The Valuation Tribunal Service

Annual Report and Accounts 2013-14

HC 136

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Chairman's statement

Each year, the production of our Annual Report provides a welcome opportunity to reflect on the past year, and remind ourselves of the highs and lows we encountered. We knew it would be a busy year, with the advent of a new set of appeals on council tax reduction cases from 1 April 2013 and, during the year, a further challenge arose as discussions gathered momentum about the possibility of reforming the processes for non-domestic rating appeals. Those discussions culminated in the Department for Communities and Local Government (DCLG) issuing a consultation document in the autumn, proposing revised processes. Thus, the later part of the year has been heavily focussed on seeking to understand how the Government's policy objectives can best be achieved, and amending our own systems and practices accordingly.

We were also set a challenging target in the Chancellor's Autumn Statement with regard to clearance of appeals, so our staff and the Valuation Tribunal for England members have been actively engaged in supporting the initiatives to achieve this target.

There was no firm decision over the course of the year about the possibility of the Valuation Tribunal Service (VTS) moving to HM Courts and Tribunals Service, so at present we are working on a business as usual basis. This is important because the lease of our offices in Whitechapel expires shortly, so in the later part of the year we have liaised with colleagues in DCLG and the Government Property Unit to find a way to relocate, as our present offices have been sold for redevelopment.

There have also been some changes to the composition of the VTS Board during the year. In an open recruitment exercise by DCLG, John O'Shea has been appointed as Deputy Chairman, and Ronald Barham and Ian Tighe have been appointed for new terms. Margaret May is retiring in 2014 and will be replaced by Robin Evans. Peter Lawton had served for ten years, latterly as Deputy Chairman of the VTS and has now retired from the Board. I take this opportunity to thank all of my Board members, and in particular to pay tribute to Peter, who has made a major commitment to members' training, and has always been ready to be a sounding board for me on a range of issues.

The VTS is fortunate to have some dedicated staff who have been at the forefront of all the changes and developments that have been taking place. I greatly appreciate their commitment and positive attitude, and they can feel proud of what has been achieved over the year. Not only are they participating in refining the thinking about changed non-domestic rating processes, but also seeking ways to further improve how we deliver our current activity, whether that be in achieving greater efficiency or enhancing the support for users of the service.

We look forward to 2014-15 and the delivery of the changes which are in the pipeline, aiming throughout to achieve our vision of giving the fairest and best service we can to those who challenge their local property taxes.

Anne Galbraith CBE
Chairman, Valuation Tribunal Service

Chief Executive's statement

This year's Annual Report represents a significant milestone in our history as it completes ten years of our operation as a statutory non-departmental public body.

The VTS was created on 1 April 2004 and since that time, and at the heart of our development, has been our determination to grow as a service delivery organisation and always to remain at the forefront of what we do.

There is much to be pleased about and take pride in. The ambitions we set out with ten years ago have been realised. To mark this very important milestone in our journey you will find 2004 comparative facts throughout the Annual Report to draw out our achievements over this decade in greater context. I trust that you will find this informative.

As a service delivery organisation we pride ourselves on continuing to find ways of working differently, reviewing systems and processes. Engaging an appropriately skilled workforce remains key to our continued success. We have some huge challenges ahead with Government plans for a reform of business rates and I have every confidence that my staff will rise to such challenges.

Antonio Masella

Chief Executive and Chief Operating Officer
Valuation Tribunal Service

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Our services and what we do

The VTS, sponsored by the Department for Communities and Local Government (DCLG), was created under the Local Government Act 2003 and established as a non-departmental public body on 1 April 2004. The VTS provides financial and administrative direction to and supports the operation of the Valuation Tribunal for England (VTE) by providing the following services:

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

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

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

Our vision is:

giving the fairest and best service we can to those who challenge their local property taxes.

Review of workload

Appeals arise when the Valuation Office Agency (VOA, in the case of business rates or council tax valuation) or the council (in the case of other council tax matters) do not agree with a ratepayer's or council taxpayer's contention and the ratepayer or taxpayer seeks an independent resolution to the matter. For the main types of appeals, the processes are as follows.

Business (non-domestic) rates appeals are forwarded to the VTE by the VOA under a regulatory framework that requires them to transmit any proposals (formal challenges) that they have not resolved after a three-month period. This is an automated process and, owing to the large volume of challenges made, the number of proposals transmitted as appeals is also large. The vast majority of these do not require a hearing but still need to be administered. This appeals process is expected to change from 1 October 2014, when a system similar to that described below for council tax valuation appeals will be implemented for business rates appeals as part of the Government's rating reforms.

Council tax valuation (banding) appeals are made direct to the VTE when the individual has made a proposal to the VOA and the VOA has issued a decision notice with which the appellant disagrees. An appeal must be made within three months of receiving the notice.

Other types of council tax appeals against a council's decision are made direct to the VTE and have to be made within two months of the date of the council's decision. In cases where a council has failed to respond to an individual within this period, the timescale for appealing becomes four months, starting from the date the initial challenge was made by the individual.

Around 174,000 appeals were brought forward in April 2013 and during the year just over 95,000 were received, a significant reduction from the 121,000 received in 2012-13. During the year, almost 155,000 appeals were cleared. Table 1 shows the detail of these figures by appeal type.

During the year under review, 1,305 Tribunal hearings days were held, to which we listed 149,110 appeals, slightly more than last year. To improve the efficiency of the listing process, we previously counted as meaningful hearing days those lists that resulted in two or more full hearings. For 2012-13, 72% of lists resulted in two or more decisions and in 2013-14 this increased to 76%. But this measure took no account of any lengthy hearing of a single case, and so the criterion was changed to count those lists whose business finished after 3pm on day one of the hearing. In 2012-13 this was 38% of all lists; in 2013-14 this improved to 48%.

A key service standard commitment for VTS staff is to issue to the parties a VTE panel's reasoned account of its decision (in a contested case) within one month of the hearing date. Our tribunal user surveys continue to highlight that early receipt of the decision is important to them. In 2012-13, 90% of such decisions were sent to the parties within one month. This year's figure is 83% of the decisions issued, meeting the target for the year. The target was reduced by 7% from the previous year in the light of a review of 2012-13 performance outputs and factoring in the impact on professional staff resources of the introduction of CTR appeals and increased pressure on rating appeals listings.

Table 1

Appeal groups	Brought forward	Received	Cleared	Carried forward
Council tax Completion Notice	100	350	260	190
Council tax Penalty Notice	–	10	10	–
Council tax liability	540	1,000	980	560
Council tax reduction*	–	660	320	340
Council tax notice of invalidity	290	190	410	70
Council tax valuation	1,250	2,500	2,270	1,480
Non-domestic Completion Notice	170	250	170	250
Non-domestic Penalty Notice	–	–	–	–
Non-domestic Transitional Certificate	210	210	190	230
Non-domestic rating list 1990	–	–	–	–
Non-domestic rating list 1995	–	–	–	–
Non-domestic rating list 2000	90	–	50	40
Non-domestic rating list 2005	18,700	100	13,000	5,700
Non-domestic rating list 2010	151,600	90,200	136,300	105,500
Non-domestic rating notice of invalidity 1995	–	–	–	–
Non-domestic rating notice of invalidity 2000	–	–	–	–
Non-domestic rating notice of invalidity 2005	390	–	120	270
Non-domestic rating notice of invalidity 2010	740	220	710	250
Totals	**174,080**	**95,690**	**154,800**	**114,870**

Note: Figures are rounded to the nearest 10, except for non-domestic rates appeals against the 2005 and 2010 lists, which have been rounded to the nearest 100. Some 'Brought forward' figures differ slightly from the 'Carried forward' figures reported last year due to this rounding, added to the fact that the statistics are based on a 'snapshot' of data at a fixed point in time. This can change over the course of a day, on account of reinstatements or clearances of appeals.

* The number of council tax reduction (CTR) appeals received following the introduction of the new workstream on 1 April 2013 was much lower than the anticipated 14,000, on which assumptions were based. The IT investment had a wider benefit to other appeal types and it is our intention to expand this technology further to provide a document management system to handle all paper coming into our offices.

In 2004-05 three times as many hearing days were held as in 2013-14. But only 13% of those lists included two or more fully heard cases. In 2013-14 this increased to 76%.

76%

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In 2004-05, 70% of decisions were issued within one month of the hearing. This year's figure is 83%.

83%

For appeals against the 2010 rating list, a VTE Practice Statement requires statements of case to be exchanged before the hearing and sent to the Tribunal. During the year, we received almost 50,000 statements of case from appellants and the VOA, compared with 34,000 last year, yet only about 1,600 of these appeals ultimately required a VTE determination. The proposed changes to the appeal system for business rates from 1 October 2014 should result in fewer appeals and lighten this administrative burden.

Achievement of objectives and key performance indicators

In our Business Plan for 2013-14 we said that,

"Working in close partnership, the VTS and VTE will provide a united focus on improving consistency, developing judicial expertise, enhancing the user experience, communicating with and listening to our stakeholders and delivering exceptional value for money."

As the data below show, some progress was achieved towards these aims. Of 23 strategic objectives derived from the Business Plan for 2013-14, 17 were achieved fully. Five objectives were achieved only in part and progress on one relating to implementing lean processes into finance was delayed; work will continue on these in the coming year.

In the longer term objectives in the Corporate Plan, we referred to investigating the introduction of an 'Appeals Direct' process for non-domestic rating appeals, a long-held aim of the VTS Board. During 2013, this idea gathered momentum, culminating in the announcement of a reform to the non-domestic rates appeals system, in the Chancellor's Autumn Statement on 5 December 2013, and the simultaneous publication of a DCLG consultation document, *Checking and challenging your rateable value*. The Government's response to that consultation exercise is awaited. However, the VTS is working towards an expected implementation date of 1 October 2014 for the new system.

The other external factor which influenced our work was the additional announcement in the Chancellor's Autumn Statement that 95% of the non-domestic rating appeals that awaited resolution on 30 September 2013 were to be cleared by July 2015. This was unanticipated in April 2013 and the target has led to pressure for an increase in numbers of rating appeals listed for hearing, with the period since the announcement seeing over 40,000 listed appeals. Both these events have unfortunately impacted on our performance against certain of the key performance indicators shown on page 11.

There were other developments during the year that had to be addressed and fitted in with working towards our planned objectives. These included engaging in a financial capability review of DCLG's ALBs and considering the recommendations from it, changing the financial coding structure and processes, and scoping the requirements for a replacement for the accounting package currently used under a shared service arrangement with DCLG.

The VTS Business Plan and Corporate Plan for each year can be found on our website, www.valuationtribunal.gov.uk.

Below are a few highlights of our achievements in 2013-14.

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

What we did

- We successfully introduced an IT system and processes for administering the forecast number council tax reduction (CTR) appeals
- We developed, arranged and delivered training to VTE members on CTR issues
- We developed new links with First-tier Tribunal judges sitting as VTE members to hear CTR appeals
- We attended and contributed to outcomes at meetings of the Valuation Tribunal User Group

Strategic Priority 2 – We will continue to improve the way we work and the quality and consistency of our service

What we did

- We commissioned independent surveys of appellants to gauge their experience, followed up their concerns and provided feedback to frontline staff
- We worked with the VTE President on revisions to Practice Statements
- We continued to ensure that decisions are issued within a reasonable timeframe expected by the parties
- We continued to develop ways of improving our response times to phone calls, letters and email

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

What we did

- Through discussions with DCLG, we agreed to a new Framework Document that replaced the out of date 2004 Financial Memorandum and Management Statement
- We reviewed the occupational health arrangements, using two different providers with complementary strengths to serve the VTS's needs more appropriately
- We created a single Office Manager role that will provide consistency in administrative approaches within the two offices
- We have begun to apply lean thinking and processes to the handling of expense claims
- We successfully negotiated a 25% reduction in rent and service charges on a lease renewal for our London (Whitechapel) office without any detriment to operational activity
- We reviewed staffing complements and roles to ensure effective service delivery

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

What we did

- We recognised staff with 25 years' continuous service with Long Service Awards
- We supported staff in qualification learning to enhance their skill set across a broad range of subject areas
- We delivered in house training to all staff on information security
- We continued to provide faculty programmes for professional staff
- We arranged finance training for non-finance managers and training on customer relationship management for professional staff
- We supported our small cohort of Prince 2 Practitioners in their re-registration

Key performance indicators (KPIs)

In our Business Plan we set ourselves a number of KPIs from all aspects of the business. These were selected as being important for us as a service delivery organisation and derived from stakeholder expectations and requirements made known, for example, in responses to our tribunal user surveys. What we achieved against what we set out to achieve is shown in Table 2 and compared to performance in the previous year. The KPIs set for 2014-15 have been framed as a result of discussions about performance in 2013-14.

Table 2

Performance indicator	2013-14 target	2013-14 performance		2012-13 performance
Overall satisfaction level of tribunal users who have attended a hearing	Improve on the previous year	*Not achieved.* – all those surveyed	**59%**	63%
		– successful appellants	**77%**	83%
		– unsuccessful appellants	**49%**	52%
Tribunal decisions issued within a month of the hearing date	83%	*Achieved.* Target reduced from the previous year following a review of 2012-13 outputs and factoring in the impact on resources of new CTR work and increased pressure on rating appeal listings.	**83%**	90%
List council tax banding and liability appeals to a hearing date within five months of receipt	85%	*Achieved and exceeded.*	**93%**	77%
Provide at least six weeks' notice of hearing on council tax reduction appeals	80%	*Achieved and exceeded.*	**83%**	– new
Invoices are paid within five days of receipt	85%	*Achieved and exceeded.*	**91%**	92%
Overall sickness absence per employee below public sector average	below 7.9 days	*Not achieved.* Excluding long term sickness the figure would be 4.8 days.	**8.5 days**	7.2 days
Staff receiving two or more days' training	88%	*Not achieved.* Although an average of 4.2 days' training per staff member was undertaken and all staff received some training.	**75%**	95%
Number of days' training offered per VTE member	1 day	*Achieved and exceeded.*	**2 days**	2.6 days
Reduced central administration costs (by using shared services where possible)	2%	*Achieved and exceeded.*	**6%**	4%

Customer survey

We commission monthly surveys of appellants who have attended a hearing in the preceding month. This is important as it provides us with feedback and, where necessary, allows us to respond quickly with improvement initiatives. Last year, around 25 telephone interviews were conducted each month.

Looking at overall satisfaction levels (where the VTS scores 8, 9 or 10 out of 10), these averaged 59% during 2013. This is down on the previous year (63%) though not by a statistically significant amount. We attribute this to the fact that a focus on non-domestic rating appeals led to council tax appellants (the most numerous set interviewed for the survey) in some cases waiting longer for their appeal to be heard than they expected. We corrected this situation as soon as we could, and overall satisfaction again rose in the first three months of 2014 to 75%.

We also commissioned in-depth qualitative research with a small number of appellants who were at different stages of the appeal process with their council tax liability appeals and the appeals caseworkers in the local authorities. This has given us valuable, additional insight into how the process and our communications with tribunal users are perceived. We have an action plan based on the recommendations that arose from the findings.

Forward look

The details of the new procedure for challenging business rates are as yet uncertain, as legislation is not in place at the time of compiling this report. Whether this reform achieves the Government's aims for the appeals system depends on how the parties to appeals are required to act and how far they comply with the requirements. These factors will impact on us as it will affect the numbers of appeals we receive.

In readiness for the expected implementation date of 1 October 2014 we are exploring developing our online appeal facility, the appeals database and document management system to support the new processes for business rates appeals. We will also devise new interfaces for communicating with the VOA and rating agents. The IT solution that we are developing is designed as far as possible to be 'portable', so that we may move away from the current appeals database when appropriate without affecting how this works.

The VTS is a beneficiary of an IT contract between HMRC and Aspire, through the VOA. That contract ends in April 2017 giving the VTS the opportunity to have a separate, more proportionate arrangement in place, which will also underline our independence. We commissioned a feasibility study on options for a stand-alone IT system divorced from the HMRC/VOA platform and contract which will report in 2014 so that preparatory work can begin.

In addition, from 1 April 2015, the finance package used under a shared service agreement with DCLG will no longer be available to the VTS. A scoping exercise has been carried out and services and suppliers are being investigated for a replacement.

For 2014-15, funds are reduced further by 2.6% although the total allocation will reflect the sponsoring Department's new funding requirement of separating core activity from annually managed expenditure. As in 2013-14, the VTS will be required to 'bid' for capital funds.

Our aims for the future are challenging and include:

- Removing the VTS's dependence on its current IT partners with a view to achieving increased control, better value, heightened perception of independence and more timely solutions.
- Maximising readiness for the 2017 non-domestic rating re-valuation, learning from the experience of the reformed processes in operation from October 2014.
- Reviewing processes in place to ensure that they continue to meet business needs and support potential reforms, and implement appropriate enhancements to strengthen our reputation with stakeholders.
- Building lean process in all that we do, so that the processes supporting our business remain smart.
- Delivering a replacement for our accounting software package.
- Succession planning.

Our people and places

Staff

The VTS has been subject to moratoria on recruitment. During the year our staff headcount increased to 85 from 74 reported last year, with an average across the year of 85.1. This figure was 7.5% below our lean complement of 92 full-time equivalent posts. Any vacancies that have arisen during the year were because of staff turnover. We shall be recruiting to these vacant positions through 2014-15 to ensure that we meet the service delivery challenges presented in bringing in the new system for non-domestic rating appeals and for achieving the commitment in the Chancellor's Autumn Statement to clear 95% of the backlog of rating appeals by July 2015.

During Spring 2013 we received approval to recruit staff in preparation for administering the new jurisdiction of council tax reduction appeals. As this work has now been fully absorbed within normal business, these staff have been integrated to support the other appeal types we deal with, and especially to service the increased listing of non-domestic rating appeals.

We continue to operate from two administrative hubs, Doncaster and London (Whitechapel). Staff in each of these offices administer and case manage appeals from receipt to listing. Our Head Office is integrated within the Whitechapel office, which is due to relocate in this financial year as the current lease comes to an end.

We also have a group of home-based staff who work peripatetically, advising hearing panels on rating and council tax practice and procedure. We have recently augmented this team to bolster our ability to service appeal hearings throughout England. We rebalanced our requirements between office-based

On 1 April 2004, we had 148 staff in 24 offices.

85

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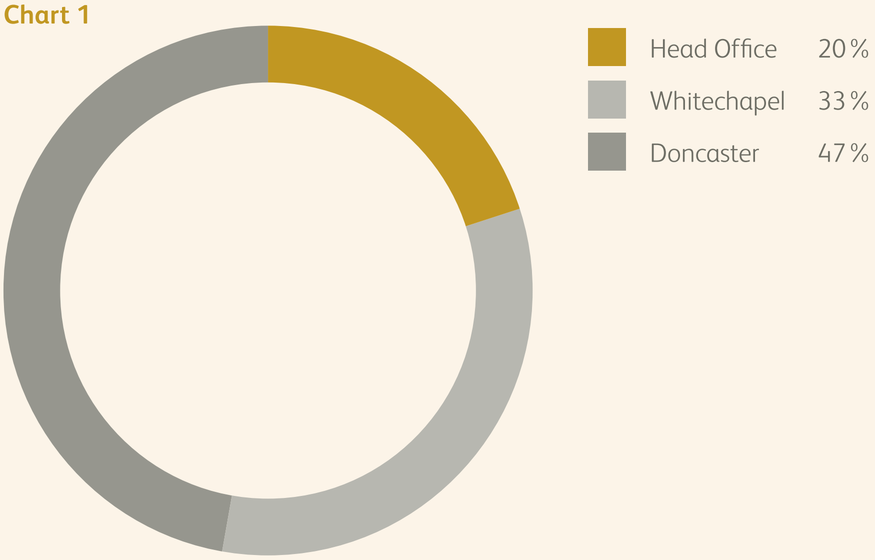
In 2004-05, sickness absence averaged 11 days per member of staff.

8.5

and home-based staff and successfully recruited internally for staff to take on these roles.

Chart 1 shows the distribution of headcount (as percentages of the total) at 31 March 2014. This includes our 19 home-based staff who have an allocated office for management purposes.

Chart 1



Five people left our employment during the year, four resigned and one was dismissed.

The representation of ethnic minorities within the workforce at the end of the year had reduced to 12.9% from 16.2% in 2012-13.

The average age of our staff increased slightly from 45.8 to 46.3 years, but the average length of service fell from 12.5 years in 2012-13 to 11.6 years in 2013-14. At 31 March 2014, 47 of the staff were females and 38 males.

The VTS inherited pension liabilities in a number of local government pension scheme funds. As at 31 March 2014, 88.2% (77) of our current employees were members of the Local Government Pension Scheme with the majority in the scheme administered by the London Pensions Fund Authority. We are working closely with our sponsoring Department to consider cost-effective approaches for potentially rationalising the number of administering funds we deal with.

During the year, 723 days' staff sickness absence were recorded, an average of 8.5 days per person compared with 7.2 days in 2012-13. This increase was largely because of long-term (20 or more consecutive working days) sickness during the year. In a relatively small organisation such as the VTS, average sickness levels can fluctuate quite markedly and one long-term sickness case can distort the overall figures significantly. Excluding absence associated with long-term sickness, the average sickness rate per employee was 4.8 days per year.

The absenteeism rate due to sickness was 3.4% (3.3% in 2012-13), compared to an overall UK rate of 3.8% and a public services sector rate of 4.0% (*CIPD Absence Management: Annual Survey Report*).

Developing our staff continues to be a key priority and we encourage and support continuing professional development (CPD). A minimum of 20 hours CPD is a requirement for all our professional staff and we currently have ten staff undertaking qualification study, of whom four were successful in examinations during the year. Two staff members completed their IRRV Level 3 qualification in the year.

We provided 335.25 days of training to our staff, an average of 4.2 days per staff member. Overall, 100% of our staff received training in the financial year.

The 2013-14 training programme concentrated on organisational responsibilities such as Health and Safety and Customer Relationship Management. Current Prince 2 practitioners were required to renew their qualification this year thereby making them practitioners for a further five years. A comprehensive training programme was developed with a finance theme. All finance staff have received training in current financial legislation and the new ways of working, and budget holders received further training around the management of day to day budgets.

Valuation Tribunal for England (VTE) members

The VTE is headed by a President, Professor Graham Zellick CBE QC, appointed by the Lord Chancellor. The President and currently three Vice-Presidents provide judicial leadership and guidance to a voluntary membership.

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

On 1 April 2004 there were 1,211 members of the 56 valuation tribunals that were replaced by the VTE in 2009.

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Through recycling, we saved 188 trees from destruction.

188

recycle

As at 31 March 2014, there were 248 chairmen and members (excluding the President), representing a 18% reduction from last year's closing figure. This reduction was due to members reaching the statutory retirement age (72 years) and resignations for personal reasons. We are currently exploring a member recruitment process with the sponsoring Department. The equality breakdown remained consistent, with 19% being female and 7% being from ethnic minority groups. The percentage recorded as having a disability rose from 8.4% to 8.8%.

The members' training and development programme for 2013-14 continued to be delivered regionally; we increased significantly the notice period and gave options to transfer to more convenient dates to enable more members to attend. In addition to the planned programme, a further two events for chairmen were rolled out, one in London and one in Manchester. In all, 497 days' training were delivered, equivalent to two days per member, so exceeding our performance target to deliver one day's training a year per member.

The estate

Our estate footprint has reduced significantly since the VTS was first established in 2004. We continue to operate from two administrative centres, London (Whitechapel) and Doncaster, both of which provide offices and in-house hearing rooms.

We now occupy 20% of the space we had when the VTS came into being in 2004. Chart 2 shows how the estate has decreased since 2004.

Corporate Social Responsibility

Environment

The VTS is exempt from the requirement to report on sustainability; nevertheless it acknowledges its responsibility to have sound environmental practices and supports the Greening Government targets on carbon emissions.

The VTS operates a recycling programme and during the year, through recycling, has saved 188 trees from destruction.

Human rights, equality and diversity

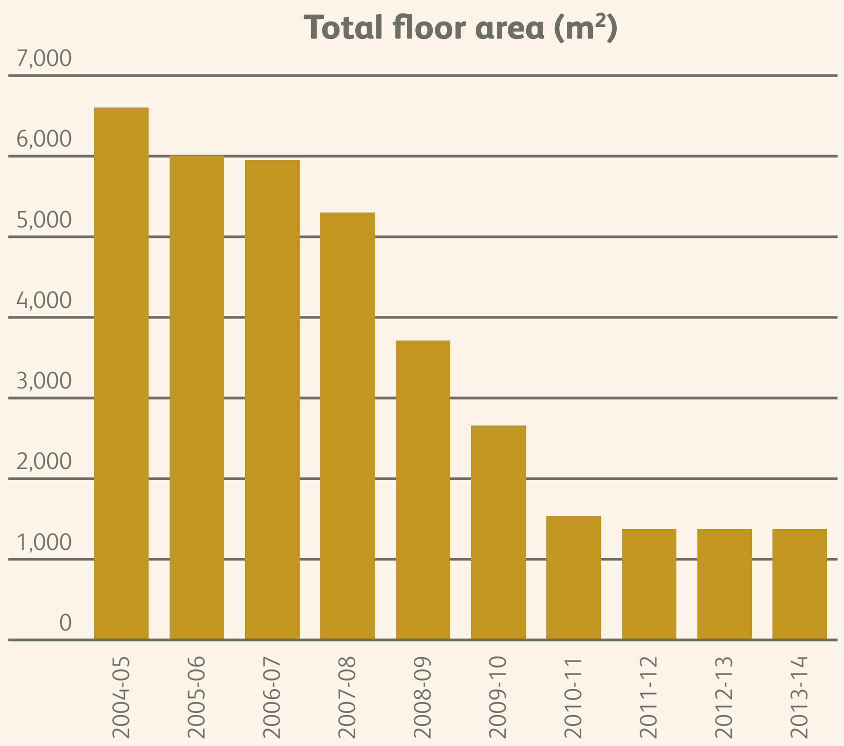
We review regularly our policies relating to equality and diversity to ensure that we continue to meet our statutory obligations under the Equality Act 2010.

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

In 2004-05 we occupied five times the space that we now occupy.

5x

Chart 2



We continue to offer to translate our guidance booklets into commonly used languages in the UK (Arabic, Bengali, Chinese, Gujarati, Polish, Punjabi and Urdu). During the year, we received no requests for translations but we arranged 18 interpreters for appellants attending hearings (for Albanian, Arabic, Bengali, Cantonese, Gujarati, Hindi, Kurdish, Lingala, Mandarin, Polish, Punjabi, Romanian and Urdu speakers).

Guidance leaflets and VTE decision documents can also be made available in Braille and large print. Audio versions of the guidance booklets are available to download from our website. For council tax reduction appeals, 'easy-read', pictorial versions of the guidance are available. Signers and other communication assistance are provided on request to enable hearing-impaired appellants to participate fully when attending a hearing; two signers were provided during the year.

We ensure that as far as possible our offices and hearing venues comply with the access requirements of the Equality Act 2010. If necessary, hearings may be arranged in especially suitable venues or the appellant's own home.

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

Health and safety

As part of our ongoing commitment to preserve health, safety and wellbeing of staff, VTE members and others lawfully on our premises, we have reviewed our health and safety policies.

During the year, there were four recorded accidents of a minor nature; none resulted in any absence from work.

Complaints

The VTS maintains a register of all complaints received. Our Customer Charter and Complaints Policy document was revised during the year and is published on the VTS website. This is issued to anyone expressing dissatisfaction with the service they receive from the administration.

During the year, 28 complaints about the administration were registered (compared to 31 in 2012-13). One complaint was referred to the Chief Executive for investigation for maladministration (one in 2012-13); maladministration was not found. No complaints about the VTS were reported as having been referred to the Parliamentary and Health Services Ombudsman for investigation.

The Data Protection Act 1998 and Freedom of Information Act 2000

During the year, the VTS received and responded to 36 requests made under these Acts, (25 in 2012-13). Two internal reviews were carried out; no case was referred to the Information Commissioner for investigation.

Antonio Masella

Accounting Officer
Valuation Tribunal Service

18 June 2014

Directors' report

Directors and the Board

VTS Chairman – Anne Galbraith CBE

VTS Chief Executive & Chief Operating Officer and Accounting Officer – Antonio Masella MRICS MCIOB FIRRV FFA FCMI

In 2013-14 the Board comprised:

- Deputy Chairman, Peter J Lawton
- Dr Ronald Barham
- Margaret May
- John O'Shea
- Ian Tighe
- Professor Graham Zellick CBE, QC (VTE President), an *ex officio* Member of the Board.

A register of Board Member interests is maintained, reviewed annually and made available for inspection at the Chief Executive's Office on request.

Data security and information risk

The VTS met Cabinet Office requirements in reporting on the management of protective security risk, by returning the 2013-14 Security Risk Management Overview to the sponsoring Department on 4 April 2014. In doing so, the VTS supported its own security risk management processes including receipt of confirmations from delivery partners on their protective security risk measures as relevant to the VTS.

In September 2013 the VTS achieved certification for another twelve months to its public service network (PSN Code of Connection) and in February 2014 had its risk management and accreditation documents accredited by an external CLAS consultant.

Further training on the VTS's Information Security System and specific focus on some legislative aspects from the Data Protection Officer, ensured that all staff continued to participate in a culture that values, protects and uses information for the public good.

The VTS's Senior Information Risk Owner was able to provide the necessary assurances to the Accounting Officer, VTS Board and the Audit Committee on information security and confirm also the processes in place to uphold the Board's Information Security Policy. There were no reports of risk-related incidents in 2013-14.

Sickness absence data

This information is included in the Strategic Report at page 14.

Financial review

The VTS continued to exercise tight control over all budgets and any discretionary spending throughout the financial year. Successive Spending Reviews have reduced VTS funding year on year, with the 2013-14 funding allocation reduced by 4.6% on the previous year. In times of austerity and Government imposed spending constraints, the VTS continues to maintain rigorous tracking of budgets.

Continued control over administrative costs was exercised to release funds to deliver front line core services and significant revenue funding had to be transferred to capital investment in new rating appeals software development.

Our sponsoring Department confirmed late in the financial year a change in the process for accounting for funding. This meant the VTS adopting a different financial reporting method and code structures for 2014-15 whilst ensuring that year end closure was consistent with prescribed DCLG accounting practices.

Funding

We managed our overall expenditure within our grant in aid. In March 2014, DCLG provided an additional £704,000 to assist with reducing a large number of pension deficits arising from the March 2013 triennial valuation. The Statement of Cash Flows, as set out on page 42, which analyses net cash flow from operating activities, identifies cash spent on capital expenditure and shows grant in aid drawn down to finance our activities.

Asset management

We aim to ensure that the fixed assets we need to enable us to meet business objectives are available at the lowest possible acquisition and annual cost.

Outturn 2013-14

Net expenditure per the Statement of Comprehensive Net Expenditure for the year, shown on page 40, shows £7,233,000 on ordinary activities (£7,297,000 in 2012-13 as restated). Adjusted for pensions, the total expenditure decreases to £4,165,000 (£9,167,000 in 2012-13).

Financial summary

Expenditure for the financial year to 31 March 2014 was £8,051,000. This was below the revised budget of £9,168,000. The actuarial gain on pension schemes was £3,915,000 (actuarial loss was £1,292,000 in 2012-13). Excluding the effect of pension movements, our expenditure was contained within funding limits. We continue to pay the cost of local government pension schemes' benefits accruing over the financial year out of revenue funding. We also make contributions to pension deficits arising under IAS 19 with the assistance of additional grant in aid from the sponsoring Department. Total grant in aid received from the sponsor Department in 2013-14 was £8,037,028.

Day to day responsibility for financial management of activities lies with our Strategic Management Group (SMG). In accordance with governance procedures, the SMG and the Board's Finance Committee conducted close monitoring of all financial activities.

Non-current assets

The total net book value of the non-current assets at 31 March 2014 was £999,000. The movements in non-current assets for the year are set out in Notes 5 and 6 to the financial statements. There were no costs incurred on research and development during the 12 months ended 31 March 2014. The additions to non-current assets are shown in Notes 5 and 6 comprising property, plant and equipment assets and intangible assets.

In December 2013, the lease for the London (Whitechapel) office was renewed until 24 December 2014 and the search for new leased premises continued through year end. Commitments at the Statement of Financial Position date for lease agreements in force at both the Doncaster and London (Whitechapel) offices due to be paid are shown in Note 13.

In 2004-05,
the VTS's net operating cost
was £10,793,000.

£10.793m

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Pension liabilities

For the purposes of IAS 19, pension scheme liabilities of £16,753,000 have been recognised in the Statement of Financial Position. The net movement in liability from the restated accounts for 2012-13 decreased by £4,078,000. Pension entries in the Accounts represent non-cash items and are treated as annually managed expenditure by DCLG.

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 2014 there were no material financial liabilities other than those shown in these Accounts. Accounting for IAS 19 pension liabilities is dependent on the annual valuations of pension funds administered outside the control of the VTS for which valuations are returned for the schemes by actuarial reports at the year end. Note 1.9 provides further explanation of our accounting for pension liabilities.

For the March 2013 triennial valuation, all the Local Government Pension Schemes (LGPS) were actuarially revalued resulting in increased employers' contributions from 1 April 2014. The VTS will continue to mitigate any pension liability during 2014-15 where funds allow.

The VTS is a non-departmental public body, sponsored by DCLG. As such, there is no risk that it will default on its LGPS contribution payments in any way and the pension fund obligations are fully accounted for and protected at all times.

Events since the end of the financial year

At the end of the financial year pension fund deficit liabilities came to light which were not included in the actuarial valuation for 2012-13. The circumstances and the treatment of these is described later in this report.

Payments to suppliers

The VTS upholds the Government's five-day prompt payment target for suppliers' invoices and achieved 91% within the target cycle. There were no invoices in dispute at the year end nor was any intimation received of late charges on any invoice. In compliance with the Government's transparency agenda, the VTS continues to publish on its website and on DCLG's data.gov website, monthly spend data above a threshold of £250.

Going concern

The Statement of Financial Position shows net liabilities of £15,874,000. This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the VTS's other sources of income, may only be met by future grants or grant in aid from the sponsoring Department. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

The grant in aid for 2014-15 recognises the amounts required to meet our operational costs and liabilities falling due in that year. Funding for 2014-15 has been confirmed by the Department and therefore these financial statements have been prepared on the basis that we are a going concern, subject to the outcome of the Government's proposals following the Public Bodies Act 2011 to abolish the VTS and transfer its functions to HMCTS.

Auditors

The Accounts of the VTS are audited by the Comptroller and Auditor General under the Local Government Act 2003. Moore Stephens were the internal auditors through 2013-14, their contract expiring on 31 March 2014. Mazars were appointed our new internal auditors from 1 April 2014.

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

Antonio Masella
Accounting Officer
Valuation Tribunal Service
18 June 2014

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Remuneration report

Board members' emoluments and expenses

The remuneration of the Chairman is determined by the Secretary of State. Five other Board members, also appointed by the Secretary of State, are eligible to receive an annual fee which is non-pensionable and which is based on the fixed number of days in attendance at Board and other Board approved meetings. All member posts are non-executive and all members' emoluments are non-pensionable. The VTE President is an *ex officio* member of the Board and is in receipt of a salary based on three days per week.

Senior executives

The salary of the Chief Executive is reviewed annually and may be increased by the Board in line with guidance provided from the sponsoring Department. For the year commencing 1 April 2013, a 1% pay award was granted to staff, approved by the sponsoring Department, in line with the recommendation by the Local Government National and (Provincial) Employers and Trade Unions.

Proportion of remuneration subject to performance

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

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

The Committee considered that the performance of the Chief Executive in 2012-13 merited a full performance related payment, and in normal circumstances would have made this recommendation to the Board. However, the Chief Executive declined any award.

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

In reviewing terms of appointment at 31 March 2014, the Secretary of State has extended the Chairman's term of office for a sixth term to 31 October 2016.

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

Audited information

The information below on fees, emoluments and pensions for non-executive Members of the VTS Board and the Directors, together with the disclosure of the ratio of the remuneration of the highest paid Director and median remuneration in the accompanying pages, is audited.

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

Single total figure of remuneration

	Salary (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100)		Pension benefits** (to nearest £'000)		Total (£'000)	
Board	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Anne Galbraith*	65-69	65-69	–	–	–	–	–	–	65-69	65-69
Peter Lawton	5-9	5-9	–	–	–	–	–	–	5-9	5-9
Ronald Barham	5-9	5-9	–	–	–	–	–	–	5-9	5-9
Margaret May	5-9	5-9	–	–	–	–	–	–	5-9	5-9
John O'Shea	5-9	5-9	–	–	–	–	–	–	5-9	5-9
Ian Tighe	5-9	5-9	–	–	–	–	–	–	5-9	5-9
Graham Zellick*	75-79	75-79	–	–	–	–	22	22	100-104	100-104

* The Chairman's and Professor Zellick's remuneration are inclusive of £7,148 and £8,176 respectively for employer's national insurance contributions paid in each financial year.

** VTE President, £22,428 (2013: £22,000) pension is a payment to the Judicial Pension Scheme, not administered by the VTS. The President is appointed by the Lord Chancellor and paid by the VTS. He is neither an employee of the VTS nor accountable to it; he is an *ex officio* Member of the Board.

Fees and emoluments for the VTS Executive:

Single total figure of remuneration

	Salary (£'000)		Bonus payments* (£'000)		Benefits in kind (to nearest £100)		Pension benefits[1] (to nearest £'000)		Total (£'000)	
Directors	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Antonio Masella Chief Executive	85-89	85-89	9	8	–	–	13	–	110-114	95-99
Alan Begg Finance Director	65-69	65-69	–	4	–	–	22	30	85-89	95-99

* In past years it was the practice to show bonus payments in the year in which they were paid, rather than the year in which they were due. The table above reflects bonuses for the Directors paid in 2012-13. The CEO declined any bonus in respect of 2012-13. From 2013-14 onwards, this treatment changes and the table shows an accrual for a bonus in 2013-14.

1 See Pension benefits table overleaf.

Pension benefits

Directors	Accrued pension at age 65 as at 31 March 2014 and related lump sum (to nearest £'000)	Real increase in pension and related lump sum at pension age (to nearest £'000)	CETV at 31 March 2014 (to nearest £'000)	CETV at 31 March 2013 (to nearest £'000)	Real increase in CETV (to nearest £'000)
Antonio Masella Chief Executive	39 plus lump sum of 89	1 plus lump sum of 0	582	599	–
Alan Begg* Finance Director	23 plus lump sum of 42	2 plus lump sum of 3	438	413	–

Note: Inflation is based on 2.2% CPI inflation over the year to September 2012 and allows for contribution paid over the period.

* Contributions include AVC payments used to purchase additional service and are allowed for in the calculations.

The normal retirement age is 65 (which is the earliest date a member can take full benefits without consent or reduction).

The VTS complies with Schedule 8 of the Regulations 2013 as applicable to disclosures of Directors' Remuneration which changes the method of calculating the additional value achieved during the year and dispenses with cash equivalent transfer values. The increased value of a Director's annual pension entitlement from the London Pensions Fund Authority is now estimated by multiplying the increase in pension (net of inflation) by twenty and the accrual is measured over the VTS's financial year, rather than the scheme's pension input period. The pension figures relate to the benefits that the member has accrued as a consequence of total membership of the pension scheme, not just service in a senior capacity to which the disclosure applies.

In the table above, the new Regulation (Para 13) requires disclosure of each Director's accrued benefits at the end of the accounting period, at normal retirement age, and any additional benefit entitlement on early retirement. This change has required restatement of the disclosures at 31 March 2013. As pensionable earnings have not increased in the year, the accrued benefit has reduced in real terms over the year but with length of service, in aggregate, additional service has outweighed the reduction (in real terms) of benefits already accrued.

The banded remuneration of the highest paid Director in the VTS in the financial year 2013-14 was £95,000-£99,999. (2012-13: £95,000-£99,999). This was 3.0 times (2012-13: 2.7 times) the median remuneration of the workforce, which was £33,128 (2012-13: £35,053). In 2013-14, as for the previous year, no employees received remuneration in excess of the highest paid Director. Remuneration ranged from £17,000 to £99,000 (2012-13; £17,000 to £97,000).

Total remuneration includes salary, non-consolidated performance related pay, benefits in kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value pensions.

In March 2014, and following approval from the sponsoring Department, the 1% agreed pay award was implemented across all grades of staff.

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce.

Ratio of top to median staff pay as at 31 March 2014	Ratio of top to median staff pay as at 31 March 2013
Remuneration band of highest paid Director (£) **95,000-99,999**	Remuneration band of highest paid Director (£) **95,000-99,999**
Median total remuneration (£) **33,128**	Median total remuneration (£) **35,053**
Ratio **3.0**	Ratio **2.7**

Unaudited information

The number of staff, including the Chief Executive, whose annual rate of remuneration as at 31 March 2014 exceeded £40,000 (excluding pension contributions and performance related pay but including any London weighting) was 15. There were no benefits in kind.

Remuneration band	Period ended 31 March 2014 Number of staff
£40,000 to £44,999	2
£45,000 to £49,999	6
£50,000 to £54,999	2
£55,000 to £59,999	3
£60,000 to £64,999	–
£65,000 to £69,999	1
£70,000 to £74,999	–
£75,000 to £79,999	–
£80,000 to £84,999	–
£85,000 to £89,999	–
£90,000 to £94,999	–
£95,000 to £99,999	1

Antonio Masella

Chief Executive and Accounting Officer
Valuation Tribunal Service

18 June 2014

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

Under the Local Government Act 2003, the Board and the Chief Executive of the VTS are required to prepare a Statement of Accounts for each financial year, in the form and on the basis set out in the Accounts Direction. The Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the VTS and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing these Accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by the Secretary of State, in accordance with the Local Government Act 2003, 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 as set out in the *Government Financial Reporting Manual* have been followed and disclose and explain any material departures in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the VTS will continue in operation.

The Permanent Secretary of the Department for Local Government and Communities has appointed Antonio Masella, Chief Executive, as Accounting Officer of the VTS. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the VTS's assets, are set out in *Managing Public Money* published by HM Treasury.

Governance statement

Scope of responsibility

As Chief Executive of and Accounting Officer for the VTS I am fully responsible for the day to day management of the VTS and for having in place effective systems of governance, risk management and internal control. I also have responsibility for safeguarding the public funds and the organisation's assets, for which I am personally responsible in accordance with HM Treasury's *Managing Public Money*.

I share responsibility with the Board for complying with the Framework Document that was drawn up jointly with DCLG on 12 September 2013. This sets out the broad framework within which the VTS and the sponsoring Department intend to operate and, in particular, how the VTS provides the necessary assurances on the adequacy, effectiveness and efficiency, control and governance of systems and processes.

Whilst I have responsibility for the overall organisation, management and staffing of the VTS, for the formulation of strategy for the Board and for the successful delivery of results, I have no role in the make-up of the membership of the VTE other than to provide within the VTS budget for:

- the staff costs of the VTE President
- daily fees payable within the financial year to the Vice-Presidents based on the VTE President's expectations of them
- reasonable costs associated with the appropriate training of VTE members
- reimbursement of expenses to VTE members incurred whilst on approved duty in accordance with the Secretary of State's 2010 Determination Order.

Nor do I have any role in the management, appraisal or discipline of VTE members, nor the judicial processes of the VTE. These responsibilities lie with the President, although the financial impact of such matters lies firmly with the VTS.

The Government announced in October 2010 its proposal that the VTS was to be abolished (the VTS is included in the schedules to the Public Bodies Act 2011) with its functions transferred to HM Court and Tribunals Service (HMCTS) and that the VTE's jurisdiction would be transferred to a new First-tier Tribunal Property Chamber. The VTS and VTE continue to have dialogue with DCLG and HMCTS, but the way forward has not been finalised. This continues to present the VTS with great challenges in maintaining a 'business as usual' environment in a continuing period of uncertainty. This initial direction of travel was very much linked with the creation of the Property Chamber. However, discussions on the VTS and VTE were de-coupled from that process and the Property Chamber was established on 1 July 2013 without the VTE. This uncertainty regarding our future limits our ability to plan ahead confidently.

Equally critical is maintaining service delivery against a backdrop of a reducing number of members of the VTE and an increased volume of listed appeals to meet the clearance target for non-domestic rating appeals announced in the Chancellor's Autumn Statement on 5 December 2013. This committed the VTS and the Valuation Office Agency to clear 95% of the outstanding appeals as at 30 September 2013 by July 2015. The reduction in VTE member numbers is a matter for regular discussion with the President, who has been reluctant to move ahead with any recruitment whilst the position with regard to possible transfer of the VTE to the First-tier Tribunal is unresolved.

Managing members of the VTE is a matter for the President. There are regular three-way meetings in place between the VTS Chairman, the President and me to discuss and address matters of mutual interest and concern. I ask the VTE President to maintain a risk register and submit it to me quarterly. This ensures that I am kept apprised of any issues affecting the proper functioning of the VTE.

Governance framework

Established under the Local Government Act 2003, and created on 1 April 2004, the VTS provides or arranges for the provision of the services required for the operation of the VTE and gives general advice about procedure relating to proceedings before the Tribunal. In providing this support we must ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively at all times.

The VTS is governed by a non-executive Board of seven, the majority of whom must be VTE Chairmen. The composition of the Board will change on 1 April 2014. However, for the 2013-14 financial year, there were three Chairmen of the VTE on the Board as well as the VTE President. Whilst the VTE President is *ex officio*, the Chairman and other Members of the Board are appointed by the Secretary of State for DCLG in accordance with the Code of Practice of the Commissioner for Public Appointments.

The Board observes the *Corporate governance code for central government departments* and the Code's principles. The Framework Document governs the relationship between the VTS and DCLG. Since September 2013, I have had quarterly Accounting Officer meetings with the sponsoring team, which the VTS Chairman and the Finance Director also attend. In addition there are monthly accountability meetings with the sponsoring team where financial progress against budgets, staffing resources, the risk register and achievement of objectives against our Business Plan are reviewed and discussed. In addition, I have regular email exchanges and dialogue with our sponsoring team, who also receive Board minutes.

The Board is collectively responsible for decision making and sets the strategic direction of the organisation. Board agendas are structured to differentiate between reports for information and those for decision, and the Board receives regular reports on risk, performance against objectives and budget monitoring. The Board approves the budget and the Annual Report and Accounts. My Chief Executive's Report, prepared for each Board meeting, provides an honest description of key activities and outcomes and is an important source of information and assurance. The Finance Director and I attend all meetings of the Board, except for those 'Part 2' meetings about staffing matters, at which only Board Members are present. The quality of information used by the Board was measured by an internal audit report on Board assurance during the year, which achieved 'reasonable assurance'.

The Board reviews its Corporate Governance Framework periodically to ensure it remains robust. The current framework was reviewed during the year and included the Board's Standing Orders and Scheme of Delegations, Standing Financial Instructions, Procurement Policy and Ways of Working. The Board met formally on eight occasions during the year, one of which included wider discussions on strategic matters, focussing on IT challenges within the organisation, finance and capital expenditure in moving forward and rebalancing workload and workforce. The Board comprises:

- Chairman, Anne Galbraith CBE, appointment extended until 31 October 2016
- Deputy Chairman, Peter J Lawton, appointed until 31 March 2014
- Dr Ronald Barham, appointment extended until 31 March 2016

- Margaret May, appointed until 31 October 2014
- John O'Shea, appointment extended until 31 March 2017 (and appointed Deputy Chairman from 1 April 2014)
- Ian Tighe, appointment extended until 31 March 2017
- Professor Graham Zellick CBE, QC (VTE President), an *ex officio* Member of the Board.

Board Members, with the exception of the VTE President, are appraised annually by the Chairman, who in turn is appraised by the sponsoring Department. These appraisals assess individual performance, which in turn translates in to the collective effectiveness of the Board. The Board conducted its own review of effectiveness in 2013-14, using a maturity model adapted from the National School of Government. The responses from Board Members showed that none of the Board's practices and behaviours were considered to fall in the 'immature' category and there was a good proportion where the view was that practices were 'mature'.

The Board also received its annual feedback on external stakeholder perceptions of the service provided through a presentation of the findings of independent surveys of appellants carried out during the year. This feedback is important in providing a measure of the Board's effectiveness in the decisions it takes regarding the continuing improvement of service delivery.

The focus of the Board during this financial year has been very much on ensuring that normal business is maintained against an environment of financial constraints and moratoria on recruitment. Whilst the moratoria have been relaxed in the latter months, albeit under stringent guidelines, the financial constraints remain prevalent.

The impact of the Chancellor's announcement to clear 95% of appeals outstanding as at September 2013 and the Government's proposed introduction of reforms to non-domestic rating appeals on 1 October 2014 has very much directed the Board's attention. Last year, whilst the VTS introduced an IT platform that enabled the successful implementation of an administrative system to deal effectively with local council tax reduction scheme appeals, in the process it was responsible for contributing to DCLG's accounts being qualified, although our own audited statutory accounts were laid before Parliament with an unqualified audit opinion. This was because a breach of DCLG's Capital Departmental Expenditure Limit (DEL) arose as a result of the VTS's purchase of capital assets, in the absence of a specific capital budget allocated by DCLG. As rating appeals reform will require substantial IT change, it is understandable that there is nervousness within the organisation in moving forward with Government's intentions, which are again against a very tight timescale and when regulatory requirements are not yet in place.

The complications of working with numerous, legacy pension funds continues to focus the Board's thinking. The triennial valuation has had major financial impact and, working in conjunction with DCLG, we have managed to mitigate this. The complexities of dealing with so many LGPS funds is illustrated by the prior year adjustment change to the accounts for 2012-13 we have made. The actuarial assessment of fund deficit this year identified two funds for which no returns had previously been submitted and therefore the VTS was unaware that it held these liabilities. This is explained more fully in Note 11 to the accounts. There remains, however, a need to continue to work with the sponsoring Department towards a means of consolidating these schemes into one.

Board Members' attendance and Committee membership

Board Committees	Anne Galbraith	Peter Lawton	Graham Zellick	John O'Shea	Ronald Barham	Ian Tighe	Margaret May
Attendance at Board meetings (eight in all)	8	8	7	8	7	7	8
Audit		Member		Chairman	Member		Observer
Finance	Chairman					Member	Member
Members' Training Strategy Group		Chairman					
Remuneration	Member	Chairman			Member		

■ Chairman

■ Member

■ Observer

Four committees support the Board in the effective governance of the VTS:

The Audit Committee provides the Board with an independent view of the assurance framework, overseeing the risk management strategy through 'tests' of the various risk registers to ensure that processes in place are effective and robust. I attend the Audit Committee to provide update to the risk register and present various reports. Internal and External Auditors also attend meetings at which their reports are reviewed and actioned. The Committee met four times during the year. It comprises three Members of the Board, one of whom is appointed by the Board as the Committee Chair, and one independent member. In February the independent member retired after six and a half years' service and, following an open competition, a new independent member, Dr David Horne, was appointed. A member of the Board's Finance Committee attends as an observer. The Finance Director, Finance Manager and I also attend to present various reports and a DCLG representative also now attends. At the end of every meeting, the Committee has a private session with the auditors, with no staff present. There have been no matters of concern raised with me following these private sessions, which I would have expected had any issues arisen.

During the year, this Committee reviewed and recommended to the Board the adoption of the revised Standing Financial Instructions, Procurement Policy, Fraud Policy and Whistle-blowing Policy. The Audit Committee also considered all internal audit reports and monitored progress against management responses to and action plans for the various recommendations. During the year there was a specific audit to provide assurance on the processes put in place to enable the effective administration of appeals under the new council tax reduction (CTR) regime. The audit recorded, 'overall controls around the administration of CTR appeals are sound'.

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The Finance Committee comprises three Board Members (including the VTS Chairman) and met five times during the year. This Committee monitors all financial aspects of the VTS and supports me, as the Accounting Officer, and provides assurance to the Board on financial planning and management. It has been a particularly challenging year for this Committee in view of the breach in Capital DEL budget that we were made aware of in June 2013 which contributed to our sponsoring Department's accounts being qualified. Our audited, statutory accounts were laid before Parliament on 26 June 2013 with a clear audit opinion. This occurred because of a miscommunication between the VTS and DCLG relating to our capital expenditure and the budgetary implications for the Department's resource accounts. We carried out an immediate lessons learnt exercise and recognised some flaws in our previous forecasting processes. The Committee played a full part in assisting DCLG to review financial capability of its arm's length bodies in line with the Department's Audit and Risk Committee recommendations. The Finance Committee also recommended to the Board that the internal auditors be commissioned to carry out a review of our financial capability. This subsequently took place and we are acting upon the recommendations.

The Remuneration and Terms of Service Committee determines policy on executive remuneration and terms and conditions of service. This Committee of three Board Members (including the VTS Chairman) also exercises general oversight on matters relating to staff pay and performance. During 2013-14 the Committee met to recommend to the Board the level of performance considered appropriate for the Chief Executive and Finance Director.

The Members' Training Strategy Group advises the VTE President and Board on the formulation and evaluation of an annual training programme for VTE members. It is tasked with ensuring that VTS resources are committed appropriately in the provision of training. The Chairman of this Group is a Board Member appointed by the VTS Board after consultation with the President and members are appointed to this Group by the President. The Committee met twice during the year to review training requirements for VTE members and develop a programme.

I meet with the VTS Chairman weekly, and the Chairman and I meet formally with the VTE President fortnightly in order to ensure effective partnership working. At such meetings, the focus is on current issues of performance, legislation and judicial matters, including the impact of various VTE Practice Statements.

There are four management committees that provide me with additional support:

- **Strategic Management Group (SMG)** – comprises the Chief Executive, Finance Director, Head of HR & Training and the Operations Manager. The SMG is responsible for advising me on implementing operational and strategic Board-approved plans, and to provide strategic direction to staff. The SMG met seven times during the year.
- **Senior Operations Management Team (SOMT)** – responsible for reviewing all operational activity and for supporting the Chief Executive to ensure delivery of VTS strategic business objectives, and for developing and implementing improved business processes to enhance service provision. The SOMT comprises the Operations Manager, the Registrar and our two Service Delivery Managers.
- **Programme Management Group (PMG)** – responsible for ensuring project activity is properly planned, structured and resourced, constantly assessing risk and benefits to ensure approved outcomes remain achievable. As Chief Executive, I chair the meetings of the PMG, which met eight times during the year. Membership is drawn from the SMG and other specialist staff depending on the project under evaluation, with the attendance of a Board Member who has particular experience in project evaluation scenarios and the Chairman of the VTS. Project control papers are distributed at each meeting highlighting risk issues and activity monitoring reports.

- **Change Approvals Board (CAB)** – To maintain control over IT changes resulting from VTE requirements and changes in process I established the CAB so that any changes identified can be discussed, costed and evaluated and benefits analysed prior to implementation through the PMG. Other than me as chairman of this Board, the CAB is made up of the Operations Manager, the IT Manager and the IT Support Officer.

Monitoring performance

The VTS produces a rolling Forward Plan for Ministerial approval, that outlines the vision and objectives for the organisation. The Board and the sponsor team receive a performance report quarterly at meetings. This report is aligned to our Business Plan objectives and details our performances in each of the key strategic areas, namely:

- support the VTE
- improve the way we work and the quality and consistency of our service to all stakeholders
- operate in ways which are efficient, economic and provide value for money
- build capacity to deliver through our people.

Of the 23 objectives originally set in 2013-14, 17 were fully achieved; carried forward to next year are the five objectives that were completed in part and the objective on developing lean processes for finance that was delayed in the light of the more central finance changes introduced by our sponsoring body. Ten new objectives arose during the year; five of these had been achieved, three completed in part and two were at the preparatory stage. Completion of the partially achieved objectives will be carried forward in 2014-15.

On my behalf, the Finance Director prepares and submits an annual budget to the Board for approval prior to the start of the new financial year. Financial performance against budget is monitored at every Board meeting. The Finance Director is also responsible for the detailed finance protocols, procedures, guidance and training to budget holders and other staff.

The VTS's budget is devolved to individual budget holders under written and signed delegated authority. The Finance Director and I hold meetings with budget holders, particularly after pre-planned budget revisions, to assess and monitor performance. In relation to my own functional areas of responsibility, I treat the control of allocated budgets in the same way. As Accounting Officer, I receive an annual assurance statement from the Finance Director on matters of financial compliance, security of information and compliance of procedure with fraud mitigation.

Our two operational offices in Doncaster and London administer processes linked with the receipt, management and determination of appeals, and carry out other activities aligned to the Forward Plan. The teams in these offices, under the Operations Manager, also record myriad statistical data to enable performance reporting on all activity. We continue to maintain our peripatetic, home-based workforce to support hearings throughout England.

Risk management and assurance framework

The Risk Management Policy, published on the intranet, sets out the key features of risk management and provides guidance for staff on their role in the process. I am responsible to the Board for ensuring that risks are managed effectively. There are a number of more detailed operational risk registers underpinning the strategic risk register. Each risk register owner takes responsibility for their own area of operation and reports on the processes of risk assessment, management actions to mitigate risk and highlight the possibility of risk failure. The registers clearly identify risk owners and mitigating strategies ensuring risk owners respond quickly. Risk registers are submitted to me quarterly. I carry out my assessment of the overarching strategic risk register with the SMG at each of its meetings.

We have embedded a culture where risk management is not just a process but is integral to decisions we make. Risks are identified in a variety of ways, including the continuous review of operations and the evaluation of new challenges and opportunities. All reports to the Board include a section, on risk implications.

The review of the strategic risk register is a standing agenda item at Board and Audit Committee meetings. The Audit Committee maintains an overview of risk management and considers the risk profile in the strategic risk register. The Committee receives an Internal Audit report annually on the overall effectiveness of internal controls including risk management.

During the year good practice training sessions were held in both offices on aspects of our Information Security System (ISS), in particular data security and information protection. The programme also included videos on the Data Protection Act and Freedom of Information Act, and covered business continuity and incident response planning. In October a problem caused by poor weather was used as a test of our incident planning and the findings were reported to the Audit Committee in December. Whilst this test was largely successful, there were some lessons learned, which will form part of an update to the business continuity and incident response plan later in 2014.

The Board has appointed the Finance Director as the senior information risk owner (SIRO) who is required to ensure that I am apprised of any matter which may affect information assurance and data security. The SIRO provides me with an assurance statement, which is drawn from similar assurances confirmed to him by each information asset owner and budget holder. Whilst much of the data the VTS produces and manages is in the public domain, the VTS operates within the demands of the Cabinet Office's security policy framework and the requirements of the Data Protection Act, as well as respecting the public access rights in the Freedom of Information Act. There have been no information and protective security breaches during the year and there were no significant control weaknesses during the year ended 31 March 2014 or up to the date of approval of our Annual Report and Accounts.

We continue to look at ways of improving our data handling. During the year we revised our mandatory e-learning module on data handling and introduced a fraud awareness e-learning module to further support our policies. All staff were required to pass these modules at Level 1 and managers were required to pass higher levels in a process managed and monitored by our Head of HR and Training. Responsibilities regarding data handling are set out in contracts of employment to recognise their importance.

Throughout the year I gain assurance regarding the performance of the VTS through a number of sources:

Internal Audit: The Head of Internal Audit provides me with assurance on the systems of internal control. All audit reports are reviewed at Audit Committee meetings to ensure appropriate challenge. All agreed audit recommendations are logged and progress against implementation is monitored and reported at every SMG and Audit Committee meeting.

Six audits were conducted in 2013-14 covering core financial controls, business continuity, data management, administration of council tax reduction appeals and financial capability review. These reports concluded that there were no significant weaknesses.

Internal Audit has provided me with confirmation that, on the basis of work completed, 'reasonable assurance' is given on the effectiveness of the VTS's risk management, control and governance processes reviewed as part of the 2013-14 Internal Audit plan.

Working with the Board: I meet frequently with the Chairman of the Board and keep in close contact with her on any significant issues and developments, ensuring she is both up to speed and able to provide appropriate challenge and support. I encourage and expect members of the senior management team to keep lead staff similarly briefed and to seek feedback.

Liaison meetings with our sponsoring teams: The Chairman of the Board and I meet regularly with the Policy and Finance teams within DCLG in several forums, providing a vehicle to discuss a variety of matters.

Strategic Management Group (SMG): The SMG considers all strategic and policy issues affecting the delivery of VTS aims and objectives and has collective responsibility for advising me regarding financial and operational performance and risk management. SMG is presented with monthly performance reports and considers the risk implications of all proposals that are brought before it.

Programme Management Group (PMG): This Group monitors the project programme and considers the risk implications of projects brought before it.

Personal Assurance: I gain personal assurance by attending various meetings with operational staff. These meetings provide opportunities for informal, direct communication with front line staff and enable me to keep in touch with operational delivery across both offices.

Significant risks and issues

The uncertainty around potential abolition continues to present a significant challenge. The lack of a final decision has had an understandably negative effect on staff. Continuing to manage and engage a workforce who are facing this uncertainty during a period of significant Government change in the local taxation framework presents major challenges. The continuing reductions in the VTE membership will inevitably eventually impact on our ability to hear appeals. These challenges will persist until a solution is found that is acceptable to the Cabinet Office, DCLG, HMCTS and the Ministry of Justice. We will continue to protect, enhance and apply our specialist non-domestic rating and council tax knowledge, built up over many decades, to deliver an effective service. We are very sensitive to the effective use of public money in the present economic circumstances and of the financial constraints we and DCLG face. Recognising this, funding reductions are inevitably taking their toll on the levels of service delivery.

Recent changes within DCLG have seen the introduction of a centralised finance team to engage with arm's length bodies. In practice we now have two sponsoring teams within DCLG, Finance and Policy. This inevitably impacts on us in striving to deliver Ministerial policy around business rates and council tax as there are two different teams to work with, each with its own focus. This new dual sponsorship is in its early days and we are working hard to establish effective relationships and well connected communications.

During the course of the closure of the accounts it emerged that the schedules returned by the actuaries appointed by the VTS for 2012-13 had omitted deficits from two LGPS funds, Oxfordshire and East Riding. The issue is described in more detail in the financial statements where a prior period adjustment has been made and reflected in the 2012-13 comparative figures.

There are two on going concerns which I consider present a risk to our operations. The pensions issue with its complexity and the potential volatility of our liabilities continues to be an area of great concern for us as the triennial valuations impact. We continue to work closely with our sponsoring Department regarding this risk. Further, we are required under the Local Government Act 2003 to provide services to support the operation of the VTE. The Act places a specific duty on us to carry out our functions with respect to the VTE in the manner which we consider best calculated to secure the VTE's efficient and independent operation. Meeting the expectations of the VTE within current financial pressures, where there is no magic solution, particularly with a new appeals system coming into force shortly, will require fine balancing in terms of harmonising my role as Accounting Officer with judicial expectations. Striking a balance with what is feasible will undoubtedly continue to present me with challenges.

We are determined to maintain the effective delivery of our service during this continuing period of uncertainty regarding longevity. We will continue to manage our risks closely and to keep under active review the implications of our pension liability for non-active pension funds. Our priorities for 2014-15 will be to introduce the Government's business rates reform proposals and to work towards our target of clearing 95% of rating appeals.

Antonio Masella
Accounting Officer
Valuation Tribunal Service
18 June 2014

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

I certify that I have audited the financial statements of the Valuation Tribunal Service for the year ended 31 March 2014 under the Local Government Act 2003. The financial statements comprise the Statements of: Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Board, the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Valuation Tribunal Service's affairs as at 31 March 2014 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Local Government Act 2003 and Secretary of State directions issued thereunder.

Emphasis of matter paragraph reflecting going concern uncertainty

In forming an opinion, which is not qualified, I have considered the adequacy of the disclosures made in Note 1.2 to the financial statements concerning the application of the going concern principle in light of the Government's announcement in the Public Bodies Act 2011 of its intention to abolish the Valuation Tribunal Service and transfer its functions to HM Courts and Tribunals Service. This is subject to further legislation. The proposal indicates the existence of a material uncertainty which may cast significant doubt about the ability of the Valuation Tribunal Service to continue as a going concern. The financial statements do not include the adjustments that would result if the Valuation Tribunal Service was unable to continue as a going concern.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse

Comptroller and Auditor General

25 June 2014

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

Statement of Comprehensive Net Expenditure
for the year ended 31 March 2013

	Note	2013-14 £'000	2012-13 as restated £'000
Expenditure			
Staff costs	2	3,520	3,495
Other expenditure	3	3,173	3,368
Staff costs and other expenditure		**6,693**	**6,863**
Depreciation and amortisation	4	540	434
Net expenditure		**7,233**	**7,297**
Net interest charges arising from pension obligations	11a	**818**	**591**
Net expenditure after interest		**8,051**	**7,888**
Other comprehensive expenditure			
Net loss/(gain) on revaluation of property, plant and equipment	5	29	(13)
Actuarial (gain)/loss on pension schemes	11	(3,915)	1,292
Total comprehensive expenditure for the year ended 31 March 2014		**4,165**	**9,167**

All results are from continuing operations.

Details of the restatement of 2012-13 comparative figures can be found in Note 11.

The notes on pages 44 to 62 form part of these accounts.

Statement of Financial Position
as at 31 March 2014

	Note	31 March 2014 £'000	31 March 2013 as restated £'000	31 March 2012 as restated £'000
Non-current assets				
– Property, plant and equipment	5	202	385	302
– Intangible assets	6	797	1,227	702
Total non-current assets		**999**	**1,612**	**1,004**
Current assets				
– Trade and other receivables	7	377	343	271
– Cash and cash equivalents	8	3	3	1
Total current assets		**380**	**346**	**272**
Total assets		**1,379**	**1,958**	**1,276**
Current liabilities				
– Trade and other payables	9	(412)	(636)	(982)
– Provisions	10	(88)	(237)	(81)
Total current liabilities		**(500)**	**(873)**	**(1,063)**
Total assets less current liabilities		**879**	**1,085**	**213**
Non-current liabilities				
– Pension liabilities	11	(16,753)	(20,831)	(19,046)
Total non-current liabilities		**(16,753)**	**(20,831)**	**(19,046)**
Assets less liabilities		**(15,874)**	**(19,746)**	**(18,833)**
Taxpayers' equity				
– Net Expenditure Reserve		879	1,085	213
– Pension Fund Reserve	12	(16,753)	(20,831)	(19,046)
		(15,874)	**(19,746)**	**(18,833)**

Details of the restatement of 31 March 2012 and 31 March 2013 figures can be found in Note 11.

The notes on pages 44 to 62 form part of these accounts.

The financial statements were approved by the Board on 18 June 2014 and were signed on its behalf by:

Antonio Masella
Chief Executive and Accounting Officer
Valuation Tribunal Service
18 June 2014

Anne Galbraith
Chairman
Valuation Tribunal Service
18 June 2014

Statement of Cash Flows
for the year ended 31 March 2014

	Note	2013-14 £'000	2012-13 as restated £'000
Cash flows from operating activities			
Net expenditure after interest		(8,051)	(7,888)
Depreciation and amortisation	4	540	434
Pension movement from Reserve		(162)	493
Adjustment of non-current assets		105	–
(Increase) in trade and other receivables		(34)	(72)
(Decrease) in trade payables		(224)	(346)
(Decrease)/increase in provision		(149)	156
Net cash outflow from operating activities		**(7,975)**	**(7,223)**
Cash flows from investing activities			
Net purchase of property, plant and equipment	5	(9)	(256)
Purchase of intangible assets	6	(65)	(784)
Proceeds for sale of non-current assets		12	11
Net cash outflow from investing activities		**(62)**	**(1,029)**
Cash flows from financing activities			
Grant in aid received from sponsoring department		8,037	8,254
Net financing		**8,037**	**8,254**
Net increase/(decrease) in cash and cash equivalents in the period		**–**	**2**
Cash and cash equivalents at 1 April 2013		**3**	**1**
Cash and cash equivalents at 31 March 2014	8	**3**	**3**

The notes on pages 44 to 62 form part of these accounts.

Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2014

	Note	SoCNE Reserve £'000	Pension Reserve £'000	Total Reserve £'000
Balance at 31 March 2012 as previously stated		**213**	**(18,489)**	**(18,276)**
Prior year adjustment	11		(557)	(557)
Balance at 31 March 2012 as restated		**213**	**(19,046)**	**(18,833)**
Changes in Taxpayers' Equity 2012-13				
Recognised in Statement of Total Comprehensive Net Expenditure		(9,167)	–	(9,167)
Movement on pensions		1,785	(1,785)	–
Grant in aid from sponsoring Department		8,254	–	8,254
Balance at 31 March 2013		**1,085**	**(20,831)**	**(19,746)**
Changes in Taxpayers' Equity 2013-14				
Recognised in Statement of Comprehensive Net Expenditure		(4,165)	–	(4,165)
Movement on pensions		(4,078)	4,078	–
Grant in aid from sponsoring Department		8,037	–	8,037
Balance at 31 March 2014		**879**	**(16,753)**	**(15,874)**

The notes on pages 44 to 62 form part of these accounts.

Notes to the Accounts

1 Statement of accounting policies

1.1 Basis of preparation

These financial statements have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. The accounting policies also meet the accounting and disclosure requirements of the Companies Act 2006 to the extent these are appropriate. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the VTS for the purpose of giving a true and fair view has been selected. The accounting policies have been applied consistently in dealing with items that are considered material to the financial statements. All policies adopted for the VTS are described below.

1.2 Going concern basis

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

The Government announced its intention in its Public Bodies Act 2011 to abolish the VTS and transfer its functions into HMCTS. The Ministry of Justice would become the sponsoring Department in respect of the transferred functions. This is subject to legislation.

At the point of closure of these Accounts, it is proposed that the VTS, in its current legal form, will be abolished. Discussions with DCLG, and the appointment of Board members for at least two annual terms, have indicated to management that the VTS will continue to operate in its current form at least until 31 March 2016. As a result, management considers it appropriate to continue to adopt the going concern basis in preparing the Annual Report and Accounts.

The Statement of Financial Position shows net liabilities of £15,874,000 at 31 March 2014. This reflects the inclusion of pension liabilities falling due in future years which, to the extent that they are not to be met from the VTS's other sources of income, may only be met by future grants or grant in aid from the sponsoring Department. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

The grant in aid for 2014-15 takes into account the amounts required to meet the VTS's liabilities falling due in that year. This has already been included in the Department's Parliamentary estimates for that year. The Department has confirmed funding for 2014-15 and indicative funding for 2015-16 ahead of the next Spending Review round. Liability for all pension payments will continue to fall on the sponsoring Department.

1.3 Standards adopted by the VTS

The financial statements have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

1.4 Future accounting developments

We apply International Accounting Standards as set out in the FReM as applying to Central Government (Public Sector) bodies and we will apply the new and revised standards where relevant and consider their impact in detail once adopted by the FReM. The VTS does conform to the IASB Practice Statement by providing a detailed Management Commentary (pages 5 to 20).

Amendments to IFRSs

IFRS 7/IAS32 – Financial Instruments: Disclosures and Reporting: the VTS need not comply with the current standard but further reference to this is made in Note 16 to the financial statements.

IAS2/IAS 16 – Property, Plant and Equipment and Inventories: the VTS has neither any servicing equipment nor spare parts which meet the definitions in IAS 16, nor be classified as inventory under IAS 2.

Major FReM changes for 2013-14

The VTS has reviewed the major FReM changes for 2013-14 and determined that only IAS 19 amendments will have a significant impact on the VTS's financial statements. IAS 19 Post Employment Benefits (Pensions): the VTS has amended Note 11 (Non-current pension liabilities) to take account of Regulation changes for new presentation and disclosure of termination benefits. This change affects the VTS's defined benefit pension schemes' accounting which VTS's professional advisers have adopted in its valuations at 31 March 2014.

1.5 Non-current assets

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

1.5a Property, plant and equipment

Property, plant and equipment are capitalised where they have an expected useful life of more than one year and where the original cost of the item exceeds £5,000 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.

The VTS does not hold any financial interest in land or buildings; it occupies premises rented or leased from its landlords. The VTS has property lease obligations on two offices as at 31 March 2014.

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

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

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

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

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

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

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

1.6 Intangible assets

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

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

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

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

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

1.7 Inventories

The VTS aims to hold inventories at a level that is commensurate with immediate business needs. Therefore, inventory holdings are minimal and have no significant realisable value outside the VTS. Inventory has, therefore, been valued at zero for the year ended 31 March 2014 (2013: £Nil).

1.8 Grant in aid

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

GIA is treated for reporting purposes as an 'administrative budget' but allocated for expenditure purposes between Revenue and Capital. Total GIA is credited to the Net Expenditure Reserve.

1.9 Employee benefits

In compliance with its Accounts Direction and the FReM, the VTS has accounted for employee benefits under IAS 19. This accounting standard prescribes the treatment of retirement benefits in the accounts of employing entities. 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 members of 18 separate LGPS pension funds, each with their own employer contribution rate for VTS employees.

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

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

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

Past service costs are normally recognised immediately in the Statement of Comprehensive Net Expenditure, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period).

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

IAS 19 requires an organisation to account for pension liabilities as they arise, regardless of when pension payments are due to be paid. Setting side by side 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 a surplus. The total net deficit arising for the VTS, as at 31 March 2014 is £16,753,000. The assessment of current surplus or deficit arising from an IAS 19 valuation carries with it no additional payment requirement from the VTS to its LGPS pensions authorities as the separate LGPS actuarial valuation, carried out every three years, sets revised employer contribution rates and, in some funds, additional deficit payments for each employer, such as the VTS, to ensure that existing assets and future contributions will be sufficient to meet future pension payments.

During 2013-14 the VTS made contributory payments to 13 Funds following the 2013 triennial valuation results. The VTS will endeavour to reduce such liabilities where funds allow and agreements for full settlement to be entered into with the relevant local government pension scheme.

The VTS is sponsored by DCLG. As such, there is no risk that it will default on its LGPS contribution payments. The pension obligations are fully funded by DCLG and protected at all times.

1.10 Leases

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

1.11 Provisions

The VTS provides for legal or constructive obligations which are of uncertain timing or amount at 31 March 2014 on the basis of the best estimate of the expenditure required to settle the obligation. This practice conforms to IAS 37.

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

Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the HM Treasury discount rate of 2.2% (2012-13: 2.2%) in real terms.

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

1.12 Third party assets

The VTS does not hold nor has it transacted any assets belonging to a third party. Transactions with third parties are consistently dealt with at arm's length.

1.13 VAT

The VTS is not VAT registered. Where goods and services include a charge for VAT the VAT-inclusive cost is charged to the relevant expenditure category or included in the capitalised purchase cost of property, plant and equipment and intangible assets.

1.14 Taxation

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

1.15 Liquidity risk

The VTS's Revenue and Capital resource requirements are financed by resources voted annually by Parliament. The VTS is not, therefore, exposed to significant liquidity risks.

1.16 Interest rate risk

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

1.17 Foreign exchange risk

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

1.18 Critical accounting judgements and key sources of estimation uncertainty

The application of the accounting policies requires judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Note 10 shows the provision recognised for the payment of dilapidations on the exit from leases, which are assessed on the best estimate of the liability which has been incurred.

Note 11 sets out the VTS's pension liability, and sets out the judgements, estimates and assumptions made in respect of this. The liability takes account of all active and non-active fund valuations. The defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included from which the yield curve is derived. Following the introduction of pension regulation changes on 1 October 2012, the VTS took legal advice, particularly on the liability position with its non-active schemes, and considered that no charge would arise other than on a basis already computed in accordance with IAS 19.

2 Staff numbers and related costs

	2013-14 £'000	2012-13 as restated £'000
Staff costs comprise:		
Wages and salaries	2,666	2,520
Social security costs	231	222
Pension costs – current service cost	567	609
– other	26	52
	3,490	**3,403**
Other staff costs		
Fringe benefits	6	4
Agency costs	24	88
	30	**92**
Total net costs	**3,520**	**3,495**

2012-13 has been restated to disclose IAS 19 pension changes.

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

Average number of persons employed

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

2013-14	Permanent staff	Others	2013-14 Total	2012-13 Total
Directly employed	84	–	84	76
Other	–	1	1	2
Total	**84**	**1**	**85**	**78**

2.1 Reporting compensation schemes – exit packages

In 2013-14 no compensation payments were made nor were there any redundancies. The value of exit packages was £Nil (2012-13: £Nil)

Contents

3 Other expenditure

	2013-14 £'000	2012-13 £'000
3a Board expenditure		
Emoluments	95	95
Training	2	1
Travel and subsistence	23	20
Total Board expenditure	**120**	**116**

	2013-14 £'000	2012-13 £'000
3b Valuation Tribunal For England (VTE)		
Staff costs	141	135
Travel and subsistence	6	2
Financial loss allowance	48	52
Training	80	103
Members' meetings and expenses	173	206
Tribunal hearings	151	122
Other expenses	73	55
Total VTE expenditure	**672**	**675**

	2013-14 £'000	2012-13 £'000
3c Other administrative expenditure		
Travel and subsistence	140	119
Furniture and office equipment	–	9
Telecommunications and postage	392	350
Publications, printing and customer services	64	58
Recruitment, training and development	70	87
Meeting expenses	8	7
Pension fund interest	–	17
Office supplies	51	49
Subscriptions to professional bodies	10	10
Support services[1]	752	804
Information technology	452	286
Total other administrative expenditure	**1,939**	**1,796**
Internal audit fees	17	25
Non-audit fees[2]	7	–
External audit fees	39	39
Total administrative expenditure	**2,794**	**2,651**

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

2 During the year the VTS purchased non-audit services from the internal auditors, Moore Stephens LLP, relating to a Financial Capability Review.

Contents

3d Estates expenditure

	2013-14 £'000	2012-13 £'000
Domestic services	25	23
Heating and lighting	21	21
Variable maintenance	39	39
Insurance	8	8
Professional services	–	7
Rates	105	103
Rent – paid as operating leases (buildings)	257	290
Security	–	1
Service charges	73	60
Dilapidations (released)/charged	(149)	156
Building risk assessments	–	9
Total estates expenditure	**379**	**717**
Total other expenditure	**3,173**	**3,368**

4 Depreciation and amortisation

	Note	2013-14 £'000	2012-13 £'000
Property, plant and equipment			
Depreciation and write-offs	5	151	171
Loss on disposal of assets		–	4
Intangible assets			
Amortisation for year	6	389	259
Total depreciation and amortisation charge for year		**540**	**434**

5 Property, plant and equipment

	Leasehold improvements £'000	Furniture and fittings £'000	Information technology £'000	Total £'000
Cost or valuation				
At 1 April 2013	349	121	409	879
Additions	–	–	9	9
Disposals	–	–	(15)	(15)
Revaluations	–	(8)	(21)	(29)
At 31 March 2014	**349**	**113**	**382**	**844**
Depreciation				
At 1 April 2013	(294)	(45)	(155)	(494)
Disposals	–	–	3	3
Charge for period	(55)	(20)	(76)	(151)
At 31 March 2014	**(349)**	**(65)**	**(228)**	**(642)**
Net book value at 31 March 2014	**–**	**48**	**154**	**202**
Net book value at 31 March 2013	**55**	**76**	**254**	**385**

No assets are held under finance leases.

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

6 Intangible assets

	IT asset under construction £'000	IT development expenditure £'000	IT software and licences £'000	Total £'000
Cost or valuation				
At 1 April 2013	–	1,212	1,074	2,286
Additions	24	41	–	65
Adjustment	–	(106)	–	(106)
At 31 March 2014	**24**	**1,147**	**1,074**	**2,245**
Amortisation				
At 1 April 2012	–	(381)	(678)	(1,059)
Charge for period	–	(239)	(150)	(389)
At 31 March 2013	**–**	**(620)**	**(828)**	**(1,448)**
Net book value at 31 March 2014	**24**	**527**	**246**	**797**
Net book value at 31 March 2013	**–**	**831**	**396**	**1,227**

All assets are owned.

7 Trade receivables and other current assets

Amounts falling due within one year:

	2013-14 £'000	2012-13 £'000
Prepayments and accrued income	372	334
Season ticket interest free loans	5	9
Balance at 31 March	**377**	**343**

8 Cash and cash equivalents

	2013-14 £'000	2012-13 £'000
Cash at bank and in hand at 1 April	3	1
Increase in cash for the year	–	2
Cash at bank and in hand held at 31 March	**3**	**3**

The following balance at 31 March was held at:

Government banking services and cash in hand	3	3
	3	**3**

9 Trade payables and other current liabilities

	2013-14 £'000	2012-13 £'000
Amounts falling due within one year:		
Trade payables	27	83
Accruals and deferred income	385	553
Balance at 31 March	**412**	**636**

10 Provisions for liabilities and charges

	2013-14 £'000	2012-13 £'000
Balance at 1 April	237	81
Provisions utilised in the year	–	–
Provisions not required written back	(149)	–
Dilapidations based on third party valuations	–	156
Balance at 31 March	**88***	**237***

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

Analysis of expected timing of discounted flows:

	2013-14 Dilapidations £'000	2012-13 Dilapidations £'000
Not later than one year	–	156
Later than one year and not later than five years	88	81
Later than five years	–	–
Balance at 31 March	**88***	**237***

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

11 Non-current pension liabilities

	2013-14 £'000	2012-13 as restated £'000	2011-12 as restated £'000
Net pension liabilities at 1 April	20,831	19,046	15,316
(Reduction)/Addition in period	(4,078)	1,785	3,730
Net pension liabilities at 31 March	**16,753**	**20,831**	**19,046**

A provision has been recognised for pension liabilities and their valuation has been determined by the VTS's independent actuaries, Hymans Robertson LLP. Valuations of 33 LGPS funds for which the VTS has pension obligations have been based on valuations rolled forward from the last formal valuation of funds at 31 March 2013.

Restatement of comparative figures

During the year ending 31 March 2014, it became apparent that two LPGS funds where the VTS has an obligation were previously not recognised within the accounts, namely Oxfordshire and East Riding of Yorkshire. The liabilities are in respect of deferred and pensioner members, built up in one of the bodies that predated the VTS. The additional liabilities amounted to £944,000 although an increase in asset values reduced the net effect to £557,000. A prior period adjustment has been made in respect of these balances.

A new version of accounting standard IAS 19 was issued in January 2011 that applies to financial years starting on or after 1 January 2013. The actuarial changes required have been incorporated in this year's disclosure. During March 2014, the VTS made contributory payments arising from the March 2013 valuations to 13 funds and these payments have been included in the IAS 19 valuations. The impact of both of these restatements is shown in the tables below.

Statement of Comprehensive Net Expenditure for the year ended 31 March 2013

	2012-13 as previously stated £'000	2012-13 IAS 19 adjustments £'000	2012-13 recognition of additional pension liabilities £'000	2012-13 as restated £'000
Expenditure				
Staff costs	3,478	15	1	3,494
Other expenditure	3,368			3,368
Staff costs and other expenditure	**6,846**	**15**	**1**	**6,862**
Depreciation and amortisation	434			434
Net expenditure	**7,280**	**15**	**1**	**7,296**
Net interest charges arising from pension obligations	580	(15)	26	591
Net expenditure after interest	**7,860**	**–**	**27**	**7,887**
Other comprehensive expenditure				
Net loss/(gain) on revaluation of property, plant and equipment	(13)			(13)
Actuarial (gain)/loss on pension schemes	1,271		22	1,293
Total comprehensive expenditure for the year ended 31 March 2013	**9,118**	**–**	**49**	**9,167**

Statement of Financial Position at 31 March 2012 and 31 March 2013

	31 March 2012 as previously stated £'000	Recognition of additional pension liabilities £'000	31 March 2012 as restated £'000	31 March 2013 as previously stated £'000	Recognition of additional pension liabilities £'000	31 March 2013 as restated £'000
Pension liabilities	45,875	944	46,820	50,571	975	51,546
Pension assets	27,386	(387)	27,774	30,346	(369)	30,715
Net pension liabilities	**18,489**	**557**	**19,046**	**20,225**	**606**	**20,831**

The financial assumptions recommended by the VTS's professional advisers and used for purposes of the IAS 19 calculations for the two years to 31 March 2014 are shown in the table below.

Assumptions as at	31 March 2014 % p.a.	Real % p.a.	31 March 2013 % p.a.	Real % p.a.	31 March 2012 % p.a.	Real % p.a.
Price increases	2.30	–	2.50	–	2.50	–
Salary increases	4.30	1.96	4.30	1.76	4.30	1.76
Pension increases	2.30	–	2.50	–	2.50	–
Discount rate[1]	4.25	1.91	4.10	1.56	4.60	2.05

1 Based on the yield on corporate bonds of duration that broadly matches the liabilities of the Scheme; as at 31 March 2014; this was equal to 4.25% p.a.

The CPI inflation assumption has been determined assuming a long term difference between CPI and RPI of 1% p.a. As at 31 March 2014 the assumed rate of future CPI was 2.30% p.a. The real discount rate of 1.9% is derived from the difference between the nominal rate and the inflation assumption.

Employer contribution rates vary between schemes, with the current contribution rate for future services ranging from 8.6% to 35.3%. Life expectancy assumptions also vary between schemes, with a male deferred pensioner life expectancy at age 62 on 31 March 2014 varying between 24.3 and 26.0 years. As per IAS 19, the projected unit method of valuation has been used to calculate the service cost.

Expected return on assets

The return on assets has been assessed on a per fund basis in market value terms for the period 1 April 2013 to 31 March 2014. The estimated funds' returns for the period range from 0.3% to 10.6% with the average return approximately 6.3%.

As part of the changes in IAS 19 regulations, effective from 2014-15, expected return on assets' assumption has been brought into line with the discount rate applied to projections; the 2013-14 return is therefore 4.25%.

	Value and distribution at 31 March 2014		Value and distribution at 31 March 2013		Value and distribution at 31 March 2012	
Assets	**£'000**	**%**	**£'000**	**%**	**£'000**	**%**
Equities	26,155	76.26	22,701	73.90	18,847	68.82
Bonds	4,725	13.78	4,453	14.50	5,740	20.96
Property	2,422	7.06	2,555	8.32	3,045	7.47
Cash	993	2.90	1,006	3.28	754	2.75
Total	**34,295**	**100.00**	**30,715**	**100.00**	**28,386**	**100.00**

11a Revenue account costs for the years to 31 March 2013 and 31 March 2014

Changes in the fair value of plan assets, defined benefit obligations and net liability for year ended 31 March 2013.

Year ended 31 March 2013	Assets £'000	Obligations £'000	Net (liability)/ asset £'000
1 April 2012 – as previously stated	**27,386**	**45,876**	**(18,490)**
Adjustments for Oxfordshire and East Riding	388	943	(555)
1 April 2012 – as restated	**27,774**	**46,819**	**(19,045)**
Current service cost	–	609	(609)
Total service cost	**–**	**609**	**(609)**
Net interest			
– Interest income on plan assets	1,515	–	1,515
– Interest cost on defined benefit obligation	–	2,106	(2,106)
Total net interest	**1,515**	**2,106**	**(591)**
Total (expense)/income recognised in the income statement	**1,515**	**2,715**	**(1,200)**
Cash flows			
– Plan participant's contributions	193	193	–
– Employer contributions	708	–	708
– Benefits paid including expenses	(2,213)	(2,213)	–
Expected closing position	**27,977**	**47,514**	**(19,537)**
Remeasurements			
– Changes in financial assumptions	–	4,030	(4,030)
– Return on assets excluding amounts included in net interest	2,738	–	2,738
Total remeasurements recognised in other comprehensive income (OCI)	**2,738**	**4,030**	**(1,292)**
Closing position as at 31 March 2013	**30,715**	**51,544**	**(20,829)**

Changes in the fair value of plan assets, defined benefit obligations and net liability for year ended 31 March 2014.

Year ended 31 March 2014	Assets £'000	Obligations £'000	Net (liability)/ asset £'000
1 April 2013	**30,715**	**51,544**	**(20,829)**
Current service cost	–	567	(567)
Total service cost	**–**	**567**	**(567)**
Net interest			
– Interest income on plan assets	1,258	–	1,258
– Interest cost on defined benefit obligation	–	2,077	(2,077)
Total net interest	**1,258**	**2,077**	**(819)**
Total (expense)/income recognised in the income statement	**1,258**	**2,643**	**(1,386)**
Cash flows			
– Plan participant's contributions	187	187	–
– Employer contributions	1,547	–	1,547
– Benefits paid including expenses	(1,716)	(1,716)	–
– Unfunded benefits paid	(100)	(100)	–
Expected closing position	**31,891**	**52,559**	**(20,668)**
Remeasurements			
– Changes in demographic assumptions	–	590	(590)
– Changes in financial assumptions	–	(3,102)	3,102
– Experience	–	1,002	(1,002)
– Return on assets excluding amounts included in net interest	2,404	–	2,404
Total remeasurements recognised in other comprehensive income (OCI)	**2,404**	**(1,511)**	**3,915**
Closing position as at 31 March 2014	**34,295**	**51,048**	**(16,753)**

Statement of Financial Position disclosure at 31 March 2014

The asset values as at 31 March 2014 and 31 March 2013 are shown in Note 11 on page 55.

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

As at 31 March 2014 unfunded benefits amounted to £99,688 in total per year until death for 49 individuals, where either the VTS is paying directly to the pensioner or where the administering authority is acting as paying agent. The liability for unfunded benefits at 31 March 2014 was £1,572,000.

11b History of experience gains and losses

Year ended	31 March 2014 £'000	31 March 2013 (restated) £'000	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000
Fair value of employer assets	34,295	30,715	27,386	27,820	27,122
Present value of defined benefit obligation	(51,048)	(51,544)	(45,876)	(42,579)	(49,046)
Experience gains/(losses) on assets	2,404	2,738	(20)	(315)	5,782
% of assets	7.01%	8.91%	(0.07%)	(1.13%)	21.32%
Experience gains/(losses) on liabilities	(1,002)	–	(262)	2,323	63
% of liabilities	(1.96%)	–	(0.57%)	5.46%	0.13%
Actuarial (losses)/gains on liabilities	2,513	(4,031)	(4,050)	479	(14,876)
% of liabilities	4.92%	(7.82%)	(8.83%)	1.12%	(30.33%)

Note – the figures for 31 March 2014 have been restated; the others are unchanged as explained in Note 11.

Projected pension expense for the year to 31 March 2015

Analysis of projected amount to be charged to operating profit for the year to 31 March 2015.

Year ended	31 March 2015 £'000
Service cost	611
Net interest cost	639
Total net revenue account cost	**1,250**

Note – These figures exclude the capitalised cost of any early retirements or augmentations which may occur during 2014-15,and are indicative only. The projections are calculated using the methodology applicable to the new version of IAS 19.

12 Pension Fund Reserve

The Reserve represents the accumulated net movement on assets and liabilities across all 33 pension funds to which the VTS pays employer contributions. The actuarial valuations of all LGPS funds have resulted in accumulated liabilities exceeding assets thereby increasing the pension liabilities, with adjustments made for employer's contributions, annual charges for accrued benefits and early retirements.

13 Commitments under operating leases

The total of future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2013-14 £'000	2012-13 £'000
Buildings		
Not later than one year	132	243
Later than one year and not later than five years	–	49
Later than five years	–	–
	132	**292**

There were no annual commitments as at 31 March 2014 to pay rental on office equipment under lease agreements.

14 Capital commitments

Contracted capital commitments not otherwise included in the Accounts at 31 March 2014 were £28,885. (2013: £Nil).

15 Contingent liability

We have been informed of a potential judicial review, the likely timing and cost of which are uncertain. We estimate in the event of this becoming a reality the cost will be no more than £20,000.

16 Related party transactions

We are sponsored by the DCLG, which is regarded as a related party. During the reporting period we had a number of significant related party transactions. The most significant are IT management service and software development and shared use of SAP accounting software provided by DCLG's Finance and Shared Services Division (FSSD).

The values of related party transactions are as follows:

- Grant in aid of £8,037,028 (2012-13: £8,254,126) was received from DCLG, the VTS's sponsoring Department. The VTS is a non-departmental public body and during the year the year the VTS had various material transactions with the Department but not with any other entity for which DCLG is regarded as the parent Department
- Payments of £957,763 (2012-13: £975,853) were made to VOA for IT support and maintenance services. The VOA reports also to DCLG
- Payments of £66,000 (2012-13: £78,000) were made to DCLG's FSSD for accounting services
- Payments of £990,070 (2012-13: £217,432) were made to the LGPS pension fund representing employer's contributions for the year for funded and unfunded schemes, excluding settlements
- Payments of £157,240 (2012-13: £2,692)* were made to local councils for business rates
- Remittances to HMRC for social security costs of £843,474 (2012-13: £847,747).

* Represented by payments prior to 31 March for the following fiscal year.

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

17 Financial instruments

IAS 32/39, 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 IAS 32/39 mainly applies. The VTS has very limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day to day operational activities and are not held to change the risks facing the VTS in undertaking its activities.

As permitted by IAS 32/39, trade receivables and trade payables which mature or become payable within 12 months from the Statement of Financial Position date have been omitted from the currency profile.

18 Events after the reporting period

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

Accounts direction

The Valuation Tribunal Service

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

1 The annual accounts of The Valuation Tribunal Service (hereafter in this accounts direction referred to as 'the Service') shall give a true and fair view of the income and expenditure and cash flows for the year and the state of affairs at the year end. Subject to this requirement, the financial statements for 2010-11 and for subsequent years shall be prepared in accordance with:

(a) the accounting and disclosure requirements given in Managing Public Money and in the Government Financial Reporting Manual issued by the Treasury ('the FReM'), as amended or augmented from time to time;

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

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

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

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

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

4 This direction replaces all previously issued directions.

Signed by authority of the Secretary of State for Communities and Local Government

An officer in the Department for Communities and Local Government

31 March 2010

Notes

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