has also been imposed on any non encrypted laptops or drives containing personal data being taken outside

of secure office premises. The VTS has recently received re-accreditation from Computer Electronic Security Group (CESG) of its GSX email security system.

The VTS now has a Senior Information Risk Owner (SIRO), whose role is to 'own' the VTS' information risk policy and assessment and by so doing ensure that it is embedded into the culture and work of the VTS.

An internal review has been undertaken during 2008 to ensure that our procedures, particularly concerning personal data, will be fully effective. Our action plan will concentrate over coming months on 'protection' of personal data, publication of an information charter, a document retention policy, and various compliance procedures to adhere to the Cabinet Office's guidelines. All this will require a certain amount of training for staff and initial steps will be taken in this area by the second quarter of 2008-09.

Significant internal control issues

Although detailed financial information is produced on a monthly basis, there have been issues with regards to the accuracy of the information on actual and forecast spend, and future commitments. This reflected concern about how far budget holders understood and engaged with this process, and whether they were reporting complete and accurate forecast information to Finance. The process was further weakened by the lack of opportunity for senior management review of the figures before Board review. Our new internal auditors carried out a review of our budget monitoring processes. An action plan and timetable is being drawn up and Board members as well as senior management will be monitoring progress.

The VTS uses the SAP financial accounting system under a service level agreement with CLG. Although this is an effective system for managing transactions and maintaining accounting information, it still does not provide the functionality or

flexibility to allow the VTS an effective reporting capability. We are holding discussions with CLG with regards to adding functionality to the system. We are also commissioning a review to identify whether increased benefits can be reasonably attained from SAP or whether a replacement system would be more appropriate.

The VTS has service level agreements with the Valuation Office Agency for IT maintenance and with CLG for the SAP accounting system, and both are renewed annually on 31 March. The VTS also makes use of government wide framework agreements for the provision of payroll services and IT support services, including the provision of business continuity and disaster recovery, logical and physical IT security and mainframe management. Currently, therefore, the VTS has little flexibility in managing its IT environment and lacks some key information to

monitor activity of suppliers. The VTS needs to be able to act as an intelligent customer and to ensure it has sufficient knowledge and leverage to effectively challenge contractors over their service. This means the VTS needs to hold copies of key contracts and documentation, have clear feedback mechanisms to contractors and regular access to the main contracts managers in departments. Discussions are taking place with my sponsoring department with regard to how to bring about the changes.

I am satisfied that no other significant internal control issues materialised in 2007-08.

Signed by



Dr Christina Townsend

Accounting Officer and
Chief Executive, VTS

14 July 2008

Report by the internal auditors

We have now completed our Internal Audit Programme covering the financial period, 1 April 2007 to 31 March 2008, as approved by the Audit Committee. The purpose of this report is to present the results of the Internal Audit work carried out by Deloitte & Touche during 2007-08.

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

The Statement of Assurance

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

- » all internal audits undertaken between 1 April 2007 and 31 March 2008;
 - » the action taken in response to our audit recommendations;
 - » whether fundamental or significant recommendations have been accepted by management, and the consequent risks;
 - » the effects of any material changes in the VTS' objectives or systems; and
 - » whether or not any limitations have been placed on the scope of internal audit.
- » to ascertain that accounting and other information is reliable as a basis for producing accounts, and financial, statistical and other returns;
 - » to ascertain the integrity and reliability of financial and other information provided to management, including that used in decision making; and
 - » to ascertain that systems of control are laid down and operate to promote the most economic, efficient and effective use of resources.

Sources of Assurance

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

- » to appraise the soundness, adequacy and application of the whole internal control system;
- » to ascertain the extent to which the system of internal control ensures compliance with established policies and procedures;
- » to ascertain the extent to which the assets and interests entrusted to or funded by the VTS are properly controlled and safeguarded from losses arising from fraud, irregularity or corruption;

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

Based on the work completed between 1 April 2007 and 31 March 2008, carried out in accordance with the scopes agreed by the Audit Committee, taking into account the proposed action by management to rectify the control weaknesses identified in our detailed reports, in our opinion the VTS has an adequate and effective system of internal controls which provides reasonable assurance regarding the effective and efficient achievement of the VTS' objectives.

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

I certify that I have audited the financial statements of the Valuation Tribunal Service for the year ended 31 March 2008 under the Local Government Act 2003. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Valuation Tribunal Service, Accounting Officer/Chief Executive and Auditor

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Local Government Act 2003 and directions made thereunder by the Secretary of State. I report to you whether, in my opinion, the information included in the Annual Report on pages 2 to 42 is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Valuation Tribunal Service has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by

HM Treasury regarding remuneration and other transactions is not disclosed.

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

I read the other information contained in the Annual Report on pages 2 to 42 and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

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 Valuation Tribunal Service and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Valuation Tribunal Service's circumstances, consistently applied and adequately disclosed.

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

of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- » the financial statements give a true and fair view, in accordance with the Local Government Act 2003 and directions made thereunder by the Secretary of State, of the state of the Valuation Tribunal Service's affairs as at 31 March 2008 and of its surplus for the year then ended;
- » the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Local Government Act 2003 and directions made thereunder by the Secretary of State; and
- » information included in the Annual Report on pages 2 to 42 is consistent with the financial statements.

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.

T J Burr

Comptroller and Auditor General

National Audit Office
151 Buckingham Palace Road
London SW1W 9SS

15 July 2008

Income and expenditure account

for the year to 31 March 2008

	Note	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Income			
Operating Income	2	0	4
Total income		0	4
Expenditure			
Administration costs			
– Staff costs	3	4,949	4,577
– Other costs	4/5	4,950	5,220
Total expenditure		(9,899)	(9,797)
Net expenditure		(9,899)	(9,793)
Interest received		0	0
Interest paid/charges		0	0
Cost of capital	8	378	368
Finance charges for pensions	12a	(230)	(323)
Net expenditure on ordinary activities		(9,751)	(9,748)
Reversal of notional cost of capital	8	(378)	(368)
Net expenditure for year	13	(10,129)	(10,116)
Represented by:			
Net expenditure attributable to ordinary activities		(9,857)	(9,809)
Net expenditure attributable to pensions	16	(272)	(307)

The notes on pages 54 to 71 form part of these Accounts

All activities were continuing in the year

Statement of recognised gains and losses

as at 31 March 2008

	Note	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Increase/(decrease) in irrecoverable pension surplus from membership fall and other factors	12a	4,296	(4,514)
Recognised gains/(losses) for the year		4,296	(4,514)

Balance sheet

as at 31 March 2008

	Note	12 months to 31 March 2008 £'000	12 months to 31 March 2007 £'000
Fixed assets			
– Intangible assets	6	0	4
– Tangible assets	7	987	1,019
		987	1,023
Current assets			
– Debtors	9	637	492
– Cash at bank and in hand	19	153	29
		790	521
Creditors			
– Amounts falling due within one year	10	(642)	(632)
Net current assets/(liabilities)		148	(111)
Total assets less current liabilities		1,135	912
Provisions for liabilities and charges	11	(732)	(395)
Net assets employed excluding pension liabilities		403	517
Provisions for pension liabilities	12	(9,170)	(13,194)
Total net liabilities		(8,767)	(12,677)
Represented by			
Capital and reserves			
– General reserve	13	(1,395)	(781)
– Capital reserve	14	1,798	1,298
– Revaluation reserve	15	0	0
– Pension fund reserve	16	(9,170)	(13,194)
		(8,767)	(12,677)

The notes on pages 54 to 71 form part of these Accounts



Dr Christina Townsend

Chief Executive, VTS

14 July 2008

Cash flow statement

for the year to 31 March 2008

	Note	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Net cash (outflow)/inflow from operating activities	18	(197)	11
Return on investments and finance charges		(230)	0
Capital expenditure			
Purchase of fixed assets	7	(221)	(342)
Net cash outflow from capital expenditure		(221)	(342)
Financing			
Increase in capital reserve	14	500	380
FRS 17 adjustment	16	272	(20)
Total financing		772	360
Net cash inflow	19	124	29

The notes on pages 54 to 71 form part of these Accounts

Notes to the accounts

1 Statement of accounting policies

1.1 The financial statements have been prepared in accordance with the 2007-08 Financial Reporting Manual issued by HM Treasury. The accounting policies follow applicable Accounting Standards in the United Kingdom and meet the accounting and disclosure requirements of the Companies Act 1985 to the extent these are appropriate. The financial statements are prepared on a historical cost basis.

1.2 Fixed assets and depreciation

i Capitalisation threshold

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

ii Land and buildings

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

iii Revaluation

The VTS does not consider that revaluation of assets is appropriate to its assets as represented by the carrying value of all assets.

iv Depreciation

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

- » computers three years;
- » in-house developed software five years;
- » furniture and office equipment five years; and
- » leasehold improvements over life of lease.

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

v Intangible assets and amortisation

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

vi Group assets

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

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

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

1.3 Stocks

The VTS aims to hold stock at a level that is commensurate with immediate business needs. Therefore stock holdings are minimal and have no significant realisable value outside the VTS. Stock has therefore been valued at zero for the year ended 31 March 2008.

1.4 Income

Income is accounted for on a receivable basis. Grant in aid (GIA) is accountable on a cash basis. GIA received is treated as financing because it is regarded as a contribution from the controlling party. This gives rise to a financial interest in the residual interest of the VTS as an NDPB. For periods preceding 2006-07, GIA was treated as income.

1.5 Capital charge

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

1.6 Pensions

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

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

FRS 17 requires an organisation to account for pension liabilities as they arise, regardless of when pension payments are due to be paid. Setting side by side the value of all future pension payments and the snapshot value of investments as at 31 March each year, results in either an overall deficit or surplus. The total net deficit arising for the VTS, as at 31 March 2008, is £9,170,000. The assessment of current surplus or deficit arising from an FRS 17 valuation carries with it no additional payment requirements from the VTS to its LGPS pension authorities as the separate LGPS actuarial valuation, carried out every three years, sets revised employer contribution rates for each employer, such as the VTS, to ensure that existing assets and future contributions will be sufficient to meet future pension payments.

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

1.7 Leases

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

1.8 Provisions

The VTS provides for legal or constructive obligations which are of uncertain timing or amount at the Balance Sheet date on the basis of the best estimate of the expenditure required to settle the obligation. This practice conforms to FRS 12. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury discount rate of 2.8% (2006-07, 2.8%) in real terms.

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

1.9 VAT

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

1.10 Taxation

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

1.11 Liquidity risk

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

1.12 Interest rate risk

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

2 Operating income

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Rent receivable	0	4
Total operating income	0	4

3 Staff costs

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
The payroll costs for the VTS were as follows:		
Salaries	3,502	3,467
Social security costs	284	290
Pension costs	830	634
	4,616	4,391
Other staff costs		
Redundancy payments and provisions	273	105
Fringe benefits	2	2
Agency/Seconded staff costs	26	71
Other non staff costs	32	8
	333	186
Total staff costs	4,949	4,577
The average number of staff employed during the period to 31 March, was split as:		
Full time equivalent permanent staff	116	131
Fixed and short term contract, and agency staff	4	4
Total	120	135

4 Other costs

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
4a Board costs		
Emoluments	92	86
Training	7	2
Travel and subsistence	38	34
Total board costs	137	122
4b Members' costs		
Financial loss allowance	49	56
Training	115	82
Travel and subsistence	258	304
Total members' costs	422	442
4c Other administrative expenses		
Travel and subsistence – staff	139	204
Furniture and office equipment	3	4
Telecommunications and postage	402	508
Publications, printing and publicity	72	77
Recruitment, training and conferences	98	129
Catering and hospitality	25	25
Office supplies	55	69
Subscription to professional organisations	10	15
Car hire and lease cost	0	7
Removals and storage	9	8
Support services ¹	803	965
Information technology	337	202
	1,953	2,213
Internal audit fees	26	26
External audit fees	32	31
Total administrative expenses	2,570	2,834

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

4d Estates' costs

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Rent – paid as operating leases (buildings)	868	833
Rates	261	273
Service charges	264	312
Fixed maintenance	21	76
Domestic services	69	73
Heating and lighting	50	53
Insurance	16	22
Temporary accommodation	39	55
Security	7	8
Variable maintenance	100	110
Car park charges	13	17
Dilapidation charges	28	100
Strategic provisions	387	282
Total estates' costs	2,123	2,214
Total other costs	4,693	5,048

5 Depreciation

	Note	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Intangible fixed assets			
Amortisation for period	6	4	4
Tangible fixed assets			
Depreciation charge for period	7	253	168
Total Depreciation charge for period		257	172

6 Intangible fixed assets

	Software licences £'000
Cost or valuation	
At 1 April 2007	8
Revaluation	0
Additions	0
Disposals	0
At 31 March 2008	8
Amortisation	
At 1 April 2007	(4)
Revaluation	0
Additions	0
Charge for period	(4)
At 31 March 2008	(8)
Net book value at 31 March 2008	0
Net book value at 31 March 2007	4

7 Tangible fixed assets

	Leasehold Improvements £'000	Furniture and Fittings £'000	Information Technology £'000	Total £'000
Cost or valuation				
At 1 April 2007	0	86	1,178	1,264
Revaluation – Note 15	0	0	0	0
Additions	156	34	31	221
Disposals	0	0	0	0
At 31 March 2008	156	120	1,209	1,485
Depreciation				
At 1 April 2007	0	(32)	(213)	(245)
Revaluation	0	0	0	0
Additions	0	0	0	0
Disposals	0	0	0	0
Charge for period	(16)	(20)	(217)	(253)
At 31 March 2008	(16)	(52)	(430)	(498)
Net book value at 31 March 2008	140	68	779	987
Net book value at 31 March 2007	0	54	965	1,019

8 Notional costs

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

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

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

	Year ended 31 March 2008 £'000
Capital employed as at 1 April 2007	(12,706)
Capital employed as at 31 March 2008	(8,920)
Average capital employed	(10,813)
Notional cost of capital @3.5%	(378)

9 Debtors

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Due in one year		
Prepayments and accrued income	627	462
Other debtors	10	30
Represented by external bodies to Government	637	492

10 Creditors: amounts falling due within one year

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Accruals and deferred income	642	632
Represented by bodies external to Government	642	632

11 Provisions for liabilities and charges

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
At 1 April	395	175
Amount used from opening provision	(62)	(146)
Unused amount reversed during the period	(115)	0
Dilapidations based on third party valuations	514	366
	732*	395*

* Represented at beginning and end of year by property dilapidations

Discount rate is not applicable

12 Provisions for pension liabilities

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
At 1 April	13,194	8,373
(Reduction)/addition in provision in period	(4,024)	4,821
	9,170	13,194

A provision has been recognised for pension liabilities.

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

Valuations of the LGPS funds to which the VTS contributes were carried out at March 2007. The actuaries have updated the 2007 valuations to take account of the different assumptions required by FRS 17 and adjusted the results to allow for investment experience and cash flows between 31 March 2007 and 31 March 2008. Other experience, membership movements, salary growth etc for the period is assumed to be in line with the assumptions made in the funding valuations.

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

The financial assumptions used for the purposes of the FRS 17 calculations as at 31 March 2007 and 31 March 2008 are shown in the table below.

Assumptions as at	31 March 2008 % p.a.	Real % p.a.	31 March 2007 % p.a.	Real % p.a.
Price increases	3.6%	–	3.2%	–
Salary increases	5.1%	1.5%	4.7%	1.5%
Pension increases	3.6%	–	3.2%	–
Discount rate*	6.9%	3.2%	5.4%	2.1%

* A real discount rate of 3.2 % was used to determine unfunded liabilities at 31 March 2008.

Salary increases are assumed to be 1.5% more than price increases, in line with the assumption used in the latest formal valuations by the vast majority of the funds. The actuary assumed a rebasing of the results for those funds that did not have a real salary increase assumption of 1.5% p.a. at the 31 March 2007 formal valuation.

Both the service cost and the interest cost over the year to 31 March 2008 have been based on HM Treasury's net discount rate of 3.2% p.a. but using an inflation assumption as at 31 March 2008 to calculate the nominal discount rate (that is a discount rate of 6.9% using market implied inflation of 3.6%). Additionally, the interest cost over the year was based on the liabilities as at 31 March 2007 rebased using a corporate bond related discount rate.

Expected return on assets

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (as at 31 March 2008 for the year to 31 March 2009).

FRS 17 requires that the expected return on assets is to be set by the VTS having taken actuarial advice. The expected returns adopted as at 31 March 2007 and 31 March 2008 are shown in the table below:

Asset class	Expected Return at 31 March 2008 (% per annum)	Expected Return at 31 March 2007 (% per annum)
Equities	7.7%	7.8%
Bonds	5.0%	4.9%
Property	5.7%	5.8%
Cash	4.8%	4.9%

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

Balance sheet disclosure as at 31 March 2008

Assumptions as at	31 March 2008 % p.a.	Real % p.a.	31 March 2007 % p.a.	Real % p.a.
Price increases	3.6%	–	3.2%	–
Salary increases	5.1%	1.5 %	4.7%	1.5%
Pension increases	3.6%	–	3.2%	–
Discount rate	6.9%	3.2%	5.4%	2.1%

Assets (Employer)	Long-term return at 31 March 2008 % p.a.	Assets at 31 March 2008 £'000	Long-term return at 31 March 2007 % p.a.	Assets at 31 March 2007 £'000
Equities	7.7%	19,154	7.8%	21,191
Bonds	5.0%	4,239	4.9%	3,729
Property	5.7%	1,689	5.8%	2,009
Cash	4.8%	986	4.9%	963
Total	7.0%	26,068	7.2%	27,892

Net Pension Asset as at	31 March 2008 £'000	31 March 2007 £'000
Estimated Employer Assets (A)	26,068	27,892
Present Value of Scheme Liabilities ¹	33,795	39,548
Present Value of Unfunded Liabilities ²	1,443	1,538
Total Value of Liabilities (B)	35,238	41,086
Net Pension Liability (A)-(B)	(9,170)	(13,194)

¹ The actuary estimates that this liability comprises of approximately £13,989,000, £3,495,000 and £16,311,000 in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2008. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable for certain Funds where there has been membership movement between active, deferred and pensioner classes. However, the actuary is satisfied that the approach used leads to reasonable estimates for the aggregate liability figure.

² The actuary assumed that all unfunded pensions are payable for the remainder of the member's life. On death of the member, any spouse will receive a pension equal to 50% of the member's pension as at the time of death of the member. The unfunded liabilities as at 31 March 2008 have been valued using a real discount rate of 3.2%.

12a Revenue account costs for the year to 31 March 2008

Analysis of amount charged to Income and Expenditure Account

	Year to 31 March 2008		Year to 31 March 2007	
	£'000	(% of Payroll)	£'000	(% of Payroll)
Service cost	673	21.4%	561	17.2%
Past service costs	–	–	–	–
Curtailment and settlements	108	3.4%	179	5.5%
Decrease in irrecoverable surplus	–	–	–	–
Total operating charge (A)	781	24.8%	740	22.7%

Amount credited to other finance income

	Year to 31 March 2008		Year to 31 March 2007	
	£'000	(% of Payroll)	£'000	(% of Payroll)
Expected return on employer assets	1,979	62.9%	1,744	53.4%
Interest on pension scheme liabilities	(2,209)	(70.2%)	(2,067)	(63.3%)
Net return (B)	(230)	(7.3%)	(323)	(9.9%)
Net revenue account cost (A)-(B)	1,011	32.1%	1,063	32.6%

Movement in (Deficit) during the year

	Year to 31 March 2008 £'000	Year to 31 March 2007 £'000
(Deficit) at beginning of the year	(13,194)	(8,373)
Current service cost	(673)	(561)
Employer contributions	642	663
Contributions in respect of unfunded benefits	97	93
Past service costs	0	0
Impact of settlements and curtailments	(108)	(179)
Net return on assets	(230)	(323)
Actuarial gains /(losses)	4,296	(4,514)
(Deficit) at end of year	(9,170)	(13,194)

12b History of experience gains and losses

	Year to 31 March 2008 £'000	Year to 31 March 2007 £'000
Difference between the expected and actual return on assets	(3,256)	182
Value of assets	26,068	27,892
Percentage of assets	(12.5%)	0.7%
Experience gains /(losses) on liabilities	3,075	268
Total present value of liabilities	35,238	41,086
Percentage of the total present value of liabilities	8.7%	0.7%
Actuarial gains/(losses) recognised in STRGL	4,296	(4,514)
Total present value of liabilities	35,238	41,086
Percentage of the total present value of liabilities	12.2%	(11.0%)

Projected pension expense for the year to 31 March 2009

Analysis of projected amount to be charged to Income and Expenditure Account for the year to 31 March 2009

Projected amount charged to Income and Expenditure Account

	Year to 31 March 2009 £(000)	31 March 2009 (% of Payroll)
Estimated current service cost	500	15.2%
Past service costs	–	–
Curtailement and settlements	–	–
Decrease in irrecoverable surplus	–	–
Total operating charge (A)	500	15.2%

Projected amount credited to other finance income

	Year to 31 March 2009 £(000)	31 March 2009 (% of Payroll)
Expected return on employer assets	1,803	54.7%
Interest on pension scheme liabilities	(2,407)	(73.0%)
Net return (B)	(604)	(18.3%)
Estimated net revenue account cost (A)-(B)	1,104	33.5%

Note: these figures exclude the capitalised cost of any early retirements or augmentations which may occur during 2008-09.

The service cost figures allow for the changes to LGPS benefits which are effective from 1 April 2008. Further, allowance is included for the abolition of the Rule of 85 for service from 1 April 2008, with certain members protected for service to years 2016 and 2020. The actual monetary amount of the service cost on 2008-09 will be based on an updated estimate of pensionable pay for 2008-09 and any further changes appropriate as circumstances change.

13 General reserve

	As at 31 March 2008 £'000	As at 31 March 2007 £'000
Balance at 1 April 2007	(781)	(815)
Net expenditure for year ¹	(10,129)	(10,116)
Grant in aid treated as financing ¹	9,243	9,843
Transfer to pensions reserve	272	307
Balance at 31 March 2008	(1,395)	(781)

¹ The deficit on the Income and Expenditure Account is not fully covered by grant in aid from the Department as a result of timing differences in the accounting for and payment of reorganisation costs. The VTS has made provisions in relation to closure of offices in 2008-09. Grant in aid only reflects the VTS' requirement for cash in any given year. Therefore, the VTS will look to the Department for additional funds to be drawn down through the supplementary estimates funding process in 2008-09 and through 2009-10, as the cash to pay these obligations is required.

14 Capital reserve

	As at 31 March 2008 £'000	As at 31 March 2007 £'000
Balance at 1 April 2007	1,298	918
Capital grant in aid received	500	380
Balance at 31 March 2008	1,798	1,298

15 Revaluation reserve

	As at 31 March 2008 £'000	As at 31 March 2007 £'000
Balance at 1 April 2007	0	(45)
Write back of asset revaluations of prior year – Note 7	0	45
Balance at 31 March 2008	0	0

16 Pension fund reserve

	As at 31 March 2008 £'000	As at 31 March 2007 £'000
Balance at 1 April 2007	(13,194)	(8,373)
Transfer from general fund	(272)	(307)
Movement on pensions ¹	4,296	(4,514)
Balance at 31 March 2008	(9,170)	(13,194)

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

17 Reconciliation of movement in funds

	As at 31 March 2008 £'000	As at 31 March 2007 £'000
Opening balance of Reserves	(12,677)	(8,315)
Movement in funds:		
Operating net expenditure	(10,129)	(10,116)
Capital purchases	221	342
Revaluation of fixed assets	0	45
Movement on pensions	4,575	(4,476)
GIA treated as financing	9,243	9,843
Closing balance of Reserves	(8,767)	(12,677)
Represented by:		
General Reserve	(1,395)	(781)
Capital Reserve	1,798	1,298
Revaluation Reserve	0	0
Pension fund Reserve	(9,170)	(13,194)
Closing balance of Reserves	(8,767)	(12,677)

18 Reconciliation of net expenditure to net cash flow from operating activities

	As at 31 March 2008 £'000	As at 31 March 2007 £'000
Net expenditure before interest	(9,899)	(9,793)
Depreciation charges	257	172
(Increase) in debtors	(145)	(277)
Increase/(decrease) in creditors	10	(154)
Increase in provisions for liabilities and charges	337	220
Grant in aid credited to general reserve	9,243	9,843
Net cash (outflow)/inflow from operating activities	(197)	11

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

	As at 31 March 2008 £'000	As at 31 March 2007 £'000
Cash at bank and in hand at 1 April 2007	29	0
Increase in cash for the year	124	29
Cash at bank and in hand held at:	153	29
HM Paymaster General Account	150	28
Lloyds TSB (imprest accounts)	3	1
Total balance at 31 March 2008	153	29

20 Commitments under non-private finance initiative leases

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
These were annual commitments as at 31 March 2008 to pay rentals under operating lease agreements as follows:		
Land and buildings		
Leases that:		
Expire within 1 year	206	95
Expire after 1 year but no more than 5 years	345	483
Expire after more than 5 years	120	167
	671	745

There were no annual commitments as at 31 March 2008 to pay rental on office equipment under lease agreements.

21 Capital commitments

There were no capital commitments authorised and not contracted for at 31 March 2008.

22 Related party transactions

The VTS is an NDPB sponsored during 2007-08 by the Department for Communities and Local Government (CLG), which is regarded as a related party. During the reporting period the VTS had a number of significant related party transactions. In particular the VTS is dependent on two shared services – IT management service and software development using capacities operated on its behalf by the Valuation Office Agency (VOA) and HM Revenue and Customs; and shared use of SAP accounting software provided by CLG's Finance and Shared Services Division (FSSD).

The values of related party transactions are as follows with:

- » Grant in aid of £9,743,000 was received from CLG, of which £9,243,000 was Revenue;
- » Payments of £791,170 were made to VOA for IT services;
- » Payments of £106,373 were made to FSSD for accounting services; and payments of £158,780 were made to the LGPS Pension Fund representing employers' contributions for the year.

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

23 Contingent liabilities

There were no contingent liabilities identified at 31 March 2008.

24 Financial instruments

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

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

25 Post balance sheet events

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

The authorised date for issue is: 17 July 2008.

Accounts direction

The Valuation Tribunal Service

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

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

- (a) the accounting and disclosure requirements given in Government Accounting and in the Government Financial Reporting Manual issued by the Treasury ('the FReM'), as amended or augmented from time to time;
- (b) any other relevant guidance that the Treasury may issue from time to time;
- (c) any other specific disclosure requirements of the Secretary of State;

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

2. Schedule 1 to this direction gives clarification of the application of the accounting and disclosure requirements of the Companies Act and accounting standards. Additional disclosure requirements of the Secretary of State and further explanation of Treasury requirements are set out in Schedule 2.
3. This direction shall be reproduced as an appendix to the annual accounts.
4. This direction replaces all previously issued directions.

Signed by authority of the Secretary of State



An officer in the Department for Communities and Local Government

28 March 2007



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